

Registered number: 03004377

MILLENNIUM & COPTHORNE HOTELS LIMITED

ANNUAL REPORT & ACCOUNTS

For the Year Ended 31 December 2019

CONTENTS

STRATEGIC REPORT

- 03 Statement under section 172(1) of the Companies Act 2006
- 07 Business review
- 09 Key performance indicators
- 11 Our risks

GOVERNANCE

- 18 Statement of Governance Arrangements for Directors' report
- 22 Directors' report
- 26 Statement of Directors' responsibilities in respect of the annual report and accounts
- 27 Independent auditor's report to the Members of Millennium & Copthorne Hotels Limited

FINANCIAL STATEMENTS

- 31 Consolidated income statement
- 32 Consolidated statement of comprehensive income
- 33 Consolidated statement of financial position
- 35 Consolidated statement of changes in equity
- 36 Consolidated statement of cash flows
- 38 Notes to the consolidated financial statements
- 109 Company statement of financial position
- 110 Company statement of changes in equity
- 111 Notes to the Company financial statements

FURTHER INFORMATION

- 114 Group financial record
- 115 Key operating statistics
- 117 Major Group properties
- 124 Millennium & Copthorne hotels worldwide

STRATEGIC REPORT

- 03** Statement under section 172(1) of the Companies Act 2006
- 07** Business review
- 09** Key performance indicators
- 11** Our risks

STATEMENT UNDER SECTION 172(1) OF THE COMPANIES ACT 2006

In accordance with The Companies (Miscellaneous Reporting) Regulations 2018 and the Financial Reporting Council’s Guidance on the Strategic Report issued in July 2018, the Directors must now include a statement within the Strategic Report describing how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 (“Section 172(1) Statement”). The Directors set out their Section 172(1) Statement below.

During the year, the Directors were briefed on their duties under Section 172 of the Companies Act 2006 and more specifically, their duty to “act in the way each director considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to -

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.”

Over the course of the year, the Board considered matters that fit broadly within the following topics:

- Board governance, including the commitment of the Board to diversity and the mix of the skills and experience of the Directors;
- Organisational structure and succession planning and engagement with the workforce;
- The competitiveness of the Group’s business;
- Impact of the Group’s business on the environment and the communities in which we operate; and
- The Final Offer, which was announced in June 2019 and completed in September 2019, and subsequent Delisting of the Company, as well as the integration of the Group within City Developments Limited (“CDL”). Further information about the Final Offer and Delisting can be found in the Directors’ Report, on page 22.

The various matters were reviewed against the backdrop of the principal risks and uncertainties facing the business and the Group’s relationships with its primary stakeholders, including its employees, customers, suppliers, shareholders, regulators and the communities in which we operate. Set out below is a chart summarising these relationships, including how the Company engages with each stakeholder, what they care about and why they are important. Secondary stakeholders for the Group include trade associations, the media, non-governmental organisations and charitable organisations.

Key stakeholder	Touch points / Methods of engagement	What do they care about?	Why are they important?
Employees	<ul style="list-style-type: none"> • Recruitment and induction • Internal communications (intranet sites, newsletters, email, meetings, etc.) • Training and development • Performance management • Relations with trade unions 	<ul style="list-style-type: none"> • Job security • Reputable employer • Safe working environment • Skills training and career development • Operational excellence • Fair wages 	<ul style="list-style-type: none"> • Serve as key brand ambassadors • Front-line service delivery • Critical to service/hospitality culture • Ability to create unique and memorable experiences for customers
Customers	<ul style="list-style-type: none"> • Direct sales and marketing (website, advertising campaigns, etc.) • Indirect sales and marketing (public relations, agencies, corporate groups, partnerships/sponsorships, etc.) • Booking process • Pre-stay communications • Meeting and event management • Stay or meetings and events (on-site use of facilities) • Post-stay communications (e.g., quality survey) • Loyalty programme 	<ul style="list-style-type: none"> • Value for money • Clean and safe environment • Friendly and accommodating service that anticipates customer needs and wants • Location and proximity to relevant destinations (work and leisure) • Unique experiences • Useful facilities and technologies (gym, business centre, restaurants, WiFi access, etc.) • Sustainable operations 	<ul style="list-style-type: none"> • Lifeblood of the business and driver of business growth • Serve as key brand ambassadors • Help to foster improvement and innovation through feedback regarding product and service quality • Support for sustainable operations

MILLENNIUM & COPTHORNE HOTELS LIMITED

Suppliers	<ul style="list-style-type: none"> Bidding/tender process with operations and procurement teams Provision and receipt of goods and services on-site (hotel and corporate office) Account management 	<ul style="list-style-type: none"> Development and growth of a business relationship Safe working environment Fair price and payment terms Meeting sustainable sourcing requirements 	<ul style="list-style-type: none"> Key part of responsible sourcing efforts and ethical business practices Potential business opportunities A component of service and product quality Help to support health and safety regime and operational excellence
Shareholders	<ul style="list-style-type: none"> Financial communications (annual report, results announcements and regulatory announcements) Investor presentations Investor road shows, meetings and conference calls Annual and Extraordinary General Meetings 	<ul style="list-style-type: none"> Good governance Transparency and accountability Sustainable operations, strategy and business model underpinning long-term value creation Profitability and growth Access to management and relevant and accurate information Alignment of remuneration with the interests of shareholder 	<ul style="list-style-type: none"> Funding for business expansion Promote management accountability as the owners of the company Provide for enhanced governance Support sustainable operations Help to drive economic development and societal change
Regulators	<ul style="list-style-type: none"> Licensing and compliance activities Regulatory reporting Voluntary and mandatory surveys and consultations Engagement through trade associations Assistance with economic development initiatives 	<ul style="list-style-type: none"> Social and economic development (through tax revenue, creation of jobs, etc.) Transparency and accountability Regulatory compliance Environmentally friendly and sustainable operations Minimise use of state resources 	<ul style="list-style-type: none"> Promotion of good governance leads to greater investor and customer confidence Develop policies to help foster growth (economic incentives, such as tax credits, subsidies, trade policies, etc) Support sustainability through legislation Help to ensure safety of employees and customers
Communities	<ul style="list-style-type: none"> Meetings and events at the hotel Participation in local outreach programmes Support of charitable organisations 	<ul style="list-style-type: none"> Environmental impact of the business Good corporate citizen Economic development (creation and maintenance of good jobs, local sourcing, etc.) Minimising disruption (noise, traffic, etc.) 	<ul style="list-style-type: none"> Source of talent and other resources Provide potential business opportunities and word-of-mouth marketing channels Assist with and support the Group's sustainability efforts

Looking at each topic in turn:

Board governance, including the commitment of the Board to diversity and the mix of the skills and experience of the Directors

Following a governance review by the Board in December 2018, in early 2019 the Board, led by the Nominations Committee, had an opportunity to consider potential changes to the composition of the Board. As part of this process, members of the Board heard from shareholders and even communicated with representatives from the Hampton-Alexander Review, which focuses on increasing gender diversity on Boards, and the Investment Association, a trade body that represents investment managers and asset management firms in the UK. As a result of this review, two new Directors were appointed in early 2019, Ms Paola Bergamaschi Broyd was appointed on 21 March 2019 and Mrs Vicky Williams was appointed effective as of 10 May 2019, and the Board adopted a revised diversity policy. Following these two appointments, women represented over 20% of the Directors until the eventual Delisting of the Company. After the Delisting, the Board continued to recognise the importance of gender diversity and as at the date of this Strategic Report, the Board of the Company was comprised of two women and four men.

Organisational structure and succession planning

Since an interim Group Chief Executive Officer was in place at the start of 2019, the Board undertook an exercise to review the capabilities of the senior management team and whether the organisational structure was appropriate to execute the Group's strategy and grow the business, whilst doing so in a prudent way that would serve to minimise the principal risks and uncertainties facing the Group. Shareholder feedback on the Group's management team was received and noted by the Directors. Taking into account that feedback and the needs of the Group, the Nominations Committee developed a role profile for the next permanent Group Chief Executive Officer and commenced a search to fill the role. Internal candidates were considered as well as external ones, and several premium executive search agencies were consulted during this process. However, given the recent changes to the management team, the Nominations Committee members determined that the interim Group Chief Executive Officer at the time, Tan Kian Seng, helped to provide stability and continuity to the management team and that it was important not to rush the appointment. Also, in late 2018 and early 2019, based on the succession planning conducted by the Board, some key gaps within the senior executive team were filled, including the appointment of a new global head of Human Resources and the appointment of Kieran Twomey as the Group Chief Operating Officer. Then, following the privatisation of the Company, the interim Group CEO decided to retire and the senior management structure of the Group was rationalised and streamlined with the formation of a new, smaller Executive Committee, comprised of two Executive Directors, Kwek Leng Beng and Kwek Eik Sheng as well as Mr Twomey, to help drive operational efficiency and excellence.

The competitiveness of the Group's business

The Directors considered commentary from various stakeholders, including the Company's shareholders and its customers, and examined different business models in an effort to improve the performance of the Group and offer its customers service, brand and product offerings more closely aligned with their expectations. The Board determined that in certain locations and for certain types of properties within the Group's portfolio, a third party management or affiliation model would provide a more compelling guest experience and distribution offering. As mentioned above, this resulted in, among other things, the repositioning of certain of the Group's strategic assets, such as the conversion of the Millennium Mayfair Hotel London to the Biltmore, Mayfair, which is operated by Hilton under its new LXR Hotels & Resorts luxury hotel collection and reopened in September 2019, the commencement and/or completion of several other refurbishment projects, and the execution in May 2019 of an affiliation arrangement with Hilton in respect of the Millennium Times Square New York. The Group will continue to explore alternative business models, on an asset-by-asset basis, throughout the course of 2020.

Impact of the Group's business on the environment and the communities in which we operate

During the year, the Board received several presentations and updates on the Group's sustainability initiatives. These included the following:

First, in recognition of the Group's sustainability efforts in 2019, in January 2020 the Company received a very respectable score of "B" by the Carbon Disclosure Project ("CDP"), a not-for-profit charity that operates a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. In terms of CDP rankings, this score put the Group ahead of many of its peers.

Second, in March 2019, the Science Based Target initiative approved the Company's Science Based Target submission, which had been reviewed and approved by the Board in December 2018 and included a target to reduce the Group's Scope 1, 2 and 3 greenhouse gas emissions by 27% by 2030, using 2017 as the base year. Science Based Targets are targets that are developed in conjunction with the Science Based Target initiative, based on the latest climate science and standards adopted as part of the "Paris Agreement" approved at the 2015 United Nations Climate Change Conference held in Paris, France, and are intended to limit global warming to well-below two degrees Celsius above pre-industrial levels.

Third, in May 2019, the Board considered and adopted the Group's annual supply chain transparency statement. In accordance with the Modern Slavery Act 2015, the Company produces an annual statement, that can be found at <https://investors.millenniumhotels.com/corporate-responsibility/supply-chain-transparency-statement>, detailing the steps taken by the Company and its subsidiaries over the previous year, and the steps the Group intends to take over the coming year, to prevent slavery and human trafficking occurring in our business and supply chains.

Fourth, in November 2019, members of the Board and senior management received a presentation on the findings of, and endorsed the general recommendations arising from, energy savings audits of several of the Group's UK hotels pursuant to the second phase of the mandatory Energy Savings Opportunity Scheme promulgated by the UK government's Department for Business, Energy & Industrial Strategy. While the recommendations will require some capital investment, if implemented, they are expected to produce material efficiencies and cost savings for the Group's UK hotel estate.

Finally, in the first quarter of 2020, management intends to launch an updated set of sustainability policies and elective initiatives, which collectively are known as “Responsible Hospitality”, following a previous sustainability audit of the Group’s owned and operated hotels. These policies and initiatives, which have been endorsed by the Board, focus on the following key areas and are intended to help our hotels improve their sustainability efforts:

- reducing waste, laundry activity, water usage, energy and greenhouse gas emissions
- promoting more sustainable procurement activities;
- employee training and engagement on the impact on the environment of the Group’s operations; and
- supporting our community.

