

**Company Registration No. 01823605**

**Dorchester Group Limited**

**Report and Consolidated Financial Statements**

**31 December 2007**

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# **Dorchester Group Limited**

## **Report and consolidated financial statements 2007**

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# **Dorchester Group Limited**

## **Report and consolidated financial statements 2007**

### **Officers and professional advisers**

#### **Directors**

Dr Awang Mohd Amin Liew Bin Abdullah (Chairman)  
Haji Saifulbahrı Haji Mansor  
Haji Ghani Hamid  
Pg Hj Md Airudin Pg Hj Mohamad

#### **Secretary**

Pg Hj Md Airudin Pg Hj Mohamad

#### **Registered Office**

3 Tilney Street  
London  
W1K 1BJ

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

#### **Bank**

The Royal Bank of Scotland  
Mayfair Branch  
Curzon Street  
London  
W1Y 7RF

#### **Solicitors**

Sidley Austin Brown and Wood  
Woolgate Exchange  
25 Basinghall Street  
London  
EC2V 5HA

Howard Kennedy, Solicitors  
19 Cavendish Square  
London  
W1A 2AW

# **Dorchester Group Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### **Principal activities and prospects**

During the year, the Group continued to own and manage

The Dorchester Hotel, London,

The Beverly Hills Hotel, Los Angeles,

Le Meurice, Paris,

Hotel Principe di Savoia, Milan,

Hotel Plaza Athenee, Paris,

Two investment properties in the United States of America, and

The management company for the Group, Dorchester Services Limited trading as The Dorchester Collection

The directors expect the Group to continue with its current activities of owning and managing hotels for the foreseeable future as well as continuing to look for other opportunities to explore and develop new projects

### **Business review**

The consolidated profit on ordinary activities after taxation is £39.7m (2006 profit of £12.4m). This profit was driven by an average occupancy rate of 72% at the Group's five properties. Further, the average room rate increased from £381 to £420 and REVpar increased 14% to £303.

The directors consider the results for the year to be satisfactory.

Details of significant events since the balance sheet date are contained in note 24 to the financial statements.

### **Proposed dividend and transfer to reserves**

The directors declared and paid a dividend of £1m (2006: £nil). The retained profit of £39.7m (2006 profit of £12.4m) was transferred to reserves.

### **Directors and their interests**

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

Dr Awang Mohd Amin Liew Bin Abdullah (Chairman)

Haji Saifulbahri Haji Mansor

Haji Ghani Hamid

Pg Hj Md Airudin Pg Hj Mohamad

Dayang Haslina Binti Haji Mohd Taib (resigned 20 November 2007)

Mr Riccardo Obertelli (resigned 12 February 2008)

The directors do not have any beneficial interests in the share capital of the company or its subsidiary undertakings.

There are no third party indemnities as at 31 December 2007.

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**

## **Directors' report (continued)**

### **Financial risk management**

The most important components of financial risk are interest rate risk, foreign currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the international nature of the company's business and the assets and liabilities contained within the company's balance sheet, the directors consider two types of risk to be relevant to this company: interest rate and currency risk.

Interest rate risk is hedged by having a capped interest rate on the hotel's major external debt. Funding for the hotels is arranged centrally by the company who regularly monitors interest rate risk. Foreign currency risk is mitigated by each hotel having local bank accounts in the local currency, which reduces its foreign exchange exposure.

### **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 £12,057 (2006: £10,985) for charitable purposes. There were no political donations.

### **Auditors**

A resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of S 234ZA of the Companies Act 1985.

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

Director

12 June 2008

## **Dorchester Group Limited**

### **Statement of Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 UK accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Dorchester Group Limited**

## **Independent auditors' report to the members of**

### **Dorchester Group Limited**

We have audited the financial statements of Dorchester Group Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and company's affairs as at 31 December 2007 and of the Group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London 12 June 2008

## Dorchester Group Limited

### Consolidated profit and loss account Year ended 31 December 2007

	Notes	2007 £000	2006 £000
<b>Turnover</b>	1, 3	231,032	206,282
Cost of sales		(105,312)	(96,555)
<b>Gross profit</b>		125,720	109,727
Administrative expenses		(75,839)	(76,439)
<b>Operating profit</b>	2, 3	49,881	33,288
Interest receivable and similar income	5	9,697	2,644
Interest payable and similar charges	6	(13,613)	(12,951)
<b>Profit on ordinary activities before taxation</b>		45,965	22,981
Tax charge on profit on ordinary activities	7	(6,299)	(10,560)
<b>Retained profit on ordinary activities after taxation for the financial year</b>	20	39,666	12,421

