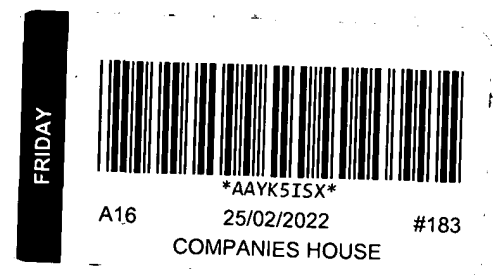


Company Registration No. 01229635

Dorchester Hotel Limited

Report and Financial Statements

31 December 2020



Dorchester Hotel Limited

Report and financial statements 31 December 2020

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Dorchester Hotel Limited

Strategic report for the year ended 31 December 2020

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, W1K 1QA.

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 significant drop in travel due to COVID-19 has adversely affected the global hospitality industry, and the Company was no exception.

The Dorchester Hotel's performance fell below 2019, with revenues decreased by £61.3m (-74%), driven by a decline in occupancy, from 63.8% in 2019 to 14.8% in 2020.

In terms of rooms revenue, The Dorchester finished 2020 £31.2m behind 2019's results. The results for the company were negatively impacted by the Covid 19 global pandemic situation, with severe restrictions in both domestic and international travel, weighing heavily on the capacity of the company to achieve its revenue targets for the year.

The hotel finished 3rd in the competitive set in occupancy, 4th in rate and 4th in RevPAR. The RGI (Revenue Generating Index), finished at 87.4, an improvement compared to 2019 at 79.3.

Food and Beverage was also affected by the current pandemic, as Government imposed restrictions on the opening the outlets, with revenue declining by £15.3m (-74%), compared to last year driven by a decline in all outlets.

The hotel continues to invest in its assets in order to remain relevant and competitive, with a total capital expenditure of £5.5m.

45 Park Lane performance fell below 2019, with revenues decreasing by £11.8m (-65%); driven by a reduction in occupancy from 64.4% in 2019 to 21.4% in 2020.

45 Park Lane ended 2020, £7.7m lower than 2019 in room revenue. The results for the company were negatively impacted by the Covid 19 global pandemic situation, with severe restrictions in both domestic and international travel, weighing heavily on the capacity of the company to achieve its revenue targets for the year.

No yearly data is available for the compset as hotels were closed for several months.

Food and Beverage revenue was also affected by the Covid 19 restrictions, declining compared to last year by £3.8m.

Capital investment of £513,000 went towards the replacement of furniture and fittings to maintain the product in good condition.

Dorchester Hotel Limited

Strategic report for the year ended 31 December 2020 (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 Dorchester Group Ltd are taking steps as required to promote the positive progression of the Group 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.

Employee and guest engagement

Given the Group's abiding commitment to our loyal staff, the decision was made to protect them during the height of the pandemic in 2020. A combination of job and salary protection was implemented while the Group carried out actions to lower costs in other areas of the business. We remain vigilant in monitoring the pandemic situation, while continuing to work within government guidelines. The Group believes that it can successfully operate the business with growing confidence in the future.

The Group creates, develops and leads highly competent, motivated teams who live the Dorchester Collection's values, by:

- stimulating positive and responsive communication;
- supporting learning and development opportunities;
- and encouraging our employees to realise their full potential.

We provide a wide range of support to maximise our staff's mental and physical well-being, health and safety and welfare. Our We Care philosophy remains strong in creating an environment where people feel safe and respected allowing positive engagement to prosper. Now in its tenth year, we continue to achieve record levels of employee and guest engagement, scoring in the top 5% of eNPS globally.

Inclusion, diversity and equality are the foundation and core values of the Dorchester Group Limited. All guests and employees are treated fairly and with respect. 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. In 2021, we updated our Global Diversity, Inclusion and Belonging policy outlining key measures and outcomes expected in the future.

The Group's policy is to give the same consideration to people of determination in applications for employment, continuation of employment, training, career development and promotion, having regard to their particular aptitudes and abilities.

We are committed to ensuring that modern slavery and human trafficking do not take 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 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.

