

Company Registration No. 01823605

Dorchester Group Limited

Report and Consolidated Financial Statements

31 December 2010



Dorchester Group Limited

Report and consolidated financial statements 2010

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Dorchester Group Limited

Report and consolidated financial statements 2010

Officers and professional advisers

Directors

Dr Awang Mohd Amin Liew Bin Abdullah (Chairman) (resigned 12 July 2010)

Haji Ghani Hamid

Pg Hj Md Airudin Pg Hj Mohamad (resigned 10 December 2010)

Hajah Hartini binti Haji Abdullah (Chairperson) (appointed 13 July 2010)

Hajah Hasnah Haji Ibrahim (appointed 13 July 2010)

Haji Suharafadzil Haji Yusop (appointed 7 October 2010)

Secretary

Pg Hj Md Airudin Pg Hj Mohamad (resigned 10 December 2010)

Haji Suharafadzil Haji Yusop (appointed 11 December 2010)

Registered Office

3 Tilney Street

London

W1K 1BJ

Auditor

Deloitte LLP

Chartered Accountants and Statutory Auditor

London

Bank

The Royal Bank of Scotland Plc

Mayfair Branch

Curzon Street

London

W1Y 7RF

Dorchester Group Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities and prospects

During the year, the Group continued to manage and operate the following

Owned properties

The Dorchester Hotel, London,
The Beverly Hills Hotel, Los Angeles,
Le Meurice, Paris,
Hotel Principe di Savoia, Milan,
Hotel Plaza Athenee, Paris

Leased properties

Coworth Park (opened September 2010),
45 Park Lane (opened September 2011)

Two investment properties in the United States of America, and

Hotel management services

Dorchester Services Limited, trading as The Dorchester Collection (DC), manages, on behalf of the Brunei Investment Agency (BIA), the following properties

The New York Palace, New York (management contract ended July 2011),
Hotel Bel-Air, Los Angeles

Dorchester Services Limited has also provided technical services under contracts with the Brunei Investment Agency for various refurbishments of hotel properties

In the year the Group has entered into agreements with the BIA to lease and operate Coworth Park and 45 Park Lane, when completely refurbished. Coworth Park opened in late September 2010 and 45 Park Lane opened September 2011. The companies owning these assets were acquired by the Dorchester Group from a related party with the assets being subsequently transferred to the Brunei Investment Agency.

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

Business review

The consolidated profit on ordinary activities after taxation is £14.9m (2009: £11.6m). This profit was driven by an average occupancy rate of 67% at the Group's five main properties. Further, the average room rate increased from £477 to £497 and RevPAR (revenue per available room) increased 7% (including the effect of currency fluctuations) from £305 to £332 on a like for like basis. Coworth Park statistics have been excluded as this hotel was only in operation from September 2010.

The directors consider the results for the year to be satisfactory in light of current economic conditions.

Going concern

The directors have acknowledged the latest guidance on going concern. Whilst the current volatility in financial markets has created general uncertainty, the group has adequate financial resources comprising a combination of external and group debt. The group has adequately satisfied the external debt covenant requirements. As discussed in the principal risks and uncertainties including financial risk management section below, the current economic climate has impacted the travel market and hospitality industry. However, the group remains profitable and the outlook is one of improvement over 2010. The directors have reviewed the group's budget for the next year and considered other plans, concluding that the company is well placed to manage its business risks successfully. Furthermore, the group has received a commitment of continuing financial support from its ultimate parent. For these reasons, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Dorchester Group Limited

Directors' report (continued)

Dividend

The group made a profit of £14.9m (2009 £11.6m), which was transferred to reserves. The directors declared and settled an interim dividend in specie of £96.0m in respect of a capital contribution from the acquisition of properties from fellow subsidiaries and £24.8m in respect of the Group's ongoing restructuring and capital reduction in the prior year of £nil (2009 £nil).

Directors and their interests

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

Dr Awang Mohd Amin Liew Bin Abdullah (Chairman) (resigned 12 July 2010)

Haji Ghami Hamid

Pg Hj Md Airudin Pg Hj Mohamad (resigned 10 December 2010)

Hajah Hartini binti Haji Abdullah (Chairperson) (appointed 13 July 2010)

Hajah Hasnah Haji Ibrahim (appointed 13 July 2010)

Haji Suharafadzil Haji Yusop (appointed 7 October 2010)

The directors do not have any beneficial interests in the share capital of the company or its subsidiary undertakings. There are no third party indemnities as at 31 December 2010.

Principal risks and uncertainties including financial risk management

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

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

The trading performance of the Group in 2010 reflected the overall recovery in business experienced by the industry in the destinations where the Group's properties are located, being London, Paris, Milan, New York and Los Angeles. The health of the hotel industry is closely linked to that of the airline business and there were hiccups in 2010 with the volcanic ash cloud grounding planes in April and unusual adverse winter weather closing airports in London, Paris and New York. However, the outlook for 2011 is optimistic. Market indicators and analysts suggest that average rates will continue to be soft in some markets for a while, but occupancies are recovering with a strong return of corporate travel already being felt.

