

**Company Registration No. 01823605**

**Dorchester Group Limited**

**Report and Financial Statements**

**31 December 2003**



# **Dorchester Group Limited**

## **Report and financial statements 2003**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Consolidated profit and loss account</b>	<b>6</b>
<b>Consolidated statement of total recognised gains and losses</b>	<b>6</b>
<b>Consolidated balance sheet</b>	<b>7</b>
<b>Company balance sheet</b>	<b>8</b>
<b>Consolidated cash flow statement</b>	<b>9</b>
<b>Notes to the accounts</b>	<b>10</b>

# **Dorchester Group Limited**

## **Report and financial statements 2003**

### **Officers and professional advisers**

#### **Directors**

Haji Ali Apong (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 2003.

### **Principal activities and future prospects**

During the year, the group continued to own and manage The Dorchester Hotel, Park Lane, London, The Beverly Hills Hotel in Los Angeles, Hotel Meurice in Paris and four commercial properties in the United States of America. On 30 June 2003 the group acquired the entire share capital of Principe di Savoia Srl, which owns the Hotel Principe di Savoia in Milan. On 16 December 2003 the group acquired the entire share capital of Plaza Athenee Holdings SA, which owns the Hotel Plaza Athenee in Paris. In addition, both the new hotels are managed by the group.

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

### **Business review**

The consolidated profit on ordinary activities after taxation is £5.5m (2002: £13.3m). 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 (2002: £nil). The retained profit of £5.5m (2002: £13.3m) 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:

Haji Ali Apong (Chairman)	(appointed 15 May 2003)
Haji Saifubahri Haji Mansor	
Haji Ghani Hamid	(appointed 15 May 2003)
Pg Hj Md Airudin Pg Hj Mohamad	(appointed 15 May 2003)
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.

### **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.

# **Dorchester Group Limited**

## **Directors' report**

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 £11,083 (2002: £10,517) 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 May 2004

# **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;
- 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 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheets, the 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.

### **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 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

17 May 2004

## Dorchester Group Limited

### Consolidated profit and loss account Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
<b>Turnover</b>	1		
Continuing operations		92,217	102,198
Acquisitions		13,633	-
<b>Total turnover</b>		<u>105,850</u>	<u>102,198</u>
<b>Cost of sales</b>		<u>(52,964)</u>	<u>(46,035)</u>
<b>Gross profit</b>		<u>52,886</u>	<u>56,163</u>
<b>Operating expenses</b>		<u>(41,367)</u>	<u>(35,828)</u>
<b>Operating profit</b>	3		
Continuing operations		9,984	20,335
Acquisitions		1,535	-
<b>Total operating profit</b>		<u>11,519</u>	<u>20,335</u>
<b>Interest receivable and similar income</b>	6	2,999	3,474
<b>Interest payable and similar charges</b>	7	<u>(6,637)</u>	<u>(6,858)</u>
<b>Profit on ordinary activities before taxation</b>		<u>7,881</u>	<u>16,951</u>
<b>Tax charge on profit on ordinary activities</b>	8	<u>(2,419)</u>	<u>(3,619)</u>
<b>Profit for the financial year</b>	22	<u><u>5,462</u></u>	<u><u>13,332</u></u>

### Consolidated statement of total recognised gains and losses Year ended 31 December 2003

	2003 £'000	2002 £'000
Profit for the financial year	5,462	13,332
Currency translation differences on foreign currency net investments	<u>(20,258)</u>	<u>(18,552)</u>
<b>Total recognised gains and losses relating to the year</b>	<u><u>(14,796)</u></u>	<u><u>(5,220)</u></u>



