

Company Registration No: 01823605

Dorchester Group Limited

Report and Financial Statements

31 December 2021

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Dorchester Group Limited

Report and Financial Statements 2021

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Dorchester Group Limited

Strategic report for the year ended 31 December 2021

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

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

The business model

Dorchester Group Limited ('the Group') is a limited liability company domiciled and registered in England and Wales. The principal activities of the Group comprise the management of a global luxury hospitality investment through the ownership and leasing of a collection of legendary luxury hotels under the Dorchester Collection (DC) brand, as well as providing hotel management services via its hotel operating subsidiary Dorchester Services Limited. The Group also owns commercial properties in the USA.

During the year, the Group managed and operated the following:

- *Owned properties*
 - The Dorchester Hotel, London;
 - Hotel Plaza Athenee, Paris;
 - Le Meurice, Paris;
 - Hotel Principe di Savoia, Milan;
 - Hotel Eden, Rome;
 - Hotel Bel-Air, Los Angeles; and
 - The Beverly Hills Hotel, Los Angeles
- *Leased properties*
 - Coworth Park, Ascot; and
 - 45 Park Lane; London.
- *Investment properties*
 - Two commercial properties in the USA.
- *Other services*
 - Dorchester Services Limited offers hotel and residences management services as well as technical refurbishment services under contract for other hotel owners/developers.

Future Operations

Despite the devastating impact of COVID-19 on the hotel business in 2021, the luxury hotel sector is expected to recover strongly as the threat of the pandemic dissipates. The Directors expect the Group to continue with its current activities of owning, leasing and managing hospitality assets for the foreseeable future as well as to continue seeking opportunities to create increased value under the Dorchester Collection (DC) brand. This includes growing the DC Brand through securing third party management contracts such as those entered in Dubai to manage a luxury hotel and residences due to open in 2023 and branded residences that opened in 2021. The investment properties operating in the USA are expected to deliver substantial results both in operations and capital appreciation.

Strategy and objectives

The primary objective of the Group is to generate value and wealth through the management of the portfolio of legendary luxury hotels, and to strengthen the competitiveness and reputation of the iconic hotels in the regions they have presence in. This is best achieved through asset management strategies that can potentially provide growth in revenues, values and returns, and also through excellent operational strategies that have the guests, the people and owners at its core.

The strategy of the Group is also supported by several techniques including undertaking constant reviews and benchmarking of the portfolio's performance, as well as an effective deployment of capital expenditure to ensure highest and best use of the assets within the portfolio. The commitment to this strategy is demonstrated by the major renovation work that has commenced at our flagship The Dorchester Hotel.

Dorchester Group Limited

Strategic report for the year ended 31 December 2021(continued)

Strategy and objectives (continued)

A further strategy of the Group is the strengthening of the DC Brand, which has built prestige and prominence within the luxury hotel industry, and combined with the operating platform under Dorchester Services Limited, it opens up opportunities to grow the asset light side of the business through management contracts with other hotel owners in various regions globally.

The successful deployment of these strategies will contribute to the strength of the Group and a swift recovery of the business. This expectation is supported by the Group's portfolio valuation, which has returned to pre COVID-19 levels.

Key performance indicators

The main performance indicators are the generally accepted hotel measurements of occupancy, average daily rate, revenue per available room, earnings and margins. As real estate investments, there are also other key performance indicators such as valuations, level of returns, yields as well as dividends achievable from the portfolio.

In addition to the financial KPIs, the Group also measures the performance of the other key assets of the business which are the people and the guests, and this is done through various surveys, guest return rates and awards.

The performance of any capital expenditures are also measured through their returns on investment as well as payback periods, and the growth of the portfolio's pipeline is also considered an important aspect for the Group.

Review of the Group's business

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

The Group's consolidated profit for 2021 was £16m (2020: loss of £167m), primarily due to the impact of the COVID-19 pandemic and the ensuing lockdowns, on revenues and operating results across the USA, UK and continental Europe, as well as the effect of currency fluctuations. The consolidated profit also includes an unrealised profit of £49m (2020: loss of £62m) from a revaluation of the Group's hotels and investment property.

The Group's hotel occupancy rate was 33% (2020: 18%), whilst the average room rate increased from £566 to £829 and revenue per available room (RevPAR) increased from £104 to £273.

The investment property business has reported profits this year, due mainly to an appreciation in asset values.

The drastic reduction in revenues, as compared to the pre-pandemic period meant that steps needed to be taken to protect not just the business but also to support the permanent employees under the Group's care. This was achieved through a combination of the ongoing support of the owners, government support and continuous cost containment measures.

Future developments

COVID-19 remains a challenge and we continue to closely monitor the situation and follow public health guidelines to ensure the well-being of our guests and employees. The recent developments in Ukraine has the potential to impact our business and is already being seen in the form of rising utility costs. Supply chain issues are also resulting in escalating costs in conjunction with a highly competitive labour market adding to the cost pressure. We will therefore continue to manage operating costs prudently as our revenues recover to pre-pandemic levels.

The Group continues to be well placed in our existing mature markets in Europe and USA as well as in other critical markets such as the Middle East. This, together with our robust sales, marketing and revenue management strategies and our proven ability to build compelling product offerings, will continue to help DC increase market share during periods of both high and low overall demand.

To increase the exposure and value of the DC brand in new and key world feeder markets, the Group will continue to pursue opportunities to grow the hotel portfolio either through organic growth, acquisitions or through third-party management contracts.

Dorchester Group Limited

Strategic report for the year ended 31 December 2021 (continued)

Principal risks and uncertainties

The most important components of financial risk are inflation, interest rate risk, foreign currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the international nature of the Group's business and the assets and liabilities contained within the Group's balance sheet, the directors consider two types of risk to be most relevant to this Group: interest rate and inflation risk.

Currently the Group mitigates interest rate risk through the partial use of medium-term, fixed interest rate loans. Funding for the hotels is arranged centrally by its parent company, Brunei Investment Authority ('Company'), which regularly monitors interest rate risk. Foreign currency risk is mitigated by each hotel having local bank accounts and loans in local currency, which reduces exposure to adverse foreign exchange rate movements.

The directors continue to monitor and plan for the implications of wider business considerations and the continuing COVID-19 pandemic, including those relating to escalating costs, staff shortages, and interest rates. The directors also monitor and plan mitigations for a wide range of risks that could negatively impact our operations and reputation.

Corporate and social responsibility

The Group recognises the impact made on society, the economy and the planet, and are committed to making a positive difference to the communities in which we operate. By acting in accordance with our mission and values, we actively demonstrate corporate responsibility in a manner founded on fair treatment of our people, responsiveness to the needs of our guests, environmental responsibility and ethical business practice.

A corporate responsibility steering group has been established to ensure strategic focus and facilitate the process of discussion, agreement and implementation of key projects to achieve CSR goals. Its chief objective is to ensure that we are able to fulfil our obligations in the most effective way and do not compromise our values in the activities that we do. The steering group model is implemented at both department and hotel levels with individuals nominated to have specific charge for corporate responsibility. These corporate responsibility 'Champions' have the authority to implement key strategies. They represent the executive team and are selected for their natural passion and interest in the subject.

Section 172 Report

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

We maintain a safe, healthy and sustainable environment for our guests and employees as this is of paramount importance. Given the Covid-19 pandemic, we are closely monitoring the situation and following public health guidelines to strengthen the stringent measures we already take. We also work with LRA, a leading global inspection firm that reviews our standards on a quarterly basis to ensure full compliance.

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

- stimulating positive and responsive communication; and
- 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 eleventh year, we continue to achieve record levels of employee and guest engagement, scoring in the top 5% of engagement globally, while our employee retention rates remain above 80% 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

Dorchester Group Limited

Strategic report for the year ended 31 December 2021 (continued)

Section 172 Report (continued)

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. This past year, we also received the Gold level award for our Inspiring Diversity and Inclusion practices.

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.

Supplier engagement

The Group works only with carefully selected suppliers who offer the finest quality products and services.

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.

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Strategic report for the year ended 31 December 2021 (continued)

Going concern

The directors have acknowledged the latest guidance on going concern. Although the Group has net current liabilities of £25m as at 31 December 2021 (2020: £18m) as a result of loans from group companies, the company has the continuing support of its ultimate parent, the Brunei Investment Agency and the directors have considered its ability to provide support. The Directors have reviewed the Group's budget for the next year and considered other plans, concluding that the Group is well placed to manage its business risks successfully. 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 both the Company and the Group's going concern analysis. The Company is a holding company for the group 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 rates of collection. The Group 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.

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

Dato Dr Amin Liew Abdullah



Chairman
30 September 2022

Dorchester Group Limited

Directors' report for the year ended 31 December 2021

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2021.

Information about the use of financial instruments by the company and its subsidiaries is given in note 38 to the financial statements and information about future developments is in the strategic report.

Proposed dividend and transfer to reserves

No dividends were paid during the year (2020: £nil). The Group made a profit of £15m (2020: loss £167m), which was transferred to retained earnings.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 27. The company has one class of ordinary shares which carry no right to fixed income.

Directors and their interests

The details of the directors of the company, who served throughout the year and up to the date of signing the financial statements, are as follows:

Dato Dr Amin Liew Abdullah
Sofian bin Md Jani
Azmi Rahman Ibrahim (resigned 7 February 2022)
Noorsurainah Tengah (appointed 7 February 2022)

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

Directors' indemnities

There are no third party indemnities as at 31 December 2021 (2020: nil).

Employees

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

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

More information on employee engagement is included in the s172 section of the strategic report on page 5.

Political and charitable contributions

During the year, the Group made donations totalling £nil (2020: £nil) for charitable purposes. There were no political donations (2020: £nil).

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Directors' report for the year ended 31 December 2021 (continued)

Disclosure of information to Auditors

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

- so far as each director is aware, there is no relevant audit information of which the company's 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 expressed their willingness under section 487(2) to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and parent company 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 group and parent company and of the profit or loss of the group and parent 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, 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 group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent 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 group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Directors' report for the year ended 31 December 2021

Streamlined and Energy Carbon Reporting for the year ended 31 December 2021

Quantification, Methodology, Organisational Boundary and Base Year

Our data covers measurements collected in our UK hotels, namely The Dorchester Hotel, 45 Park Lane and Coworth Park.

| Metric | 2021 | 2020 |
|--|--|--|
| Energy consumption used to calculate emissions | (Electricity: 12,751,903 kWh Gas: 11,425,793 kWh Transport: 31,969 kWh) 24,209,665kWh | (Electricity: 14,092,510 kWh Gas: 16,524,075 kWh Transport: 15,117 kWh) Total kWh: 30,631,702 |
| Emissions from combustion of gas (Scope 1, tCO ₂ e) | 2092.75tCO ₂ e | 3038 tCO ₂ |
| Emissions from combustion of fuel for transport purposes (Scope 1, tCO ₂ e) | 8.13tCO ₂ e | 3.5 tCO ₂ |
| Emissions from purchased electricity ⁵ (Scope 2, location-based, tCO ₂ e) | 2,708tCO ₂ e | 3602 tCO ₂ |
| Total gross emissions based on the above (Location-based, tCO ₂ e) | 4,809tCO ₂ e | 6,644 tCO ₂ |
| Intensity measure (Traffic units) | OCR (occupied room nights) 2021 total =35,999) | OCR (occupied room nights) (2020 total = 13,139) |
| Intensity ratio (Location-based emissions, tCO ₂ e/traffic unit) | 0.13 | 0.506 |
| Total net emissions based on the above (Location-based, tCO ₂ e) | 4,809tCO ₂ e | 6,644 tCO ₂ |

Methodology

This report is aligned with the GHG Protocol methodology.