The DC customer geographic representation is varied and the Group is well placed in critical markets such as Russia, Europe, and the Middle East. This, together with aggressive sales, marketing and revenue management strategies and the ability to build attractive packages will continue to help DC in increasing its market share in both high and low demand periods.

The Group has no internal or third party debt and it therefore has no significant direct interest rate exposure.

Employees

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

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

Dorchester Group Limited

Directors' report (continued)

Political and charitable contributions

During the year, the Group made no donations (2009 £nil) for charitable purposes. There were no political donations (2009 £nil).

Auditor

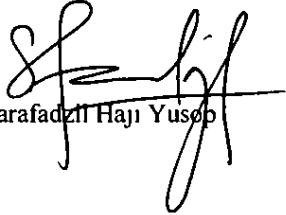
Each of the persons who is a director at the date of approval of this report confirms that

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

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


Haji Suharafadzil Haji Yusoff
Director

30 September 2011

Dorchester Group Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Dorchester Group Limited

We have audited the financial statements of Dorchester Group Limited for the year ended 31 December 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Timothy Steel (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

30/9 2011

Dorchester Group Limited

Consolidated profit and loss account Year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	1, 3	266,955	243,387
Cost of sales		(131,744)	(115,684)
Gross profit		135,211	127,703
Other income		471	-
Administrative expenses		(102,707)	(97,715)
Operating profit	2, 3	32,975	29,988
Interest receivable and similar income	5	422	4,260
Interest payable and similar charges	6	(9,366)	(9,695)
Profit on ordinary activities before taxation		24,031	24,553
Tax charge on profit on ordinary activities	7	(9,136)	(12,924)
Retained profit on ordinary activities after taxation for the financial year	20	14,895	11,629

All of the results above derive from continuing operations

Consolidated statement of total recognised gains and losses Year ended 31 December 2010

	2010 £'000	2009 £'000
Profit for the financial year	14,895	11,629
Actuarial losses on pension liability	(1,463)	(408)
Deferred tax assets associated with actuarial loss on pension liability	409	114
Currency translation gains / (losses) on foreign currency net investments and loans	5,221	(43,116)
Revaluation/(devaluation) of investment properties	2,881	(3,452)
Total recognised gains / (losses) relating to the year	21,943	(35,233)

Dorchester Group Limited

Consolidated balance sheet As at 31 December 2010

		2010		2009	
	Notes	£000	£000	£000	£000
Fixed assets					
Intangible assets - goodwill	8		32,525		36,385
Investment properties	9		92,234		86,698
Tangible fixed assets	10		773,484		776,359
			<u>898,243</u>		<u>899,442</u>
Current assets					
Stocks	12	7,185		7,187	
Debtors amounts falling due within one year	13	103,854		81,397	
Investments	15	6,100		27,779	
Cash at bank and in hand		41,129		26,097	
		<u>158,268</u>		<u>142,460</u>	
Creditors: amounts falling due within one year	16	<u>(126,122)</u>		<u>(102,689)</u>	
Net current assets			<u>32,146</u>		<u>39,771</u>
Total assets less current liabilities			<u>930,389</u>		<u>939,213</u>
Creditors: amounts falling due after more than one year	17		(445,824)		(455,931)
Provisions for liabilities	18		(602)		(1,410)
Deferred tax liability	19		(51,269)		(47,361)
Net assets excluding pension liability			<u>432,694</u>		<u>434,511</u>
Pension liability	23		(8,799)		(7,752)
Net assets			<u>423,895</u>		<u>426,759</u>
Capital and reserves					
Called up share capital	20, 21		120,009		120,009
Share premium account	20		37,711		37,711
Revaluation reserves	20		848		(225)
Other reserves	20		72,667		72,667
Profit and loss account	20		192,660		196,597
Shareholder's funds	20		<u>423,895</u>		<u>426,759</u>

These financial statements of Dorchester Group Limited (company no 01823605) were approved and authorised for issue by the Board of Directors on 30/12/2011

Signed on behalf of the Board of Directors



Dyg Hajah Hartini binti Haji Abdullah
Director

Dorchester Group Limited

Company balance sheet As at 31 December 2010

		2010		2009	
	Notes	£000	£000	£000	£000
Fixed assets					
Investments	11		442,872		414,260
Tangible fixed assets	10		56		75
			<u>442,928</u>		<u>414,335</u>
Current assets					
Debtors amounts falling due within one year	13	27,059		28,826	
Debtors amounts falling due after more than one year	14	192,730		241,938	
Cash at bank and in hand		19,473		8,062	
		<u>239,262</u>		<u>278,826</u>	
Creditors: amounts falling due within one year	16	(57,485)		(42,704)	
Net current assets			<u>181,777</u>		<u>236,122</u>
Total assets less current liabilities			624,705		650,457
Creditors: amounts falling due after more than one year	17		(275,193)		(292,198)
Net assets			<u>349,512</u>		<u>358,259</u>
Capital and reserves					
Called up share capital	20, 21		120,009		120,009
Share premium account	20		37,711		37,711
Profit and loss account	20		191,792		200,539
Shareholder's funds	20		<u>349,512</u>		<u>358,259</u>