Management anticipate conducting future sustainability audits to review the effectiveness of the Responsible Hospitality policies and initiatives and to help to foster healthy competition among the hotels and regions.

The Group’s sustainability programme, which is more fully outlined in the Company’s Corporate Responsibility Report located at <https://investors.millenniumhotels.com/corporate-responsibility>, supports the interests of all of its stakeholders, including its shareholders, its customers, its employees, its suppliers, the communities in which the Group operates and even regulators. The Directors recognised that the Group does not operate in a vacuum and that in order for the business to grow and prosper over the long term, the business must be conducted in a sustainable way.

The Final Offer and subsequent Delisting of the Company, as well as the subsequent integration of the Group within CDL

When the Final Offer was made, the Company’s Independent Non-Executive Directors formed an independent committee of the Board to consider the offer and whether its terms were fair and reasonable and recommendable to shareholders. The views of the Company’s shareholders were considered and legal and financial advisors were consulted. In addition, the Directors also took into account the impact of the Final Offer and subsequent Delisting on the business and employees of the Group and sought certain protections from the Offeror in that regard.

Based on the value of the Final Offer and the ability of investors to realise that value over the medium term under the then current ownership structure, the execution risk associated with the Group’s strategy in light of the Company’s management capabilities, the views of shareholders (as evidenced, in some cases, by undertakings to accept the Final Offer provided by certain key shareholders) as well as intention statements made by the Offeror and CDL in respect of the Group’s business and employees, including certain protections provided in respect of certain employment, pension and share scheme rights. The reasoning behind the Independent Committee’s recommendation, including the interests that were taken into account by the Directors when assessing the Final Offer, is described in more detail in the offer document that was published on 15 August 2019.

Over the course of the year, representatives of the Board as well as members of the Group’s senior executive team, met with or spoke to many of the Group’s top institutional shareholders regarding both the Group’s governance regime and the effectiveness of its operations. Often these interactions occurred on a one-on-one basis, so a constructive dialogue could be had. The Group also held an investor presentation in February 2019, following the release of the Company’s 2018 financial results, and Directors had a chance to meet with investors at its Annual General Meeting in May 2019. The Directors’ Report further describe the ways in which the Board and senior management team engaged with employees, suppliers and other stakeholders during the year.

Following the Delisting in October 2019, the Company’s Independent Directors stepped down and new Directors joined the Board of the Company. Whilst the Company no longer has any minority shareholders, since it is fully owned by subsidiaries of CDL, engagement with the Company’s other stakeholders remains a priority for the Board, and the Directors will look for ways to improve its stakeholder understanding and engagement in 2020.

BUSINESS REVIEW

GROUP RESULTS

In constant currency, hotel revenue increased by £2m or 0.2%. Reported hotel revenue in 2019 increased by £21m or 2.4% with the impact from a weaker pound sterling against the Group's main trading currencies. Group RevPAR increased by 0.6% in constant currency.

In constant currency, total revenue for the year increased by £6m or 0.6%. Reported total revenue for 2019 increased by £28m or 2.8% to £1,025m (2018: £997m).

Pre-tax profit for 2019 decreased by £4m to £102m (2018: £106m) and included net valuation and impairment charges of £34m (2018: £36m). After removing the effects of impairment losses and net revaluation gains, the Group's reported profit before tax was £136m (2018: £142m).

HOTEL OPERATIONS

The refurbishment work of the Mayfair hotel in London started during the fourth quarter of 2017 on a phased basis with partial closures of guest rooms. The property was then fully closed in July 2018 to facilitate on-going refurbishment work. It re-opened in September 2019. Total project cost is around £60m.

The Group's New York hotels are still loss making. The Group's revenue recovery strategy for Millennium Times Square New York (formerly the Millennium Broadway New York Times Square) whereby the hotel joined Hilton as an affiliate with access to its reservation channels and loyalty programme, has yet to show significant improvement in its trading performance. Broadway implemented a union buyout costing about US\$1.2m in 2019 and it also incurred about US\$2.2m on other union related costs.

DEVELOPMENTS

The Sunnyvale California project comprises the construction of a 263-room hotel and a 250-unit residential apartment block on 35,717m² mixed use freehold landsite. The ground-breaking ceremony was held on 16 October 2018 and the project is scheduled to complete in Q1 2021. The construction cost is estimated at US\$180m (£139m). The residential apartment block commenced construction in July 2019. The hotel is currently planned to be branded as a M Social to fit with the expected guest profile. The Group hopes to capitalise from the location of this project as Sunnyvale is the headquarters of many technology companies and is part of California's high-tech area of Silicon Valley. Construction has commenced and the project is expected to complete in the next two years.

No further progress on the architecture and engineering designs in relation to the construction of a 300-room hotel and a 250-unit serviced apartment complex on Yangdong development land, situated adjacent to Millennium Seoul Hilton. Review is still on-going to ensure efficiency in the design with minimum basement excavation due to the challenging surrounding site and soil conditions. Total construction cost is anticipated to be around KRW130b (£86m). The start date is not expected to be earlier than in 2021.

HOTEL REFURBISHMENTS

Current major on-going phased refurbishment includes Millennium Hotel Paris Opera (£5m), Millennium Gloucester Hotel London Kensington (£12m) and Millennium Hilton New York One UN Plaza (£9m).

ACQUISITIONS

On 1 February 2018, the Group acquired The Waterfront Hotel in New Plymouth, New Zealand, for a purchase consideration of NZ\$11m (£6m). The iconic 42-room hotel was rebranded a Millennium hotel in Q2 of 2018.

On 27 November 2018, CDL Hospitality Trust ("CDLHT") acquired 95.0% of the shares and voting interest in Event Hospitality Group III B.V., which wholly owns Event Hospitality Group III Italy SRL, sole shareholder of NKS Hospitality III for a purchase consideration of €33m (£29m). NKS Hospitality III SRL is the legal owner of "Hotel Cerretani Florence, MGallery by Sofitel" and the fixtures, furniture and equipment therein.

There were no acquisitions during 2019.

DISPOSALSCopthorne Hotel Birmingham

In December 2013 the Group entered into various commercial arrangements with Birmingham City Council and Paradise Circus Limited Partnership, the developer of Birmingham's Paradise Circus redevelopment scheme ("PCLP"), now known as Paradise Birmingham, as a result of a compulsory purchase order by Birmingham City Council that covered the Copthorne Hotel Birmingham and other properties in its vicinity. Those arrangements include put and call options that provide for the sale of the existing hotel to PCLP for £17.2m. Currently, the Group continues to own and operate the hotel until such time as one of those options is exercised. The arrangements also included a call option for the Group to acquire an alternate site in the scheme for the development of a new 250-room hotel. In December 2018, the Group exercised that option, subject to the parties agreeing to the preliminary design and costing for the new hotel and the execution of a development agreement by the parties. As the parties had not entered into the development agreement by the required deadline, on 2 April 2020 the Group terminated its option to acquire the alternative site and as a result, that option is no longer valid.

Millennium Hotel Glasgow

In March 2017 Scottish Ministers approved a compulsory purchase order impacting the Millennium Hotel Glasgow pursuant to which Network Rail Infrastructure Limited ("Network Rail") subsequently acquired and demolished the 1970s-built, 51-room extension of the hotel as part of the redevelopment of Queen Street Station. In November 2018, Network Rail paid to the Group, on a without prejudice basis, an interim compensation payment of £2.52m. Negotiations are ongoing with Network Rail regarding the full level of compensation payable to the Group in connection with the taking. If the parties are unable to agree a value, the matter will be settled at the Lands Tribunal. Meanwhile, the Group continues to consider its options with respect to the refurbishment and repositioning of the existing hotel.

Millennium Cincinnati

A previously announced by the Company, effective as of 1 July 2019 a subsidiary of the Company entered into a purchase and sale agreement ("PSA") with a Cincinnati-based development company for the sale to the purchaser or its designee of the Group's interest in the Millennium Cincinnati hotel. The purchaser subsequently assigned its interest in the PSA to The Port of Greater Cincinnati Development Authority and completion of the sale, which was subject to the satisfaction of certain conditions, completed on 14 February 2020. Refer to Note 36 of the financial statements for further detail.

CDLHT

During Q1 2018, CDLHT disposed of its investment in two hotels in Australia, the Mercure Brisbane and Ibis Brisbane for A\$77m (£45m) generating a profit of £3m.

On 21 November 2019, CDLHT announced its proposed disposal of Novotel Singapore Clarke Quay. Accordingly, the property with a total carrying value of S\$160m (£91m) was classified as asset held for sale in the statement of financial position as at 31 December 2019. The disposal is expected to be completed in 2020.

COVID-19

The novel coronavirus, COVID-19, is having a material impact on the Group's operations and, in particular, its hospitality operations. The lockdowns and social distancing guidelines and requirements in Europe, the US, Asia and Australasia, as well as the travel restrictions in various jurisdictions, have resulted in hotel closures and, where hotels remain open, significantly low occupancy levels. This has resulted in significantly lower revenue and profit since the end of 2019 and continues to affect the Group's performance.

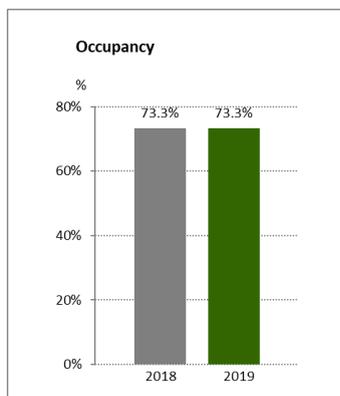
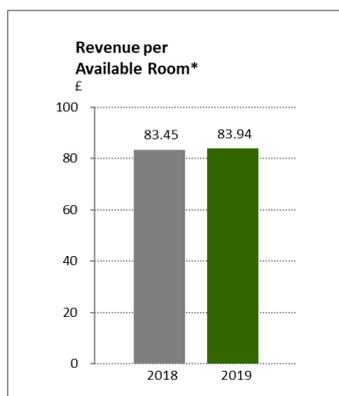
Whilst the full financial impact of the pandemic on the current financial year ending 31 December 2020 is impossible to predict with a high degree of certainty, we have considered a range of scenarios to understand the potential impact on our business and have implemented appropriate mitigation measures, including the consideration of alternative customer segments and revenue opportunities, such as housing patients and supporting healthcare and other essential workers, as well as the implementation of robust cost control measures.

KEY PERFORMANCE INDICATORS

We use a set of carefully selected key performance indicators (“KPIs”) to monitor our success. These KPIs are used to measure the Group’s progress year-on-year against those strategic priorities, and are set out below:

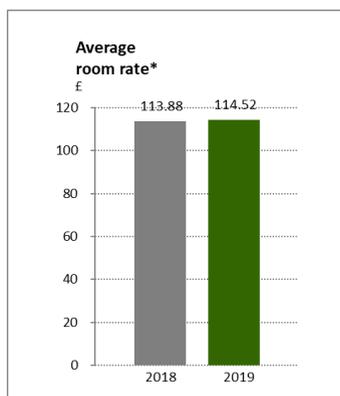
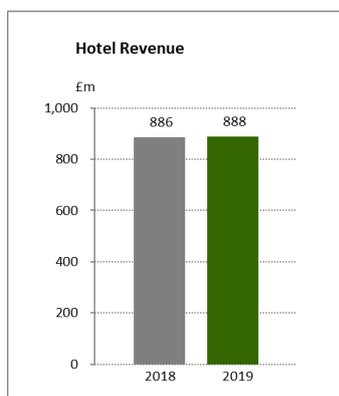
GROWTH

To achieve profitable growth and improved asset returns for our hospitality business.



Revenue per Available Room - Average room rate multiplied by occupancy percentage.

Occupancy – Percentage of rooms available for sale that were actually sold to our guests.



