

Company Registration No: 01823605

Dorchester Group Limited

Report and Financial Statements

31 December 2022

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Dorchester Group Limited

Report and Financial Statements 2022

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Dorchester Group Limited

Strategic report for the year ended 31 December 2022

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

The luxury hotel sector made a strong recovery in 2022, with hotels experiencing a surge in demand from the leisure segment. The lingering impacts of COVID-19 continues to be felt in the corporate, meetings and incentives side of the business, where demand is lower than pre-pandemic, but steadily improving. Current economic uncertainties may further delay the recovery of this side of the business.

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 Tokyo to manage a luxury hotel that is currently in development and due for completion in 2028; in Dubai to manage a luxury hotel and residences due to complete in 2023; and other branded residences that have been launched or are in construction. The investment properties operating in the US 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

Dorchester Group Limited

Strategic report for the year ended 31 December 2022 (continued)

Strategy and objectives (continued)

the assets within the portfolio. The commitment to this strategy is demonstrated by the major renovation work that is ongoing at our flagship The Dorchester Hotel, with the completion of work to the public areas of the ground floor. 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 exceeds 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 Group's operating profit improved significantly compared to 2021 despite occupancy remaining below pre COVID-19 levels and the ongoing renovations of the Group's flagship property, The Dorchester Hotel, due to strong increases in the average daily rate across the portfolio. This assisted the Group's hotels to deliver improved operating margins whilst experiencing significant increases in labour and energy costs.

The Group's consolidated profit for 2022 was £14m (2021: profit of £15m) after taking the effect of currency fluctuations into account. The consolidated profit includes an unrealised loss of £16m (2021: profit of £49m) from a revaluation of the Group's hotels and investment property.

The Group's hotel occupancy rate was 51% (2021: 33%), whilst the average room rate increased from £829 to £1,042 and revenue per available room (RevPAR) increased from £273 to £531.

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

Future developments

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.

The ongoing war in Ukraine has impacted our business in the form of rising utility costs. Inflationary pressure has resulted in higher general operating expenditure in conjunction with a highly competitive labour market adding to the cost pressure. We will therefore continue to manage operating costs prudently.

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, such as the ones achieved in London, Tokyo and Dubai.

Dorchester Group Limited

Strategic report for the year ended 31 December 2022 (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 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 provide strategic focus and facilitates 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.

We are partnering with Inspired PLC, an external company who is auditing our hotels to ensure we comply with all global standards with regard to ESG at Dorchester Collection. This will be the start of a new 3-year journey to map out our impact on society, the economy and the planet, ensuring we are acting in a manner that reflects our global commitment and responsibility to this end.

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. 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;
- 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.

We continue to partner with global award winning The Gallup Organisation and Peakon to seek feedback from our guests and employees, to ensure we are living our We Care Culture and delivering on our vision of 'Treasured by Guests, Cherished by Employees and Celebrated Worldwide'.

Dorchester Group Limited

Strategic report for the year ended 31 December 2022 (continued)

Section 172 Report (continued)

Our Guest Experience teams work within our hotels to deliver our legendary service, while our People and Culture teams remain as the gatekeepers of our employee culture, creating environments where all can be developed and prosper.

Inclusion, diversity and equality are the foundation and core values of the Dorchester Group Limited. All guests and employees are treated fairly and with respect. Our commitment to non-discrimination, diversity and equal opportunities is reflected in the Dorchester Collection Code. There is no toleration of any form of discrimination. During 2022 we also received the Gold level award, in the Inspiring Workplaces Awards, for our Diversity and Inclusion practices. This is an award from a global movement that provides recognition to organisations trying to create inspiring places to work, started by IW Consulting.

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 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. All suppliers are screened and as well as the quality control and credit checks, we take time to review their ESR credentials.

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. We are investing in solar panels for energy conservation at our hotel in Bel Air in 2023 and we are reviewing further opportunities within the hotel collection. 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. We are undergoing a major refurbishment of our flagship, The Dorchester where the upgrades and enhancements are sensitively sourced for sustainability. 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.

Our efforts form part of our overall governance strategies and also link to our Diversity, Inclusion and Belonging commitment. We ensure we follow a guideline line of Educate, Communicate and Celebrate, thus allowing our people and hotels understand the partnerships and charities we support before we engage in activities. We have focused on protected statuses as outlined by the United Nations as well as local children's charities. This may mean doing and sponsoring initiatives, ensuring our voice is part of the conversation, working with schools and communities and more. We have given back through food and clothing initiatives and also worked with low-income communities and how we can support them via training and fund-raising activities.

Dorchester Group Limited

Strategic report for the year ended 31 December 2022 (continued)

Going concern

The directors have acknowledged the latest guidance on going concern. Management's cash flow forecasts support the Director's opinion that the Group will be able to meet its obligations, as they fall due, for at least for the 12 months from the date on which the accounts are signed. The Group has sensitised the forecasts to consider reasonably possible downside scenario(s). In addition the company benefits from the continuing support of its ultimate parent, the Brunei Investment Agency and the directors have considered its ability to provide support. For these reasons, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

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

Dato Dr Amin Liew Abdullah



Chairman
27 September 2023

Dorchester Group Limited

Directors' report for the year ended 31 December 2022

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

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 (2021: £nil). The Group made a profit of £14m (2021: profit £15m), 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
Noorsurainah Tengah (resigned 5 October 2022)
Ahmad Fahruddeen Mohd Azrae (appointed 5 October 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 2022 (2021: 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 and 6.

Political and charitable contributions

During the year, the Group made donations totalling £nil (2021: £nil) for charitable purposes. There were no political donations (2021: £nil).

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Directors' report for the year ended 31 December 2022 (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 elected to prepare the group financial statements in accordance with UK adopted international accounting standards 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the UK adopted international accounting standards 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;
- 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 requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors Statement as to the Disclosure of Information to Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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Directors' report for the year ended 31 December 2022

Streamlined and Energy Carbon Reporting for the year ended 31 December 2022

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. The 2018 requirements are only applicable to large UK companies.