These financial statements of Dorchester Group Limited (company no 01823605) were approved and authorised for issue by the Board of Directors on 30/9/2011

Signed on behalf of the Board of Directors



Dyg Hajah Hartini binti Haji Abdullah
Director

Dorchester Group Limited

Consolidated cash flow statement Year ended 31 December 2010

		2010		2009	
	Notes	£000	£000	£000	£000
Net cash inflow from operating activities	26		42,031		6,724
Returns on investments and servicing of finance					
Interest received		422		4,260	
Interest paid		(9,319)		(9,647)	
Interest element of finance leases		(47)		(48)	
Net cash outflow from returns on investments and servicing of finance			(8,944)		(5,435)
Taxation			(5,875)		(8,852)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(29,017)		(24,155)	
Additions to investment properties		(1,768)		(1,656)	
Sale of tangible fixed assets		8		-	
Net cash outflow from capital expenditure and financial investment			(30,777)		(25,811)
Cash outflow before management of liquid resources and financing			(3,565)		(33,374)
Management of liquid resources					
Cash paid to short-term deposits			22,883		7,896
Financing					
Loan from parent company		14,922		32,280	
Repayment of bank loans		(16,287)		(16,709)	
Repayment of finance leases		(151)		(130)	
Repayment - other		(2,632)		(6,857)	
Net cash (outflow)/inflow from financing			(4,148)		8,584
Increase/(decrease) in cash in the year	28		15,170		(16,894)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

1. Accounting policies

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

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

Accounting convention

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

Basis of consolidation

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

Investment properties

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

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

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

Investments

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

Financial instruments

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

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

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and hotel buildings, to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

1. Accounting policies (continued)

Tangible fixed assets (continued)

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

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

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of 20 years. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Impairment

As well as the annual review for impairment of the group's hotel buildings, the carrying amounts of the Group's tangible and intangible fixed assets (other than investment properties) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Impairment is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount.

Foreign currencies

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

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

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

1. Accounting policies (continued)

Pension costs

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

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

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. Provision is made for obsolete, slow-moving or defective items where appropriate.

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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

1. Accounting policies (continued)

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Turnover

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

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

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income

2. Operating profit

	2010 £000	2009 £000
Operating profit is stated after charging		
Fees payable to the company's auditor for the audit of the company's annual accounts	47	57
Fees payable to the company's auditor and their associates for other services to the group – the audit of the company's subsidiaries pursuant to legislation	212	213
Fees payable to other auditors and their associates for other services to the group – the audit of the company's subsidiaries pursuant to legislation	5	51
Total audit fees	264	321
Tax services	239	234
Remuneration consulting services	-	84
Other services	-	133
Total fees	503	772
Depreciation of tangible fixed assets	19,093	21,023
Amortisation of goodwill	2,562	2,663
Rentals under operating leases		
Land and buildings	3,687	2,223
Plant and machinery	1,321	1,342

The consolidated result for the financial year includes a profit of £19,053,000 (2009 £11,675,000) in the financial statements of the company. In accordance with the exemption conferred by section 408 of the Companies Act 2006, the company has not published its own profit and loss account

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

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

	Turnover		Operating Profit		Net Assets	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
Hotel management and operations						
USA	38,469	36,141	5,259	5,117	184,683	177,329
Europe	132,522	126,145	12,695	4,090	41,940	41,951
United Kingdom	82,431	69,579	7,725	15,605	102,080	123,215
	<u>253,422</u>	<u>231,865</u>	<u>25,679</u>	<u>24,812</u>	<u>328,703</u>	<u>342,495</u>
Property investment						
USA	13,533	11,522	7,296	5,176	95,192	84,264
	<u>266,955</u>	<u>243,387</u>	<u>32,975</u>	<u>29,988</u>	<u>423,895</u>	<u>426,759</u>

4. Information regarding directors and employees

	2010 £000	2009 £000
Directors' emoluments		
Remuneration as executives	<u>-</u>	<u>-</u>
Retirement benefits are accruing to none (2009 none) director under a defined benefits scheme No directors received benefits under money purchase schemes		
	2010 No.	2009 No.
Average number of persons employed including directors		
Operations	2,185	1,917
Sales and marketing	77	70
Administration	299	270
	<u>2,561</u>	<u>2,257</u>
Staff costs during the year including directors	£000	£000
Wages and salaries	72,569	65,180
Social security costs	20,839	18,541
Other pension costs	3,747	3,299
	<u>97,155</u>	<u>87,020</u>

Dorchester Group Limited

Notes to the accounts Year ended 31 December 2010 (continued)