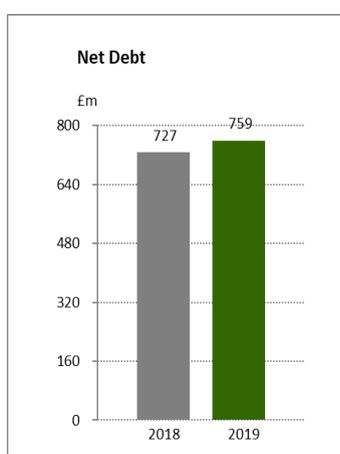
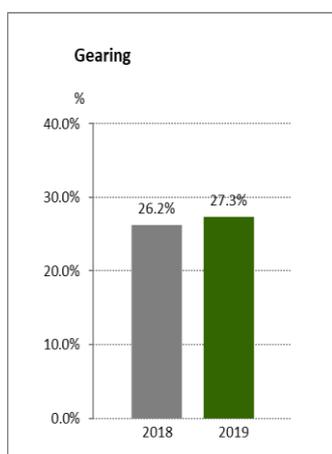
Hotel revenue – Includes room, food & beverage and meetings & events.

Average room rate – Revenue from sales, divided by number of room nights sold.

*These are shown at constant rate of exchange.

FINANCIAL LEVERAGE

To ensure a sound financial base in order to provide a solid platform for the development and growth of the Group.

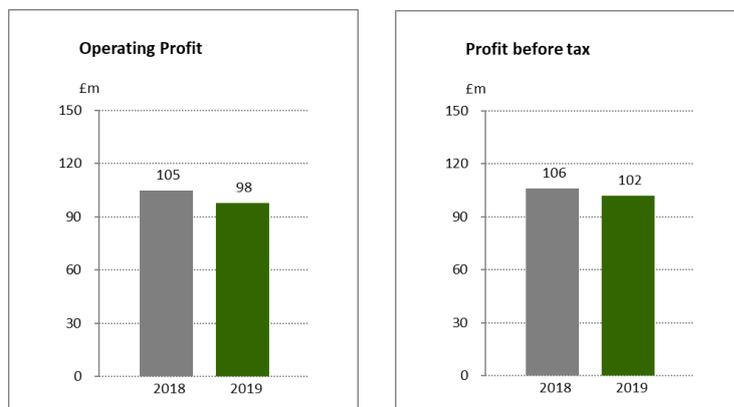


Gearing – Net debt over total equity attributable to equity holders of the parent.

Net Debt – Total borrowings less total cash. Refer to Note 21 for further details.

COST CONTROL

To ensure costs remain in line with revenue movements through a decentralised model, technological enhancements to drive efficiencies and rigorous monitoring of spending.



The Group believes that the KPIs provide useful and necessary information on the underlying trends and are used by the Group for internal performance analysis. Given the decentralised model of the Group, regional management focuses on operational KPIs. These include customer feedback, hotel gross operating profit and staff retention. General Managers report their operating KPIs to Regional Managers on a regular basis with the comparison numbers for the local competitive set of each hotel. The hotel performance numbers are then consolidated into regional and Group-wide figures.

The Group has a flexible and robust business model that generates profit predominately through its portfolio of owned and managed hospitality assets. These assets are diversified by brand, market, geography and customer offering according to what we judge to be the most appropriate means of optimising their earnings. We aim to hold our assets for the long term, especially those in key gateway cities. We employ complementary business models in certain circumstances. For example, we may engage third party operators on a selective basis to manage our brand assets that we own. We also may operate through a licensing model, through joint ventures or through arrangements where we manage hotels on behalf of other third party owners. We regard the flexibility of our business models as an essential strength in a varied and rapidly changing global hospitality market.

Our strategy is to maximise returns on shareholder's capital through the ownership and operation of hospitality assets in key gateway cities and other prime locations across the world that naturally attract large numbers of business and leisure travellers. Underpinning this strategy are the twin aims of operational excellence and prudent asset management. We seek to increase returns through quality service and efficient operations—by developing our people, processes and technology—as well as through investment in the material fabric of our hotel estate. We also look to grow the business through asset acquisition in strategic locations.

OUR RISKS

Financial and operational risks are an inherent part of conducting business in a challenging and dynamic business environment. Many of our principal risks will be the same risks faced by similar businesses in the hospitality industry.

In this section, we describe the principal risks and uncertainties that could affect the Group's ability to deliver against its strategy together with the controls and risk management framework in place to mitigate such risks.

Management of risk

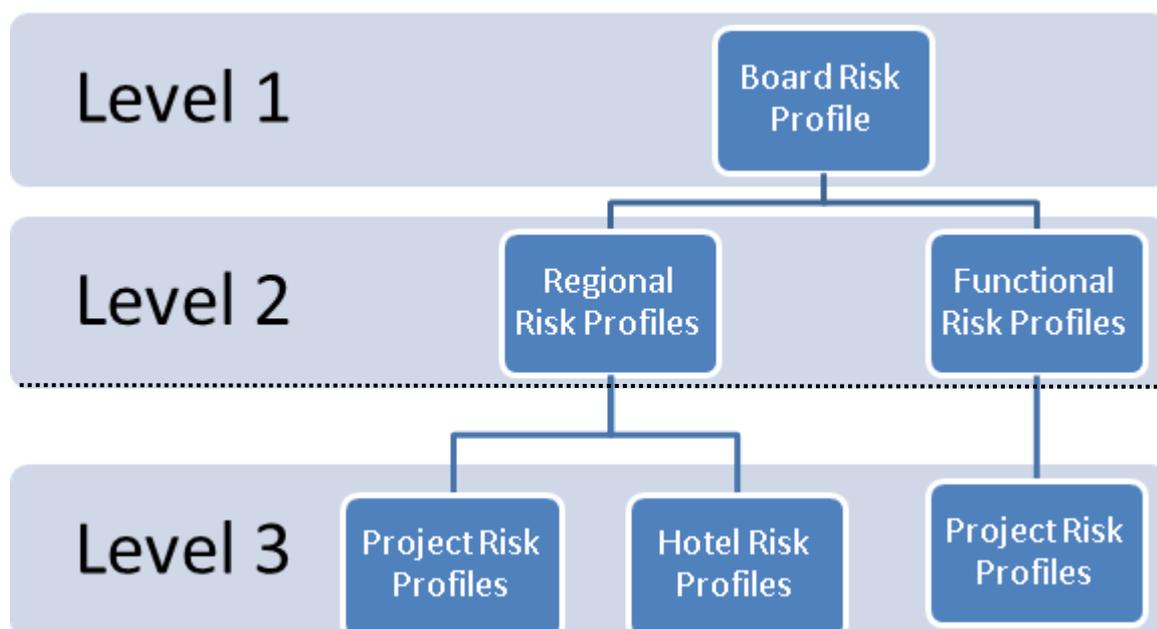
The Group's risk management framework has been developed to align with the best practice risk management standard ISO 31000. The framework consists of a group risk management process for standardized assessment, reporting and monitoring of risks to ensure a robust and consistent standard in line with the Group's risk appetite. Under the Group's risk management framework, there are three levels of risks. Level 1 risks represent the principal risks that are monitored closely at Board level. Level 2 risks are those within the areas of responsibility of the regional and functional heads. Finally, Level 3 risks encompass hotel-level and project-specific risks.

The Board have established a clear organizational structure for the management of these risks in the Group, with well-defined roles and responsibilities. The Board retains overall responsibility and accountability for the effectiveness of the risk management framework and internal control systems.

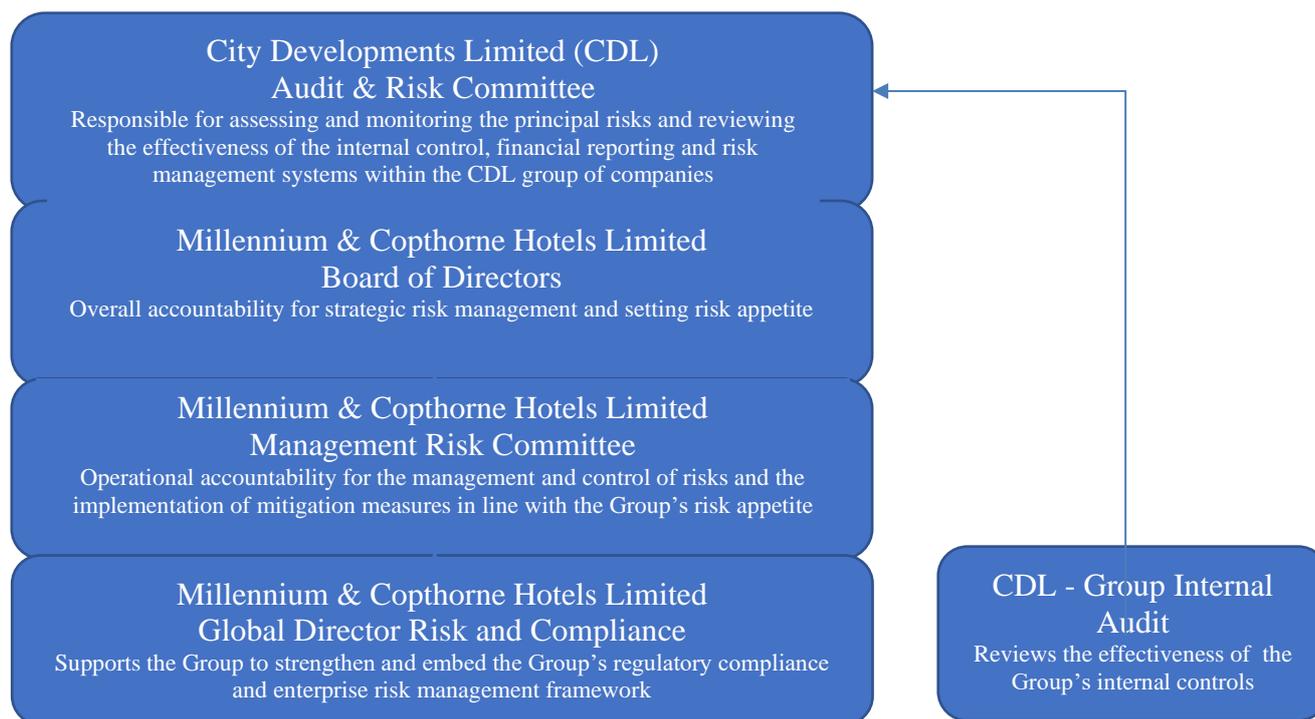
Supporting the Board, the Group Management Risk Committee has accountability for ensuring effective risk management at the operational level in line with the Board-approved risk appetite limits. The Group Management Risk Committee is led by the Group Chief Operating Officer.

To support this structure, a Global Director of Compliance and Risk Management was appointed to work with the Group Management Risk Committee and the business to help strengthen and further embed the Group's regulatory compliance and enterprise risk management framework. As risks continue to evolve and grow in complexity, so too do our risk management processes, ensuring continual improvement, and growth in the organisation's risk maturity. Work on these initiatives will continue over the course of 2020.

Risk Management Framework



Governance Structure



In the following table we have identified the key risks that are regarded as the most relevant for the Group. The principal risks should be viewed as the risks that we see as being material to our business at this time.

The following table includes a description of each risk and how it could impact the business, a summary of controls and mitigating activities being undertaken and the ‘trend’ for the risk. This trend represents the forward-looking view of the net risk exposure for each risk, taking into account changes in the external risk environment and the Group’s internal mitigation activities. The risks have been loosely categorised as being strategic, tactical or operational in nature.

The order in which risks are presented below is not indicative of the relative potential impact to the Group. The risks may, to varying degrees, impact the Group’s revenues, profits, net assets, operations, guests, employees, partners and/or reputation.

Not all potential risks are listed below; some risks have been excluded because the Board does not consider them to be material to the Group’s long-term strategy, performance or viability. In general, the diversity and geographical spread of the Group’s assets provide natural hedges against many of the principal risks identified below and our processes aim to provide reasonable, not absolute, assurance that the principal risks that are significant to our business have been identified and addressed. Additionally, there may be risks that are not reasonably foreseeable as at the date of this report.

