

Company Registration No. 01823605

Dorchester Group Limited

Report and Consolidated Financial Statements

31 December 2008

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Dorchester Group Limited

Report and consolidated financial statements 2008

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Dorchester Group Limited

Report and consolidated financial statements 2008

Officers and professional advisers

Directors

Dr. Awang Mohd Amin Liew Bin Abdullah (Chairman)
Haji Saifulbahri Haji Mansor (resigned 25 August 2008)
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 LLP
Chartered Accountants
London

Bank

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

Solicitors

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

Howard Kennedy
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 2008.

Principal activities and prospects

During the year, the Group continued to manage and operate the following owned properties:

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.

In July 2008, Dorchester Services Ltd signed two new management agreements to manage, on behalf of the Brunei Investment Agency:

The New York Palace, New York;
Hotel Bel-Air, Los Angeles.

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 £28.8m (2007: restated profit of £39.4m). This profit was driven by an average occupancy rate of 71% at the Group's five properties. Further, the average room rate increased from £420 to £470 and REVpar (revenue per available room) increased 11% (including the effect of currency fluctuations) to £336.

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

Going concern

The directors have acknowledged the latest guidance on going concern. Whilst the current volatility in financial markets has created general uncertainty, the group has adequate financial resources comprising a combination of external and group debt. The group has adequately satisfied the external debt covenant requirements. As discussed in the principal risks and uncertainties including financial risk management section, the current economic climate has impacted the travel market and hospitality industry. However, the group remains profitable and has seen continuing improvement in performance. The directors have reviewed the group's budget for the next year and considered other plans, concluding that the company is well placed to manage its business risks successfully. Furthermore, the group has received a commitment of continuing financial support from its ultimate parent. For these reasons, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Dividend

The group made a profit of £28.8m (2007: restated profit of £39.4m), which was transferred to reserves. The directors declared and paid a dividend of £20m (2007: £1m).

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 Saifubahri Haji Mansor (resigned 25 August 2008)
Haji Ghani Hamid
Pg Hj Md Airudin Pg Hj Mohamad
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 2008.

Dorchester Group Limited

Directors' Report (continued)

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.

Principal risks and uncertainties including 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 group'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 and loans in the local currency, which reduces its foreign exchange exposure.

The trading performance of the group's hotels was strong until August but also reflected the softening of the demand experienced in the last quarter of 2008 by the industry in the destinations where the group's properties are located, being London, Paris, Milan, New York and Los Angeles. The outlook for 2009 is naturally cautious, market indicators and analysts suggest that the demand will continue to be soft in these markets and the current economic gloom is likely to keep spending on travel down for the foreseeable future. However, the Dorchester Collection customer geographic representation is not totally reliant on the US traveller and the group is well placed in other markets such as Russia, Europe, and the Middle East, this, together with a well defined revenue management strategy and the ability to build attractive packages has helped the Dorchester Collection hotels in increasing their market share in times of diminishing demand.

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 £18,707 (2007: £12,057) for charitable purposes. There were no political donations.

Auditors

A resolution for the re-appointment of Deloitte 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 26 July 2009

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.

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 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 30. 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 whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the report.

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 2008 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 WP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
8 July 2009

Dorchester Group Limited

Consolidated profit and loss account Year ended 31 December 2008

	Notes	2008 £000	2007 (restated) £000
Turnover	1, 4	259,365	231,032
Cost of sales		(116,222)	(105,312)
Gross profit		143,143	125,720
Administrative expenses		(85,990)	(76,095)
Operating profit	3, 4	57,153	49,625
Interest receivable and similar income	6	5,566	9,697
Interest payable and similar charges	7	(21,345)	(13,613)
Profit on ordinary activities before taxation		41,374	45,709
Tax charge on profit on ordinary activities	8	(12,580)	(6,299)
Retained profit on ordinary activities after taxation for the financial year	21	28,794	39,410

All of the results above derive from continuing operations.

