

The Berkeley Hotel Limited

Reports and financial statements

For the year ended 31 December 2019

Registered number: 3669260

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The Berkeley Hotel Limited

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The Berkeley Hotel Limited

Directors and other information

Board of Directors

Fady Bakhos
Liam Cunningham

Registered office

27 Knightsbridge
London
SW1X 7LY

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

Barclays Bank
1 Churchill Place
London
E14 5HP

Allied Irish Bank (GB)
City Office
9 - 10 Angel Court
London
EC2R 7AB

Solicitors

MacFarlanes LLP
10 Norwich Street
London
EC4A 1BD

Registered number

3669260

The Berkeley Hotel Limited

Strategic report

The directors present their Strategic Report for the year ended 31 December 2019.

Principal activity

The main activity of The Berkeley Hotel Limited ('the Company') continues to be the ownership and operation of The Berkeley Hotel, London, a five star hotel in the United Kingdom. The Company's results are consolidated within the group financial statements of Selene Midco Limited ('the Group').

Business review

The Company achieved a turnover of £52.6 million (2018: £54.8 million) in the year ended 31 December 2019 which represents a decrease of 4.1% (2018: increase of 17.1%) compared to the previous year, driven by development works to the hotel. The Company returned an operating profit of £6 million in the year to 31 December 2019 (2018: £9.5 million profit).

The key performance indicators for the company are highlighted in the below table:

	2019	2018
REVPAR £	611.6	558.2
Gross profit %	65.7	68.1
Operating profit %	11.4	17.2

COVID-19

The directors consider that in the short term, the biggest financial risk facing the Company is the one posed by the rapid outbreak of COVID-19 in February 2020, which was subsequently categorised as an international pandemic by the World Health Organisation on 11 March 2020. Measures taken by various governments worldwide including the UK government, to contain the spread of the virus have severely affected the performance of the hotel from March 2020 to date, leading to the unprecedented decision to close the hotel on 24 March 2020. Company management has got every confidence that the travel and leisure market will recover once a credible solution to the COVID-19 pandemic is available in the form of medication and vaccine. We estimate this to be not earlier than Q1 2021. In the interim, the directors and management of the Company are working very closely with third parties and ownership to secure sufficient liquidity to meet its obligations, maximising the available support from the UK government and renegotiating contractual arrangements. The directors are confident such liquidity is secured, predominantly through the continued financial support of the Group's ultimate beneficial owner, His Excellency Sheikh Hamad Bin Jassim Bin Jaber Al Thani further details of which are provided in the going concern note.

The Berkeley stepped up and helped support the London community during the COVID-19 pandemic, manned by its volunteer staff. The Berkeley created a "999 Drive Thru meal service" for London Emergency Services, serving 400 daily lunches as well as providing hotel meals to sheltered accommodation for the elderly.

The Berkeley Hotel Limited

Strategic report (*continued*)

Principal risks and uncertainties

The directors consider that the following are the principal risk factors that could materially and adversely affect the Company's future operating profits or financial position.

- General economic risk – the Company is exposed to general economic risk, including changes in the economic outlook in the London five-star luxury hotel and leisure industry. Most importantly, in the short term there is an economic risk related to COVID-19, a global pandemic, which resulted in the closure of The Berkeley hotel on 24 March 2020. The Company is also exposed to government changes in industrial, fiscal, monetary or regulatory policies. The impact of general economic risk is mitigated to some extent by the high net worth of the Company's customer base, however, the current environment has restricted the ability of high net worth individuals to visit the hotels.
- Liquidity risk - the Company secured a new 10 year loan on 1 April 2020, which replaced the Murabaha facility and matures on 5 February 2030. The refinancing resulted in a £48m reduction in Company's debt and was agreed at a competitive all-in annual interest rate of 2.7% and with the Company's intermediate parent company, Constellation Hotels Holding Ltd S.C.A's guarantee in place. The Group is assured of continued financial support from its ultimate beneficial owner during the current COVID-19 pandemic and closure of the hotels. In addition, the Company has performed a diligent review of all its contractual commitments, reduced its non-essential expenditure and utilised UK government assistance programs. Management forecasts a gradual return of operating profits and cash inflows in Q3 and Q4 of 2020, with a more optimistic outlook in 2021.
- Reputation risk – related to the hotel's brand in the marketplace and on social media, health and safety and customer loyalty. The risk is mitigated by the Company via various measures to provide a bespoke customer service, adhering to all health and safety regulations, including those around COVID-19 pandemic, acting within the scope of Modern Slavery Act 2015, money laundering and anti-bribery regulations.

Section 172(1) statement

Information required under s172(1) of the Companies Act 2006 which is not documented below is shown within the 'Business review' and 'Principal risks and uncertainties' sections of the Strategic Report.

The directors have acted in a way that they consider to be most likely to promote the success of the Company for the benefits of all stakeholders; fostering high standards, good governance, an appropriate code of conduct and the need to act fairly for all members of the Company. The directors consider that the Company's key stakeholders are its clients, owners, employees, suppliers and the local community. It is considered vital that strong relationships are built with key stakeholders, which are both meaningful and mutually beneficial. Appropriate due diligence is done before entering into new relationships with any key supplier to ensure the propriety of business operations, including considerations of environmental and social responsibilities.

By order of the board and signed on its behalf by



Liam Cunningham
Director

18 August 2020

The Berkeley Hotel Limited

Directors' report

The directors present their report for the year ended 31 December 2019.

Dividends

The dividends paid during the year amounted to £Nil (2018: £Nil)

Directors and their interests

The directors who held office during the year were as follows:

Liam Cunningham
Fady Bakhos

Directors' liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Future developments

The Berkeley continues to evolve, defined by its contemporary design aesthetic and its innovative spirit. Its rooms and suites designed by John Heah and Andre Fu continue to garner international praise and acclaim. Two creative projects at The Berkeley drove high revenues and high exposure for the hotel, the rooftop garden with a Dolce Vita Italian theme, and the exclusive Dior Pret a Portea afternoon tea offering in collaboration with the Dior exhibition at the V&A. The arrival of the stunning new Berkeley Bar with outside terrace by Irish designer Bryan O'Sullivan also meant the hotel created headlines, and along with the new Meta Menu from The Blue Bar (voted Drinks List of the Year 2019) ensured The Berkeley positioned itself as a regular haunt for the London local community and well as hotel guests. 2019 ended with the highly anticipated arrival of the 'Snowfall' Christmas light installation by Rogers, Stirk Harbour.

