

Company Registration No. 01823605

Dorchester Group Limited

Report and Financial Statements

31 December 2004



Dorchester Group Limited

Report and financial statements 2004

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Dorchester Group Limited

Report and financial statements 2004

Officers and professional advisers

Directors

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
Mr Riccardo Obertelli

Secretary

Dayang Haslina Binti Haji Mohd Taib

Registered Office

3 Tilney Street
London
W1Y 5LE

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Dorchester Group Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal activities and future 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;

four investment properties in the United States of America; and

the management company for the Group, Dorchester Services Limited.

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

Business review

The consolidated loss on ordinary activities after taxation is £0.9m (2003: profit of £5.5m). The directors consider the results for the year to be satisfactory.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (2003: £nil). The retained loss of £0.9m (2003: profit of £5.5m) was transferred to reserves.

Directors and their interests

The details of the directors of the company who served throughout the year, except as noted below, are as follows:

Dr. Awang Mohd Amin Liew Bin Abdullah (Chairman) (appointed 21 October 2004)

Haji Ali Apong (Chairman) (resigned 21 October 2004)

Haji Saifulbahri Haji Mansor

Haji Ghani Hamid

Pg Hj Md Airudin Pg Hj Mohamad

Dayang Haslina Binti Haji Mohd Taib

Mr Riccardo Obertelli

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

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Dorchester Group Limited

Directors' report (continued)

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 £2,910 (2003: £11,083) for charitable purposes. There were no political donations.

Auditors

A resolution to reappoint Deloitte & Touche LLP as auditors will be put to the members at the Annual General Meeting.

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



Dayang Haslina Binti Haji Mohd Taib
Secretary

17 September 2005

Dorchester Group Limited

Statement of Directors' Responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the company for that period. *In preparing those financial statements, the directors are required to:*

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the 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

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

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

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

29/9/ 2005

Dorchester Group Limited

Consolidated profit and loss account Year ended 31 December 2004

	Note	2004 £000	2003 £000
Turnover	1	168,622	105,850
Cost of sales		(85,295)	(52,964)
Gross profit		83,327	52,886
Administrative expenses		(65,007)	(41,367)
Operating profit	2	18,320	11,519
Interest receivable and similar income	5	1,840	2,999
Interest payable and similar charges	6	(15,433)	(6,637)
Profit on ordinary activities before taxation		4,727	7,881
Tax charge on profit on ordinary activities	7	(5,622)	(2,419)
Retained (loss)/profit on ordinary activities after taxation for the financial year	21	(895)	5,462

Consolidated statement of total recognised gains and losses Year ended 31 December 2004

	2004 £'000	2003 £'000
(Loss)/profit for the financial year	(895)	5,462
Currency translation differences on foreign currency net investments	(15,809)	(20,258)
Revaluation of investment property	2,468	5,952
Total recognised gains and losses relating to the year	(14,236)	(8,844)

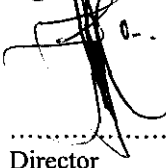
Dorchester Group Limited

Consolidated balance sheet As at 31 December 2004

	Note	2004 £000	2003 £000
Fixed assets			
Intangible assets - goodwill	8	26,591	27,995
Investment properties	9	73,055	76,349
Tangible assets	10	641,957	658,497
		<u>741,603</u>	<u>762,841</u>
Current assets			
Stocks	12	5,720	5,465
Debtors: amounts falling due within one year	13	15,624	17,712
Debtors: amounts falling due after more than one year	14	1,723	2,338
Investments	15	7,280	4,429
Cash at bank and in hand	16	75,558	66,746
		<u>105,905</u>	<u>96,690</u>
Creditors: amounts falling due within one year	17	<u>(34,505)</u>	<u>(31,319)</u>
Net current assets		<u>71,400</u>	<u>65,371</u>
Total assets less current liabilities		<u>813,003</u>	<u>828,212</u>
Creditors: amounts falling due after more than one year	18	(477,348)	(482,956)
Provisions for liabilities and charges	19,20	(32,081)	(27,446)
Net assets		<u>303,574</u>	<u>317,810</u>
Capital and reserves			
Called up share capital	21,22	120,009	120,009
Share premium account	21	182,711	182,711
Other reserves	21	80,788	78,320
Profit and loss account	21	(79,934)	(63,230)
Equity shareholders' funds	21	<u>303,574</u>	<u>317,810</u>

These financial statements were approved by the Board of Directors on 17 September 2005.