Consolidated statement of total recognised gains and losses Year ended 31 December 2008

		2008 £'000	2007 (restated) £'000
Profit for the financial year		28,794	39,410
Actuarial (losses)/gain on pension liability		(2,660)	2,459
Deferred tax assets/(liabilities) associated with actuarial (loss)/gain on pension liability		745	(851)
Currency translation differences on foreign currency net investments		115,343	(3,155)
(Devaluation)/revaluation of investment properties		(35,249)	15,005
Total recognised gains and losses relating to the year		106,973	52,868
Prior year adjustments	2	(2,391)	
Total gains and losses recognised since the last financial statements		104,582	

Dorchester Group Limited

Consolidated balance sheet Year ended 31 December 2008

		2008		2007 (restated)	
	Notes	£000	£000	£000	£000
Fixed assets					
Intangible assets - goodwill	9		42,508		34,406
Investment properties	10		99,395		95,521
Tangible assets	11		832,514		666,559
			<u>974,417</u>		<u>796,486</u>
Current assets					
Stocks	13	8,511		5,838	
Debtors: amounts falling due within one year	14	42,195		31,203	
Investments	16	39,815		27,849	
Cash at bank and in hand		45,357		41,579	
		<u>135,878</u>		<u>106,469</u>	
Creditors: amounts falling due within one year	17	<u>(79,270)</u>		<u>(68,934)</u>	
Net current assets			<u>56,608</u>		<u>37,535</u>
Total assets less current liabilities			<u>1,031,025</u>		<u>834,021</u>
Creditors: amounts falling due after more than one year	18		(509,206)		(426,087)
Provisions for liabilities	19		(2,316)		(1,295)
Deferred tax liability	20		(47,361)		(32,956)
Net assets excluding pension liability			<u>472,142</u>		<u>373,683</u>
Pension liability	24		(10,150)		(7,370)
Net assets			<u>461,992</u>		<u>366,313</u>
Capital and reserves					
Called up share capital	21, 22		120,009		120,009
Share premium account	21		182,711		182,711
Revaluation reserves	21		3,625		30,168
Other reserves	21		72,667		72,667
Profit and loss account	21		82,980		(39,242)
Shareholders' funds	21		<u>461,992</u>		<u>366,313</u>

These financial statements were approved and authorised for issue by the Board of Directors on 8 July 2009.

Signed on behalf of the Board of Directors



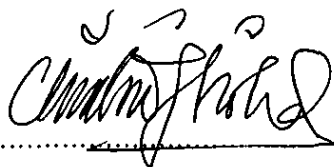
Director

Dorchester Group Limited

Company balance sheet Year ended 31 December 2008

		2008		2007 (restated)	
	Notes	£000	£000	£000	£000
Fixed assets					
Investments	12		414,260		414,260
Tangible assets	11		97		-
			<u>414,357</u>		<u>414,260</u>
Current assets					
Debtors: amounts falling due within one year	14	10,127		2,088	
Debtors: amounts falling due after more than one year	15	248,904		203,457	
Cash at bank and in hand		<u>11,419</u>		<u>1,396</u>	
		270,450		206,491	
Creditors: amounts falling due within one year	17	<u>(17,537)</u>		<u>(32,414)</u>	
Net current assets			252,913		174,527
Total assets less current liabilities			667,270		588,787
Creditors: amounts falling due after more than one year	18		<u>(320,687)</u>		<u>(268,141)</u>
Net assets			<u>346,583</u>		<u>320,646</u>
Capital and reserves					
Called up share capital	21, 22		120,009		120,009
Share premium account	21		182,711		182,711
Profit and loss account	21		<u>43,863</u>		<u>17,926</u>
Shareholders' funds	21		<u>346,583</u>		<u>320,646</u>

These financial statements were approved and authorised for issue by the Board of Directors on 8 July 2009.
Signed on behalf of the Board of Directors



Director

Dorchester Group Limited

Consolidated cash flow statement Year ended 31 December 2008

		2008		2007 (restated)	
	Notes	£000	£000	£000	£000
Net cash inflow from operating activities	27		65,557		67,057
Returns on investments and servicing of finance					
Interest received		5,566		9,670	
Interest paid		(21,299)		(12,830)	
Interest element of finance leases		(46)		(14)	
Dividend paid		(20,000)		(1,000)	
Net cash outflow from returns on investments and servicing of finance			(35,779)		(4,174)
Taxation			(5,323)		(9,376)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(16,519)		(26,567)	
Additions to investment properties		(1,237)		(1,455)	
Sale of tangible fixed assets		1,911		120	
Net cash outflow from capital expenditure and financial investment			(15,845)		(27,902)
Cash inflow before management of liquid resources and financing			8,610		25,605
Management of liquid resources					
Cash paid to short-term deposits			(798)		(9,553)
Financing					
Repayment of bank loans		(11,037)		(9,749)	
Repayment of finance leases		(148)		-	
Repayment - other		(824)		-	
Net cash outflow from financing			(12,009)		(9,749)
(Decrease)/increase in cash in the year	29		(4,197)		6,303

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

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.