Dorchester Hotel Limited

Strategic report for the year ended 31 December 2020 (continued)

Section 172 Report (continued)

Supplier engagement

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

Environmental management

To reduce the environmental impact of operations, the Group's corporate office supports each hotel as they seek to minimise energy consumption, water use and waste, while procuring sustainable products in construction and refurbishments. The Group and our hotels comply with all applicable environmental legislation and strive to follow best environmental practices. We ensure that environmental considerations are an important aspect of decision-making, and consider the opinions of guests, employees and other stakeholders when examining our environmental programmes and procedures.

The Group identifies areas for improvement and innovation at property level and supports the efforts of the green teams at each of our properties. Each hotel monitors and seeks continuous improvement in reducing its environmental impact.

We also carry forward our work on environmental sustainability by valuing the cultural heritage of our properties and through building partnerships with the communities in which we work.

Community engagement

We also ensure that each hotel makes a positive contribution to the community in which it operates, not only through the provision of employment and other direct economic benefits but by addressing broader social and economic needs. This includes consideration of local community needs and identifying how we may work to offer our expertise and support. These types of pro-bono or fund-raising opportunities, which vary from hotel to hotel, are often driven by employees and may involve collaboration with other bodies such as charities or non-governmental organisations. In 2020, we have, for example, raised funds for charities, conducted master classes, history lessons and much more.

Future developments

The ongoing COVID-19 pandemic remains a key challenge, and uncertainty as to how the situation will develop makes it difficult to give accurate guidance on the financial forecasts. We are closely monitoring the situation and following public health guidelines to ensure the well-being of our guests and employees, while managing costs prudently until revenues return to pre-pandemic levels.

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 are 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 meet 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 ratios 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.

Dorchester Hotel Limited

Strategic report for the year ended 31 December 2020 (continued)

Going concern (continued)

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
21 February 2022

Dorchester Hotel Limited

Directors' report for the year ended 31 December 2020

The directors present their annual report and the audited financial statements for the year ended 31 December 2020. The financial risk management considerations and future developments are covered in the strategic report.

Proposed dividend and transfer to reserves

No dividends were paid during the year (2019: £nil). The loss for the year of £15,302,000 (2019: £3,639,000 loss) was transferred to reserves.

During the year, the company had deemed dividend income of £nil (2019: £704,646) as a result of one of the company's fellow subsidiaries, The Dorchester Ltd, releasing the company from its debt.

Environment

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.

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

Ahmad Fahruddeen Mohd Azrae (appointed 17 February 2021)

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 2020 (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.

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.

Streamlined Energy and Carbon Reporting

Carbon reporting for Dorchester Group Ltd, of which the Company is part of, is disclosed in the Group's financial statements.

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

21 February 2022

Dorchester Hotel Limited

Independent auditors' report to the members of Dorchester Hotel Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Dorchester Hotel Limited ("the Company") for the year ended 31 December 2020 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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.

Emphasis of Matter: Property valuations

We draw attention to note 11, which explains that as a result of the impact of the outbreak of the novel coronavirus (COVID-19) on the market, the Company's property valuer has advised that less certainty, and a higher degree of caution, should be attached to their valuation than would normally be the case. Our opinion is not modified in respect of this matter.

Dorchester Hotel Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements 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. 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.

Other Companies Act 2006 reporting

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 material misstatements in the Strategic report or the 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.

Dorchester Hotel Limited

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

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.

Extent to which the audit was 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:

- obtaining an understanding of the legal and regulatory frameworks that are applicable to the Company; focussing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. These include, but are not limited to, compliance with the Companies Act, International Accounting Standards in conformity with the requirement of the Companies Act 2006, pensions legislation, tax legislation and local government grant legislation.
- making enquiries of management and the Board of the Company policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- making enquires of other personnel with roles relevant to compliance with laws and regulations.
- communicating the relevant identified laws and regulations and potential fraud risks to all engagement team members and component audit teams, and remaining alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur in the financial statements and any potential indicators of fraud. We identified potential for fraud in the following areas and performed the following procedures:
 - management override: we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates and judgements. Audit procedures performed included:
 - challenging assumptions made by management in their significant accounting estimates for indications of bias or management override, in particular in relation to property valuations;
 - identifying and testing manual journal entries, in particular any journal entries containing characteristics of audit interest such as manual journals to revenue, accounts receivable and cash; and for journals which are inconsistent with the usual transactions of the Company.
 - management override in relation to revenue recognition. We evaluated the control environment pertaining to sales; specifically looking at the setting of hotel rates, cash collection, correlation between the hotel booking system and accounting system, and the posting of daily sales journals.
 - government grant claims: we obtained a detailed understanding of the regulatory frameworks in place, such as Coronavirus Job Retention Scheme, and performed substantive procedures to ensure that claims were reasonable and in compliance with such regulations.

Dorchester Hotel Limited

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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in management's incentive to manipulate earnings before tax.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

DocuSigned by:

Mark RA Edwards

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Mark RA Edwards (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

24 February 2022

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 2020

	Notes	2020 £'000	2019 £'000
Revenue		21,226	82,502
Cost of sales		(18,075)	(41,237)
Gross profit		<u>3,151</u>	<u>41,265</u>
Other income		6,600	-
Administrative expenses		(26,170)	(41,032)
Operating (loss)/profit	5	(16,419)	233
Finance and other income	8	499	527
Finance costs	9	(3,290)	(3,711)
Dividends receivable		-	704
Loss before taxation		<u>(19,210)</u>	<u>(2,247)</u>
Tax on loss/profit	10	3,908	(1,392)
Loss for the financial year		<u>(15,302)</u>	<u>(3,639)</u>
Items that will not be reclassified subsequently to profit and loss			
(Loss)/surplus on property revaluation		(44,726)	12,510
Actuarial loss in defined benefit pension schemes	21	(505)	(327)
Income tax relating to items not re-classified		1,043	(2,113)
Other comprehensive loss/income for the year net of tax		<u>(44,188)</u>	<u>10,070</u>
Total comprehensive (loss)/income for the year		<u>(59,490)</u>	<u>6,431</u>

The notes on pages 15 to 40 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 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	11	489,089	533,233
Right of use assets	20	43,360	45,626
Intangible assets	12	3	11
		<u>532,452</u>	<u>578,870</u>
Current assets			
Inventories	13	1,903	2,093
Trade and other receivables	14	33,984	40,122
Current tax receivable		388	-
Cash and cash equivalents		4,964	8,447
Cash and cash equivalents with restrictions		651	-
		<u>41,890</u>	<u>50,662</u>
Total assets		<u>574,342</u>	<u>629,532</u>
Current liabilities			
Trade and other payables	15	37,117	24,520
Lease liabilities	19	3,380	3,299
		<u>40,497</u>	<u>27,819</u>
Net current assets		<u>1,393</u>	<u>22,843</u>
Non-current liabilities			
Borrowings	16	73,531	76,467
Retirement benefit obligations	20	7,639	7,544
Deferred tax liabilities	17	70,612	74,351
Lease liabilities	19	47,438	49,467
		<u>199,220</u>	<u>207,829</u>
Total liabilities		<u>239,717</u>	<u>235,648</u>
Net assets		<u>334,625</u>	<u>393,884</u>
Equity			
Called up share capital	18	40,000	40,000
Capital reserve		1,723	1,491
Revaluation reserve		241,646	285,426
Retained earnings		51,256	66,967
Total equity		<u>334,625</u>	<u>393,884</u>

The notes on pages 15 to 40 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 21 February 2022.

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 2020

	Called up share capital £'000	Capital reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	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 income/(loss) 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
Reclassification	-	-	(1,930)	1,930	-
Balance at 31 December 2019	40,000	1,491	285,426	66,967	393,884
Profit/Loss for the financial year	-	-	-	(15,302)	(15,302)
Other comprehensive (loss)/income for the year	-	-	(43,780)	(409)	(44,189)
Total comprehensive (loss)/income for the year	-	-	(44,188)	(15,711)	(59,411)
Capital contribution	-	232	-	-	232
Balance at 31 December 2020	40,000	1,723	241,646	51,256	334,625

The notes on pages 15 to 40 form an integral part of these financial statements.

