

Company Registration No. 01823605

Dorchester Group Limited

Report and Financial Statements

31 December 2014

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Dorchester Group Limited

Report and financial statements 2014

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Dorchester Group Limited

Strategic report

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

This Strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Dorchester Group Ltd and its subsidiary undertakings when viewed as a whole.

The business model

The principal activities of the Group comprise owning and leasing, managing, and investing in deluxe five-star hotels as well as providing other hotel management services. In addition the Group owns commercial properties in the USA. Dorchester Group Limited is a limited liability company domiciled and registered in England and Wales.

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;
Hotel Eden, Rome. (acquired September 2013); and
Hotel Bel-Air, Los Angeles (in 2014 the Hotel ownership was transferred into the Group)

Leased properties:

Coworth Park; Ascot; and
45 Park Lane; London

Investment properties:

2 properties in the USA

Hotel management and other services:

In addition to the above hotels a subsidiary, Dorchester Services Limited, trading as Dorchester Collection (DC), managed the Le Richemond Hotel, Geneva during the last three years.

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

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

Dorchester Group Limited

Strategic report (continued)

Kava Holdings LLC (formerly known as Kava Holdings Inc), the company which owns the Hotel Bel Air, was acquired by Dorchester Group Ltd in April 2014 from a related company as part of a wider Group restructuring program. 100% of the share capital was contributed to the Group by its shareholder as a capital contribution. Merger accounting has been applied resulting in 2013 comparative figures in these accounts being restated to include the results of Kava Holdings LLC.

Review of the Group's business

The consolidated profit for the year is £14.4m (2013: £16.1m). This profit was primarily driven by a stable average occupancy rate of 72% (2013: 72%). Whilst the average room rate reduced from £532 to £480 and RevPAR (revenue per available room) reduced (including the effect of currency fluctuations) from £384 to £346, the year on year figures are not directly comparable as room availability was reduced with the closure for refurbishment of Hotel Plaza Athenee at the end of September 2013, re-opening in August 2014, which meant that 2013 Group results include 9 months trading for the hotel whereas 2014 includes only 5. This has led to most of the reduction in Group operating profit to £14.1m compared to £32.5m in the previous year.

The 2014 overall hotel operating results achieved show a decrease on 2013 but are considered acceptable. The continuing positive improvements in the main economic indicators for the regions in which our hotels operate are encouraging for the future.

The general economic outlook for 2015 shows continued improving conditions compared to 2014 being a combination of low inflation, low interest rates, slightly improving economic growth, with continued debt reduction programmes in western economies and improving consumer confidence, all of which will have some impact on our business.

We continue to believe that the Dorchester Collection (DC) customer geographic representation is varied and the Group continues to be well placed in its existing mature markets in Europe, USA and in other critical markets such as Russia, and the Middle East, whilst also turning the Group's attention to focus on the ever growing traffic from the Chinese market. 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.

Future developments

The Group continues to look for and actively considers a variety of methods and opportunities to further its aim of increasing the size of its hotel portfolio. This is not only in terms of asset value and trading performance through organic growth of the existing hotels but also through acquisition opportunities and increasingly through the potential opportunities that third party management contracts offer. All of these activities will serve to increase the exposure and value of the DC brand name around the world markets that are the source for the bulk of our guests.

Dorchester Group Limited

Strategic report (continued)

Strategy and objectives

The primary objective of the Group is to become the 'ultimate' hotel operating and managing group in the luxury hotel market in regions where the Group has a presence. The aim is to be recognised as having a passion for excellence and innovation but still honouring the individuality and heritage of our iconic hotels.

This will be achieved through the combination of People, Guests and Owners:

People – our people are the greatest asset and by having a highly skilled and decisive leadership the Group attracts, develops, retains and inspires the most talented people. Coupled with sincere engagement and integrity the Group builds dynamic and passionate teams in its hotels.

Guests – all our guests are valued and our aim is to make them long to return to our hotels which respect the authenticity of their locations, are 'the places to be seen' where they can enjoy exceptional experiences in a private and discreet environment.

Owners – having supportive and active owners who know that their prestigious properties are professionally managed, financial performance is optimised, asset values enhanced and yet retain each hotel's individuality.

Key performance indicators

In addition to the generally accepted and practiced hotel measurements of occupancy, average room rate and average daily rate the Group uses the following key indicators to assess its effectiveness in the above areas:

People - Use of Employee Satisfaction Surveys (ESS) combined with Gallup Guest surveys reflecting employee to guest engagement.

Guests – Use of Gallup poll and introduction of new loyalty programmes and increased data holding to monitor guest repeat factors.

Owners – Continued policy of allocating 4% of revenues for normal capital maintenance of the properties along with the assessment of upgrading or extending hotel facilities measured with full Return on Investment and Payback approaches.

Principal risks and uncertainties

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 Group's business and the assets and liabilities contained within the Group's balance sheet, the directors consider two types of risk to be most relevant to this Group: interest rate and currency risk.

Currently the Group mitigates this risk by the partial use of fixed interest rate loans for the medium term. Funding for the hotels is arranged centrally by the company who regularly monitor interest rate risk. Foreign currency risk is mitigated by each hotel having local bank accounts and loans in the local currency, which reduces its exposure to adverse movements in foreign exchange rates.

Corporate and social responsibility

The area of corporate responsibility is one that the Group has always focused on and in conjunction with the hotels has been initiating standardised policies and procedures for all hotels to adopt to ensure that there is uniformity and standardised approach to these. This covers the impact on people, the workplace, the environment, waste reduction and interaction with the community.

Dorchester Group Limited

Strategic report (continued)

Going concern

The directors have acknowledged the latest guidance on going concern. The Group has net current liabilities of £179.8m at 31 December 2014 (2013: £128.3m) due to additional short term shareholder loans advanced by its ultimate parent for the purposes of acquiring Hotel Eden in Rome in 2013 and renovation of the Hotel Plaza in Paris. These loans are expected to be replaced with medium/long term finance from the shareholder during 2015. The Group has adequate financial resources being funded entirely by shareholder debt following the repayment of the Group's external debt in December 2012. The current economic climate has impacted the travel market and hospitality industry. However, the Group remains profitable and the outlook is one of slight improvement over 2014. The directors have reviewed the Group's budget for the next year and considered other plans, concluding that the Group 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.

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



Sofian Movani

Director

4 June 2015

Dorchester Group Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

There are no significant events since the balance sheet date. An indication of likely future developments in the business of the company are included in the strategic report.

Information about the use of financial instruments by the company and its subsidiaries is given in note 35 to the financial statements.

Dividend

Dividends totalling £1,611,294 were paid during the year (2013: nil). The Group made a profit of £14.4m (2013: £16.1m), which was transferred to reserves.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 26. The company has one class of ordinary shares which carry no right to fixed income.

Directors and their interests

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

Junaidi bin Haji Masri (Chairperson)	(appointed 1 October 2014)
Hajah Noorfidah binti Sulaiman	
Sofian Md Jani	(appointed 1 October 2014)
Zakiah Nayan	(appointed 1 October 2014)
Khairuddin Abd Hamid (Chairperson)	(resigned 1 October 2014)
Hajah Zainab Mohd Yussof	(resigned 1 October 2014)
Haji Jaidi Abd Sani	(resigned 1 October 2014)
Azmilen Ramlee	(resigned 1 October 2014)

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

Directors' indemnities

There are no third party indemnities as at 31 December 2014.

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 £123,000 (2013: £77,000) for charitable purposes. There were no political donations (2013: £nil).

Dorchester Group Limited

Directors' report (continued)

Auditor

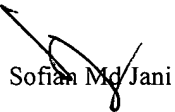
Each of the persons who is a director at the date of approval of this report confirms that:

- 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.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Board Meeting.

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



Sofian Md Jani

Director

4 June 2015

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 chosen to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the parent company 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 the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 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 2014 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated cash flow statement and the related notes 1 to 37, the Company balance sheet and the related notes A to M. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 of the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

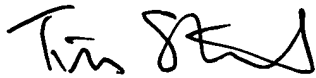
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

4 June 2015

Dorchester Group Limited

Consolidated statement of comprehensive income For the year ended 31 December 2014

	Notes	2014 £'000	2013 Restated £'000
Continuing operations			
Revenue	5	300,160	325,655
Cost of sales		(160,511)	(166,174)
Gross profit		<u>139,649</u>	<u>159,481</u>
Administrative expenses		(138,336)	(133,795)
Revaluation gains on investment property	10	15,541	18,955
Revaluation deficit on hotel property		(2,745)	(12,123)
Operating profit	7	<u>14,109</u>	<u>32,518</u>
Investment revenues	9	10,253	52
Finance costs	11	(7,809)	(5,327)
Profit before tax		<u>16,553</u>	<u>27,243</u>
Tax	12	(2,160)	(11,139)
Profit for the year		<u><u>14,393</u></u>	<u><u>16,104</u></u>
Items that will not be reclassified subsequently to profit and loss			
(Deficit)/surplus on property revaluation		(1,087)	14,638
Actuarial (loss)/gain on defined benefit pension schemes	34	(3,715)	1,388
Income tax relating to items not re-classified	12	1,443	2,734
		<u>(3,359)</u>	<u>18,760</u>
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		6,328	(3,485)
Exchange differences relating to components of other comprehensive income		(10,205)	4,638
		<u>(3,877)</u>	<u>1,153</u>
Other comprehensive (loss)/income for the year net of tax		<u>(7,236)</u>	<u>19,913</u>
Total comprehensive income for the year		<u><u>7,157</u></u>	<u><u>36,017</u></u>

Total comprehensive income for both years is attributable solely to the owners of the company.