Metric	2022	2021
Energy consumption used to calculate emissions	Electricity: 14,893,790 kWh Gas: 11,764,036 kWh Transport: 83,599 kWh 26,741,425 kWh	Electricity: 12,751,903 kWh Gas: 11,425,793 kWh Transport: 31,969 kWh 24,209,665 kWh
Emissions from combustion of gas (Scope 1, tCO ₂ e)	2,148tCO ₂ e	2,092.75tCO ₂ e
Emissions from combustion of fuel for transport purposes (Scope 1, tCO ₂ e)	26.18tCO ₂ e	8.13tCO ₂ e
Emissions from purchased electricity ⁵ (Scope 2, location-based, tCO ₂ e)	2,880tCO ₂ e	2,708tCO ₂ e
Total gross emissions based on the above (Location-based, tCO ₂ e)	5,054tCO ₂ e	4,808tCO ₂ e
Intensity measure (Traffic units)	OCR (occupied room nights) 2022 total =50,450)	OCR (occupied room nights) 2021 total =35,999)
Intensity ratio (Location-based emissions, tCO ₂ e/traffic unit)	0.1	0.13
Total net emissions based on the above (Location-based, tCO ₂ e)	5,054tCO ₂ e	4,809tCO ₂ e

Methodology

This report is aligned with the GHG Protocol methodology.

Energy Efficiency Statement

Over the next three years 2022/23 to 2025/26, 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. Project started in February 2022 and will continue over 3 phases of the refurbishment.
2. Energy efficient wall linings to meet the high Building Regulations Specifications.
3. Upgrade current 1,000 tonnes of chiller capacity with higher efficiency scroll technology modular chillers. Project planned to be completed in the Phase 3 of the refurbishment.
4. Replace 300 in number aged and inefficient Fan Coil Units with new.
5. Replace 7 in number, aged and inefficient Air Handling Units with new or have them completely overhauled. Four units were already completely overhauled as a part of the project phase 1.

Dorchester Group Limited

Directors' report for the year ended 31 December 2022 (Continued)

Streamlined and Energy Carbon Reporting for the year ended 31 December 2022

Quantification, Methodology, Organisational Boundary and Base Year

Energy Efficiency Statement (Continued)

6. 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 extract system for the garage. This project has already started and will be continued throughout all phases of the renovation.

7. Location based programmable lighting control logics to allow effective switching on and off of lighting circuits when not needed.

8. Occupancy sensors in the Guest Rooms to effectively manage the use of Air Conditioning in the vacant rooms.

In addition to these properties 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

22 September 2023

Dorchester Group Limited

Independent Auditor's Report To Members Of Dorchester Group Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit and the Parent Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Dorchester Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 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, 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 UK adopted international accounting standards. 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 Group and the Parent 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 Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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Independent Auditor's Report To Members Of Dorchester Group Limited

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Group, the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Dorchester Group Limited

Independent Auditor's Report To Members Of Dorchester Group Limited

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 the Parent Company, focussing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. These include, but are not limited to, compliance with the Companies Act 2006, UK adopted International Accounting Standards, United Kingdom Generally Accepted Accounting Practice, pensions legislation, tax legislation and those laws and regulations relating to health and safety and employee matters in the jurisdictions in which the Group and the Parent Company operate.
- Making enquiries of management and the Board of the Parent 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 enquiries 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 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. The group risk assessment was shared with the component audit teams to ensure that appropriate audit procedures were planned and performed in each jurisdiction. We identified potential for fraud in the following areas and performed the following procedures:
 - management override in relation to posting inappropriate journal entries and accounting for key estimates: 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 by the group audit team and component auditors included:
 - challenging assumptions made by management in their significant accounting estimates for indications of bias or management override, in particular in relation to property valuations;
 - identifying and testing manual journal entries, in particular any journal entries containing characteristics of audit interest such as manual journals to revenue, account receivables and cash, and for journals which are inconsistent with the usual transactions of the Group and the Parent Company.
 - management override in relation to revenue recognition: we evaluated the control environment pertaining to sales, specifically looking cash collection, correlation between hotel booking system and accounting system, and the posting of daily sales journals.

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Independent Auditor's Report To Members Of Dorchester Group Limited

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

- management override in relation to the hotel refurbishment and fixed asset additions: we evaluated the tendering process, confirmed the independence of the parties involved, confirmed the progress of refurbishment project and substantively tested a sample of additions.

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 Parent 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 Parent 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 Parent Company and the Parent 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
29 September 2023

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 2022

	Note	2022 £'000	2021 £'000
Revenue	5	450,107	263,307
Cost of sales		(222,241)	(142,034)
Gross profit		227,866	121,273
Administration expenses		(170,169)	(137,518)
Unrealised profit/(loss) on properties	7	(15,914)	49,132
Operating profit	8	41,783	32,887
Investment income	10	110	7
Finance costs	11	(24,806)	(10,439)
Finance income	12	-	4,338
Profit before tax		17,087	26,793
Tax on profit for the year	13	(2,669)	(11,314)
Profit for the year		14,418	15,479
Items that will not be reclassified subsequently to profit and loss			
Surplus on property revaluation		357,072	197,386
Actuarial gains/(losses) in defined benefit pension schemes	37	(34)	4,392
Income tax relating to items not re-classified	13,23	(93,384)	(72,567)
		263,654	129,211
Items that may be reclassified subsequently to profit and loss			
Currency retranslation (losses)/gains	14	93,602	(13,914)
Other comprehensive income for the year, net of tax		93,602	(13,914)
Total comprehensive income/expenditure for the year		371,674	130,776

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

Dorchester Group Limited

Consolidated statement of financial position As at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Goodwill	15	23,621	21,396
Other intangible assets	16	4,222	4,913
Property, plant and equipment	17	2,262,284	1,745,156
Right-of-use assets	36	93,634	94,196
Investment property	18	187,131	193,782
		<u>2,570,892</u>	<u>2,059,443</u>
Current assets			
Inventories	20	11,773	9,400
Trade and other receivables	21	46,094	34,312
Cash and cash equivalents	35	171,039	95,781
		<u>228,906</u>	<u>139,493</u>
Total assets		<u>2,799,798</u>	<u>2,198,936</u>
Current liabilities			
Trade and other payables	24	155,572	117,071
Current tax liabilities	25	2,236	-
Lease liabilities	36	5,834	6,112
Financial liabilities	22	43,706	41,466
		<u>207,348</u>	<u>164,649</u>
Net current assets/(liabilities)		<u>21,558</u>	<u>(25,156)</u>
Non-current liabilities			
Financial liabilities	22	651,340	584,190
Defined benefit liabilities	37	6,689	6,905
Deferred tax liabilities	23	365,640	259,137
Lease liabilities	36	103,385	102,591
Long-term provisions	26	2,367	1,934
		<u>1,129,421</u>	<u>954,757</u>
Total liabilities		<u>1,336,769</u>	<u>1,119,406</u>
Net assets		<u>1,463,029</u>	<u>1,079,530</u>

Dorchester Group Limited

Consolidated statement of financial position (continued) As at 31 December 2022


	Note	2022 £'000	2021 £'000
Equity			
Share capital	27	199,710	199,710
Share premium	28	37,711	37,711
Capital reserve	29	29,612	17,787
Revaluation reserve	30	842,680	578,992
Merger reserve	31	93,437	93,437
Translation reserve	32	154,975	61,373
Retained earnings	33	104,904	90,520
Total equity		1,463,029	1,079,530

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 24 September 2023.