Dorchester Hotel Limited

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

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

(a) New standards, amendments and interpretations adopted by the company

The following new standards were adopted in the annual financial statements for the year ended 31 December 2020:

- COVID-19-Related Rent Concessions (Amendments to IFRS 16).

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

Other standards

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

Dorchester Hotel Limited

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

2. New standards and amendments (continued)

(b) New standards, amendments and interpretations not yet adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

Dorchester Hotel Limited

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

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 (“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 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;
 - (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.

Dorchester Hotel Limited

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

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

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.

Intangible assets

Purchased computer software 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.

Dorchester Hotel Limited

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

3. Significant accounting policies (continued)

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.

Cash equivalents with restrictions are in relation to rental deposits in relation to a restaurant which is repayable to the tenant upon expiration of the lease.

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.

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.

Dorchester Hotel Limited

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

3. Significant accounting policies (continued)

Retirement Benefit obligations (continued)

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.

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.

Dorchester Hotel Limited

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

3. Significant accounting policies (continued)

Leases

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 are capitalised and are amortised 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.

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.

Dorchester Hotel Limited

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

3. Significant accounting policies (continued)

Leases (continued)

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.

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 £'000	Plant, machinery and motor vehicles £'000	Total £'000
Balance at 1 January 2020	45,399	227	45,626
Balance at 31 December 2020	43,163	197	43,360

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

Dorchester Hotel Limited

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

3. Significant accounting policies (continued)

Leases (continued)

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 2020, the Company recognised £3,630,000 of amortisation charges and £1,884,000 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 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.

Dorchester Hotel Limited

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

3. Significant accounting policies (continued)

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.

Government grants

Included in loss is £6.6m of government grants obtained relating to supporting the payroll of the Company's employees under the Coronavirus Job Retention Scheme.

The Company had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time.

The Company does not have any unfulfilled obligations relating to this program.

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.

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.

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

Dorchester Hotel Limited

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

4. Critical accounting estimates and judgements (continued)

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.

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

	2020 £'000	2019 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment:		
Owned	5,484	6,021
Amortisation of intangible assets	7	28
Amortisation of right of use assets	3,630	3,680
Government grants	(6,600)	
Rentals under operating leases:		
Receivable: land and buildings	312	-
Gain on disposal of fixed assets	-	3

Dorchester Hotel Limited

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

5. Operating profit (continued)

The analysis of auditors' remuneration is as follows:

	2020 £'000	2019 £'000
Fees payable to the company's auditors for the audit of the company's annual financial statements	53	42
Total audit fees	53	42
Advisory services	17	-
Total non-audit fees	17	-
Total auditors remuneration	70	42

6. Remuneration of directors

None of the directors received any remuneration for their services to the Company (2019: £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 (2019 :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:

	2020 Number	2019 Number
Operations	548	587
Sales and marketing	29	36
Administration	104	101
	681	724

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	13,535	26,489
Social security costs	1,773	2,140
Pension costs	850	1,042
Other costs	473	-
	16,631	29,671

During the year 2020, the Company received £6.6million of payroll support under the Coronavirus Job Retention Scheme

Dorchester Hotel Limited

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

8. Finance income

	2020 £'000	2019 £'000
Bank interest	2	7
Other interest	3	2
Foreign exchange gains/(losses)	494	518
	<u>499</u>	<u>527</u>

9. Finance costs

	2020 £'000	2019 £'000
Foreign exchange (gains)/losses	1,256	1,660
Right of use asset interest	1,884	1,848
Net interest on pension liability (note 21)	150	203
	<u>3,290</u>	<u>3,711</u>

10. Tax on profit

	2020 £'000	2019 £'000
Current tax		
United Kingdom corporation tax at 17% (2019:19%)	-	555
Adjustment in respect of prior years	1,212	-
	<u>1,212</u>	<u>555</u>
Deferred tax		
Origination and reversal of timing differences	2,696	(1,947)
Adjustment in respect of prior years	-	-
	<u>2,696</u>	<u>(1,947)</u>
Tax charge on profit	<u>3,908</u>	<u>(1,392)</u>

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. The Finance Bill 2020, substantively enacted on 17 March 2020, cancelled this reduction. Deferred taxes at the balance sheet date have been measured using this enacted and reflected in these financial statements. The Directors note that, as part of the 2021 budget it was announced that the UK corporation tax will increase to 25% from 2023, and that this will be accounted for in the year this is substantively enacted.