Dorchester Group Limited

Consolidated statement of financial position As at 31 December 2014

	Notes	2014 £'000	2013 Restated £'000
Non-current assets			
Goodwill	13	42,558	45,761
Other intangible assets	14	3,945	3,240
Property, plant and equipment	15	1,524,273	1,527,613
Investment property	16	141,741	116,176
Trade and other receivables	20	2,602	2,858
Deferred tax assets	22	35,272	35,542
		<u>1,750,391</u>	<u>1,731,190</u>
Current assets			
Investments	18	601	4,506
Inventories	19	7,300	6,985
Trade and other receivables	20	83,470	76,165
Cash and bank balances		51,867	45,317
		<u>143,238</u>	<u>132,973</u>
Total assets		<u>1,893,629</u>	<u>1,864,163</u>
Current liabilities			
Trade and other payables	24	74,466	70,913
Current tax liabilities		5,860	2,137
Obligations under finance leases	23	-	103
Borrowings	21	242,691	188,095
		<u>323,017</u>	<u>261,248</u>
Net current liabilities		<u>(179,779)</u>	<u>(128,275)</u>
Non-current liabilities			
Borrowings	21	387,906	422,921
Retirement benefit obligations	34	10,874	7,707
Deferred tax liabilities	22	285,506	293,629
Long-term provisions	25	3,444	1,371
Trade and other payables	24	3,698	3,649
		<u>691,428</u>	<u>729,277</u>
Total liabilities		<u>1,014,445</u>	<u>990,525</u>
Net assets		<u>879,184</u>	<u>873,638</u>

Dorchester Group Limited

Consolidated statement of financial position (continued) As at 31 December 2014

	Notes	2014 £'000	2013 Restated £'000
Equity			
Share capital	26	120,009	120,009
Share premium	27	37,711	37,711
Revaluation reserve	28	402,861	414,403
Retained earnings	30	230,218	220,440
Translation reserve	29	(5,052)	(12,362)
Merger reserve	31	93,437	93,437
Total equity		879,184	873,638

The financial statements of Dorchester Group Limited, registered number 01823605, were approved by the Board of Directors and authorised for issue on 4 June 2015.

Signed on behalf of the Board of Directors



Sofian Md Jani
Director

Dorchester Group Limited

Consolidated statement of changes in equity For the year ended 31 December 2014

	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013 (restated)	120,009	37,711	392,040	93,437	(8,816)	203,240	837,621
Profit for the year	-	-	-	-	-	16,104	16,104
Other comprehensive income/(loss) for the period	-	-	22,363	-	(3,546)	1,096	19,913
Total comprehensive income/(loss) for the period	-	-	22,363	-	(3,546)	17,200	36,017
Balance at 31 December 2013 (restated)	120,009	37,711	414,403	93,437	(12,362)	220,440	873,638
Profit for the year	-	-	-	-	-	14,393	14,393
Other comprehensive income/(loss) for the period	-	-	(11,542)	-	7,310	(3,004)	(7,236)
Total comprehensive income/(loss) for the period	-	-	(11,542)	-	7,310	11,389	7,157
Dividend	-	-	-	-	-	(1,611)	(1,611)
Balance at 31 December 2014	120,009	37,711	402,861	93,437	(5,052)	230,218	879,184

Dorchester Group Limited

Consolidated cash flow statement For the year ended 31 December 2014

	Note	2014 £'000	2013 restated £'000
Net cash from operating activities	32	17,211	40,181
Investing activities			
Interest received		43	253
Purchases of property, plant and equipment and additions to investment properties		(63,887)	(49,060)
Acquisition of subsidiary	37	-	(86,594)
Net cash used in investing activities		(63,844)	(135,401)
Financing activities			
Repayments of borrowings		(3,861)	(7,264)
Repayments of obligations under finance leases		(103)	(152)
Dividends paid		(1,611)	-
Loans advanced		52,296	123,179
Net cash from financing activities		46,721	115,763
Net increase in cash and cash equivalents		88	20,543
Cash and cash equivalents at beginning of year		49,823	30,037
Effect of foreign exchange rate changes		2,557	(757)
Cash and cash equivalents at end of year	32	52,468	49,823

Dorchester Group Limited

Notes to the consolidated financial statements For the year ended 31 December 2014

1. General information

Dorchester Group Limited (the “company”) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is 3 Tilney Street, London W1K 1BJ. The nature of the company and its subsidiaries’ (together the “Group’s”) operations, its principal activities and business review are set out in the strategic report on page 3.

These financial statements are presented in pounds sterling. The functional currencies of Group companies are the currency in which the particular company operates, which is Sterling, Euro or US dollar. Foreign operations are included in accordance with the policies set out in note 3.

2. Adoption of new and revised standards

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins after 1 January 2014. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements where described below.

Standards affecting the financial statements

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment entities*

The Group has adopted the amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries, but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the adoption of the amendments has had no impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

Amendments to IAS 36 *Recoverable Amount Disclosures for Non- Financial Assets*

The Group has adopted the amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amounts of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no further impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurement*.

The application of these amendments has had no material impact on the disclosures in the Group’s consolidated financial statements.

Amendments to IAS 32 *Offsetting financial assets and liabilities*

The Group has adopted the amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and liabilities. Specifically, the amendments clarify the meaning of ‘currently has legally enforceable right of set-off’, and ‘simultaneous realisation and settlement’.

The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group’s consolidated financial statements.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

2. Adoption of new and revised Standards (continued)

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 19 (amendments)	Defined Benefit Plans: Employee Contributions
IAS 27 (amendments)	Equity Method in Separate Financial Statements
Annual Improvements to IFRSs: 2010-2012	Amendments to : IFRS 3 <i>Business Combinations</i> , IFRS 8 <i>Operating Segments</i> , IFRS 13 <i>Fair Value Measurement</i> , IAS 16 <i>Property, Plant and Equipment</i> , IAS 24 <i>Related Party Disclosures</i> and IAS 38 <i>Intangible Assets</i> .
Annual Improvements to IFRSs: 2011-2013	Amendments to: IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> , IFRS 3 <i>Business Combinations</i> , IFRS 13 <i>Fair Value Measurement</i> and IAS 40 <i>Investment Property</i> .
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> , IFRS 7 <i>Financial Instruments: Disclosures</i> , IAS 19 <i>Employee Benefits</i> and IAS 34 <i>Interim Financial Reporting</i> .

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of Financial Instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

3. Significant accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investment properties and land and buildings and are in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies are set out below.

Fair value is the price that would be receivable to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of the asset or the liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for leasing transactions that are within the scope of IAS 17, and the measurements that have similarities to fair value but are not fair value, such as net realisable value in IAS 2 or the value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;
- Level 2 inputs are inputs, or other quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

All subsidiaries are 100% owned either directly or indirectly.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows in relation to transitions between the members of the Group are eliminated on consolidation.

Going concern

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 strategic report.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

3. Significant accounting policies (continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee benefits respectively.

Contribution of business by shareholder

Contributions of businesses by the shareholder are outside the scope of IFRS 3 *Business combinations* and are accounted for using merger accounting principles and credited to the merger reserve.

In 2014 Kava Holdings LLC, owner of Hotel Bel-Air, was contributed to the Group. Its assets and liabilities were recognised and measured at the pre-contribution carrying amounts after adjustment to reflect the Groups accounting policies. The comparative balances at 31 December 2013 and the results for 2013 and the 2014 period up to the date of the contribution have been adjusted to include those of Kava Holdings LLC.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

3. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is reduced for customer rebates and other similar allowances.

Revenue comprises:

- Income from the ownership and operation of hotels and is recognised as the related services are provided.
- Rental income from investment properties and 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.
- Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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

Leases

Leases are classified as either finance leases or operating leases. Finance leases occur whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are expensed as incurred.

