

Company Registration No. 01823605

Dorchester Group Limited

Report and Consolidated Financial Statements

31 December 2011



Dorchester Group Limited

Report and consolidated financial statements 2011

Contents	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	5
Independent Auditor's Report	6
Consolidated profit and loss account	7
Consolidated statement of total recognised gains and losses	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated cash flow statement	10
Notes to the accounts	11

Dorchester Group Limited

Report and consolidated financial statements 2011

Officers and professional advisers

Directors

Hajah Hartini binti Haji Abdullah (Chairperson)
Junaidi bin Haji Masri (appointed 1 January 2012)
Hajah Hasnah Haji Ibrahim
Haji Suharafadzil Haji Yusop
Haji Ghanu Hamud (resigned 1 January 2012)

Secretary

Haji Suharafadzil Haji Yusop

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 2011

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,
45 Park Lane (opened September 2011)

Investment properties

2 properties in the USA, and

Hotel management services

In addition to the above hotels 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

During 2011 Dorchester Services Limited signed its first third party management contract with the owners of Le Richemond Hotel, Geneva

Dorchester Services Limited has also provided technical services under contracts with the Brunei Investment Agency for various refurbishments of hotel properties and will do so in 2012 for the owners of Le Richemond

In 2010 the Group entered into agreements with the BIA to lease and operate Coworth Park and 45 Park Lane, when completely refurbished. Coworth Park opened in September 2010 and 45 Park Lane opened in September 2011

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 £16.4m (2010: £14.9m). This profit was driven by an average occupancy rate of 69% (2010: 67%). Further, the average room rate increased from £497 to £508 and RevPAR (revenue per available room) increased 7% (including the effect of currency fluctuations) from £332 to £349.

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 2011. 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

No dividends were paid during the year (2010 £120.8m) The group made a profit of £16.4m (2010 £14.9m), which was transferred to reserves

Directors and their interests

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

Hajah Hartini binti Haji Abdullah (Chairperson)
Junaidi bin Haji Masri (appointed 1 January 2012)
Hajah Hasnah Haji Ibrahim
Haji Suharafadzil Haji Yusop
Haji Ghami Hamid (resigned 1 January 2012)

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 2011

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

With a background of uncertain economic activity and troubled financial markets the 2011 overall results achieved were beyond management's expectations and encouraging for the future, reflecting the continued overall recovery in business experienced by the industry in the destinations where properties under the group's management are located, being London, Paris, Milan, Los Angeles and Geneva The year 2011 showed that international travel is still growing and so is demand for luxury accommodation

The general economic outlook for 2012 is a combination of rising inflation, low interest rates, weak (if any at all) economic growth, debt reduction programmes in western economies, low consumer confidence and general elections in France, Italy and the USA, all of which should be expected to have an impact on our business

On the positive side, 2011 global passenger travel numbers have grown between 2% and 4% depending on regions, some industry analysts' forecast for 2012 are +2% for the USA and +4% for Europe and as the 2011 gloomy economic environment did not have a serious impact on our hotels or the sector of industry we operate in we remain confident about the future The view from hospitality analysts is that demand for hotel rooms will continue to grow in most areas next year and that after three years of flat average rates markets are expected to reach capacity levels that should finally result in visible improvements in average daily rates

We continue to believe that the DC customer geographic representation is varied and the company continues to be 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

Dorchester Group Limited

Directors' report (continued)

Employees

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

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

Political and charitable contributions

During the year, the Group made donations totalling £144,000 (2010 £67,000) for charitable purposes. There were no political donations (2010 £nil).

Auditor

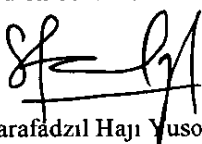
Each of the persons who is a director at the date of approval of this report confirms that

- 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 Yusop

Director

31 May

2012

Dorchester Group Limited

Directors' responsibilities statement

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 2011 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. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

6/6 2012

Dorchester Group Limited

Consolidated profit and loss account Year ended 31 December 2011

	Notes	2011 £000	2010 £000
Turnover	1, 3	290,968	266,955
Cost of sales		(147,412)	(131,744)
Gross profit		143,556	135,211
Other income		-	471
Administrative expenses		(115,076)	(102,707)
Operating profit	2, 3	28,480	32,975
Interest receivable and similar income	5	645	422
Interest payable and similar charges	6	(8,375)	(9,366)
Profit on ordinary activities before taxation		20,750	24,031
Tax charge on profit on ordinary activities	7	(4,352)	(9,136)
Retained profit on ordinary activities after taxation for the financial year	20	16,398	14,895