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	Total equity £'000
	Share capital £'000	Share premium £'000	Capital Reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	
Balance at 1 January 2021	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 for the year	-	-	2	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
Profit for the year	-	-	-	-	-	-	14,418	14,418
Other comprehensive income/(loss) for the year	-	-	-	263,688	-	93,602	(34)	357,256
Total comprehensive income/loss for year	-	-	-	263,688	-	93,602	14,384	371,674
Share issue	-	-	-	-	-	-	-	-
Capital contributions	-	-	11,825	-	-	-	-	11,825
Balance at 31 December 2022	199,710	37,711	29,612	842,680	93,437	154,975	104,904	1,463,029

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 2022

	Note	Year ended 2022 £'000	Year ended 2021 £'000
Profit for the year before tax		17,087	26,793
Adjustments for:			
Finance and investment income	10	(110)	(7)
Foreign exchange loss on financial liabilities	11, 12	15,069	(4,338)
Finance costs	11	9,737	10,439
Depreciation of property, plant and equipment and right of use assets	17, 36	30,594	29,083
Amortisation of intangibles	16	1,846	1,621
Loss on disposal of property, plant and equipment	17	(308)	770
Decrease/(Increase) in fair value of investment property	18	32,191	(6,370)
Increase/(Decrease) in provisions		342	(923)
Revaluation gain on hotel property		(16,277)	(42,763)
Operating cash flows before movements in working capital		90,171	14,305
Increase in inventories		(2,373)	(55)
Increase in receivables		(11,595)	(11,847)
Increase in payables		13,483	19,578
Cash generated by operations		89,686	21,980
Income taxes received		6,188	4,757
Interest paid		(3,382)	-
Net cash generated from operating activities		92,492	26,737
Investing activities			
Interest received	10	110	-
Purchases of property, plant and equipment additions to investment properties and intangibles		(68,588)	(13,641)
Net cash used in investing activities		(68,478)	(13,634)
Financing activities			
Lease payments		(6,494)	(875)
Loans advanced		55,437	4,228
Loan principle paid		(1,891)	(1,037)
Net cash generated from financing activities		47,052	2,316
Net increase in cash and cash equivalents		71,066	9
Cash and cash equivalents at beginning of year		95,781	82,217
Effect of foreign exchange rate changes		4,192	(1,853)
Cash and cash equivalents at end of year		171,039	95,781

Dorchester Group Limited

Notes to the consolidated financial statements

For the year ended 31 December 2022

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 1BJ. The nature of the company and its subsidiaries' (together the "Group's") operations, its principal activities and business review are set out in the strategic report on page 3 to 7. 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, interpretations and amendments adopted from 1 January 2022

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).

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. See the applicable notes for further details on how the amendments affected the Group.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the

Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Group, prior to the application of the amendments, did not have any onerous contracts.

As a result of the amendments, certain other directly related costs have now been included by the Group in determining the costs of fulfilling the contracts. The Group has not recognised any additional onerous contract provision as at 1 January 2022.

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

2. New standards and amendments (continued)

(a) New standards, interpretations and amendments adopted from 1 January 2022 (continued)

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

These amendments had no impact on the year-end consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Annual Improvements to IFRS Standards 2018 - 2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA).
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities.
- IAS 41: Taxation in Fair Value Measurements.

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

(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 2023:

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *Insurance Contracts (IFRS 17);*
- *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 following amendments are effective for the period beginning 1 January 2024:

- *IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback).*
- *IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current).*
- *IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants).*

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

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 2022

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 2022

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.

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 2022

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 2022

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 2022

3. Significant accounting policies (continued)

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 2022

3. Significant accounting policies (continued)

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 2022

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 2022

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 2022

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 prior year in the United Kingdom, the Company recognised an unconditional government grant related to the Coronavirus Job Retention Scheme when the grant becomes receivable. Government grant revenues are netted off against costs.

In the prior year in the United States, the Company recognised an unconditional government grant related to Employee Retention Credit (ERC), a refundable credit for 70% of qualifying wages, paid by an eligible employer, to employees, from January through to June 2021. Eligible wages included vacation, holiday, sick and any other wages paid when the employee was not performing a service, up to the first \$10,000 of wages, resulting in a maximum credit of \$7,000 per employee, per quarter (Q1 & Q2 of 2021).

In France, in the prior year, under the 'Partial Activity Scheme' 70% of employees gross salary was covered by the government, between January to April, after which 60% was covered until December 2021, this subsidy was capped to at a monthly salary of €4,454 per employee.

In Italy, in the prior year, up to 90% of wage costs were borne by the government. The scheme was in place between January and 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, in the prior year, the government furlough scheme reimbursed 80% of wages, up to maximum of £2,500 per person until June 2021, after which the level of reimbursement fell, from 70% in July to 60% in August and September.

The Company did not access Covid19 wage subsidies during the current year.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

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 new leases is based on SONIA 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 judgement 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 2022

5. Revenue

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

	2022 £'000	2021 £'000
Hotel management and operations revenue	433,903	246,065
Property investment revenue	16,204	17,242
	<u>450,107</u>	<u>263,307</u>

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

	Revenue		Operating Profit		Net Assets	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Hotel Management and Operations						
USA	155,062	97,971	41,250	42,330	752,479	386,418
Europe	193,682	83,594	37,175	(2,694)	228,033	163,906
United Kingdom	85,159	64,500	(11,423)	(20,761)	311,895	314,592
	<u>433,903</u>	<u>246,065</u>	<u>67,002</u>	<u>18,875</u>	<u>1,292,407</u>	<u>864,916</u>
Property investment:						
USA	16,204	17,242	(25,219)	14,012	170,622	214,614
	<u>450,107</u>	<u>263,307</u>	<u>41,783</u>	<u>32,887</u>	<u>1,463,029</u>	<u>1,079,530</u>

All the above derive from continuing operations.