The Group as a lessee

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 profit or loss 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 profit or loss on an accruals basis. Amounts receivable under operating leases are credited to profit or loss on an accruals basis.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 translation reserve and reported in the statement of

Dorchester Group Limited

Notes to the consolidated financial statements (continued) **For the year ended 31 December 2014**

3. Significant accounting policies (continued)

comprehensive income. The revenues and expenses of foreign subsidiaries are translated into sterling at the average rate of exchange for the period.

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in profit or loss 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 other comprehensive income.

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 is presented separately after other net assets on the face of the consolidated statement of financial position.

For defined contribution schemes the amount charged to profit or loss 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 consolidated statement of financial position.

Further information on pension arrangements is set out in note 34.

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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

3. Significant accounting policies (continued)

Taxation (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.

Property, plant and equipment

Land and buildings are stated at valuation, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on plant and equipment and freehold buildings, to write off the carrying value less the estimated residual value by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	-	Life of lease
Freehold buildings	-	50 years
Plant and machinery	-	4-15 years
fixtures, fittings and equipment		5 years

No depreciation is provided on freehold land.

Any revaluation increase arising on the revaluation of freehold buildings is credited to revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on re-valued freehold buildings is charged to income.

Investment property

Investment property held by the Group is held to earn rentals and/or for capital appreciation. Investment property is stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost and accumulated impairment losses.

Computer software costs

Computer software costs are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful life of 3 to 5 years.

Inventories

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

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

3. Significant accounting policies (continued)

Loans and receivables

Trade receivables, loans, and other receivables are measured at amortised cost using the effective interest method, less any impairment (see 'impairment' note). Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment

The carrying amounts of the Group's assets, excluding investment properties and land and buildings (as they are revalued regularly), 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. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets: Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

3. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical accounting policies where judgements or estimations are necessarily applied are summarised below.

Revaluations

Property is revalued annually which requires an assessment of each property's future earnings and the choice of an appropriate discount rate. The directors obtain valuation advice from professional valuers.

Impairment

The Group determines whether goodwill is impaired on an annual basis. Other non-current assets are tested for impairment if there are indicators of impairment. Impairment testing requires an estimate of future cash flows and the choice of an appropriate discount rate.

Depreciation and residual values

The Group reviews the asset lives and associated residual values of property, plant and equipment annually and have concluded that asset lives and residual values are appropriate.

Discount rate used to determine the carrying amount of the Group's defined benefit obligations

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Judgement is also required to determine a single discount rate figure from the yield curve, including decisions on how to allow for the duration of the liabilities of the scheme i.e. the timing of future cashflows expected from the scheme.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

5. Revenue

An analysis of the Group's revenue is as follows:

	2014 £'000	2013 restated £'000
Continuing operations		
Hotel management and operations revenue	286,188	311,408
Property investment revenue	13,972	14,247
	<u>300,160</u>	<u>325,655</u>
Total revenue		
Other income not included within revenue in the income statement (note 9)	10,253	52
	<u>310,413</u>	<u>325,707</u>

6. Geographical analysis of revenue, operating profit and net assets

	Revenue		Operating profit		Net assets	
	2014 £'000	2013 restated £'000	2014 £'000	2013 restated £'000	2014 £'000	2013 restated £'000
Hotel management and operations:						
USA	70,275	74,645	697	(2,806)	261,203	234,979
Europe	115,536	133,141	(17,230)	198	144,210	175,354
United Kingdom	100,377	103,622	7,392	8,731	343,577	354,078
	<u>286,188</u>	<u>311,408</u>	<u>(9,141)</u>	<u>6,123</u>	<u>748,990</u>	<u>764,411</u>
Property investment:						
USA	13,972	14,247	23,250	26,395	130,194	109,227
	<u>300,160</u>	<u>325,655</u>	<u>14,109</u>	<u>32,518</u>	<u>879,184</u>	<u>873,638</u>

All the above derive from continuing operations.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

7. Operating profit

	2014 £'000	2013 restated £'000
Operating profit is stated after charging/(crediting):		
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	62	46
Fees payable to the company's auditor and their associates for other services to the Group - the audit of the company's subsidiaries	285	321
Total audit fees:	347	367
Audit related assurance services	143	146
Taxation compliance services	272	178
Other taxation advisory services	81	172
Total non-audit fees:	496	496
Total auditor's remuneration	843	863
Depreciation of property, plant and equipment	22,713	17,134
Amortisation of intangible assets	869	445
Rentals under operating leases:		
Payable: Land and buildings	9,490	8,927
Payable: Plant and machinery	397	621
Receivable regarding hotel properties: Land and buildings	(2,892)	(2,115)
Contingent rentals receivable regarding hotel properties: Land and buildings	(276)	(270)
Loss on disposal of fixed assets	5,311	1,695
Exceptional acquisition costs	-	2,644

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

8. Staff costs

	2014 £'000	2013 £'000
Directors' remuneration		
Directors' emoluments	108	135
Directors' fees paid to ultimate parent	190	189
Remuneration of highest paid director		
Emoluments or fees paid to ultimate parent	108	111

No directors (2013: None) accrued any retirement benefits under either a defined benefit scheme or under a money purchase scheme.

	2014 No.	2013 restated No.
Average monthly number of persons employed excluding directors		
Operations	2,336	2,380
Sales and marketing	102	98
Administration	427	413
	2,865	2,891

	2014 £'000	2013 restated £'000
Staff costs during the year excluding directors		
Wages and salaries	88,580	91,134
Social security costs	24,386	25,030
Other pension costs	4,368	4,788
	117,334	120,952

9. Investment revenue

	2014 £'000	2013 restated £'000
Interest receivable on:		
Bank deposits	41	50
Related party loans	2	2
Total interest revenue	43	52
Foreign exchange gains	10,210	-
	10,253	52

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

10. Other gains and losses

	2014 £'000	2013 £'000
Gain on revaluation of investment property	15,541	18,955

11. Finance costs

	2014 £'000	2013 £'000
Interest on shareholder loans	7,549	4,152
Interest on finance leases	35	47
Total interest expense	7,584	4,199
Foreign exchange losses	-	900
Pension deficit net charge	164	226
Other	61	2
	7,809	5,327

12. Tax

	2014 £'000	2013 restated £'000
Current year	5,914	2,380
Adjustments in respect of prior years	(52)	(479)
Foreign tax	723	4,564
	6,585	6,465
Deferred tax	2,094	4,674
Adjustments in respect of prior years	(6,519)	-
Deferred tax (credit)/charge (note 22)	(4,425)	4,674
Total tax expense	2,160	11,139

UK corporation tax is calculated at 21.5% (2013: 23.25%) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The significant prior year deferred tax credit results principally from the recognition of the previously unrecognised deferred tax asset of £6.1m held within Kava Holdings LLC. The acquisition of Kava Holdings LLC by the Group permits this deferred tax asset to be recognised as it can now be offset against deferred tax liabilities recognised by other US subsidiaries.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

12. Tax (continued)

The total tax expense for the year can be reconciled to the profit per the income statement as follows:

	2014 £'000	2013 restated £'000
Profit before tax	16,553	27,243
Tax at the UK corporation tax rate of 21.5% (2013: 23.25%)	3,559	6,334
Tax effect of expenses that are not deductible in determining taxable profit	3,723	3,476
Movement due to fall in UK tax rate	-	(3,979)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,677	5,621
Other	(228)	166
Adjustments in respect of prior years	(6,571)	(479)
Total tax expense for the year	<u>2,160</u>	<u>11,139</u>

The Finance Act 2013 provided for a phased reduction in the main UK corporation tax rate, with the rate falling to 21% from 1 April 2014 and then by a further 1% to 20% from 1 April 2015. The current tax charge therefore reflects the fall in rate to 21% which gives an effective tax rate of 21.5%. In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2014 £'000	2013 restated £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of property	(653)	(3,039)
Pension liability	(790)	305
Total income tax recognised in other comprehensive income	<u>(1,443)</u>	<u>(2,734)</u>

The opening deferred tax position is recalculated in the period in which a change in the standard rate of corporation tax has been enacted or substantively enacted by parliament. For 2014 there was no change in rates (2013: from 23% to 20%) so no adjustment was required in 2014 (2013: £4.1 million credit) in the consolidated income statement and no adjustment (2013: £8.3 million credit) in the consolidated statement of comprehensive income.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

13. Goodwill

	Cost £'000
At 1 January 2013	33,218
Additions (note 37)	11,785
Foreign exchange movements	758
	<hr/>
At 31 December 2013	45,761
Foreign exchange movements	(3,203)
	<hr/>
At 31 December 2014	<u>42,558</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2014 £'000	2013 £'000	2012 £'000
Hotel Plaza Athénée, France	10,527	11,248	10,964
Hotel Principe di Savoia, Italy	21,366	22,830	22,254
Hotel Eden, Italy	10,665	11,683	-
	<hr/>	<hr/>	<hr/>
	<u>42,558</u>	<u>45,761</u>	<u>33,218</u>

At the year end, goodwill was reviewed for impairment in accordance with IAS 36 Impairment of Assets. A value in use was calculated on the basis of discounted future cash flows arising in each relevant CGU, which is then compared to the carrying value of the CGU to determine if an impairment has occurred. Cash flow forecasts derived from business plans over a 5 year period, followed by a long term growth rate of 3% (2013: 3%) per annum were used. Discount rates of 6.7 % (2013: 6.2%) for Hotel Plaza Athénée, for Hotel Principe di Savoia 7.2% (2013: 7.3%) and for Hotel Eden 7.8% (2013: 9.00%) were used to arrive at the value in use for each of the CGUs. The discount rates applied are based on advice from external valuers. The Directors consider the assumptions to be reasonable based on the historic performance of each CGU and to be realistic in light of economic and industry forecasts. Having performed this review, the directors conclude that no impairment is required.

