Company Registration No. 01229635

Dorchester Hotel Limited

Report and Financial Statements

31 December 2019

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Strategic report for the year ended 31 December 2019

Principal activities

The Company is a wholly-owned subsidiary of Dorchester Group Limited. The Company's principal activity is the operation of deluxe five-star hotel properties, The Dorchester Hotel, Park Lane, London and 45 Park Lane, London. The Dorchester Hotel and 45 Park Lane are managed by a fellow subsidiary of The Dorchester Group Limited – Dorchester Services Limited – and are marketed under the five-star Dorchester Collection brand. Dorchester Hotel Limited is a limited liability company domiciled and registered in England and Wales. The registered office is located at 53 Park Lane, London, W1A 2HJ.

The operational activities encompass the sale of accommodation, food and beverage, and the operation of a spa together with other rental and miscellaneous activities. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's principal activities in the next year.

Business review

The Dorchester Hotel's performance fell below 2018, with revenues decreasing by £12.2m (-13%), driven by a decline in occupancy, from 76.6% in 2018 to 63.8% in 2019.

In terms of rooms revenue, The Dorchester finished 2019 £5.4m behind 2018's results. This was driven by a large drop in occupancy of 12.8% to 63.8%. However our ADR improvements offset some of the drop in occupancy, increasing year-on-year by 6% (£36) to finish at £679. The hotel finished 4th in the competitive set in occupancy, 5th in rate and 5th in RevPAR. The RGI, as a result of the fall in occupancy, finished at 79.3 which was a drop of 14.5% compared to 2018.

Food and Beverage revenue declined by about £5.7m (-21%), compared to last year driven by a decline in all outlets, particularly in our events department, the Promenade, The Grill and Alain Ducasse Michelin Three Star restaurant.

The hotel continues to invest in its assets in order to remain relevant and competitive, with a total capital expenditure of about £4.9m.

45 Park Lane performed slightly below 2018, with revenues decreasing by £463,000 (-2%); driven by a reduction in occupancy from 73.2% in 2018 to 64.4% in 2019.

45 Park Lane ended 2019, £324,000 lower than 2018 in room revenue. Occupancy dropped 8.8% to finish at 64.4%, which was partially offset by an improvement in our Average Daily Rate which grew 10% (£93) to £998. The hotel was 5th in its primary compset in occupancy, 2nd in average rate and 3rd in RevPAR with an RGI (Revenue Generation Index) of 100.7. The drop in RGI from 2018 of 7.9% was driven mainly by occupancy where the hotel's MPI (Market Penetration Index) went back by 6.7% to 83.4 whereas the ARI (Average Rate index) finished at 120.7, down slightly from last year by 1.3%.

Food and Beverage revenue declined slightly compared to last year by £115,000.

Capital investment of £571,000 went towards the replacement of furniture and fittings to maintain the product in good condition.

The statement of financial position on page 11 of the financial statements shows that the Company's net assets have increased from last year.

The acute political and economic uncertainty in the UK and continental Europe and the reactions to legislative changes in Brunei have affected levels of business in 2019. This is continuously being monitored and tracked and the Company is realigning its strategy accordingly.

In 2020, the main challenge is in facing the ongoing Covid-19 pandemic. The resulting significant drop in travel and the closure of hotels and restaurants worldwide has affected the hospitality industry adversely. Given the uncertainty as to how the situation will develop, it is difficult to give accurate guidance on the financial results.

We are closely monitoring the situation and following public health guidelines to ensure the wellbeing of our guests and employees.

Dorchester Hotel Limited

Strategic report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties

Travel and leisure is always subject to the vagaries of global events e.g. recession and terrorism as well as exchange rate fluctuations, however market indicators at this time suggest that there is no underlying reason why demand in the luxury hotel sector should not continue to be buoyant in the long term.

The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. This year, there is additional cash flow risk given the Covid-19 pandemic. Due to the nature of the Company's business, and the assets and liabilities contained within the Company's balance sheet the principal financial risk the directors consider relevant to this company is interest rate risk. This risk is managed by using variable rate funding from fellow group companies. Funding for the hotel is arranged centrally by Dorchester Group Limited, the Company's immediate parent, who regularly monitors interest rate risk.

Section 172 Report

Under Section 172 of the Companies Act 2006, directors of the Company are taking steps as required to promote the positive progression of the company for the benefit of its stakeholders.

We maintain a safe, healthy and sustainable environment for our guests and employees as this is of paramount importance. Given the Covid-19 pandemic, we are closely monitoring the situation and following public health guidelines to strengthen the stringent measures we already take. We also provide support to staff through ongoing mental and physical well-being health and safety and skills cross training programmes. Our We Care philosophy remains strong in creating an environment where people feel safe and respected allowing positive engagement to proper. Now in its 10 year, we continue to achieve records levels of employee and guest engagement, scoring in the top 5% eNPS globally.