Shell and core works started at the freehold wing of the hotel at 33-39 Knightsbridge. The land at 33-39 Knightsbridge is owned by Goldrange Properties Limited, a subsidiary of the Berkeley Hotel Limited and the works commenced on this site to adjoin the new freehold wing to the Berkeley hotel. This property will offer guests the opportunity to discover a redefined standard of luxury, creating an exclusive and world-class hub of art and culture, and introduce a new architectural landmark to London.

During 2020, Company management will focus on managing the welfare of its staff, guests and its financial stability as a result of the widespread COVID-19 pandemic. The hotel was closed from 24 March 2020 following the lockdown and social distancing guidelines set by the UK government. The Berkeley hotel has subsequently reopened on 4 July 2020, with Company management projecting a gradual return to business estimate this to be not earlier than Q1 2021.

Company management recognises the inevitable negative impact the outbreak of COVID-19 will have on the London five-star luxury hospitality industry and has taken necessary steps to minimise liquidity risk by utilising the support offered by the UK government and managing its discretionary cost base.

A true testament to the strength of the hotel, of its management and ownership is the fact that, despite the challenging environment caused by the outbreak of COVID-19, the Company was able to secure new long term financing on 1 April 2020. As part of this refinancing, the Company reduced its debt by £48m and secured a competitive all-in annual interest rate of 2.7% for the next ten years, maturing on 5 February 2030.

The Berkeley Hotel Limited

Directors' report (*continued*)

Future developments (*continued*)

The potentially adverse impact of The United Kingdom leaving the European Union and the continued pressure of the increase in the supply of luxury accommodation in London are two other factors that we continually monitor and strategize. Management believes it has the team, strategies and initiatives in place to defend and build on its position effectively.

The directors believe that the worldwide economic and geopolitical events will continue to affect the Group's hotels trading conditions, but that the hotels are well placed to either address those risks or leverage the opportunities accordingly.

The Group's projections for 2020 show significant performance decline year on year related to COVID-19, however we have forecast that 2021 will see a gradual return of operating profits and cash inflows.

Business relationships

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018 there is a requirement to disclose how the directors have regard to the need to foster the Company's business relationships with suppliers, customers and others. This disclosure is included in the 'Section 172(1) statement' section of the Strategic Report.

Equal opportunities and diversity

The Company is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Company has continued the employment wherever possible of any person who becomes disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the company, has been continued through the staff quarterly meetings. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Employees participate directly in the success of the business through the Company's various incentive schemes.

Political donations

The company made no political contributions during the year (2018: £Nil).

Going Concern – reliance on the ultimate beneficial owner

The Company's business activities, together with the factors likely to affect its future development, are set out in the 'COVID-19' and 'Principal risks and uncertainties' sections of the Strategic Report and the 'Future developments' section in the Directors' Report.

The Berkeley Hotel Limited

Directors' report (*continued*)

Going Concern – reliance on the ultimate beneficial owner (*continued*)

The Company is loss making, predominantly due to interest payable on its borrowings. As at the balance sheet date, the Company had net current assets of £72.6 million (2018: £85.6 million) and net assets of £51.3 million (2018: £54.6 million). The directors have assessed the prospects of the Company by assessing the cash flow and covenant forecasts of the Group, which largely comprises of the Company and those subsidiaries of Selene Midco Limited which are hotel owners and operators. These forecasts are prepared using base case and downside assumptions, including planned opening dates, potential revenue recovery profiles, cost estimates and real estate values as relevant to loan-to-value ratio covenants.

As discussed above, since the closure of the hotel, the Group continues to invest in the development of the hotel and the adjacent building at 33-39 Knightsbridge. This investment continues to be funded by the ultimate beneficial owner and intermediate parent company as there is confidence in the long-term return on investment and viability of the business.

The Group's projections for 2020 and 2021 show that the Company is dependent on the support provided by the ultimate beneficial owner for operating and capital expenditure obligations. In addition, the Company will require support for the servicing of debt. The Company has secured a covenant waiver with the lender until August 2021 in relation to the Debt to EBITDA covenant.

A letter of financial support has been provided by the Company's ultimate beneficial owner, His Excellency Sheikh Hamad Bin Jassim Bin Jaber Al Thani, pledging to support the Company should this be required for a period of at least 12 months from the date of the signing of the financial statements.

The directors have made enquiries to satisfy themselves that the ultimate beneficial owner has sufficient liquid resources available to provide the financial support required by the Company. Based on the results of the assessment described above, the directors have concluded that it remains appropriate to prepare the annual report and accounts on a going concern basis.

Disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

The Berkeley Hotel Limited

Directors' report (*continued*)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

Approved by the Board of Directors ('the Board') and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'Liam', followed by a long horizontal flourish.

Liam Cunningham
Director

18 August 2020

The Berkeley Hotel Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board



Liam Cunningham
Director

18 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BERKELEY HOTEL LIMITED

Opinion

We have audited the financial statements of The Berkeley Hotel Limited for the year ended 31 December 2019 which comprise the Income Statement, Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – disclosure of effects of COVID-19

We draw attention to Notes 2 and 22 of the financial statements, which describe the financial disruption the Company is facing as a result of COVID-19 in the post balance sheet event period and the letter of support provided by the ultimate beneficial owner that will be relied upon by the Company to settle operating and capital expenditure obligations throughout the forecast period. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BERKELEY HOTEL LIMITED (*continued*)

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BERKELEY HOTEL LIMITED (*continued*)

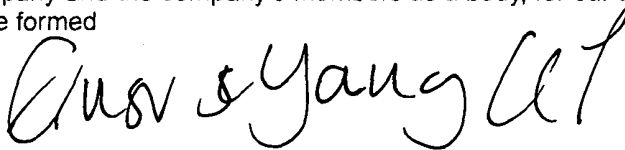
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed



Rebecca Turner (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
1 More London Place
London
SE1 2AF

18 August 2020

The Berkeley Hotel Limited

Income statement

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	52,552	54,827
Cost of sales		(18,050)	(17,513)
Gross profit		34,502	37,314
Administrative expenses		(26,465)	(26,910)
Loss on disposal of fixed assets		(2,062)	(948)
Operating Profit	5	5,975	9,456
Income from shares in group undertakings		6	-
Finance costs	6	(8,663)	(9,621)
Loss before tax		(2,682)	(165)
Tax charge on loss on ordinary activities	7	(126)	(1,936)
Loss for the financial year		(2,808)	(2,101)

All activities in the current and preceding periods are derived from continuing operations.