Energy Efficiency Statement

Over the next three years 2021/22 to 2024/25, The Dorchester intends to reduce its carbon footprint, expenditure of energy and carbon intensity ratio without detriment to the Guest experience by implementing a series of property and machinery upgrades.

1. Replace all guest room windows with high insulation, sealed double glazed units.
2. Remove all high energy consuming cold cathode lighting from Guest Room Corridors and replace with low energy LED equivalents.
3. Replacement of dated and inefficient Power Factor Control equipment.

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Directors' report for the year ended 31 December 2021 (continued)

Streamline and Energy Carbon Reporting for the year ended 31 December 2021 (continued)

Energy Efficiency Statement (continued)

4. Continue with the property wide replacement of fluorescent lighting for LED.
5. Upgrade current 1,000 tonnes of chiller capacity with higher efficiency scroll technology modular chillers.
6. Replace 300 in number aged and inefficient Fan Coil Units with new.
7. Replace 10 in number aged and inefficient Air Handling Units with new.
8. Improve the productivity of current plant and systems by implementation of a smart Building Management System (BMS) integrated with Inverter controls on all large motors, redundancy sensors on chiller and boiler plant and carbon monoxide demand monitors on ventilation and extractor system for the garage.
9. Location based programmable lighting control logics to allow effective switching on and off of lighting circuits when not needed.
10. PIR control of lighting systems of areas need not to be normally occupied.

In addition to these property based physical solutions, the Dorchester will commence investigating and understanding the sustainability Credentials of its power, gas and water suppliers in order to be able to make purchasing decisions that take environmental impact as a factor as well as the financial implications.


Sofian bin Md Jani
Director

30 September 2022

Dorchester Group Limited

Independent Auditor's Report To Members Of Dorchester Group Limited for the year ended 31 December 2021

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirement of the Companies Act 2006;
- the Parent Company financial statements 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 Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Statement of Financial Position and Company 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 Group financial statements is applicable law and International Accounting Standards in conformity with the requirement of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, 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 and Group'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.

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Independent Auditor's Report To Members Of Dorchester Group Limited for the year ended 31 December 2021 (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 has 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 and 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.

Dorchester Group Limited

Independent Auditor's Report To Members Of Dorchester Group Limited for the year ended 31 December 2021 (continued)

Responsibilities of Directors (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

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 Group and Company; focusing 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 2006, International Accounting Standards in conformity with the requirement of the Companies Act 2006, pensions legislation, tax legislation, local government grant legislation and those laws and regulations relating to health and safety and employee matters in the jurisdictions in which the Group and Company operate.
- 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; and
 - 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 Group and 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.

Dorchester Group Limited

Independent Auditor's Report To Members Of Dorchester Group Limited for the year ended 31 December 2021 (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- o government grant claims: we obtained a detailed understanding of the regulatory frameworks pertinent in each jurisdiction and performed substantive procedures to ensure that claims were reasonable and in compliance with such regulations.

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

04 October 2022

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

Dorchester Group Limited

Consolidated statement of comprehensive income For the year ended 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|--|----------|-----------------|------------------|
| Revenue | 5 | 263,307 | 128,915 |
| Cost of sales | | (142,034) | (111,230) |
| Gross profit | | 121,273 | 17,685 |
| Administration expenses | | (137,518) | (144,908) |
| Unrealised profit/(loss) on properties | 7 | 49,132 | (61,519) |
| Operating profit/(loss) | 8 | 32,887 | (188,742) |
| Investment income | 10 | 7 | 74 |
| Finance costs | 11 | (10,439) | (19,845) |
| Finance income | 12 | 4,338 | - |
| Profit/(loss) before tax | | 26,793 | (208,513) |
| Tax on profit/loss for the year | 13 | (11,314) | 41,196 |
| Profit/(loss) for the year | | 15,479 | (167,317) |
| Items that will not be reclassified subsequently to profit and loss | | | |
| Surplus/(deficit) on property revaluation | | 197,386 | (224,518) |
| Actuarial gains/(losses) in defined benefit pension schemes | 37 | 4,392 | (561) |
| Income tax relating to items not re-classified | 13,23 | (72,567) | 48,104 |
| | | 129,211 | (176,975) |
| Items that may be reclassified subsequently to profit and loss | | | |
| Currency retranslation (losses)/gains | 14 | (13,914) | 4,777 |
| Other comprehensive income/expenditure for the year, net of tax | | (13,914) | 4,777 |
| | | 115,297 | (172,935) |
| Total comprehensive income/expenditure for the year | | 130,776 | (340,252) |

The notes on pages 21 to 63 form an integral part of these financial statements. Total comprehensive income/expenditure for both years is attributable solely to the shareholder of the company.

Dorchester Group Limited

Consolidated statement of financial position As at 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|--------------------------------|------|-------------------------|-------------------------|
| Non-current assets | | | |
| Goodwill | 15 | 21,396 | 24,418 |
| Other intangible assets | 16 | 4,913 | 6,214 |
| Property, plant and equipment | 17 | 1,745,156 | 1,564,143 |
| Right-of-use assets | 36 | 94,196 | 99,724 |
| Investment property | 18 | 193,782 | 183,048 |
| | | <u>2,059,443</u> | <u>1,877,547</u> |
| Current assets | | | |
| Inventories | 20 | 9,400 | 9,345 |
| Trade and other receivables | 21 | 34,312 | 28,661 |
| Cash and cash equivalents | 35 | 95,781 | 82,217 |
| | | <u>139,493</u> | <u>120,223</u> |
| Total assets | | <u><u>2,198,936</u></u> | <u><u>1,997,770</u></u> |
| Current liabilities | | | |
| Trade and other payables | 24 | 117,071 | 91,391 |
| Current tax liabilities | 25 | - | - |
| Lease liabilities | 36 | 6,112 | 5,865 |
| Financial liabilities | 22 | 41,466 | 41,229 |
| | | <u>164,649</u> | <u>138,485</u> |
| Net current liabilities | | <u>(25,156)</u> | <u>(18,262)</u> |
| Non-current liabilities | | | |
| Financial liabilities | 22 | 584,190 | 686,566 |
| Defined benefit liabilities | 37 | 6,905 | 12,220 |
| Deferred tax liabilities | 23 | 259,137 | 180,719 |
| Lease liabilities | 36 | 102,591 | 107,821 |
| Long-term provisions | 26 | 1,934 | 2,342 |
| | | <u>954,757</u> | <u>989,668</u> |
| Total liabilities | | <u><u>1,119,406</u></u> | <u><u>1,128,153</u></u> |
| Net assets | | <u><u>1,079,530</u></u> | <u><u>869,617</u></u> |

Dorchester Group Limited

Consolidated statement of financial position (continued)


As at 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---------------------|------|------------------|----------------|
| Equity | | | |
| Share capital | 27 | 199,710 | 120,009 |
| Share premium | 28 | 37,711 | 37,711 |
| Capital reserve | 29 | 17,787 | 18,349 |
| Revaluation reserve | 30 | 578,992 | 453,338 |
| Merger reserve | 31 | 93,437 | 93,437 |
| Translation reserve | 32 | 61,373 | 75,287 |
| Retained earnings | 33 | 90,520 | 71,486 |
| Total equity | | <u>1,079,530</u> | <u>869,617</u> |

The notes on pages 21 to 63 form an integral part of these financial statements.

The financial statements of Dorchester Group Limited (registered number 01823605) were approved by the Board of Directors and authorised for issue on 30 September 2022.

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


Dato Dr Amin Liew Abdullah
Chairman


Sofian bin Md Jani
Director

Dorchester Group Limited

Consolidated statement of changes in equity

| Note | 27 | 28 | 29 | 30 | 31 | 32 | 33 | |
|--|---------------------------|---------------------------|-----------------------------|---------------------------------|----------------------------|---------------------------------|-------------------------------|-----------------------|
| | Share capital £'000 | Share premium £'000 | Capital Reserve £'000 | Revaluation reserve £'000 | Merger reserve £'000 | Translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
| Balance at 1 January 2020 | 120,009 | 37,711 | 16,299 | 629,858 | 93,437 | 70,273 | 239,495 | 1,207,082 |
| Loss for the year | - | - | - | - | - | - | (167,317) | (167,317) |
| Other comprehensive income/(loss) for the year | - | - | - | (176,520) | - | 5,014 | (692) | (172,198) |
| Total comprehensive income for the year | - | - | - | (176,520) | - | 5,014 | (168,009) | (339,515) |
| Capital contributions | - | - | 2,050 | - | - | - | - | 2,050 |
| Balance at 31 December 2020 | 120,009 | 37,711 | 18,349 | 453,338 | 93,437 | 75,287 | 71,486 | 869,617 |
| Profit for the year | - | - | - | - | - | - | 15,479 | 15,479 |
| Other comprehensive income/(loss) for the year | - | - | 2 | 125,654 | - | (13,914) | 3,555 | 115,297 |
| Total comprehensive income/loss for year | - | - | - | 125,654 | - | (13,914) | 19,034 | 130,776 |
| Share issue | 79,701 | - | - | - | - | - | - | 79,701 |
| Capital contributions | - | - | (564) | - | - | - | - | (564) |
| Balance at 31 December 2021 | 199,710 | 37,711 | 17,787 | 578,992 | 93,437 | 61,373 | 90,520 | 1,079,530 |

The notes on pages 21 to 63 form an integral part of these financial statements.