All of the results above derive from continuing operations

Consolidated statement of total recognised gains and losses Year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Profit for the financial year	20	16,398	14,895
Actuarial profits/(losses) on pension liability	23	2,176	(1,463)
Deferred tax (liabilities)/assets associated with actuarial profits/losses on pension liability	20	(848)	409
Currency translation (losses)/profits on foreign currency net investments and loans		(1,558)	5,221
Revaluation of investment properties	9	6,574	2,881
Total recognised gains relating to the year		22,742	21,943

Dorchester Group Limited

Consolidated balance sheet As at 31 December 2011

		2011	2010
	Notes	£000	£000
Fixed assets			
Intangible assets - goodwill	8	29,211	32,525
Investment properties	9	99,948	92,234
Tangible fixed assets	10	777,377	773,484
		<u>906,536</u>	<u>898,243</u>
Current assets			
Stocks	12	6,972	7,185
Debtors amounts falling due within one year	13	116,482	103,854
Debtors amounts falling due after more than one year	14	3,346	-
Investments	15	7,011	6,100
Cash at bank and in hand		22,712	41,129
		<u>156,523</u>	<u>158,268</u>
Creditors amounts falling due within one year	16	<u>(136,084)</u>	<u>(126,122)</u>
Net current assets		<u>20,439</u>	<u>32,146</u>
Total assets less current liabilities		<u>926,975</u>	<u>930,389</u>
Creditors: amounts falling due after more than one year	17	(420,326)	(445,824)
Provisions for liabilities	18	(765)	(602)
Deferred tax liability	19	<u>(52,133)</u>	<u>(51,269)</u>
Net assets excluding pension liability		<u>453,751</u>	<u>432,694</u>
Pension liability	23	<u>(7,114)</u>	<u>(8,799)</u>
Net assets		<u>446,637</u>	<u>423,895</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	7,428	848
Other reserves	20	72,667	72,667
Profit and loss account	20	208,822	192,660
Shareholder's funds	20	<u>446,637</u>	<u>423,895</u>

These financial statements of Dorchester Group Limited (company no 01823605) were approved and authorised for issue by the Board of Directors on 31 May 2012

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 2011

		2011		2010	
	Notes	£000	£000	£000	£000
Fixed assets					
Investments	11		433,268		442,872
Tangible fixed assets	10		33		56
			<u>433,301</u>		<u>442,928</u>
Current assets					
Debtors amounts falling due within one year	13	39,105		27,059	
Debtors amounts falling due after more than one year	14	186,701		192,730	
Cash at bank and in hand		285		19,473	
		<u>226,091</u>		<u>239,262</u>	
Creditors: amounts falling due within one year	16	<u>(56,252)</u>		<u>(57,485)</u>	
Net current assets			<u>169,839</u>		<u>181,777</u>
Total assets less current liabilities			<u>603,140</u>		<u>624,705</u>
Creditors: amounts falling due after more than one year	17		<u>(263,466)</u>		<u>(275,193)</u>
Net assets			<u><u>339,674</u></u>		<u><u>349,512</u></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		181,954		191,792
Shareholder's funds	20		<u><u>339,674</u></u>		<u><u>349,512</u></u>

These financial statements of Dorchester Group Limited (company no 01823605) were approved and authorised for issue by the Board of Directors on 31 May 2012

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 2011

		2011	2010
	Notes	£000	£000
Net cash inflow from operating activities	26	45,315	42,031
Returns on investments and servicing of finance			
Interest received		645	422
Interest paid		(8,328)	(9,319)
Interest element of finance leases		(47)	(47)
Net cash outflow from returns on investments and servicing of finance		(7,730)	(8,944)
Taxation		(4,039)	(5,875)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(31,636)	(29,017)
Additions to investment properties		(413)	(1,768)
Sale of tangible fixed assets		-	8
Net cash outflow from capital expenditure and financial investment		(32,049)	(30,777)
Cash inflow/(outflow) before management of liquid resources and financing		1,497	(3,565)
Management of liquid resources			
Cash (released)/paid (from)/to short-term deposits		(823)	22,883
Financing			
Loan from parent company		6,365	14,922
Repayment of bank loans		(18,139)	(16,287)
Repayment of finance leases		(152)	(151)
Repayment – other		(7,251)	(2,632)
Net cash outflow from financing		(19,177)	(4,148)
(Decrease)/increase in cash in the year	28	(18,503)	15,170