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future, as further discussed in the Director's report.

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 Brunei 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 2008

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 24.

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 2008

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.

2. Prior-year adjustments

These accounts reflect changes in the accounting treatment of the following items:

- i. A subsidy provided to a subsidiary by the ultimate parent in previous years and prior to the acquisition of the subsidiary by Dorchester Group Limited. This subsidy was previously accounted for as non-refundable income. The directors have determined that the subsidy is repayable in certain circumstances and that it should have been recorded as a liability.
- ii. Long term loans advance by Dorchester Group Limited to a subsidiary hotel company that the group did not anticipate being repaid in the foreseeable future. Accordingly, the directors have determined that these should be treated as investments rather than loans.

The adoption of these changes requires a restatement of the previous year's results and balances, and the effects of these adjustments are summarised in the Group and Company tables below.

Balance sheet

Group

	As previously reported at 31 December 2007	Adjustment	31 December 2007 (restated)
	£'000	£'000	£'000
Shareholders' funds as originally reported	368,704	(2,391)	366,313
Intangible assets – goodwill	23,083	11,323	34,406
Creditors: amounts falling due after more than one year	(412,373)	(13,714)	(426,087)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

2. Prior-year adjustments (continued)

Company

	As previously reported at 31 December 2007	Adjustment	31 December 2007 (restated)
	£'000	£'000	£'000
Shareholders' funds as originally reported	326,644	(5,998)	320,646
Investments	319,481	94,779	414,260
Debtors: amounts falling due after more than one year	304,234	(100,777)	203,457

Profit and loss account

Group

	As previously reported at 31 December 2007	Adjustment	31 December 2007 (restated)
	£'000	£'000	£'000
Administrative expenses	(75,839)	(256)	(76,095)
Net profit	39,666	(256)	39,410

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

3. Operating profit

	2008 £000	2007 (restated) £000
Operating profit is stated after charging/(crediting):		
Fees payable to the company's auditors for the audit of the company's annual accounts	55	136
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	198	301
Fees payable to other auditors and their associates for other services to the group – the audit of the company's subsidiaries pursuant to legislation	166	196
Total audit fees	419	633
Tax services	220	379
Remuneration consulting services	137	133
Other services	57	45
Total fees	833	1,190
Depreciation of tangible fixed assets	17,961	14,993
Profit on sale of tangible fixed assets	(11)	(16)
Amortisation of goodwill	2,396	1,677
Rentals under operating leases:		
Land and buildings	1,971	1,142
Plant and machinery	1,182	638

The consolidated result for the financial year includes a profit of £45,937,000 (2007: £5,808,000) 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.

4. Segmental analysis of turnover, operating profit and net assets

	Turnover		Operating Profit		Net Assets	
	2008 £000	2007 £000	2008 £000	2007 (restated) £000	2008 £000	2007 (restated) £000
Hotel operations:						
USA	42,155	38,144	12,385	11,241	198,011	136,761
Europe	134,143	115,707	15,671	14,792	60,131	45,648
United Kingdom	72,840	67,926	23,920	19,570	109,996	98,160
	249,138	221,777	51,976	45,603	368,138	280,569
Property investment:						
USA	10,227	9,255	5,177	4,022	93,854	85,744
	259,365	231,032	57,153	49,625	461,992	366,313

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

5. Information regarding directors and employees

	2008 £000	2007 £000
Directors' emoluments		
Remuneration as executives	372	430

The aggregate of emoluments, excluding pension contributions, of the highest paid director was £371,746 (2007: £246,544). The highest paid director is a member of a defined benefits pension scheme, under which his accrued pension at the year end was £3,648 (2007: £43,305).

Retirement benefits are accruing to one (2007: two) director under a defined benefits scheme. No directors received benefits under money purchase schemes.