All of the results above derive from continuing operations

### Consolidated statement of total recognised gains and losses Year ended 31 December 2007

	2007 £'000	2006 £'000
Profit for the financial year	39,666	12,421
Actuarial gain on pension liability	2,459	717
Deferred tax liabilities associated with actuarial gain on pension liability	(851)	(215)
Currency translation differences on foreign currency net investments	(3,143)	(28,552)
Revaluation/(devaluation) of investment properties	15,005	(4,843)
<b>Total recognised gains/(losses)</b>	53,136	(20,472)

# Dorchester Group Limited

## Consolidated balance sheet Year ended 31 December 2007

	Notes	2007 £000	2006 £000
<b>Fixed assets</b>			
Intangible assets - goodwill	8	23 083	22 469
Investment properties	9	95 521	80,065
Tangible assets	10	666,559	623,492
		<u>785 163</u>	<u>726,026</u>
<b>Current assets</b>			
Stocks	12	5,838	4,729
Debtors	13	31 203	31,318
Investments	15	27 849	18 727
Cash at bank and in hand		41 579	34 813
		<u>106 469</u>	<u>89 587</u>
<b>Creditors amounts falling due within one year</b>	16	<u>(68 934)</u>	<u>(57 051)</u>
<b>Net current assets</b>		<u>37 535</u>	<u>32 536</u>
<b>Total assets less current liabilities</b>		<u>822 698</u>	<u>758,562</u>
<b>Creditors amounts falling due after more than one year</b>	17	(412 373)	(394,349)
<b>Provisions for liabilities</b>	18	(1 295)	(1,497)
<b>Deferred tax liability</b>	19	<u>(32 956)</u>	<u>(37 303)</u>
<b>Net assets excluding pension liability</b>		<u>376 074</u>	<u>325,413</u>
<b>Pension liability</b>	23	<u>(7 370)</u>	<u>(8 845)</u>
<b>Net assets</b>		<u><u>368 704</u></u>	<u><u>316 568</u></u>
<b>Capital and reserves</b>			
Called up share capital	20, 21	120 009	120 009
Share premium account	20	182 711	182,711
Revaluation reserves	20	30 168	15 163
Other reserves	20	72 667	72,667
Profit and loss account	20	<u>(36 851)</u>	<u>(73 982)</u>
<b>Shareholders' funds</b>	20	<u><u>368 704</u></u>	<u><u>316 568</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 12 June 2008

Signed on behalf of the Board of Directors



Director

# Dorchester Group Limited

## Company balance sheet Year ended 31 December 2007

	Notes	2007 £000	2006 £000
<b>Fixed assets</b>			
Investments	11	319,481	319,481
<b>Current assets</b>			
Debtors amounts falling due within one year	13	2,088	1,388
Debtors amounts falling due after more than one year	14	304,234	283,870
Cash at bank and in hand		1,396	1,905
		<u>307,718</u>	<u>287,163</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(32,414)</u>	<u>(26,970)</u>
<b>Net current assets</b>		<u>275,304</u>	<u>260,193</u>
<b>Total assets less current liabilities</b>		<u>594,785</u>	<u>579,674</u>
<b>Creditors: amounts falling due after more than one year</b>	17	<u>(268,141)</u>	<u>(257,838)</u>
<b>Net assets</b>		<u><u>326,644</u></u>	<u><u>321,836</u></u>
<b>Capital and reserves</b>			
Called up share capital	20, 21	120,009	120,009
Share premium account	20	182,711	182,711
Profit and loss account	20	23,924	19,116
<b>Shareholders' funds</b>	20	<u><u>326,644</u></u>	<u><u>321,836</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 12 June 2008

Signed on behalf of the Board of Directors



Director

# Dorchester Group Limited

## Consolidated cash flow statement Year ended 31 December 2007

	Notes	2007 £000	2006 £000
<b>Net cash inflow from operating activities</b>	26	67,057	46,220
<b>Returns on investments and servicing of finance</b>			
Interest received		9,670	2,418
Interest paid		(12,830)	(14,480)
Interest element of finance leases		(14)	(10)
Dividend paid		(1,000)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>		(4,174)	(12,072)
<b>Taxation</b>		(9,376)	(3,891)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(26,463)	(14,026)
Additions to investment properties		(1,455)	(2,136)
Sale of tangible fixed assets		16	-
<b>Net cash outflow from capital expenditure and financial investment</b>		(27,902)	(16 162)
<b>Cash inflow before management of liquid resources and financing</b>		25,605	14,095
<b>Management of liquid resources</b>			
Cash paid to short-term deposits		(9,553)	(6,861)
<b>Financing</b>			
Repayment of bank loans		(9,749)	(6,736)
Repayment of finance leases		-	(14)
<b>Net cash outflow from financing</b>		(9,749)	(6,750)
<b>Increase in cash in the year</b>	28	6,303	484

# **Dorchester Group Limited**

## **Notes to the accounts**

### **Year ended 31 December 2007**

#### **1. Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and law. The particular accounting policies adopted are described below and have been applied consistently throughout the year and the preceding year.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investment properties.

##### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Dorchester Group Limited and its subsidiary undertakings drawn up to 31 December each year.

##### **Investment properties**

Investment properties are revalued annually and the surplus or deficit is transferred to the revaluation reserve, except that any deficit on an individual property which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged to the profit and loss account. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount that might otherwise have been shown cannot be separately identified or quantified.

##### **Investments**

Investments held as fixed assets are stated at cost less provision for any impairment. Current asset investments are stated at the lower of cost and net realisable value.

##### **Financial instruments**

Interest rate swaps are held off balance sheet but disclosed in the notes of the accounts. All income and expenses related to the swaps are included in the profit and loss account.

The company applies net investment hedge accounting as permitted by SSAP 20 for a net investment in a French subsidiary held in Euros with a Euro loan due to an affiliate of Brunel Investment Agency taken to finance the acquisition of the subsidiary.

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and hotel buildings, 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:

Leasehold land and buildings	-	life of lease
Plant, machinery, fixtures, fittings and equipment	-	4-15 years

# **Dorchester Group Limited**

## **Notes to the accounts**

### **Year ended 31 December 2007**

#### **1. Accounting policies (continued)**

##### **Tangible fixed assets (continued)**

No depreciation is provided on freehold buildings relating to hotels owned by the Group as the directors consider that the lives of these assets are so long and residual values so high that their depreciation is insignificant. In addition, the group continues with its policy of high levels of capital expenditure and repairs and maintenance to preserve the high standard and quality of the hotel properties. The freehold hotel buildings are reviewed for impairment annually.

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

##### **Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. Those translation differences are dealt with in the profit and loss account.

The assets and liabilities of foreign subsidiaries are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate and matched long-term foreign currency borrowings are taken direct to reserves and reported in the statement of total recognised gains and losses. The revenues and expenses of foreign subsidiaries are translated into sterling at the average rate of exchange for the period.

##### **Pension costs**

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Further information on pension arrangements is set out in note 23.

##### **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. Provision is made for obsolete, slow-moving or defective items where appropriate.

# **Dorchester Group Limited**

## **Notes to the accounts**

### **Year ended 31 December 2007**

#### **1. Accounting policies (continued)**

##### **Leases**

Assets held under finance leases and other similar contracts are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful economic lives. The capital elements of the finance lease obligations are recorded as liabilities, whilst the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Amounts payable under operating leases are charged to the profit and loss account on an accruals basis.

##### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is measured on a non-discounted basis.

##### **Turnover**

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

Profit is recognised when the goods and services are provided to the customer, by including in the profit and loss account turnover and related costs upon completion.

# Dorchester Group Limited

## Notes to the accounts

Year ended 31 December 2007

### 2. Operating profit

	2007 £000	2006 £000
Operating profit is stated after charging/(crediting)		
Fees payable to the company's auditors for the audit of the company's annual accounts	136	131
Fees payable to the company's auditors and their associates for other services to the group – the audit of the company's subsidiaries pursuant to legislation	301	308
Fees payable to other auditors and their associates for other services to the group – the audit of the company's subsidiaries pursuant to legislation	128	116
Total audit fees	565	555
Tax services	314	278
Other services	311	242
Total fees	1,190	1,075
Depreciation of tangible fixed assets	14,993	16,127
Profit on sale of tangible fixed assets	(16)	(631)
Amortisation of goodwill	1,421	1,377
Rentals under operating leases		
Land and buildings	1,142	771
Plant and machinery	638	48

The consolidated result for the financial year includes a loss of £5,808,000 (2006 £1,760,000) in the financial statements 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.

### 3. Segmental analysis of turnover, operating profit and net assets

	Turnover		Operating Profit		Net Assets	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Hotel operations						
USA	38,144	35,106	11,241	8,981	136,761	136,208
Europe	115,707	98,893	15,048	7,923	48,039	41,945
United Kingdom	67,926	62,564	19,570	14,601	98,160	69,644
	221,777	196,563	45,859	31,505	282,960	247,797
Property investment						
USA	9,255	9,719	4,022	1,783	85,744	68,771
	231,032	206,282	49,881	33,288	368,704	316,568

# Dorchester Group Limited

## Notes to the accounts

### Year ended 31 December 2007

#### 4 Information regarding directors and employees

	2007 £000	2006 £000
<b>Directors' emoluments</b>		
Remuneration as executives	430	438

The aggregate of emoluments, excluding pension contributions, of the highest paid director were £246,544 (2006 £245,407). The highest paid director is a member of a defined benefits pension scheme, under which his accrued pension at the year end was £43,305 (2006 £41,680).

Retirement benefits are accruing to two (2006 two) directors under a defined benefits scheme. No directors received benefits under money purchase schemes.