Dorchester Group Limited
Consolidated cash flow statement
For the year ended 31 December 2021

Dorchester Group Limited

| | Note | Year ended 2021 £'000 | Year ended 2020 £'000 |
|---|--------|-----------------------------|-----------------------------|
| Profit/(loss) for the year before tax | | 26,793 | (208,513) |
| Adjustments for: | | | |
| Finance and investment income | 10 | (7) | (74) |
| Foreign exchange loss on financial liabilities | 12 | (4,338) | 2,796 |
| Finance costs | 11 | 10,439 | 16,344 |
| Depreciation of property, plant and equipment and right of use assets | 17, 36 | 29,083 | 29,019 |
| Amortisation of intangibles | 16 | 1,621 | 1,530 |
| Impairment of goodwill | 15 | - | 24,678 |
| Loss on disposals/write-offs of property, plant and equipment | 17 | 770 | 122 |
| (Increase)/decrease in fair value of investment property | 18 | (6,370) | 16,978 |
| (Increase)/decrease in provisions | | (923) | 110 |
| Revaluation (gain)/loss on hotel property | | (42,763) | 44,541 |
| Operating cash flows before movements in working capital | | 14,305 | (72,469) |
| (Increase)/decrease in inventories | | (55) | 415 |
| (Increase)/decrease in receivables | | (11,487) | 15,439 |
| Increase/(decrease) in payables | | 19,578 | (37,186) |
| Cash generated by operations | | 21,980 | (93,801) |
| Income taxes paid | | 4,757 | 4,495 |
| Net cash generated from operating activities | | 26,737 | (89,306) |
| Investing activities | | | |
| Interest received | 10 | 7 | 74 |
| Purchases of property, plant and equipment additions to investment properties and intangibles | | (13,641) | (25,738) |
| Net cash used in investing activities | | (13,634) | (25,664) |
| Financing activities | | | |
| Lease payments | | (875) | (472) |
| Loans advanced | | 4,228 | 85,664 |
| Repayment of loans and borrowings | | (1,037) | - |
| Net cash(used in)/generated from financing activities | | 2,316 | 85,192 |
| Net increase/(decrease) in cash and cash equivalents | | 15,418 | (29,778) |
| Cash and cash equivalents at beginning of year | | 82,217 | 111,289 |
| Effect of foreign exchange rate changes | | (1,854) | 706 |
| Cash and cash equivalents at end of year | | 95,781 | 82,217 |

The notes on pages 21 to 63 an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2021

1. General information

Dorchester Group Limited (the "company") is a company incorporated in the United Kingdom under the Companies Act 2006, and a limited liability company domiciled and registered in England and Wales. The address of the registered office is 3 Tilney Street, London, W1K 1BQ. The nature of the company and its subsidiaries' (together the "Group's") operations, its principal activities and business review are set out in the strategic report on page 3. Accounting policies have been applied consistently, other than where new policies have been adopted.

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

2. New standards and amendments

(a) New standards, amendments and interpretations effective from 1 January 2021

One new standard impacting the Group that has been adopted in the annual financial statements for the year ended 31 December 2021:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (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.

In the annual financial statements for the year ended 31 December 2021, the Group did not elect to utilise the practical expedient for all rent concessions that meet the criteria.

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.

On 31 March 2021, the IASB issued another amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment COVID-19-Related Rent Concessions.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

2. New standards and amendments (continued)

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

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).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Insurance Contracts (IFRS 17);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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.

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group will assess the impact of the final amendments to IAS 1 on classification of its liabilities once the those are issued by the IASB. The Group does not believe that the amendments to IAS 1, in their present form, 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 Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investment properties and land and buildings and are in accordance international accounting standards in conformity with the requirements of the Companies Act 2006. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies are set out below.

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

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

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

Basis of consolidation

The Group financial statements consolidate the financial statements of the Dorchester Group Limited and its subsidiary undertakings drawn up to 31 December each year. Control is achieved when the Company:

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

All subsidiaries are 100% owned either directly or indirectly.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group accounting policies.

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

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group and the Company will continue in operational existence for the foreseeable future. The company has the continuing support of its ultimate parent, the Brunei Investment Agency and the directors have considered the latter's ability to provide support. The Directors have reviewed the Group's budget for the next year and considered other plans, concluding that the Group is well placed to manage its business risks successfully. 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 both the Company and the Group's going concern analysis.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee benefits respectively.

Contribution of business by shareholder

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

Goodwill

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

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

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

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

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies (continued)

Revenue recognition

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

Revenue comprises:

- Income from the ownership and operation of hotels including room revenue, food and beverage, spa and events is recognised as the related services are provided.
- Rental income from investment properties and is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.
- Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

In the event costs are incurred in order to obtain new hotel management agreements the cost of consideration paid is deferred over the period for which the new hotel management agreement is granted and amortised over the minimum contract period.

Leases

The Group as a lessor

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

The Group as a lessee

Assets held under finance leases 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.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies (continued)

Leases (continued)

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.

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; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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

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

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

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

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

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

Dorchester Group Limited

Notes to the consolidated financial statements (continued) **For the year ended 31 December 2021**

Leases (continued)

- 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.

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

Foreign currencies

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

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

The assets and liabilities of foreign subsidiaries are translated into Sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate and matched long-term foreign currency borrowings are taken direct to translation reserve and reported in the statement of comprehensive income. The revenues and expenses of foreign subsidiaries are translated into Sterling at the average rate of exchange for the period.

Retirement benefit obligations

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in profit or loss if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the consolidated statement of financial position.

For defined contribution schemes the amount charged to profit or loss in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the consolidated statement of financial position.

Further information on pension arrangements is set out in note 37.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

Taxation

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

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

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

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

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

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

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Property, plant and equipment

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

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

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

No depreciation is provided on freehold land.

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

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

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.

Investment property

Investment property held by the Group is held to earn rentals and/or for capital appreciation. Investment property is stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. Investment property is initially recorded at cost along with any initial transaction charges. Details of valuations to determine fair value are given in note 18.

Intangible assets

Computer software is internally generated and is included in the consolidated 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 Group 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. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses.

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.

Trade and other receivables

Trade and other receivables are amounts due for services performed in the ordinary course of business, which generally have 30 day payment terms.

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. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS9 using a provision matrix in the determination of lifetime expected credit losses. During this process the probability of the non-payment of the trade receivable is assessed and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. Balances are written off when the receivable amount is deemed irrecoverable.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies (continued)

Cash and cash equivalents

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

Trade and other payables

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

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

Impairment

The carrying amounts of the Group's non-financial assets, excluding investment properties and land and buildings (as they are revalued regularly), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their net realisable value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Impairment is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets and liabilities

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. In the case of loans not at a market rate of interest, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies (continued)

Financial assets: Loans and receivables

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

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

Financial liabilities: Borrowings and payables

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with finance costs recognised over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Government grants

In the United Kingdom, the Company recognises an unconditional government grant related to the Coronavirus Job Retention Scheme when the grant becomes receivable. Government grants in France and Italy are also similarly recognised. Government grant revenues are netted off against costs.

In the United States, Employee Retention Credit (ERC) is a refundable credit for 70% of qualified wages paid by an Eligible Employer to employees from January through June 2021. Eligible wages include vacation, holiday, sick and any other wages paid when the employee is not performing a service up to the first \$10,000 in wages, resulting in a maximum credit of \$7,000 per employee, per quarter (Q1 & Q2 of 2021).

In France, under the 'Partial Activity Scheme' 70% of gross salary covered by government was in place from January to April, then 60% until December 2021, this subsidy indemnity is capped to a monthly salary of €4,454 per employee.

In Italy, up to 90% of wage costs are borne by the government and the scheme was in place January through October 2021; but with a cap of €1,128 on remuneration not greater than €2,149, and a cap of €1,355 on remuneration exceeding this cap.

In the United Kingdom, the government furlough scheme at 80% of wages up to maximum of £2,500 per person - Only confirmed by UK government until June 2021, 70% in July and 60% in August and September.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Investment property and 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 17 and 18).

Leases

The incremental borrowing rate used for leases is based on LIBOR plus an estimated risk premium.

Impairment

The Group determines whether goodwill is impaired on an annual basis. Other non-current assets are tested for impairment if there are indicators of impairment. Impairment testing requires an estimate of future cash flows and the choice of an appropriate discount rate (see note 15).

Depreciation and residual values

The Group reviews the asset lives and associated residual values of property, plant and equipment annually and have concluded that asset lives and residual values are appropriate (see note 17).

Income and deferred tax

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

Deferred tax 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 (see notes 13 and 23).

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 (see note 37).

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

5. Revenue

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

| | 2021 £'000 | 2020 £'000 |
|---|----------------|----------------|
| Hotel management and operations revenue | 246,065 | 111,759 |
| Property investment revenue | 17,242 | 17,156 |
| | <u>263,307</u> | <u>128,915</u> |

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

| | Revenue | | Operating Profit/(loss) | | Net Assets | |
|--|----------------|----------------|-------------------------|------------------|------------------|----------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Hotel Management and Operations | | | | | | |
| USA | 97,971 | 47,671 | 42,330 | (51,890) | 386,418 | 311,252 |
| Europe | 83,594 | 31,679 | (2,694) | (68,244) | 163,906 | 40,796 |
| United Kingdom | 64,500 | 32,408 | (20,761) | (34,134) | 314,592 | 344,711 |
| | <u>246,065</u> | <u>111,758</u> | <u>18,875</u> | <u>(154,268)</u> | <u>864,916</u> | <u>696,759</u> |
| Property investment: | | | | | | |
| USA | 17,242 | 17,157 | 14,012 | (9,796) | 214,614 | 197,536 |
| | <u>263,307</u> | <u>128,915</u> | <u>32,887</u> | <u>(164,064)</u> | <u>1,079,530</u> | <u>894,295</u> |

All the above derive from continuing operations.

7. Unrealised profit/(loss) on properties

| | 2021 £'000 | 2020 £'000 |
|--|---------------|-----------------|
| Unrealised profit/(loss) on revaluation of investment property | 6,370 | (16,978) |
| Unrealised profit/(loss) on revaluation of hotel property | 42,762 | (44,541) |
| | <u>49,132</u> | <u>(61,519)</u> |

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

8. Operating profit/(loss)

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Operating profit/(loss) is stated after charging/(crediting): | | |
| Auditors' remuneration | | |
| Fees payable to the company's auditors for the audit of the company's annual financial statements | 417 | 365 |
| Fees payable to the company's auditors and their associates for other services to the Group: The audit of the company's subsidiaries | 129 | 187 |
| Total audit fees: | 546 | 552 |
| Advisory services | 188 | 219 |
| Total non-audit fees: | 188 | 219 |
| Total auditors' remuneration: | 734 | 771 |
| Depreciation of property, plant and equipment | 22,235 | 21,980 |
| Amortisation of intangible assets | 1,621 | 1,530 |
| Amortisation of right of use assets | 6,849 | 7,038 |
| Rental under operating leases: | | |
| Receivable regarding hotel properties: Land and buildings | (2,258) | (2,291) |
| Contingent rentals receivable regarding hotel properties: Land and buildings | (75) | (61) |
| (Gain)/loss on disposal of fixed assets | (322) | 118 |
| Impairment of goodwill | - | 24,678 |

9. Staff costs

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Directors' remuneration | | |
| Directors' fees paid to ultimate parent | 120 | 120 |
| Remuneration of highest paid director | | |
| Fees paid to ultimate parent for services of Chairman | 50 | 50 |

No directors are paid salaries or have accrued any retirement benefits under either a defined benefit scheme or under a money purchase scheme (2020: None)

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

9. Staff costs (continued)

| | 2021 No. | 2020 No. |
|---|-----------------------|-----------------------|
| Average monthly number of persons employed excluding directors | | |
| Operations | 2,052 | 2,032 |
| Sales and marketing | 157 | 154 |
| Administration | 502 | 515 |
| | <u>2,711</u> | <u>2,701</u> |
| | 2021 £'000 | 2020 £'000 |
| Staff costs during the year excluding directors | | |
| Wages and salaries | 93,314 | 76,084 |
| Social security costs | 22,918 | 23,186 |
| Other pensions costs | 6,443 | 6,978 |
| | <u>122,675</u> | <u>106,248</u> |

10. Investment income

| | 2021 £'000 | 2020 £'000 |
|--------------------------------|-----------------------|-----------------------|
| Interest receivable on: | | |
| Bank deposits | 7 | 70 |
| Related party loans | - | 4 |
| | <u>7</u> | <u>74</u> |

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

11. Finance costs

| Finance costs | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Interest on related party loans | 6,493 | 13,033 |
| Pension deficit net charge | 108 | 167 |
| Interest payable expense on right of use assets | 3,668 | 3,849 |
| Others | 170 | - |
| Foreign exchange loss on loans | - | 2,796 |
| | <u>10,439</u> | <u>19,845</u> |

12. Finance income

| | 2021 £'000 | 2020 £'000 |
|--------------------------------|----------------|---------------|
| Foreign exchange gain on loans | <u>(4,338)</u> | <u>-</u> |

13. Tax on profit/loss for the year

| | 2021 £'000 | 2020 £'000 |
|---------------------------------------|---------------|-----------------|
| Total current year tax charge | 293 | 61 |
| Adjustments in respect of prior years | (5) | (1,220) |
| Foreign tax | 1,153 | (9,483) |
| Total current tax charge/(credit) | <u>1,442</u> | <u>(10,643)</u> |
| Total deferred tax charge/(credit) | 10,799 | (35,884) |
| Adjustments in respect of prior years | (926) | 5,330 |
| Deferred tax charge/credit (note 23) | <u>9,873</u> | <u>(30,554)</u> |
| Total tax charge/(credit) | <u>11,314</u> | <u>(41,196)</u> |

UK corporation tax is calculated at 19% (2020: 19 %) of the estimated taxable profit for the year.