	2008 No.	2007 No.
Average number of persons employed including directors		
Operations	2,062	2,070
Sales and marketing	70	59
Administration	238	274
	<u>2,370</u>	<u>2,403</u>
Staff costs during the year including directors	£000	£000
Wages and salaries	64,206	57,831
Social security costs	17,000	14,946
Other pension costs	3,465	3,034
	<u>84,671</u>	<u>75,811</u>

6. Interest receivable and similar income

	2008 £000	2007 £000
On bank deposits	5,507	5,111
Related parties	6	-
Foreign exchange gains	-	4,578
Other	53	8
	<u>5,566</u>	<u>9,697</u>

7. Interest payable and similar charges

	2008 £000	2007 £000
Bank loans and overdrafts	13,351	9,643
Other loans	3,469	3,330
Finance leases	46	14
Amortisation of loan issue costs	220	257
Foreign exchange losses	3,952	-
FRS 17 pension deficit charge	298	336
Other	9	33
	<u>21,345</u>	<u>13,613</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

8. Tax charge on ordinary activities

	2008 £000	2007 £000
Current taxation		
United Kingdom corporation tax	(2,228)	(6,865)
United Kingdom adjustment in respect of prior years	2,211	(479)
Double taxation relief	11	10
Foreign tax	(5,317)	(3,103)
Total current tax charge	(5,323)	(10,437)
Deferred taxation		
Origination and reversal of timing differences	(7,265)	1,138
Effect of rate change on opening liabilities	-	1,876
FRS 17 pension timing difference	(22)	8
Adjustment in respect of prior years	30	1,116
Total deferred tax (charge)/credit	(7,257)	4,138
Tax charge on profit on ordinary activities	(12,580)	(6,299)

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:

	2008 £000	2007 (restated) £000
Profit on ordinary activities before tax	41,374	45,709
Tax on profit on ordinary activities at standard UK corporation tax rate of 28.5% (2007: 30%)	(11,792)	(13,713)
Effect of:		
Permanent differences	1,583	377
Capital allowances in excess of depreciation	2,513	2,102
Utilisation of tax losses	381	2,711
Other timing differences	2,404	(75)
Effect of higher overseas tax rates	(2,198)	(470)
Sale of assets	-	5
Tax losses not recognised	(425)	(895)
Prior period adjustments	2,211	(479)
Current tax charge	(5,323)	(10,437)

The UK corporation tax rate changed from 30% to 28% with effect from 1 April 2008. A blended rate of 28.5% has therefore been used for the year.

Dorchester Group Limited

Notes to the accounts Year ended 31 December 2008

9. Intangible assets - Goodwill

	£000 (restated)
Cost	
At 1 January 2008	34,406
Foreign exchange movements	10,498
Amortisation	(2,396)
	<hr/>
At 31 December 2008	42,508
	<hr/>

10. Investment properties

	2008 £000	2007 £000
Cost or valuation:		
At 1 January	95,521	80,065
Additions	1,237	1,455
(Devaluation)/revaluation	(35,249)	15,005
Foreign exchange translation differences	37,886	(1,004)
	<hr/>	<hr/>
At 31 December	99,395	95,521
	<hr/>	<hr/>

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 £95,770,000 (2007: £67,614,000).

The Group's investment properties were valued at open market value by the Directors at 31 December 2008, reflecting advice received from independent qualified valuers.

Dorchester Group Limited

Notes to the accounts Year ended 31 December 2008

11. 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
Cost					
At 1 January 2008	611,210	37,245	104,113	10,306	762,874
Foreign exchange translation differences	157,985	9,562	25,753	2,244	195,544
Additions	402	2,392	10,245	3,480	16,519
Transfers	680	1,775	4,408	(6,863)	-
Disposals	(1,633)	(339)	(2,981)	(175)	(5,128)
At 31 December 2008	768,644	50,635	141,538	8,992	969,809
Accumulated depreciation					
At 1 January 2008	10,827	28,446	57,042	-	96,315
Foreign exchange translation differences	3,594	8,226	14,427	-	26,247
Charge	1	5,990	11,970	-	17,961
Disposals	-	(316)	(2,912)	-	(3,228)
At 31 December 2008	14,422	42,346	80,527	-	137,295
Net book value					
At 31 December 2008	754,222	8,289	61,011	8,992	832,514
At 31 December 2007	600,383	8,799	47,071	10,306	666,559

The net book value of land and buildings comprise:

	2008 £000	2007 £000
Freehold	754,094	600,254
Long leasehold	128	129
	<u>754,222</u>	<u>600,383</u>

Land and buildings with a net book value of £754,094,000 (2007: £600,254,000) are not depreciated.