The calculation of value in use for each CGU is most sensitive to the principal assumptions of discount rate and growth rates. Sensitivity analysis has been performed on the calculations and confirms that no reasonably possible changes in the assumptions would exceed their recoverable amount for any of the CGUs except for the Hotel Principe di Savoia goodwill for which headroom is shown below.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

13. Goodwill (continued)

The headroom by the principal CGUs and sensitivities thereon, which are shown as follows:

Cash generating unit

	Hotel Principe di Savoia, Italy		
	Actual impairment analysis £'000	Decrease growth rate by 1% £'000	Increase discount rate by 1% £'000
As at 31 December 2014			
Value in use	152,743	148,512	141,406
Less carrying value of land and buildings	(126,158)	(126,158)	(126,158)
Less carrying value of goodwill	(21,366)	(21,366)	(21,366)
Headroom	<u>5,219</u>	<u>988</u>	<u>(6,118)</u>

Cash generating unit

	Hotel Principe di Savoia, Italy		
	Actual impairment analysis £'000	Decrease growth rate by 1% £'000	Increase discount rate by 1% £'000
As at 31 December 2013			
Value in use	219,830	184,436	175,295
Less carrying value of land and buildings	(144,785)	(144,785)	(144,785)
Less carrying value of goodwill	(22,830)	(22,830)	(22,830)
Headroom	<u>52,215</u>	<u>16,821</u>	<u>7,680</u>

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

14. Other intangible assets

	Computer software £'000	Hotel Eden Trademark £'000	Total £'000
Cost			
At 1 January 2014 (restated)	4,991	1,248	6,239
Additions	1,662	-	1,662
Disposals/write offs	(16)	-	(16)
Foreign exchange	(82)	(80)	(162)
At 31 December 2014	6,555	1,168	7,723
Amortisation			
At 1 January 2014 (restated)	(2,999)	-	(2,999)
Charge	(869)	-	(869)
Disposals/write offs	16	-	16
Foreign exchange	74	-	74
At 31 December 2014	(3,778)	-	(3,778)
Carrying amount			
At 31 December 2014	2,777	1,168	3,945
At 31 December 2013 (restated)	1,992	1,248	3,240

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

15. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 January 2013 (restated)	1,305,535	70,058	178,897	14,003	1,568,493
Transfer to Intangible fixed assets	-	-	(3,331)	-	(3,331)
Capital additions	585	4,616	3,185	39,256	47,642
Acquisition of subsidiary (note 37)	83,601	718	828	-	85,147
Transfers	5,516	2,366	5,688	(13,570)	-
Disposals/write offs	(97)	(11,437)	(7,664)	(37)	(19,235)
Revaluation/(devaluation)	1,650	-	-	-	1,650
Foreign exchange	8,905	1,614	2,340	(377)	12,482
At 31 December 2013 (restated)	1,405,695	67,935	179,943	39,275	1,692,848
Capital additions	929	17,323	29,920	11,276	59,448
Transfers	5,376	27,271	6,967	(39,614)	-
Disposals/write offs	(3,379)	(326)	(5,557)	(1,887)	(11,149)
Revaluation/(devaluation)	(4,704)	-	-	-	(4,704)
Foreign exchange	(26,201)	(3,056)	(5,893)	(1,168)	(36,318)
At 31 December 2014	1,377,716	109,147	205,380	7,882	1,700,125
Depreciation					
At 1 January 2013 (restated)	(146)	(57,777)	(107,483)	-	(165,406)
Transfer to Intangible fixed assets	-	-	2,590	-	2,590
Charge	(930)	(4,984)	(11,220)	-	(17,134)
Disposals/write offs	56	9,930	6,734	-	16,720
Revaluation/(devaluation)	857	-	-	-	857
Foreign exchange	63	(1,336)	(1,589)	-	(2,862)
At 31 December 2013 (restated)	(100)	(54,167)	(110,968)	-	(165,235)
Charge	(920)	(6,038)	(15,755)	-	(22,713)
Transfers	74	47	(121)	-	-
Disposals/write offs	-	315	5,523	-	5,838
Revaluation/(devaluation)	870	-	-	-	870
Foreign exchange	(103)	1,820	3,671	-	5,388
At 31 December 2014	(179)	(58,023)	(117,650)	-	(175,852)

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

15. Property, plant and equipment (continued)

Carrying amount	£'000	£'000	£'000	£'000	£'000
Net book value					
At 31 December 2014	1,377,537	51,124	87,730	7,882	1,524,273
At 31 December 2013 (restated)	1,405,595	13,768	68,975	39,275	1,527,613
At 31 December 2012 (restated)	1,305,389	12,281	71,414	14,003	1,403,087

Included in the net book value of fixtures, fittings and equipment are items held under finance lease with a net book value of £nil (2013: £4,000).

During 2013 the Group transferred all computer software from property, plant and equipment to intangible assets (see note 14).

The net book value of land and buildings comprise:

	2014 £'000	2013 restated £'000
Freehold	1,376,354	1,404,361
Long leasehold	120	122
Short leasehold	1,063	1,112
	<u>1,377,537</u>	<u>1,405,595</u>

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's land and buildings were revalued at 31 December 2014 by HVS, independent valuers not connected with the Group who are qualified for the purpose of the valuation in accordance with the RICS Red Book. The fair value measurements of the Group's land and buildings were revalued at 31 December 2013 by CBRE, independent valuers not connected with the Group who are qualified for the purpose of the valuation in accordance with the RICS Red Book.

The fair value of the freehold land and buildings was determined using the discounted cash flows approach which involves applying a yield and discount rate to the cash flows. There has been no change to the valuation technique during the year.

The Group's freehold land and buildings have been classified as Level 3 within the fair value hierarchy as at 31 December 2014.

The sensitivities regarding the principal assumptions used to value land and buildings are set out below

Assumption	Change in assumption %	Impact on valuation	
		Increase £'000	Decrease £'000
Discount rate	Increase by 1%		113,214
Discount rate	Decrease by 1%	124,554	
Capitalisation rate	Increase by 1%		148,741
Capitalisation rate	Decrease by 1%	233,983	
Cash flow	Increase by 5%	77,115	
Cash flow	Decrease by 5%		77,115

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

15. Property, plant and equipment (continued)

There are inter-relationships between all these unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input would be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of two unobservable inputs moving in opposite directions e.g. an increase in cash flows may be offset by an increase in yield, resulting in no net impact on the valuation.

At 31 December 2014, had the land and buildings other than investment property of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £835 million (2013: £848 million).

The revaluation surplus is disclosed in note 28. The revaluation surplus arises in subsidiaries and cannot be distributed to the parent due to legal restrictions in the countries of incorporation.

16. Investment property

	2014 £'000	2013 £'000
Fair value:		
At 1 January	116,176	97,697
Additions	2,777	1,418
Revaluation	15,541	18,955
Foreign exchange translation differences	7,247	(1,894)
	<hr/>	<hr/>
At 31 December	141,741	116,176
	<hr/>	<hr/>
Lease incentives within debtors (note 20)	4,338	4,348
	<hr/>	<hr/>
Fair value per valuation report	146,079	120,524
	<hr/>	<hr/>

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 £100,919,000 (2013: £92,610,000).

The fair value of the Group's investment property at 31 December 2014 has been arrived at on the basis of a valuation carried out at that date by CBRE (USA) and Bonz & Company Inc, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards. The fair value was determined based on the income capitalisation approach which involves applying a yield to rental income streams. Inputs include yield, current rent and estimated rental values. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The investment properties have been classified as Level 3 within the fair value hierarchy as at 31 December 2014.