7. Unrealised (loss)/profit on properties

	2022 £'000	2021 £'000
Unrealised (loss)/profit on revaluation of investment property	(32,191)	6,370
Unrealised profit on revaluation of hotel property	16,277	42,762
	<u>(15,914)</u>	<u>49,132</u>

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

8. Operating profit

	2022 £'000	2021 £'000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's annual financial statements	239	191
Fees payable to the company's auditors and their associates for other services to the Group: The audit of the company's subsidiaries	432	355
Total audit fees:	671	546
Advisory services	203	188
Total non-audit fees:	203	188
Total auditors' remuneration:	874	734
Depreciation of property, plant and equipment	23,016	22,235
Amortisation of intangible assets	1,431	1,621
Amortisation of right of use assets	7,578	6,849
Rental under operating leases:		
Receivable regarding hotel properties: Land and buildings	(3,721)	(2,258)
Contingent rentals receivable regarding hotel properties: Land and buildings	(445)	(75)
Loss/(Gain) on disposal of fixed assets	308	(322)

9. Staff costs

	2022 £'000	2021 £'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 (2021: None).

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

9. Staff costs (continued)

	2022 No.	2021 No.
Average monthly number of persons employed excluding directors		
Operations	2,426	2,052
Sales and marketing	157	157
Administration	370	502
	<u>2,953</u>	<u>2,711</u>
	2022 £'000	2021 £'000
Staff costs during the year excluding directors		
Wages and salaries	129,443	93,314
Social security costs	28,126	22,918
Other pensions costs	7,295	6,443
	<u>164,864</u>	<u>122,675</u>

10. Investment income

	2022 £'000	2021 £'000
Interest receivable on:		
Bank deposits	110	7
	<u>110</u>	<u>7</u>

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

11. Finance costs

Finance costs	2022 £'000	2021 £'000
Interest on related party loans	5,785	6,493
Pension deficit net charge	52	108
Interest payable expense on right of use assets	3,660	3,668
Others	240	170
Foreign exchange loss on loans	15,069	-
	<u>24,806</u>	<u>10,439</u>

12. Finance income

	2022 £'000	2021 £'000
Foreign exchange gain on loans	-	(4,338)

13. Tax on profit for the year

	2022 £'000	2021 £'000
Total current year tax charge	6,819	293
Adjustments in respect of prior years	-	(5)
Foreign tax	-	1,153
Total current tax charge/(credit)	<u>6,819</u>	<u>1,441</u>
Total deferred tax charge/(credit)	(1,985)	10,799
Adjustments in respect of prior years	(2,165)	(926)
Deferred tax charge/credit (note 23)	<u>(4,150)</u>	<u>9,873</u>
Total tax charge	<u>2,669</u>	<u>11,314</u>

UK corporation tax is calculated at 19% (2021: 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 2022

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:

	2022 £'000	2021 £'000
Profit before tax	17,087	26,793
Tax based on the UK corporation tax rate of 19% (2021: 19 %)	3,247	5,091
Tax effect of expenses that are not deductible in determining taxable profit	4,524	1,120
Movement due to changes in tax rates	(2,132)	(3,390)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,891	3,146
Non-taxable income	(3,106)	(2,562)
WHT suffered	81	47
Local taxes	853	(78)
Other net permanent differences	8	291
Adjustments in respect of prior years	(2,164)	(930)
Change in unrecognised deferred tax assets	(533)	8,579
Total tax charge/(credit) for the year	2,669	11,314

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.

	2022 £'000	2021 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income		
Revaluation of properties	93,392	71,732
Defined benefit liability	(8)	837
Total income tax recognised in other comprehensive income	93,384	72,569

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 2022

15. Goodwill

	Cost £'000
As at 1 January 2021	24,418
Foreign exchange movements	(3,022)
As at 31 December 2021	<u>21,396</u>
Foreign exchange movements	2,225
As at 31 December 2022	<u>23,621</u>

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

	2022 £'000	2021 £'000	2020 £'000
Hotel Plaza Athenee, France	11,988	11,353	12,159
Hotel Eden, Italy	11,633	10,043	12,259
	<u>23,621</u>	<u>21,396</u>	<u>24,418</u>

At the year end, goodwill was reviewed for impairment in accordance with IAS 36 Impairment of Assets. A value in use was calculated on the basis of discounted future cash flows arising in each relevant CGU, which is then compared to the carrying value of the CGU to determine if 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 2.5% (2021:1.99%) per annum were used. Discount rates of 5.05 % (2021:6.29%) for Hotel Plaza Athenee, and 6.42% (2021:6.81%) 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 2022

16. Other intangible assets

	Computer software £'000	Other Intangibles £'000	Total £'000
Cost			
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
At 1 January 2022	17,712	891	18,603
Reclassification	(369)	369	-
Additions	803	-	803
Disposals	(336)	-	(336)
Foreign exchange	918	70	988
At 31 December 2022	18,728	1,330	20,058
Accumulated amortisation			
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)
At 1 January 2022	(13,690)	-	(13,690)
Charge	(1,846)	-	(1,846)
Disposals	336	-	336
Foreign exchange	(636)	-	(636)
At 31 December 2022	(15,836)	-	(15,836)
Carrying amount			
At 31 December 2022	2,892	1,330	4,222
At 31 December 2021	4,022	891	4,913

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 2022

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 2021	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	(5,637)	-
Disposals/write-offs	(359)	(120)	(1,960)	-	(2,439)
Revaluation	239,538	-	-	-	239,538
Foreign exchange	(42,150)	(6,649)	(10,303)	(288)	(59,390)
At 31 December 2021	1,645,773	162,075	272,393	1,771	2,082,012
Capital additions	8,120	4,314	40,617	20,285	73,336
Transfers	-	712	1,190	(1,902)	-
Disposals/write-offs	-	(15,590)	(49,751)	-	(65,341)
Revaluation	364,638	-	-	-	364,638
Foreign exchange	95,885	6,435	14,682	233	117,235
At 31 December 2022	2,114,416	157,946	279,131	20,387	2,571,880
Accumulated depreciation					
At 1 January 2021	(407)	(111,127)	(217,508)	-	(329,042)
Charge	(969)	(10,400)	(10,866)	-	(22,235)
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)
Charge	(1,096)	(9,229)	(12,691)	-	(23,016)
Transfers	-	(1)	(1)	-	(2)
Disposals/write-offs	-	15,590	49,758	-	65,348
Revaluation	1,045	-	1	-	1,046
Foreign exchange	10	(5,556)	(10,570)	-	(16,116)
At 31 December 2022	(478)	(116,386)	(192,732)	-	(309,596)
Carrying amount Net book value					
At 31 December 2022	2,113,938	41,560	86,399	20,387	2,262,284
At 31 December 2021	1,645,336	44,885	53,164	1,771	1,745,156