Dorchester Group Limited

Notes to the accounts Year ended 31 December 2008

11. Tangible fixed assets (continued)

Company	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost					
At 1 January 2008	-	-	-	-	-
Additions	-	89	29	-	118
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	-	89	29	-	118
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation					
At 1 January 2008	-	-	-	-	-
Charge	-	18	3	-	21
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	-	18	3	-	21
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2008	-	71	26	-	97
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

12. Fixed asset investments

Company	2008 £000	2007 (restated) £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
	<hr/>	<hr/>
Sub total	319,481	319,481
	<hr/>	<hr/>
Loans to subsidiary undertakings	94,779	94,779
	<hr/>	<hr/>
Cost and net book value	414,260	414,260
	<hr/>	<hr/>

The loans to subsidiary undertakings were treated as intercompany debtors in the company's books in prior years, but since their purpose was to introduce capital in order to finance long term renovations and they are not expected to be repaid in the foreseeable future, the loans have now been re-classified as part of the investment by the company in the subsidiary.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

12. Fixed asset investments (continued)

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)
Hotel Plaza Athenee 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)

13. Stocks

	2008	2007
Group	£000	£000
Consumables	5,077	3,642
Goods for resale	3,434	2,196
	<u>8,511</u>	<u>5,838</u>

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

14. Debtors: amounts falling due within one year

	2008	2007
Group	£000	(restated) £000
Trade debtors	15,587	19,191
Other debtors	3,270	5,594
Amounts owed by ultimate parent company	6,447	1,382
Amounts owed by fellow subsidiary undertakings	6,946	132
United Kingdom corporation tax	3,781	-
Overseas corporation tax	693	-
Bank interest receivable	52	294
Prepayments and accrued income	5,419	4,610
	<u>42,195</u>	<u>31,203</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

14. Debtors: amounts falling due within one year (continued)

	2008	2007
Company	£000	£000
Amounts owed by subsidiary undertakings	10,052	2,088
Other debtors	75	-
	<u>10,127</u>	<u>2,088</u>

15. Debtors: amounts falling due after more than one year

	2008	2007 (restated)
Company	£000	£000
Loans to subsidiary undertakings at floating rates	135,274	140,974
Loans to subsidiary undertakings free of interest	113,630	62,483
	<u>248,904</u>	<u>203,457</u>

16. Investments

	2008	2007
Group	£000	£000
Cash deposits with terms in excess of thirty days	<u>39,815</u>	<u>27,849</u>

17. Creditors: amounts falling due within one year

	2008	2007 (restated)
Group	£000	£000
Amounts owed to BIA undertakings	15,676	8,687
Bank loans (secured) and overdrafts	17,773	12,155
Obligations under finance leases	148	148
Trade creditors	14,502	16,960
United Kingdom corporation tax	-	3,984
Other taxation and social security:		
VAT and other sales taxes	1,496	1,179
PAYE and other payroll taxes	9,496	9,857
Other taxes	-	2,578
Other creditors	7,814	4,934
Accruals and deferred income	12,365	8,452
	<u>79,270</u>	<u>68,934</u>

The amounts owed to BIA include €5,160,000 (2007: €600,000) relating to the expected repayments of a subsidy provided to a subsidiary (see note 2).

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

17. Creditors: amounts falling due within one year (continued)

	2008	2007
Company	£000	£000
Amounts owed to subsidiary undertakings	7,231	25,148
Bank loans and overdrafts	9,602	6,219
United Kingdom corporation tax	-	440
Accruals and deferred income	704	607
	<u>17,537</u>	<u>32,414</u>

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

	2008	2007 (restated)
Group	£000	£000
Bank loans (secured)	216,995	178,817
Loans from fellow subsidiary undertakings:		
Unsecured, subordinated and interest free	228,065	186,687
Unsecured, subordinated and interest bearing	63,454	57,011
	<u>508,514</u>	<u>422,515</u>
Obligations under finance leases	692	840
Other creditors	-	249
Accrued interest	-	2,483
	<u>509,206</u>	<u>426,087</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 2008 the Group held interest rate swaps with a fair value credit of £5,323,873 (2007: £1,188,598). Two swaps expire in the month of June 2013 and one swap expires on 30 June 2009.

Loans from subsidiary undertakings, unsecured, subordinated and interest free include €13,551,254 (2007: €18,711,254) relating to a subsidy provided to a subsidiary expected to be repaid to the ultimate parent within the next 2 – 6 years (see note 2).