	2007 No.	2006 No.
<b>Average number of persons employed including directors</b>		
Operations	2,070	2,114
Sales and marketing	59	62
Administration	274	268
	2,403	2,444
	£000	£000
<b>Staff costs during the year including directors</b>		
Wages and salaries	57,831	53,532
Social security costs	14,946	14,522
Other pension costs	3,034	2,780
	75,811	70,834

# Dorchester Group Limited

## Notes to the accounts

Year ended 31 December 2007

### 5. Interest receivable and similar income

	2007 £000	2006 £000
On bank deposits	5,111	2,606
Foreign exchange gains	4,578	-
Other	8	38
	<u>9,697</u>	<u>2,644</u>

### 6 Interest payable and similar charges

	2007 £000	2006 £000
Bank loans and overdrafts	9,643	8,542
Other loans	3,330	2,760
Finance leases	14	10
Amortisation of loan issue costs	257	257
Foreign exchange losses	-	1,090
FRS 17 pension deficit charge	336	291
Other	33	1
	<u>13,613</u>	<u>12,951</u>

### 7 Tax charge on ordinary activities

	2007 £000	2006 £000
<b>Current taxation</b>		
United Kingdom corporation tax	(6,865)	(4,450)
United Kingdom adjustment in respect of prior years	(479)	-
Double taxation relief	10	-
Foreign tax	(3,103)	(1,850)
Foreign tax adjustment in respect of prior years	-	13
Total current tax charge	<u>(10,437)</u>	<u>(6,287)</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	1,138	(4,090)
Effect of rate change on opening liabilities	1,876	-
FRS 17 pension timing difference	8	13
Adjustment in respect of prior years	1,116	(196)
Total deferred tax credit /(charge)	<u>4,138</u>	<u>(4,273)</u>
Tax charge on profit on ordinary activities	<u>(6,299)</u>	<u>(10,560)</u>

# Dorchester Group Limited

## Notes to the accounts

### Year ended 31 December 2007

#### 7 Tax charge on ordinary activities (continued)

##### Factors affecting the tax charge for the year

The differences between the current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit on ordinary activities before tax are as follows

	2007 £000	2006 £000
Profit on ordinary activities before tax	45,965	22,981
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	(13,789)	(6,894)
Effect of		
Expenses not deductible for tax purposes	453	(2,539)
Capital allowances in excess of depreciation	2,102	3,375
Utilisation of tax loss	2,711	2,867
Other timing differences	(75)	(752)
Foreign tax	(470)	(1,269)
Sale of assets	5	23
Tax losses not recognised	(895)	(1,111)
Prior period adjustments	(479)	13
Current tax charge	<u>(10,437)</u>	<u>(6,287)</u>

#### 8. Intangible assests - Goodwill

Cost	£000
At 1 January 2007	22,469
Foreign exchange movements	2,035
Amortisation	(1,421)
At 31 December 2007	<u>23,083</u>

#### 9 Investment properties

	2007 £000	2006 £000
Cost or valuation		
At 1 January	80,065	93,743
Additions	1,455	2,136
Revaluation/(devaluation)	15,005	(4,640)
Foreign exchange translation differences	(1,004)	(11,174)
At 31 December	<u>95,521</u>	<u>80,065</u>

All of the Group's investment properties are overseas freehold properties. The comparable amount of the investment properties according to the historical cost convention was £67,614,000 (2006 £67,383,000)

The Group's investment properties were valued at open market value by the Directors at 31 December 2007, reflecting advice received from independent qualified valuers

# Dorchester Group Limited

## Notes to the accounts

Year ended 31 December 2007

### 10 Tangible fixed assets

Group	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
<b>Cost</b>					
At 1 January 2007	580,913	33,113	84,635	5,121	703,782
Foreign exchange translation differences	27,840	2,088	4,776	591	35,295
Additions	2,034	2,533	13,670	8,330	26,567
Transfers	423	611	2,702	(3,736)	-
Disposals	-	(1,100)	(1,670)	-	(2,770)
At 31 December 2007	611,210	37,245	104,113	10,306	762,874
<b>Accumulated depreciation</b>					
At 1 January 2007	11,006	23,192	46,092	-	80,290
Foreign exchange translation differences	(181)	1,495	2,384	-	3,698
Charge	2	4,859	10,132	-	14,993
Transfer	-	-	-	-	-
Disposals	-	(1,100)	(1,566)	-	(2,666)
At 31 December 2007	10,827	28,446	57,042	-	96,315
<b>Net book value</b>					
At 31 December 2007	600,383	8,799	47,071	10,306	666,559
At 31 December 2006	569,907	9,921	38,543	5,121	623,492

The net book value of land and buildings comprise

	2007 £000	2006 £000
Freehold	600,254	569,776
Long leasehold	129	131
	600,383	569,907

Land and buildings with a net book value of £600,254,000 (2006 £569,776,000) are not depreciated