# Dorchester Group Limited

## Consolidated balance sheet 31 December 2003

	Note	2003 £000	2002 £000
<b>Fixed assets</b>			
Intangible assets - goodwill	9	27,995	-
Investment properties	10	76,349	77,489
Tangible assets	11	658,497	373,329
		<u>762,841</u>	<u>450,818</u>
<b>Current assets</b>			
Stocks	13	5,465	3,690
Debtors: amounts falling due within one year	14	17,712	14,945
Debtors: amounts falling due after more than one year	15	2,338	6,415
Investments	16	4,429	7,485
Cash at bank and in hand	17	66,746	22,542
		<u>96,690</u>	<u>55,077</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(31,319)</u>	<u>(29,339)</u>
<b>Net current assets</b>		<u>65,371</u>	<u>25,738</u>
<b>Total assets less current liabilities</b>		<u>828,212</u>	<u>476,556</u>
<b>Creditors: amounts falling due after more than one year</b>	19	(482,956)	(123,106)
<b>Provisions for liabilities and charges</b>	20	(27,446)	(26,496)
<b>Net assets</b>		<u>317,810</u>	<u>326,954</u>
<b>Capital and reserves</b>			
Called up share capital	21,22	120,009	120,009
Share premium account	22	182,711	182,711
Other reserves	22	77,865	72,668
Profit and loss account	22	(63,230)	(48,434)
<b>Equity shareholders' funds</b>	22	<u>317,810</u>	<u>326,954</u>

These financial statements were approved by the Board of Directors on 17 May 2004.

Signed on behalf of the Board of Directors



Haji Ali Apong  
Director



Dayang Haslina Binti Haji Mohd Taib  
Secretary

# Dorchester Group Limited

## Company balance sheet 31 December 2003

	Note	2003 £000	2002 £000
<b>Fixed assets</b>			
Investments	12	319,481	319,481
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	1,266	2,218
Debtors: amounts falling due after more than one year	15	241,748	126,450
Cash at bank and in hand		40,829	7,388
		<u>283,843</u>	<u>136,056</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(15,131)</u>	<u>(14,604)</u>
<b>Net current assets</b>		<u>268,712</u>	<u>121,452</u>
<b>Total assets less current liabilities</b>		<u>588,193</u>	<u>440,933</u>
<b>Creditors: amounts falling due after more than one year</b>	19	<u>(263,687)</u>	<u>(120,212)</u>
<b>Net assets</b>		<u><u>324,506</u></u>	<u><u>320,721</u></u>
<b>Capital and reserves</b>			
Called up share capital	22,23	120,009	120,009
Share premium account	22	182,711	182,711
Profit and loss account	22	21,786	18,001
<b>Equity shareholders' funds</b>	22	<u><u>324,506</u></u>	<u><u>320,721</u></u>

These financial statements were approved by the Board of Directors on 17 May 2004.

Signed on behalf of the Board of Directors



Haji Ali Apong  
Director



Dayang Haslina Binti Haji Mohd Taib  
Secretary

# Dorchester Group Limited

## Consolidated cash flow statement Year ended 31 December 2003

	Note	2003 £000	2002 £000
<b>Net cash inflow from operating activities</b>	27	25,517	23,864
<b>Returns on investments and servicing of finance</b>			
Interest received		743	805
Interest paid		(6,601)	(13,192)
Interest element of finance leases		(44)	(7)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(5,902)	(12,394)
<b>Taxation</b>		(1,136)	(155)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(81,849)	(8,716)
Additions to investment properties		(1,169)	-
Sale of tangible fixed assets		14	57
<b>Net cash outflow from capital expenditure and financial investment</b>		(83,004)	(8,659)
<b>Acquisitions</b>			
Purchase of subsidiary undertaking		(189,183)	-
Cash acquired with subsidiary undertakings		9,862	-
<b>Net cash outflow from acquisitions</b>		(179,321)	-
<b>Cash (outflow)/inflow before management of liquid resources and financing</b>		(243,846)	2,656
<b>Management of liquid resources</b>			
Cash withdrawn from short term deposits		3,056	1,386
<b>Financing</b>			
Increase in short term borrowings		198,501	100
Repayment of bank loans		(29,204)	-
New loans from fellow subsidiary undertakings		123,350	-
Repayment of finance leases		(366)	(63)
<b>Net cash inflow/ (outflow) from financing</b>		292,281	37
<b>Increase in cash in the year</b>	28	51,491	4,079

# **Dorchester Group Limited**

## **Notes to the accounts**

### **Year ended 31 December 2003**

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

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently and throughout the year and the preceding year with the exception of the accounting policies for deferred taxation and investment properties which are explained below.