Statement of other comprehensive income

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Loss for the year		(2,808)	(2,101)
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	17	(654)	611
Tax on remeasurements of defined benefit liability	16	111	(104)
Other comprehensive (loss)/income, net of tax		(543)	507
Total comprehensive loss for the year		(3,351)	(1,594)

The Berkeley Hotel Limited

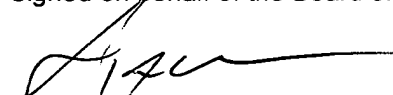
Balance sheet

as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	8	221,384	214,579
Intangible assets	9	1,800	2,250
Right of use assets	10	6,510	-
Investments	11	-	6
		<hr/>	<hr/>
		229,694	216,835
Current assets			
Stocks	12	1,039	899
Debtors	13	86,581	102,560
Cash at bank and in hand		4,823	2,828
		<hr/>	<hr/>
		92,443	106,287
Current liabilities			
Trade and other payables	14	(14,756)	(15,747)
Leases	10	(122)	-
Loans and borrowings	15	(4,956)	(4,978)
		<hr/>	<hr/>
Net current assets		72,609	85,562
		<hr/>	<hr/>
Total assets less current liabilities		302,303	302,397
Non current liabilities			
Loans and borrowings	15	(227,072)	(230,539)
Leases	10	(6,597)	-
Employee benefits	17	(144)	(892)
Deferred taxation	16	(17,211)	(16,336)
		<hr/>	<hr/>
Net assets		51,279	54,630
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	18	150	150
Profit and loss account		51,129	54,480
		<hr/>	<hr/>
Shareholders' funds		51,279	54,630
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 18 August 2020.

Signed on behalf of the Board of Directors



Liam Cunningham
Director

The Berkeley Hotel Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2018	150	56,074	56,224
Loss for the financial year	-	(2,101)	(2,101)
Other comprehensive income	-	507	507
	<hr/>	<hr/>	<hr/>
At 31 December 2018	150	54,480	54,630
Loss for the financial year	-	(2,808)	(2,808)
Other comprehensive loss	-	(543)	(543)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	150	51,129	51,279
	<hr/>	<hr/>	<hr/>

The accompanying notes form an integral part of the financial statements.

The reserve for Retained earnings represents accumulated profits/(losses) of the Company less any distributions to shareholders.

The Berkeley Hotel Limited

Notes

forming part of the financial statements

1 Statement of compliance

The Berkeley Hotel Limited is a company incorporated and domiciled in the England and Wales. The company's registered office is 27 Knightsbridge, London, SW1X 7LY.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

These financial statements are presented in sterling, being the functional currency of the company. All financial information presented in sterling has been rounded to the nearest thousand, except where otherwise stated.

2 Significant accounting policies

Basis of preparation

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the European Union ("EU IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted certain disclosure exemptions available under FRS 101. These include:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 16 and 11 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 130(f), 134(d to f) and 135(c to e) of IAS 36 Impairments of Assets.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Selene Midco Limited. The results of the Company are included in the publicly available consolidated financial statements of Selene Midco Limited.

The Berkeley Hotel Limited

Notes (continued)

2 Significant accounting policies (continued)

Basis of preparation (continued)

As the consolidated financial statements of Selene Midco Limited include the equivalent disclosures, the company has also taken the exemption under FRS 101 available in respect of the following:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and
- Certain disclosures required by IAS 36 *Impairment of Assets*.

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Foreign currency

Transactions in foreign currencies are translated to the functional currency of the company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Use of estimates and judgements

In preparing these financial statements management has made judgements, estimates and assumptions that affect application of the company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The key accounting judgements and sources of estimation uncertainty affecting these financial statements are:

- Carrying value of tangible fixed assets and specifically the estimation of the useful economic lives of property, plant and equipment
- Carrying amount of intangible assets - measured at cost less accumulated amortisation and any accumulated impairment losses
- Defined benefit plans - The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned to date, discounting that amount and deducting the fair value of any plan assets
- Taxation - Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in the note "Taxation".
- Discount rate used to determine the IFRS 16 lease liability

Estimates to underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The Berkeley Hotel Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

Going Concern – reliance on the ultimate beneficial owner

The Company's business activities, together with the factors likely to affect its future development, are set out in the 'COVID-19' and 'Principal risks and uncertainties' sections in the Strategic Report and the 'Future developments' section in the Director's Report. As set out in Note 22, the Company has been impacted by the UK government restrictions resulting from COVID-19, including the closure of the hotel with effect from 24 March 2020 to 4 July 2020. The Company has historically been reliant on the cash inflows generated from hotel operations to meet its debt servicing requirements and associated covenants.

The Company is loss making, predominantly due to interest payable on its borrowings. As at the balance sheet date, the Company had net current assets of £72.6 million (2018: £85.6 million) and net assets of £51.3 million (2018: £54.6 million). The directors have assessed the prospects of the Company by assessing the cash flow and covenant forecasts of the Group, which largely comprises of the Company and those subsidiaries of Selene Midco Limited which are hotel owners and operators. These forecasts are prepared using base case and downside assumptions, including planned opening dates, potential revenue recovery profiles, cost estimates and real estate values as relevant to loan-to-value ratio covenants.

As discussed above, since the closure of the hotel, the Group continues to invest in the development of The Berkeley hotel and the adjacent building at 33-39 Knightsbridge. This investment continues to be funded by the ultimate beneficial owner and intermediate parent company as there is confidence in the long-term return on investment and viability of the business.

The Group's projections for 2020 and 2021 show that the Company is dependent on the support provided by the ultimate beneficial owner for operating and capital expenditure obligations. In addition, the Company will require support for the servicing of debt. The Company has secured a covenant waiver with the lender until August 2021 in relation to the Debt to EBITDA covenant.

A letter of financial support has been provided by the Company's ultimate beneficial owner, His Excellency Sheikh Hamad Bin Jassim Bin Jaber Al Thani, pledging to support the Company should this be required for a period of at least 12 months from the date of the signing of the financial statements.