The outbreak of the novel coronavirus, COVID-19, in late 2019 and early 2020 has given rise to a serious global health crisis and this has impacted the travel and hospitality sectors and the Group in particular. We have taken steps to help mitigate the risks associated with the outbreak, including updating the Group’s regionalised crisis response plans in line with guidance issued by health authorities, such as the World Health Organization and local governmental authorities, and developing new business continuity plans tailored to COVID-19.

The well-being of our guests, colleagues and other stakeholders is our top priority and we have implemented robust precautionary measures, including an enhanced cleaning and sanitization programme, to help ensure that our hotels and corporate offices remain safe places to visit. The management team will continue to be vigilant and closely monitor the latest developments and guidance about the outbreak, and implement further mitigating measures as necessary.

MILLENNIUM & COPTHORNE HOTELS LIMITED

Risk	Potential Impact	Mitigation Activities	Trend
Strategic Risks			
Revenue channel optimisation and cost of sale	Keeping abreast of digital transformation and online competition is critical given the growing proportion of the Group's hotel rooms being booked online. Online travel agencies ("OTA") tend to have higher commission rates compared to traditional travel agents and are taking an increasing share of bookings across the sector. Over time, consumers may develop loyalties to the OTAs rather than to the Group's brands. These trends may impact the rising cost of sale ultimately affecting profitability. Other costs related to metasearch engines and tools that help direct online traffic towards our own websites are increasing. On the supply side, sharing economy platforms, such as Airbnb, may expand their market share and compete with more traditional business and leisure accommodations.	<ul style="list-style-type: none"> The Group continues to refresh its digital marketing strategy and invest in its e-commerce, customer relationship management, revenue management and reservations systems in order to help increase rates, retain existing customers and generate new business. Fundamental to the Group's distribution strategy is growing brand recognition and loyalty along with increasing direct channel bookings. In 2019, the Group continued to enhance its brand website and launched a revamped loyalty programme. The Group is aggressively managing its portfolio of distribution channel partners, including established OTAs and new, niche or local players, to optimise revenue, gain access to new customers and minimize commission costs. The Group selectively affiliates with international hotel chains with respect to certain properties where it has been determined that doing so would help to optimize management and/or distribution capabilities. 	→
Brand equity and customer loyalty	<p>Brand equity and customer loyalty influence consumer choice. Understanding customer needs, clear and consistent communication and the delivery of quality products and services that meet those customer needs are all critical elements of fostering brand equity and loyalty.</p> <p>Further, the Group's ability to protect its intellectual property rights in its brands is fundamental to delivering on these endeavors. Competition is fierce, and the Group's scale and marketing expenditure cannot match those of larger competitors. Generally, the Group operates properties which it owns and therefore is able to exercise control over the service and product quality of those hotels. Failure to create brand equity and customer loyalty could affect the pace of future revenue growth as well as the pricing power, image and reputation of the Group.</p>	<ul style="list-style-type: none"> The Group has in place brand standards that are designed to maintain a level of product consistency based on the brand collection to which a particular hotel belongs whilst allowing flexibility in order to maintain the personality of the property. The brand standards capture the key messaging behind each of the Group's brands. To raise the profile of our brands and to help build brand equity, marketing campaigns are highly targeted and often leverage strategic partnerships such as our partnership with Chelsea Football Club. A newly redesigned loyalty programme was launched in 2019. Investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trademark registrations, enforcement of intellectual property rights and domain name protection. The Group utilises third party online brand monitoring and protection agencies to assist with the Group's enforcement activities. 	→
Tactical Risks			
Investment and asset management	The Group's hotels require investment, typically in cycles of minor and major refurbishments, to maintain their competitiveness. Refurbishment projects invariably impact on revenues, particularly when major renovations require the hotel to be	<ul style="list-style-type: none"> The Group continues to develop property specific refurbishment plans, which focus on the capital expenditure requirements of each property in terms of regular maintenance and product enhancement to help ensure the products remain competitive. These 	→

MILLENNIUM & COPTHORNE HOTELS LIMITED

Risk	Potential Impact	Mitigation Activities	Trend
	<p>closed for extended periods. Also, refurbishment projects or other capital projects may overrun on time and costs or may not deliver the expected returns on investment. The size of investment and appropriate allocation of limited resources across a diverse portfolio are also key considerations. The ability of the Group to make the right investment decisions at the right time, and devote appropriate resources to its investment programme, is crucial to enabling long-term, profitable growth.</p>	<p>plans generally are developed by the hotel management teams and reviewed and approved at the Group level.</p> <ul style="list-style-type: none"> • Refurbishment projects typically are phased in order to minimise their impact on revenues. Where it is justified, a decision to fully close and reopen a hotel after renovation can be taken, in order to help reposition the hotel, for instance. • With regard to large-scale capital projects, such as the Sunnyvale, California mixed-use development, the Yangdong development in Seoul, dedicated project managers and cost consultants are engaged to help oversee the projects and track spending against approved budgets. • A global head of capital projects and technical services is supported by regional asset management resources and helps to oversee the Group's capital investment and other asset management initiatives. 	
<p>Competition, trading and market factors</p>	<p>The hotel industry operates within an inherently cyclical sector, where competition, both online and offline, is increasing. The growth of room supply, without corresponding increases in demand, may lead to downward pressure on rates, which in turn could negatively impact the Group's performance. The hospitality industry also is seeing a degree of consolidation in pursuit of scale and the benefits associated with it.</p> <p>In addition, trading can be directly affected by localised events—such as natural catastrophes, country or regional geo-political matters—as well as global, macro-economic trends impacting travel and hotel stays.</p> <p>Finally, the Group operates in numerous jurisdictions and trades in various international currencies but reports its financial results in pounds sterling. Fluctuations in currency exchange rates and interest rates may be either accretive or dilutive to the Group's reported trading results and net asset value. Unhedged interest rate exposures pose a risk, too. Rising interest rates may result in increased borrowing costs and impact the Group's profits.</p>	<ul style="list-style-type: none"> • The diverse nature of the Group's portfolio, both geographically and in respect of its breadth of brands, provides a natural hedge against various external risks. Since the Group has a concentration of hotels in key gateway cities such as London, Singapore and New York, to benefit from corporate and leisure travel, the management team keeps a close watch on local events in those locations. Also, the Group maintains a flexible operating structure that allows it to align its sales and marketing activities and spend to target relevant customer segments and adapt to changing hospitality trends. • Colleagues in the Group's Treasury team monitor and address treasury matters, including investment and counterparty risks, in accordance with the Group's treasury policy. • Foreign exchange exposure is primarily managed through the funding of purchases and repayment of borrowings from income generated in the same currency. • Interest rate hedges and fixed-rate lending facilities are used from time to time to manage interest rate risks. 	<p>↑</p>
Operational Risks			
<p>Talent management and succession</p>	<p>Hospitality is a people business. The Group's brands and ability to deliver consistent service quality are dependent on its ability to attract, develop and retain employees with</p>	<ul style="list-style-type: none"> • The Group has strong regional and local management structures underpinned by a common commitment to ensuring a rewarding and empowering work environment. This is further supported by 	<p>↑</p>

MILLENNIUM & COPTHORNE HOTELS LIMITED

Risk	Potential Impact	Mitigation Activities	Trend
	<p>the appropriate skills, experience and aptitude. Generally in the industry, frontline employees are prone to higher levels of turnover. Also, with the growth in room supply, demand and consumer choice globally, it becomes increasingly important for operators to be able to find and retain senior leaders who inspire and motivate staff. Failure of the Group to properly plan for the recruitment and succession of key management roles may impact service quality, consistency and/or delay the execution of the Group's strategies.</p> <p>Not unique to the Group, a considerable proportion of hotel staff in the UK, and particularly in London, originate from European Union countries. The ability of the Group to retain appropriate staff, as well as the cost of doing so, may be impacted by the UK's exit from the European Union.</p>	<p>performance management and recognition systems, compensation and benefits programmes, e.g., bonus plans, service reward programmes, share plans, and internal and external training and development programmes.</p> <ul style="list-style-type: none"> • The Group strives to provide internal talent with opportunities for development and advancement as a matter of priority. • The Company's Board of Directors and its executive management committee, supported by the Group's Human Resources function, are tasked with ensuring that proper succession plans are in place for key members of the senior management team. • The Group is keeping on top of developments relating to the UK's exit from the European Union as they unfold, and management are continuing to review the potential impact of these developments. A 'Brexit Steering Group' has been established to ensure the Group considers all potential material risks associated with an exit and that appropriate mitigation strategies have been developed. This allows the Group to remain nimble and ready to respond to different issues and scenarios. 	
<p>Health, safety and security</p>	<p>The health, safety and security of guests, visitors and employees is a fundamental expectation and there is a breadth of regulatory requirements across different jurisdictions relating to health and safety matters. Failure to implement and maintain sufficient controls regarding health and safety issues could result in serious injury or loss of life, lead to regulatory investigations and expose the Group to significant claims, sanctions or fines, both civil and criminal, as well as reputational damage.</p> <p>Whilst health and safety matters often are local to a particular venue or location, security concerns can be affected by global geopolitical events.</p>	<ul style="list-style-type: none"> • The Group has health, safety and environmental management systems in place, which include policies, procedures, testing, self and third-party audits, training and reporting. Where possible, these seek to align with the requirements of best practice accredited systems (e.g., OHSAS 18001). By following these standards, the Group strives to work to the highest standards of health and safety. • Management proactively monitors geopolitical developments and seeks to identify emerging risks at the earliest opportunity to ensure clear roles and responsibilities, internal controls and other steps to minimize these exposures to the greatest extent possible. 	<p>→</p>
<p>Information security, vulnerability to cyber-attacks and PCI-DSS compliance</p>	<p>Increasing reliance on online distribution channels and transactions over the internet and mobile applications, and the aggregation and storage of guest and other information electronically, both on company-controlled servers and networks and in cloud-based environments, present heightened risks of attacks affecting the operation of those systems and networks and/or a potential loss or misuse of confidential or proprietary information. The occurrence of a cyber security event or loss of data could disrupt business, the ability of the Group to take or fulfil bookings or lead to reputational and</p>	<ul style="list-style-type: none"> • The Group's regional Information Technology ("IT") teams conduct periodic security and penetration testing, often using external consultants, and any recommendations or enhancements are implemented where necessary. • Software systems are regularly updated to allow for the latest security updates and patches to be installed. • Where the Group outsources critical information technology systems, including its point of sale and property management systems, the Group utilises reputable suppliers that have 	<p>↑</p>

MILLENNIUM & COPTHORNE HOTELS LIMITED

Risk	Potential Impact	Mitigation Activities	Trend
	<p>monetary damages, litigation or regulatory fines.</p> <p>In addition, various aspects of the Group's operations are required to achieve compliance with the payment card industry security standards ("PCI-DSS"), and failure to do so could result in penalties and/or withdrawal of credit card payment facilities.</p>	<p>industry-standard or best-in-class data security protocols.</p> <ul style="list-style-type: none"> The regional IT teams have developed disaster recovery plans and guides with regard to their high-priority systems that need to be up-and-running, and tests are conducted on select mission-critical systems annually to verify their recoverability offsite. A new global information security policy was rolled out in 2019 and other IT policies and procedures were updated over the course of the year to reflect the latest standards and requirements. 	
Legal and regulatory compliance	<p>The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements, including competition law, anti-bribery and corruption and data privacy compliance regimes. Non-compliance with such regulations, which differ by jurisdiction and are areas of increasing focus by regulators, could result in fines and/or other damages, including reputational damage, being incurred, particularly in the event a data breach should occur.</p> <p>In addition, the Group has contractual relationships in place with various counterparties, including customers, suppliers, employees and other parties, and provides goods and services to customers. As such, a breakdown in any of these relationships could lead to disputes and ultimately litigation, which in turn could give rise to reputational damages, management distraction and/or the Company having to incur significant costs or damages, particularly where claims are not insured or are not fully insured.</p> <p>In certain countries where the Group operates, particularly in emerging markets, local practices and the legal environment may be such that enforcement of the Group's legal rights is challenging.</p>	<ul style="list-style-type: none"> The Group continues to monitor regulatory changes in the jurisdictions in which it operates in order to identify its obligations and implement appropriate compliance and training programmes. The Group has comprehensive global and, where applicable, regional policies and procedures in place to address competition law, data privacy, ethical business conduct, whistle-blowing, anti-corruption and bribery, gifts and hospitality and charitable donations, among others. The Group maintains in place industry standard insurance cover to mitigate many potential litigation risks, such as employment practices liability, workers compensation and general liability policies. The Group has controls in place to manage and help mitigate the risks associated with its various contractual relationships, from execution through to termination, insured and uninsured litigation and other disputes. Regular litigation reports are provided to the Board. A dedicated Global Director Risk and Compliance is tasked with enhancing the Group's compliance and risk management efforts. 	↑

The Strategic Report was approved by the Board of Directors of the company on 22 June 2020 and signed on its behalf by:

Jonathan Grech
 Jonathan Grech
 Director

GOVERNANCE

- 18** Statement of Governance Arrangements for Directors' report
- 22** Directors' report
- 26** Statement of Directors' responsibilities in respect of the annual report and accounts
- 27** Independent auditor's report to the Members of Millennium & Copthorne Hotels Limited

STATEMENT OF GOVERNANCE ARRANGEMENTS FOR DIRECTORS' REPORT

From the period between 1 January 2019 and 11 October 2019, when the Delisting occurred, the Company operated as a public company with a premium listing on the London Stock Exchange.