Signed on behalf of the Board of Directors


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Director


Dayang Haslina Binti Haji Mohd Taib
Secretary

Dorchester Group Limited

Company balance sheet As at 31 December 2004

	Note	2004 £000	2003 £000
Fixed assets			
Investments	11	319,481	319,481
Current assets			
Debtors: amounts falling due within one year	13	542	1,266
Debtors: amounts falling due after more than one year	14	257,723	241,748
Cash at bank and in hand		41,901	40,829
		<u>300,166</u>	<u>283,843</u>
Creditors: amounts falling due within one year	17	<u>(18,769)</u>	<u>(15,131)</u>
Net current assets		281,397	268,712
Total assets less current liabilities		600,878	588,193
Creditors: amounts falling due after more than one year	18	<u>(276,043)</u>	<u>(263,687)</u>
Net assets		<u>324,835</u>	<u>324,506</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	22,115	21,786
Equity shareholders' funds	21	<u>324,835</u>	<u>324,506</u>

These financial statements were approved by the Board of Directors on 17 September 2005.

Signed on behalf of the Board of Directors



Director



Dayang Haslina Binti Haji Mohd Taib
Secretary

Dorchester Group Limited

Consolidated cash flow statement Year ended 31 December 2004

	Note	2004 £000	2003 £000
Net cash inflow from operating activities	27	36,113	25,517
Returns on investments and servicing of finance			
Interest received		1,767	743
Interest paid		(11,596)	(6,601)
Interest element of finance leases		(52)	(44)
Net cash outflow from returns on investments and servicing of finance		(9,881)	(5,902)
Taxation		(1,906)	(1,136)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(6,077)	(81,849)
Additions to investment properties		(442)	(1,169)
Sale of tangible fixed assets		(136)	14
Net cash outflow from capital expenditure and financial investment		(6,655)	(83,004)
Acquisitions			
Purchase of subsidiary undertaking		-	(189,183)
Cash acquired with subsidiary undertakings		-	9,862
Net cash outflow from acquisitions		-	(179,321)
Cash inflow/(outflow) before management of liquid resources and financing		17,671	(243,846)
Management of liquid resources			
Cash (deposited with) / withdrawn from short term deposits		(2,909)	3,056
Financing			
Increase in short term borrowings		-	198,501
Repayment of bank loans		(3,824)	(29,204)
New loans from fellow subsidiary undertakings		-	123,350
Repayment of finance leases		(213)	(366)
Net cash (outflow)/inflow from financing		(4,037)	292,281
Increase in cash in the year	29	10,725	51,491

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

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 and 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.

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

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. 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.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

1. Accounting policies (continued)

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 financial statements 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.

Pension costs

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

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.

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.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

2. Operating profit

	2004 £000	2003 £000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	13,898	8,755
Amortisation of goodwill	1,435	683
Profit on sale of tangible fixed assets	(36)	(5)
Rentals under operating leases:		
Land and buildings	312	291
Plant and machinery	45	32
Auditors' remuneration:		
Group audit fees	200	205
Company audit fees	35	24
Other services	194	139

The consolidated result for the financial year includes a profit of £329,000 (2003: £3,785,000) dealt with 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/(Loss)		Net Assets	
	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000
Hotel operations:						
USA	28,130	24,387	11,514	6,351	134,853	140,076
Europe	86,851	31,931	3,366	(1,170)	(8,478)	9,917
United Kingdom	43,526	38,076	3,599	2,373	127,754	116,119
	158,507	94,394	18,479	7,554	254,129	266,112
Property investment:						
USA	10,115	11,456	(159)	3,965	49,445	51,698
	168,622	105,850	18,320	11,519	303,574	317,810

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

4. Information regarding directors and employees

	2004	2003
	£000	£000
Directors' emoluments		
Remuneration as executives	352	330

The aggregate of emoluments, excluding pension contributions, of the highest paid director were £219,768 (2003: £218,345). The highest paid director is a member of a defined benefits pension scheme, under which his accrued pension at the year end was £37,699 (2003: £36,489).

Retirement benefits are accruing to two (2003: two) directors under a defined benefits scheme. No directors received benefits under money purchase schemes.