Our commitment to non-discrimination, diversity and equal opportunities is reflected in the Dorchester Collection Code. There is no toleration of any form of discrimination.

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. Within 2020, we updated our Global Diversity, Inclusion and Belonging policy outlining key measures and outcomes expected in the future.

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.

We work only with carefully selected suppliers who offer the finest quality ingredients whilst ensuring the best possible methods for animal welfare and sustainability.

We are committed to ensuring that modern slavery and human trafficking is not taking place in our supply chains or in any other part of our business. We expect the same commitment from our contractors, suppliers and other business partners. We review regularly our anti-corruption and anti-bribery practices and on an annual basis, we write to all our current suppliers for the purpose of education and agreement on our policies and procedures to ensure our measures are met.

Future developments

We are closely monitoring the Covid-19 situation and following public health guidelines to ensure the wellbeing of our guests and employees. The hotel has introduced new procedures which include social distancing, frequent cleaning, sanitising and providing guests with amenity kits which include hand sanitisers and masks.

Strategic report for the year ended 31 December 2019 (continued)

Going concern

The directors have acknowledged the latest guidance on going concern. Although the Company is loss making it has the continuing support of its ultimate parent, the Brunei Investment Agency. The directors confirm that they have considered the ability of the ultimate parent to provide this support. Further, the directors have reviewed the Company's budget for the next year and considered other plans, concluding that the Company is well placed to manage its business risks successfully. The Company will continue to invest in upgrading and improving the product offered as required. 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.

The impact of the recent Covid-19 pandemic has required an update to the Company's going concern analysis. The Company owns hotels which is part of the Dorchester Collection, a unique collection of hotel assets which are managed together under central management and control and so it is the Group's cash generation and ability to meet liabilities which is important. Management has forecasted that the Group will be able to meets its obligations that arise in the future and at least for the 12 months from sign off. In order to monitor and mitigate the significant impacts of COVID-19, the Company has forecasted its minimum expenditure and ensured that it can cover these with present rates of collection. The Company has sensitised the forecasts to consider reasonably possible downside scenarios while also incorporate mitigating actions the Company has taken to reduce costs. The forecasts make various assumptions which take into account the ongoing uncertainties. The key assumptions in the forecast include occupancy levels and achievable room rates. Recent funding provided by the Group's parent entity has provided a greater degree of comfort over the Group's ability to meet its liabilities as they fall due.

The Company benefits from the strong support of its parent entity and it does not carry any external debt financing. The parent entity has indicated that it would be willing to support the Company should cash funding be required. As part of their assessment of going concern, the Directors of the Company have considered the funding and liquidity position of their ultimate parent company to determine the appropriateness of preparing the financial statements on a going concern basis. In doing so, they have made enquiries to the parent company's Board of Directors. Based on the above considerations, the expectation of the Directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months and therefore it is appropriate to prepare the financial statements on a going concern basis.

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

Sofian bin Md Jani
Director
16 December 2020

Dorchester Hotel Limited

Directors' report for the year ended 31 December 2019

The directors present their annual report and the audited financial statements for the year ended 31 December 2019. The financial risk management considerations and future developments are covered in the strategic report.

Environmental

The Company recognises the importance of its environmental responsibilities. Initiatives have been designed and implemented to minimise the Company's impact on the environment and include recycling, reducing energy consumption, employee education and the safe disposal of waste.

Employees

Details of the number of employees and related costs can be found in note 7 to the financial statements.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled every effort is made to ensure that their employment with the Company continues and appropriate training arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

It is the Company's continuing policy and practice to involve staff by providing and receiving information relevant to the progress, development and performance of the Company. 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 hotel took place in various ways; one of these was through the elected staff representatives on a consultative committee which met regularly during the year.

As a private company an employee share scheme does not exist however a company wide management incentive scheme has been in place since 2005.

Proposed dividend and transfer to reserves

No dividends were paid during the year (2018: £nil). The loss for the year of £3,639,000 (2018: £6,493,000 profit) was transferred to reserves.

During the year, the company had deemed dividend income of £704,646 as a result of one of the company's fellow subsidiaries, The Dorchester Ltd, releasing the company from its debt.

Directors and their interests

The details of the directors of the Company, who have served throughout the year and to the date of signing, are as follows:

Sofian Md Jani (Chairperson)
Azmi Rahman Ibrahim

The directors do not have any beneficial interests in the share capital of the Company or any other group company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company or any other group Company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Dorchester Hotel Limited

Directors' report for the year ended 31 December 2019 (continued)

Disclosure of information to auditors

Each of the persons who are 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 auditors are 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 auditors are aware of that information.

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

Independent auditors

BDO LLP have indicated their willingness under section 487(2) to be reappointed for another term and appropriate arrangement has been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework, 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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.

The directors 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.

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

Sofian bin Md Jani

Director

16 December 2020

Independent auditors' report to the members of Dorchester Hotel Limited

Opinion

We have audited the financial statements of Dorchester Hotel Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Independent auditors' report to the members of Dorchester Hotel Limited (continued)

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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 Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditors' report to the members of Dorchester Hotel Limited (continued)

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.