Prior to the Final Offer, the Company applied the principles of the UK Corporate Governance Code (July 2018 edition) (the "2018 Code"). However, once the Final Offer was made in June 2019, many of the initiatives commenced to enhance the Company's corporate governance regime in order to comply with the 2018 Code were put on hold by the Directors as the Company's ownership and governance structures would undergo significant changes in the event the Final Offer were to complete. Following completion of the Final Offer, as a result of the Delisting, resignation of the Independent Non-Executive Directors and disbanding of the Board's committees, the Company ceased to apply the principles of the 2018 Code and instead implemented a more-streamlined governance structure as the Board worked on integrating the Company within the wider CDL group. The Board will continue to review and refine its governance arrangements, to better align them with CDL's structure, whilst being mindful that a successful governance regime must provide for an agile and empowered organization and foster accountability to stakeholders and transparency.

Hong Leong Investment Holdings Pte. Ltd ("HLIH") is considered to be the immediate and ultimate holding company of CDL. CDL, in turn, owns and controls 100% of the share capital of the Company through several of its subsidiary companies.

Although the Group is not reporting against the 2018 Code for its 2019 financial year, the Board has decided to report on its governance arrangements following the Wates Corporate Governance Principles for Large Private Companies (December 2018 edition).

Purpose and Leadership

The strategy and business model for the Company are outlined in the Strategic Report on page 10. Our vision is to be the leading global hospitality real estate ownership group for gateway cities, with effective, in-built and unique asset management skills. Our commitment is to hospitality and creating memorable experiences in distinctive environments. We strive to recognise not only the faces of our guests, but also their individual needs and desires.

To do this, we will need to deliver outstanding service, quality, originality and value to our customers by employing and developing the best people and by having a challenging and forward thinking business culture. Fundamentally, we treat our guests, employees and other stakeholders with respect and integrity.

As part of the Group's integration within CDL following the Delisting, the Board has decided to adopt CDL's values, set out below, as they are consistent with the ethos of the organization and the adoption of them within the Company will help to ensure alignment of values across the wider CDL group.

Innovation – Because this is crucial to our success

Collaboration – Because this is the best way to achieve exponential results

Integrity – Because this is at the core of everything that we do

In 2020, the Board intends to review the ways in which the purpose and values are embedded throughout the organisation. As part of this review, the Board will examine the culture of the Company and will seek to reinforce a culture of accountability where employees take into account the views of, and are responsible to, the Company's stakeholders, including our guests and customer, other employees, suppliers, the communities in which we operate.

Whilst the Company engages with its employees and other stakeholders, as outlined further in this Directors' Report and elsewhere, the Board also will look for ways to improve its stakeholder engagement going forward. This may involve the implementation of a global intranet, for instance, and more frequent communications from the management team.

The Group has elected to participate in CDL's group-wide whistleblowing programme. This allows employees to raise serious matters of concern—via email or a dedicated whistleblowing hotline—through an independent channel, being CDL's Internal Audit function. This programme is, in turn, overseen by the Audit & Risk Committee of CDL. In addition, the Group's Slavery and Human Trafficking statement, which is updated annually, includes a method for suppliers to raise matters of concern for investigation by the company (via email to supplychain@millenniumhotels.co.uk).

Board Composition

The current governance structure of the Company, as at the date of this Directors' Report, includes a Board of Directors comprised of six Directors. Four of these, Kwek Leng Beng, Kwek Eik Sheng, Jonathan Grech and Angela Ong, hold executive positions with the Company or a direct or indirect subsidiary of the Company and are thus considered to be Executive Directors. Two Directors, Kwek Leng Peck and Tanya Chiaranussati, do not hold executive positions within the Group, although Mr Kwek does hold executive positions with HLIH and certain of its subsidiary companies.

The remit of the Board is to oversee the running of the Group as stewards for the Company's stakeholders. The Board must ensure that there are adequate resources in place to ensure effective and efficient operations, underpinned by good governance, strong values and an ethical, safety-driven culture.

It is anticipated that the Board will meet approximately three or four times per year, including, at a minimum, one meeting to approve the annual financial statements of the Group, one to approve the half-year results and one to approve the annual budget and strategy or plan for the ensuing financial year, with the fourth meeting to be called on an ad-hoc basis as required.

The Board is chaired by Kwek Leng Beng, who served as the Non-Executive Chairman of the Company since its listing in 1996 through to its Delisting in October 2019. Given his experience and the fact that he also serves as the Executive Chairman of CDL, his leadership helps to provide continuity to the Board as well as alignment of decision making with CDL's strategic objectives. Whilst there are no independent directors on the Board, the current mix of executive and non-executive roles, coupled with the diversity of the backgrounds and skillsets of the Directors, is felt to promote constructive dialogue, and challenge when necessary, as well as effective decision making.

As noted in the Section 172(1) Statement, despite the Delisting of the Company, the Board continues to support the aspirations set out in the Hampton-Alexander Review, conducted by Sir Philip Hampton and the late Dame Helen Alexander, which challenges FTSE 350 companies to achieve a target of one-third of Board positions to be held by women by 2020. Currently, this standard is met as two out of the six Directors of the Company are female. However, the Board not only believes that gender diversity is important, but the Directors recognise the benefits and different perspectives that diversity in all of its forms—including diversity of age, ethnic origin, and cultural and educational backgrounds—can bring to Board deliberations. As such, these factors will be taken into account when making future appointments or changes to the composition of the Board.

The day-to-day operation of the Group has been delegated to an Executive Committee, which includes Kwek Leng Beng, Kwek Eik Sheng and Kieran Twomey, the Group Chief Operating Officer. The regional and functional heads report into the Executive Committee members. The Executive Committee provides regular reports to the Board, including quarterly financial updates and updates on other significant matters, including material transactions, significant litigation, proposals to enter into new business lines or markets, strategic alliances and so forth.

A set of reserved matters, approved by the Board, governs what matters require approval by the Board versus those that are delegated to the Executive Committee. The Executive Committee operates pursuant to formal terms of reference.

The Board will continue to keep the composition and structure of the Board and its committees under review as we progress with the CDL integration process.

Director Responsibilities

All Directors have access to the advice of the Company Secretary, who is responsible for ensuring that proper Board procedures and applicable corporate governance rules and regulations are observed. In addition, the Directors are able, if necessary, to take independent professional advice at the Company's expense.

The Chairman, in conjunction with the Company Secretary, is responsible for ensuring that Directors receive appropriate training at the Company's expense where specific expertise is required in the course of the exercise of their duties. All Directors receive a Board compendium detailing matters relating to Board procedures and their duties as directors. A bespoke induction programme is established for any new Directors who are appointed, based on their needs and experience.

The Board has established agreed procedures for managing conflicts of interest or potential conflicts of interest. These procedures and any potential conflicts authorised in accordance with section 175 of the Companies Act 2006, as permitted by the Company's Articles of Association, are reviewed by the Board at least annually and other potential conflicts are reviewed as they may arise from time to time. The Board is satisfied that the procedures for managing potential conflicts remain effective.

As the Company integrates into the wider CDL group, the ways in which the Board and Executive Committee will liaise with and report into CDL's decision-making bodies will be reviewed and refined, and the Directors intend to develop and agree with CDL a protocol governing these matters.

Opportunity and Risk

When assessing a potential business opportunity, in addition to assessing whether it is aligned with the strategic priorities of the Group and its impact on the Group's stakeholders, the Board also considers the risks associated with the opportunity and whether it is likely to create and preserve value over the long term. The Directors understand that whilst the Group must remain nimble and entrepreneurial to tackle the challenges facing the company and industry more generally, the Directors also are keenly aware that the Group must operate in a sustainable manner in order to be successful.

The areas over which the members of the Executive Committee have responsibility have been clearly defined. Kwek Eik Sheng, who also sits on the Board and serves as Group Chief Strategy Officer for CDL, is tasked with overseeing investments, special projects and development projects for the Group. Mr Twomey, on the other hand, focuses on the Group's operations, with the goals of driving organic top-line growth and implementing effective cost control.

In terms of oversight, each year management prepares an annual strategic plan and budget for the Group for the ensuing year. These are submitted first to the Executive Committee, for its review and approval, and then to the Board for its consideration. Subsequently, the Executive Committee and Board review management's progress in executing against the strategic plan and budget. This process includes a quarterly assessment of the Group's performance and how it tracks against the plan and budget.

Additionally, a delegation of authority policy applies to the regional and functional heads and their reporting lines. This policy includes different layers of approval for transactions and capital investments, such as the purchase or sale of a hotel or a major refurbishment project, for instance, and other matters. In the case of capital investments, the most material ones, involving an expenditure of S\$10m or more, must be escalated to the Executive Committee of the Company. Above this level, approval is required to be obtained at the CDL level.

As noted above, decisions are not made in a vacuum. The Board is working on developing "risk appetite" parameters to help guide its decision making and the decision making of the Executive Committee. A Management Risk Committee, chaired by the Group Chief Operating Officer, sits below the Executive Committee and helps to ensure that the Group has appropriate internal control and risk management systems in place to allow the management team, and ultimately the Board, to monitor and assess the Group's principal risks and uncertainties on a continual basis, to be informed about emerging risks, as and when appropriate, and to develop and institute proportionate measures and controls to mitigate these risks to acceptable levels. A Global Director of Risk Management & Compliance supports the enterprise risk management and global compliance programme of the Group and the Group's Internal Audit function, which has been merged into CDL's Internal Audit function and reports to CDL's Audit & Risk Committee, regularly reviews the effectiveness of the Group's internal control environment, particularly in respect of the Group's financial controls.

The operation of the Management Risk Committee is described further on page 11 of the Strategic Report.

Remuneration

The Group utilizes clear remuneration structures for its employees and Directors. Positions are banded to provide for consistency across similar-level positions whilst giving the management team sufficient flexibility to vary remuneration arrangements in certain contexts in order to attract or retain talent for key positions. To the extent possible, the Company's incentive structures are aligned among the regions to provide for uniformity in the Group's performance management processes.

Remuneration is based on personal performance and the performance of the Company, region, hotel and/or business unit, depending on the role. Generally, personal objectives and key financial performance targets are agreed with an employee at the beginning of each year and are assessed by the employee's supervisor at the end of each year. Objectives relating to achievement of satisfactory Internal Audit assessment scores have been added to General Manager and Financial Controller bonus plans to incentivize the maintenance of adequate controls and the management team is reviewing the addition of risk management and sustainability metrics to further strengthen accountability to the Group's stakeholders. All historical share scheme awards include an element of vesting over a period of at least three years and the Company's bonus plans and share scheme rules include malus and clawback provisions that can be utilized as necessary, all in an effort to align employee interests with the long-term interests of the Company.