The sensitivities regarding the principal assumptions used to value the investment properties are set out below:

Assumption	Change in assumption %	Impact on valuation	
		Increase £'000	Decrease £'000
Discount rate	Increase by 1%		7,727
Discount rate	Decrease by 1%	8,512	
Capitalisation rate	Increase by 1%		16,239
Capitalisation rate	Decrease by 1%	22,879	
Cash flow	Increase by 5%	7,280	
Cash flow	Decrease by 5%		7,280

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

16. Investment property (continued)

There are inter-relationships between all these unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input would be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of two unobservable inputs moving in opposite directions e.g. an increase in rent may be offset by an increase in yield, resulting in no net impact on the valuation.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £13,972,000 (2013: £14,247,000). Direct operating expenses (including repairs and maintenance) arising on the investment property, all of which generated rental income in the period, amounted to £6,264,000 (2013: £6,807,000). The Group has committed to capital expenditure over the next three years totalling £815,000.

17. Subsidiaries

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	United Kingdom	100% (Direct)
The Dorchester Limited	Dormant	United Kingdom	100% (Indirect)
Dorchester Services Limited	Hotel management	United Kingdom	100% (Direct)
Coworth Park Limited	Hotel management	United Kingdom	100% (Direct)
Meurice Limited	Hotel investment	United Kingdom	100% (Direct)
Principe di Savoia Limited	Hotel investment	United Kingdom	100% (Direct)
Hotel Plaza Athenee Limited	Hotel investment	United Kingdom	100% (Direct)
Kava Holdings LLC (was Kava Holdings Inc)	Hotel operations	USA	100% (Indirect)
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 Eden srl	Hotel operations	Italy	100% (Direct)
Hotel Plaza Athenee SA	Hotel operations	France	100% (Indirect)
Plaza Athenee Holdings SA	Hotel investment	France	100% (Indirect)

Kava Holdings LLC (formerly known as Kava Holdings Inc.) was contributed to the Group in April 2014 from the shareholder as part of a wider Group restructuring program. On 17 September 2013, the Group acquired 100 per cent of the issued share capital of Hotel Eden srl (see note 37).

18. Investments

	2014 £'000	2013 £'000
Cash on deposit with terms in excess of thirty days	601	4,506

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

19. Inventories

	2014 £'000	2013 restated £'000
Consumables	4,907	4,450
Goods for resale	2,393	2,535
	<u>7,300</u>	<u>6,985</u>

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

The cost of inventories recognised as an expense during the year in respect of continuing operations was £27m (2013: £29m.)

20. Trade and other receivables

Due within one year

	2014 £'000	2013 restated £'000
Trade debtors	18,452	16,202
Provision for bad debts	(613)	(703)
Net trade debtors	<u>17,839</u>	<u>15,499</u>
Other debtors	3,471	5,300
Amounts owed by fellow subsidiary undertakings	45,356	42,220
Overseas corporation tax receivable	4,177	1,510
Prepayments and accrued income	<u>12,627</u>	<u>11,636</u>
	<u>83,470</u>	<u>76,165</u>

Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2014 £'000	2013 restated £'000
Neither past due nor impaired	6,643	4,613
Less than 1 month past due	6,224	5,400
1 to 3 months past due	2,466	4,095
More than 3 months past due	<u>2,506</u>	<u>1,391</u>
Total	<u>17,839</u>	<u>15,499</u>

Trade debtors that are not impaired refer to debtors where no provision of doubtful debt is provided and aging is past credit term.

Receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

20. Trade and other receivables (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as these are considered fully recoverable.

Due after more than one year

	2014 £'000	2013 £'000
Prepayments and accrued income	2,602	2,858

21. Borrowings

	2014 £'000	2013 restated £'000
Included within current liabilities		
Loans from ultimate parent undertakings	242,691	188,095
	<u>242,691</u>	<u>188,095</u>
Included within non-current liabilities		
Loans from fellow subsidiary undertakings:		
Unsecured, subordinated and interest free	182,469	191,951
Unsecured, subordinated and interest bearing	205,437	230,970
	<u>387,906</u>	<u>422,921</u>
Total borrowings	<u>630,597</u>	<u>611,016</u>

The interest bearing loans from fellow subsidiary undertakings of the Brunei Investment Agency ("BIA") bear interest at both fixed and floating rates. The weighted average year end interest rate for these loans was 3.10% (2013; 3.14%).

	2014 £'000	2013 restated £'000
Loans maturing between:		
Within 1 year	242,691	188,095
1 to 2 years amount to	285,767	211,752
2 to 5 years amount to	102,139	141,539
Over 5 years amount to	-	69,630
	<u>630,597</u>	<u>611,016</u>

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

22. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Land and buildings £'000	Investment properties £'000	Pension £'000	Tax losses £'000	Other temporary differences £'000	Total £'000
Asset/(liability) at						
1 January 2013 (restated)	(271,194)	(3,678)	1,356	24,597	5,211	(243,708)
(Charge)/credit to profit or Loss	3,352	(7,990)	(226)	1,185	(3,089)	(6,768)
Credit to other comprehensive income	3,039	-	(305)	-	-	2,734
Acquisition	(11,502)	-	-	408	1,071	(10,023)
Exchange differences	(1,580)	502	-	612	144	(322)
At 31 December 2013 (restated)	(277,885)	(11,166)	825	26,802	3,337	(258,087)
(Charge)/credit to profit or loss	4,947	(5,893)	(144)	5,603	(88)	4,425
Credit/(charge) to other comprehensive income	653	-	790	-	-	1,443
Exchange differences	5,218	(1,006)	-	(1,594)	(633)	1,985
At 31 December 2014	(267,067)	(18,065)	1,471	30,811	2,616	(250,234)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2014 £'000	2013 restated £'000
Deferred tax liabilities	(285,506)	(293,629)
Deferred tax assets	35,272	35,542
	(250,234)	(258,087)

No deferred tax asset has been recognised in respect of tax losses of £189,000 (2013: £189,000) as it is not considered probable that there will be future taxable profits available against which to offset them.

No deferred tax liability is recognised on temporary differences of £167m (2013: £132m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

23. Obligations under finance leases

Commitments under finance leases are set out below:

	2014 £'000	2013 £'000
Obligations under finance leases:		
Minimum lease payments payable:		
Within one year	-	135
In the second to fifth year inclusive	-	-
	<hr/>	<hr/>
	-	135
Less: Finance charges allocated to future years	-	(32)
	<hr/>	<hr/>
	-	103
	<hr/>	<hr/>

24. Trade and other payables

	2014 £'000	2013 restated £'000
Due within one year		
Amounts owed to ultimate parent undertakings	12,002	11,002
Trade creditors	15,175	13,828
Other creditors	8,083	9,707
Accruals, deferred income and guest deposits	24,703	22,705
VAT and other sales taxes	3,041	2,236
PAYE and other payroll taxes	11,462	11,435
	<hr/>	<hr/>
	74,466	70,913
	<hr/>	<hr/>

Trade creditors are paid in line with the terms that are agreed with suppliers, which range from 30 to 90 days.

	2014 £'000	2013 £'000
Due after more than one year		
Operating lease rental straight-line accrual	3,698	3,649
	<hr/>	<hr/>

This relates to adjustments to equalise three (2013; two) property operating leases where the rentals payable for the initial years are stepped and include rent free periods, whereas rent expense to profit or loss is recognised on a straight-line basis.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

25. Provisions

	£'000
Balance at 1 January 2013 (restated)	1,461
Acquisition of subsidiary	170
Utilisation	(405)
Charged to consolidated income statement	104
Foreign exchange loss	41
	<hr/>
Balance at 31 December 2013 (restated)	1,371
Utilisation	(220)
Charged to consolidated income statement	2,259
Foreign exchange loss	34
	<hr/>
Balance at 31 December 2014	<u>3,444</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 and US hotels.

26. Share capital

	2014 £'000	2013 £'000
Called up share capital:		
Authorised:		
ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Allotted, called up and fully paid:		
ordinary shares of £1 each	<u>120,009</u>	<u>120,009</u>

27. Share premium

Movements in share premium are included in the consolidated statement of changes in equity on page 13.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

28. Revaluation reserve

	Land and buildings £'000
Balance at 1 January 2013 (restated)	392,040
Revaluation increase on land and buildings	14,638
Deferred tax liability arising on revaluation of land and buildings	3,039
Foreign exchange	4,686
	<hr/>
Balance at 31 December 2013 (restated)	414,403
	<hr/>
Revaluation decrease on land and buildings	(1,087)
Deferred tax credit arising on revaluation of land and buildings	653
Foreign exchange	(11,108)
	<hr/>
Balance at 31 December 2014	<u>402,861</u>

29. Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. Movements on translation reserve are shown in the consolidated statement of changes in equity on page 13.