Dorchester Hotel Limited

Notes to the financial statements (continued)

Year ended 31 December 2020

10. Tax on profit (continued)

Factors affecting the tax charge for the year

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

	2020 £'000	2019 £'000
Loss before taxation	(19,210)	(2,247)
Tax on charge/credit at standard UK corporation tax rate of 19 % (2019: 19 %)	3,650	427
Effect of:		
Expenses not deductible for tax purposes	(52)	(170)
Income not taxable for tax purposes	568	-
Tax rate changes	(1,471)	181
Deferred tax recognition/de-recognition	-	(2,385)
Adjustment in respect of prior years	1,213	555
Total tax charge	3,908	(1,392)

11. Property, plant and equipment

	Land and buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
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
At 1 January 2020	520,218	33,384	67,524	621,126
Additions	-	5,371	695	6,066
Transfers	-	-	-	-
Disposals	-	-	-	-
Revaluation	(44,922)	-	-	(44,922)
At 31 December 2020	475,296	38,755	68,219	582,270

Dorchester Hotel Limited

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

11. Property, plant and equipment(continued)

	Land and buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
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)
At 1 January 2020	(465)	(24,402)	(63,026)	(87,893)
Charge for year	(246)	(3,332)	(1,906)	(5,484)
Disposals	-	-	-	-
Revaluation	196	-	-	196
At 31 December 2020	(515)	(27,734)	(64,932)	(93,181)
Net book value At 31 December 2020	474,781	11,021	3,287	489,089
At 1 January 2020	519,753	8,982	4,498	533,233
			2020 £'000	2019 £'000
Freehold			475,262	519,584
Long leasehold			169	169
Short leasehold			-	-
			475,431	519,753

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 2020 and at 31 December 2019 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.

As HVS have indicated, the hospitality sector continues to be faced with an unprecedented set of circumstances caused by Covid 19. Thus the valuation report is subject to a material valuation uncertainty clause. This means that whilst the valuation can be relied upon, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

Dorchester Hotel Limited

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

11. Property, plant and equipment (continued)

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 2020 at £474,781,000 by external independent qualified valuer's (2019: £ 519,753,000 at 31 December 2019) 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:

	2020 £'000	2019 £'000
Cost	140,380	140,380
Accumulated depreciation	(2,928)	(2,682)
Net book value	<u>137,452</u>	<u>137,698</u>

12. Intangible asset

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

	Computer software £'000
Cost	
At 1 January 2019	506
Additions	-
At 31 December 2019	<u>506</u>
At 1 January 2020	506
Additions	-
At 31 December 2020	<u>506</u>

Dorchester Hotel Limited

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

12. Intangible asset (continued)

	Computer software £'000
Accumulated Amortisation	
At 1 January 2019	(468)
Charge	(28)
At 31 December 2019	(496)
At 1 January 2020	(496)
Charge	(7)
At 31 December 2020	(503)
Net book value	
At 31 December 2020	3
At 31 December 2019	11

13. Inventories

	2020 £'000	2019 £'000
Consumables	1,435	471
Goods for resale	468	1,622
	<u>1,903</u>	<u>2,093</u>

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 £14,000,000 (2019: £6,800,000).

14. Trade and other receivables

Amounts due within one year

	2020 £'000	2019 £'000
Trade debtors	1,054	6,405
Amounts owed by group undertakings	32,152	31,475
Other debtors	399	325
Prepayments and accrued income	307	1,469
VAT	72	448
	<u>33,984</u>	<u>40,122</u>

Trade debtors are reported net of a provision for bad debts of £ 296,000 (2019: £119,000).