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

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

13. Tax on profit/loss for the year (continued)

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

| | 2021 £'000 | 2020 £'000 |
|--|---------------|-----------------|
| Profit/(loss) before tax | 26,793 | (208,513) |
| Tax based on the UK corporation tax rate of 19% (2020: 19 %) | 5,091 | (39,617) |
| Tax effect of expenses that are not deductible in determining taxable profit | 1,120 | 4,074 |
| Movement due to changes in tax rates | (3,390) | 1,495 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 3,146 | (7,200) |
| Non-taxable income | (2,562) | (1,238) |
| WHT suffered | 47 | 61 |
| Local taxes | (78) | (98) |
| Impairment of goodwill | - | 4,689 |
| Covid19 tax relief on losses | - | (4,968) |
| Other net permanent differences | 291 | (923) |
| Adjustments in respect of prior years | (930) | (1,178) |
| Change in unrecognised deferred tax assets | 8,579 | 3,707 |
| Total tax charge/(credit) for the year | <u>11,314</u> | <u>(41,196)</u> |

Finance No. 2 Bill 2021, which became substantially enacted on 24 May 2021, increased the main rate of UK corporation tax to 25%, with effect from 1 April 2023. Deferred taxes at the balance sheet date have been measured using this enacted rate and reflected in these financial statements.

| | 2021 £'000 | 2020 £'000 |
|---|---------------|-----------------|
| Deferred tax | | |
| Arising on income and expenses recognised in other comprehensive income | | |
| Revaluation of properties | 71,732 | (47,997) |
| Defined benefit liability | 837 | (107) |
| Total income tax recognised in other comprehensive income | <u>72,569</u> | <u>(48,104)</u> |

The effect of deferred tax only current year movements primarily refers to the recognition of deferred tax assets arising from current year trading losses.

14. Exchange differences relating to components of other comprehensive income

This comprises amounts representing the movement in values of revaluation surpluses and deficits of properties held in foreign countries in their local currencies, when translated into sterling at the financial year end.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

15. Goodwill

| | Cost £'000 |
|----------------------------|---------------|
| As at 1 January 2020 | 46,632 |
| Foreign exchange movements | 2,464 |
| Impairment of goodwill | (24,678) |
| As at 31 December 2020 | 24,418 |
| Foreign exchange movements | (3,022) |
| As at 31 December 2021 | 21,396 |

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

| | 2021 £'000 | 2020 £'000 | 2019 £'000 |
|---------------------------------|---------------|---------------|---------------|
| Hotel Plaza Athenee, France | 11,353 | 12,159 | 11,490 |
| Hotel Principe di Savoia, Italy | - | - | 23,321 |
| Hotel Eden, Italy | 10,043 | 12,259 | 11,821 |
| | 21,396 | 24,418 | 46,632 |

At the year end, goodwill was reviewed for impairment in accordance with IAS 36 Impairment of Assets. A value in use was calculated on the basis of discounted future cash flows arising in each relevant CGU, which is then compared to the carrying value of the CGU to determine if impairment has occurred. Cash flow forecasts derived from business plans over a 5 year period, followed by 5 years assuming a long term growth rate of 1.99% (2020:1.99%) per annum were used. Discount rates of 6.29% (2020:6.41%) for Hotel Plaza Athenee, and 6.81% (2020:6.89%) for Hotel Eden were used to arrive at the value in use for each of the CGUs. The discount rates applied are based on advice from external valuers. The Directors consider the assumptions to be reasonable based on the historic performance of each CGU and to be realistic in light of economic and industry forecasts.

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

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

16. Other intangible assets

| | Computer software £'000 | Hotel Eden Trademark £'000 | Total £'000 |
|---------------------------------|-------------------------------|----------------------------------|-----------------|
| Cost | | | |
| At 1 January 2020 | 16,543 | 791 | 17,334 |
| Additions | 550 | - | 550 |
| Foreign exchange | 72 | 100 | 172 |
| At 31 December 2020 | 17,165 | 891 | 18,056 |
| At 1 January 2021 | 17,165 | 891 | 18,056 |
| Additions | 657 | - | 657 |
| Foreign exchange | (110) | - | (110) |
| At 31 December 2021 | 17,712 | 891 | 18,603 |
| Accumulated amortisation | | | |
| At 1 January 2020 | (10,195) | - | (10,195) |
| Charge | (1,530) | - | (1,530) |
| Foreign exchange | (117) | - | (117) |
| At 31 December 2020 | (11,842) | - | (11,842) |
| At 1 January 2021 | (11,842) | - | (11,842) |
| Charge | (1,621) | - | (1,621) |
| Foreign exchange | (227) | - | (227) |
| At 31 December 2021 | (13,690) | - | (13,690) |
| Carrying amount | | | |
| At 31 December 2021 | 4,022 | 891 | 4,913 |
| At 31 December 2020 | 5,323 | 891 | 6,214 |

The amortisation charge and foreign exchange movement is included in administration expenses in the consolidated statement of comprehensive income.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

17. Property, plant and equipment

| | Land and buildings £'000 | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Assets under construction £'000 | Total £'000 |
|---------------------------------------|--------------------------------|---------------------------------|---|---------------------------------------|------------------|
| Cost or valuation | | | | | |
| At 1 January 2020 | 1,674,892 | 151,486 | 257,776 | 17,621 | 2,101,775 |
| Capital additions | 2,499 | 4,750 | 8,330 | 4,900 | 20,479 |
| Transfers | 7,025 | 3,156 | 7,574 | (17,755) | - |
| Disposals/write-offs | (171) | (1,523) | (3,724) | - | (5,418) |
| Revaluation | (270,067) | - | - | - | (270,067) |
| Foreign exchange | 33,367 | 5,020 | 7,353 | 676 | 46,416 |
| At 31 December 2020 | 1,447,545 | 162,889 | 277,309 | 5,442 | 1,893,185 |
| Capital additions | 1,199 | 1,436 | 6,209 | 2,274 | 11,118 |
| Transfers | - | 4,519 | 1,138 | (5,657) | - |
| Disposals/write-offs | (359) | (120) | (1,960) | - | (2,439) |
| Revaluation | 239,538 | - | - | - | 239,538 |
| Foreign exchange | (42,150) | (6,649) | (10,303) | (288) | (59,391) |
| At 31 December 2021 | 1,645,773 | 162,075 | 272,393 | 1,771 | 2,082,012 |
| Accumulated depreciation | | | | | |
| At 1 January 2020 | (434) | (100,146) | (203,595) | - | (304,175) |
| Charge | (1,088) | (8,631) | (12,261) | - | (21,980) |
| Disposals/write-offs | 108 | 1,501 | 3,687 | - | 5,296 |
| Revaluation | 1,008 | - | - | - | 1,008 |
| Foreign exchange | (1) | (3,851) | (5,339) | - | (9,191) |
| At 31 December 2020 | (407) | (111,127) | (217,508) | - | (329,042) |
| Charge | (969) | (10,400) | (10,866) | - | (22,235) |
| Transfers | - | - | - | - | - |
| Disposals/write-offs | 27 | 110 | 1,532 | - | 1,669 |
| Revaluation | 694 | - | - | - | 694 |
| Foreign exchange | 218 | 4,227 | 7,613 | - | 12,058 |
| At 31 December 2021 | (437) | (117,190) | (219,229) | - | (336,856) |
| Carrying amount Net book value | | | | | |
| At 31 December 2021 | 1,645,336 | 44,885 | 53,164 | 1,771 | 1,745,156 |
| At 31 December 2020 | 1,447,138 | 51,762 | 59,801 | 5,442 | 1,564,143 |

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

17. Property, plant and equipment (continued)

The net book value of land and buildings comprise:

| | 2021 £'000 | 2020 £'000 |
|----------------|------------------|------------------|
| Freehold | 1,645,116 | 1,446,920 |
| Long leasehold | 220 | 220 |
| | <u>1,645,336</u> | <u>1,447,140</u> |

The Group's freehold land and buildings are stated at their revalued amounts, being the open market fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The open market fair value measurements of the Group's land and buildings were revalued at 31 December 2021 by HVS, independent valuers not connected with the Group who are qualified for the purpose of the valuation in accordance with the RICS Red Book.

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

The Group's freehold land and buildings have been classified as Level 3 within the fair value hierarchy as at 31 December 2021.

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

| Assumption | Change in assumption % | Impact on valuation | |
|---------------------|------------------------|---------------------|-------------------|
| | | Increase £'000 | Decrease £'000 |
| Discount rate | Increase by +1% | | 141,000 |
| Discount rate | Decrease by -1% | 138,000 | |
| Capitalisation rate | Increase by +1% | | 38,000 |
| Capitalisation rate | Decrease by -1% | 484,000 | |
| Cash flow | Increase by +5% | 266,000 | |
| Cash flow | Decrease by -5% | | 266,000 |

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

17. Property, plant and equipment (continued)

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

At 31 December 2021, had the land and buildings other than investment property of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £1.6 billion (2020: £1 billion).

The revaluation surplus is disclosed in note 30. The revaluation surplus arises in subsidiaries and cannot be distributed to the parent due to legal restrictions in the countries of incorporation.

18. Investment property

| | 2021 £'000 | 2020 £'000 |
|---|----------------|----------------|
| Fair value: | | |
| At 1 January | 183,048 | 201,129 |
| Additions | 1,867 | 4,709 |
| Revaluation | 6,370 | (16,978) |
| Foreign exchange translation differences | 2,497 | (5,812) |
| At 31 December | <u>193,782</u> | <u>183,048</u> |
| Lease incentives within debtors (note 21) | 4,045 | 3,958 |
| Fair value per valuation report | <u>197,827</u> | <u>187,006</u> |

All of the Group's investment properties are overseas freehold properties. The comparable cost of the investment properties according to the historical cost convention at current exchange rates was £ 139,372,882 (2020: £138,674,000).