30. Retained earnings

Retained earnings comprise the cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

31. Merger reserves

Movements in merger reserves are included in the consolidated statement of changes in equity on page 13.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

32. Notes to the cash flow statement

	2014 £'000	2013 restated £'000
Profit for the year before tax	16,553	27,243
Adjustments for:		
Investment revenues	(43)	(52)
Foreign exchange gain on borrowings	(10,210)	-
Finance costs	7,809	5,327
Depreciation of property, plant and equipment	22,713	17,134
Amortisation of intangibles	869	445
Loss on disposal of property, plant and equipment	5,311	1,695
Increase in fair value of investment property	(15,541)	(18,955)
Increase/(decrease) in provisions	2,041	(228)
Reduction in value of a freehold hotel property	2,745	12,123
Operating cash flows before movements in working capital	32,247	44,732
(Increase)/decrease in inventories	(315)	700
(Increase)/decrease in receivables	(7,047)	3,227
Increase in payables	2,997	328
Cash generated by operations	27,882	48,987
Income taxes paid	(2,862)	(3,875)
Interest paid	(7,809)	(4,931)
Net cash from operating activities	17,211	40,181
Cash and cash equivalents		
	2014 £'000	2013 restated £'000
Investments (short-term bank deposits)	601	4,506
Cash and bank balances	51,867	45,317
	52,468	49,823

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

33. Operating lease arrangements

The Group as a lessee

At the balance sheet date, the total amounts payable under the remainder of the life of non-cancellable operating leases is set out below:

	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	9,940	272	9,036	305
Between one and five years	34,781	601	30,270	336
After five years	198,339	21	119,175	-
	<u>243,060</u>	<u>894</u>	<u>158,481</u>	<u>641</u>

Operating lease payments relating to land and buildings represent rentals payable by the Group for hotel properties. The majority of leases are negotiated for an average term of 25 years and rentals are fixed for an average of 5 years and are then set at the prevailing market rate.

The Group as a lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments on operating leases for land and buildings:

Hotel properties

	2014 £'000	2013 restated £'000
Within one year	1,532	1,481
Between one and five years	3,065	2,144
After five years	339	458
	<u>4,936</u>	<u>4,083</u>

Investment properties

	2014 £'000	2013 £'000
Within one year	13,551	11,341
Between one and five years	38,196	37,958
After five years	6,947	10,155
	<u>58,694</u>	<u>59,454</u>

The Group's properties held for rental purposes are expected to generate average rental yields of 5.88% (2013: 6.25%) on an ongoing basis. All of the properties held have committed tenants with leases expiring within one to ten years time. The lessee does not have an option to purchase the property at the expiry of the lease period.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

34. Retirement benefit schemes

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.

Defined contribution scheme

The company operates a defined contribution scheme for which the Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The pension cost charged for and paid for the year amounted to £944,000 (2013: £779,000).

Defined benefit scheme

The pension liabilities are as follows:

	2014 £'000	2013 £'000
UK Pension scheme (see below)	7,348	4,118
French state pension scheme termination indemnity	1,414	1,393
Italian state pension scheme termination indemnity	2,112	2,196
	<u>10,874</u>	<u>7,707</u>

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 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 3. The assets of the scheme are held separately from those of the company, being invested with insurance companies. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The pension scheme typically exposes the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependents of scheme members is re-insured by an external insurance company.

Investment risk	The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term the short-term volatility can cause additional funding to be required if deficit emerges.
Interest rate risk	The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.
Mortality risk	In the event that members live longer than assumed a deficit will emerge in the Scheme.
Inflation risk	A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long-term, movements over the short term could lead to deficits emerging.

Qualified actuaries carry out full valuations on a triennial basis, the last one being to 6 April 2014, using the projected unit 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

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

34. Retirement benefit schemes (continued)

investment returns would be 4.95% per annum, that salary increases would average 4.75% 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 £120,000 (2013: £149,000), and the total included in finance costs was £164,000 (2013: £226,000). The most recent actuarial valuation showed that the market value of the scheme's assets was £24,208,000 giving a funding level of 77% (2013: 84%).

Actuarial assumptions

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

	2014 %	2013 %
Discount rate for plan liabilities	3.50	4.50
Rate of inflation (RPI)	3.10	3.55
Rate of inflation (CPI)	2.40	2.85
Rate of increase in salaries	4.60	5.05
Rate of increase of pensions in payment	2.40	2.85

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

	2014		2013	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.1	24.1	22.1	24.3
Member age 45 (life expectancy at age 65)	23.5	25.6	23.5	25.8

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

Assumption	Change in assumption %	Impact on scheme liabilities	
		Increase %	Decrease %
Discount rate	Increase by 0.5%		7.9
Discount rate	Decrease by 0.5%	9.0	
Rate of inflation	Increase by 0.5%	3.7	
Rate of inflation	Decrease by 0.5%		3.3
Rate of salary growth	Increase by 0.5%	0.5	
Rate of salary growth	Decrease by 0.5%		0.5
Rate of mortality	Increase by 1 year	4.2	
Rate of mortality	Decrease by 1 year		4.2

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

There has been no change in the processes used by the Group to manage its risks from prior periods.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

34. Retirement benefit schemes (continued)

Balance sheet disclosure

	2014		2013	
	Rate of return %	Fair value £'000	Rate of return %	Fair value £'000
Equity	5.80	9,989	7.00	8,850
Government Bonds	2.40	3,524	3.60	3,034
Corporate bonds	3.50	3,497	4.50	7,039
Diversified growth funds	5.80	2,864	7.00	2,448
Net current assets	0.50	4,334	-	531
		<hr/>		<hr/>
Total market value of assets		24,208		21,902
Present value of scheme liabilities		(31,556)		(26,020)
		<hr/>		<hr/>
Deficit in the pension plan/pension liability		(7,348)		(4,118)
		<hr/>		<hr/>

No property occupied by, or other assets used by the Group are held by the scheme. No amounts are included in the scheme's assets in respect of shares of the company.

Virtually all equity and debt instruments have quoted prices in active markets.

Amounts recognised in income are as follows:

	2014 £'000	2013 £'000
Analysis of the amount charged to administration expenses		
Current service cost	(120)	(149)
Administration costs	(229)	(257)
	<hr/>	<hr/>
Total charge to administration expenses	(349)	(406)
	<hr/>	<hr/>
Analysis of the amount charged to finance costs		
Expected return on plan assets	981	826
Interest cost on plan liabilities	(1,145)	(1,052)
	<hr/>	<hr/>
Net charge to finance costs	(164)	(226)
	<hr/>	<hr/>
Total charge to income for the year	(513)	(632)
	<hr/>	<hr/>

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

34. Retirement benefit schemes (continued)

Amounts recognised in other comprehensive income.

Amounts included in other comprehensive income for 2014 in respect of the defined benefit plan are as follows:

	2014 £'000	2013 £'000
Gain on scheme assets in excess of interest	1,513	1,571
Experience losses arising on plan liabilities	(1,852)	-
Losses from changes to financial assumptions	(3,926)	(183)
Gains from changes to demographic assumptions	550	-
	<hr/>	<hr/>
Total actuarial gains and losses recognised in other comprehensive income	(3,715)	1,388
	<hr/>	<hr/>

The gain on scheme assets in excess of interest of £1,513,000 is 6.3% of the plan assets as at 31 December 2014. The total actuarial loss of £3,715,000 represents 11.8% of the present value of scheme liabilities as at 31 December 2014.

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since the date of transition to IFRS is £2,435,000 net loss (2013: £1,280,000 net gain).

Analysis of movement in the present value of defined benefit obligations

	2014 £'000	2013 £'000
As at 1 January	(26,020)	(25,700)
Current service cost	(120)	(149)
Member contributions	(36)	(43)
Interest on pension scheme liabilities	(1,145)	(1,052)
Re-measurement gains/(losses):		
Actuarial gain/(loss)		
Actuarial gains and (losses) arising from changes in financial assumptions	(3,926)	(183)
Experience gains and (losses) on defined benefit obligation	(1,852)	-
Gains/(losses) due to changes to demographic assumptions	550	-
Benefits paid	993	1,107
	<hr/>	<hr/>
As at 31 December	(31,556)	(26,020)
	<hr/>	<hr/>

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

34. Retirement benefit schemes (continued)

Analysis of movement in the fair value of the scheme assets

	2014 £'000	2013 £'000
As at 1 January	21,902	19,807
Interest on assets	981	826
Return on plan assets less interest	1,513	1,571
Employer contributions	998	1,019
Member contributions	36	43
Benefits paid	(993)	(1,107)
Administration expenses	(229)	(257)
As at 31 December	<u>24,208</u>	<u>21,902</u>

The actual return on scheme assets was £2,494,000 (2013: £2,397,000).

The Group should fund the cost of the entitlements expected to be earned on a yearly basis. Employees pay a fixed percent of pensionable salary and the residual contribution is paid by the entities of the Group. The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is based on the assets held by the scheme, and using cautious estimates of the expected returns from each asset class. The cost of benefits is calculated using several assumptions, and by projecting salaries up to retirement date. An additional liability may stem from actual experience being different to these assumptions, in which case the Group is responsible for putting in place a recovery plan in order to address any additional liabilities. Any additional liabilities are a debt to the Group.