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (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 and 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 2011 (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 realisable value 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 2011 (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 2011 (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

Hotel management agreements

The cost of obtaining hotel management agreements are deferred within prepayments and amortised over the minimum contract period

2. Operating profit

	2011 £000	2010 £000
Operating profit is stated after charging		
Fees payable to the company's auditor for the audit of the company's annual accounts	47	47
Fees payable to the company's auditor and their associates for other services to the group – the audit of the company's subsidiaries	279	217
Total audit fees	326	264
Tax services	322	239
Total fees	648	503
Depreciation of tangible fixed assets	17,095	19,093
Amortisation of goodwill	2,602	2,562
Rentals under operating leases		
Land and buildings	8,603	3,687
Plant and machinery	1,273	1,321

The consolidated result for the financial year includes a loss of £12,544,000 (2010 £112,087,000 profit) 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 2011 (continued)

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

	Turnover		Operating Profit		Net Assets	
	2011	2010	2011	2010	2011	2010
	£000	£000	£000	£000	£000	£000
Hotel management and operations						
USA	29,992	38,469	5,719	5,259	199,667	184,683
Europe	146,090	132,522	10,894	12,695	48,704	41,940
United Kingdom	101,223	82,431	4,516	7,725	101,275	102,080
	<u>277,305</u>	<u>253,422</u>	<u>21,129</u>	<u>25,679</u>	<u>349,646</u>	<u>328,703</u>
Property investment						
USA	13,663	13,533	7,351	7,296	96,991	95,192
	<u>290,968</u>	<u>266,955</u>	<u>28,480</u>	<u>32,975</u>	<u>446,637</u>	<u>423,895</u>

4. Information regarding directors and employees

	2011 £000	2010 £000
Directors' remuneration		
Directors emoluments	112	-
Directors fees paid to ultimate parent	143	195
Remuneration of highest paid director		
Emoluments or fees paid to ultimate parent	<u>112</u>	<u>-</u>

No directors (2010 None) accrued any retirement benefits under either a defined benefit scheme or under a money purchase scheme

	2011 No.	2010 No.
Average number of persons employed including directors		
Operations	2,175	2,185
Sales and marketing	86	77
Administration	365	299
	<u>2,626</u>	<u>2,561</u>
Staff costs during the year including directors	£000	£000
Wages and salaries	79,208	72,569
Social security costs	22,057	20,839
Other pension costs	4,023	3,747
	<u>105,288</u>	<u>97,155</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

5. Interest receivable and similar income

	2011 £000	2010 £000
On bank deposits	102	111
Related parties	436	261
Foreign exchange gains	66	-
Other	41	50
	<u>645</u>	<u>422</u>

6. Interest payable and similar charges

	2011 £000	2010 £000
Bank loans and overdrafts	5,902	5,771
Other loans	1,881	1,697
Finance leases	47	47
Amortisation of loan issue costs	184	184
Foreign exchange losses	-	1,395
FRS 17 pension deficit charge	348	264
Other	13	8
	<u>8,375</u>	<u>9,366</u>

7. Tax charge on ordinary activities

	2011 £000	2010 £000
Current taxation		
United Kingdom corporation tax at 26.5% (2010: 28%)	(1,945)	(5,206)
Adjustment in respect of prior years	(47)	699
Foreign tax	(2,048)	(1,369)
Total current tax charge	<u>(4,040)</u>	<u>(5,876)</u>
Deferred taxation		
Origination and reversal of timing differences	(413)	(3,910)
Effect of change in tax rate on opening liability	1,201	575
FRS 17 pension timing difference	145	21
Adjustment in respect of prior years	(1,245)	54
Total deferred tax charge	<u>(312)</u>	<u>(3,260)</u>
Tax charge on profit on ordinary activities	<u>(4,352)</u>	<u>(9,136)</u>

The Finance Act 2011, which provides for a reduction in the main rate of UK corporation tax from 26% to 25% effective from 1 April 2012, was substantively enacted in July 2011. This reduced rate has been reflected in the calculation of deferred tax.