##### **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 (or credited) 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 2003**

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

##### **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**

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

##### **Deferred taxation**

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 rates and law, except that no provision is made for taxation that may arise on the future disposal of the Company's properties. 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 financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### **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 2003

#### 2. Acquisitions

On 30 June 2003 the Group acquired 100% of the issued share capital of Principe di Savoia srl from Starwood Italy. The acquisition of Principe di Savoia has been accounted for by the acquisition method of accounting.

The following table sets out the adjustments made to the book values of the major categories of assets and liabilities acquired to arrive at the fair values included in the consolidated financial statements at the date of acquisition:

	Book value	Fair value adjustment	Fair value
	£'000	£'000	£'000
Tangible fixed assets	91,687	77,936	169,623
Current assets	588	-	588
Cash	69	-	69
Current liabilities	(1,551)	-	(1,551)
Net assets	92,315	77,936	168,729
Goodwill			28,223
			<u>196,952</u>
Satisfied by:			
Cash			195,440
Costs of acquisition			<u>1,512</u>
			<u>196,952</u>

Details of the profit and loss account of Principe di Savoia srl for the period prior to acquisition have not been included as the company was newly formed in the days prior to acquisition and the hotel had previously formed part of a larger company.

# Dorchester Group Limited

## Notes to the accounts

### Year ended 31 December 2003

#### 2. Acquisitions (continued)

On 16 December 2003 the Group acquired 100% of the issued share capital of Plaza Athenee Holdings SA from Plaza Athenee Holdings (L) Limited, a related party, for nil consideration. The acquisition of Plaza Athenee Holdings SA has been accounted for by the acquisition method of accounting.

The following table sets out the adjustments made to the book values of the major categories of assets and liabilities acquired to arrive at the fair values included in the consolidated financial statements at the date of acquisition:

	Book value	Fair value adjustment	Fair value
	£'000	£'000	£'000
Tangible fixed assets	21,375	17,425	38,800
Current assets	10,133	-	10,133
Cash	9,793	-	9,793
Current liabilities	(34,598)	-	(34,598)
Long term liabilities	(24,583)	-	(24,583)
Net assets			(455)
Goodwill			455
			-

#### 3. Operating profit

	2003 £'000	2002 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	8,755	5,862
Amortisation of goodwill	683	-
(Profit)/Loss on sale of tangible fixed assets	(5)	7
Rentals under operating leases		
Land and buildings	291	248
Plant and machinery	32	36
Auditors' remuneration		
Group audit fees	205	198
Company audit fees	24	21
Other services	139	286

The consolidated result for the financial year includes a profit of £3,785,000 (2002: £4,183,000) 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.

# Dorchester Group Limited

## Notes to the accounts

### Year ended 31 December 2003

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

	Turnover		Operating Profit		Net Assets	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Hotel operations:						
USA	24,387	27,171	6,351	5,763	140,076	142,588
Europe	31,931	24,031	(1,170)	3,212	9,917	19,608
United Kingdom	38,076	38,529	2,373	6,605	116,119	108,328
	<u>94,394</u>	<u>89,731</u>	<u>7,554</u>	<u>15,580</u>	<u>266,112</u>	<u>270,524</u>
Property investment:						
USA	11,456	12,467	3,965	4,755	51,698	56,430
	<u>105,850</u>	<u>102,198</u>	<u>11,519</u>	<u>20,335</u>	<u>317,810</u>	<u>326,954</u>

#### 5. Information regarding directors and employees

	2003 £000	2002 £000
<b>Directors' emoluments</b>		
Remuneration as executives	<u>330</u>	<u>297</u>

The aggregate of emoluments, excluding pension contributions, of the highest paid director were £218,345 (2002: £198,000). The highest paid director is a member of a defined benefits pension scheme, under which his accrued pension at the year end was £36,489 (2002: £33,000).

Retirement benefits are accruing to two (2002: two) directors under a defined benefits scheme. No directors received benefits under money purchase schemes.