BDO LLP

Mark R.A. Edwards (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

22 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Dorchester Hotel Limited

Statement of comprehensive income
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	3	82,502	94,690
Cost of sales		(41,237)	(41,250)
Gross profit		41,265	53,440
Administrative expenses		(41,032)	(42,582)
Operating profit	5	233	10,858
Finance and other income	8	527	9
Finance costs	9	(3,711)	(2,587)
Dividends receivable		704	-
(Loss)/ profit before taxation		(2,247)	8,280
Tax on loss/profit	10	(1,392)	(1,787)
(Loss)/ profit for the financial year		(3,639)	6,493
Items that will not be reclassified subsequently to profit and loss			
Surplus/(loss) on property revaluation		12,510	(713)
Actuarial gain/(loss) in defined benefit pension schemes	21	(327)	350
Income tax relating to items not re-classified		(2,113)	(145)
Other comprehensive income/(loss) for the year net of tax		10,070	(508)
Total comprehensive income for the year		6,431	5,985

The notes on pages 13 to 38 form an integral part of these financial statements.

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

Dorchester Hotel Limited

Statement of financial position
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	11	533,233	521,266
Right of use assets	20	45,626	-
Intangible assets	12	11	38
Investments	13	-	705
		578,870	522,009
Current assets			
Inventories	14	2,093	2,204
Trade and other receivables	15	40,122	35,653
Cash and cash equivalents		8,447	11,019
		50,662	48,876
Total assets		629,532	570,885
Current liabilities			
Trade and other payables	16	24,520	20,071
Current tax liabilities		-	700
Lease liabilities	20	3,299	-
		27,819	20,771
Net current assets		22,843	28,105
Non-current liabilities			
Trade and other payables	16	-	910
Borrowings	17	76,467	76,975
Retirement benefit obligations	21	7,544	7,632
Deferred tax liabilities	18	74,351	71,336
Lease liabilities	20	49,467	-
		207,829	156,853
Total liabilities		235,648	177,624
Net assets		393,884	393,261
Equity			
Called up share capital	19	40,000	40,000
Capital reserve		1,491	1,491
Revaluation reserve		285,426	276,973
Retained earnings		66,967	74,797
Total equity		393,884	393,261

The notes on pages 13 to 38 form an integral part of these financial statements.

These financial statements of Dorchester Hotel Limited (registered number 01229635) were approved by the Board of Directors and authorised for issue on 16 December 2020.

Signed on behalf of the Board of Directors

Sofian bin Md Jani
Director

Dorchester Hotel Limited

Statement of changes in equity
Year ended 31 December 2019

	Called up share capital £'000	Capital reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	40,000	1,491	275,409	68,099	384,999
Profit for the financial year	-	-	-	6,493	6,493
Other comprehensive income/(loss) for the year	-	-	1,564	205	1,769
Total comprehensive income/(loss) for the Year	-	-	1,564	6,698	8,262
Dividend	-	-	-	-	-
Balance at 31 December 2018	40,000	1,491	276,973	74,797	393,261
IFRS 16 adjustment	-	-	-	(5,103)	(5,103)
Loss for the financial year	-	-	-	(3,639)	(3,639)
Other comprehensive income/(loss) for the year	-	-	10,383	(313)	10,070
Total comprehensive (loss)/income for the year	-	-	10,383	(9,055)	1,328
Deemed Dividend	-	-	-	(705)	(705)
Balance at 31 December 2019	40,000	1,491	287,356	65,037	393,884
Reclass	-	-	(1,930)	1,930	-
Balance at 31 December 2019	40,000	1,491	285,426	66,967	393,884

The notes on pages 13 to 38 form an integral part of these financial statements.

Dorchester Hotel Limited

Notes to the financial statements
Year ended 31 December 2019

1. **General information**

The Company is a wholly-owned subsidiary of Dorchester Group Limited. The Company's principal activity is the operation of deluxe five-star hotel properties, The Dorchester Hotel, Park Lane, London and 45 Park Lane, London. The Dorchester Hotel and 45 Park Lane are managed by a fellow subsidiary of The Dorchester Group Limited – Dorchester Services Limited – and are marketed under the five-star Dorchester Collection brand. Dorchester Hotel Limited is a private company limited by shares, domiciled and registered in England and Wales. The registered office is located at 53 Park Lane, London, W1A 2HJ.

2. **New standards and amendments**

The following new standards were adopted in the annual financial statements for the year ended 31 December 2019:

IFRS16: IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard replaces IAS 17 Leases. All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating or finance leases for lessees as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and depreciation of lease assets separately from interest on lease liabilities in the income statement. The new standard substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Refer to the Note 3 Leases for details on its impact on the financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. This standard does not have a material impact on the financial statements.