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

17. Property, plant and equipment (continued)

The net book value of land and buildings comprise:

	2022 £'000	2021 £'000
Freehold	2,113,719	1,645,116
Long leasehold	220	220
	<u>2,113,939</u>	<u>1,645,336</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 2022 by CBRE, independent valuers not connected with the Group who are qualified for the purpose of the valuation in accordance with the RICS Red Book.

The 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 2022.

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%		226,000
Discount rate	Decrease by -1%	158,000	
Capitalisation rate	Increase by +1%		126,000
Capitalisation rate	Decrease by -1%	696,000	
Cash flow	Increase by +5%	150,000	
Cash flow	Decrease by -5%		150,000

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

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 2022 the Company had land and buildings other than investment property carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £1 billion (2021: £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

	2022 £'000	2021 £'000
Fair value:		
At 1 January	193,782	183,048
Additions	3,050	1,867
Revaluation	(32,191)	6,370
Foreign exchange translation differences	22,490	2,497
At 31 December	<u>187,131</u>	<u>193,782</u>
Lease incentives within debtors (note 21)	4,911	4,045
Fair value per valuation report	<u>192,042</u>	<u>197,827</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 £158,885,085 (2021: £139,372,882).

Dorchester Group Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2022

18. Investment property (continued)

The fair value of the Group's investment property at 31 December 2022 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 2022. There were no transfers into/out of level 3 in the year (2021: 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%		15,875
Discount rate	Decrease by -1%	16,416	
Capitalisation rate	Increase by +1%		20,733
Capitalisation rate	Decrease by -1%	28,015	
Cash flow	Increase by +5%	2,393	
Cash flow	Decrease by -5%		2,393

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 £16,204,343 (2021: £17,242,000). Direct operating expenses (including repairs and maintenance) arising on the investment property, all of which generated rental income in the year, amounted to £9,232,715 (2021: £9,763,513). The Group has committed to capital expenditure on its investment properties over the next year three years of £2,793,000 (2021: £12,610,000).

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

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 1QA	100% (Direct)
The Dorchester Limited	Finance company	United Kingdom	53 Park Lane, London, W1A 1QA	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)
Maurice 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 Athenee Limited	Hotel investment	United Kingdom	3 Tilney Street, London, W1K 1BJ	100% (Direct)
Kava Holdings LLC	Hotel operations	USA	701, Stone Canyon Road, Los Angeles, California 90077	100% (Indirect)
Sajhaera 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)
Ragib Inc	Investment property	USA	874 Walker Road, Suite C, Dover (Kent County), Delaware 19904	100% (Indirect)
Maurice 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 Athenee SA	Hotel operations	France	25 avenue Montaigne, 75008 Paris	100% (Indirect)
Plaza Athenee 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)
Dorchester Collection Japan KK	Hotel management	Japan	3-10-10, Shirokanda, Minato-ku Tokyo, 108-0071	100% (Indirect)

20. Inventories

	2022 £'000	2021 £'000
Consumables	3,548	2,728
Goods for resale	8,225	6,672
	<u>11,773</u>	<u>9,400</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 £36m (2021: £23m).

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

21. Trade and other receivables

Due within one year

	2022 £'000	2021 £'000
Trade debtors	23,831	15,415
Provision for bad debts	(1,521)	(1,331)
Net trade debtors	22,310	14,084
Other debtors	648	3,870
Overseas corporation tax receivable	4,554	4,366
VAT	-	449
Fellow subsidiaries	2,309	(213)
Investment property lease incentives (see note 18)	4,911	4,045
Prepayments and accrued income	11,362	7,711
Total	46,094	34,312

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:

	2022 £'000	2021 £'000
Neither past due nor impaired	10,400	8,009
Less than 1 month past due	5,982	3,483
1 to 3 months past due	3,526	747
More than 3 months past due	2,402	1,845
Total	22,310	14,084

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 (2021: Nil).

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

22. Financial liabilities	2022 £'000	2021 £'000
Included within current liabilities		
Loans from parent undertakings:		
Unsecured, subordinated and interest free	22,709	22,709
Unsecured, subordinated and interest bearing	20,997	18,757
	<u>43,706</u>	<u>41,466</u>
Included within non-current liabilities		
Loans from fellow subsidiary undertakings:		
Unsecured, subordinated and interest free	379,552	385,345
External Loans	201,620	182,223
	<u>70,168</u>	<u>16,622</u>
	<u>651,340</u>	<u>584,190</u>
Total Borrowings	695,046	625,656

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 3.26% (2021: 2.88%).

During the year the Group took out a \$66,000,000 loan, with a seven year term, and an interest rate of 5.17%, to support the ongoing redevelopment of the Dorchester Hotel. The other external loans are low interest facilities provided during the Covid-19 pandemic with support from the governments of France and Italy.

	2022 £'000	2021 £'000
Loans maturing between:		
Within 1 year	43,706	41,466
1 to 2 years amount to	651,340	584,190
	<u>695,046</u>	<u>625,656</u>

Interest free loans maturing between 1-2 years have been discounted at a market rate of interest of 4.75%.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

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 2021	(160,642)	(96,810)	1,779	77,451	(2,497)	(180,719)
Credit/(charge) to profit or loss	38,950	(42,650)	(37)	(10,850)	4,714	(9,873)
Credit to other comprehensive income	-	(72,373)	(589)	-	395	(72,567)
Exchange differences	8,965	(2,428)	(8)	(2,949)	442	4,022
At 31 December 2021	(112,727)	(214,261)	1,145	63,652	3,054	(259,137)
(Charge)/credit to profit or loss	(1,799)	6,272	(325)	(571)	573	4,150
(Charge)/credit to comprehensive income	-	(93,392)	8	-	-	(93,384)
Exchange differences	(10,032)	(10,919)	-	3,318	364	(17,269)
At 31 December 2022	(124,558)	(312,300)	828	66,399	3,991	(365,640)

No deferred tax asset has been recognised in respect of tax losses of £100,852,000 (2021: £95,818,000) 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 £93,667,000 (2021: £88,711,000) which cannot currently be utilised by the Group.