# Dorchester Group Limited

## Notes to the accounts

Year ended 31 December 2007

### 11. Fixed asset investments

Company	2007 £000	2006 £000
Investment in subsidiary undertakings at cost	136,770	136,770
Investment in subsidiary undertakings by means of share for share exchange	182,711	182,711
Cost and net book value	<u>319,481</u>	<u>319,481</u>

The company and the group have investments in the following principal subsidiary undertakings

Subsidiary undertakings	Principal activity	Country of incorporation	Shareholding and percentage voting rights
Dorchester Hotel Limited	Hotel operations	Great Britain	100% (Direct)
The Dorchester Limited	Dormant	Great Britain	100% (Indirect)
Dorchester Services Limited	Hotel management	Great Britain	100% (Direct)
Audley Hotels and Resorts Services Limited	Hotel management	Great Britain	100% (Direct)
Meurice Limited	Hotel investment	Great Britain	100% (Direct)
Principe di Savoia Limited	Hotel investment	Great Britain	100% (Direct)
Plaza Athenee Holdings Limited	Hotel investment	Great Britain	100% (Direct)
Sajahtera Inc	Hotel operations	USA	100% (Direct)
Aman Inc	Investment property	USA	100% (Indirect)
Raqib Inc	Investment property	USA	100% (Indirect)
Meurice SpA	Hotel operations	Italy	100% (Indirect)
Principe di Savoia srl	Hotel operations	Italy	100% (Indirect)
Hotel Plaza Athenee SA	Hotel operations	France	100% (Indirect)
Plaza Athenee Holdings SA	Hotel investment	France	100% (Indirect)

### 12. Stocks

Group	2007 £000	2006 £000
Consumables	3,642	3,077
Goods for resale	2,196	1,652
	<u>5,838</u>	<u>4,729</u>

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

# Dorchester Group Limited

## Notes to the accounts

Year ended 31 December 2007

### 13. Debtors amounts falling due within one year

	2007 £000	2006 £000
<b>Group</b>		
Trade debtors	19,191	24,460
Other debtors	7,108	2,803
Bank interest receivable	294	272
Prepayments and accrued income	4,610	3,783
	<u>31,203</u>	<u>31,318</u>

	2007 £000	2006 £000
<b>Company</b>		
Amounts owed by subsidiary undertakings	2,088	1,199
Corporation tax recoverable	-	184
Other debtors	-	5
	<u>2,088</u>	<u>1,388</u>

### 14 Debtors: amounts falling due after more than one year

	2007 £000	2006 £000
<b>Company</b>		
Loans to subsidiary undertakings at floating rates	140,974	139,132
Loans to subsidiary undertakings free of interest	163,260	144,738
	<u>304,234</u>	<u>283,870</u>

### 15. Investments

	2007 £000	2006 £000
<b>Group</b>		
Cash deposits with terms in excess of thirty days	<u>27,849</u>	<u>18,727</u>

# Dorchester Group Limited

## Notes to the accounts

Year ended 31 December 2007

### 16 Creditors: amounts falling due within one year

Group	2007 £000	2006 £000
Amounts owed to BIA undertakings	8,687	7,470
Bank loans (secured) and overdrafts	12,155	9,431
Obligations under finance leases	148	-
Trade creditors	16,960	15,636
United Kingdom corporation tax	3,984	2,823
Other taxation and social security		
VAT and other sales taxes	1,179	1,461
PAYE and other payroll taxes	9,857	7,841
Other taxes	2,578	1,115
Other creditors	4,934	4,042
Accruals and deferred income	8,452	7,232
	<u>68,934</u>	<u>57,051</u>
Company	2007 £000	2006 £000
Amounts owed to subsidiary undertakings	25,148	21,916
Bank loans and overdrafts	6,219	4,916
United Kingdom corporation tax	440	-
Accruals and deferred income	607	138
	<u>32,414</u>	<u>26,970</u>

### 17 Creditors: amounts falling due after more than one year

Group	2007 £000	2006 £000
Bank loans (secured)	178,817	174,854
Loans from fellow subsidiary undertakings		
Unsecured, subordinated and interest free	172,973	161,740
Unsecured, subordinated and interest bearing	57,011	55,344
	<u>408,801</u>	<u>391,938</u>
Obligations under finance leases	840	-
Other creditors	249	252
Accrued interest	2,483	2,159
	<u>412,373</u>	<u>394,349</u>

Bank loans are secured on the hotel assets 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% and 0.5%. The interest bearing loans from fellow subsidiary undertakings of the Brunei Investment Agency ( 'BIA ' ) bear interest at floating rates. As at 31 December 2007 the Group held interest rate swaps with a fair value credit of £1,188,598 (2006 £1,081,046). All four swaps expire on 30 June 2013.