	2008	2007 (restated)
	£000	£000
Loans maturing between:		
1 to 2 years amount to	25,109	16,359
2 to 5 years amount to	163,419	53,668
Over 5 years amount to	319,986	352,488
	<u>508,514</u>	<u>422,515</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

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

	2008	2007 (restated)
Company	£000	£000
Bank loan (secured)	116,480	96,664
Loan from subsidiary undertaking – unsecured, subordinated and interest free	27,455	27,455
Loan from fellow subsidiary undertaking – unsecured, subordinated and interest free	65,813	59,956
Loan from ultimate parent undertaking – unsecured, subordinated and interest free	110,939	84,066
	<u>320,687</u>	<u>268,141</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 2008 the amount of unamortised loan issue costs were £864,703 (2007: £1,085,254).

19. Provisions for liabilities

Group	£000
Balance at 1 January 2008	1,295
Utilisation	(801)
Charged to profit and loss account	1,303
Foreign exchange gain	519
Balance at 31 December 2008	<u>2,316</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.

20. Deferred tax liability

Group	2008 £000	2007 £000
Liability at 1 January	32,956	37,303
(Credited)/charged to the profit and loss account (see note 8)	7,235	(4,130)
Exchange differences	7,170	(217)
As at 31 December	<u>47,361</u>	<u>32,956</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

20. Deferred tax liability (continued)

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

	2008 £000	2007 £000
Capital allowances in excess of depreciation	52,753	35,533
Short-term timing differences	809	(2,404)
Losses	(6,201)	(173)
	<u>47,361</u>	<u>32,956</u>

A tax liability of approximately £4,361,000 (2007: £11,163,000) would crystallise if the investment property was sold at book value. 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 £11,425,000 (2007: £10,618,000) arising on overseas trading losses and fixed asset timing differences has not been recognised due to uncertainty over the recoverability of this asset.

21. Reconciliation of movements in shareholders' funds

Group	Share capital £000	Share premium £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account (restated) £000	Total £000
Balance at 1 January 2008 as previously reported	120,009	182,711	30,168	72,667	(36,851)	368,704
Prior-year restatement	-	-	-	-	(2,391)	(2,391)
Balance at 1 January 2008 as restated	120,009	182,711	30,168	72,667	(39,242)	366,313
Devaluation in the year	-	-	(35,249)	-	-	(35,249)
Profit for the year	-	-	-	-	28,794	28,794
Loss on pension liability	-	-	-	-	(2,660)	(2,660)
Deferred tax associated with gain on pension liability	-	-	-	-	745	745
Dividend paid	-	-	-	-	(20,000)	(20,000)
Currency translation difference	-	-	8,706	-	115,343	124,049
Balance at 31 December 2008	<u>120,009</u>	<u>182,711</u>	<u>3,625</u>	<u>72,667</u>	<u>82,980</u>	<u>461,992</u>
Company						
Balance at 1 January 2008 as previously reported	120,009	182,711	-	-	23,924	326,644
Prior-year restatement	-	-	-	-	(5,998)	(5,998)
Balance at 1 January 2008 as restated	120,009	182,711	-	-	17,926	320,646
Profit for the year	-	-	-	-	45,937	45,937
Dividend paid	-	-	-	-	(20,000)	(20,000)
Balance at 31 December 2008	<u>120,009</u>	<u>182,711</u>	<u>-</u>	<u>-</u>	<u>43,863</u>	<u>346,583</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

21. Reconciliation of movements in shareholders' funds (continued)

The group paid a dividend in 2008 of £20,000,000 (2007: £1,000,000). There were no unpaid dividends at 31 December 2008 (2007: nil).

22. Called up share capital

	2008 £000	2007 £000
Group and company		
Authorised:		
200,000,000 ordinary shares of £1 each	200,000	200,000
Allotted, called up and fully paid:		
120,009,413 ordinary shares of £1 each	120,009	120,009

23. Financial commitments

Group

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

	2008 £000	2007 £000
Contracted	9,187	3,389
Authorised not contracted	17,065	8,709

At 31 December 2008, the group had annual commitments under non-cancellable operating leases as set out below:

	2008 Land and buildings £000	2008 Other £000	2007 Land and buildings £000	2007 Other £000
Operating leases which expire:				
Within one year	2,308	1,524	1,212	578
Between two and five years	6,795	3,382	3,043	1,641
After five years	3,126	119	2,636	-
	12,229	5,025	6,891	2,219

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

23. Financial commitments (continued)

At 31 December 2008 the group had commitments under finance leases as set out below:

	2008 £000	2007 £000
Obligations under finance leases		
Minimum lease payments payable:		
Within one year	194	194
In the second to fifth years inclusive	776	777
After five years	132	326
	<hr/> 1,102	<hr/> 1,297
Less: Finance charges allocated to future years	(262)	(309)
	<hr/> 840	<hr/> 988

Company

At 31 December 2008, the company had no financial commitments (2007: £nil).