5. Interest receivable and similar income

	2010 £000	2009 £000
On bank deposits	111	316
Related parties	261	87
Foreign exchange gains	-	3,720
Other	50	137
	<u>422</u>	<u>4,260</u>

6. Interest payable and similar charges

	2010 £000	2009 £000
Bank loans and overdrafts	5,771	7,372
Other loans	1,697	1,546
Finance leases	47	48
Amortisation of loan issue costs	184	184
Foreign exchange losses	1,395	-
FRS 17 pension deficit charge	264	454
Other	8	91
	<u>9,366</u>	<u>9,695</u>

7. Tax charge on ordinary activities

	2010 £000	2009 £000
Current taxation		
United Kingdom corporation tax at 28% (2009 28%)	(5,206)	(7,921)
Adjustment in respect of prior years	699	353
Foreign tax	(1,369)	(1,284)
Total current tax charge	<u>(5,876)</u>	<u>(8,852)</u>
Deferred taxation		
Origination and reversal of timing differences	(3,910)	(3,055)
Effect of change in tax rate on opening liability	575	-
FRS 17 pension timing difference	21	(818)
Adjustment in respect of prior years	54	(199)
Total deferred tax charge	<u>(3,260)</u>	<u>(4,072)</u>
Tax charge on profit on ordinary activities	<u>(9,136)</u>	<u>(12,924)</u>

The Finance Act (No 2) 2010, which provides for a reduction in the main rate of UK corporation tax from 28% to 27% effective from 1 April 2011, was substantively enacted on 21 July 2010. This reduced rate has been reflected in the calculation of deferred tax.

The impact of the rate reduction is to reduce our UK deferred tax liability provided at 31 December 2010 by £575,000.

The 2011 budget (delivered on 23 March 2011) announced a further reduction of 1% to the UK corporation tax rate, causing the rate to fall to 26% effective from 1 April 2011. The Government has also indicated that it intends to introduce further reductions in the main tax rate, with the rate falling by 1% each year down to 23% by 1 April 2014. These further reductions to the tax rates have not been substantively enacted at the balance sheet date and are therefore not reflected in these financial statements.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

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

	2010 £000	2009 £000
Profit on ordinary activities before tax	24,031	24,553
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	(6,729)	(6,875)
Effect of		
Permanent differences	(1,001)	(2,380)
Capital allowances in excess of depreciation	2,545	2,811
Utilisation of tax losses	621	65
Other timing differences	324	202
Effect of higher overseas tax rates	(619)	(600)
Tax losses not recognised	(1,716)	(2,463)
Prior period adjustments	699	388
Current tax charge	<u>(5,876)</u>	<u>(8,852)</u>

8 Intangible assets - Goodwill

	£000
Cost	
At 1 January 2010	36,385
Foreign exchange movements	(1,298)
Amortisation	(2,562)
At 31 December 2010	<u>32,525</u>

9. Investment properties

	2010 £000	2009 £000
Cost or valuation		
At 1 January	86,698	99,395
Additions	1,768	1,656
Revaluation	1,080	(3,452)
Foreign exchange translation differences	2,688	(10,901)
At 31 December	<u>92,234</u>	<u>86,698</u>

All of the Group's investment properties are overseas freehold properties. The comparable amount of the investment properties according to the historical cost convention was £91,387,000 (2009 £86,923,000)

The Group's investment properties were valued at open market value by the Directors at 31 December 2010, reflecting advice received from independent qualified valuers

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

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 2010	715,049	52,632	149,740	6,353	923,774
Foreign exchange translation differences	(10,609)	(1,286)	(2,985)	(145)	(15,025)
Additions	1,626	2,490	8,390	16,511	29,017
Acquisition from related party	96,034	-	-	-	96,034
Transfers	2,778	3,544	9,459	(15,781)	-
Disposals	(3)	(196)	(1,052)	-	(1,251)
Disposals as dividend in specie	(96,034)	-	-	-	(96,034)
At 31 December 2010	708,841	57,184	163,552	6,938	936,515
Accumulated depreciation					
At 1 January 2010	13,024	46,296	88,095	-	147,415
Foreign exchange translation differences	363	(1,124)	(1,473)	-	(2,234)
Charge	1	5,188	13,904	-	19,093
Disposals	-	(194)	(1,049)	-	(1,243)
At 31 December 2010	13,388	50,166	99,477	-	163,031
Net book value					
At 31 December 2010	695,453	7,018	64,075	6,938	773,484
At 31 December 2009	702,025	6,336	61,645	6,353	776,359

Included in the net book value of fixtures, fittings and equipment are items held under finance lease with a net book value of £366,000 (2009 £556,000)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

10. Tangible Fixed Assets (continued)

The net book value of land and buildings comprise

	2010 £000	2009 £000
Freehold	695,327	701,898
Long leasehold	126	127
	<u>695,453</u>	<u>702,025</u>

Land and buildings with a net book value of £695,327,000 (2009 £701,898,000) are not depreciated

During the year, the group, in line with its accounting policy, conducted an impairment review of its hotel buildings. A detailed value in use calculation was carried out on one hotel property, based on the group's business plan over a five year period, followed by a long term growth rate of 3% per annum reflecting the global nature of the hotel's clientele. After consideration of all relevant factors, the directors concluded that there is no impairment.