3. **Significant accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted, described below, have been applied consistently and are prepared on a going concern basis.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101: FRS 101 – Reduced Disclosure Framework: Disclosure exemptions from EU-adopted International Financial Reporting Standards ("IFRS") for qualifying entities ("FRS 101"). The financial statements have been prepared on the going concern basis, under the historical cost convention modified by the revaluation of land and buildings, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.
In the preparation of these financial statements, in accordance with FRS 101 the following exemptions from the requirements of IFRS have been applied:

- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
- (i) paragraph 79(a)(iv) of IAS 1;

3. *Significant accounting policies (continued)*

Basis of preparation (continued)

- (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
- (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
- – 10(d), (statement of cash flows)
- – 16 (statement of compliance with all IFRS),
- – 38A (requirement for minimum of two primary statements, including cashflow statements),
- – 38B-D (additional comparative information),
- – 111 (cash flow statement information), and
- – 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

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 accumulated 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 on a straight line basis as follows:

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

No depreciation is provided on freehold land.

Assets under construction includes the capitalisation of costs of development or refurbishment that are directly attributable. These assets are recognised once they meet the recognition criteria, i.e. when probable future economic benefits associated with the item will flow to the entity and the cost can be reliably measured. Depreciation of properties in the course of construction is provided on the same basis as other property assets, in that it commences when the assets are ready for their intended use.

Any revaluation increase arising on the revaluation of freehold buildings is credited to other comprehensive income and 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.

3. Significant accounting policies (continued)

Intangible assets
Purchased computer software is is included in the statement of financial position as an intangible asset and is recorded initially at cost and then amortised over its expected useful life of between three and five years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Investment in subsidiaries
Investments are stated at historical cost less any provision for impairment in the value of the investments.

Trade and other receivables
Trade and other receivables are amounts due for services performed in the ordinary course of business, which generally have immediate payment terms. Provision for doubtful debts considers the expected loss based on the ageing profile.

Trade and other receivables are initially recognised at fair value, normally equivalent to the invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Trade and other payables
Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowing costs
Borrowing costs are recognised in the income statement in the period in which they are accrued.

3. **Significant accounting policies (continued)**

Finance income

Interest income is recognised as it accrues using the effective interest rate method. Dividend income from investments is recognised on the date that the right to receive payment has been established.

Financial liabilities

Financial liabilities are recognised in the Statement of financial position, when the Company becomes party to the contractual provisions of an instrument. Upon initial recognition, financial liabilities are recognised at the fair value of the consideration payable.

Financial liabilities including trade payables are stated at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. A financial liability ceases to be recognised when the obligation under the liability has been discharged, cancelled or expired.

Foreign currencies

Transactions in foreign currencies are recorded using the rates of exchange ruling at the dates of the transactions. Monetary assets denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Retirement Benefit obligations

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan.Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

3. **Significant accounting policies (continued)**

Past-service costs are recognised immediately in the income statement.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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.

Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating or finance leases for lessees as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and depreciation of lease assets separately from interest on lease liabilities in the income statement. The new standard substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The Company 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 Company 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.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. The following policies apply subsequent to the date of initial application, 1 January 2019.

3. Significant accounting policies (continued)

Leases (continued)

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy

- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount

If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

3. Significant accounting policies (continued)

Leases (continued)

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

The Company leases many assets including land and buildings, plant, machinery and motor vehicles.

As a lessee the Group previously classified leases based on its assessment of whether a lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases i.e. these leases are on-balance sheet. However, the Group has elected to not recognise right-of-use assets and lease liabilities for leases of low-value assets (<£5,000 asset values) and leases with terms of less than 12 months.

The Group presents right-of-use assets separate to tangible fixed assets that it owns. The carrying amounts of right-of-use assets, by nature of asset, are as per below

	Land and buildings	Plant, machinery and motor vehicles	Total
	£'000	£'000	£'000
Balance at 1 January 2019	48,929	377	49,306
Balance at 31 December 2019	45,399	227	45,626

The Company presents lease liabilities separately on the face of the balance sheet.

3. Significant accounting policies (continued)

Leases (continued)

Impacts on the financial statements

i) Impacts on transition

On transition to IFRS 16, the Company recognises additional right-of-use assets and additional lease liabilities, and derecognises onerous lease liabilities, recognising the difference in retained earnings, net of deferred tax. The impact on transition is summarised below.

	Note		At 1 January 2019 £000
Right-of-use asset presented in property, plant and equipment		Dr	49,306
Lease liabilities		Cr	(56,270)
Deferred tax liability		Dr	1,045
Retained earnings		Dr	5,103
Straight Line Adjustment [IAS 17 accounting reversal]		Dr	819

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rates in the jurisdiction in which the leases are located. The weighted average rate applied was 2.7%. The effect of a 1% increase in the discount rates applied at date of transition would be to reduce the right of use asset recognised by £4.5m and reduce the lease liability by £3.1m.

Deferred tax has been provided as the initial reduction in reserves on transition to IFRS 16 is spread over the remaining lease term for tax relief purposes.

