

Company Registration No. 00634740

Dorrington Investment PLC

Annual Report and Financial Statements

for the year ended 31 December 2020



Dorrington Investment PLC

Annual Report and Financial Statements 31 December 2020

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Dorrington Investment PLC

Officers and financial advisers

Chairman

M S Gorvy BCom FCA

Managing Director

A J Leibowitz BSc MSc FRICS

Directors

M S Gorvy

S B Gorvy

M B Jenkins

A J Leibowitz

D J Salvesen

Company Secretary

Hanover Management Services Limited

Registered Office

16 Hans Road

London

SW3 1RT

Auditor

Deloitte LLP

Statutory Auditor

London

United Kingdom

Dorrington Investment PLC

Strategic report

Business review and principal activities

The company is part of the Dorington PLC group of companies.

The company's principal activity is the holding of shares in a number of subsidiary undertakings (note 17) involved in residential property investment. Despite difficult economic conditions and the impact of COVID-19 in the year, the business has performed robustly. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Business review and key performance indicators

The uncertainty caused by the pandemic and economic climate for most of 2020 had a negative impact on the housing market in London and the South of England. By the end of the year there were signs that values were starting to recover, although with a limited number of transactions. Despite this, the residential portfolio has seen a minor improvement in values. Our trading performance and our investment income remain strong and our interest cover remains comfortable and overall the business has produced acceptable results.

Operating loss for the year was £2,155,000 compared with an operating loss of £2,303,000 in 2019. This variance is accounted for by a decrease in the administrative expenses.

Profit for the year before taxation was £2,180,000 compared to profit of £266,000 in the previous year. The profit for the financial year was £2,999,000 (2019: profit of £1,206,000). The statutory shareholders' funds for the financial year was £22,075,000 (2019: £21,076,000).

Principal risks and uncertainties

Liquidity risk

The company's main financial objective is to create shareholder value through direct investment in a number of subsidiary undertakings. Liquidity and cash flow are managed through intercompany debt. The company does not use derivative financial instruments. There has been no impact on the holding company due to Covid-19.

The significant risk to cash flow is a poor operating performance by its subsidiary undertakings, resulting in lower dividend receipts.

Property valuations

The cyclical nature of the property market raises the risk of variations in the value of our portfolio. Residential valuations remained constant in 2020 and the outlook for residential sales is positive. We believe that the valuation risk is mitigated by our diverse, robust and defensive portfolio, located primarily in London and the South of England. We have a strong and sustainable income flow, with acceptable future expenditure commitments. We will continue to mitigate our exposure to market risk through a balanced approach to asset selection and cautious decision-making relating to revenue streams and capital growth.

Interest rates

Derivative financial instruments are not used by the company and are used by the Group to manage exposure to fluctuations in interest rates.

COVID-19

The COVID-19 crisis that started in 2020 has been a source of new risk for the company and the Group. A thorough analysis of its potential impact was carried out, which included the revision of cash flow forecasts and extended considerations. The main impact identified has been on the recoverability of tenant amounts from occupiers and to date, rent collection has remained strong and the business has performed robustly. There has been no impact on the company due to Covid-19.

Dorrington Investment PLC

Strategic report (continued)

Principal risks and uncertainties (continued)

Tenant default

The significant risk to cash flow in property investment is the loss of rental income in the company's subsidiary undertakings. The nature of the Group's portfolio is such that this income is derived from a large and diverse tenant base thereby reducing risk. In addition, the exposure and control over potential bad debts in the residential portfolio is managed through intensive asset and property management and the careful vetting of potential tenants. Collections from the residential portfolios remained robust though the year, despite market concerns of the impact of the pandemic on residential tenants.

Property investments

Detailed financial appraisals are conducted for all significant acquisitions and disposals. A full due diligence review is carried out prior to all asset acquisitions, including relevant corporate due diligence where assets are acquired through separate corporate entities.

Environmental and health and safety

The company recognises the importance of its environmental responsibilities and for health and safety in its business. Opportunities to improve our energy use efficiency are being investigated and changes will be implemented where appropriate. The company is committed to achieving high standards of health and safety through the use of external consultants.

Future developments

The company will continue through, its subsidiaries, to invest in residential property when the right opportunities arise.