The directors have made enquiries to satisfy themselves that the ultimate beneficial owner has sufficient liquid resources available to provide the financial support required by the Company. Based on the results of the assessment described above, the directors have concluded that it remains appropriate to prepare the annual report and accounts on a going concern basis.

Revenue recognition

Revenue represents sales (excluding VAT and similar taxes) of goods and services net of trade discounts provided in the normal course of business.

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, and other revenue. Room and Food and Beverage revenue is recognised when the control over good/or services is transferred to the customer, rooms are occupied and food and beverages are sold.

The Berkeley Hotel Limited

Notes (continued)

2 Significant accounting policies (continued)

Taxation

The income tax expense comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to items recognised in OCI or directly in equity, in which case it is recognised in OCI or directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates and laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: those differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that the Company is able to control the timing of reversal and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Pension

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

The net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned to date, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The Berkeley Hotel Limited

Notes (continued)

2 Significant accounting policies (continued)

Pension (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Stocks

Stocks of finished goods are measured at the lower of cost and net realisable value.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through the statement of profit or loss and other comprehensive income. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the statement of profit or loss and other comprehensive income, transaction costs.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Subsequent measurement

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

The Berkeley Hotel Limited

Notes (continued)

2 Significant accounting policies (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the statement of profit or loss and other comprehensive income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and some intercompany loans, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through the statement of profit or loss and other comprehensive income, loans and borrowings, or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Berkeley Hotel Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

(ii) Financial liabilities (continued)

Subsequent measurement – loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

(iii) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Ordinary dividends are recognised in the period in which they are paid to shareholders.

Tangible fixed assets

Recognition and measurement

Items of tangible fixed assets are measured at cost less accumulated depreciation and impairment.

If significant parts of an item of tangible fixed assets have different useful lives, then they are accounted for as separate items (major components) of tangible fixed assets.

Any gain or loss on disposal of an item of tangible fixed assets is recognised in profit or loss.

Depreciation

Depreciation has not been charged on the freehold and leasehold properties held by the Company as the residual values of those properties exceeds the carrying values.

As a result, on an annual basis the Company estimates the recoverable amount of its hotel properties based on the higher of their net realisable values or the present values of future cash flows expected to result from their use. Where the recoverable amount is less than the carrying amount of the hotel properties the Company recognises an impairment loss in the profit and loss account.

Other fixed assets are stated at cost less accumulated depreciation.

The Berkeley Hotel Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

Depreciation *(continued)*

Depreciation of other tangible assets is provided on a straight-line basis over the following useful lives:

Fixtures, fittings, plant and machinery	between 2 and 20 years
Structural improvements	25 years

Assets under the course of construction are not depreciated until brought into use.

Intangible assets

Intangible assets acquired by the Company that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight line method over their estimated useful lives, and is recognised in the income statement.

The estimated useful life for the current and comparative year of intellectual property is 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

The Berkeley Hotel Limited

Notes (continued)

2 Significant accounting policies (continued)

New and amended standards adopted by the Company

For the period beginning on 1 January 2019 the Company has adopted IFRS 16 Leases. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

IFRS 16 "Leases"

The company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Using the modified retrospective approach the company will not restate comparative information. Instead, the lessee recognises the cumulative effect of initially applying the new standard as an adjustment to equity (if applicable) at the date of initial application.

The impact of the transition resulted in the following:

- Recognition of right of use assets of £6,606,589 as at 1 January 2019
- Recognition of lease liabilities of £6,606,589 as at 1 January 2019

No adjustment to equity was required as a result of adoption of this standard.

Exemptions

The company has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Transition Exemptions

The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

Measurement of Lease Liabilities on Transition

For leases previously classified as operating leases, the lease liability at the date of initial application were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Measurement of Right of Use Assets on Transition

For leases previously classified as operating leases, the group has elected to measure the right of use asset at an amount equal to the lease liability, resulting in a zero impact on Equity as at 1 January 2019.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The impact of the adoption of IFRS 16 is disclosed in Note 10.

The Berkeley Hotel Limited

Notes (continued)

3 Revenue

	2019 £'000	2018 £'000
Rooms	36,298	38,709
Food and Beverage	10,128	9,616
Other	6,126	6,502
	<u>52,552</u>	<u>54,827</u>

All revenue arises in the United Kingdom.

4 Staff numbers and costs

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

	2019 No.	2018 No.
Hotel and administration	458	449
	<u>458</u>	<u>449</u>

The aggregate payroll costs of these persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	12,795	12,245
Social security costs	1,045	988
Other pension costs	480	390
	<u>14,320</u>	<u>13,623</u>

One of the directors is remunerated by third party management company Hume Street Management Consultants Limited which charged fees of £5,000,000 (2018: £5,000,000) to Maybourne Hotels Limited, the management company for the hotel and a related group undertaking. An amount of £1,797,000 relates to services provided to Claridge's Hotel (a sister hotel of the Berkeley hotel and under common ownership until 12 December 2017), and an amount of £3,203,000 relates to services provided to the Selene Midco Group. The Berkeley incurred £1,610,000 of the £3,203,000 fee, which is included in the financial statements of the Company.

The other director does not receive any remuneration from this Company for his services provided to the Company but is remunerated by another group entity.

The Berkeley Hotel Limited

Notes (continued)

5 Operating profit

This is stated after charging:	2019	2018
	£'000	£'000
Expenses relating to leases of low-value assets	33	560
Depreciation	6,379	7,221
Depreciation of right of use assets (note 10)	215	-
Loss on disposal of fixed assets	2,056	948
Amortisation	450	450
Cost of stocks recognised as an expense	2,490	2,389
	<hr/>	<hr/>
Auditor's remuneration	2019	2018
	£'000	£'000
Audit of these financial statements	35	35
	<hr/>	<hr/>
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	26	38
	<hr/>	<hr/>

6 Finance costs

	2019	2018
External bank loans	8,325	9,540
Amortisation of loan issue expenses	32	34
Interest arising on pension liabilities	1	47
Interest on lease liabilities (note 10)	301	-
Interest arising on corporation tax liability	4	-
	<hr/>	<hr/>
Finance costs	8,663	9,621
	<hr/>	<hr/>

On 12 December 2017 the Company entered into a new £237,659,000 Master Murabaha Agreement with final maturity of 31 October 2022. Arrangement fees incurred in relation to this new facility of £156,000 have been capitalised and in line with the group's accounting policies are amortised over the period of the loan using the effective interest method. £32,000 was amortised in the year ended 31 December 2019.