	At 1 January 2019 £000
Operating lease commitment at 31 December 2018 as disclosed in the company's financial statements	75,149
Less:	
Discounted using the incremental borrowing rates at 1 January 2019	(19,224)
Correction of rental amounts to accurately reflect liability	344
Lease liabilities recognised at 1 January 2019	56,270

ii) Impacts for the period

In relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Company recognised £3,680,000 of amortisation charges and £1,848,000 of interest costs from these lease.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not

3. **Significant accounting policies (continued)**

Taxation (continued)

recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/ loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Impairment

The carrying amounts of the Company's assets, excluding 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.

Revenue

Revenue represents income, excluding value added tax, arising from the ownership and operation of the Dorchester Hotel London and 45 Park Lane Hotel, London. Revenue is recognised in the period that services are rendered. All revenue arose within the United Kingdom.

Dividends

Dividends payable by the Company are recognised gross of withholding taxes and are recognised in the financial statements in the year that they are declared and authorised by the directors and shareholders and as a deduction from shareholders' equity. Dividends proposed after the year end date will be recognised in the financial statements in subsequent financial years.

Share capital

Ordinary shares are classified as equity.

Revaluation reserve

The Company's hotels are measured under the revaluation model, at fair value. Changes in their valuation are accumulated in equity.

3. Significant accounting policies (continued)

Cash flow statement

The Company's parent undertaking prepares and publishes financial statements that are publicly available. Those financial statements include a consolidated cash flow statement. For this reason the exemption requirements of FRS 101 for the preparation of cashflow statement statement are met and the Company has therefore not prepared a cash flow statement.

Consolidated financial statements

The Company is exempt from preparing consolidated financial statements under section 400 of the Companies Act 2006 as its parent, Dorchester Group Limited, is in the EEA. The above financial statements and attached notes are therefore in respect of the Company only. 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.

4. Critical accounting estimates and judgements

In the application of the Company'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.

Property, plant and equipment

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 (see note 11).

Leases

The incremental borrowing rate used for leases is based on LIBOR plus a risk premium,

Income and deferred tax

Significant judgement is involved in determining the Company's provision for taxation. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognised liabilities for expected tax issues based on the estimate of whether additional taxes will be due. Where the tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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.

4. Critical accounting estimates and judgements (continued)

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that future taxable profit will be available, against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised. This is based upon a number of factors including the expected timing of the reversal of the deductible temporary differences, the extent and expected timing of the reversal of any temporary differences, the impact of any future proposed reorganisation activities and the level of future taxable profits.

Defined benefit pension plan

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

5. Operating profit

	2019 £'000	2018 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment:		
Owned	6,021	6,378
Amortisation of intangible assets	28	47
Amortisation of right of use assets	3,680	-
Rentals under operating leases:		
Payable: plant and machinery	-	316
Payable: land and buildings	-	4,885
Receivable: land and buildings	-	(684)
Gain on disposal of fixed assets	3	1

The analysis of auditors' remuneration is as follows:

Fees payable to the company's auditors for the audit of the company's annual financial statements	42	40
Total audit fees	42	40

There were no other non audit services provided by the auditors (2018: £nil). As explained in the Directors' report, audit fees for both the current and prior year relate to BDO LLP.

6. Remuneration of directors

None of the directors received any remuneration for their services to the Company (2018: £nil).

Directors' remuneration is borne by parent undertakings as disclosed in the consolidated financial statements of Dorchester Group Limited.

During the year, retirement benefits accrued to no directors (2018:nil) under a defined benefit scheme. Details of this scheme can be found in the Dorchester Group Limited financial statements. No contribution has been made to this scheme by the Company on behalf of the directors. No directors received benefits under money purchase schemes.

7. Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2019 Number	2018 Number
Operations	587	608
Sales and marketing	36	32
Administration	101	92
	724	732

The aggregate payroll costs of these persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	26,489	24,980
Social security costs	2,140	1,944
Other pension costs	1,042	975
	29,671	27,899

8. Finance income

	2019 £'000	2018 £'000
Bank interest	7	5
Other interest	2	4
Foreign exchange gains/(losses)	518	-
	527	9

9. Finance costs

	2019 £'000	2018 £'000
Interest on loans from group undertakings	1,660	1,538
Foreign exchange (gains)/losses	-	848
Right of use asset interest	1,848	-
Other interest paid	-	7
Net interest on pension liability (note 21)	203	194
	3,711	2,587

10. Tax on profit

	2019 £'000	2018 £'000
Current tax		
United Kingdom corporation tax at 19.00% (2018:19%)	555	(2,168)
Adjustment in respect of prior years	-	23
	555	(2,145)
Deferred tax		
Origination and reversal of timing differences	(1,947)	73
Adjustment in respect of prior years	-	285
Tax charge on profit	(1,392)	(1,787)

A reduction in the main rate of UK corporation tax to 17% from 1 April 2020 was substantively enacted as part of Finance Bill 2016 on 6 September 2016. Deferred taxes at the balance sheet date have been measured using this enacted rate and reflected in these financial statements. The Directors note that the UK corporation tax cut to 17% has been cancelled post year end and will account for this in the year it is substantively enacted.