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

Dorchester Hotel Limited

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

15. Trade and other payables

Amounts due within one year

	2020 £'000	2019 £'000
Trade creditors	666	6,687
Amounts owed to group undertakings	17,957	3,622
Amounts owed to related undertakings	12,186	4,281
Taxation and social security:		
PAYE and NIC	571	718
Accruals and deferred income	5,737	9,212
	<u>37,117</u>	<u>24,520</u>

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

16. Borrowings

Included within non-current liabilities

	2020 £'000	2019 £'000
Loans from related undertakings	62,440	62,462
Loans from fellow subsidiary undertakings	11,091	14,005
	<u>73,531</u>	<u>76,467</u>

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% (2019: 2 %) and not repayable before 01 January 2022.

The loans from fellow subsidiary undertakings are unsecured. They include a non interest bearing loan and one interest bearing at Royal Bank of Scotland base rate plus 1.25 % (2019: 1.25 %) and are not repayable before 01 January 2022.

17. Deferred tax liability

	2020 £'000	2019 £'000
Liability at 1 January	74,351	71,336
Deferred tax credit to profit and loss	(2,696)	1,947
Deferred tax credit to other comprehensive income	(1,043)	2,113
Equity	-	(1,045)
As at 31 December	<u>70,612</u>	<u>74,351</u>

Dorchester Hotel Limited

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

17. Deferred tax liability (continued)

The deferred tax liability is allocated as follows:

	2020 £'000	2019 £'000
Fixed assets	75,296	72,723
Temporary differences trading	(4,684)	1,628
	<u>70,612</u>	<u>74,351</u>

18. Called up share capital

	2020 £'000	2019 £'000
Authorised:		
59,000,000 ordinary shares of £1 each	<u>59,000</u>	<u>59,000</u>
Allotted, called up and fully paid:		
40,000,000 ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>

19. 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.

Dorchester Hotel Limited

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

19. Leases (continued)

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 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 2020	45,399	227	45,626
Additions	1,387	88	1,475
Disposals	(85)	(26)	(110)
Amortisation	(3,538)	(92)	(3,630)
At 31 December 2020	43,163	197	43,360

Dorchester Hotel Limited

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

19. Leases (continued)

Lease Liabilities	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2020	(52,592)	(174)	(52,766)
Additions	-	(90)	(90)
Interest expense	(1,878)	(6)	(1,884)
Variable lease payment adjustment	(1,387)	-	(1,387)
Lease payments	5,124	105	5,229
Disposals	70	10	80
At 31 December 2020	<u>(50,663)</u>	<u>(155)</u>	<u>(50,818)</u>

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:

	2020 £'000	2019 £'000
Within one year	520	567
Between one and five years	2,000	500
	<u>2,520</u>	<u>1,067</u>

Dorchester Hotel Limited

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

20. 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 £1,021,000 (2019: £1,041,000). 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.

Actuarial assumptions

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

	2020	2019
	%	%
Discount rate for plan liabilities	1.2	2.1
Rate of inflation (RPI)	3.1	3.4
Rate of inflation (CPI)	2.2	2.4
Rate of increase in salaries	3.6	4.9
Rate of increase of pensions in payment	3.0	2.6

Dorchester Hotel Limited

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

20. Retirement benefit obligations (continued)

Actuarial assumptions (continued)

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

	2020		2019	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	21.2	23.6	21.5	23.4
Member age 45 (life expectancy at age 65)	22.6	25.0	22.9	25.0

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%		7.42
Discount rate	Decrease by 0.5%	8.35	
Rate of inflation	Increase by 0.5%	2.58	
Rate of inflation	Decrease by 0.5%		2.54
Rate of salary growth	Increase by 0.5%	0.44	
Rate of salary growth	Decrease by 0.5%		0.42
Rate of mortality	Increase by 1 year	3.89	
Rate of mortality	Decrease by 1 year		3.61

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.