The Berkeley Hotel Limited

Notes (continued)

7 Income taxes	2019 £'000	2018 £'000
Amounts recognised in profit or loss		
Current tax		
UK corporation tax	-	705
Adjustment in respect of prior years	(861)	222
Total current tax (credit)/charge	(861)	927
Deferred tax		
Origination and reversal of temporary differences	947	357
Adjustments in respect of prior periods	128	705
Impact of change in tax rates	(88)	(53)
Total deferred tax charge	987	1,009
Total tax charge in the income statement	126	1,936
Reconciliation of tax charge/(credit)	31 December 2019 £'000	31 December 2018 £'000
(Loss)/profit on ordinary activities before tax	(2,682)	(165)
(Loss)/profit on ordinary activities before tax at the standard corporation tax rate in UK of 19.00% (2018: 19.00%)	(510)	(31)
Group relief surrendered/(received) not paid for	69	(542)
Expenses not deductible for tax purposes	357	329
Transfer pricing adjustments	-	577
Prior period adjustments to capital gains	466	134
Impact of change in tax rates	(88)	(53)
Disallowable interest in relation to corporate interest restriction	578	817
Adjustments to tax charge in respect of previous periods	(733)	705
Other	(13)	-
Total tax charge/(credit)	126	1,936

Factors which may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the company's future tax charge accordingly.

The Berkeley Hotel Limited

Notes (continued)

8 Tangible fixed assets	Freehold/Long leasehold land and buildings £'000	Structural improvements £'000	Assets under the course of construction £'000	Fixtures, fittings, plant and machinery £'000	Total £'000
Cost					
At 31 December 2018	134,706	18,292	26,085	95,096	274,179
Additions	-	-	15,240	-	15,240
Reclassification	-	4,775	(12,395)	7,620	-
Disposals	-	-	-	(13,391)	(13,391)
At 31 December 2019	134,706	23,067	28,930	89,325	276,028
Accumulated depreciation					
At 31 December 2018	-	1,514	-	58,086	59,600
Disposals	-	-	-	(11,335)	(11,335)
Charge for the year	-	829	-	5,550	6,379
At 31 December 2019	-	2,343	-	52,301	54,644
Net book value					
At 31 December 2019	134,706	20,724	28,930	37,024	221,384
At 31 December 2018	134,706	16,778	26,085	37,010	214,579

At 31 December 2019 Qatar Islamic Bank Q.S.C held a first fixed charge over all property, buildings, fixtures, fittings and fixed plant and machinery at the The Berkeley Hotel and a floating charge over all of the Company's assets in respect of the amounts owed by the Company at the period end of £230.7 million (2018: £234.2 million).

Assets under the course of construction relate to the enabling/shell and core works on the second phase of the development project of the Berkeley which includes uplifting the existing stock and development of the freehold wing of the property.

In accordance with the Company's accounting policies, the directors undertake an annual review of the carrying value of all tangible fixed assets to determine whether there is any indication of impairment. An impairment test was performed at 31 December 2019 by comparing the carrying amount of these assets to their recoverable amounts.

The recoverable amount is determined as the higher of value in use and fair value less costs of disposal. In determining an asset's recoverable amount the directors are required to make judgements, estimates and assumptions that impact on the carrying value of the properties. The estimates and assumptions used are based on historical experience and other factors that are believed to be reasonable based on information available. At 31 December 2019, the fair value of the hotel as determined by JLL was significantly higher than the carrying amount. The directors conclude that the carrying value of property, plant and equipment is not impaired at 31 December 2019.

The Berkeley Hotel Limited

Notes (continued)

8 Tangible fixed assets (continued)

The estimated fair value of the long lease and freehold land and buildings would increase/(decrease) if:

- the discount rate was (higher)/lower;
- the trading performance of the hotels improved/(declined); or
- market yields (increased)/decreased.

9 Intangible assets

Reconciliation of carrying amount

	Intellectual property £'000 Group
Cost	
At 31 December 2018	4,500
	<hr/>
At 31 December 2019	4,500
	<hr/> <hr/>
Accumulated amortisation and impairment losses	
	£'000
At 31 December 2018	2,250
Amortisation	450
	<hr/>
At 31 December 2019	2,700
	<hr/> <hr/>
Net book value	
At 31 December 2018	2,250
	<hr/> <hr/>
At 31 December 2019	1,800
	<hr/> <hr/>

In 2013, the company purchased back certain intellectual property from Maybourne Management Services Limited, a company with common directors, for £4.5 million, being its estimated fair value. The fair value was calculated using the Royalty Relief approach which is widely considered to be the most appropriate means of determining the value of intellectual property. Amortisation of this intangible over 10 years commenced in the financial year ended 31 December 2013.

The Berkeley Hotel Limited

Notes (continued)

10 Leases

Right-of-use assets	Property £'000	Vehicles £'000	Total £'000
Balance at 1 January 2019	6,498	108	6,606
Additions during the year	-	119	119
Accumulated Depreciation	(97)	(118)	(215)
Balance at 31 December 2019	6,401	109	6,510

Lease Liabilities	31 December 2019 £'000
Balance at 1 January 2019	6,606
Additions during the year	119
Interest	301
Payments	(307)
Balance at 31 December 2019	6,719
Non-current	6,597
Current	122
Balance at 31 December 2019	6,719

Amounts recognised in Profit or Loss	31 December 2019 £'000
Interest on lease liabilities	(301)
Depreciation of right of use assets	(215)
Expenses relating to short-term leases	-
Expenses relating to leases of low-value assets	(33)
Total amount recognised in profit or loss	(549)

Leases - Estimating the incremental borrowing rate IFRS 16.26

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available. The Company estimates the IBR using observable market interest rates adjusted to reflect the terms and conditions of the lease. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 4.4%.

The Berkeley Hotel Limited

Notes (continued)

10 Leases (continued)

	2019 £'000
Operating lease commitments as at 31 December 2018	19,755
Restatement	18,573
Operating lease commitments as at 31 December 2018 (Restated)	38,328
Weighted average incremental borrowing rate as at 1 January 2019	4.4%
Discounted operating lease commitments as at 1 January 2019	6,872
Less:	
Commitments relating to short-term leases	(223)
Commitments relating to leases of low-value assets	(43)
Lease liabilities as at 1 January 2019	6,606

The opening property operating lease commitment disclosure as at 31 December 2018 has been restated, increasing the balance by £18,573,000. This increase relates to one lease where the total lease commitment obligation had been calculated using the incorrect annual obligation. This restatement has no impact on the balance sheet, income statement or statement of other comprehensive income as presented in the prior year financial statements.