# Dorchester Group Limited

## Notes to the accounts

Year ended 31 December 2007

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

	2007 £000	2006 £000
Loans maturing between		
1 to 2 years amount to	12,577	10,373
2 to 5 years amount to	43,736	39,866
Over 5 years amount to	352,488	341,699
	<u>408,801</u>	<u>391,938</u>
Company	2007 £000	2006 £000
Bank loan (secured)	96,664	95,117
Loan from subsidiary undertaking – unsecured, subordinated and interest free	27,455	27,455
Loan from fellow subsidiary undertaking – unsecured, subordinated and interest free	144,022	135,266
	<u>268,141</u>	<u>257,838</u>

In accordance with FRS 4 “Capital Instruments” the bank loan issue costs have been accounted for as a reduction in the loan amounts received. These costs are then amortised over the life of the loan at a constant rate. At 31 December 2007 the amount of unamortised loan issue costs were £1,085,254 (2006 £1,342,251)

### 18. Provisions for liabilities

Group	£000
Balance at 1 January 2007	1,497
Reduction	(202)
Balance at 31 December 2007	<u>1,295</u>

These provisions relate mainly to potential payments in respect of a number of outstanding litigations for claims relating to renovation projects and employment termination disputes in the European hotels

# **Dorchester Group Limited**

## **Notes to the accounts**

### **Year ended 31 December 2007**

#### **19 Deferred tax liability**

<b>Group</b>	<b>2007 £000</b>	<b>2006 £000</b>
Liability at 1 January	37,303	33,902
(Credited)/charged to the profit and loss account (see note 7)	(4,130)	4,285
Exchange differences	(217)	(884)
<b>As at 31 December</b>	<b>32,956</b>	<b>37,303</b>

The amounts of deferred taxation provided in the accounts are as follows

	<b>2007 £000</b>	<b>2006 £000</b>
Capital allowances in excess of depreciation	35,533	42,281
Short-term timing differences	(2,404)	(3,011)
Losses	(173)	(1,967)
	<b>32,956</b>	<b>37,303</b>

A tax liability of approximately £11,163,000 (2006 £11,975,000) would crystallise if the investment properties were sold at the book values. A deferred tax liability in respect of this revaluation has not been recognised on the basis that there is not a binding commitment to sell the property.

A net deferred tax asset of £10,618,000 (2006 £11,080,000) on overseas trading losses, fixed asset timing differences and short-term timing differences has not been recognised due to uncertainty over the recoverability of this asset.

# Dorchester Group Limited

## Notes to the accounts

Year ended 31 December 2007

### 20 Reconciliation of movements in shareholders' funds

Group	Share capital £000	Share premium £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total £000
Balance at 1 January 2007	120,009	182,711	15,163	72,667	(73,982)	316,568
Revaluation in the year	-	-	15,005	-	-	15,005
Profit for the year	-	-	-	-	39,666	39,666
Gain on pension liability	-	-	-	-	2,459	2,459
Deferred tax associated with gain on pension liability	-	-	-	-	(851)	(851)
Dividend paid	-	-	-	-	(1,000)	(1,000)
Currency translation difference	-	-	-	-	(3,143)	(3,143)
Balance at 31 December 2007	<u>120,009</u>	<u>182,711</u>	<u>30,168</u>	<u>72,667</u>	<u>(36,851)</u>	<u>368,704</u>
<b>Company</b>						
Balance at 1 January 2007	120,009	182,711	-	-	19,116	321,836
Profit for the year	-	-	-	-	5,808	5,808
Dividend paid	-	-	-	-	(1,000)	(1,000)
Balance at 31 December 2007	<u>120,009</u>	<u>182,711</u>	<u>-</u>	<u>-</u>	<u>23,924</u>	<u>326,644</u>

### 21. Called up share capital

Group and company	2007 £000	2006 £000
<b>Authorised:</b>		
200,000,000 ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
<b>Allotted, called up and fully paid:</b>		
120,009,413 ordinary shares of £1 each	<u>120,009</u>	<u>120,009</u>

## Dorchester Group Limited

### Notes to the accounts

#### Year ended 31 December 2007

#### 22. Financial commitments

##### Group

Capital commitments at the end of the financial year for which no provision has been made

	2007 £000	2006 £000
Contracted	3,389	7,372
Authorised not contracted	8,709	7,814

At 31 December 2007, the group had annual commitments under non-cancellable operating leases as set out below

	2007 Land and buildings £000	2007 Other £000	2006 Land and buildings £000	2006 Other £000
Operating leases which expire				
Within one year	1,212	578	1,097	76
Between two and five years	3,043	1,641	2,646	376
After five years	2,636	-	4,029	-
	<u>6,891</u>	<u>2,219</u>	<u>7,772</u>	<u>452</u>

At 31 December 2007 the group had commitments under finance leases as set out below

	2007 £000	2006 £000
<b>Obligations under finance leases</b>		
Minimum lease payments payable		
Within one year	194	-
In the second to fifth years inclusive	777	-
After five years	326	-
	<u>1,297</u>	<u>-</u>
Less Finance charges allocated to future years	(309)	-
	<u>988</u>	<u>-</u>

##### Company

At 31 December 2007, the company had no financial commitments (2006 £nil)

# Dorchester Group Limited

## Notes to the accounts

### Year ended 31 December 2007

#### 23. Pension commitments

The group operates two pension schemes in the UK. One is a defined benefit scheme, which is closed to new entrants, and the other is a defined contribution scheme. Pension arrangements in France and Italy are through the state scheme but the employers have deferred retirement liabilities in the form of termination indemnities.