No deferred tax liability is recognised on temporary differences of £696m (2021: £377m) 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 2022

24. Trade and other payables

	2022 £'000	2021 £'000
Due within one year		
Amounts owed to ultimate parent undertakings	49,218	42,938
Trade creditors	21,725	15,124
Other creditors	2,983	1,359
Accruals, deferred income and guest deposits	72,221	48,659
Capital accruals	1,885	311
VAT and other sales taxes	1,456	3,551
PAYE and other payroll taxes	6,084	5,129
	<u>155,572</u>	<u>117,071</u>

25. Current tax liabilities

	2022 £'000	2021 £'000
Amounts due for overseas corporation tax	2,236	-
	<u>2,236</u>	<u>-</u>

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

26. Provisions

	£'000
Balance at 1 January 2021	2,342
Utilisation	(573)
Charged to consolidated income statement	263
Foreign exchange gain	(98)
Balance at 31 December 2021	1,934
Utilisation	(343)
Charged to consolidated income statement	627
Foreign exchange loss	149
Balance at 31 December 2022	2,367

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 2022

	£'000
Legal fees regarding employment matters	855
Other	1,512
Balance at 31 December 2022	2,367

27. Share capital

Called up share capital:	2022 £'000	2021 £'000
Authorised:		
200,000,000 Ordinary shares of £1 each	200,000	200,000
	<u>200,000</u>	<u>200,000</u>
	2022 £'000	2021 £'000
Allotted, called up and fully paid:		
199,710,427 Ordinary shares of £1 each	199,710	199,710
	<u>199,710</u>	<u>199,710</u>

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. During the year the capital reserve amount rose by 11.83m.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

30. Revaluation reserve

	Land and buildings £'000
Balance at 1 January 2021	453,338
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	578,992
Revaluation decrease on land and buildings	357,072
Deferred tax credit arising on revaluation of land and buildings	(93,392)
Balance at 31 December 2022	842,672

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 2022 (2021: nil).

35. Notes to the cash flow statement

Cash and cash equivalents	2022 £'000	2021 £'000
Cash and bank balances	171,039	95,781
	<u>171,039</u>	<u>95,781</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 £5,785,000, as well as intergroup lease liabilities of £7,817,000 were not paid, but were instead added to the existing balance of intergroup liabilities. Only £1,320,000 of the current year interest; and £1,793,000 of the current year lease liability were paid. During the year £2,074,813 of outstanding interest liabilities, and £6,494,000 of lease liabilities relating to earlier periods, were paid. The majority of the residual movement related to foreign exchange movements. The residual balance related to foreign exchange movements.

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

35. Notes to the cash flow statement (Continued)

	Non-current loans and borrowings	Current loans and borrowings	Total
	2022 £'000	2022 £'000	£'000
As at 1 January 2022 (note 22)	584,190	41,466	625,656
Cash flows			
- New third party loans	55,437	-	55,437
- New intergroup loans	10,811	-	10,811
Non cash flows			
- Fair value changes	(85)	-	(85)
- forex	987	2,241	3,228
- loans capitalisation	-	-	-
As at 31 December 2022 (note 22)	<u>651,340</u>	<u>43,707</u>	<u>695,047</u>
	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	(43,973)	237	(43,736)
- loans reclassified as non-current	(78,105)	-	(78,105)
As at 31 December 2021 (note 22)	<u>584,190</u>	<u>41,466</u>	<u>625,656</u>

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

36. Leases

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>

Right-of-Use Assets	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2022	93,877	319	94,196
Additions	4,837	129	4,966
Amortisation	(7,248)	(330)	(7,578)
Disposals	(5)	-	(5)
Variable lease payment adjustment	-	4	4
Foreign exchange movements	2,047	4	2,051
At 31 December 2022	<u>93,508</u>	<u>126</u>	<u>93,634</u>

Lease Liabilities	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2021	(113,288)	(399)	(113,687)
Reclassifications	(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 movements	(256)	-	(256)
Disposals	561)	-	561
At 31 December 2021	<u>(108,195)</u>	<u>(508)</u>	<u>(108,703)</u>

Dorchester Group Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2022

36. Leases (continued)

Lease Liabilities	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2022	(108,196)	(507)	(108,703)
Additions	(3,113)	(129)	(3,242)
Interest expense	(3,565)	(20)	(3,585)
Variable lease payment adjustment	10	(6)	4
Lease payments	7,579	238	7,817
Foreign Exchange	(1,246)	(264)	(1,510)
At 31 December 2022	<u>(108,531)</u>	<u>(688)</u>	<u>(109,219)</u>

Lease Liabilities	2022 £'000	2021 £'000
Amounts due within one year (current)	5,834	6,112
Amounts due after more than one year (non-current)	103,385	102,591
	<u>109,219</u>	<u>108,703</u>

Maturity Analysis

The Group as a lessee

Maturity analysis- contractual undiscounted

	2022		2021	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	9,664	725	10,355	560
Between one and five years	32,460	837	32,983	808
After five years	118,398	-	119,872	-
	<u>160,522</u>	<u>1,562</u>	<u>163,210</u>	<u>1,368</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 2022

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:	2022 £'000	2021 £'000
Within one year	1,315	680
Between one and five years	2,098	1,323
After five years	27	46
	<u>3,440</u>	<u>2,049</u>

Investment properties

Operating leases which expire:	2022 £'000	2021 £'000
Within one year	2,058	11
Between one and five years	14,350	15,359
After five years	51,451	48,742
	<u>67,859</u>	<u>64,112</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 £956,613 (2021: £952,093).

Defined benefit scheme

The pension liabilities are as follows:

	2022 £'000	2021 £'000
UK Pension scheme (see below)	2,530	3,209
French state pension scheme termination indemnity	3,057	2,434
Italian state pension scheme termination indemnity	1,102	1,262
	<u>6,689</u>	<u>6,905</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 2022

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 4.85% per annum, that salary increases would average 3.8% 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 had no current service costs (2021: £15,000), and the total included in finance costs was £52,000 (2021: £108,000). The most recent actuarial valuation showed that the market value of the schemes assets was £23,778,000 giving a funding level of 90% (2021: 92%).