Non-cancellable lease rentals are payable on certain plant and machinery, motor fleet contract hire and leased buildings. These represent the minimum undiscounted future lease payments in aggregate that the Company is required to make under existing lease arrangements:

	2019 £'000
Less than one year	492
Between one and five years	1,298
More than five years	36,611
	38,401

11 Investments

<i>Investments in subsidiary undertakings</i>	2019 £'000	2018 £'000
At cost and net book value		
At beginning and end of year	6	6
Investment in subsidiary written off	(6)	-
	-	6

The Berkeley Hotel Limited

Notes (continued)

11 Investments (continued)

The Company's direct subsidiary undertakings The Minema Limited and The Berkeley Hotel (49907) Company Limited were dissolved on 15 October 2019. The value of the company's investments in these subsidiaries has therefore been written off in the period.

On 15 October 2019 the Company received a non cash dividend from its subsidiary The Berkeley Hotel (49907) Company Limited for the amount of £6,000.

The subsidiary undertakings, incorporated in Great Britain with 100% ordinary shareholdings are as follows:

Subsidiary undertaking	Activity
Goldrange Properties Limited	Ownership of Property

The registered address for each subsidiary is the same as that of the Company.

12 Stocks	2019 £'000	2018 £'000
Raw materials and consumables	1,039	899

The replacement cost of stocks did not differ significantly from the amounts shown above.

13 Debtors	2019 £'000	2018 £'000
Trade debtors	4,803	8,331
Amounts owed by group undertaking	78,227	93,103
Amounts owed by related party	518	219
Other debtors	121	155
Corporation tax	1,718	-
Prepayments and accrued income	1,194	752
	86,581	102,560

All amounts are due within one year.

The Berkeley Hotel Limited

Notes (continued)

14 Trade and other payables	2019 £'000	2018 £'000
Trade creditors	1,741	1,735
Amounts owed to group undertaking	7,724	7,686
Amounts owed to subsidiary undertakings	-	6
Amounts owed to related party	97	103
Other taxes and social security	2,308	3,351
Other creditors	274	223
Accruals and deferred income	2,612	2,643
	14,756	15,747

An amount of £1,576k has been reclassified in the comparative period from Accruals and deferred income to Amounts owed to group undertakings. This reclassification corrects the allocation to Amounts owed to Group undertaking in 2018, in order to better reflect the nature of the liability and the counterparty to whom it was due. This reclassification has no impact on the balance sheet, income statement or statement of other comprehensive income as presented in the prior period financial statements.

15 Loans and borrowings	2019 £'000	2018 £'000
Non current liabilities		
Secured bank loans	227,072	230,539
	227,072	230,539
	£'000	£'000
Current liabilities		
Secured bank loans	3,499	3,499
Accrued interest	1,457	1,479
	4,956	4,978

On 12 December 2017 the company entered into a Master Murabaha Agreement with Barwa Bank of £237,659,000. The new facility is repayable in October 2022, with £3,500,000 due annually until October 2022. The security package for the bank loans comprises cross company guarantees supported by debentures giving a fixed and floating charge over all the assets of the group.

Offset against bank loans are loan arrangement fees of £156,000 which, in line with the group's accounting policies, are amortised over the period of the loan using the effective interest method. £32,000 was amortised in the current period.

The Berkeley Hotel Limited

Notes (continued)

16 Deferred tax assets and liabilities

Recognised deferred tax (assets) and liabilities

	2019 £'000	2018 £'000
At 1 January	16,336	15,223
Charged/(credited) to profit and loss	986	1,009
Deferred tax on remeasurement of pension liability	(111)	104
	<hr/>	<hr/>
At 31 December	17,211	16,336
	<hr/>	<hr/>

Deferred tax (assets) and liabilities are attributable to the following:

	Assets 2019 £'000	Assets 2018 £'000	Liabilities 2019 £'000	Liabilities 2018 £'000	Net 2019 £'000	Net 2018 £'000
Depreciation in advance of capital allowances	(520)	(851)	-	-	(520)	(851)
Capital gains on properties	-	-	17,755	17,339	17,755	17,339
Other temporary differences	-	-	-	-	-	-
Defined benefit pension scheme	(24)	(152)	-	-	(24)	(152)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax (assets)/liabilities	(544)	(1,003)	17,755	17,339	17,211	16,336
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Berkeley Hotel Limited

Notes (continued)

17 Employee benefits

The Coroin Limited Group and Selene Midco Limited Group operate two pension schemes, a defined benefit scheme and a defined contribution scheme. The defined benefit scheme, The Maybourne Hotels Group Pension and Life Insurance Scheme, which has two sections - Staff and Senior Staff section, closed to new entrants with effect from 1 August 2006. The Maybourne Stakeholder Scheme, a defined contribution scheme, was introduced on 1 August 2006 and is open to all staff if they meet the eligibility criteria.

On 12 December 2017 Maybourne Hotels Limited, The Berkeley Hotel Limited, The Connaught Hotel Limited ("the Selene Employers") were transferred and ceased to be wholly owned subsidiaries of the same ultimate parent of which also owned Claridge's Hotel Limited ("the Transaction"). Up until the date of the transaction The Selene Employers were participating employers in the The Maybourne Hotels Group Pension and Life Insurance Scheme ("the Scheme") in respect of some of their employees. Claridge's Hotel Limited is the principal employer under the Scheme rules.

As a consequence of the Selene Employers not having a common ultimate parent with Claridge's Hotel Limited following the Transaction, the continued participation in the Scheme by the Selene employers required the agreement with the Trustees of the Scheme ("the Trustees") and Claridge's Hotel Limited. Interim agreement through a Memorandum of Understanding ("MOU") was reached on 11 December 2018 between the employers (including the Selene employers) and the Trustees that they will use reasonable endeavours to ensure that the actuarial valuation of the Scheme as at 31 March 2018 will be completed by 30 June 2019 and they will use all reasonable endeavours to ensure that a long term funding and investment strategy will be agreed by 30 June 2019. The MOU also documented that if the matters referenced above were agreed and documented to the satisfaction of the Trustees by 30 June 2019 the Trustees and Employer will take such steps as are necessary to allow the Selene or "Relevant" Employers (Maybourne Hotels Limited, The Berkeley Hotel Limited and The Connaught Hotel Limited) to continue to participate in the Scheme after 30 June 2019, such that no debt becomes due under section 75 of the Pensions Act 1995 on or before 30 June 2019 by reason of an actual or deemed employment-cessation event.