The pension liabilities are as follows:

	2007 £000	2006 £000
UK Pension scheme (see below)	4,050	5,640
French state pension scheme termination indemnity	836	747
Italian state pension scheme termination indemnity	2,484	2,458
Total pension liabilities	<u>7,370</u>	<u>8,845</u>

The company operates a funded pension scheme providing benefits based on final pensionable pay. The policy for accounting for pensions is included in note 1. The assets of the scheme are held separately from those of the company, being invested with insurance companies.

Qualified actuaries carry out full valuations on a triennial basis, the last one being to 5 April 2005, using the projected unit credit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6.75% per annum, that salary increases would average 4.5% per annum and that a proportion of members would withdraw from service each year other than by retirement.

The pension charge for the year includes current service costs of £334,000 (2006 – £370,000), and the total included in finance costs was £336,000 (2006 - £291,000). The most recent actuarial valuation showed that the market value of the scheme's assets was £14,455,000 giving a funding level of 72%.

#### *Actuarial assumptions*

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs are detailed below:

	2007 %	2006 %	2005 %
Average discount rate for plan liabilities	5.75	5.00	4.75
Average rate of inflation	3.25	3.00	2.75
Average rate of increase in salaries	4.75	4.50	4.25
Average rate of increase of pensions in payment	3.25	3.00	2.75
Average long term rate of return on plan assets	5.63	5.63	5.38

# Dorchester Group Limited

## Notes to the accounts Year ended 31 December 2007

### 23 Pension commitments (continued)

#### *FRS 17 Balance sheet disclosure*

	2007 Rate of return %	2007 Fair value £'000	2006 Rate of return %	2006 Fair value £'000	2005 Rate of return %	2005 Fair value £'000
Equity	6.75	8,612	6.75	8,848	6.50	8,078
Bonds	4.50	5,843	4.50	5,329	4.25	5,033
		<u>14,455</u>		<u>14,177</u>		<u>13,111</u>
Total market value of assets		14,455		14,177		13,111
Present value of scheme liabilities		(20,080)		(22,234)		(21,843)
		<u>(5,625)</u>		<u>(8,057)</u>		<u>(8,732)</u>
Deficit in the pension plan		(5,625)		(8,057)		(8,732)
Deferred tax		1,575		2,417		2,620
		<u>(4,050)</u>		<u>(5,640)</u>		<u>(6,112)</u>
Net pension liability		(4,050)		(5,640)		(6,112)

The increase in the deficit is believed to be due to the cyclical nature of the markets resulting in a change in the financial assumptions used. These changes include the increase in the discount rate, which is offset by the increase in the inflation assumption to reflect increased inflationary pressures.

#### *FRS 17 Profit and loss account disclosure*

	2007 £'000	2006 £'000	2005 £'000
<b>Analysis of the amount charged to operating profit</b>			
Current service cost	(334)	(370)	(400)
	<u>(334)</u>	<u>(370)</u>	<u>(400)</u>
Total operating charge	(334)	(370)	(400)
<b>Analysis of the amount credited to other finance income</b>			
Expected return on plan assets	831	747	694
Interest cost on plan liabilities	(1,167)	(1,038)	(932)
	<u>(336)</u>	<u>(291)</u>	<u>(238)</u>
Net charge to other finance income	(336)	(291)	(238)
Total charge to the profit and loss account for the year	<u>(670)</u>	<u>(661)</u>	<u>(638)</u>

# Dorchester Group Limited

## Notes to the accounts

### Year ended 31 December 2007

#### 23. Pension commitments (continued)

##### *FRS 17 Statement of total recognised gains and losses disclosure*

Amounts included in the consolidated STRGL for 2007 in respect of the defined benefit plan are as follows

	2007 £'000	2006 £'000	2005 £'000
Difference between actual and expected return on plan assets	(346)	43	1,133
Experience gains arising on plan liabilities	-	-	174
Effects of changes in assumptions underlying the plan liabilities	2,805	674	(3,212)
Total actuarial gains and losses recognised in the STRGL	2,459	717	(1,905)

The difference of £346,000 between actual and expected return on plan assets is 2.4% of the plan assets as at 31 December 2007. The total actuarial gain of £2,459,000 represents 12.2% of the present value of scheme liabilities as at 31 December 2007.