The 2012 budget (delivered on 21 March 2012) announced a further reduction of 1% to the UK corporation tax rate, causing the rate to fall to 24% effective from 1 April 2012. 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 22% 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.

The impact of the rate reduction is to reduce the UK deferred tax liability provided at 31 December 2012 by £306,000.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (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

	2011 £000	2010 £000
Profit on ordinary activities before tax	20,750	24,031
Tax on profit on ordinary activities at standard UK corporation tax rate of 26.5% (2010 28%)	(5,499)	(6,729)
Effect of		
Expenses not deductible for tax purposes	(1,291)	(1,001)
Capital allowances in excess of depreciation	3,235	2,545
Utilisation of tax losses	745	621
Other timing differences	469	324
Effect of higher overseas tax rates	(424)	(619)
Tax losses not recognised	(1,228)	(1,716)
Prior period adjustments	(47)	699
Current tax charge	(4,040)	(5,876)

8. Intangible assets – Goodwill

	Cost £000	Amortis- ation £000	Net Book Value £000
At 1 January 2011	51,313	(18,788)	32,525
Foreign exchange movements	(1,282)	570	(712)
Amortisation	-	(2,602)	(2,602)
At 31 December 2011	50,031	(20,820)	29,211

9. Investment properties

	2011 £000	2010 £000
Cost or valuation		
At 1 January	92,234	86,698
Additions	413	1,768
Revaluation	6,574	1,080
Foreign exchange translation differences	727	2,688
At 31 December	99,948	92,234

All of the Group's investment properties are overseas freehold properties. The comparable cost of the investment properties according to the historical cost convention was £97,541,000 (2010 £91,387,000).

Investment properties were independently valued as at 31 December 2011 by external chartered surveyors on the basis of open market value. The two firms used were CBRE (USA) and Bonz & Company Inc.

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (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 2011	708,841	57,184	163,552	6,938	936,515
Foreign exchange translation differences	(8,989)	(1,559)	(2,642)	(270)	(13,460)
Additions	3,242	4,570	11,537	12,349	31,698
Transfers	6,991	4,276	2,996	(14,263)	-
Disposals	(11)	(430)	(5,055)	-	(5,496)
At 31 December 2011	710,074	64,041	170,388	4,754	949,257
Accumulated depreciation					
At 1 January 2011	13,388	50,166	99,477	-	163,031
Foreign exchange translation differences	91	(1,258)	(1,645)	-	(2,812)
Charge	(8)	4,587	12,516	-	17,095
Transfers	-	(190)	190	-	-
Disposals	-	(401)	(5,033)	-	(5,434)
At 31 December 2011	13,471	52,904	105,505	-	171,880
Net book value					
At 31 December 2011	696,603	11,137	64,883	4,754	777,377
At 31 December 2010	695,453	7,018	64,075	6,938	773,484

Included in the net book value of fixtures, fittings and equipment are items held under finance lease with a net book value of £155,000 (2010 £366,000)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

10. Tangible Fixed Assets (continued)

The net book value of land and buildings comprise

	2011 £000	2010 £000
Freehold	695,252	695,327
Long leasehold	125	126
Short leasehold	1,226	-
	<u>696,603</u>	<u>695,453</u>

Land and buildings with a net book value of £695,252,000 (2010 £695,327,000) are not depreciated

In 2010, 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 in tangible fixed assets.

Company	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 1 January 2011 and 31 December 2011	<u>93</u>	<u>29</u>	<u>122</u>
Accumulated depreciation			
At 1 January 2011	51	15	66
Charge	<u>17</u>	<u>6</u>	<u>23</u>
At 31 December 2011	<u>68</u>	<u>21</u>	<u>89</u>
Net book value			
At 31 December 2011	<u>25</u>	<u>8</u>	<u>33</u>
At 31 December 2010	<u>42</u>	<u>14</u>	<u>56</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

11. Fixed asset investments

	2011 £000	2010 £000
Company		
Cost at 1 January 2011		
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	123,391
Cost at 31 December 2011	442,872	442,872
Provision for impairment		
At 1 January	-	-
Impairment charge	9,604	-
At 31 December 2011	9,604	-
Net book value	433,268	442,872

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	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)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