During 2010, as part of a group restructuring, the group acquired investments from a related party which owns 2 hotel properties and subsequently disposed of these properties by a dividend in specie.

Company	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 1 January 2010	-	89	29	118
Additions	-	4	-	4
Dividend in specie received	96,034	-	-	96,034
Dividend in specie paid	(96,034)	-	-	(96,034)
At 31 December 2010	<u>-</u>	<u>93</u>	<u>29</u>	<u>122</u>
Accumulated depreciation				
At 1 January 2010	-	34	9	43
Charge	-	17	6	23
At 31 December 2010	<u>-</u>	<u>51</u>	<u>15</u>	<u>66</u>
Net book value				
At 31 December 2010	<u>-</u>	<u>42</u>	<u>14</u>	<u>56</u>
At 31 December 2009	<u>-</u>	<u>55</u>	<u>20</u>	<u>75</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

11. Fixed asset investments

Company	2010 £000	2009 £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
Sub total	319,481	319,481
Loans to subsidiary undertakings	123,391	94,779
Cost and net book value	442,872	414,260

The increase in loans to subsidiary undertakings during the year comprises additional equity contribution

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

Subsidiary undertakings	Principal activity	Country of incorporation	Shareholding and percentage voting rights
Dorchester Hotel Limited	Hotel operations	Great Britain	100% (Direct)
The Dorchester Limited	Dormant	Great Britain	100% (Indirect)
Dorchester Services Limited	Hotel management	Great Britain	100% (Direct)
Coworth Park Limited (previously Audley Hotels and Resorts Services Limited)	Hotel management	Great Britain	100% (Direct)
Meurice Limited	Hotel investment	Great Britain	100% (Direct)
Principe di Savoia Limited	Hotel investment	Great Britain	100% (Direct)
Hotel Plaza Athenee Limited	Hotel investment	Great Britain	100% (Direct)
Sajahtera Inc	Hotel operations	USA	100% (Direct)
Aman Inc	Investment property	USA	100% (Indirect)
Raqib Inc	Investment property	USA	100% (Indirect)
Meurice SpA	Hotel operations	Italy	100% (Indirect)
Principe di Savoia srl	Hotel operations	Italy	100% (Indirect)
Hotel Plaza Athenee SA	Hotel operations	France	100% (Indirect)
Plaza Athenee Holdings SA	Hotel investment	France	100% (Indirect)
Seri Corporation Limited	Investment property Jersey (dormant at year end)		100% (Direct)
Monody Limited	Investment property Jersey (dormant at year end)		100% (Direct)
Mintier Investments Limited	Investment property Jersey (dormant at year end)		100% (Direct)
Flautando Limited	Investment property Jersey (dormant at year end)		100% (Direct)
Denath Limited	Investment property Jersey (dormant at year end)		100% (Direct)
Cantabile Limited	Investment property Jersey (dormant at year end)		100% (Direct)
Solanum Holdings Limited	Investment property Jersey (dormant at year end)		100% (Direct)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

12 Stocks

	2010	2009
Group	£000	£000
Consumables	4,596	4,497
Goods for resale	2,589	2,690
	<u>7,185</u>	<u>7,187</u>

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

13. Debtors, amounts falling due within one year

Group	2010 £000	2009 £000
Trade debtors	13,456	13,782
Other debtors	2,590	5,268
Amounts owed by ultimate parent company	-	18
Amounts owed by fellow subsidiary undertakings	77,651	57,628
Overseas corporation tax	732	-
Bank interest receivable	-	13
Prepayments and accrued income	9,425	4,688
	<u>103,854</u>	<u>81,397</u>
Company		
Amounts owed by subsidiary undertakings	26,980	28,779
Prepayments	47	46
Other debtors	32	1
	<u>27,059</u>	<u>28,826</u>

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

Company	2010 £000	2009 £000
Loans to subsidiary undertakings at floating rates	79,355	116,949
Loans to subsidiary undertakings free of interest	113,375	124,989
	<u>192,730</u>	<u>241,938</u>

15. Investments

Group	2010 £000	2009 £000
Cash deposits with terms in excess of thirty days	6,100	27,779

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

16. Creditors: amounts falling due within one year

Group	2010 £000	2009 £000
Amounts owed to ultimate parent undertakings	62,533	42,688
Bank loans (secured) and overdrafts	17,936	16,785
Obligations under finance leases	152	152
Trade creditors	14,014	15,449
United Kingdom corporation tax	2,468	2,635
Other taxation and social security		
VAT and other sales taxes	574	-
PAYE and other payroll taxes	9,752	9,581
Other creditors	7,156	6,362
Accruals and deferred income	11,537	9,037
	<u>126,122</u>	<u>102,689</u>