On 27 June 2019 the Employers including the Relevant Employers confirmed to the Trustees their acceptance of the 31 March 2018 valuation and confirmed their agreement to the proposals documented in the Trustees letter to the company dated 17 June 2019 confirming the continued participation in the scheme by the Relevant Employers should agreement be reached. The directors therefore consider agreement to have been reached with effect from 27 June 2019 and that section 75 liabilities will not be crystallised on the basis of this agreement including the Trustees agreement for continued participation in the scheme of the Relevant employers. The Relevant employers and Trustees will continue to work together to determine some of the details of the investment strategy and the long term future of the scheme.

It was agreed that obligations in respect of the Scheme shall be allocated between Coroin Limited and Claridge's Limited ("the Coroin Employers") on the one hand and the Selene Employers on the other hand in the ratio 49.5% to 50.5%. It was also agreed that future service contributions would be payable by each of the Employers as a percentage of the pensionable salaries of their respective employees who are members of the Scheme.

Management intend for the Scheme to be operated in this fashion with additional payment obligations above future service contributions being met initially by Coroin Limited on behalf of the Coroin Employers and by The Berkeley Hotel Limited on behalf of the Selene Employers. Accordingly, Coroin Limited recognises 49.5% of the Scheme net pension obligation in its balance sheet and 50.5% of the Scheme net pension obligation (along with the associated deferred tax) were transferred through equity to the balance sheet of The Berkeley Hotel Limited at the year ended 31 December 2017. Full disclosures in relation to the scheme in accordance with the requirements of IAS 19 are therefore provided below.

The Berkeley Hotel Limited

Notes (continued)

17 Employee benefits (continued)

	31 December 2019 £'000	31 December 2018 £'000
Total market value of pension scheme		
Assets	46,272	40,926
Present value of defined benefit		
Obligation	(46,416)	(41,818)
	<hr/>	<hr/>
Excess of scheme liabilities over assets	(144)	(892)
	<hr/>	<hr/>
Employee retirement benefit		
(liability)/asset before tax	(144)	(892)
Related deferred tax asset/(liability)	24	152
	<hr/>	<hr/>
Employee retirement benefit		
(liability)/asset after tax	(120)	(740)
	<hr/>	<hr/>

The pension contributions to the defined benefit scheme for both Groups combined are assessed in accordance with the advice of an independent professionally qualified actuary. The most recent actuarial valuation was carried out at 31 March 2018 and revealed a funding deficit of £8,000,000 on the Technical Provisions basis and a deficit of £25,200,000 on the agreed basis for the Scheme's Long Term Funding Target. To achieve that target, the valuation recommended an overall monthly contribution cap of £338,333 (2018: £345,906) from 1 August 2019 until 31 March 2025, the date the Scheme is expected to be fully funded, which includes a contribution for future accrual of benefit at a rate of 46.7% (35.3% to June 2019) of pensionable salaries, contribution in respect of administration and other costs of £23,667 (2018: £23,661) and an additional contribution to the amount of £338,333 minus the above two contributions (2018: £345,906: minus the above two contributions). The valuations employed for IAS 19 purposes have been based on the most recent funding valuations (date of which is noted above) adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2019 and to take account of financial conditions at this date. They have been completed using the projected unit method and assets for this purpose have been valued at market value.

The Berkeley Hotel Limited

Notes (continued)

17 Employee benefits (continued)

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	31 December 2019 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2018 £'000
Balance at 1 January	41,818	43,996	(40,926)	(41,466)	892	2,530
Included in profit and loss						
Current service costs	334	409	-	-	334	409
Interest cost/(income)	1,231	1,147	(1,230)	(1,100)	1	47
Guaranteed Minimum Pensions	-	332	-	-	-	332
	1,565	1,888	(1,230)	(1,100)	335	788
Included in OCI						
Remeasurements:						
- Actuarial gain/(loss) arising from:						
- demographic assumptions	180	(874)	-	-	180	(874)
- financial assumptions	4,431	(2,077)	-	-	4,431	(2,077)
- experience adjustment	-	640	-	-	-	640
- Return on plan assets	-	-	-	-	-	-
excluding interest income	-	-	(3,957)	1,700	(3,957)	1,700
	4,611	(2,311)	(3,957)	1,700	654	(611)

The Berkeley Hotel Limited

Notes (continued)

17 Employee benefits (continued)

Movement in net defined benefit liability (continued)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Other						
Transfer of pension obligation and plan assets from Coroin Limited	-	-	-	-	-	-
Contributions paid by the employer	-	-	(2,040)	(2,095)	(2,040)	(2,095)
Benefits paid	(1,578)	(1,755)	1,578	1,755	-	-
Service cost	-	-	303	280	303	280
	<u>(1,578)</u>	<u>(1,755)</u>	<u>(159)</u>	<u>(60)</u>	<u>(1,737)</u>	<u>(1,815)</u>
Balance at 31 December	46,416	41,818	(46,272)	(40,926)	144	892

The Berkeley Hotel Limited

Notes (continued)

17 Employee benefits (continued)

Both Coroin Group and Selene Midco Group expect to pay a total of £4.13 million in contributions to the defined benefit plans in 2020. The Berkeley Hotel Limited, on behalf of Selene employers, is expected to pay £0.5 million in respect of the contribution for future accrual of benefit and £1.5 million in respect of additional contribution.