Dorchester Group Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

18. Investment property (continued)

The fair value of the Group's investment property at 31 December 2021 has been arrived at on the basis of an open market valuation carried out at that date by CBRE (USA) on one property and JLL on another property, both of whom are independent valuers not connected with the Group. The valuations conform to International Valuation Standards. The fair value was determined based on the income capitalisation approach which involves applying a yield to rental income streams. Inputs include yield, current rent and estimated rental values. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The investment properties have been classified as Level 3 within the fair value hierarchy as at 31 December 2021. There were no transfers into/out of level 3 in the year (2020: nil). All movements are taken to the statement of comprehensive income.

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

| Assumption | Change in assumption % | Impact on valuation | |
|---------------------|------------------------|---------------------|-------------------|
| | | Increase £'000 | Decrease £'000 |
| Discount rate | Increase by +1% | | 25,265 |
| Discount rate | Decrease by -1% | 6,968 | |
| Capitalisation rate | Increase by +1% | | 33,294 |
| Capitalisation rate | Decrease by -1% | 20,737 | |
| Cash flow | Increase by +5% | 1,889 | |
| Cash flow | Decrease by -5% | | 1,889 |

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

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £17,242,000 (2020: £17,156,000). Direct operating expenses (including repairs and maintenance) arising on the investment property, all of which generated rental income in the year, amounted to £9,763,513 (2020: £9,255,000). The Group has committed to capital expenditure on its investment properties over the next year three years of £12,610,000 (2020: £9,934,000).

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

19. Subsidiaries

The company and the Group have investments in the following subsidiary undertakings:

| Subsidiary undertakings | Principal activity | Principal place of business | Registered office Address | Shareholding and percentage voting rights |
|-----------------------------|---------------------|-----------------------------|---|---|
| Dorchester Hotel Limited | Hotel operations | United Kingdom | 53 Park Lane, London, W1A 2HJ | 100% (Direct) |
| The Dorchester Limited | Finance company | United Kingdom | 53 Park Lane, London, W1A 2HJ | 100% (Direct) |
| Dorchester Services Limited | Hotel management | United Kingdom | 3 Tilney Street, London, W1K 1BQ | 100% (Direct) |
| Coworth Park Limited | Hotel management | United Kingdom | 3 Tilney Street, London, W1K 1BQ | 100% (Direct) |
| Meurice Limited | Hotel investment | United Kingdom | 3 Tilney Street, London, W1K 1BQ | 100% (Direct) |
| Principe di Savoia Limited | Hotel investment | United Kingdom | 3 Tilney Street, London, W1K 1BQ | 100% (Direct) |
| Hotel Plaza Athence Limited | Hotel investment | United Kingdom | 3 Tilney Street, London, W1K 1BQ | 100% (Direct) |
| Kava Holdings LLC | Hotel operations | USA | 701, Stone Canyon Road, Los Angeles, California 90077 | 100% (Indirect) |
| Sajahtera Inc | Hotel operations | USA | 9641, Sunset Boulevard, Beverly Hills, California 90210 | 100% (Direct) |
| Aman Inc | Investment property | USA | 874 Walker Road, Suite C, Dover (Kent County), Delaware 19904 | 100% (Indirect) |
| Raqib Inc | Investment property | USA | 874 Walker Road, Suite C, Dover (Kent County), Delaware 19904 | 100% (Indirect) |
| Meurice SpA | Hotel operations | Italy | Via XX Settembre 3, Turin | 100% (Indirect) |
| Principe di Savoia srl | Hotel operations | Italy | Piazza della Repubblica 17, Milan | 100% (Indirect) |
| Hotel Eden srl | Hotel operations | Italy | Via Ludovico 49 Rome | 100% (Direct) |
| Hotel Plaza Athence SA | Hotel operations | France | 25 avenue Montaigne, 75008 Paris | 100% (Indirect) |
| Plaza Athence Holdings SA | Hotel investment | France | 23 to 27, avenue Montaigne, 75008 Paris | 100% (Indirect) |
| Dorchester Services Inc | Dormant | USA | 874 Walker Road, Suite C, Dover (Kent County), Delaware 19904 | 100% (Indirect) |

20. Inventories

| | 2021 £'000 | 2020 £'000 |
|------------------|---------------|---------------|
| Consumables | 2,728 | 3,017 |
| Goods for resale | 6,672 | 6,328 |
| | <u>9,400</u> | <u>9,345</u> |

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

The cost of inventories recognised as an expense during the year in respect of continuing operations was £23m (2020: £12m).

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

21. Trade and other receivables

Due within one year

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Trade debtors | 15,415 | 7,533 |
| Provision for bad debts | (1,331) | (1,321) |
| Net trade debtors | 14,084 | 6,212 |
| Other debtors | 3,870 | 2,371 |
| Overseas corporation tax receivable | 4,366 | 10,175 |
| VAT | 449 | - |
| UK corporation tax receivable | - | 388 |
| Fellow subsidiaries | (213) | - |
| Investment property lease incentives (see note 18) | 4,045 | 3,958 |
| Prepayments and accrued income | 7,711 | 5,557 |
| | <u>34,312</u> | <u>28,661</u> |

The Group applies the simplified approach, using a provision matrix, to measure the expected credit losses for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit loss experience and are adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Trade debtors that are not impaired

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

| | 2021 £'000 | 2020 £'000 |
|-------------------------------|---------------|---------------|
| Neither past due nor impaired | 8,009 | 3,692 |
| Less than 1 month past due | 3,483 | 517 |
| 1 to 3 months past due | 747 | 219 |
| More than 3 months past due | 1,845 | 1,784 |
| Total | <u>14,084</u> | <u>6,212</u> |

The Group believes that no impairment allowance is necessary in respect of trade debtors as these are substantially companies with good collection track record and no recent history of default, hence the expected credit loss is not material.

Due after more than one year

No prepayments or accrued income due after one year (2020: Nil)

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

| | | |
|--|-----------------------|-----------------------|
| 22. Financial liabilities | 2021 | 2020 |
| | £'000 | £'000 |
| Included within current liabilities | | |
| Loans from parent undertakings: | | |
| Unsecured, subordinated and interest free | 22,709 | 18,521 |
| Unsecured, subordinated and interest bearing | 18,757 | 22,708 |
| | <u>41,466</u> | <u>41,229</u> |
| Included within non-current liabilities | | |
| Loans from fellow subsidiary undertakings: | | |
| Unsecured, subordinated and interest free | 385,345 | 484,311 |
| Unsecured, subordinated and interest bearing | 182,223 | 184,687 |
| External Loans | 16,622 | 17,568 |
| | <u>584,190</u> | <u>686,566</u> |
| Total Borrowings | <u>625,656</u> | <u>727,795</u> |

The interest bearing loans from the parent company and fellow subsidiary undertakings of the Brunei Investment Agency ("BIA") bear interest at both fixed and floating rates. The weighted average year end interest rate for these loans was 2.88% (2020: 2.88%).

External loans relate to Covid-19 related lower interest loans secured with assistance from the governments of the United States and France which range from zero to 0.51% interest.

| | | |
|--------------------------------|----------------|----------------|
| | 2021 | 2020 |
| | £'000 | £'000 |
| Loans maturing between: | | |
| Within 1 year | 41,466 | 41,229 |
| 1 to 2 years amount to | 584,190 | 686,566 |
| | <u>625,656</u> | <u>727,795</u> |

Interest free loans maturing between 1-2 years have been discounted at a market rate of interest of 2%.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

23. Deferred tax

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

| | Land and buildings Accelerated tax depreciation £'000 | Land and buildings Capital Gains £'000 | Pension £'000 | Tax losses £'000 | Other temporary differences £'000 | Total £'000 |
|---|--|--|---------------------|----------------------|--|-------------------------|
| (Liability)/asset at 1 January 2020 | (146,182) | (157,716) | 1,545 | 50,016 | (2,264) | (254,601) |
| Credit/(charge)/credit to profit or loss | (10,901) | 16,649 | (34) | 24,702 | 138 | 30,554 |
| Credit to other comprehensive income | - | 47,737 | 260 | - | 107 | 48,104 |
| Exchange differences | (3,559) | (3,480) | 8 | 2,733 | (478) | (4,776) |
| At 31 December 2020 | <u>(160,642)</u> | <u>(96,810)</u> | <u>1,779</u> | <u>77,451</u> | <u>(2,497)</u> | <u>(180,719)</u> |
| (Charge)/credit to profit or loss | 38,950 | (42,650) | (37) | (10,850) | 4,715 | (9,872) |
| (Charge)/credit to comprehensive income | - | (72,373) | (589) | - | 393 | (72,569) |
| Exchange differences | 8,965 | (2,428) | (8) | (2,949) | 443 | 4,023 |
| At 31 December 2021 | <u><u>(113,316)</u></u> | <u><u>(214,261)</u></u> | <u><u>1,145</u></u> | <u><u>63,652</u></u> | <u><u>3,054</u></u> | <u><u>(259,137)</u></u> |

No deferred tax asset has been recognised in respect of tax losses of £95,818,000 (2020: £25,842,000) as it is not considered probable that there will be future taxable profits available against which to offset them. These losses principally relate to Italy in which there are trapped losses of £88,711,000 (2020: £25,653,000) which cannot currently be utilised by the Group.

No deferred tax liability is recognised on temporary differences of £377m (2020: £284 m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

24. Trade and other payables

| | 2021 | 2020 |
|--|----------------|---------------|
| | £'000 | £'000 |
| Due within one year | | |
| Amounts owed to ultimate parent undertakings | 42,938 | 39,395 |
| Trade creditors | 15,124 | 9,931 |
| Other creditors | 1,359 | 650 |
| Accruals, deferred income and guest deposits | 48,659 | 32,646 |
| Capital accruals | 311 | 4,661 |
| VAT and other sales taxes | 3,551 | (330) |
| PAYE and other payroll taxes | 5,129 | 4,438 |
| | <u>117,071</u> | <u>91,391</u> |

25. Current tax liabilities

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Amounts due for UK corporation tax | - | - |
| Amounts due for Overseas corporation tax | - | - |
| | <u>-</u> | <u>-</u> |

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

26. Provisions

| | £'000 |
|--|-------|
| Balance at 1 January 2020 | 1,876 |
| Utilisation | (767) |
| Charged to consolidated income statement | 1,198 |
| Foreign exchange gain | 35 |
| Balance at 31 December 2020 | 2,342 |
| Utilisation | (573) |
| Charged to consolidated income statement | 263 |
| Foreign exchange gain | (98) |
| Balance at 31 December 2021 | 1,934 |

These provisions relate to potential payments in respect of a number of outstanding claims in the European and US hotels and are analysed below. It is expected that the provisions will be settled between one to two years at the amounts provided.