The amounts owed to parent undertakings include €5,130,000 (2009 €2,300,000) relating to the expected repayments of a subsidy provided by BIA to a subsidiary

Company	2010 £000	2009 £000
Amounts owed to subsidiary undertakings	330	345
Amounts owed to ultimate parent undertakings	47,203	32,280
Bank loans and overdrafts	9,383	8,723
United Kingdom corporation tax	223	742
Trade creditors	1	86
Accruals and deferred income	345	528
	<u>57,485</u>	<u>42,704</u>

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

Group	2010 £000	2009 £000
Bank loans (secured)	159,121	183,262
Loans from ultimate parent undertaking		
Unsecured, subordinated and interest free	5,245	9,996
Loans from fellow subsidiary undertakings		
Unsecured, subordinated and interest free	195,176	200,837
Unsecured, subordinated and interest bearing	85,251	61,278
	<u>444,793</u>	<u>455,373</u>
Obligations under finance leases	407	558
Obligations under operating leases payable to ultimate parent undertaking	624	-
	<u>445,824</u>	<u>455,931</u>

Bank loans are secured on the hotel assets and subject to interest at floating rates linked to interbank rates of the country in which currency the loans are denominated, plus a premium ranging between 0.2% and 0.5%. The interest bearing loans from fellow subsidiary undertakings of the Brunei Investment Agency ("BIA") bear interest at floating rates. As at 31 December 2010 the Group held interest rate swaps with a fair value of £4,889,115 liability (2009 £5,691,452 liability). Two swaps expire in the month of June 2013 and one swap expires on 30 June 2011.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

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

Loans from ultimate parent undertaking, unsecured, subordinated and interest free comprises €6,121,254 (2009 €11,251,254) relating to a subsidy provided to a subsidiary expected to be repaid to the ultimate parent within the next 2 – 6 years

	2010 £000	2009 £000
Loans maturing between		
1 to 2 years amount to	21,131	28,091
2 to 5 years amount to	143,235	165,167
Over 5 years amount to	280,427	262,115
	<u>444,793</u>	<u>455,373</u>

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 2010 the amount of unamortised loan issue costs were £447,892 (2009 £680,598)

Company	2010 £000	2009 £000
Bank loan (secured)	86,407	98,998
Loan from subsidiary undertaking – unsecured, subordinated and interest free	27,455	27,455
Loan from fellow subsidiary undertaking – unsecured, subordinated and interest free	161,331	165,745
	<u>275,193</u>	<u>292,198</u>

	2010 £000	2009 £000
Loans maturing between		
1 to 2 years amount to	6,555	9,227
2 to 5 years amount to	107,307	117,226
Over 5 years amount to	161,331	165,745
	<u>275,193</u>	<u>292,198</u>

18. Provisions for liabilities

Group

	£000
Balance at 1 January 2010	1,410
Utilisation	(866)
Charged to profit and loss account	109
Foreign exchange gain	(51)
Balance at 31 December 2010	<u>602</u>

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

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

19. Deferred tax liability

Group	2010 £000	2009 £000
Liability at 1 January	47,361	47,361
Charged to the profit and loss account (see note 7)	3,281	3,254
Exchange differences	627	(3,254)
As at 31 December	<u>51,269</u>	<u>47,361</u>

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

	2010 £000	2009 £000
Capital allowances in excess of depreciation	58,184	54,377
Short-term timing differences	(1,253)	(1,498)
Losses	(5,662)	(5,518)
	<u>51,269</u>	<u>47,361</u>

A tax liability of approximately £6,952,000 (2009 £4,571,000) would crystallise if the revalued investment property was sold at book value. A deferred tax liability in respect of this revaluation has not been recognised on the basis that there is not a binding commitment to sell the property.

A net deferred tax asset of £19,466,000 (2009 £18,732,000) arising on overseas trading losses, an investment property devaluation and fixed asset timing differences has not been recognised due to uncertainty over the recoverability of this asset.

20 Reconciliation of movements in shareholders' funds

Group	Share capital £000	Share premium £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total £000
Balance at 1 January 2010	120,009	37,711	(225)	72,667	196,597	426,759
Revaluation in the year	-	-	2,881	-	-	2,881
Transfer	-	-	(1,801)	-	1,801	-
Profit for the year	-	-	-	-	14,895	14,895
Loss on pension liability	-	-	-	-	(1,463)	(1,463)
Deferred tax associated with gain on pension liability	-	-	-	-	409	409
Currency translation difference	-	-	(7)	-	5,221	5,214
Capital contribution	-	-	-	-	96,034	96,034
Dividend paid	-	-	-	-	(120,834)	(120,834)
Balance at 31 December 2010	<u>120,009</u>	<u>37,711</u>	<u>848</u>	<u>72,667</u>	<u>192,660</u>	<u>423,895</u>
Company						
Balance at 1 January 2010	120,009	37,711	-	-	200,539	358,259
Profit for the year	-	-	-	-	112,087	112,087
Dividend paid	-	-	-	-	(120,834)	(120,834)
Balance at 31 December 2010	<u>120,009</u>	<u>37,711</u>	<u>-</u>	<u>-</u>	<u>191,792</u>	<u>349,512</u>

The group paid a dividend in 2010 of £120.8m (2009 £nil). This included dividends in specie of £96.0m in respect of two hotels acquired from a related party and subsequently distributed, and £24.8m in respect of intragroup loans. There were no unpaid dividends at 31 December 2010 (2009 nil).