In line with the Group's commitment to diversity, the management team is in the process of reviewing gender pay gaps across the group and developing programmes, both in terms of recruiting and professional development, to help close the gaps.

Prior to the Delisting of the Company, the Company had in place a shareholder approved remuneration policy in accordance with the requirements of the Companies Act 2006. Pursuant to the 2018 Code, and the new requirement under the 2018 Code that remuneration committees should have responsibility for setting remuneration for senior management, the Company's Remuneration Committee approved a separate remuneration policy for the direct reports to the Group Chief Executive Officer. This policy was reviewed at the time by the Company's independent Remuneration Committee advisor, PricewaterhouseCoopers. Following the Delisting of the Company, future awards will no longer be made under the Company's share schemes and the schemes will be wound down. However, CDL management are working with Company management to review the Group's remuneration arrangements and replace the share scheme benefits with alternative remuneration arrangements.

Stakeholder Relationships and Engagement

The following sections of this Annual Report and Accounts and the Group's 2019 Corporate Responsibility Reports, published on its website (at <https://investors.millenniumhotels.com/corporate-responsibility>) describe how the Company has engaged with its stakeholders over the course of the year and how it plans to continue to engage with them in the future.

Section	Location
Section 172(1) Statement	Pages 3 to 6 in the Strategic Report
Employee Involvement and Engagement with Employees	Page 23 of this Directors' Report
Engagement with Suppliers, Customers and Others in a Business Relationship with the Company	Page 24 of this Directors' Report
Our Employees	Corporate Responsibility Report

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the Company, as well as the independent auditor's report, for the year ended 31 December 2019.

Registered name and corporate status

The Company is registered in England and Wales as a private limited company, under Company Number 03004377.

During the course of the year, the Company was subject to a successful takeover offer by its controlling shareholder, City Developments Limited ("CDL"), and as a result, ceased operating as a public company. In June 2019, the Company, then operating as Millennium & Copthorne Hotels plc, and Agapier Investments Limited ("Offeror"), a company indirectly and wholly-owned by CDL, announced a recommended pre-conditional final cash offer by the Offeror ("Final Offer") to acquire for 685 pence per share the entire issued and to be issued share capital of the Company not already held by CDL, its subsidiaries and persons acting in concert with them.

Following the successful completion of the Final Offer in September 2019, the listing of the Company's ordinary shares on the premium segment of the Official List and the admission to trading of the Company's shares on the London Stock Exchange's main market for listed securities were cancelled on 11 October 2019 (the "Delisting"). As part of the Delisting, the Independent Non-Executive Directors resigned and the Board's committees, including its Audit & Risk Committee, Remuneration Committee and Nominations Committee, were disbanded. Subsequent to the Delisting, the Company was then re-registered as a private limited company, under the name Millennium & Copthorne Hotels Limited, on 4 November 2019 and by the end of November 2019, the Offeror completed the procedure under the Companies Act 2006 to acquire compulsorily all remaining shares in the Company such that the Company became a wholly-owned indirect subsidiary of CDL.

Strategic report

The Strategic Report is found on pages 3 to 16. Pursuant to the Companies Act 2006, that report must provide a fair review of the Company's business, together with a description of the principal risks and uncertainties facing the Company. It includes an analysis of the development and performance of the Company's business during the year and the position of its business at the end of the year, as well as a description of the Company's strategy and business model.

Board of Directors

The names of those who served as a Director of the Company during the course of the 2019 financial year include:

Name	Role	Service Dates
Kwek Leng Beng	Non-Executive Chairman	1 January 2019 through 4 November 2019
	Executive Chairman	4 November 2019 through 31 December 2019
Kwek Leng Peck	Non-Executive Director	1 January 2019 through 31 December 2019
Kwek Eik Sheng	Non-Executive Director	1 January 2019 through 11 October 2019
	Alternate Non-Executive Director	11 October 2019 through 4 November 2019
	Executive Director	4 November 2019 through 31 December 2019
His Excellency Shaukat Aziz	Non-Executive Director	1 January 2019 through 11 October 2019
Martin Leitch	Non-Executive Director	1 January 2019 through 11 October 2019
Paola Bergamaschi Broyd	Non-Executive Director	21 March 2019 through 11 October 2019
Victoria Williams	Non-Executive Director	10 May 2019 through 11 October 2019
Daniel Desbaillets	Non-Executive Director	1 January 2019 through 11 October 2019
Christian de Charnacé	Non-Executive Director	1 January 2019 through 11 October 2019
Tanya Chiaranussati	Non-Executive Director	4 November 2019 through 31 December 2019
Jonathon Grech	Executive Director	11 October 2019 through 31 December 2019
David Hassan	Executive Director	11 October 2019 through 4 November 2019
Angela Ong	Executive Director	11 October 2019 through 31 December 2019

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019.

Political donations and expenditure

No donations were made by the Group for political purposes and the Group did not incur any political expenditure during the year (2018: £nil). The Company operates a politically neutral policy with regard to any political donations and expenditure it may elect to make. See the Group's Corporate Responsibility Report, located at <https://investors.millenniumhotels.com/corporate-responsibility>, for details of the Company's non-political charitable activities.

Financial instruments

An indication of the Group's financial risk management objectives and policies in respect of the use of financial instruments and exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk are set out in Note 22 to the Company's consolidated financial statements.

Employment of disabled persons

We value highly the rich diversity of our colleagues around the world. As of the end of 2019, the Group operated in over 25 countries and employed over 11,600 employees worldwide. The Company is an equal opportunities employer and has an objective to ensure that no employee or other worker or job applicant receives less favourable treatment, directly or indirectly, on the grounds of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation.

In 2018, a new diversity and inclusion policy was launched globally following endorsement by the Group's Directors. This policy acknowledges the importance of fostering an environment where colleagues are free to share different perspectives and the view that greater diversity allows the Group to better understand and serve the communities in which we operate. Regional policies that address local requirements also are in place in various jurisdictions. Together these policies encourage the employment, training and advancement of disabled persons, having regard to their particular aptitudes and abilities, provided that they can be employed in a safe working environment. Suitable employment would, if possible, be found for any employee who becomes disabled during the course of employment. In 2019, training sessions on diversity and accommodating disabled persons—including new mental health awareness training in the UK—were conducted regionally. This training will continue in 2020.

Employee involvement and engagement with employees

The Board considers employee engagement to be critical to the Company's success. Indeed, the ability of the Group to successfully find, retain and develop talent was deemed by the Board to be a principal risk in 2019, and as such, was monitored not only by the management team, but also at the Audit & Risk Committee level.

The Group endeavours to keep employees informed about matters of concern to them and the performance of the Company, whether through management presentations, global and regional intranet sites and other communications. Likewise, the Group seeks to consult with employees through various means and on a regular basis so that their views can be taken into account. Over the course of the year, these efforts included regular meetings at the regional, functional and hotel levels, as well as exit interviews with departing colleagues. These meetings allowed the management team to communicate important updates throughout the workforce, provide training on existing and new policies and procedures and hear from colleagues around the world.

Communications with employees was particularly important in 2019 in light of the completion of the Final Offer and subsequent Delisting of the Company. Regular employee communications were issued during this process, together with "frequently asked question" documents. Chairman Kwek and Kwek Eik Sheng held several meetings with members of the senior management team during this time, to hear their feedback and help to foster continuity and stability during this period of change, and Chairman Kwek provided various Group-wide updates on the impact of the integration of the Company within the wider CDL Group.

Prior to the Delisting, the Company operated four different share schemes for the benefit of the Group's eligible employees. These included the following plans:

- **Long Term Incentive Plan** – Under this plan, annual conditional share awards were made to all Executive Directors of the Company. Vesting was subject to future performance conditions over a three-year performance period followed by a two-year post-vesting holding period.
- **Executive Share Plan** – Under this plan, conditional share awards were granted each year to members of the Group's executive management team based on the historical performance of the Group. These awards vested in tranches over a period of three years, subject to the participant's continued employment within the Group.
- **Annual Bonus Plan** – Under this plan, which applied to eligible senior managers globally (except for certain jurisdictions), including hotel General Managers as well as Director-level and Vice President-level employees, a portion of each participant's annual cash bonus was converted into a deferred conditional share award that would vest in tranches over a period of three years, subject to the participant's continued employment within the Group.
- **Sharesave scheme** – Each year all eligible employees in the UK were invited to participate in the Company's tax advantages Sharesave, or "Save As You Earn", plan pursuant to which they were offered the right to save a portion of their salary for a set period of time—usually three or five years—and use those saving to purchase options to acquire shares of the Company at a pre-determined discounted price.

The objectives of these plans differed, but in general they served to award strong performance—both at an employee and Group level—over a reasonable period of time, retain talent and better align the interests of employees with the interests of shareholders.

As a result of the Delisting, no further grants have been or will be made under these share-based incentive schemes and the schemes will be wound down once all existing awards have vested.

Engagement with suppliers, customers and others in a business relationship with the Company

As a company operating in the hospitality industry, the Directors are aware of the need for the Group to remain competitive and for our hotels to address the wants and needs of our customers. To this end, the Company is continually looking for ways to engage with and better understand our guests. These aims were considered by the Board to be so important that several of the Group's principal risks in 2019—including the ability of the Group to build brand equity and customer loyalty, optimise its revenue channels and invest in its assets—centred around them.

In 2019, the Group utilised a third-party agency to send post-stay service quality emails to over 15% of the guests who stayed at Millennium Hotels & Resorts branded hotels globally. In addition, this agency regularly reviewed popular online hotel review sites to collect guest feedback submitted through those forums. The regional management and hotel teams used the feedback received to improve the Group's service, brand and product offerings.

In addition, the Directors continued to support the strategy of investing in and repositioning the Group's hotels throughout the year. This resulted in, among other things, the September 2019 relaunch of the group's flagship property in Mayfair, London, as the Biltmore, Mayfair, a five star deluxe hotel operating under Hilton's LXR Hotels & Resorts brand. The Board also considered the potential rebranding of another flagship property owned by the Group, the Millennium Times Square New York, and in April 2019 the Board approved the execution by a subsidiary of the company of an affiliation arrangement with Hilton in respect of that hotel. Various other capital expenditure projects, including refurbishment works at the Orchard Hotel in Singapore and the Millennium Gloucester Hotel in London and the Millennium Hotel Paris Opera in Paris, commenced and/or were completed during the year.

Turning to its suppliers, the Group continued to focus on enhancing its procurement practices over the course of the year. These efforts included greater engagement with our supply chain regarding ethical and sustainable sourcing. We worked with our suppliers to start sourcing cage-free eggs within the Company's UK supply chain, for instance, and to lessen the environmental impact of our sourcing activities, including initiatives to use of local food suppliers, where possible, and reduce the amount of packaging and single-use plastics used by the Group. To help us with these objectives, a strategic decision was made in 2019 to outsource elements of the Group's procurement activities within certain regions to a large international hotel operator. This has allowed the Group to leverage the operator's deep procurement experience and relationships with key suppliers, as well as their robust processes and systems, to improve our procurement practices.

For details on how the Group engaged with its communities, please refer to the Corporate Responsibility Report, which can be found at <https://investors.millenniumhotels.com/corporate-responsibility>.

Share capital

As at the date of this Directors' Report the Company's share capital consists of 324,950,812 ordinary shares of 30 pence each. As noted above, all of these shares are owned by direct or indirect subsidiaries of CDL. The Company did not purchase or acquire any of its own shares during the year and no other disclosures are required pursuant to Schedule 7, Part II of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions can be found in the Corporate Responsibility Report, located <https://investors.millenniumhotels.com/corporate-responsibility>.

Qualifying indemnities

The Articles of Association of the Company permit it to indemnify the Directors of the Company against any liability incurred by or attaching to a Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated company; any liability incurred by or attaching to the Director in connection with the activities of the Company or an associated company in its capacity as a trustee of an occupational pension scheme; and/or any other liability incurred by or attaching to the Director as an officer of the Company or an associated company.