Analysis of provisions at 31 December 2021

| | £'000 |
|---|-------|
| Legal fees regarding employment matters | 1,282 |
| Other | 652 |
| Balance at 31 December 2021 | 1,934 |

27. Share capital

| Called up share capital: | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Authorised: | | |
| 200,000,000 Ordinary shares of £1 each | 200,000 | 200,000 |
| | | |
| | 2021 £'000 | 2020 £'000 |
| Allotted, called up and fully paid: | | |
| 199,710,427 (2020: 120,009,427) Ordinary shares of £1 each | 199,710 | 120,009 |

During the financial year, the Company issued 79,701,000 ordinary shares of £1 each in consideration for a receivable assigned to the Company by its immediate controlling party.

28. Share premium

Movements in share premium are included in the consolidated statement of changes in equity on page 19.

29. Capital reserve

Movements on capital reserve are shown in the consolidated statement of changes in equity on page 19. The reserves represent the capital contributions arising from the fair value adjustments to the interest free loans made to the Group.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

30. Revaluation reserve

| | Land and buildings £'000 |
|--|--------------------------------|
| Balance at 1 January 2020 | 629,858 |
| Revaluation increase on land and buildings | (224,518) |
| Deferred tax charge arising on revaluation of land and buildings | 47,998 |
| Balance at 31 December 2020 | <u>453,338</u> |
| Revaluation decrease on land and buildings | 197,386 |
| Deferred tax credit arising on revaluation of land and buildings | (71,732) |
| Balance at 31 December 2021 | <u><u>578,992</u></u> |

31. Merger reserve

Merger reserve comprises amounts recorded under merger accounting upon the acquisition of Sajahtera Inc and Kava Holdings LLC. Movements in merger reserve are included in the consolidated statement of changes in equity on page 19.

32. Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. Movements on translation reserve are shown in the consolidated statement of changes in equity on page 19.

33. Retained earnings

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

34. Dividends paid

No dividends were paid in 2021 (2020: nil).

35. Notes to the cash flow statement

| Cash and cash equivalents | 2021 £'000 | 2020 £'000 |
|---------------------------|---------------|---------------|
| Cash and bank balances | 95,781 | 82,217 |
| | <u>95,781</u> | <u>82,217</u> |

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

Non-cash transactions

During the year most of the intergroup interest payable of £6,493,000, as well as intergroup lease liabilities of £8,170,000 were not paid, but were instead added to the existing balance of intergroup liabilities. No receipts or payments with respect to intergroup loans were made during the year. The majority of the residual movement related to foreign exchange movements. During the year the Company issued 79,701,000 ordinary shares of £1 each in consideration for a receivable assigned to the Company by its immediate controlling party as disclosed in Note 27 to the financial statements by capitalising loans from parent company amounted to £78,105,000. No receipts or payments with respect to share issued during the year. The residual balance related to foreign exchange movements.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

35. Notes to the cash flow statement

| | Non-current loans and borrowings | Current loans and borrowings | Total |
|----------------------------------|--|------------------------------------|----------------|
| | 2021 £'000 | 2021 £'000 | £'000 |
| As at 1 January 2021 (note 22) | 686,566 | 41,229 | 727,795 |
| Cash flows | | | |
| - New third party loans | 4,139 | - | 4,139 |
| - New intergroup loans | 7,686 | - | 7,686 |
| Non cash flows | | | |
| - Fair value changes | 7,877 | - | 7,877 |
| - forex | (43,972) | 237 | (43,735) |
| - loans capitalisation | (78,105) | - | (78,105) |
| As at 31 December 2021 (note 22) | <u>584,191</u> | <u>41,466</u> | <u>625,657</u> |

| | Non-current loans and borrowings | Current loans and borrowings | Total |
|-------------------------------------|--|------------------------------------|----------------|
| | 2020 £'000 | 2020 £'000 | £'000 |
| As at 1 January 2020 (note 22) | 529,312 | 79,739 | 609,051 |
| Cash flows | | | |
| - New third party loans | 17,567 | - | 17,567 |
| - New intergroup loans | 68,096 | - | 68,096 |
| Non cash flows | | | |
| - Fair value changes | 6,661 | - | 6,661 |
| - forex | 27,290 | (622) | 26,667 |
| - loans reclassified as non-current | 37,640 | (37,888) | (248) |
| As at 31 December 2020 (note 22) | <u>686,566</u> | <u>41,229</u> | <u>727,795</u> |

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

36. Leases

| Right-of-Use Assets | Land and buildings £'000 | Plant, machinery and vehicles £'000 | Total £'000 |
|-----------------------------------|--------------------------------|--|----------------|
| At 1 January 2020 | 101,302 | 298 | 101,600 |
| Additions | 1,387 | 278 | 1,665 |
| Amortisation | (6,860) | (179) | (7,039) |
| Disposals | (162) | (81) | (243) |
| Variable lease payment adjustment | 1,829 | 47 | 1,876 |
| Foreign exchange movements | 1,841 | 24 | 1,865 |
| At 31 December 2020 | <u>99,337</u> | <u>387</u> | <u>99,724</u> |

| Right-of-Use Assets | Land and buildings £'000 | Plant, machinery and vehicles £'000 | Total £'000 |
|-----------------------------------|--------------------------------|--|----------------|
| At 1 January 2021 | 99,337 | 387 | 99,724 |
| Additions | 3,536 | 374 | 3,910 |
| Amortisation | (6,407) | (442) | (6,849) |
| Disposals | (477) | - | (477) |
| Variable lease payment adjustment | (2,394) | - | (2,394) |
| Foreign exchange movements | 282 | - | 282 |
| At 31 December 2021 | <u>93,877</u> | <u>319</u> | <u>94,196</u> |

| Lease Liabilities | Land and buildings £'000 | Plant, machinery and vehicles £'000 | Total £'000 |
|-----------------------------------|--------------------------------|--|------------------|
| At 1 January 2020 | (116,003) | (253) | (116,256) |
| Additions | (1,387) | (278) | (1,664) |
| Interest expense | (3,849) | - | (3,849) |
| Variable lease payment adjustment | (121) | - | (121) |
| Lease payments | 10,008 | 202 | 10,210 |
| Foreign exchange movements | (2,158) | - | (2,158) |
| Disposals | 222 | (70) | 152 |
| At 31 December 2020 | <u>(113,288)</u> | <u>(399)</u> | <u>(113,687)</u> |

Dorchester Group Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2021

36. Leases (continued)

| Lease Liabilities | Land and buildings £'000 | Plant, machinery and vehicles £'000 | Total £'000 |
|-----------------------------------|--------------------------------|--|------------------|
| At 1 January 2021 | (113,288) | (399) | (113,687) |
| Reclassification | (54) | 54 | - |
| Additions | (3,536) | (374) | (3,910) |
| Interest expense | (3,611) | (34) | (3,645) |
| Variable lease payment adjustment | 3,183 | 6 | 3,189 |
| Lease payments | 8,806 | 239 | 9,045 |
| Foreign Exchange | (257) | - | (257) |
| Disposals | 561 | - | 561 |
| At 31 December 2021 | <u>(108,196)</u> | <u>(507)</u> | <u>(108,703)</u> |

| Lease Liabilities | 2021 £'000 | 2020 £'000 |
|--|----------------|----------------|
| Amounts due within one year (current) | 6,112 | 5,865 |
| Amounts due after more than one year (non-current) | 102,591 | 107,821 |
| | <u>108,703</u> | <u>113,686</u> |

Maturity Analysis

The Group as a lessee

Maturity analysis- contractual undiscounted

| | 2021 | | 2020 | |
|--------------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | Land and buildings £'000 | Other £'000 | Land and buildings £'000 | Other £'000 |
| Operating leases which expire: | | | | |
| Within one year | 10,355 | 560 | 9,542 | 761 |
| Between one and five years | 32,983 | 808 | 32,543 | 948 |
| After five years | 119,872 | - | 131,936 | 4 |
| | <u>163,210</u> | <u>1,368</u> | <u>174,021</u> | <u>1,713</u> |

The Group leases hotel properties as well as office premises in the United Kingdom and France. A number of land and building lease commitments are subject to indexation and in some circumstances there are variable lease payments that are based on the hotels' performance.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

36. Leases (continued)

The Group as a lessor

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

Hotel properties

| Operating leases which expire: | 2021 £'000 | 2020 £'000 |
|--------------------------------|---------------|---------------|
| Within one year | 680 | 1,327 |
| Between one and five years | 1,323 | 3,708 |
| After five years | 46 | 120 |
| | <u>2,049</u> | <u>5,155</u> |

Investment properties

| Operating leases which expire: | 2021 £'000 | 2020 £'000 |
|--------------------------------|---------------|---------------|
| Within one year | 11 | 249 |
| Between one and five years | 15,359 | 19,167 |
| After five years | 48,742 | 42,915 |
| | <u>64,112</u> | <u>62,331</u> |

37. Retirement benefit schemes

The Group operates two pension schemes in the UK. One is a defined benefit scheme, which is closed to new entrants, and the other is a defined contribution scheme.

Defined contribution scheme

The company operates a defined contribution scheme for which the Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The pension cost charged for and paid for the year amounted to £952,093 (2020: £1,021,000).

Defined benefit scheme

The pension liabilities are as follows:

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| UK Pension scheme (see below) | 3,209 | 8,488 |
| French state pension scheme termination indemnity | 2,434 | 2,334 |
| Italian state pension scheme termination indemnity | 1,262 | 1,398 |
| | <u>6,905</u> | <u>12,220</u> |

Pension arrangements in France and Italy are through the state scheme but the employers have deferred retirement liabilities in the form of termination indemnities.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

37. Retirement benefit schemes (continued)

Pension scheme in the UK

The company operates a funded pension scheme in the UK providing benefits based on final pensionable pay. The policy for accounting for pensions is included in note 3. The assets of the scheme are held separately from those of the company, being invested in investment management funds. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The pension scheme was closed to future accrual, effective March 31st 2021. This resulted in a curtailment gain which was recognised in the statement of comprehensive income.

The pension scheme typically exposes the Group 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 April 6th 2020, 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 4% per annum, that salary increases would average 4.45% per annum and that a proportion of members would withdraw from service each year other than by retirement.

The pension charge under this scheme for the year includes current service costs of £15,000 (2020: £167,000), and the total included in finance costs was £ 108,000 (2020: £167,000). The most recent actuarial valuation showed that the market value of the schemes assets was £34,390,000 giving a funding level of 92% (2020: 80%).

Actuarial assumptions

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

| | 2021 | 2020 |
|---|------|------|
| | % | % |
| Discount rate for plan liabilities | 1.8 | 1.2 |
| Rate of inflation (RPI) | 3.5 | 3.1 |
| Rate of inflation (CPI) | 2.6 | 2.2 |
| Rate of increase in salaries | 4.0 | 3.6 |
| Rate of increase of pensions in payment | 3.4 | 3.0 |

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

37. Retirement benefit schemes (continued)

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

| | 2021 | | 2020 | |
|---|------|--------|------|--------|
| | Male | Female | Male | Female |
| Member age 65 (current life expectancy) | 21.0 | 23.4 | 21.2 | 23.6 |
| Member age 45 (life expectancy at age 65) | 22.2 | 24.9 | 22.6 | 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 % | | 6.80 |
| Discount rate | Decrease by 0.5% | 7.14 | |
| Rate of inflation | Increase by 0.5% | 2.50 | |
| Rate of inflation | Decrease by 0.5% | | 2.53 |
| Rate of mortality | Increase by 1 year | 5.62 | |
| Rate of mortality | Decrease by 1 year | | 5.43 |

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 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.