	2003 No.	2002 No.
<b>Average number of persons employed</b>		
Operations	1,285	1,098
Sales and marketing	35	25
Administration	125	107
	<u>1,445</u>	<u>1,230</u>
	<b>£000</b>	<b>£000</b>
<b>Staff costs during the year</b>		
Wages and salaries	30,221	26,328
Social security costs	8,154	6,454
Other pension costs	1,082	840
	<u>39,457</u>	<u>33,622</u>



# Dorchester Group Limited

## Notes to the accounts

Year ended 31 December 2003

### 6. Interest receivable and similar income

	2003 £000	2002 £000
On bank deposits	782	767
Foreign exchange gains	2,156	2,660
Other	61	47
	<u>2,999</u>	<u>3,474</u>

### 7. Interest payable and similar charges

	2003 £000	2002 £000
Bank loans and overdrafts	4,619	2,248
Other loans	1,771	4,506
Finance leases	43	7
Amortisation of loan issue costs	204	97
	<u>6,637</u>	<u>6,858</u>

### 8. Tax charge on ordinary activities

	2003 £'000	2002 £'000
<b>Current taxation</b>		
United Kingdom corporation tax at 30%	(897)	(263)
Foreign tax	(597)	(292)
	<u>(1,494)</u>	<u>(555)</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(1,230)	(3,112)
Adjustment in respect of prior years	305	48
	<u>(925)</u>	<u>(3,064)</u>
	<u>(2,419)</u>	<u>(3,619)</u>

# Dorchester Group Limited

## Notes to the accounts

### Year ended 31 December 2003

#### 8. 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:

	2003 £	2002 £
Profit on ordinary activities before tax	7,881	16,951
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002: 30%)	(2,364)	(5,085)
Effect of:		
Expenses not deductible for tax purposes	431	1,429
Capital allowances in excess of depreciation	3,351	1,642
Other deferred tax movements	4	1,460
Double tax relief	12	13
Foreign tax	(567)	(14)
Tax losses not recognised	(2,361)	-
Current tax charge	(1,494)	(555)

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.

#### 9. Goodwill

	£000
Cost	
At 1 January 2003	-
Additions	28,678
Amortisation	(683)
At 31 December 2003	27,995

#### 10. Investment properties

	2003 £'000	2002 £'000
Cost or valuation:		
At 1 January	77,489	85,400
Additions	1,170	153
Revaluation	5,952	-
Foreign exchange translation differences	(8,262)	(8,064)
At 31 December	76,349	77,489

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 £69,689,000 (2002: £77,489,000).

The Group's investment properties were valued at open market value by the Directors at 31 December 2003, reflecting advice received from independent qualified valuers.

# Dorchester Group Limited

## Notes to the accounts Year ended 31 December 2003

### 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
<b>Cost</b>					
At 1 January 2003	346,983	16,904	44,632	1,371	409,890
Foreign exchange translation differences	(2,344)	1,095	1,546	83	380
Acquisition of subsidiary undertaking	178,447	9,106	18,908	228	206,689
Additions	79,290	1,177	4,657	498	85,622
Reclassifications	(26)	627	(601)	-	-
Disposals		(20)	(445)	-	(465)
At 31 December 2003	602,350	28,889	68,697	2,180	702,116
<b>Accumulated depreciation</b>					
At 1 January 2003	11,380	7,099	18,082	-	36,561
Foreign exchange translation differences	(1,206)	159	(194)	-	(1,240)
Charge	45	2,871	5,839	-	8,755
Disposals		(10)	(446)	-	(456)
At 31 December 2003	10,219	10,119	23,281	-	43,619
<b>Net book value</b>					
At 31 December 2003	592,131	18,770	45,416	2,180	658,497
At 31 December 2002	335,603	9,805	26,550	1,371	373,329

The net book value of land and buildings comprise:

	2003 £000	2002 £000
Freehold	581,944	335,446
Long leasehold	155	157
	582,099	335,603

Land and buildings with a net book value of £ 586,852,000 (2002: £335,446,000) are not depreciated.