The fair value of the plans' assets at 31 December is analysed as follows:

	31 December 2019 £'000	31 December 2018 £'000
Investment funds	26,642	24,585
Debt instruments	17,759	14,682
Other	1,871	1,659
	<hr/>	<hr/>
	46,272	40,926
	<hr/>	<hr/>

(b) Defined benefit obligation

(i) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31 December 2019	31 December 2018
Discount rate	2.10%	3.00%
Inflation rate (RPI)	3.10%	3.35%
Inflation rate (CPI)	2.20%	2.35%
Future pension growth	3.05%	3.25%
Rate of increase of deferred pensions	-	-
Life expectancy at age 65 for pensioners currently aged 65 (years)		
Female	24.3	24.2
Male	21.7	21.5
Life expectancy at age 65 for active members currently aged 45 (years)		
Female	25.5	25.4
Male	22.8	22.6

At 31 December 2019, the weighted average duration of the defined benefit obligation was 17.5 years (2018: 16 years).

(ii) Sensitivity analysis

Increasing the discount rate applied by 0.25% would result in a £1.9 million decrease in the net pension liability.

Decreasing the discount rate applied by 0.25% would result in a £1.9 million increase in the net pension liability.

Increasing the inflation rate applied by 0.25% would result in a £1.8 million increase in the net pension liability.

Decreasing the inflation rate applied by 0.25% would result in a £1.8 million decrease in the net pension liability.

The Berkeley Hotel Limited

Notes (continued)

17 Employee benefits (continued)

(ii) Sensitivity analysis (continued)

Increasing life expectancy by 1 year would result in a £2.2 million increase in the net pension liability. Decreasing life expectancy by 1 year would result in a £2.2 million decrease in the net pension liability.

The sensitivity analysis has been prepared by the Group's external independent actuaries. Within Selene Midco Limited Group pensions for 47 employees (2018: 49 employees) are funded through the defined contribution scheme. The defined contribution pension cost for the year amounted to £197,100 (2018: £194,870). From 1 April 2014 the Coroin Limited Group introduced the government led Auto-enrolment scheme, a contribution scheme, whereby all employees who are not members of any pension scheme would automatically be enrolled, unless opted out. The Auto-enrolment contribution pension cost for the year amounted to £672,930 (2018: £466,164). Selene Holdings Limited Group actively encourages staff to join the scheme as it believes that it is an important element of the remuneration package. Pensions for 770 employees (2018: 733 employees) are funded through the defined contribution scheme.

The Berkeley Hotel Limited – Company

Pensions for 23 employees (2018: 25 employees) are funded through this scheme. The defined contribution pension cost for the year amounted to £69,413 (2018: £75,827). To comply with the law, the Company auto-enrolled all employees who are not members of any pension scheme from 1 April 2014 – auto-enrolment stakeholder pension scheme. 344 (2018: 328) employees were auto-enrolled in 2019 with a cost for the year of £277,987 (2018: £202,389). The Company actively encourages staff to join the scheme as it believes that it is an important element of the remuneration package.

18 Called up share capital	2019 £'000	2018 £'000
Authorised, issued, called up, allotted and fully paid		
1,000,000 "A" ordinary shares of £0.1 each	100	100
500,000 "B" ordinary shares of £0.1 each	50	50
	<hr/>	<hr/>
	150	150
	<hr/>	<hr/>

Shares rank equally, except for a dividend and return on capital, where the distribution rights of the "A" shares are 10,000 times those of "B" shares.

19 Capital commitments	2019 £'000	2018 £'000
Capital commitment (land and buildings)		
Contracted but not provided for in the accounts	25	205
	<hr/>	<hr/>

The Berkeley Hotel Limited

Notes (continued)

20 Related party disclosures

The company is exempt under the provisions of IAS 24 *Related Party Disclosures* from disclosing related party transactions entered into between two or more 100% owned members of a group.

At 31 December 2019, an amount of £75,000 (2018: £79,000) remains due from Hume Street Management Consultants Limited, the Company's management company in relation to services rendered to them during the year. This entity is a related party by way of a common director.

At 31 December 2019, an amount of £143,000 (2018: £140,000) remains due from Claridge's Hotel Limited, a company that until 12 December 2017 formed part of the same group. At the same time an amount of £38,000 (2018: £40,000) remains due to Claridge's Hotel Limited at 31 December 2019. This is a related party by way of a common director.

Coroin Limited, parent company of The Berkeley Hotel Limited until 12 December 2017, remains related party due to common director and hotel management agreement that bounds both with Hume Street Management Services

Cottage Linen Limited is a related party by way of a common director.

Transactions entered into, and trading balances outstanding at 31 December 2019 are as follows:

	Opening balance 31/12/2018	Loans advanced	Sales	Payments	Closing balance 31/12/2019
Related party Asset/(liability)	£'000	£'000	£'000	£'000	£'000
Hume Street Management Consultants Limited	79	-	27	(31)	75
Claridge's Hotel Limited	100	-	105	(100)	105
Coroin Limited	(63)	-	(59)	63	(59)
Cottage Linen Limited	-	300			300

21 Ultimate parent company

The company's ultimate parent company and controlling party is Prime Capital S.A., a company incorporated in Luxembourg. This is the largest group in which the results of the company are consolidated.

The ultimate controlling party is His Excellency Sheikh Hamad Bin Jassim Bin Jaber Al Thani.

Selene Midco Limited, a company incorporated in Great Britain and registered in England and Wales is the smallest group in which the results of the company are consolidated. Copies of those statutory accounts will also be available from its registered office, 27 Knightsbridge, London, SW1X 7LY

The Berkeley Hotel Limited

Notes *(continued)*

22 Subsequent events

The Group secured a new 10 year loan on 1 April 2020 with Deutsche Pfandbriefbank AG., which replaced the Murabaha facility and matures on 5 February 2030. This refinancing resulted in the Company reducing its debt from £231 million to £183 million and securing a competitive all-in annual interest rate of 2.7%, compared with 3.5% previously.

On 11 March 2020, the World Health Organization raised the public health emergency caused by the outbreak of the coronavirus (COVID-19) to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the operation of the business. The Company has been impacted by the UK government restrictions including the closure of the hotel from 24 March 2020 to 4 July 2020.

Whilst as of the date of this report, certain global regions have begun to see recovery in operations after the pandemic, COVID-19 may have a detrimental impact on the results of the Company for some time to come. Given the complexity of the pandemic and its rapid evolution, it is not practicable as of the date of approval of these financial statements to make a reliable quantified estimate of its potential impact on the Company. Any such impact will be reflected in the financial statements for the year ending 31 December 2020 and is considered to be a non-adjusting post balance sheet event for the year ending 31 December 2019.

There were no other events subsequent to the balance sheet date that require adjustment to or disclosure in the financial statements.