The average duration of the benefit obligation at the end of the reporting period is 17 years (2013: 17 years). This number can be subdivided into the duration related to:

- active members: 22 years (2013: 19 years);
- deferred members: 22 years (2013: 22 years);
- retired members: 13 years (2013: 12 years).

The estimated amount of contributions expected to be paid on the scheme during the 2015 financial year is £1,006,000.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

35. Financial instruments

Categories of financial instruments

	2014 £'000	2013 restated £'000
Financial assets		
Cash and bank balances	51,867	45,317
Held-to-maturity investments	601	4,506
Loans and receivables		
Loans	45,356	42,220
Trade and other receivables	32,062	28,685
	<u>129,886</u>	<u>120,728</u>
Financial liabilities		
Loans	630,597	611,016
Finance lease debt	-	103
Trade and other payables	78,164	74,562
	<u>708,761</u>	<u>685,681</u>

Fair value of financial assets and liabilities

All financial assets and liabilities are accounted for in line with the principles outlined in the accounting policies and the Directors consider the carrying value to approximate their fair value.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013. The Group aims to achieve a debt/equity ratio of 60/40.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 21 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 26 to 31.

The Group is not subject to any externally imposed capital requirements.

Financial risk management objectives

The Group's treasury policy is to manage financial risks that arise in relation to underlying business needs. This is achieved by managing liquidity, reducing financial risk, mitigation of foreign currency and interest rate risks.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Group uses the following to manage its exposure to interest rate and foreign currency risks:

- Interest rate swaps to mitigate the risk of rising interest rates where relevant; and
- Local currency bank accounts and loans for each hotel within the Group.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

35. Financial instruments (continued)

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk has been managed by the Group by the use of interest rate swap contracts when deemed appropriate

The Group seeks to minimise the effects of this risk by using derivative financial instruments where relevant. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, and the use of financial derivatives and non-derivative financial instruments. Compliance with policies and exposure limits is reviewed on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group did not hedge its interest rate risk in 2014.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 0.5 per cent higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would decrease/increase by £438,000 (2013: decrease/increase by £1,000,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2014 £'000	2013 restated £'000	2014 £'000	2013 restated £'000
US Dollar	32,110	28,433	43,528	38,242
Euro	496,631	477,938	22,992	16,655
Other	1,298	2,041	-	-

Foreign currency sensitivity analysis

The Group is mainly exposed to US Dollar and Euro.

With respect to the Group's foreign currency translation exposure, and assuming all other variables, including interest rates, remain constant, it is estimated that a 5% strengthening of sterling against both the US dollar and the Euro would have decreased net assets by £21,122,000 at 31 December 2014 (2013: £32,024,000) and increased profit before tax by £6,534,000 (2013: increased by £1,132,000). A 5% weakening of sterling would exactly reverse the position whereby net assets would increase and profit would decrease by the same amounts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties. Counterparties for cash and investments are with large established financial institutions. Trade and other receivables credit risk is mitigated by each hotel within the Group having a credit control function to approve counterparties and monitor transactions and exposure. Loans to fellow subsidiary undertakings are backed by a letter of support from the ultimate parent, the Brunei Investment Agency.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

35. Financial instruments (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements

Liquidity is managed on a daily basis by the treasury and finance functions of the Group. They are responsible for ensuring that the Company has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches. The Group manages liquidity risk on behalf of the Company by holding sufficient liquid assets of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Carrying amount £'000	Within 1 year £'000	1 to 2 years £'000	3 to 5 years £'000	5+ years £'000	Total £'000
31 December 2014						
Non-interest bearing loans	409,841	227,372	182,469	-	-	409,841
Variable interest rate loans	86,274	2,056	87,007	-	-	89,063
Fixed interest rate loans	134,482	19,812	22,224	110,196	-	152,232
Trade & other payables	78,164	74,635	261	644	2,624	78,164
Tax liabilities	5,860	5,860	-	-	-	5,860
	<u>714,621</u>	<u>329,735</u>	<u>291,961</u>	<u>110,840</u>	<u>2,624</u>	<u>735,160</u>
31 December 2013 (restated)						
Non-interest bearing loans	375,206	183,254	157,877	34,075	-	375,206
Variable interest rate loans	88,290	2,121	39,614	50,188	-	91,923
Fixed interest rate loans	147,520	10,081	21,314	70,694	71,024	173,113
Finance lease liability	103	103	-	-	-	103
Trade & other payables	74,562	71,080	169	506	2,807	74,562
Tax liabilities	2,137	2,137	-	-	-	2,137
	<u>687,818</u>	<u>268,776</u>	<u>218,974</u>	<u>155,463</u>	<u>73,831</u>	<u>717,044</u>

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

35. Financial instruments (continued)

Non-derivative financial assets

The following table details the Group's non-derivative financial assets. All amounts are due to be received within one year. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets.

	Carrying amount £'000	Within 1 year £'000	Total £'000
31 December 2014			
Trade & other receivables, excluding prepayments	32,062	32,062	32,062
Amounts owed by fellow subsidiary undertakings - interest bearing	42,759	42,759	42,759
Amounts owed by fellow subsidiary undertakings - non-interest bearing	2,597	2,597	2,597
Investments	601	601	601
Cash and bank balances	51,867	51,867	51,867
	<u>129,886</u>	<u>129,886</u>	<u>129,886</u>
31 December 2013			
Trade & other receivables, excluding prepayments	28,685	28,685	28,685
Amounts owed by fellow subsidiary undertakings - interest bearing	42,220	42,220	42,220
Investments	4,506	4,506	4,506
Cash and bank balances	45,317	45,317	45,317
	<u>120,728</u>	<u>120,728</u>	<u>120,728</u>

36. Related party transactions

The company is a subsidiary undertaking of Ammar Holding Cooperatief a Dutch COOP, the immediate controlling party. The consolidated accounts of Ammar Holding Cooperatief are available to the public and may be obtained from the Chamber of Commerce, De Ruyterkade 5, 1013 AA Amsterdam, Holland. The ultimate parent and controlling party is 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 £3,152,750 (2013: £2,404,458). Amounts owed for these services as at 31 December 2014 amounted to £2,062,801 (2013: £801,835). The Group occupies space in two (2013; one) buildings in London owned by fellow subsidiary undertakings, one on an annually renewable agreement the other on a fixed term. The total rent charged for the year was £999,853 (2013: £1,162,886). It is estimated that the market rent for the period of the space occupied is £999,853 (2013: £1,162,886). Amounts owed for the rental, associated rates and services as at 31 December 2014 amounted to £1,531,753 (2013: £336,080). Loans from fellow Group companies are covered in note 21.

The Group has loans that are interest free at rates comparable to the average commercial rate of interest (see note 21).

During the year the company incurred branding and trademark licence fees of £2,235,737 (2013: £2,425,401) from a fellow subsidiary undertaking. Amounts owed for these fees at 31 December 2014 amounted to £2,235,737 (2013: £2,425,401).

The company considers that key management are the board of directors, who provide the direction and strategy of the Group. Directors' emoluments are set out in note 8.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2014

37. Acquisition of subsidiary

On 17 September 2013, the Group acquired 100 per cent of the issued share capital and settled the existing bank debt of Hotel Eden srl for a total consideration of 103.8m Euros, obtaining control of Hotel Eden srl. Hotel Eden srl is a hotel property in Rome, Italy. Hotel Eden srl was acquired as part of the Groups' strategic policy of investing in one of the targeted major gateway cities.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	£'000
Financial assets	697
Inventory	102
Property, plant and equipment	85,147
Identifiable intangible assets	1,314
Financial liabilities	(2,428)
Deferred tax liability	(10,023)
Total identifiable assets	74,809
Goodwill	11,785
Total consideration	86,594
Satisfied by:	
Cash	86,594
Net cash outflow arising on acquisition	
Cash consideration	87,027
Less: cash and cash equivalent balances acquired	(433)
	86,594

The fair value of the financial assets includes trade receivables of £0.6 million and prepayments of £0.1 million with a combined fair value of £0.7 million and a gross contractual value of £0.7 million. The best estimate at acquisition date of the contractual cash flows not to be collected are £nil.

The goodwill of £11.8 million arising from the acquisition relates principally to the deferred tax liability recorded at acquisition. None of the goodwill is expected to be deductible for income tax purposes.

Acquisition-related costs (included in administrative expenses) amount to £2.6 million.