12. Stocks

	2011	2010
Group	£000	£000
Consumables	4,513	4,596
Goods for resale	2,459	2,589
	<u>6,972</u>	<u>7,185</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

	2011	2010
Group	£000	£000
Trade debtors	17,567	13,456
Other debtors	2,324	2,590
Amounts owed by fellow subsidiary undertakings	84,141	77,651
Overseas corporation tax	1,156	732
Prepayments and accrued income	11,294	9,425
	<u>116,482</u>	<u>103,854</u>
Company		
Amounts owed by subsidiary undertakings	39,060	26,980
Amounts owed by fellow subsidiary undertakings	1	-
Prepayments	43	47
Other debtors	1	32
	<u>39,105</u>	<u>27,059</u>

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

	2011	2010
Group	£000	£000
Prepayments and accrued income	<u>3,346</u>	<u>-</u>
Company		
	2011	2010
	£000	£000
Loans to subsidiary undertakings at floating rates	68,419	79,355
Loans to subsidiary undertakings free of interest	118,282	113,375
	<u>186,701</u>	<u>192,730</u>

15. Investments

	2011	2010
Group	£000	£000
Cash deposits with terms in excess of thirty days	<u>7,011</u>	<u>6,100</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

16. Creditors: amounts falling due within one year

Group	2011 £000	2010 £000
Amounts owed to ultimate parent undertakings	67,669	62,533
Bank loans (secured) and overdrafts	15,864	17,936
Obligations under finance leases	152	152
Trade creditors	15,420	14,014
United Kingdom corporation tax	951	2,468
Other taxation and social security		
VAT and other sales taxes	493	574
PAYE and other payroll taxes	11,726	9,752
Other creditors	2,365	2,349
Accruals, deferred income and guest deposits	21,444	16,344
	<u>136,084</u>	<u>126,122</u>

The amounts owed to ultimate parent undertakings include €6,121,000 (2010 €5,130,000) relating to the expected repayments of a subsidy provided by BIA to a subsidiary

Company	2011 £000	2010 £000
Amounts owed to subsidiary undertakings	1,674	330
Amounts owed to ultimate parent undertakings	47,211	47,203
Bank loans and overdrafts	6,767	9,383
United Kingdom corporation tax	-	223
Trade creditors	53	1
Accruals and deferred income	547	345
	<u>56,252</u>	<u>57,485</u>

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

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

Group	2011 £000	2010 £000
Bank loans (secured)	139,470	159,121
Loans from ultimate parent undertaking		
Unsecured, subordinated and interest free	-	5,245
Loans from fellow subsidiary undertakings		
Unsecured, subordinated and interest free	191,340	195,176
Unsecured, subordinated and interest bearing	87,437	85,251
	<u>418,247</u>	<u>444,793</u>
Obligations under finance leases	255	407
Obligations under operating leases payable to ultimate parent undertaking	1,824	624
	<u>420,326</u>	<u>445,824</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 2011 the Group held interest rate swaps with a fair value of £3,268,000 liability (2010 £4,889,000 liability). Two swaps expire in the month of June 2013 and one swap expires on 30 June 2012.

Loans from ultimate parent undertaking, unsecured, subordinated and interest free comprises £nil (2010 €6,121,254) relating to a subsidy provided to a subsidiary expected to be repaid to the ultimate parent within the next 2 – 6 years.

	2011 £000	2010 £000
Loans maturing between		
1 to 2 years amount to	140,158	21,131
2 to 5 years amount to	215,732	143,235
Over 5 years amount to	62,357	280,427
	<u>418,247</u>	<u>444,793</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 2011 the amount of unamortised loan issue costs were £312,000 (2010 £496,000).

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

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

Company	2011 £000	2010 £000
Bank loan (secured)	77,669	86,407
Loan from subsidiary undertaking – unsecured, subordinated and interest free	27,455	27,455
Loan from fellow subsidiary undertaking – unsecured, subordinated and interest free	158,342	161,331
	<u>263,466</u>	<u>275,193</u>

	2011 £000	2010 £000
Loans maturing between		
1 to 2 years amount to	77,669	6,555
2 to 5 years amount to	158,342	107,307
Over 5 years amount to	27,455	161,331
	<u>263,466</u>	<u>275,193</u>