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

21. Called up share capital

Group and company	2010 £000	2009 £000
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

22 Financial commitments

Group

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

	2010 £000	2009 £000
Contracted	5,104	7,699
Authorised not contracted	23,210	16,286

At 31 December 2010, the group had annual commitments under non-cancellable operating leases as set out below

	2010 Land and buildings £000	2010 Other £000	2009 Land and buildings £000	2009 Other £000
Operating leases which expire				
Within one year	908	411	656	515
Between two and five years	1,371	995	255	826
After five years	6,398	-	1,479	-
	8,677	1,406	2,390	1,341

At 31 December 2010 the group had commitments under finance leases as set out below

	2010 £000	2009 £000
Obligations under finance leases		
Minimum lease payments payable		
Within one year	199	199
In the second to fifth years inclusive	532	730
After five years	-	-
	731	929
Less Finance charges allocated to future years	(172)	(219)
	559	710

Company

At 31 December 2010, the company had no financial commitments (2009 £nil)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

23. Pension commitments

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

The pension liabilities are as follows:

	2010 £000	2009 £000
UK Pension scheme (see below)	5,203	4,096
French state pension scheme termination indemnity	1,007	990
Italian state pension scheme termination indemnity	2,589	2,666
Total pension liabilities	8,799	7,752

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

Qualified actuaries carry out full valuations on a triennial basis, the last one being to 5 April 2008, using the projected unit credit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6.50% per annum, that salary increases would average 5.00% per annum and that a proportion of members would withdraw from service each year other than by retirement.

The pension charge for the year includes current service costs of £311,000 (2009: £147,000), and the total included in finance costs was £264,000 (2009: £454,000). The most recent actuarial valuation showed that the market value of the scheme's assets was £17,576,000 giving a funding level of 71% (2009: 75%).

Actuarial assumptions

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

	2010 %	2009 %	2008 %
Average discount rate for plan liabilities	5.50	5.75	6.00
Average rate of inflation	3.50	3.50	3.00
Average rate of increase in salaries	5.00	5.00	4.50
Average rate of increase of pensions in payment	3.50	3.50	3.00
Average long term rate of return on plan assets	5.77	6.06	4.08

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

23. Pension commitments (continued)

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

	2010		2009		2008	
	Male	Female	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.6	25.7	22.0	24.9	22.0	24.8
Member age 45 (life expectancy at age 65)	24.4	27.8	23.1	25.9	23.1	25.9

FRS 17 Balance sheet disclosure

	2010 Rate of return %	2010 Fair value £'000	2009 Rate of return %	2009 Fair value £'000	2008 Rate of return %	2008 Fair value £'000
Equity	6.50	8,365	6.75	8,460	6.50	7,225
Bonds	4.25	2,823	4.50	2,523	4.25	4,977
Government corporate bonds	5.50	6,388	5.75	5,939	-	-
Net current assets	-	-	5.75	-	1.50	51
Total market value of assets		17,576		16,922		12,253
Present value of scheme liabilities		(24,803)		(22,611)		(20,457)
Deficit in the pension plan		(7,227)		(5,689)		(8,204)
Deferred tax		2,024		1,593		2,297
Net pension liability		(5,203)		(4,096)		(5,907)

FRS 17 Profit and loss account disclosure

	2010 £'000	2009 £'000	2008 £'000
Analysis of the amount charged to operating profit			
Current service cost	(311)	(147)	(169)
Total operating charge	(311)	(147)	(169)
Analysis of the amount credited to other finance income			
Expected return on plan assets	1,012	760	849
Interest cost on plan liabilities	(1,276)	(1,214)	(1,147)
Net charge to interest payable and similar charges	(264)	(454)	(298)
Total charge to the profit and loss account for the year	(575)	(601)	(467)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

23. Pension commitments (continued)

FRS 17 Statement of total recognised gains and losses disclosure

Amounts included in the consolidated statement of total recognised gains and losses ("STRGL") for 2010 in respect of the defined benefit plan are as follows

	2010 £'000	2009 £'000	2008 £'000
Difference between actual and expected return on plan assets	278	1,063	(3,166)
Experience gains arising on plan liabilities	-	-	793
Effects of changes in assumptions underlying the plan liabilities	(1,741)	(1,471)	(287)
Total actuarial gains and losses recognised in the STRGL	(1,463)	(408)	(2,660)

The difference of £278,000 between actual and expected return on plan assets is 1.6% of the plan assets as at 31 December 2010. The total actuarial loss of £1,463,000 represents 5.9% of the present value of scheme liabilities as at 31 December 2010.