Approved by the Board of Directors and signed by order of the Board:



M B Jenkins
For and on behalf of
Hanover Management Services Limited
Company Secretary

22nd June 2021

Dorrington Investment PLC

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

This should be read in conjunction with the Strategic Report on page 2. Future developments are discussed within the strategic report.

Going concern

The directors have assessed the impact of the current uncertainty around COVID-19 on all aspects of the business, focussing specifically on operations and cash flows of the company. The company benefits from banking and treasury facilities with the group and has received a letter of support from its immediate parent company Dorington PLC and hence the assessment of the ability of the entity to continue as a going concern has been performed at a group level (including stress-testing of forecasts). This stress-testing included assessing the levels of cash and available finance within the group assuming a very significant reduction in turnover on the basis of reduced sales of trading stock, customer default or payment plans, reduced lettings and increased vacations at break and expiry. This has been offset by a review and postponement of uncommitted capital expenditure where necessary.

Based on reviewing these forecasts and sensitivities and having considered the support of the group the directors have concluded that the company is a going concern and accordingly have prepared the financial statements on this basis. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Dividends

An interim dividend of £2m (2.98 p per ordinary share) was declared and paid during the year ended 31 December 2020 (2019: £2m (2.98p per ordinary share)).

Directors

All directors except for J P Kennedy, T Moross and M B Jenkins served throughout the year and subsequently. J P Kennedy resigned on 22 February 2021, T Moross resigned on 1 April 2021 and M B Jenkins was appointed on 22 February 2021.

Dorrington Investment PLC

Directors' report (continued)

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

The nature of the company's operation means that its operating cashflows arise from diverse sources. Day to day cashflow fluctuations are monitored through financial modelling and daily monitoring.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables, and investments. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

Auditor

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board:



M B Jenkins
For and on behalf of
Hanover Management Services Limited
Company Secretary
22nd June 2021

Dorrington Investment PLC

Independent auditor's report to the members of Dorrington Investment PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Dorrington Investment PLC (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Dorrington Investment PLC

Independent auditor's report to the members of Dorrington Investment PLC (continued)

Other information

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006, UK GAAP FRS 102 and UK tax legislation.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety regulations, general data protection regulation and the Landlord and Tenant Act.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Dorrington Investment PLC

Independent auditor's report to the members of Dorrington Investment PLC (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Dorrington Investment PLC

Independent auditor's report to the members of Dorrington Investment PLC (continued)

Matters on which we are required to report by exception

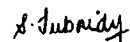
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Sara Tubridy FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

22nd June 2021

Dorrington Investment PLC

Profit and loss account

For the year ended 31 December 2020

	Notes	2020 £	2019 £
Administrative expenses		(2,155,464)	(2,303,263)
Operating loss	3	(2,155,464)	(2,303,263)
Income from investments in subsidiary undertakings	4	6,500,000	5,250,000
Loss on disposal of shares in subsidiary undertaking		-	(11,380)
Other income		24,000	-
Finance costs (net)	5	(2,188,788)	(2,669,466)
Profit before taxation		2,179,748	265,891
Tax on profit	7	818,890	939,618
Profit for the financial year		<u>2,998,638</u>	<u>1,205,509</u>

All activities derive from continuing operations both in the current and preceding year.

Statement of comprehensive income

For the Year ended 31 December 2020

	2020 £	2019 £
Profit for the financial year	<u>2,998,638</u>	<u>1,205,509</u>
Total comprehensive income for the financial year	<u>2,998,638</u>	<u>1,205,509</u>


Dorrington Investment PLC

Balance sheet As at 31 December 2020

	Notes	£	2020	£	£	2019	£
Fixed assets							
Investments subsidiary undertakings	9		122,174,897			122,174,897	
Other investments				4			4
				<u> </u>			<u> </u>
			122,174,901			122,174,901	
Current assets							
Debtors: amounts falling due within one year	10	624,949			569,140		
Debtors: amounts falling due after one year	11	329,731,470			329,788,652		
Cash at bank and in hand		30,627			29,051		
		<u> </u>			<u> </u>		
		330,387,046			330,386,843		
Creditors: amounts falling due within one year	12	(951,679)			(890,234)		
		<u> </u>			<u> </u>		
Net current assets			329,435,367			329,496,609	
Total assets less current liabilities			451,610,268			451,671,510	
Creditors: amounts falling due after one year	13		(429,535,440)			(430,595,320)	
Net assets			<u>22,074,828</u>			<u>21,076,190</u>	
Capital and reserves							
Called up share capital	14	671,000				671,000	
Share premium	14	1,837,127				1,837,127	
Other reserves	14	98,145				98,145	
Profit and loss account	14	19,468,556				18,469,918	
		<u> </u>				<u> </u>	
Shareholders' funds			<u>22,074,828</u>			<u>21,076,190</u>	

The financial statements of Dorrington Investment PLC, Company Registration No. 00634740 were approved and authorised for issue by the Board of Directors on 22nd June 2021.