18. Provisions for liabilities

Group	£000
Balance at 1 January 2011	602
Utilisation	(25)
Charged to profit and loss account	210
Foreign exchange gain	(22)
Balance at 31 December 2011	<u>765</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 2011 (continued)

19. Deferred tax liability

Group	2011 £000	2010 £000
Liability at 1 January	51,269	47,361
Charged to the profit and loss account (see note 7)	458	3,281
Exchange differences	406	627
As at 31 December	<u>52,133</u>	<u>51,269</u>

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

	2011 £000	2010 £000
Capital allowances in excess of depreciation	63,459	58,184
Short-term timing differences	(1,231)	(1,253)
Losses	(10,095)	(5,662)
	<u>52,133</u>	<u>51,269</u>

A tax liability of approximately £7,452,000 (2010 £6,952,000) 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 £14,263,000 (2010 £19,466,000) 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 2011	120,009	37,711	848	72,667	192,660	423,895
Revaluation in the year	-	-	6,574	-	-	6,574
Profit for the year	-	-	-	-	16,398	16,398
Profit on pension liability	-	-	-	-	2,176	2,176
Deferred tax associated with gain on pension liability	-	-	-	-	(848)	(848)
Currency translation difference	-	-	6	-	(1,564)	(1,558)
Balance at 31 December 2011	<u>120,009</u>	<u>37,711</u>	<u>7,428</u>	<u>72,667</u>	<u>208,822</u>	<u>446,637</u>
Company						
Balance at 1 January 2011	120,009	37,711	-	-	191,792	349,512
Loss for the year	-	-	-	-	(9,838)	(9,838)
Balance at 31 December 2011	<u>120,009</u>	<u>37,711</u>	<u>-</u>	<u>-</u>	<u>181,954</u>	<u>339,674</u>

The group paid a dividend in 2011 of £nil (2010 £120.8m). The 2010 dividend 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 2011 (2010 nil).

Dorchester Group Limited

Notes to the accounts Year ended 31 December 2011 (continued)

21. Called up share capital

	2011 £000	2010 £000
Group and company		
Authorised:		
ordinary shares of £1 each	200,000	200,000
Allotted, called up and fully paid:		
ordinary shares of £1 each	120,009	120,009

22. Financial commitments

Group

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

	2011 £000	2010 £000
Contracted	9,485	5,104
Authorised not contracted	18,746	23,210

At 31 December 2011, the group had annual commitments under non-cancellable operating leases as set out below

	2011 Land and buildings £000	2011 Other £000	2010 Land and buildings £000	2010 Other £000
Operating leases which expire				
Within one year	1,030	403	908	411
Between two and five years	1,665	540	1,371	995
After five years	6,083	-	6,398	-
	8,778	943	8,677	1,406

At 31 December 2011 the group had commitments under finance leases as set out below

	2011 £000	2010 £000
Obligations under finance leases		
Minimum lease payments payable		
Within one year	152	199
In the second to fifth years inclusive	255	532
	407	731
Less Finance charges allocated to future years	(126)	(172)
	281	559

Company

At 31 December 2011, the company had no financial commitments (2010 £nil)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (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:

	2011 £000	2010 £000
UK Pension scheme (see below)	3,959	5,203
French state pension scheme termination indemnity	1,140	1,007
Italian state pension scheme termination indemnity	2,015	2,589
Total pension liabilities	7,114	8,799

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 6 April 2011, 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 5.1% (2010: 5.77%) per annum, that salary increases would average 5% per annum and that a proportion of members would withdraw from service each year other than by retirement.

The pension charge under this scheme for the year includes current service costs of £380,000 (2010: £311,000), and the total included in finance costs was £348,000 (2010: £264,000). The most recent actuarial valuation showed that the market value of the scheme's assets was £17,891,000 giving a funding level of 77% (2010: 71%).