##### *FRS 17 Analysis of movement in deficit during the year*

	2007 £'000	2006 £'000	2005 £'000
As at 1 January	(8,057)	(8,732)	(6,730)
Current service cost	(334)	(370)	(400)
Employer contributions	643	619	541
Other financial expense	(336)	(291)	(238)
Actuarial gain/(loss)	2,459	717	(1,905)
As at 31 December	(5,625)	(8,057)	(8,732)

##### **History between the expected and actual return on scheme assets**

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
<b>Difference between the expected and actual return on scheme assets</b>					
Amount (£'000)	346	43	1,133	516	404
Percentage of scheme assets	(2.4%)	0%	9%	4.7%	4.2%
<b>Experience gains and losses on scheme liabilities</b>					
Amount (£'000)	-	-	174	-	-
Percentage of the present value of the scheme liabilities	0%	0%	1%	-	-
<b>Total amount recognised in statement of total recognised gains and losses</b>					
Amount (£'000)	2,459	717	(1,905)	(402)	(329)
Percentage of the present value of the scheme liabilities	12.2%	(3%)	9%	(2.3%)	(2.1%)

# Dorchester Group Limited

## Notes to the accounts

### Year ended 31 December 2007

#### 24. Contingent liabilities

The Meurice Hotel in Paris was completely renovated in the period 1998 to 2000. This renovation was carried out by various contractors under the overall management of a main contractor. The renovation work suffered from a number of unexpected delays and technical difficulties which have given rise to a number of claims by the main contractor and by a number of other contractors. These claims are proceeding through the French courts and are being examined by a court appointed expert. Meurice SpA, a Dorchester Group Limited company, having suffered delays in the re-opening of its property and incurred additional costs, has lodged a counter claim for damages.

The total claims lodged to date, and excluding the impact, if any, of the counter claim, amounts to €568,100 (£416,373) before interest. It is the directors' belief that they had appropriate grounds to defend Meurice SpA against these claims, as proven by a settlement of €360,000 (£263,852) that has been verbally agreed upon subsequent to the year-end. The final settlement is expected to be contractually signed in the near future.

#### 25. 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 £1,580,325 (2006 £1,033,267). Amounts owed for these services as at 31 December 2007 amounted to £1,107,716 (2006 £1,670,616). The group occupies a building in London owned by a fellow subsidiary undertaking, on an annually renewable agreement. The total annual rent is £521,454 (2006 £529,058). It is estimated that the market rent of the building occupied is £528,181 (2006 £497,243). Amounts owed for the rental, associated rates and services as at 31 December 2007 amounted to £43,723 (2006 £197,876). During the year, the cost of seconded staff charged to the group by its ultimate parent company amounted to £Nil (2006 £Nil). The loan from the subsidiary undertaking is unsecured, subordinated, interest free and not repayable within one year (see note 17).

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

#### 26. Reconciliation of operating profit to net cash inflow from operating activities

	2007 £000	2006 £000
Operating profit	49,881	32,657
Depreciation charges and amortisation of goodwill	16,414	15,875
Profit on sale of tangible fixed assets	(16)	631
Increase in stocks	(837)	(244)
Decrease/(Increase) in debtors	2,424	(11,157)
(Decrease)/Increase in creditors	(331)	8,043
(Decrease)/Increase in provisions	(478)	415
Net cash inflow from operating activities	67,057	46,220

## Dorchester Group Limited

### Notes to the accounts Year ended 31 December 2007

#### 27. Analysis of change in net debt

	At 1 January 2007 £000	Cash flow £000	Other non cash movements £000	Translation differences £000	At 31 December 2007 £000
Cash in hand and at bank	34,813	6,303	-	463	41,579
Current asset investments	18,727	9,553	-	(431)	27,849
Debt due within one year	(16,901)	9,749	(12,673)	(1,017)	(20,842)
Debt due after one year	(391,938)	-	11,282	(28,145)	(408,801)
Finance leases	-	-	(988)	-	(988)
<b>Total</b>	<b>(355,299)</b>	<b>25,605</b>	<b>(2,379)</b>	<b>(29,130)</b>	<b>(361,203)</b>

Non cash movements include movements on loans and finance leases as well as the amortisation of loan issue costs.

#### 28 Reconciliation of net cash flow to movement in net debt

	2007 £000	2006 £000
Increase in cash in year	6,303	484
Cash inflow from increase in liquid resources	9,553	6,861
Cash outflow from decrease in net debt	9,749	6,750
<b>Change in debt resulting from cash flows</b>	<b>25,605</b>	<b>14,095</b>
Loans and finance leases	(2,122)	(562)
Amortisation of loan issue costs	(257)	(257)
Translation differences	(29,130)	3,315
<b>Movement in net debt during year</b>	<b>(5,904)</b>	<b>16,591</b>
Net debt at 1 January 2007	(355,299)	(371,890)
Net debt at 31 December 2007	(361,203)	(355,299)

#### 29. Ultimate parent and controlling party

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