Signed on behalf of the Board of Directors:


Alan Leibowitz (Jun 22, 2021 12:56 GMT+1)

A J Leibowitz
Director



M B Jenkins
Director

Dorrington Investment PLC

Statement of changes in equity For the year ended 31 December 2020

	Notes	Called up share capital £	Share premium £	Other reserves £	Profit and loss account £	Total £
At 1 January 2019		671,000	1,837,127	98,145	19,264,409	21,870,681
Profit for the financial year		-	-	-	1,205,509	1,205,509
Total comprehensive income		-	-	-	1,205,509	1,205,509
Dividend paid	8	-	-	-	(2,000,000)	(2,000,000)
At 31 December 2019		671,000	1,837,127	98,145	18,469,918	21,076,190
Profit for the financial year		-	-	-	2,998,638	2,998,638
Total comprehensive income		-	-	-	2,998,638	2,998,638
Dividend paid	8	-	-	-	(2,000,000)	(2,000,000)
At 31 December 2020		671,000	1,837,127	98,145	19,468,556	22,074,828

Dorrington Investment PLC

Notes to the financial statements For the year ended 31 December 2020

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Statutory information

Dorrington Investment PLC is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1.

Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in pounds sterling.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of another company. For Group financial statements, which include the company are publicly available, please see note 15.

Dorrington Investment PLC meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Going concern

After making enquiries, the directors believe that the company has adequate resources to continue in operational existence for at least twelve months from the approval date of these financial statements. The company participates in the group's centralised treasury function and so shares banking arrangements with its parent and fellow subsidiaries.

The directors have received confirmation that Dorrrington PLC, the company's immediate holding company, will continue to provide the necessary level of support to enable it to continue to operate for at least twelve months from the approval date of these financial statements. As referenced in the directors' report despite the impact of COVID-19 and the difficult economic conditions, the business has performed robustly and the directors are not aware at the date of this report of any likely major changes in the company's activities in the next year. In considering the ability of Dorrrington PLC to provide any necessary support in the context of the uncertainties all property companies face as a result of the current economic climate, the directors have obtained an understanding of the Dorrrington PLC forecasts, the continuing availability of its facilities and its strategic and contingent plans. The directors have stress-tested these forecasts assuming a significant reduction in turnover, offset by identified and actioned operational and capital expenditure savings. The availability of on-going finance has also been considered, modelling the impact on covenants of reduced income and decreases in property valuations. Even considering reasonably likely downside scenarios there are no covenant breaches forecast.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Dorrington Investment PLC

Notes to the financial statements (continued) For the year ended 31 December 2020

1. Accounting policies (continued)

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of income 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.

Pension scheme

The company is a member of the Hanover Acceptances Limited Group Pension Scheme, which is a defined benefit scheme covering certain employees. As the employer is unable to identify its share of the underlying assets and liabilities, the scheme is treated as if it were a defined contribution scheme and the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. Independent actuarial valuations of the scheme are made every three years. Further details of the Scheme are disclosed in note 3.

Investments in associates

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value. An annual review is carried out to adjust the provision required to reflect the movement in the net asset value at the end of each year.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. An assessment is performed where one or more events occur that may indicate potential impairment. The recoverable amount of an asset is then assessed, based on the higher of its fair value less costs to sell and its value of use. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss account.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price, excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Dorrington Investment PLC

Notes to the financial statements (continued) **For the year ended 31 December 2020**

1. Accounting policies (continued)

Financial instruments (continued)

Debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans are measured at cost (which may be £nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property and investment property, measured using the revaluation model is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or statement of changes in equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the accounting period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Dorrington Investment PLC

Notes to the financial statements (continued) For the year ended 31 December 2020

2. Critical accounting judgements and key sources of estimation uncertainty

Estimates

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value. The investments contain underlying assets that are held at fair value and therefore subject to significant movements. An annual review is carried out to adjust the provision required to reflect the movement in the net asset value at the end of each year. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss, refer to note 9.