	2004	2003
	No.	No.
Average number of persons employed including directors		
Operations	1,882	1,285
Sales and marketing	53	35
Administration	216	125
	2,151	1,445
	£000	£000
Staff costs during the year including directors		
Wages and salaries	47,011	30,221
Social security costs	15,154	8,154
Other pension costs	1,289	1,082
	63,454	39,457

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

5. Interest receivable and similar income

	2004 £000	2003 £000
On bank deposits	1,615	782
Foreign exchange gains	166	2,156
Other	59	61
	<u>1,840</u>	<u>2,999</u>

6. Interest payable and similar charges

	2004 £000	2003 £000
Bank loans and overdrafts	10,141	4,619
Other loans	2,858	1,771
Finance leases	52	43
Amortisation of loan issue costs	334	204
Foreign exchange losses	2,048	-
	<u>15,433</u>	<u>6,637</u>

7. Tax charge on ordinary activities

	2004 £000	2003 £000
Current taxation		
United Kingdom corporation tax at 30% (2003: 30%)	(814)	(897)
Adjustment in respect of prior years	196	-
Double taxation relief	13	-
Foreign tax	(594)	(597)
Adjustment in respect of prior years	(54)	-
	<u>(1,253)</u>	<u>(1,494)</u>
Deferred taxation		
Origination and reversal of timing differences	(3,403)	(1,230)
Adjustment in respect of prior years	(966)	305
	<u>(4,369)</u>	<u>(925)</u>
	<u>(5,622)</u>	<u>(2,419)</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

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:

	2004 £000	2003 £000
Profit on ordinary activities before tax	4,727	7,881
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002: 30%)	(1,418)	(2,364)
Effect of:		
Expenses not deductible for tax purposes	(357)	431
Capital allowances in excess of depreciation	3,907	3,355
Other overseas short term timing differences	482	-
Double tax relief	13	12
Foreign tax	(594)	(567)
Tax losses not recognised	(3,428)	(2,361)
Prior period adjustments	142	-
Current tax charge	(1,253)	(1,494)

Deferred tax has not been provided on revaluations of fixed assets. The tax will only become payable if these assets are sold and rollover relief is not obtained.

8. Goodwill

	£000
Cost	
At 1 January 2004	27,995
Foreign exchange movements	31
Amortisation	(1,435)
At 31 December 2004	26,591

9. Investment properties

	2004 £000	2003 £000
Cost or valuation:		
At 1 January	76,349	77,489
Additions	-	1,170
Revaluation	2,468	5,952
Foreign exchange translation differences	(5,762)	(8,262)
At 31 December	73,055	76,349

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 £65,784,033 (2003: £69,689,000).

The Group's investment properties were valued at open market value by the Directors at 31 December 2004, reflecting advice received from independent qualified valuers.

Dorchester Group Limited

Notes to the accounts Year ended 31 December 2004

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
Cost					
At 1 January 2004	602,350	28,889	68,697	2,180	702,116
Foreign exchange translation differences	(9,307)	(137)	(657)	(78)	(10,179)
Additions	36	2,115	1,685	2,717	6,553
Reclassifications	600	1,169	(464)	(1,305)	-
Disposals	(343)	(1,910)	(360)	(127)	(2,740)
At 31 December 2004	593,336	30,126	68,901	3,387	695,750
Accumulated depreciation					
At 1 January 2004	10,219	10,119	23,281	-	43,619
Foreign exchange translation differences	(788)	(123)	(623)	-	(1,534)
Charge	3	4,847	9,048	-	13,898
Disposals	-	(1,883)	(307)	-	(2,190)
Reclassification	2	279	(281)	-	-
At 31 December 2004	9,436	13,239	31,118	-	53,793
Net book value					
At 31 December 2004	583,900	16,887	37,783	3,387	641,957
At 31 December 2003	592,131	18,770	45,416	2,180	658,497

The net book value of land and buildings comprise:

	2004 £000	2003 £000
Freehold	583,741	591,976
Long leasehold	159	155
	583,900	592,131

Land and buildings with a net book value of £583,741,000 (2003: £591,976,000) are not depreciated.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

11. Fixed asset investments

Company	2004 £000	2003 £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
	<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	Private members club	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	2004 £000	2003 £000
Consumables	3,395	3,140
Goods for resale	2,325	2,325
	<u>5,720</u>	<u>5,465</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 2004

13. Debtors: amounts falling due within one year

	2004 £000	2003 £000
Group		
Trade debtors	10,792	13,184
Other debtors	2,567	2,419
Bank interest receivable	388	30
Prepayments and accrued income	1,877	2,079
	<u>15,624</u>	<u>17,712</u>

	2004 £000	2003 £000
Company		
Amounts owed by subsidiary undertakings	96	1,266
Corporation tax recoverable	446	-
	<u>542</u>	<u>1,266</u>