The cumulative amount of actuarial gains and losses recognised in the STRGL since the adoption of FRS17 is £3,260,000 loss (2009: £1,797,000 loss).

FRS 17 Analysis of movement in liabilities during the year

	2010 £'000	2009 £'000	2008 £'000
As at 1 January	(22,611)	(20,457)	(20,080)
Current service cost	(311)	(147)	(169)
Member contributions	(53)	(70)	(78)
Interest on pension scheme liabilities	(1,276)	(1,214)	(1,147)
Actuarial (loss)/gain	(1,741)	(1,471)	506
Benefits paid	1,025	748	511
Expenses paid	164	-	-
As at 31 December	(24,803)	(22,611)	(20,457)

FRS 17 Analysis of movement in assets during the year

	2010 £'000	2009 £'000	2008 £'000
As at 1 January	16,922	12,253	14,455
Expected return on plan assets	1,012	760	849
Actuarial gain/(loss)	278	1,063	(3,166)
Employer contributions	500	3,524	548
Member contributions	53	70	78
Benefits paid	(1,025)	(748)	(511)
Expenses paid	(164)	-	-
As at 31 December	17,576	16,922	12,253

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

23. Pension commitments (continued)

FRS 17 Analysis of movement in deficit during the year

	2010 £'000	2009 £'000	2008 £'000
As at 1 January	(5,689)	(8,204)	(5,625)
Current service cost	(311)	(147)	(169)
Employer contributions	500	3,524	548
Other financial expense	(264)	(454)	(298)
Actuarial loss	(1,463)	(408)	(2,660)
As at 31 December	<u>(7,227)</u>	<u>(5,689)</u>	<u>(8,204)</u>

History between the expected and actual return on scheme assets:

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Difference between the expected and actual return on scheme assets					
Amount (£'000)	278	1,063	3,166	346	43
Percentage of scheme assets	1.6%	6.3%	25.8%	2.4%	0%
Experience gains and losses on scheme liabilities					
Amount (£'000)	-	-	793	-	-
Percentage of the present value of the scheme liabilities	-	-	3.9%	-	-
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	(1,463)	(408)	(2,660)	2,459	717
Percentage of the present value of the scheme liabilities	5.9%	1.8%	13.0%	12.2%	3%

The actual return on scheme assets was £1,290,000 (2009 £1,823,000)

24. Contingent liabilities

There were no contingent liabilities at the end of the financial year

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

25. Related party transactions

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

The group provided hotel services to these related parties amounting to £6,826,132 (2009 £7,088,792). Amounts owed for these services as at 31 December 2010 amounted to £3,602,717 (2009 £5,275,264). The group occupies a building in London owned by a fellow subsidiary undertaking, on an annually renewable agreement. The total annual rent is £656,488 (2009 £656,488). It is estimated that the market rent of the building occupied is £656,488 (2009 £656,488). Amounts owed for the rental, associated rates and services as at 31 December 2010 amounted to £85,029 (2009 £49,594). Loans from fellow group companies are covered in notes 13, 16 and 17.

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

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

	2010 £000	2009 £000
Operating profit	32,975	29,988
Depreciation charges and amortisation of goodwill	21,655	23,686
Increase/(decrease) in stocks	(131)	698
(Increase) in debtors	(30,457)	(46,394)
Increase in creditors	18,601	2,629
Increase/(decrease) in provisions	(612)	(3,883)
Net cash inflow from operating activities	42,031	6,724

27. Analysis of change in net debt

	At 1 January 2010 £000	Cash flow £000	Other non cash movements £000	Transla- tion differences £000	At 31 December 2010 £000
Cash in hand and at bank	26,097	15,170	-	(138)	41,129
Current asset investments	27,779	(22,883)	-	1,204	6,100
Debt due within one year	(59,473)	3,997	(25,841)	848	(80,469)
Debt due after one year	(455,373)	-	(3,276)	13,232	(445,417)
Finance leases	(710)	151	-	-	(559)
Total	(461,680)	(3,565)	(29,117)	15,146	(479,216)

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

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2010 (continued)

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

	2010 £000	2009 £000
Increase/(decrease) in cash in year	15,170	(16,894)
Cash outflow from increase in liquid resources	(22,883)	(7,896)
Cash inflow/(outflow) from decrease in net debt	4,148	(8,584)
Change in debt resulting from cash flows	(3,565)	(33,374)
Loans and finance leases	(28,933)	(640)
Amortisation of loan issue costs	(184)	(184)
Translation differences	15,146	30,149
Movement in net debt during year	(17,536)	(4,049)
Net debt at 1 January	(461,680)	(457,631)
Net debt at 31 December	(479,216)	(461,680)

29. Ultimate parent and controlling party

During the year the Company's entire share capital was purchased by a Ammar Holding Cooperatief a Dutch COOP, who is now the immediate controlling party and whose ultimate parent is the Brunei Investment Agency, a statutory body incorporated in Brunei