Judgements

There are no critical judgements, apart from those involving estimations, that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

3. Operating loss

	2020 £	2019 £
Operating loss is stated after charging:		
Auditor's remuneration: fees paid to the company's auditor for the audit of the company's annual financial statements	7,500	11,000

There are no non audit fees included within operating loss for the year (2019: £nil).

4. Income from investments in subsidiary undertakings

	2020 £	2019 £
Dividends	6,500,000	5,250,000

Dorrington Investment PLC

Notes to the financial statements (continued) For the year ended 31 December 2020

5. Finance costs (net)

	2020 £	2019 £
Interest payable and similar expenses	9,443,691	9,454,264
Less: investment income	(7,254,903)	(6,784,798)
	<u>2,188,788</u>	<u>2,669,466</u>
Investment income		
	2020 £	2019 £
Interest on loans to group undertakings	7,254,311	6,781,285
Other interest	592	3,513
	<u>7,254,903</u>	<u>6,784,798</u>
Interest payable and similar expenses		
	2020 £	2019 £
Bank interest	10	-
Interest on loans from group undertakings	9,443,681	9,454,264
	<u>9,443,691</u>	<u>9,454,264</u>

6. Information regarding directors and employees

None of the directors received any emoluments for their services to the company during the year (2019: £nil).

The monthly average number of persons employed by the company excluding directors is 18 (2019: 19).

	2020 £	2019 £
Staff costs (excluding directors) incurred during the year were:		
Wages and salaries	1,410,666	1,386,616
Social security costs	160,149	172,464
Other pension costs	156,607	131,514
	<u>1,727,422</u>	<u>1,690,594</u>

Pension – Defined benefit scheme

The company is a member of the Hanover Acceptances Limited Group Pension Scheme. The Hanover Acceptances Group Pension Scheme is a contracted out final salary defined benefit pension scheme for employees in the UK.

The company is unable to identify its share of the underlying assets and liabilities as each employer is exposed to the actuarial risks associated with current and former employees of other entities participating in the Hanover Acceptances Group Pension Scheme. A review of the whole fund was prepared at 31 December 2020 by an independent qualified actuary for the purposes of FRS 102). At that date there was a net excess of liabilities over assets of approximately £9.7m (2019: £6.0m).

Dorrington Investment PLC

Notes to the financial statements (continued) For the year ended 31 December 2020

6. Information regarding directors and employees (continued)

As the scheme is treated as if it were a defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. Full disclosures in accordance with the requirements of FRS 102 are detailed in the financial statements of Hanover Acceptances Limited.

7. Tax on profit

	2020 £	2019 £
UK corporation tax at 19% (2019: 19%)	(818,890)	(939,618)
Total current tax	(818,890)	(939,618)

The effective rate of corporation tax for the year varies from the standard rate in the United Kingdom as applied to the Company's pre-tax profit for the reasons analysed below.

	2020 £	2019 £
Profit before tax	2,179,748	265,891
Profit multiplied by the standard rate of corporation tax in the UK	414,152	50,519
Effects of:		
Expenses not deductible for tax purposes	1,965	5,210
Dividends	(1,235,000)	(997,500)
Restricted losses in period	-	2,162
Other tax rate impacts	(7)	(9)
Total tax for the year	(818,890)	(939,618)

In the UK Finance Bill 2016, enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 were introduced. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation tax rate will be held at 19%. As substantive enactment occurred before the balance sheet date, the changes in respect of the rate have been applied to tax balances within these financial statements.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate had not been substantively enacted at the balance sheet and as a result deferred tax balances as at 31 December 2020 continued to be measured at 19%.

There is no expiry date on timing differences, unused tax losses or tax credits.

8. Dividends

	2020 £	2019 £
Interim dividend paid on ordinary shares at 2.98 p per share (2019: 2.98p per share)	2,000,000	2,000,000

Dorrington Investment PLC

Notes to the financial statements (continued) For the year ended 31 December 2020

9. Investments in subsidiary undertakings

	2020 £	2019 £
At cost		
At 1 January	122,617,989	122,625,805
Additions	-	38,566
Disposals	-	(46,382)
	<u>122,617,989</u>	<u>122,617,989</u>
At 31 December	<u>122,617,989</u>	<u>122,617,989</u>
Provisions		
At 1 January	443,092	443,092
	<u>443,092</u>	<u>443,092</u>
At 31 December	<u>443,092</u>	<u>443,092</u>
Net book value at 31 December	<u>122,174,897</u>	<u>122,174,897</u>

There was no additions or disposals during the year. In 2019, the additions relate to legal and professional fees associated with the disposal of the freehold of Heath Rise Ltd.