Fair value of plan assets

	2020	2019
	Fair value £'000	Fair value £'000
Equity	8,170	10,236
Liability driven investments	7,300	6,047
Dynamic real return fund	7,296	5,935
Absolute return bond fund	4,806	3,725
Net current assets	2,183	1,121
Total market value of assets	29,755	27,064
Present value of scheme liabilities	(37,395)	(34,608)
Deficit in the pension plan/pension liability	(7,640)	(7,544)

Dorchester Hotel Limited

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

20. Retirement benefit obligations (continued)

Fair value of plan assets

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:

	2020 £'000	2019 £'000
Analysis of the amount charged to administration expenses		
Current service cost	(150)	(114)
Administration costs	(176)	(175)
Past service costs	(33)	
	<hr/>	<hr/>
Total charge to administration expenses	(359)	(289)
	<hr/>	<hr/>
Analysis of the amount charged to finance costs		
Expected return on plan assets	567	685
Interest cost on plan liabilities	(717)	(888)
	<hr/>	<hr/>
Net charge to finance costs	(150)	(203)
	<hr/>	<hr/>
Total charge to income for the year	(509)	(492)
	<hr/>	<hr/>

Amounts included in other comprehensive income for 2020 in respect of the defined benefits plan are as follows:

	2020 £'000	2019 £'000
Gains on scheme assets in excess of interest	2,289	2,103
Experience loss arising on plan liabilities	(1,184)	-
Gains from changes to demographic assumptions	2,889	946
Losses from changes to financial assumptions	(4,499)	(3,376)
Reapportionment between Group companies	-	-
	<hr/>	<hr/>
	(505)	(327)
	<hr/>	<hr/>

The gain on scheme assets in excess of interest of £2,289,000 is 7.69 % (2019: gain of £2,103,000 is 7.77 %) of the plan assets as at 31 December 2020.

Dorchester Hotel Limited

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

20. Retirement benefit obligations (continued)

The total actuarial loss of £2,794,000 represents 7.47 % (2019: loss of £ 2,431,000 represents 7.02%) of the present value of scheme liabilities as at 31 December 2020.

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since the date of transition to FRS 101 is £6,018,000 net loss (2019: £5,513,400 net loss).

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

	2020 £'000	2019 £'000
As at 1 January	(34,608)	(32,292)
Current service cost	(150)	(114)
Member contributions	(26)	(28)
Interest on pension scheme liabilities	(717)	(888)
Re-measurement (losses)/gains:		
Actuarial (losses)/gains		
Actuarial gains & (losses) arising from changes in financial assumptions	(2,794)	(2,431)
Benefits paid	933	1,145
Amendments	(33)	-
As at 31 December	<u>(37,395)</u>	<u>(34,608)</u>

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

	2020 £'000	2019 £'000
As at 1 January	27,064	24,660
Interest on assets	567	685
Return on plan assets less interest	2,289	2,104
Employer contributions	919	907
Member contributions	26	28
Benefits paid	(933)	(1,145)
Administration expenses	(176)	(175)
As at 31 December	<u>29,756</u>	<u>27,064</u>

The actual return on scheme asset was £2,856,000 gain (2019: £2,788,000 gain).

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.

Dorchester Hotel Limited

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

20. Retirement benefit obligations (continued)

The average duration of the benefit obligation at the end of the reporting period is 17 years (2019: 17 years). This number can be subdivided into the duration related to:

Active members: 20 years (2019: 20 years)
Deferred members: 21 years (2019: 20 years)
Retired members: 13 years (2019: 13 years)

The estimated amount of contributions expected to be paid on the scheme during the 2021 financial year is £1,050,000.

21. Commitments and contingencies

At the end of the financial year there were £409,000 of contracted capital commitments for which no provision had been made (2019: £2,585,000).

22. 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 £833,910 (2019: £1,888,000). Amounts owed for these services as at 31 December 2020 amounted to £253,774 (2019: £841,000).

The Company occupies two building in London owned by a fellow subsidiary undertaking, on an annually renewable agreement at a rent of £4,604,000. It is estimated that the market rent of the building occupied is £4,604,000 (2019: £5,092,000). Amounts owed for the rental, associated rates and services as at 31 December 2020 amounted to £9,087,000 (2019: £4,483,000).

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.

23. 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 address of the registered office is 3 Tilney Street, London W1K 1BQ. 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.