24. 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:

	2008 £000	2007 £000
UK Pension scheme (see below)	5,907	4,050
French state pension scheme termination indemnity	1,159	836
Italian state pension scheme termination indemnity	3,084	2,484
	<hr/> 10,150	<hr/> 7,370

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 2008, 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 6.50% per annum, that salary increases would average 4.25% 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 £169,000 (2007: £334,000); and the total included in finance costs was £298,000 (2007: £336,000). The most recent actuarial valuation showed that the market value of the scheme's assets was £12,253,000 giving a funding level of 60% (2007: 72%).

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

24. Pension commitments (continued)

Actuarial assumptions

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

	2008 %	2007 %	2006 %
Average discount rate for plan liabilities	6.00	5.75	5.00
Average rate of inflation	3.00	3.25	3.00
Average rate of increase in salaries	4.50	4.75	4.50
Average rate of increase of pensions in payment	3.00	3.25	3.00
Average long term rate of return on plan assets	4.08	5.63	5.63

The weighted average life expectancy for mortality tables used to determine benefit obligations are detailed below:

	2008		2007		2006	
	Male	Female	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.0	24.8	16.9	19.9	16.9	19.9
Member age 45 (life expectancy at age 65)	23.1	25.9	19.4	22.4	19.4	22.4

FRS 17 Balance sheet disclosure

	2008 Rate of return %	2008 Fair value £'000	2007 Rate of return %	2007 Fair value £'000	2006 Rate of return %	2006 Fair value £'000
Equity	6.50	7,225	6.75	8,612	6.75	8,848
Bonds	4.25	4,977	4.50	5,843	4.50	5,329
Net current assets	1.50	51	-	-	-	-
Total market value of assets		12,253		14,455		14,177
Present value of scheme liabilities		(20,457)		(20,080)		(22,234)
Deficit in the pension plan		(8,204)		(5,625)		(8,057)
Deferred tax		2,297		1,575		2,417
Net pension liability		(5,907)		(4,050)		(5,640)

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 change in the inflation assumption.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

24. Pension commitments (continued)

FRS 17 Profit and loss account disclosure

	2008 £'000	2007 £'000	2006 £'000
Analysis of the amount charged to operating profit			
Current service cost	(169)	(334)	(370)
Total operating charge	(169)	(334)	(370)
Analysis of the amount credited to other finance income			
Expected return on plan assets	849	831	747
Interest cost on plan liabilities	(1,147)	(1,167)	(1,038)
Net charge to other finance income	(298)	(336)	(291)
Total charge to the profit and loss account for the year	(467)	(670)	(661)

FRS 17 Statement of total recognised gains and losses disclosure

Amounts included in the consolidated STRGL for 2008 in respect of the defined benefit plan are as follows:

	2008 £'000	2007 £'000	2006 £'000
Difference between actual and expected return on plan assets	(3,166)	(346)	43
Experience gains arising on plan liabilities	793	-	-
Effects of changes in assumptions underlying the plan liabilities	(287)	2,805	674
Total actuarial gains and losses recognised in the STRGL	(2,660)	2,459	717

The difference of £3,166,000 between actual and expected return on plan assets is 25.8% of the plan assets as at 31 December 2008. The total actuarial loss of £2,660,000 represents 13.0% of the present value of scheme liabilities as at 31 December 2008.

FRS 17 Analysis of movement in liabilities during the year

	2008 £'000	2007 £'000	2006 £'000
As at 1 January	(20,080)	(22,234)	(21,843)
Current service cost	(169)	(334)	(370)
Member contributions	(78)	(100)	(109)
Interest on pension scheme liabilities	(1,147)	(1,167)	(1,038)
Actuarial gain	506	2,870	674
Benefits paid	511	885	452
As at 31 December	(20,457)	(20,080)	(22,234)