# Dorchester Group Limited

## Notes to the accounts Year ended 31 December 2003

### 12. Fixed asset investments

<b>Company</b>	<b>2003 £000</b>	<b>2002 £000</b>
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:

<b>Subsidiary undertakings</b>	<b>Principal activity</b>	<b>Country of incorporation</b>	<b>Shareholding and percentage voting rights</b>
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)

### 13. Stocks

<b>Group</b>	<b>2003 £000</b>	<b>2002 £000</b>
Consumables	3,140	2,572
Goods for resale	2,325	1,118
	<u>5,465</u>	<u>3,690</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 2003

#### 14. Debtors: amounts falling due within one year

	2003 £000	2002 £000
<b>Group</b>		
Trade debtors	13,184	12,704
Other debtors	2,419	335
Bank interest receivable	30	-
Prepayments and accrued income	2,079	1,906
	<u>17,712</u>	<u>14,945</u>
<b>Company</b>		
Bank interest receivable	-	48
Amounts owed by subsidiary undertakings	1,266	2,170
	<u>1,266</u>	<u>2,218</u>

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

	2003 £000	2002 £000
<b>Group</b>		
Trade debtors	2,338	2,776
Other debtors	-	3,639
	<u>2,338</u>	<u>6,415</u>
<b>Company</b>		
Loans to subsidiary undertakings at floating rates	163,453	93,833
Loans to subsidiary undertakings free of interest	78,295	32,615
Other debtors	-	2
	<u>241,748</u>	<u>126,450</u>

#### 16. Investments

	2003 £000	2002 £000
<b>Group</b>		
Cash deposits with terms in excess of seven days	<u>4,429</u>	<u>7,485</u>

#### 17. Cash at bank and in hand

The cash balance includes £39,579,000 (2002: £nil) held as collateral against part of the bank loans taken out during the year.

# Dorchester Group Limited

## Notes to the accounts

### Year ended 31 December 2003

#### 18. Creditors: amounts falling due within one year

<b>Group</b>	<b>2003 £000</b>	<b>2002 £000</b>
Bank loans and overdrafts	4,547	10,097
Obligations under finance leases	366	362
Trade creditors	13,274	9,642
United Kingdom corporation tax	458	136
Other taxation and social security		
VAT and other sales taxes	884	922
PAYE and other payroll taxes	5,442	1,600
Other taxes	648	131
Other creditors	2,604	1,446
Accruals and deferred income	3,096	5,003
	<u>31,319</u>	<u>29,339</u>
<b>Company</b>	<b>2003 £000</b>	<b>2002 £000</b>
Amounts owed to subsidiary undertakings	14,108	13,684
Trade creditors	9	9
United Kingdom corporation tax	458	136
Other creditors	480	405
Accruals and deferred income	76	370
	<u>15,131</u>	<u>14,604</u>

#### 19. Creditors: amounts falling due after more than one year

<b>Group</b>	<b>2003 £000</b>	<b>2002 £000</b>
Bank loans	245,443	41,128
Obligations under finance leases	93	463
Loans from fellow subsidiary undertakings:		
unsecured, subordinated and interest free	186,604	41,633
unsecured, subordinated and interest bearing	43,745	37,539
Other creditors	4,242	419
Accrued interest	2,829	1,924
	<u>482,956</u>	<u>123,106</u>

During 2003 two additional bank loans were taken out to finance the acquisition of the entire share capital of Principe di Savoia srl and the freehold property of the Hotel Plaza Athenee for €193.5m and €92.5m respectively.

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 2003

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

	2003 £000	2002 £000
Loans maturing between:		
1 year or less amount to	4,208	9,996
1 to 2 years amount to	5,610	11,004
2 to 5 years amount to	28,055	30,124
Over 5 years amount to	444,956	81,096
	<u>482,829</u>	<u>132,220</u>
Company	2003 £000	2002 £000
Bank loan	113,533	51,124
Loan from subsidiary undertaking	27,455	27,455
Loan from fellow subsidiary undertaking	122,699	41,633
	<u>263,687</u>	<u>120,212</u>

During 2003 two additional bank loans were taken out to finance the acquisition of the entire share capital of Principe di Savoia srl and the freehold property of the Hotel Plaza Athenee for €193.5m and €92.5m respectively.

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 2003 the amount of unamortised loan issue costs were £1,659,000 (2002: £589,000).

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 2003

### 20. Provisions for liabilities and charges

Group	Deferred taxation £'000	Pension contributions £'000	Hotel renovation £'000	Total £'000
Balance at beginning of year	25,074	1,154	268	26,496
Additions	925	-	25	950
Balance at end of year	25,999	1,154	293	27,446

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.