Factors affecting the tax charge for the year

The differences between the current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before taxation are as follows:

	2019 £'000	2018 £'000
(Loss)/ Profit before taxation	(2,247)	8,280
Tax on charge/credit at standard UK corporation tax rate of 19 % (2018: 19 %)	427	(1,573)
Effect of:		
Expenses not deductible for tax purposes	(170)	(559)
Tax rate changes	181	(4)
Deferred tax recognition/de-recognition	(2,385)	41
Non qualifying asset	-	-
Adjustment in respect of prior years	555	308
Total tax charge	(1,392)	(1,787)

11. Property, plant and equipment

	Land and buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 January 2018	506,543	25,506	65,241	243	597,533
Additions	-	4,216	226	-	4,442
Transfers	-	243	-	(243)	-
Disposals	-	-	-	-	-
Revaluation	1,363	-	-	-	1,363
At 31 December 2018	507,906	29,965	65,467	-	603,338
At 1 January 2019	507,906	29,965	65,467	-	603,338
Additions	-	3,419	2,060	-	5,479
Transfers	-	-	-	-	-
Disposals	-	-	(3)	-	(3)
Revaluation	12,312	-	-	-	12,312
At 31 December 2019	520,218	33,384	67,524	-	621,126
Accumulated depreciation					
At 1 January 2018	(363)	(19,673)	(55,859)	-	(75,895)
Charge for year	(252)	(2,121)	(4,005)	-	(6,378)
Disposals	-	-	-	-	-
Revaluation	201	-	-	-	201
At 31 December 2018	(414)	(21,794)	(59,864)	-	(82,072)
At 1 January 2019	(414)	(21,794)	(59,864)	-	(82,072)
Charge for year	(248)	(2,608)	(3,165)	-	(6,021)
Disposals	-	-	3	-	3
Revaluation	197	-	-	-	197
At 31 December 2019	(465)	(24,402)	(63,026)	-	(87,893)
Net book value					
At 31 December 2019	519,753	8,982	4,498	-	533,233
At 1 January 2019	507,492	8,171	5,603	-	521,266

11. Property, plant and equipment (continued)

The net book value of land and buildings comprise:

	2019 £'000	2018 £'000
Freehold	519,584	504,232
Long leasehold	169	116
Short leasehold	-	867
	519,753	505,215

The company's freehold and leasehold 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 company's land and buildings were revalued at 31 December 2019 and at 31 December 2018 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 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.

Land and buildings were valued on 31 December 2019 at £519,753,000 by external independent qualified valuer's (2018: £507,492,000 at 31 December 2018) using the arm's length market prices for the sale of similar properties. If the assets had been carried under the cost model the net book-value would be as follows:

	2019 £'000	2018 £'000
Cost	140,380	140,380
Accumulated depreciation	(2,682)	(2,434)
Net book value	137,698	137,946

12. Intangible asset

Intangible assets amortisation is recorded as an administration expense in the income statement.

	Computer software £'000
Cost	
At 1 January 2018	506
Additions	-
At 31 December 2018	506
At 1 January 2019	506
Additions	-
At 31 December 2019	506

12. Intangible asset (continued)

	Computer software £'000
Accumulated Amortisation	
At 1 January 2018	(421)
Charge	(47)
At 31 December 2018	(468)
At 1 January 2019	(468)
Charge	(28)
At 31 December 2019	(496)
Net book value	
At 31 December 2019	11
At 31 December 2018	38

13. Investments

	2019 £'000	2018 £'000
Subsidiary undertakings:		
Unquoted shares at cost	-	8,112
Less: provision against subsidiary undertaking	-	(7,407)
	-	705

During the year the Company's one subsidiary, The Dorchester Limited, was transferred to Dorchester Goup Limited, the Company's parent, as a dividend in specie.

14. Inventories

	2019 £'000	2018 £'000
Consumables	471	646
Goods for resale	1,622	1,558
	2,093	2,204

There is no material difference between the replacement cost of consumables and goods for resale and their carrying values. The cost of inventories recognised as an expense during the year in respect of continuing operations was £6.8m (2018: £9.5m).

15. Trade and other receivables

Amounts due within one year

	2019 £'000	2018 £'000
Trade debtors	6,405	9,077
Amounts owed by group undertakings	31,475	24,762
Other debtors	325	272
Prepayments and accrued income	1,469	1,542
VAT	448	-
	40,122	35,653

Trade debtors are reported net of a provision for bad debts of £119,000 (2018: £122,000).

Amounts owed by group undertakings are unsecured, repayable on demand and are non-interest bearing.