Actuarial assumptions

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

	2022	2021
	%	%
Discount rate for plan liabilities	4.9	1.8
Rate of inflation (RPI)	3.3	3.5
Rate of inflation (CPI)	2.4	2.6
Rate of increase in salaries	3.8	4.0
Rate of increase of pensions in payment	3.2	3.4

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

37. Retirement benefit schemes (continued)

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

	2022		2021	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	21.0	23.5	21.0	23.4
Member age 45 (life expectancy at age 65)	22.3	25.0	22.2	24.9

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 %		5.1
Discount rate	Decrease by 0.5%	5.7	
Rate of inflation	Increase by 0.5%	1.7	
Rate of inflation	Decrease by 0.5%		1.5
Rate of mortality	Increase by 1 year	4.4	
Rate of mortality	Decrease by 1 year		4.3

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

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

	2022	2021
	Fair value £'000	Fair value £'000
Equity	3,601	11,290
Liability driven investments	5,324	7,513
Diversified growth fund	7,844	8,482
Absolute return bond fund	5,318	5,273
Net current assets	1,691	1,832
Total market value of assets	23,778	34,390
Present value of scheme liabilities	(26,308)	(37,599)
Deficit in the pension plan/pension liability	(2,530)	(3,209)

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 2022

37. Retirement benefit schemes (continued)

Amounts recognised in income are as follows:

	2022 £'000	2021 £'000
Analysis of the amount charged to administration expenses		
Current service cost	-	(15)
Administration costs	(192)	(190)
Total charge to administration expenses	(192)	(205)
Analysis of the amount charged to finance costs		
Expected return on plan assets	615	543
Settlement costs	-	(248)
Interest cost on plan liabilities	(667)	(651)
Net charge/credit to finance costs	(52)	(356)
Total charge to income for the year	(244)	(561)

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

	2022 £'000	2021 £'000
(Losses)/Gains on scheme assets in excess of interest	(10,792)	1,059
Experience loss arising on plan liabilities	(627)	-
(Losses)/Gains from changes to demographic assumptions	(590)	512
Gains/(losses) from changes to financial assumptions	11,975	2,821
Total actuarial (loss)/gain recognised in other comprehensive income	(34)	4,392

The loss on scheme assets in excess of interest of £ 10,792,000 (2021: £1,059,000 gain) is 45.39% (2021: 3.08%) of the plan assets as at 31 December 2022. The total actuarial gain of £11,975,000 represents 45.5% of the present value of scheme liabilities as at 31 December 2022. The cumulative amount of actuarial gains and losses recognised in other comprehensive income since the date of transition to IFRS is a £2,295,034 net loss (2021: £2,295,000 net loss).

Analysis of movement in the present value of defined benefit obligations

	2022 £'000	2021 £'000
As at 1 January	(37,599)	(41,550)
Current service cost	-	(15)
Member contributions	-	(7)
Interest on pension liabilities	(667)	(651)
Benefits paid	1,200	1,043
Actuarial gains arising	10,758	3,333
Amendments	-	248
As at 31 December	(26,308)	(37,599)

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

37. Retirement benefit schemes (continued)

Analysis of return on plan assets

	2022 £'000	2021 £'000
As at 1 January	34,390	33,062
Interest on assets	615	543
Return on plan assets less interest	(10,792)	1,059
Employer contributions	957	952
Member contributions	-	7
Benefits paid	(1,200)	(1,043)
Administration expenses	(192)	(190)
As at 31 December	<u>23,778</u>	<u>34,390</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 11 years (2021: 15 years). This number can be subdivided into the duration related to:

- active members: 0 years (2021: 0 years);
- deferred members: 13 years (2021: 19 years); and
- retired members: 10 years (2021: 12 years).

The estimated amount of contributions expected to be paid to the scheme during the 2023 financial year is £1m (2022: £1m).

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

38. Financial instruments

Categories of financial instruments

	2022 £'000	2021 £'000
Financial assets		
Trade and other receivables	38,704	25,342
Cash and bank balances	171,039	95,781
	<u>209,743</u>	<u>121,123</u>
Financial liabilities measured at amortised cost		
Loans	695,046	625,656
Trade and other payables	129,109	115,257
Lease liabilities	109,219	108,703
	<u>933,374</u>	<u>849,616</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 2021. 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 2022

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 and 2022.

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 2022 would decrease/increase by £155,000 (2021: decrease/increase by £260,000). 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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
US Dollar	115,337	52,530	106,656	64,794
Euro	566,325	519,033	49,299	25,838

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 £63,282,000 31 December 2022 (2021: £26,053,000) and decreased Loss before tax by £ 13,995,000 (2021: decreased by £3,951,000). 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 2022

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 2022						
Non-interest bearing loans	446,958	43,707	403,251	-	-	446,958
Variable interest rate loans	135,035	3,988	73,452	8,819	55,437	141,696
Fixed interest rate loans	132,748	10,905	136,959	-	-	147,864
	<u>714,741</u>	<u>58,600</u>	<u>613,662</u>	<u>8,819</u>	<u>55,437</u>	<u>736,518</u>
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>

Dorchester Group Limited

Notes to the consolidated financial statements (continued) For the year ended 31 December 2022

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 £2,500,000 (2021: £610,000). Amounts owed for these services as at 31 December 2022 amounted to £2,100,000 (2021: £1,515,000).

Amounts relating to fellow related parties

The Group occupies space owned by fellow related parties in four (2021: 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 £15,022,000 (2021: £12,792,000). It is estimated that the market rent for the year of the space occupied is £15,022,000 (2021: £12,792,000). Amounts owed for the rent as at 31 December 2022 amounted to £29,121,000 (2021: £19,829,241). Loans from fellow Group companies are covered in note 22.

During the year the company incurred branding and trademark licence fees of £3,171,000 (2021: £1,796,000) from a fellow related party. Amounts owed for these fees at 31 December 2022 amounted to £11,312,600 (2021: £8,140,900).

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 2022**

40. Capital commitments

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

	2022 £000	2021 £000
Contracted	13,372	7,390
Authorised not contracted	<u>1,895</u>	<u>2,361</u>

41. Post balance sheet events

There are no post balance sheet events.