### 21. Deferred tax

Group	2003 £000	2002 £000
Capital allowances in excess of depreciation	25,535	24,607
Short term timing differences	795	467
Losses	(331)	-
	25,999	25,074

### 22. 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	-	(48,434)	326,954
Revaluation surplus in the year	-	-	-	5,652	-	5,652
Profit retained for the year	-	-	-	-	5,462	5,462
Currency translation difference	-	-	-	-	(20,258)	(19,803)
Balance at end of year	120,009	182,711	72,668	5,652	(63,230)	317,810
<b>Company</b>						
Balance at beginning of year	120,009	182,711	-	-	18,001	320,721
Profit retained for year	-	-	-	-	3,785	3,785
Balance at end of year	120,009	182,711	-	-	21,786	324,506



# Dorchester Group Limited

## Notes to the accounts Year ended 31 December 2003

### 23. Called up share capital

	2003 £000	2002 £000
<b>Group and company</b>		
<b>Authorised:</b>		
Ordinary shares of £1 each	200,000	200,000
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	120,009	120,009

### 24. Financial commitments

#### Group

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

	2003 £000	2002 £000
Contracted	530	-
Authorised not contracted	215	-

At 31 December 2003, the group had annual commitments under non-cancellable operating leases as set out below:

	2003		2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	815	59	173	24
Between two and five years	-	82	-	-
After five years	-	-	8	-
	815	141	181	24

#### Company

At 31 December 2003, the company had no financial commitments (2002: £nil).

# Dorchester Group Limited

## Notes to the accounts

### Year ended 31 December 2003

#### 25. 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 (2002: 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 £681,399 (2002: £477,000). The amount included within provisions for liabilities and similar charges at 31 December 2003 for the excess of the accumulated pension cost over the amount funded was £ 1,154,000 (2002: £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 £394,216 (2002: £363,000).

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 first 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 2003	Projected unit 2002	Projected unit 2001
Discount rate	5.50%	5.50%	5.75%
Increase in pensionable salaries	4.75%	4.25%	4.50%
Increase in pensions in payment	2.75%	2.25%	2.50%
Inflation assumption	2.75%	2.25%	2.50%

# Dorchester Group Limited

## Notes to the accounts Year ended 31 December 2003

### 25. 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 2003	Value at 31 December 2003 £'000	Long term expected rate of return 2002	Value at 31 December 2002 £000	Long term expected rate of return 2002	Value at 31 December 2002 £000
Equities	7.00%	6,009	7.00%	6,991	7.00%	8,717
Bonds	5.00%	3,561	5.00%	1,392	5.00%	1,314
Total fair value of assets		9,570		8,383		10,031
Present value of scheme liabilities		(15,768)		(14,222)		(13,234)
Deficit in the scheme		(6,198)		(5,839)		(3,203)
Related deferred tax asset		1,859		1,752		961
Net pension deficit under FRS17		<u>(4,339)</u>		<u>(4,087)</u>		<u>(2,242)</u>

	31 December 2003 £'000	31 December 2002 £'000	31 December 2001 £'000
<b>Net assets</b>			
Net assets	317,810	326,954	332,174
Pension deficit currently included	1,154	1,154	1,154
Net assets excluding pension deficit	318,964	328,108	333,328
Net pension deficit under FRS17	(4,339)	(4,087)	(2,242)
Net asset including pension deficit	<u>314,625</u>	<u>324,021</u>	<u>331,086</u>
<b>Reserves</b>			
Profit and loss reserve	(62,775)	(48,434)	(43,214)
Pension deficit currently included	1,154	1,154	1,154
Profit and loss reserve excluding pension deficit	(61,621)	(47,280)	(42,060)
Net pension deficit under FRS17	(4,339)	(4,087)	(2,242)
Profit and loss reserve including pension deficit	<u>(65,960)</u>	<u>(51,367)</u>	<u>(44,302)</u>

# Dorchester Group Limited

## Notes to the accounts Year ended 31 December 2003

### 25. Pension scheme (continued)

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

	2003 £000	2002 £000
Current service cost	413	358
Total operating charge	<u>413</u>	<u>358</u>

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

	2003 £000	2002 £000
Expected return on pension scheme assets	566	675
Interest costs	(783)	(758)
Net finance charge	<u>(217)</u>	<u>(83)</u>