Actuarial assumptions

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

	2011 %	2010 %	2009 %
Discount rate for plan liabilities	4.80	5.50	5.75
Rate of inflation (RPI)	3.00	3.50	3.50
Rate of inflation (CPI)	2.30	-	-
Rate of increase in salaries	4.50	5.00	5.00
Rate of increase of pensions in payment	2.30	3.50	3.50
Long term rate of return on plan assets	5.10	5.77	6.06

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

23. Pension commitments (continued)

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

	2011		2010		2009	
	Male	Female	Male	Female	Male	Female
Member age 65 (current life expectancy)	21.9	24.1	22.6	25.7	22.0	24.9
Member age 45 (life expectancy at age 65)	23.4	25.7	24.4	27.8	23.1	25.9

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Change in assumption %	Impact on scheme liabilities %
Discount rate	Increase/Decrease by 0.5%	Decrease/Increase by 8.3%
Rate of inflation	Increase/Decrease by 0.5%	Increase/Decrease by 3.5%
Rate of salary growth	Increase/Decrease by 0.5%	Increase/Decrease by 0.6%
Rate of mortality	Increase/Decrease by 1 year	Increase/Decrease by 3.5%

FRS 17 Balance sheet disclosure

	2011 Rate of return %	2011 Fair value £'000	2010 Rate of return %	2010 Fair value £'000	2009 Rate of return %	2009 Fair value £'000
Equity	6.50	5,477	6.50	8,365	6.75	8,460
Government Bonds	2.80	3,320	4.25	2,823	4.50	2,523
Corporate bonds	4.80	6,827	5.50	6,388	5.75	5,939
Diversified growth funds	6.50	2,124	-	-	-	-
Net current assets	-	143	-	-	5.75	-
Total market value of assets		17,891		17,576		16,922
Present value of scheme liabilities		(23,170)		(24,803)		(22,611)
Deficit in the pension plan		(5,279)		(7,227)		(5,689)
Deferred tax		1,320		2,024		1,593
Net pension liability		(3,959)		(5,203)		(4,096)

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

23. Pension commitments (continued)

FRS 17 Profit and loss account disclosure

	2011 £'000	2010 £'000	2009 £'000
Analysis of the amount charged to operating profit			
Current service cost	(380)	(311)	(147)
Total operating charge	(380)	(311)	(147)
Analysis of the amount credited to other finance income			
Expected return on plan assets	994	1,012	760
Interest cost on plan liabilities	(1,342)	(1,276)	(1,214)
Net charge to interest payable and similar charges	(348)	(264)	(454)
Total charge to the profit and loss account for the year	(728)	(575)	(601)

FRS 17 Statement of total recognised gains and losses disclosure

Amounts included in the consolidated statement of total recognised gains and losses ("STRGL") for 2011 in respect of the defined benefit plan are as follows

	2011 £'000	2010 £'000	2009 £'000
Difference between actual and expected return on plan assets	26	278	1,063
Experience gains arising on plan liabilities	2,299	-	-
Effects of changes in assumptions underlying the plan liabilities	(149)	(1,741)	(1,471)
Total actuarial gains and losses recognised in the STRGL	2,176	(1,463)	(408)

The difference of £26,000 between actual and expected return on plan assets is 0.1% of the plan assets as at 31 December 2011. The total actuarial gain of £2,176,000 represents 9.4% of the present value of scheme liabilities as at 31 December 2011.

The cumulative amount of actuarial gains and losses recognised in the STRGL since the adoption of FRS17 is £1,084,000 loss (2010: £3,260,000 loss).

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

23. Pension commitments (continued)

FRS 17 Analysis of movement in the present value of defined benefit obligations

	2011 £'000	2010 £'000	2009 £'000
As at 1 January	(24,803)	(22,611)	(20,457)
Current service cost	(380)	(311)	(147)
Member contributions	(49)	(53)	(70)
Interest on pension scheme liabilities	(1,342)	(1,276)	(1,214)
Actuarial gain/(loss)	2,150	(1,741)	(1,471)
Benefits paid	1,254	1,025	748
Expenses paid	-	164	-
As at 31 December	(23,170)	(24,803)	(22,611)

The actuarial gains and losses for the year include the impact of the change in calculation method for deferred revaluation from RPI to CPR which reduced the liabilities of the scheme

FRS 17 Analysis of movement in the fair value of the scheme assets

	2011 £'000	2010 £'000	2009 £'000
As at 1 January	17,576	16,922	12,253
Expected return on plan assets	994	1,012	760
Actuarial gain	26	278	1,063
Employer contributions	500	500	3,524
Member contributions	49	53	70
Benefits paid	(1,254)	(1,025)	(748)
Expenses paid	-	(164)	-
As at 31 December	17,891	17,576	16,922