Dorchester Group Limited

Company financial statements For the year ended 31 December 2014

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Dorchester Group Limited

Company balance sheet As at 31 December 2014

	Notes	£'000	2014 £'000	£'000	2013 £'000
Fixed assets					
Tangible fixed assets	C		48		3
Investments	D		418,189		427,605
			<u>418,237</u>		<u>427,608</u>
Current assets					
Debtors: amounts falling due within one year	E	55,698		47,299	
Debtors: amounts falling due after more than one year	F	119,857		131,982	
Cash at bank and in hand		3,623		9,577	
		<u>179,178</u>		<u>188,858</u>	
Creditors: amounts falling due within one Year	G	(144,884)		(145,755)	
Net current assets			<u>34,294</u>		<u>43,103</u>
Total assets less current liabilities			452,531		470,711
Creditors: amounts falling due after more than one year	H		(204,436)		(217,867)
Net assets			<u>248,095</u>		<u>252,844</u>
Capital and reserves					
Called up share capital	I, J		120,009		120,009
Capital reserve	I		11,201		-
Share premium account	I		37,711		37,711
Profit and loss account	I		79,174		95,124
Shareholder's funds	I		<u>248,095</u>		<u>252,844</u>

These financial statements of Dorchester Group Limited (company no. 01823605) were approved and authorised for issue by the Board of Directors on 4 June 2015.

Signed on behalf of the Board of Directors



Sofian Md Jani

Director

Dorchester Group Limited

Notes to the company accounts For the year ended 31 December 2014

A. 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 and basis of preparation

The financial statements are prepared under the historical cost convention.

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account. The loss after tax dealt with in the accounts of Dorchester Group Limited, determined in accordance with the Act, was £14,339,000 (2013: £1,018,000 loss).

Under FRS1 (revised) 'Cash Flow Statements', the Company is exempt from the requirement to prepare a cash flow statement as its cash flows are included within the published consolidated cash flow statement of Dorchester Group Limited.

The Company is also exempt under the terms of the revised FRS 8 'Related Party Disclosures' from disclosing related party transactions with wholly-owned subsidiaries within the Group.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Financial instruments

Interest rate swaps are held off balance sheet but disclosed in the notes of the consolidated 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, 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:

Plant & machinery	-	5 years
Fixtures, fittings and equipment	-	5 years

Impairment

The carrying amounts of the Company's tangible fixed assets 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.

Dorchester Group Limited

Notes to the company accounts (continued) For the year ended 31 December 2014

A. Accounting policies (continued)

Foreign currencies

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

Leases

The Company has no assets held under finance leases and other similar contracts. Amounts payable under operating leases are charged to the profit and loss account on an accruals basis.

Taxation

Current 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.

No deferred tax was recognised at 31 December 2014 (2013: £nil).

B. Directors' remuneration and employees

Details of Directors' remuneration in the current and prior year are given in note 8 of the consolidated financial statement on page 26.

The average number of employees excluding Directors during the year was 4 (2013: 4).

C. Tangible fixed assets

	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets under construction £000	Total £000
Cost				
At 1 January 2014	93	29	2	124
Transfers	-	2	(2)	-
Additions	-	58	-	58
	<u>93</u>	<u>89</u>	<u>-</u>	<u>182</u>
At 31 December 2014	93	89	-	182
Accumulated depreciation				
At 1 January 2014	(92)	(29)	-	(121)
Charge	(1)	(12)	-	(13)
	<u>(93)</u>	<u>(41)</u>	<u>-</u>	<u>(134)</u>
At 31 December 2014	(93)	(41)	-	(134)
Net book value				
At 31 December 2014	<u>-</u>	<u>48</u>	<u>-</u>	<u>48</u>
At 31 December 2013	<u>1</u>	<u>-</u>	<u>2</u>	<u>3</u>

Dorchester Group Limited

Notes to the company accounts (continued) For the year ended 31 December 2014

D. Fixed asset investments

	2014 £'000	2013 £'000
Cost at 1 January		
Investment in subsidiary undertakings at cost	227,553	136,770
Investment in subsidiary undertakings by means of share for share exchange	182,711	182,711
	<hr/>	<hr/>
Sub total	410,264	319,481
Loans to subsidiary undertakings	123,391	123,391
	<hr/>	<hr/>
	533,655	442,872
Movements in the year;		
Acquisition of subsidiary	11,201	90,783
	<hr/>	<hr/>
Cost at 31 December	<u>544,856</u>	<u>533,655</u>
Provision for impairment		
at 1 January	106,050	99,001
Impairment charge	20,617	7,049
	<hr/>	<hr/>
at 31 December	<u>126,667</u>	<u>106,050</u>
Net book value	<u>418,189</u>	<u>427,605</u>

The company has investments in the following principal subsidiary undertakings:

Subsidiary undertakings	Principal activity	Country of incorporation	Shareholding and percentage voting rights
Dorchester Hotel Limited	Hotel operations	United Kingdom	100% (Direct)
The Dorchester Limited	Dormant	United Kingdom	100% (Indirect)
Dorchester Services Limited	Hotel management	United Kingdom	100% (Direct)
Coworth Park Limited	Hotel management	United Kingdom	100% (Direct)
Meurice Limited	Hotel investment	United Kingdom	100% (Direct)
Principe di Savoia Limited	Hotel investment	United Kingdom	100% (Direct)
Hotel Plaza Athenee Limited	Hotel investment	United Kingdom	100% (Direct)
Sajahtera Inc	Hotel operations	USA	100% (Direct)
Kava Holdings LLC (was Kava Holdings Inc)	Hotel operations	USA	100% (Indirect)
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 Eden srl	Hotel operations	Italy	100% (Direct)
Hotel Plaza Athenee SA	Hotel operations	France	100% (Indirect)
Plaza Athenee Holdings SA	Hotel investment	France	100% (Indirect)

Dorchester Group Limited

Notes to the company accounts (continued) For the year ended 31 December 2014

E. Debtors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed by subsidiary undertakings	55,581	46,984
Amounts owed by fellow subsidiary undertakings	11	179
Prepayments	4	34
Other debtors	102	102
	<u>55,698</u>	<u>47,299</u>

Amounts owed by subsidiary undertakings are repayable on demand.

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

	2014 £'000	2013 £'000
Loans to subsidiary undertakings at floating rates	8,339	10,991
Loans to subsidiary undertakings free of interest	111,518	120,991
	<u>119,857</u>	<u>131,982</u>

The loans at floating rates are at 12 month EURIBOR plus 2%

	2014 £'000	2013 £'000
Loans maturing within:		
Over 5 years	<u>119,857</u>	<u>131,982</u>

G. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to subsidiary undertakings	4,782	530
Amounts owed to ultimate parent undertakings	138,003	144,119
Trade creditors	-	17
Other creditors	243	84
UK corporation tax	1,562	-
Accruals and deferred income	294	1,005
	<u>144,884</u>	<u>145,755</u>

Amounts owed to subsidiary undertakings and ultimate parent undertakings are repayable on demand and are non interest bearing.

Dorchester Group Limited

Notes to the company accounts (continued) For the year ended 31 December 2014

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

	2014 £'000	2013 £'000
Loan from subsidiary undertaking – unsecured, subordinated	27,455	27,455
Loan from fellow subsidiary undertaking – unsecured, subordinated and interest free	176,981	190,412
	<u>204,436</u>	<u>217,867</u>
	2014 £'000	2013 £'000
Loans maturing within:		
1 to 2 years	155,098	162,038
2 to 5 years	49,338	47,425
Over 5 years	-	8,404
	<u>204,436</u>	<u>217,867</u>

Bank loans were 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. All bank loans were repaid and refinanced by Group debt at the end of December 2012.

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 2014 the amount of unamortised loan issue costs were £nil (2013: £nil).

I. Reconciliation of movements in shareholders' funds

	Share capital £'000	Capital reserve £'000	Share premium £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2014	120,009	-	37,711	95,124	252,844
Acquisition of subsidiary	-	11,201	-	-	11,201
Loss for the year	-	-	-	(14,339)	(14,339)
Dividend paid	-	-	-	(1,611)	(1,611)
Balance at 31 December 2014	<u>120,009</u>	<u>11,201</u>	<u>37,711</u>	<u>79,174</u>	<u>248,095</u>

Dorchester Group Limited

Notes to the company accounts (continued) For the year ended 31 December 2014

J. Called up share capital

	2014 £'000	2013 £'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

K. Financial commitments

At 31 December 2014, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £'000	2013 £'000
Operating leases which expire:		
Within one year	151	151

At 31 December 2014, the company had no capital commitments (2013: £nil).

L. Contingent liabilities

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

M. Ultimate parent and controlling party

Ammar Holding Cooperatief a Dutch COOP is the immediate controlling party and the smallest group in which the company is consolidated. The consolidated accounts of Ammar Holding Cooperatief are available to the public and may be obtained from the Chamber of Commerce, De Ruyterkade 5, 1013 AA Amsterdam, Holland. The ultimate parent and controlling party is the Brunei Investment Agency, a statutory body incorporated in Brunei, and the largest group in which the company is consolidated.