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

	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	404	(2,297)
Changes in assumptions underlying the present value of the scheme liability	(732)	(251)
Experience gains and losses arising on the scheme liability	-	(73)
Actuarial deficit that would be recognised in statement of gains and losses	<u>(328)</u>	<u>2,621</u>

#### Movement in deficit during year:

	2003 £000	2002 £000
Deficit in scheme at beginning of year	(5,839)	(3,203)
Movement in year:		
Contributions	599	426
Current service costs	(413)	(358)
Other finance charges	(217)	(83)
Actuarial deficit	(328)	(2,621)
Deficit in scheme at end of year	<u>(6,198)</u>	<u>(5,839)</u>

# Dorchester Group Limited

## Notes to the accounts Year ended 31 December 2003

### 25. Pension scheme (continued)

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

	2003 £000	2002 £000
Difference between the expected and actual return on scheme assets		
Amount (£'000)	404	(2,297)
Percentage of scheme assets	4%	(27%)
Experience gains and losses on scheme liabilities		
Amount (£'000)	-	(73)
Percentage of the present value of the scheme liabilities	-	(1%)
Total amount recognised in statement of total recognised gains and losses		
Amount (£'000)	(329)	(2,621)
Percentage of the present value of the scheme liabilities	(2%)	(18%)

### 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 £1,651,382 (2002: £1,317,168,000). Amounts owed for these services as at 31 December 2003 amounted to £196,272 (2002: £306,544). The group occupies a building in London owned by a fellow subsidiary undertaking, on an annually renewable agreement. The total annual rent is £213,273 (2002: £239,457). It is estimated that the market rent of the building occupied is £308,696. Amounts owed for the rental, associated rates and services as at 31 December 2003 amounted to £nil (2002: £46,718). During the year, the cost of seconded staff charged to the group by its ultimate parent company amounted to £12,000 (2002: £21,618).

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

	2003 £000	2002 £000
Operating profit	11,519	20,335
Depreciation charges and amortisation of goodwill	9,438	5,862
(Profit)/loss on sale of tangible fixed assets	(5)	7
Increase in stocks	(189)	(206)
Decrease/(increase) in debtors	875	(5,536)
Increase in creditors	3,909	3,277
(Decrease)/ increase in provisions	(30)	125
Net cash inflow from operating activities	25,517	23,864

Subsidiary undertakings acquired in the year contributed £4,666,000 to the group's net operating cash flows, paid £1,927,000 in respect of net returns on investment and servicing of finance and utilised £75,353,000 for capital expenditure.

# Dorchester Group Limited

## Notes to the accounts Year ended 31 December 2003

### 28. Analysis of change in net debt

	At 1 January 2003 £000	Cash flow £000	Other non cash movements £000	Translation differences £000	At 31 December 2003 £000
Cash in hand and at bank	22,542	51,491	-	(7,287)	66,746
Current asset investments	7,485	(3,056)	-	-	4,429
Debt due within 1 year	(10,097)	26,283	(20,657)	(76)	(4,547)
Debt due after 1 year	(120,301)	(318,930)	(26,897)	(9,663)	(475,791)
Finance leases	(825)	366	-	-	(459)
Total	<u>(101,196)</u>	<u>(243,846)</u>	<u>(47,554)</u>	<u>(17,026)</u>	<u>(409,622)</u>

### 29. Reconciliation of net cashflow to movement in net debt

	2003 £000	2002 £000
Increase in cash in year	51,491	4,079
Cash inflow from decrease in liquid resources	(3,056)	(1,386)
Cash inflow from increase in net debt	<u>(292,281)</u>	<u>(37)</u>
<b>Change in debt resulting from cash flows</b>	<b>(243,846)</b>	<b>2,656</b>
Loans and finance leases acquired with subsidiaries	(47,351)	-
Amortisation of loan issue costs	(203)	(98)
New finance leases	-	(888)
Translation differences	<u>(17,026)</u>	<u>(1,730)</u>
<b>Movement in net debt during year</b>	<b>(308,426)</b>	<b>(60)</b>
Net debt at 1 January 2003	<u>(101,196)</u>	<u>(101,136)</u>
Net debt at 31 December 2003	<u><u>(409,622)</u></u>	<u><u>(101,196)</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.