FRS 17 Analysis of movement in deficit during the year

	2011 £'000	2010 £'000	2009 £'000
As at 1 January	(7,227)	(5,689)	(8,204)
Current service cost	(380)	(311)	(147)
Employer contributions	500	500	3,524
Other financial expense	(348)	(264)	(454)
Actuarial gain/(loss)	2,176	(1,463)	(408)
As at 31 December	(5,279)	(7,227)	(5,689)

Dorchester Group Limited

Notes to the accounts Year ended 31 December 2011 (continued)

23. Pension commitments (continued)

History between the expected and actual return on scheme assets:

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Difference between the expected and actual return on scheme assets					
Amount (£'000)	26	278	1,063	3,166	346
Percentage of scheme assets	0.1%	1.6%	6.3%	25.8%	2.4%
Experience adjustments on scheme liabilities					
Amount (£'000)	2,299	-	-	793	-
Percentage of the present value of the scheme liabilities	9.9%	-	-	3.9%	-
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	2,176	(1,463)	(408)	(2,660)	2,459
Percentage of the present value of the scheme liabilities	9.4%	5.9%	1.8%	13.0%	12.2%

The actual return on scheme assets was £1,020,000 (2010 £1,290,000)

The company also operates a defined contributions scheme for which the pension cost charge for the year amounted to £586,000 (2010 £430,000)

The estimated amount of contributions expected to be paid on the scheme during the 2012 financial year is £640,000

24. Contingent liabilities

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

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 £4,355,124 (2010 £6,826,132). Amounts owed for these services as at 31 December 2011 amounted to £4,439,805 (2010 £3,602,717). The group occupies a building in London owned by a fellow subsidiary undertaking, on an annually renewable agreement. The total annual rent is £759,943 (2010 £656,488). It is estimated that the market rent of the building occupied is £751,055 (2010 £656,488). Amounts owed for the rental, associated rates and services as at 31 December 2011 amounted to £447,909 (2010 £85,029). Loans from fellow group companies are covered in notes 13, 16 and 17.

During the year the company incurred branding and trademark license fees of £2,470,101 (2010 £2,597,852) from a fellow subsidiary undertaking. Amounts owed for these fees at 31 December 2011 amounted to £2,380,454 (2010 £2,126,856).

The company received US\$2,400,000 as a form of 'collateral damage' from the New York Palace, a fellow subsidiary undertaking, as a consequence of the hotel's sale by the owner. This was compensation towards the costs of removing and eliminating any references to that hotel as part of the Dorchester Collection.

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

Dorchester Group Limited

Notes to the accounts

Year ended 31 December 2011 (continued)

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

	2011 £000	2010 £000
Operating profit	28,480	32,975
Depreciation charges and amortisation of goodwill	19,698	21,655
Increase/(decrease) in stocks	120	(131)
Increase in debtors	(25,254)	(30,457)
Increase in creditors	22,223	18,601
Increase/(decrease) in provisions	48	(612)
Net cash inflow from operating activities	45,315	42,031

27. Analysis of change in net debt

	At 1 January 2011 £000	Cash flow £000	Other non cash movements £000	Transla- tion differences £000	At 31 December 2011 £000
Cash in hand and at bank	41,129	(18,503)	-	86	22,712
Current asset investments	6,100	823	-	88	7,011
Debt due within one year	(80,469)	22,466	(25,581)	51	(83,533)
Debt due after one year	(445,417)	(3,441)	20,283	8,504	(420,071)
Finance leases	(559)	152	-	-	(407)
Total	(479,216)	1,497	(5,298)	8,729	(474,288)

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

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

	2011 £000	2010 £000
(Decrease)/increase in cash in year	(18,503)	15,170
Cash outflow/(inflow) from increase/(decrease) in liquid resources	823	(22,883)
Cash inflow from decrease in net debt	19,177	4,148
Change in debt resulting from cash flows	1,497	(3,565)
Loans and finance leases	(5,114)	(28,933)
Amortisation of loan issue costs	(184)	(184)
Translation differences	8,729	15,146
Movement in net debt during year	4,928	(17,536)
Net debt at 1 January	(479,216)	(461,680)
Net debt at 31 December	(474,288)	(479,216)

29. Ultimate parent and controlling party

Ammar Holding Cooperatief a Dutch COOP is the immediate controlling party and the ultimate parent and controlling party is the Brunei Investment Agency, a statutory body incorporated in Brunei