16. Trade and other payables

Amounts due within one year

	2019 £'000	2018 £'000
Trade creditors	6,687	4,261
Amounts owed to group undertakings	3,622	3,487
Amounts owed to related undertakings	4,281	652
Taxation and social security:		
VAT	-	1,842
PAYE and NIC	718	729
Accruals and deferred income	9,212	9,100
	24,520	20,071

Amounts owed to group undertakings and related undertakings are repayable on demand and non-interest bearing.

17. Borrowings

Included within non-current liabilities

	2019 £'000	2018 £'000
Loans from related undertakings	62,462	62,487
Loans from fellow subsidiary undertakings	14,005	14,488
	76,467	76,975

The loans from related undertakings, who are all subsidiaries of the ultimate parent, are unsecured and interest bearing at Royal Bank of Scotland base rate plus 2% (2018: 2%) and not repayable before 31 December 2020.

The loans from fellow subsidiary undertakings are unsecured and interest bearing at Royal Bank of Scotland base rate plus 1.25% (2018: 1.125%) and are not repayable before 31 December 2020.

18. Deferred tax liability

	2019 £'000	2018 £'000
Liability at 1 January	71,336	71,549
Deferred tax credit to profit and loss	1,947	(358)
Deferred tax credit to other comprehensive income	2,113	145
Prior year adjustment	-	-
Equity	(1,045)	
As at 31 December	74,351	71,336

The deferred tax liability is allocated as follows:

	2019 £'000	2018 £'000
Fixed assets	72,723	72,723
Temporary differences trading	1,628	(1,387)
	74,351	71,336

19. Called up share capital

	2019 £'000	2018 £'000
Authorised:		
59,000,000 ordinary shares of £1 each	59,000	59,000
Allotted, called up and fully paid:		
40,000,000 ordinary shares of £1 each	40,000	40,000

20. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS16 was adopted 1 January 2019 without restatement of comparative figures. The following policies apply subsequent to the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount

if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects

20. Leases (continued)

the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Right-of-Use Assets	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2019	48,929	377	49,306
Additions	-	-	-
Amortisation	(3,530)	(150)	(3,680)
At 31 December 2019	45,399	227	45,626

Lease Liabilities	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2019	(55,894)	(376)	(56,270)
Additions	-	-	-
Interest expense	(1,840)	(8)	(1,848)
Variable lease payment adjustment	(91)	-	(91)
Lease payments	5,233	210	5,443
At 31 December 2019	(52,592)	(174)	(52,766)

The Company as a lessor

The company leases out individual units in its hotels to third parties. At the balance sheet date, the Company had contracted with tenants for the following future minimum lease payments on operating leases for land and buildings:

20. Leases (continued)

	2019 £'000	2018 £'000
Within one year	567	566
Between one and five years	500	1,033
	1,067	1,599

21. Retirement benefit obligations

Defined contribution scheme
The Company operates a defined contribution scheme for which the pension cost charged for and paid for the year amounted to £1,041,000 (2018: £602,000). The scheme includes a small number of members that are employed by other group companies. The pension scheme assets and liabilities have been allocated between the company and Dorchester Services Limited.

Defined benefit scheme providing benefit based on final pensionable pay
The Company operates a funded pension scheme providing benefits based on final pensionable pay. This scheme is closed to new entrants. 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 pension scheme typically exposes the company to actuarial risks such as: investment risk, interest rate risk, mortality risk and inflation 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 2017, 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 investment returns would be 3.35% per annum and that salary increases would average 4.9% per annum.

21. Retirement benefit obligations (continued)

Actuarial assumptions

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

	2019 %	2018 %
Discount rate for plan liabilities	2.1	2.8
Rate of inflation (RPI)	3.4	3.6
Rate of inflation (CPI)	2.4	2.6
Rate of increase in salaries	4.9	5.1
Rate of increase of pensions in payment	2.6	2.6

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

	2019		2018	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	21.5	23.4	22.0	23.9
Member age 45 (life expectancy at age 65)	22.9	25.0	23.4	25.4

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%		7.5
Discount rate	Decrease by 0.5%	8.5	
Rate of inflation	Increase by 0.5%	3.3	
Rate of inflation	Decrease by 0.5%		3.2
Rate of salary growth	Increase by 0.5%	0.7	
Rate of salary growth	Decrease by 0.5%		0.7
Rate of mortality	Increase by 1 year	3.5	
Rate of mortality	Decrease by 1 year		3.3

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 Company to manage its risks from prior periods.