Dorchester Group Limited

Company financial statements As at 31 December 2022

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Dorchester Group Limited

Company statement of financial position As at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Other intangibles – software		6	12
Property, plant and equipment	F	2	2
Investment in subsidiaries	G	452,034	449,169
Trade and other receivables	H	92,202	34,395
		<u>544,244</u>	<u>483,578</u>
Current assets			
Trade and other receivables	H	99,336	93,437
Cash and cash equivalents		28,144	3,246
		<u>127,480</u>	<u>98,683</u>
Total assets		<u>671,724</u>	<u>582,261</u>
Current liabilities			
Trade and other payables	I	11,996	2,287
Financial liabilities	J	111,113	95,778
		<u>123,109</u>	<u>98,065</u>
Net current assets		<u>4,371</u>	<u>618</u>
Non-current liabilities			
Financial liabilities	J	231,801	171,627
Total liabilities		<u>354,910</u>	<u>269,692</u>
Net assets		<u>316,814</u>	<u>312,569</u>
Equity			
Called up share capital	K	199,710	199,710
Capital reserve		20,921	17,326
Share premium account		37,711	37,711
Retained earnings		58,472	57,822
Total equity		<u>316,814</u>	<u>312,569</u>

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

The company made a profit after tax of £ 650,000 (2021: profit of £15,376,757)

These financial statements of Dorchester Group Limited (company no. 01823605) were approved and authorised for issue by the Board of Directors on 29 September 2023.

Signed on behalf of the Board


Sofian Jani
Director

Dorchester Group Limited

Company statement of changes in equity For the year ended 31 December 2022

	Called up share capital £'000	Capital reserve £'000	Share Premium account £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	120,009	17,326	37,711	42,445	217,491
Profit for the year	-	-	-	15,377	15,377
Total comprehensive income/ for the year	-	-	-	15,377	15,377
Share issue	79,701	-	-	-	79,701
Balance at 31 December 2021	199,710	17,326	37,711	57,822	312,569
Profit for the year	-	-	-	650	650
Fair value adjustment	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	650	650
Share issue	-	-	-	-	-
Capital reserve addition	-	3,595	-	-	3,595
Balance at 31 December 2022	199,710	20,921	37,711	58,472	316,814

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 2022

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 1BJ.

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(u)(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 and 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 2022

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 2022

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 2022

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 2022:

(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 2023:

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *Insurance Contracts (IFRS 17);*
- *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 following amendments are effective for the period beginning 1 January 2024:

- *IFRS 16 Leases (Amendment -- Liability in a Sale and Leaseback).*
- *IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current).*
- *IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants).*

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

The Group 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 6 (2021: 8).

Dorchester Group Limited

Notes to the company financial statements (continued) For the year ended 31 December 2022

F. Property, plant and equipment

	Plant and machinery £'000	Total £'000
Cost		
At 1 January 2022	26	26
Additions	-	-
Disposals	-	-
	<hr/>	<hr/>
At 31 December 2022	26	26
	<hr/>	<hr/>
Accumulated depreciation		
At 1 January 2022	(24)	(24)
Charge	-	-
Disposals	-	-
	<hr/>	<hr/>
At 31 December 2022	(24)	(24)
	<hr/>	<hr/>
Net book value		
At 31 December 2022	2	2
	<hr/>	<hr/>
At 31 December 2021	2	2
	<hr/>	<hr/>

G. Investment in subsidiaries

	2022 £'000	2021 £'000
Cost at 1 January		
Investment in subsidiary undertakings at cost	328,173	328,173
Investment in subsidiary undertaking by means of share for share exchange	182,711	182,711
	<hr/>	<hr/>
Sub total	510,884	510,884
Loans to subsidiary undertakings	126,256	123,391
	<hr/>	<hr/>
Cost at 31 December	637,140	634,275
	<hr/>	<hr/>
Provision for impairment		
At 1 January	185,106	196,690
Impairment charge	-	(11,584)
	<hr/>	<hr/>
At 31 December	185,106	185,106
	<hr/>	<hr/>
Net book value	452,034	449,169
	<hr/>	<hr/>

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.

Dorchester Group Limited

Notes to the company financial statements (continued) For the year ended 31 December 2022

H. Trade and other receivables

	2022 £'000	2021 £'000
Amounts due within one year		
Amounts owed by subsidiary undertakings	97,916	95,398
VAT	1,331	-
Prepayments	89	39
	<u>99,336</u>	<u>95,437</u>

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

	2022 £'000	2021 £'000
Amounts due after more than one year		
Loans to subsidiary undertakings interest free	92,201	34,395
	<u>92,201</u>	<u>34,395</u>

The long term interest free loans to fellow subsidiary undertakings of the BIA have been discounted at a market rate of interest of 4.75 %.

I. Trade and other payables

	2022 £'000	2021 £'000
Due within one year		
Amounts owed to subsidiaries undertakings	11,178	177
Trade creditors	35	13
Other creditors	241	241
Accruals and deferred income	542	1,856
	<u>11,996</u>	<u>2,287</u>

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

J. Financial liabilities

	2022 £'000	2021 £'000
Included within current liabilities		
Loans from ultimate parent undertakings	22,709	22,709
Loans from subsidiary undertaking	88,404	73,069
	<u>111,113</u>	<u>95,778</u>

Dorchester Group Limited

Notes to the company financial statements (continued) For the year ended 31 December 2022

J. Financial liabilities (continued)

	2022 £'000	2021 £'000
Included within non-current liabilities		
Loans from ultimate parent undertaking – unsecured	99,902	43,522
Loan from fellow subsidiary undertaking – unsecured, and interest free	131,899	128,106
	<u>231,801</u>	<u>171,628</u>
Total financial liabilities	<u>342,914</u>	<u>267,406</u>

The long term interest free loans from fellow subsidiary undertakings of the BIA have been discounted at a market rate of interest of 4.750%.

	2022 £'000	2021 £'000
Loans maturing between:		
Within 1 year	111,113	95,778
1 to 2 years amount to	231,800	171,628
	<u>342,913</u>	<u>267,406</u>

K. Called up share capital

	2022 £'000	2021 £'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 ordinary shares of £1 each	<u>199,710</u>	<u>199,710</u>

L. Financial commitments

At 31 December 2022, the company had no capital commitments (2021: £ 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 2022**

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.

Statement Of Profit Or Loss

As permitted by Section 408 of the Companies Act 2006, the statement of profit or loss of the Company is not presented as part of the financial statements.