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

	2004 £000	2003 £000
Group		
Trade debtors	<u>1,723</u>	<u>2,338</u>

	2004 £000	2003 £000
Company		
Loans to subsidiary undertakings at floating rates	160,040	163,453
Loans to subsidiary undertakings free of interest	<u>97,683</u>	<u>78,295</u>
	<u>257,723</u>	<u>241,748</u>

15. Investments

	2004 £000	2003 £000
Group		
Cash deposits with terms in excess of seven days	<u>7,280</u>	<u>4,429</u>

16. Cash at bank and in hand

The cash balance includes £39,623,576 (2003: £39,579,000) held as collateral against part of the bank loans taken out during the year ended 31 December 2003.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

17. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Group		
Bank loans and overdrafts	6,103	4,547
Obligations under finance leases	219	366
Trade creditors	13,637	13,274
United Kingdom corporation tax	-	458
Other taxation and social security:		
VAT and other sales taxes	1,324	884
PAYE and other payroll taxes	5,880	5,442
Other taxes	600	648
Other creditors	3,579	2,604
Accruals and deferred income	3,163	3,096
	<u>34,505</u>	<u>31,319</u>
Company		
Amounts owed to subsidiary undertakings	15,626	14,108
Bank loans and overdrafts	3,047	-
Trade creditors	9	9
United Kingdom corporation tax	-	458
Other creditors	-	480
Accruals and deferred income	87	76
	<u>18,769</u>	<u>15,131</u>

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

	2004 £000	2003 £000
Group		
Bank loans	239,889	245,443
Obligations under finance leases	-	93
Loans from fellow subsidiary undertakings:		
Unsecured, subordinated and interest free	231,008	186,604
Unsecured, subordinated and interest bearing	-	43,745
Other creditors	3,408	4,242
Accrued interest	3,043	2,829
	<u>477,348</u>	<u>482,956</u>

Bank loans are secured and subject to interest at floating rates linked to interbank rates of the country in which currency the loans are denominated, plus a premium ranging between 0.2% and 0.5%. The interest bearing loans from fellow subsidiary undertakings bear interest at floating rates.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

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

	2004 £000	2003 £000
Loans maturing between:		
1 year or less amount to	5,615	4,208
1 to 2 years amount to	7,019	5,610
2 to 5 years amount to	33,695	28,055
Over 5 years amount to	430,183	444,956
	<u>476,512</u>	<u>482,829</u>
 Company	 2004 £000	 2003 £000
Bank loan	108,112	113,533
Loan from subsidiary undertaking	27,451	27,455
Loan from fellow subsidiary undertaking	140,480	122,699
	<u>276,043</u>	<u>263,687</u>

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

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 2004 the amount of unamortised loan issue costs were £1,856,245 (2003: £1,659,000).

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

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

Dorchester Group Limited

Notes to the accounts Year ended 31 December 2004

19. Provisions for liabilities and charges

Group	Deferred taxation £000	Pension contributions £000	Hotel renovation £000	Total £000
Balance at beginning of year	25,999	1,154	293	27,446
Additions	4,369	-	266	4,635
Balance at end of year	<u>30,368</u>	<u>1,154</u>	<u>559</u>	<u>32,081</u>

The pension provision relates to the past service shortfall in the scheme. The renovation provision relates to potential payments in respect of outstanding contractor claims from the renovation of the Hotel Meurice. The provision for deferred tax is detailed below.

20. Deferred tax

Group	2004 £000	2003 £000
Capital allowances in excess of depreciation	31,075	25,535
Short term timing differences	(376)	795
Losses	(331)	(331)
	<u>30,368</u>	<u>25,999</u>

21. Reconciliation of movements in equity shareholders' funds

Group	Share capital £000	Share premium £000	Merger reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
Balance at beginning of year	120,009	182,711	72,668	5,652	(63,230)	317,810
Revaluation surplus in the year	-	-	-	2,468	-	2,468
Profit retained for the year	-	-	-	-	(895)	(895)
Currency translation difference	-	-	-	-	(15,809)	(15,809)
Balance at end of year	<u>120,009</u>	<u>182,711</u>	<u>72,668</u>	<u>8,120</u>	<u>(79,934)</u>	<u>303,574</u>
Company						
Balance at beginning of year	120,009	182,711	-	-	21,786	324,506
Profit retained for year	-	-	-	-	329	329
Balance at end of year	<u>120,009</u>	<u>182,711</u>	<u>-</u>	<u>-</u>	<u>22,115</u>	<u>324,835</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

22. Called up share capital

	2004 £000	2003 £000
Group and company		
Authorised:		
Ordinary shares of £1 each	200,000	200,000
Allotted, called up and fully paid:		
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.