21. Retirement benefit obligations (continued)

Fair value of plan assets

	2019 Fair value £'000	2018 Fair value £'000
Equity	10,236	11,239
Liability driven investments	6,047	-
Government Bonds	-	3,742
Corporate Bonds	-	3,303
Dynamic real return fund	5,935	-
Diversified growth fund	-	2,571
Absolute return bond fund	3,725	3,626
Net current assets	1,121	179
Total market value of assets	27,064	24,660
Present value of scheme liabilities	(34,608)	(32,292)
Deficit in the pension plan/pension liability	(7,544)	(7,632)

No property occupied by, or other assets used by the Company 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:

	2019 £'000	2018 £'000
Analysis of the amount charged to administration expenses		
Current service cost	(114)	(118)
Administration costs	(175)	(132)
Total charge to administration expenses	(289)	(250)
Analysis of the amount charged to finance costs		
Expected return on plan assets	685	635
Interest cost on plan liabilities	(888)	(830)
Net charge to finance costs	(203)	(195)
Total charge to income for the year	(492)	(445)

21. Retirement benefit obligations (continued)

Amounts included in other comprehensive income for 2019 in respect of the defined benefits plan are as follows:

	2019 £'000	2018 £'000
Gain/(loss) on scheme assets in excess of interest	2,103	(1,277)
Experience losses arising on plan liabilities	-	-
(Loss)/gain from changes to financial assumptions	(3,376)	1,361
Gains from changes to demographic assumptions	946	233
Reapportionment between Group companies	-	33
	(327)	350

The gain on scheme assets in excess of interest of £2,103,000 is 7.77% (2018: loss of £1,277,000 is 5.18%) of the plan assets as at 31 December 2019.

The total actuarial loss of £2,430,000 represents 7.02% (2018: gain of £1,594,000 represents 4.9%) of the present value of scheme liabilities as at 31 December 2019.

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since the date of transition to FRS 101 is £5,513,400 net loss (2018: £5,820,000 net loss).

Analysis of movement in the present value of defined benefit obligations:

	2019 £'000	2018 £'000
As at 1 January	(32,292)	(33,653)
Current service cost	(114)	(118)
Member contributions	(28)	(27)
Interest on pension scheme liabilities	(888)	(830)
Re-measurement (losses)/gains:		
Actuarial (losses)/gains		
Actuarial gains & (losses) arising from changes in financial assumptions	(2,431)	1,394
Benefits paid	1,145	942
As at 31 December	(34,608)	(32,292)

21. Retirement benefit obligations (continued)

Analysis of movement in the fair value of the scheme assets:

	2019 £'000	2018 £'000
As at 1 January	24,660	25,494
Interest on assets	685	635
Return on plan assets less interest	2,104	(1,277)
Employer contributions	907	854
Member contributions	28	27
Benefits paid	(1,145)	(941)
Administration expenses	(175)	(132)
As at 31 December	27,064	24,660

The actual return on scheme asset was £2,788,000 gain (2018: £642,000 loss).

The Company 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 Company is responsible for putting in place a recovery plan in order to address any additional liabilities. Any additional liabilities are a debt to the Company.

The average duration of the benefit obligation at the end of the reporting period is 17 years (2018:17 years). This number can be subdivided into the duration related to:

Active members: 20 years (2018: 21 years)
Deferred members: 20 years (2018: 21 years)
Retired members: 13 years (2018: 13 years)

The estimated amount of contributions expected to be paid on the scheme during the 2020 financial year is £1,000,000.

22. Commitments and contingencies

At the end of the financial year there were £2,585,000 of contracted capital commitments for which no provision had been made (2018: £2,381,000).

Notes to the financial statements (continued)
Year ended 31 December 2019

23. Related party transactions

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

The Company provided hotel services to related parties amounting to £1,888,000 (2018: £844,000). Amounts owed for these services as at 31 December 2019 amounted to £841,000 (2018: £657,000).

The Company occupies two building in London owned by a fellow subsidiary undertaking, on an annually renewable agreement at a rent of £5,092,000. It is estimated that the market rent of the building occupied is £5,092,000 2018: £4,885,000). Amounts owed for the rental, associated rates and services as at 31 December 2019 amounted to £4,483,000 (2018: £nil).

With the exception of the rental of the property, all other material related party transactions are contracted on commercial terms, with standard settlement terms. Refer to notes 15 and 17 for details of related party financing. The Company is exempt under the provisions of FRS 101 8 (k) from the requirement to disclose details of transactions with Brunei Investment Agency and its wholly owned subsidiary undertakings.

The directors confirm that there are no further related party transactions.

24. Ultimate parent and controlling party

The Company's ultimate parent and controlling party is the Brunei Investment Agency, a statutory body incorporated in Brunei.

The largest group in which the results of the Company are consolidated is B Investments Sarl, a company incorporated in the Luxembourg. The consolidated financial statements of B Investments Sarl are available to the public and may be obtained from the Registre De Commerce Et Des Sociétés, 14 Rue Erasme, 1468 Luxembourg.

The smallest group in which the results of the Company are consolidated is that headed by Dorchester Group Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of Dorchester Group Limited are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

25. *Post balance sheet events*

The World Health Organisation declared a global health emergency in January 2020 and a global pandemic in March 2020 and as the impact by the balance sheet date was limited to areas in China which do not have an impact on the operations or results of the company, this has been treated as a non-adjusting post balance sheet event.