The Company has provided each of its Directors and certain Directors of its affiliated companies, including the trustee of the Group's UK pension plan, with qualifying indemnities as permitted under Sections 234 and 235 of the Companies Act 2006. The indemnities do not apply in circumstances where indemnification is prohibited by

the Companies Act 2006 or other applicable law, and these indemnities remain in force as at the date of this Directors' Report.

In 2019, the Company renewed its directors' and officers' liability insurance coverage, which is intended to be renewed again in 2020. No claim was made under any such indemnity or insurance policy during the year.

Future developments

A discussion of the likely future developments in the business of the Group can be found in the Strategic Report, on page 7.

Research and development

Whilst the management team continues to review ways to improve the Group's service, brand and product offerings, and regularly invest in our people and assets, the Company did not conduct significant research and development activities during the year.

Company branches

The Company did not have any branches operating outside of the UK during the year.

Statement of the Directors as to disclosure of information to the auditor

In accordance with Section 418 of the Companies Act 2006, each Director who held office at the date of approval of this Directors' Report confirms that:

- so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

The Directors' Report and Corporate Governance Statement were approved by the Board of Directors of the Company on 22 June 2020.

Jonathan French
22 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

On behalf of the Board



Kwek Leng Beng
Chairman

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MILLENNIUM & COPTHORNE HOTELS LIMITED****Opinion**

We have audited the financial statements of Millennium & Copthorne Hotels Limited (“the company”) for the year ended 31 December 2019 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, and related notes, including the accounting policies in note 2.2 of the Group financial statements and note B of the Company 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 2019 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors’ conclusions, we considered the inherent risks to the group’s business model and analysed how those risks might affect the group and company’s financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the group or the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLENNIUM & COPTHORNE HOTELS LIMITED (continued)**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 26, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLENNIUM & COPTHORNE HOTELS LIMITED (continued)

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.

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

23 June 2020



FINANCIAL STATEMENTS

31	Consolidated income statement
32	Consolidated statement of comprehensive income
33	Consolidated statement of financial position
35	Consolidated statement of changes in equity
36	Consolidated statement of cash flows
38	Notes to the consolidated financial statements
109	Company statement of financial position
110	Company statement of changes in equity
111	Notes to the Company financial statements

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	NOTES	2019 £M	2018 £M
Revenue	5	1,025	997
Cost of sales		(457)	(436)
Gross profit		568	561
Administrative expenses	6	(439)	(423)
Other operating income	7	10	30
Other operating expense	7	(41)	(63)
Operating profit		98	105
Share of profit of joint ventures and associates	15	36	29
Finance income		7	9
Finance expense		(39)	(37)
Net finance expense	9	(32)	(28)
Profit before tax	5	102	106
Income tax expense	10	(8)	(13)
Profit for the year		94	93
Attributable to:			
Equity holders of the parent		62	43
Non-controlling interests		32	50
		94	93
Basic earnings per share (pence)	11	–	13.1p
Diluted earnings per share (pence)	11	–	13.1p

The financial results above derive from continuing activities.

The notes on pages 38 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTE	2019 £M	2018 £M
Profit for the year		94	93
Other comprehensive (expense)/income:			
Items that are not reclassified subsequently to income statement:			
Remeasurement of defined benefit plan actuarial net gains, net of tax	23	(1)	4
Net change in fair value of equity investment		1	5
		–	9
Items that may be reclassified subsequently to income statement:			
Foreign currency translation differences – foreign operations		(61)	72
Foreign currency translation differences – equity accounted investees		(2)	9
Net gain/(loss) on hedge of net investments in foreign operations		4	(3)
		(59)	78
Other comprehensive (expense)/income for the year, net of tax		(59)	87
Total comprehensive income for the year, net of tax		35	180
Total comprehensive income attributable to:			
Equity holders of the parent		13	112
Non-controlling interests		22	68
Total comprehensive income for the year, net of tax		35	180

The notes on pages 38 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019 £M	2018 £M
Non-current assets			
Property, plant and equipment	12, 37	3,194	3,153
Lease premium prepayment	13	–	103
Investment properties	14	680	668
Investment in joint ventures and associates	15	414	358
Other financial assets	16	40	43
		4,328	4,325
Current assets			
Inventories	17	7	5
Development properties	18	115	115
Lease premium prepayment	13	–	2
Trade and other receivables	19	91	102
Cash and cash equivalents	20	409	375
		622	599
Assets held for sale	36	103	–
		725	599
Total assets		5,053	4,924
Non-current liabilities			
Interest-bearing loans, bonds and borrowings	21	(853)	(789)
Employee benefits	23	(15)	(14)
Provisions	24	(9)	(9)
Other non-current liabilities	25	(17)	(15)
Lease liabilities	37	(108)	–
Deferred tax liabilities	26	(147)	(172)
		(1,149)	(999)
Current liabilities			
Interest-bearing loans, bonds and borrowings	21	(315)	(313)
Trade and other payables	27	(220)	(220)
Provisions	24	(3)	(2)
Lease liabilities	37	(5)	–
Income taxes payable		(13)	(27)
		(556)	(562)
Total liabilities		(1,705)	(1,561)
Net assets		3,348	3,363

The notes on pages 38 to 108 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	NOTES	2019 £M	2018 £M
Equity			
Issued share capital	29	97	97
Share premium		843	843
Translation reserve	30	443	491
Treasury share reserve	30	(4)	(4)
Fair value reserve	30	1	5
Retained earnings		1,402	1,338
Total equity attributable to equity holders of the parent		2,782	2,770
Non-controlling interests		566	593
Total equity		3,348	3,363

These financial statements were approved by the Board of Directors on 22 June 2020 and were signed on its behalf by:


Kwek Leng Beng
Chairman

Registered No: 3004377

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	SHARE CAPITAL £M	SHARE PREMIUM £M	TRANSLATION RESERVE £M	TREASURY SHARE RESERVE £M	FAIR VALUE RESERVE £M	RETAINED EARNINGS £M	TOTAL EXCLUDING NON- CONTROLLING INTERESTS £M	NON- CONTROLLING INTERESTS £M	TOTAL EQUITY £M
Balance at 1 January 2019	97	843	491	(4)	5	1,338	2,770	593	3,363
IFRIC 23 adjustment	-	-	-	-	-	4	4	-	4
Restated balance at 1 January 2019	97	843	491	(4)	5	1,342	2,774	593	3,367
Profit	-	-	-	-	-	62	62	32	94
Other comprehensive income	-	-	(48)	-	(4)	3	(49)	(10)	(59)
Total comprehensive income	-	-	(48)	-	(4)	65	13	22	35
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends – equity holders	-	-	-	-	-	(7)	(7)	-	(7)
Dividends – non-controlling interests	-	-	-	-	-	-	-	(41)	(41)
Changes in ownership interests									
Change in interests in subsidiaries without loss of control	-	-	-	-	-	2	2	(2)	-
Return of capital to non-controlling interests	-	-	-	-	-	-	-	(6)	(6)
Total transactions with owners	-	-	-	-	-	(5)	(5)	(49)	(54)
Balance at 31 December 2019	97	843	443	(4)	1	1,402	2,782	566	3,348

	SHARE CAPITAL £M	SHARE PREMIUM £M	TRANSLATION RESERVE £M	TREASURY SHARE RESERVE £M	FAIR VALUE RESERVE £M	RETAINED EARNINGS £M	TOTAL EXCLUDING NON- CONTROLLING INTERESTS £M	NON- CONTROLLING INTERESTS £M	TOTAL EQUITY £M
Balance at 1 January 2018	97	843	431	(4)	-	1,309	2,676	573	3,249
Profit	-	-	-	-	-	43	43	50	93
Other comprehensive income	-	-	60	-	5	4	69	18	87
Total comprehensive income	-	-	60	-	5	47	112	68	180
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends – equity holders	-	-	-	-	-	(21)	(21)	-	(21)
Dividends – non-controlling interests	-	-	-	-	-	-	-	(43)	(43)
Changes in ownership interests									
Change in interests in subsidiaries without loss of control	-	-	-	-	-	3	3	(3)	-
Return of capital to non-controlling interests	-	-	-	-	-	-	-	(2)	(2)
Total transactions with owners	-	-	-	-	-	(18)	(18)	(48)	(66)
Balance at 31 December 2018	97	843	491	(4)	5	1,338	2,770	593	3,363

The notes on pages 38 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTES	2019 £M	2018 £M
Cash flows from operating activities			
Profit for the year		94	93
Adjustments for:			
Depreciation and amortisation	12, 13	80	69
Share of profit of joint ventures and associates	15	(36)	(29)
Other operating income	7	(10)	(30)
Other operating expense	7	41	63
Finance income	9	(7)	(9)
Finance expense	9	39	37
Income tax expense	10	8	13
Operating profit before changes in working capital and provisions		209	207
Movement in inventories, trade and other receivables		9	(15)
Movement in development properties		(5)	(22)
Movement in trade and other payables		9	7
Cash generated from operations		222	177
Interest paid		(27)	(24)
Interest received		6	5
Income tax paid		(38)	(31)
Net cash generated from operating activities		163	127
Cash flows from investing activities			
Dividends received from joint ventures and associates		5	4
Proceeds from sale of investment properties		–	45
Acquisition of property, plant and equipment, lease premium prepayment and investment properties		(120)	(109)
Subscription of Perpetual Convertible Capital Securities of associate		(30)	(32)
Net cash used in investing activities		(145)	(92)
Balance carried forward		18	35

The notes on pages 38 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	NOTES	2019 £M	2018 £M
Balance brought forward		18	35
Cash flows from financing activities			
Repayment of borrowings		(304)	(145)
Drawdown of borrowings		391	189
Payment of lease liabilities		(9)	–
Dividends paid to non-controlling interests		(41)	(43)
Return of capital to non-controlling interests		(6)	(2)
Dividends paid to equity holders of the parent	28	(7)	(21)
Net cash generated from/(used in) financing activities		24	(22)
Net increase in cash and cash equivalents		42	13
Cash and cash equivalents at beginning of the year		375	354
Effect of exchange rate fluctuations on cash held		(8)	8
Cash and cash equivalents at end of the year		409	375
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the consolidated statement of financial position		409	375
Bank overdrafts included in borrowings		–	–
Cash and cash equivalents for consolidated statement of cash flows	20	409	375

The notes on pages 38 to 108 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 REPORTING ENTITY

Millennium & Copthorne Hotels Limited (the “Company”) is a private company incorporated in England and Wales. The registered office is located at Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY. These consolidated financial statements comprise the Company and its subsidiaries (collectively the “Group”). The consolidated financial statements of the Group for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 22 June 2020.

2.1 BASIS OF PREPARATION

The consolidated financial statements are prepared on the historical cost basis except for investment properties, derivative financial instruments, equity investments at fair value through other comprehensive income (“FVOCI”) and equity investments at fair value through profit and loss (“FVTPL”) which are stated at their fair values. Hotel properties are stated at cost or deemed cost. Deemed cost is calculated based on the hotel’s frozen valuation as at 1 January 2004. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. The Group’s income statement and segmental analysis separately identifies operating profit and other operating income and expense. This is in accordance with IAS 1 ‘Presentation of Financial Statements’ and is consistent with the way that financial performance is measured by management and assists in providing a meaningful analysis of the trading results of the Group. The financial statements are presented in the Company’s functional currency of sterling, rounded to the nearest million.

The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’.

BASIS OF ACCOUNTING

These consolidated financial statements have been prepared in accordance with IFRS as required by EU law (IAS Regulation EC 1606/2002). Details of the Group’s accounting policies, including changes during the year, are included below.

ADOPTION OF NEW AND REVISED STANDARDS

The Group has adopted and applied the following standard issued by the International Accounting Standards Board (IASB) that is relevant to its operations for the first time in the year commencing 1 January 2019:

– IFRS 16 ‘Leases’

IFRS 16 replaces IAS 17 ‘Leases’ and IFRIC 4 ‘Determining whether an Arrangement contains a Lease’ and is mandatorily effective for accounting periods beginning on or after 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings at 1 January 2019. Comparative information has therefore not been restated and is reported under the previous accounting policies. The details of the changes in accounting policies are described in Note 2.2F.