Balance sheet disclosure

| | 2021 | 2020 |
|---|---------------------|---------------------|
| | Fair value £'000 | Fair value £'000 |
| Equity | 11,290 | 9,078 |
| Liability driven investments | 7,513 | 8,111 |
| Diversified growth fund | 8,482 | 8,107 |
| Absolute return bond fund | 5,273 | 5,340 |
| Net current assets | 1,832 | 2,426 |
| Total market value of assets | 34,390 | 33,062 |
| Present value of scheme liabilities | (37,599) | (41,550) |
| Deficit in the pension plan/pension liability | (3,209) | (8,488) |

No property occupied by, or other assets used by the Group are held by the scheme. No amounts are included in the scheme's assets in respect of shares of the company. Virtually all equity and debt instruments have quoted prices in active markets.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

37. Retirement benefit schemes (continued)

Amounts recognised in income are as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---------------------|---------------------|
| Analysis of the amount charged to administration expenses | | |
| Current service cost | (15) | (167) |
| Administration costs | (190) | (195) |
| Total charge to administration expenses | <u>(205)</u> | <u>(362)</u> |
| Analysis of the amount charged to finance costs | | |
| Expected return on plan assets | 543 | 630 |
| Settlement costs | (248) | - |
| Interest cost on plan liabilities | (651) | (797) |
| Net charge/credit to finance costs | <u>(356)</u> | <u>(167)</u> |
| Total charge to income for the year | <u><u>(561)</u></u> | <u><u>(529)</u></u> |

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

| | 2021 £'000 | 2020 £'000 |
|--|---------------------|---------------------|
| Gains on scheme assets in excess of interest | 1,059 | 2,543 |
| Experience loss arising on plan liabilities | - | (1,315) |
| Gains from changes to demographic assumptions | 512 | 3,210 |
| Gains/(losses) from changes to financial assumptions | 2,821 | (4,999) |
| Total actuarial gain/(loss) recognised in other comprehensive income | <u><u>4,392</u></u> | <u><u>(561)</u></u> |

The gain on scheme assets in excess of interest of £1,059,000 (2020: £2,543,000) is 3.08% (2020: 7.69%) of the plan assets as at 31 December 2021. The total actuarial gain of £2,821 represents 7.5% of the present value of scheme liabilities as at 31 December 2021. The cumulative amount of actuarial gains and losses recognised in other comprehensive income since the date of transition to IFRS is a £2,295,000 net loss (2020: £6,687,000 net loss).

Analysis of movement in the present value of defined benefit obligations

| | 2021 £'000 | 2020 £'000 |
|----------------------------------|------------------------|------------------------|
| As at 1 January | (41,550) | (38,453) |
| Current service cost | (15) | (167) |
| Member contributions | (7) | (29) |
| Interest on pension liabilities | (651) | (797) |
| Benefits paid | 1,043 | 1,037 |
| Actuarial gains/(losses) arising | 3,333 | (3,104) |
| Amendments | 248 | (37) |
| As at 31 December | <u><u>(37,599)</u></u> | <u><u>(41,550)</u></u> |

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

37. Retirement benefit schemes (continued)

Analysis of return on plan assets

| | 2021 £'000 | 2020 £'000 |
|-------------------------------------|---------------|---------------|
| As at 1 January | 33,062 | 30,071 |
| Interest on assets | 543 | 630 |
| Return on plan assets less interest | 1,059 | 2,543 |
| Employer contributions | 952 | 1,021 |
| Member contributions | 7 | 29 |
| Benefits paid | (1,043) | (1,037) |
| Administration expenses | (190) | (195) |
| As at 31 December | <u>34,390</u> | <u>33,062</u> |

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

The average duration of the benefit obligation at the end of the reporting period is 15 years (2020: 17 years). This number can be subdivided into the duration related to:

- active members: 0 years (2020: 20 years)
- deferred members: 19 years (2020: 21 years)
- retired members: 12 years (2020: 13 years)

The estimated amount of contributions expected to be paid to the scheme during the 2022 financial year is £1m (2021: £1m).

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

38. Financial instruments

Categories of financial instruments

| | 2021 £'000 | 2020 £'000 |
|---|----------------|----------------|
| Financial assets | | |
| Trade and other receivables | 25,342 | 18,097 |
| Cash and bank balances | 95,781 | 82,217 |
| | <u>121,123</u> | <u>100,314</u> |
| Financial liabilities measured at amortised cost | | |
| Loans | 625,656 | 686,565 |
| Trade and other payables | 105,026 | 91,391 |
| Lease liabilities | 108,703 | 113,686 |
| | <u>839,385</u> | <u>891,642</u> |

Fair value of financial assets and liabilities

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2020. The Group aims to achieve a debt/equity ratio of no higher than 60/40.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 22 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 27 to 33.

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

Financial risk management objectives

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

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses local currency bank accounts and loans for each hotel within the Group to manage its exposure to interest rate and foreign currency risks.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

38. Financial instruments (continued)

Interest rate risk

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

The Group seeks to minimise the effects of this risk by using derivative financial instruments where relevant. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, and the use of financial derivatives and non-derivative financial instruments. Compliance with policies and exposure limits is reviewed on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group did not hedge its interest rate risk in 2021 or 2020.

Interest rate sensitivity analysis

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

If interest rates had been 0.5 per cent higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would decrease/increase by £260,000 (2020: decrease/increase by £282,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Foreign currency risk management

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

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

| | Liabilities | | Assets | |
|-----------|---------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| US Dollar | 52,530 | 40,468 | 64,794 | 44,114 |
| Euro | 519,033 | 670,430 | 25,838 | 22,125 |

Foreign currency sensitivity analysis

The main foreign currencies to which Group is exposed to are the US Dollar and the Euro.

With respect to the Group's foreign currency translation exposure, and assuming all other variables, including interest rates, remain constant, it is estimated that a 5% strengthening of sterling against both the US dollar and the Euro would have decreased net assets by £26,053,000 31 December 2021 (2020: £32,332,000) and decreased Loss before tax by £3,951,000 (2020: decreased by £3,421,000). A 5% weakening of sterling would exactly reverse the position whereby net assets would increase and profit would decrease by the same amounts.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

38. Financial instruments (continued)

Credit risk

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

Liquidity risk

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

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

Liquidity and interest risk tables

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

| | Carrying amount £'000 | Within 1 year £'000 | 1 to 2 years £'000 | 3 to 5 years £'000 | 5+ years £'000 | Total £'000 |
|------------------------------|-----------------------------|---------------------------|--------------------------|--------------------------|----------------------|----------------|
| 31 December 2021 | | | | | | |
| Non-interest bearing loans | 426,542 | 41,466 | 385,076 | - | - | 426,542 |
| Variable interest rate loans | 125,537 | 10,400 | 129,954 | - | - | 140,354 |
| Fixed interest rate loans | 81,184 | 2,066 | 75,014 | 7,490 | - | 84,570 |
| | <u>633,263</u> | <u>53,932</u> | <u>590,044</u> | <u>7,490</u> | <u>-</u> | <u>651,466</u> |
| 31 December 2020 | | | | | | |
| Non-interest bearing loans | 540,791 | 44,271 | 496,520 | - | - | 540,791 |
| Variable interest rate loans | 93,550 | 7,479 | 98,041 | - | - | 105,520 |
| Fixed interest rate loans | 103,048 | 2,065 | 95,547 | 8,688 | - | 106,300 |
| | <u>737,389</u> | <u>53,815</u> | <u>690,108</u> | <u>8,688</u> | <u>-</u> | <u>752,611</u> |

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

39. Related party transactions

The Group's ultimate parent company, Brunei Investment Agency has agreed to provide financial support to it and its subsidiaries to the extent necessary for them to be able to continue to trade and pay their liabilities as they fall due for at least the next twelve months from the date of the approval of the director's report on page 8.

The company is a subsidiary undertaking of Ammar Holding Cooperatief a Dutch COOP, the immediate controlling party. The consolidated financial statements of Ammar Holding Cooperatief are available to the public and may be obtained from the Chamber of Commerce, De Ruyterkade 5, 1013 AA Amsterdam, Holland. The ultimate parent and controlling party is the Brunei Investment Agency, a statutory body incorporated in Brunei. Consequently, as a statutory body, related parties to the company include all Brunei government ministries, departments, agencies and their subsidiary undertakings and also include Bruneian citizens holding office within Brunei and its government.

Amounts relating to subsidiaries

The Group provided hotel services to its subsidiaries amounting to £610,000 (2020: £877,000). Amounts owed for these services as at 31 December 2021 amounted to £1,515,000 (2020: £1,184,000).

Amounts relating to fellow related parties

The Group occupies space owned by fellow related parties in four (2020: four) buildings in London, three on an annually renewable agreement, the other on a fixed term and also four (2021: four) buildings in Paris, all on fixed term leases. The total rent charged for the year was £12,792,000 (2020: £8,198,000). It is estimated that the market rent for the year of the space occupied is £12,792,000 (2020: £8,198,000). Amounts owed for the rent as at 31 December 2021 amounted to £19,829,241 (2020: £18,451,000). Loans from fellow Group companies are covered in note 21.

During the year the company incurred branding and trademark licence fees of £1,796,000 (2020: £6,345,000) from a fellow related party. Amounts owed for these fees at 31 December 2021 amounted to £8,140,900 (2020: £6,345,000).

The company considers that key management are the board of directors, who provide the direction and strategy of the Group. Directors' emoluments are set out in note 9.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2021

40. Capital commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows:

| | 2021 £000 | 2020 £000 |
|---------------------------|--------------|---------------|
| Contracted | 7,390 | 1,962 |
| Authorised not contracted | <u>2,361</u> | <u>41,812</u> |

41. Post balance sheet events

The war in Ukraine which broke out in February 2022 is a non-adjusting post balance sheet event.

Russian armed forces invaded Ukraine and multiple jurisdictions have imposed sanctions against Russia. These events, in addition to supply chain issues, will lead to inflationary pressures, resulting in rising commodity prices, raw materials and utilities costs.

As at the date of signing of these financial statements, the Group assessed and concluded the adverse impact of these events would not result in any adjustments to the financial statements.