The subsidiary undertakings in which the company has an interest are listed in note 17. The company owns all the ordinary shares of the subsidiary undertakings and all are wholly owned with 100% voting rights and incorporated in Great Britain.

10. Debtors: amounts falling due within one year

	2020 £	2019 £
Trade debtors	576,579	491,022
Other debtors	7,600	12,842
Prepayments	40,770	65,276
	<u>624,949</u>	<u>569,140</u>

11. Debtors: amounts falling due after one year

	2020 £	2019 £
Amounts due from subsidiary undertakings	329,731,470	329,788,652

The loans from the subsidiary undertakings are repayable after more than one year with no fixed repayment date. The loans are unsecured and interest is charged at a commercial rate of 2.23% (2019: 2.75%).

Dorrington Investment PLC

Notes to the financial statements (continued) For the year ended 31 December 2020

12. Creditors: amounts falling due within one year

	2020	2019
	£	£
Other creditors	513,095	513,095
Accruals	438,584	377,139
	<u>951,679</u>	<u>890,234</u>

Other creditors balance represents tenant deposit of £1,095 and managing agent balance of £512,000.

13. Creditors: amounts falling due after one year

	2020	2019
	£	£
Amounts due to subsidiary undertakings	22,064,101	17,984,844
Amounts due to parent undertakings	407,471,339	412,610,476
	<u>429,535,440</u>	<u>430,595,320</u>
Analysis		
Repayable after five years	<u>429,535,440</u>	<u>430,595,320</u>

The loans from the subsidiary and parent undertakings are repayable after one year with no fixed repayment date. The loans are unsecured and interest is charged at an average commercial rate of 2.23% (2019: 2.75%).

14. Called up share capital and reserves

	2020	2019
	£	£
Authorised:		
75,000,000 ordinary shares of 1p each	<u>750,000</u>	<u>750,000</u>
Allotted, called up and fully paid:		
67,100,000 ordinary shares of 1p each	<u>671,000</u>	<u>671,000</u>

The profit and loss reserve represents cumulative profits, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

The share premium reserve and other reserves contains the premium arising on issue of equity shares, net of issue expenses.

15. Ultimate parent undertaking

The company's ultimate parent company and controlling party is Quadriga International Limited, a company incorporated in the British Virgin Islands.

The company is a subsidiary of its immediate parent undertaking Dorington PLC and its intermediate parent undertaking Dorington Property Group Ltd and Hanover Acceptances Limited, all companies being incorporated in Great Britain and registered in England and Wales. Hanover Acceptances Limited is the largest group for which consolidated financial statements are prepared and Dorington PLC is the smallest group for which consolidated financial statements are prepared.

Copies of the financial statements of Dorington PLC and of Hanover Acceptances Limited are available from its registered address via the Company Secretary, 16 Hans Road, London SW3 1RT.

Dorrington Investment PLC

Notes to the financial statements (continued) For the year ended 31 December 2020

16. Related party transactions

The company has taken advantage of the exemption from related party disclosures in accordance with Paragraph 33.1A of Financial Reporting Standard No. 102.

17. Subsidiary undertakings

All subsidiaries have been incorporated in the UK with the registered address as 16 Hans Road, London, SW3 1RT and are 100% owned.

Directly held:

135 Ashmore Road Limited
Dorrington Belgravia Limited
Dorrington Investment Trust Limited
Dorrington London Flats Limited
Dorrington Property Developments Limited
Dorrington Queensway Limited
Eaton Manor Hove Limited
Hanover Acceptances Investments Limited
Hanover Dorrington Limited
Walworth Investment Properties Limited

Activity:

Dormant
Property Investment
Dormant
Property Investment
Property Investment
Property Investment
Property Investment
Dormant
Dormant
Property Investment

Indirectly held:

25 Randolph Crescent
F & D Knight Limited
Hampstead Property (Residential) Limited
Hampstead Property Limited
Heath (Properties) Limited

Activity:

Dormant
Dormant
Dormant
Dormant
Dormant