Dorchester Group Limited

Notes to the accounts Year ended 31 December 2008

24. Pension commitments (continued)

FRS 17 Analysis of movement in assets during the year

	2008 £'000	2007 £'000	2006 £'000
As at 1 January	14,455	14,177	13,111
Expected return on plan assets	849	831	747
Actuarial gain/(loss)	(3,166)	(411)	43
Employer contributions	548	643	619
Member contributions	78	100	109
Benefits paid	(511)	(885)	(452)
As at 31 December	12,253	14,455	14,177

FRS 17 Analysis of movement in deficit during the year

	2008 £'000	2007 £'000	2006 £'000
As at 1 January	(5,625)	(8,057)	(8,732)
Current service cost	(169)	(334)	(370)
Employer contributions	548	643	619
Other financial expense	(298)	(336)	(291)
Actuarial (loss)/gain	(2,660)	2,459	717
As at 31 December	(8,204)	(5,625)	(8,057)

History between the expected and actual return on scheme assets:

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Difference between the expected and actual return on scheme assets					
Amount (£'000)	3,166	346	43	1,133	516
Percentage of scheme assets	(25.8%)	(2.4%)	0%	9%	4.7%
Experience gains and losses on scheme liabilities					
Amount (£'000)	793	-	-	174	-
Percentage of the present value of the scheme liabilities	3.9%	-	-	1%	-
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	(2,660)	2,459	717	(1,905)	(402)
Percentage of the present value of the scheme liabilities	13.0%	12.2%	(3%)	9%	(2.3%)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2008

25. Contingent liabilities

There are no contracted capital commitments at the end of the financial year for which no financial provision has been made.

26. 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 £5,451,764 (2007: £1,580,325). Amounts owed for these services as at 31 December 2008 amounted to £4,806,159 (2007: £1,107,716). The group occupies a building in London owned by a fellow subsidiary undertaking, on an annually renewable agreement. The total annual rent is £599,330 (2007: £521,454). It is estimated that the market rent of the building occupied is £590,285 (2007: £528,181). Amounts owed for the rental, associated rates and services as at 31 December 2008 amounted to £173,431 (2007: £43,723). During the year, the cost of seconded staff charged to the group by its ultimate parent company amounted to £Nil (2007: £Nil). The loan from the subsidiary undertaking is unsecured, subordinated, interest free and not repayable within one year (see note 18).

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

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

	2008 £000	2007 (restated) £000
Operating profit	57,153	49,625
Depreciation charges and amortisation of goodwill	20,357	16,670
Profit on sale of tangible fixed assets	(11)	(16)
Increase in stocks	(925)	(837)
(Increase)/decrease in debtors	(18,727)	2,424
Increase/(decrease) in creditors	7,323	(331)
Increase/(decrease) in provisions	387	(478)
Net cash inflow from operating activities	<u>65,557</u>	<u>67,057</u>

28. Analysis of change in net debt

	At 1 January 2008 (restated) £000	Cash flow £000	Other non cash movements £000	Translation differences £000	At 31 December 2008 £000
Cash in hand and at bank	41,579	(4,197)	-	7,975	45,357
Current asset investments	27,849	798	-	11,168	39,815
Debt due within one year	(20,842)	11,861	(20,976)	(3,492)	(33,449)
Debt due after one year	(422,515)	-	20,756	(106,755)	(508,514)
Finance leases	(988)	148	-	-	(840)
Total	<u>(374,917)</u>	<u>8,610</u>	<u>(220)</u>	<u>(91,104)</u>	<u>(457,631)</u>

Non cash movements include the reclass of the current portion of loans and finance leases from non-current less the amortisation of loan issue costs.

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Notes to the accounts

Year ended 31 December 2008

29. Reconciliation of net cash flow to movement in net debt

	2008	2007 (restated)
	£000	£000
(Decrease)/increase in cash in year	(4,197)	6,303
Cash outflow from increase in liquid resources	798	9,553
Cash outflow from decrease in net debt	12,009	9,749
	<u>8,610</u>	<u>25,605</u>
Change in debt resulting from cash flows	8,610	25,605
Loans and finance leases	-	(15,836)
Amortisation of loan issue costs	(220)	(257)
Translation differences	(91,104)	(29,130)
	<u>(82,714)</u>	<u>(19,618)</u>
Movement in net debt during year	(82,714)	(19,618)
Net debt at 1 January 2008	<u>(374,917)</u>	<u>(355,299)</u>
Net debt at 31 December 2008	<u><u>(457,631)</u></u>	<u><u>(374,917)</u></u>

30. Ultimate parent and controlling party

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