Dorchester Group Limited

Company financial statements As at 31 December 2021

| | |
|--|-----------|
| Company statement of financial position | 65 |
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Dorchester Group Limited

Company statement of financial position As at 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|------|----------------|-----------------|
| Non-current assets | | | |
| Other intangibles – software | | 12 | 18 |
| Property, plant and equipment | F | 2 | 4 |
| Investment in subsidiaries | G | 449,168 | 357,363 |
| Trade and other receivables | H | 34,396 | 20,232 |
| | | <u>483,578</u> | <u>377,617</u> |
| Current assets | | | |
| Trade and other receivables | H | 95,437 | 93,925 |
| Cash and cash equivalents | | 3,246 | 29,656 |
| | | <u>98,683</u> | <u>123,581</u> |
| Total assets | | <u>582,261</u> | <u>501,198</u> |
| Current liabilities | | | |
| Trade and other payables | I | 2,287 | 2,514 |
| Financial liabilities | J | 95,778 | 151,597 |
| | | <u>98,065</u> | <u>154,111</u> |
| Net current assets/(liabilities) | | <u>618</u> | <u>(30,530)</u> |
| Non-current liabilities | | | |
| Financial liabilities | J | 171,627 | 129,596 |
| Total liabilities | | <u>269,692</u> | <u>283,707</u> |
| Net assets | | <u>312,569</u> | <u>217,491</u> |
| Equity | | | |
| Called up share capital | K | 199,710 | 120,009 |
| Capital reserve | | 17,326 | 17,326 |
| Share premium account | | 37,711 | 37,711 |
| Retained earnings | | 57,822 | 42,445 |
| Total equity | | <u>312,569</u> | <u>217,491</u> |

The notes on pages 67 to 74 form an integral part of these financial statements.

The company made a profit after tax of £15,376,757 (2020: Loss of £17,694,454)

These financial statements of Dorchester Group Limited (company no. 01823605) were approved and authorised for issue by the Board of Directors on 30 September 2022.

Signed on behalf of the Board


Sohran Vani
Director

Dorchester Group Limited

Company statement of changes in equity For the year ended 31 December 2021

| | Called up share capital £'000 | Capital reserve £'000 | Share Premium account £'000 | Retained earnings £'000 | Total equity £'000 |
|---|--|-----------------------------|--------------------------------------|-------------------------------|--------------------------|
| Balance at 1 January 2020 | 120,009 | 15,964 | 37,711 | 60,139 | 233,823 |
| Loss for the year | - | - | - | (17,694) | (17,694) |
| Fair value adjustment | - | 1,362 | - | - | 1,362 |
| Other comprehensive income for the year | - | - | - | - | - |
| Total comprehensive income/(expense) for the year | - | 1,362 | - | (17,694) | (16,332) |
| Dividend paid | - | - | - | - | - |
| Balance at 31 December 2020 | 120,009 | 17,326 | 37,711 | 42,445 | 217,491 |
| Profit for the year | - | - | - | 15,377 | 15,377 |
| Fair value adjustment | - | - | - | - | - |
| Other comprehensive income for the year | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | 15,377 | 15,377 |
| Share issue | 79,701 | - | - | - | 79,701 |
| Dividend paid | - | - | - | - | - |
| Balance at 31 December 2021 | 199,710 | 17,326 | 37,711 | 57,822 | 312,569 |

The notes on pages 67 to 74 form an integral part of these financial statements.

Dorchester Group Limited

Notes to the company financial statements For the year ended 31 December 2021

A. General Information

The principal activity of the Company is the holding of investments in companies owning, leasing and managing deluxe five-star hotels. In addition the Company owns indirectly commercial properties in the USA. Dorchester Group Limited is a limited liability company domiciled and registered in England and Wales.

The registered office is located at 3 Tilney Street, London, W1K 1BQ.

B. Accounting policies

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future, as further discussed in the Directors' Report.

The functional and presentational currency is sterling.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101: FRS 101 – Reduced Disclosure Framework: Disclosure exemptions from international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") for qualifying entities ("FRS 101"). The financial statements have been prepared on the going concern basis, under the historical cost convention, 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 D.

In the preparation of these financial statements, in accordance with FRS 101 the following exemptions from the requirements of IFRS have been applied:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), (statement of cash flows);
- 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
- 16, (statement of compliance with all IFRS);
- 38B-D, (additional comparative information);
- 40A-D, (requirement for a third statement of financial position);
- 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).
- The requirement in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Dorchester Group Limited

Notes to the company financial statements (continued) For the year ended 31 December 2021

B. Accounting policies (continued)

Investment in subsidiaries

Investments are carried at historical cost less any provision for impairment in value. The carrying value of investments are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any evidence of impairment the recoverable value of the investment is estimated. Investments denoted in foreign currencies borrowings are retranslated at the year-end rate. Any gain or loss arising from retranslation or impairment is taken directly to the statement of comprehensive income.

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.

Current and deferred income tax

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 equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, 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.

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.

Dorchester Group Limited

Notes to the company financial statements (continued) For the year ended 31 December 2021

B. Accounting policies (continued)

Share capital

Ordinary shares are classified as equity.

Foreign currencies

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

Financial assets and liabilities

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. In the case of loans not at a market rate of interest, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Trade and other receivables

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. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS9 using a provision matrix in the determination of lifetime expected credit losses. During this process the probability of the non payment of the trade receivable is assessed and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. Balances are written off when the receivable amount is deemed irrecoverable.

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.

Dorchester Group Limited

Notes to the company financial statements (continued) For the year ended 31 December 2021

C. New standards and amendments

(a) New standards, amendments and interpretations effective from 1 January 2020

No new standards impacting the Company that has been adopted in the annual financial statements for the year ended 31 December 2021:

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

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 Company 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).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Insurance Contracts (IFRS 17);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The Company is currently assessing the impact of these new accounting standards and amendments. The Company will assess the impact of the final amendments to IAS 1 on classification of its liabilities once the those are issued by the IASB. The Company does not believe that the amendments to IAS 1, in their present form, 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.

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

D. Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Investment in subsidiaries

Investments in subsidiaries are held at cost, less provision for impairment. Significant judgement is involved in determining whether the carrying value of the investment in subsidiary is impaired. The impairment assessment is based on the fair value of the hotel operations carried out in the subsidiaries. The valuation is driven by a discounted cashflow as valued by an external valuer on an annual basis.

E. Directors' remuneration and employees

Details of Directors' remuneration in the current and prior year are given in note 9 of the consolidated financial statements on page 34. The average number of employees excluding Directors during the year was 8 (2020: 8).

Dorchester Group Limited

Notes to the company financial statements (continued) For the year ended 31 December 2021

F. Property, plant and equipment

| | Plant and machinery £'000 | Total £'000 |
|--------------------------|---------------------------------|----------------|
| Cost | | |
| At 1 January 2021 | 26 | 26 |
| Additions | - | - |
| Disposals | - | - |
| | <hr/> | <hr/> |
| At 31 December 2021 | 26 | 26 |
| Accumulated depreciation | | |
| At 1 January 2021 | (22) | (22) |
| Charge | (2) | (2) |
| Disposals | - | - |
| | <hr/> | <hr/> |
| At 31 December 2021 | (24) | (24) |
| Net book value | | |
| At 31 December 2021 | 2 | 2 |
| | <hr/> | <hr/> |
| At 31 December 2020 | 4 | 4 |
| | <hr/> | <hr/> |

G. Investment in subsidiaries

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Cost at 1 January | | |
| Investment in subsidiary undertakings at cost | 328,173 | 247,951 |
| Investment in subsidiary undertakings by means of share for share exchange | 182,711 | 182,711 |
| Sub total | <hr/> 510,884 | <hr/> 430,662 |
| Loans to subsidiary undertakings | 123,391 | 123,391 |
| Cost at 31 December | <hr/> 634,275 | <hr/> 554,053 |
| Provision for impairment | | |
| At 1 January | 196,690 | 185,106 |
| Impairment charge | (11,584) | 11,584 |
| At 31 December | <hr/> 185,106 | <hr/> 196,690 |
| Net book value | <hr/> 449,169 | <hr/> 357,363 |

The company has investments in subsidiary undertakings as outlined in note 19. Investments in subsidiary undertakings at cost include the original cost of investment and capitalised long term loans. On 8 October 2021, Dorchester Group Limited allotted 79,701,000 new ordinary shares for a total consideration of £79,701,000. Management carried out an impairment review of investment in subsidiaries based on existing performance of the subsidiaries at the end of each financial year. The review led to a reversal of impairment previously recognised in respect of Hotel Eden srl amounted to £11,584,000.

Dorchester Group Limited

Notes to the company financial statements (continued) For the year ended 31 December 2021

H. Trade and other receivables

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Amounts due within one year | | |
| Amounts owed by subsidiary undertakings | 95,398 | 93,857 |
| Prepayments | 39 | 68 |
| | <u>95,437</u> | <u>93,925</u> |

Amounts owed by subsidiary undertakings are repayable on demand and are interest free.

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Amounts due after more than one year | | |
| Loans to subsidiary undertakings interest free | 34,396 | 20,232 |
| | <u>34,396</u> | <u>20,232</u> |

The long term interest free loans to fellow subsidiary undertakings of the BIA have been discounted at a market rate of interest of 2.0 %.

I. Trade and other payables

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Due within one year | | |
| Amounts owed to subsidiary undertakings | 177 | 1,660 |
| Trade creditors | 13 | 13 |
| Other creditors | 241 | 241 |
| Accruals and deferred income | 1,856 | 600 |
| | <u>2,287</u> | <u>2,514</u> |

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

J. Financial liabilities

| | 2021 £'000 | 2020 £'000 |
|---|---------------|----------------|
| Included within current liabilities | | |
| Loans from ultimate parent undertakings | 22,709 | 22,709 |
| Loans from subsidiary undertaking | 73,069 | 128,888 |
| | <u>95,778</u> | <u>151,597</u> |

Dorchester Group Limited

Notes to the company financial statements (continued) For the year ended 31 December 2021

J. Financial liabilities (continued)

| | 2021 £'000 | 2020 £'000 |
|--|----------------|----------------|
| Included within non current liabilities | | |
| Loans from ultimate parent undertaking – unsecured | 43,522 | 69,458 |
| Loan from fellow subsidiary undertaking – unsecured, and interest free | 128,106 | 60,138 |
| | <u>171,628</u> | <u>129,596</u> |
| Total financial liabilities | <u>267,406</u> | <u>281,193</u> |

The long term interest free loans from fellow subsidiary undertakings of the BIA have been discounted at a market rate of interest of 2.0%.

| | 2021 £'000 | 2020 £'000 |
|-------------------------|----------------|----------------|
| Loans maturing between: | | |
| Within 1 year | 95,778 | 151,597 |
| 1 to 2 years amount to | 171,628 | 129,596 |
| | <u>267,406</u> | <u>281,193</u> |

K. Called up share capital

| | 2021 £'000 | 2020 £'000 |
|--|----------------|----------------|
| Authorised: | | |
| 200,000,000 ordinary shares of £1 each | <u>200,000</u> | <u>200,000</u> |
| | £'000 | £'000 |
| Allotted, called up and fully paid: | | |
| 199,710,427 (2020: 120,009,427) ordinary shares of £1 each | <u>199,710</u> | <u>120,009</u> |

During the financial year, the Company issued 79,701,000 ordinary shares of £1 each in consideration for a receivable assigned to the Company by its immediate controlling party.

L. Financial commitments

At 31 December 2021, the company had no capital commitments (2020: £ nil).

M. Contingent liabilities

The company has indemnified a third party for the risk that its subsidiary, Dorchester Services Limited is unable to make any payments that fall due under a contract the latter has signed to manage a newly built hotel complex in Dubai, which it is estimated will commence trading in 2023.

N. Related parties

Other than those parties identified in note 39, all other related party transactions were with subsidiary undertakings.

Dorchester Group Limited

Notes to the company financial statements (continued) For the year ended 31 December 2021

O. Ultimate parent and controlling party

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