	2004 £000	2003 £000
Contracted	2,482	530
Authorised not contracted	3,779	215

At 31 December 2004, the group had annual commitments under non-cancellable operating leases as set out below:

	2004		2003	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	208	-	815	59
Between two and five years	7	67	-	82
After five years	622	-	-	-
	837	67	815	141

Company

At 31 December 2004, the company had no financial commitments (2003: £nil).

Dorchester Group Limited

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Year ended 31 December 2004

24. Pension scheme

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

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

The valuation on which pension costs were assessed was carried out as at 6 April 2002, and the Projected Unit Method was used. The scheme's assets were taken into account at market value. It was assumed that the investment return would exceed the average salary increase by 1.75% per annum. At the valuation date, the market value of the assets of the scheme was £10.2m, representing 94% of the value of the benefits that had accrued to members, after allowing for future increases in earnings.

The employer contributed 20.5% of pensionable earnings to the scheme from 1 January to 1 November 2003 increasing to 22.5 % and a fixed additional contribution of £156,000 per annum thereafter (2003: 22.5%). Contributions from employees increased from 4% to 5% from 6 September 2002. Contributions are based on pension costs across the group as a whole.

The pension charge for the period for the United Kingdom defined benefit scheme was £748,637 (2003: £681,399). The amount included within provisions for liabilities and similar charges at 31 December 2004 for the excess of the accumulated pension cost over the amount funded was £1,154,000 (2003: £1,154,000).

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

The group operates a defined contribution scheme in the United States of America. The scheme allows individuals to make pre-tax income contributions and provides for a profit-sharing contribution plus a partial matching by the company for all eligible employees. The group contribution to this scheme for the year was £410,766 (2003: £394,216).

Additional disclosures regarding the defined benefit pension scheme are required under Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17") and these are set out below. The disclosures relate to the third year transitional provisions.

The most recent actuarial valuation as at 6 April 2002 has been updated by qualified actuaries, Mercer Human Resource Consulting, using revised assumptions that are consistent with the requirements of FRS 17.

Scheme assets are stated at their market value at 31 December 2003.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Valuation method	Projected unit 2004	Projected unit 2003	Projected unit 2002
Discount rate	5.25%	5.50%	5.50%
Increase in pensionable salaries	4.75%	4.75%	4.25%
Increase in pensions in payment	2.75%	2.75%	2.25%
Inflation assumption	2.75%	2.75%	2.25%

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

24. Pension scheme (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	Long term expected rate of return 2004	Value at 31 December 2004 £000	Long term expected rate of return 2003	Value at 31 December 2003 £000	Long term expected rate of return 2002	Value at 31 December 2002 £000
Equities	7.00%	6,830	7.00%	6,009	7.00%	6,991
Bonds	5.00%	4,058	5.00%	3,561	5.00%	1,392
Total fair value of assets		10,888		9,570		8,383
Present value of scheme liabilities		(17,618)		(15,768)		(14,222)
Deficit in the scheme		(6,730)		(6,198)		(5,839)
Related deferred tax asset		2,021		1,859		1,752
Net pension deficit under FRS17		<u>(4,709)</u>		<u>(4,339)</u>		<u>(4,087)</u>
				2004 £000	2003 £000	2002 £000
Net assets				303,574	317,810	326,954
Net assets				1,154	1,154	1,154
Pension deficit currently included						
Net assets excluding pension deficit				304,728	318,964	328,108
Net pension deficit under FRS17				(4,709)	(4,339)	(4,087)
Net asset including pension deficit				<u>300,019</u>	<u>314,625</u>	<u>324,021</u>
Reserves						
Profit and loss reserve				(79,934)	(63,230)	(48,434)
Pension deficit currently included				1,154	1,154	1,154
Profit and loss reserve excluding pension deficit				(78,780)	(62,076)	(47,280)
Net pension deficit under FRS17				(4,709)	(4,339)	(4,087)
Profit and loss reserve including pension deficit				<u>(83,489)</u>	<u>(66,415)</u>	<u>(51,367)</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

24. Pension scheme (continued)

Analysis of the amount that would be debited to operating income:

	2004 £000	2003 £000
Current service cost	(443)	(413)
Total operating charge	<u>(443)</u>	<u>(413)</u>

Analysis of the amount that would be debited to other finance charges:

	2004 £000	2003 £000
Expected return on pension scheme assets	605	566
Interest costs	(869)	(783)
Net finance charge	<u>(264)</u>	<u>(217)</u>

Analysis of the amount that would be recognised in statement of total recognised gains and losses:

	2004 £000	2003 £000
Actual return less expected return on pension scheme assets	516	404
Changes in assumptions underlying the present value of the scheme liability	(918)	(732)
Actuarial deficit that would be recognised in statement of gains and losses	<u>(402)</u>	<u>(328)</u>

Movement in deficit during year:

	2004 £000	2003 £000
Deficit in scheme at beginning of year	(6,198)	(5,839)
Movement in year:		
Contributions	577	599
Current service costs	(443)	(413)
Other finance charges	(264)	(217)
Actuarial deficit	(402)	(328)
Deficit in scheme at end of year	<u>(6,730)</u>	<u>(6,198)</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

24. Pension scheme (continued)

History between the expected and actual return on scheme assets:

	2004 £000	2003 £000
Difference between the expected and actual return on scheme assets		
Amount (£'000)	516	404
Percentage of scheme assets	5%	4%
Experience gains and losses on scheme liabilities		
Amount (£'000)	-	-
Percentage of the present value of the scheme liabilities	-	-
Total amount recognised in statement of total recognised gains and losses		
Amount (£'000)	(402)	(328)
Percentage of the present value of the scheme liabilities	2%	(2%)

25. 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.

As of 31 December 2004, this litigation has not been provided for in the group accounts of Dorchester Group Limited because it is management's view that the extent and nature of the payments to be made (and/or received) cannot be quantified accurately nor allocated properly between fixed assets and penalties/interest.

The maximum exposure, representing total claims lodged to date, and excluding the impact, if any, of the counter claim, amounts to €17.5 million (£12.3 million) before interest. It is the directors' belief that they have appropriate grounds to defend Meurice SpA against these claims and that the final settlements, which are not expected to occur for some time, will be for substantially lesser sums.

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 £1,057,595 (2003: £1,651,382). Amounts owed for these services as at 31 December 2004 amounted to £302,466 (2003: £196,272). The group occupies a building in London owned by a fellow subsidiary undertaking, on an annually renewable agreement. The total annual rent is £320,200 (2003: £213,273). It is estimated that the market rent of the building occupied is £350,000 (2003: £308,696). Amounts owed for the rental, associated rates and services as at 31 December 2004 amounted to £137,258 (2003: £nil). During the year, the cost of seconded staff charged to the group by its ultimate parent company amounted to £ Nil (2003: £12,000).

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

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

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

	2004 £000	2003 £000
Operating profit	18,320	11,519
Depreciation charges and amortisation of goodwill	15,334	9,438
Loss/(profit) on sale of tangible fixed assets	(36)	(5)
Increase in stocks	(255)	(189)
(Increase)/decrease in debtors	(3,245)	875
Increase in creditors	5,729	3,909
Increase/(decrease) in provisions	266	(30)
Net cash inflow from operating activities	<u>36,113</u>	<u>25,517</u>

28. Analysis of change in net debt

	At 1 January 2004 £000	Cash flow £000	Other non cash movements £000	Translation differences £000	At 31 December 2004 £000
Cash in hand and at bank	66,746	10,725	-	(1,913)	75,558
Current asset investments	4,429	3,206	-	(355)	7,280
Debt due within one year	(4,547)	3,836	(5,615)	223	(6,103)
Debt due after one year	(475,791)	531	5,281	(918)	(470,897)
Finance leases	(459)	240	-	-	(219)
Total	<u>(409,622)</u>	<u>18,538</u>	<u>(334)</u>	<u>(2,963)</u>	<u>(394,381)</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2004

29. Reconciliation of net cashflow to movement in net debt

	2004 £000	2003 £000
Increase in cash in year	10,725	51,491
Cash inflow/(outflow) from increase/(decrease) in liquid resources	3,206	(3,056)
Cash outflow/(inflow) from decrease/(increase) in net debt	4,607	(292,281)
Change in debt resulting from cash flows	18,538	(243,846)
Loans and finance leases acquired with subsidiaries	-	(47,351)
Amortisation of loan issue costs	(334)	(203)
New finance leases	-	-
Translation differences	(2,963)	(17,026)
Movement in net debt during year	15,241	(308,426)
Net debt at 1 January 2004	(409,622)	(101,196)
Net debt at 31 December 2004	(394,381)	(409,622)

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.