– IFRIC 23 ‘Uncertainty over Income Tax Treatments’

The International Accounting Standards Board’s Interpretations Committee issued IFRIC 23 effective for accounting periods beginning on or after 1 January 2019. The interpretation provides guidance on how to account for uncertainty over income tax treatments under IAS 12 ‘Income Taxes’. The new Interpretation has had an impact on the Group’s existing positions with respect to uncertain tax treatments and financial statement disclosures, the quantum of which can be found on page 35.

BASIS OF CONSOLIDATION

(I) SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(II) INTERESTS IN EQUITY-ACCOUNTED INVESTEEES

The Group’s interests in equity-accounted investees comprise interests in joint ventures and associates.

An associate is an entity in which the Group has significant influence but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, and where the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Interests in joint ventures and associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(III) TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 7 to 8. Note 22 of the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Uncertainty due to the recent COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis. Trading over recent months has been impacted by COVID-19 with the Group temporarily shutting or reducing operations at a number of hotels, primarily in Europe and New Zealand. In response, the Directors have taken immediate and significant actions, all within management's control, to reduce costs and optimise the Group's cash flow and liquidity. Amongst these are the following mitigating actions: reducing capital expenditure through postponing or pausing refurbishment and property development activities, tight monitoring of manpower planning, monitoring of controllable variable expenses and negotiation of discounts with suppliers, and maximising of government assistance and relief programs. It is noted the Group has a limited fixed cost base due to owning the majority of its hotel properties.

Cash flow forecasts have been prepared for a period of twelve months from the date of approval of these consolidated financial statements. The directors have reviewed these cash flow forecasts in light of the COVID-19 pandemic, including a severe but plausible downside scenario consisting of significant revenue reductions through to Q3 2020 with a cautious pick up in trading from this date through 2021, and the non-renewal of maturing debt instruments throughout the review period. This severe but plausible downside scenario, whilst considered by the Directors to be extremely prudent, has a significant impact on sales, margin, and cash flow; however it shows that the Group will be able to operate within the current committed debt facilities with continued financial covenant compliance.

Having reviewed the forecasts and the available committed debt facilities, the Directors have a reasonable expectation that the Group and Company have adequate resources including external credit facilities to continue in operational existence for at least 12 months from the signing of this annual report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements of the Group and the Company.

In assessing whether the Group is a going concern, the Directors follow a review process which is consistent with the principles set out in the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014" published by the Financial Reporting Council.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

A BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and identifiable net assets acquired are measured at the acquisition date fair value.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at that date through the income statement.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed, and is allocated to each of the Group's cash-generating units that are expected to benefit from the combination. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

B FOREIGN CURRENCY

The financial statements of each of the Group's businesses are prepared in the functional currency applicable to that business.

(I) FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies other than the functional currency are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into sterling at foreign exchange rates ruling at the date the fair value was determined.

(II) FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

On consolidation, the assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the income statement.

(III) NET INVESTMENT IN FOREIGN OPERATIONS

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to translation reserve. They are released into the income statement upon disposal or partial disposal of the foreign operation.

C DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

D HEDGES**(I) CASH FLOW HEDGES**

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those covered by the above policy, the associated cumulative gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(II) HEDGE OF MONETARY ASSETS AND LIABILITIES

When a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

(III) HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity within the translation reserve. The ineffective portion is recognised immediately in the income statement.

E PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION**(I) RECOGNITION AND MEASUREMENT**

Land and buildings (other than investment properties) are stated at cost, except as allowed under IFRS 1 transition rules, less depreciation and any provision for impairment. All other property, plant and equipment is stated at cost less depreciation and any provision for impairment. Any impairment of such properties below depreciated historical cost is charged to the income statement.

Under the transition provisions of IFRS 1, land and buildings which were previously revalued under UK GAAP were measured on the basis of their deemed cost, being their UK GAAP carrying value, including revaluations, as at 1 January 2004 being the effective date of the Group's conversion to IFRS.

(II) DEPRECIATION

Freehold land is not depreciated. All other assets are depreciated to their residual values on a straight-line basis over their estimated useful lives as follows:

Building core	50 years or lease term if shorter
Building surface, finishes and services	30 years or lease term if shorter
Plant and machinery	15 – 20 years
Furniture and equipment	10 years
Soft furnishings	5 – 7 years
Computer equipment	5 years
Software	up to 8 years
Motor vehicles	4 years

No residual values are ascribed to building surface finishes and services. Residual values ascribed to building core depend on the nature, location and tenure of each property.

(III) SUBSEQUENT COSTS

Capital expenditure on major projects is recorded separately within property, plant and equipment as capital work in progress. Once the project is complete the balance is transferred to the appropriate fixed asset categories. Capital work in progress is not depreciated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Interest attributable to funds used to finance the construction or acquisition of new hotels or major extensions to existing hotels is capitalised net of tax relief and added to the cost of the hotel core.

Operating supplies, which include china, linen, glass and silverware, were stated at their deemed costs as at 1 January 2008 and subsumed into the costs of the hotel buildings. Subsequent renewals and replacements of such stocks and new supplies upon initial hotel opening are written off as incurred to the income statement.

F LEASES

Effective 1 January 2019, the Group adopted IFRS 16 'Leases' using the modified retrospective approach allowed under which the cumulative effect of initial application is recognised in accumulated profits as at 1 January 2019. Comparative information presented for 2018 is not restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. The details of the

current and prior years accounting policies are disclosed separately below. Further information on the adoption and initial application of IFRS 16 can be found in Note 37.

Policy applicable prior to 1 January 2019

Rentals payable under operating leases were charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease were also spread on a straight-line basis over the lease term.

Policy applicable from 1 January 2019

For contracts entered into on or after 1 January 2019, the Group assesses at inception whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessment includes whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract period; and
- the Group has the right to direct the use of the asset.

(I) THE GROUP AS A LESSEE

At the commencement of a lease, the Group recognises a right-of-use asset along with a corresponding lease liability.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the applicable incremental borrowing rate (single discount rate applied to a portfolio of leases with similar characteristics). The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option based on operational needs and contractual terms. Subsequently, the lease liability is measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is remeasured either when the Group changes its assessment of whether it will exercise an extension or termination option (if expected to be terminated early then any applicable penalties due will also be factored in the remeasurement) or if there is a change in the Group's estimate of the amount expected to be payable under the residual value guarantee.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, estimated asset retirement obligations, lease incentives received and initial direct costs. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The Group has elected to apply exemptions for short-term leases (less than 12 months) and leases for which the underlying asset is of low value (£5,000 or less). For these leases, payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

Right-of-use assets are presented within non-current assets on the face of the balance sheet, and lease liabilities are shown separately on the balance sheet in current liabilities and non-current liabilities depending on the length of the lease term.

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is initially recorded at the lower of fair value and the present value of minimum lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

payments. The equivalent liability, categorised as appropriate, is included within current or non-current liabilities. Assets are depreciated over the shorter of the lease term and their useful economic lives. Finance charges are allocated to accounting periods over the period of the lease to produce constant rates of return on the outstanding balance.

(II) THE GROUP AS A LESSOR

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease. Rents receivable by the Group as lessor under operating leases, including the sub-letting of retail outlets within hotel properties, are credited to the income statement on a straight-line basis over the lease term even if the receipts are not made on such basis. Costs, including depreciation incurred in earning the lease income, are recognised as an expense. Rents receivable under a finance lease are recognised on the statement of financial position as a finance lease receivable and the corresponding asset is subsequently disposed of with a profit or loss if applicable recognised in the income statement.

III) LEASE PREMIUM

The Group makes and receives initial payments on entering into both long and short leases of land and buildings. Prior to the adoption of IFRS 16 'Leases', where payment for leased land was equivalent to the

purchase of the freehold interest, the lease was classified as a finance lease. All other payments for leases of land were classified as operating leases.

Subsequent to the adoption of IFRS 16 on 1 January 2019, on the statement of financial position, finance lease payments attributable to land are still recorded as property, plant and equipment and for operating leases, the finance lease payments attributable to land have been reclassified as a right-of-use asset where it had previously been recognised as a lease premium prepayment before the adoption of IFRS 16. Both lease types are charged to the income statement on a straight-line basis over the term of the lease. Interest attributable to funds to finance the purchase or lease of land is capitalised gross of tax relief and added to the cost of lease.

In the case of lease premiums received, these are reflected on the statement of financial position as deferred income, appropriately classified between current and non-current liabilities and are credited to the income statement on a straight-line basis over the term of the lease.

G IMPAIRMENT

The carrying amounts of the Group's assets, other than investment properties, inventories, employee benefit assets and deferred tax assets are reviewed at each reporting 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 selling price 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 asset.

Impairment is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. Where permissible under IFRS, 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 had been recognised.

In the case of equity investments, a significant or prolonged decline in fair value of the asset below its cost is considered in determining whether the asset is impaired. If any such evidence exists for these assets, the cumulative loss – measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement.

The Group recognises loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI or FVTPL; and
- contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECL for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

General approach

The Group applies the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition. At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI or FVTPL are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

H INVESTMENT PROPERTIES

Investment properties held by the Group are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. Any increase or decrease in the fair value on annual revaluation is recognised in the income statement in accordance with IAS 40 Investment Property. In limited circumstances, the determination of fair value is uncertain, and these properties are carried at cost. Impairment analysis over these properties is carried out annually.

An external independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued, values the portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

I INVENTORIES

Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

J DEVELOPMENT PROPERTIES

Development properties are stated at the lower of cost and net realisable value. They are held for sale in the short term and are therefore classified as current assets. The cost of development properties includes interest and other related expenditure incurred in order to get the asset ready for its intended use. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development. Payments received from purchasers arising from pre-sales of the property units prior to the completion are included as deferred income under other financial liabilities in the statement of financial position.

K CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

L BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost: any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

M TAXATION

Income tax on profit or loss comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Deferred tax is provided for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: (i) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and (ii) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the benefit will be realised.

Deferred tax assets and liabilities are offset only to the extent that: (i) the Group has a legally enforceable right to offset current tax assets against current tax liabilities; (ii) the Group intends to settle net; and (iii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

N EMPLOYEE BENEFITS
(I) DEFINED CONTRIBUTION PLANS

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement.

(II) DEFINED BENEFIT PLANS

The Group operates a number of defined benefit pension plans. As set out in Note 23, the calculation of the present value of the Group's defined benefit obligations at each period end is subject to significant estimation. An appropriately qualified, independent actuary is used to undertake this calculation. The assumptions made by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered may not necessarily be borne out in practice. The valuation of scheme assets is based on their fair value at the balance sheet date. As these assets are not intended to be sold in the short term, their values may be subject to significant change before they are realised. In reviewing the work of the independent actuary, management is required to exercise judgement to satisfy themselves that appropriate weight has been afforded to macro-economic factors. Details of the assumptions used are set out in Note 23.

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised immediately as an expense in the income statement.

The Group recognises remeasurement gains and losses within the consolidated statement of comprehensive income in the period in which they occur.

The Group determines the net interest expense (income) on the net defined benefit liabilities (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), 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 the income statement.

(III) LONG-TERM SERVICE BENEFITS

The Group's net obligation in respect of long-term service benefits, other than post-employment plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any plan assets is deducted.

(IV) SHARE-BASED PAYMENT TRANSACTIONS

The share-based incentive schemes allow the Group's employees to acquire shares of Millennium & Copthorne Hotels Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The cost of equity-settled transactions with employees for awards granted after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 23.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

O PROVISIONS

A provision is recognised on the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. Further details on provisions are given in Note 24.

P REVENUE AND ITS RECOGNITION

Revenue comprises:

- Income from the ownership and operation of hotels – recognised at the point at which the accommodation and related services are provided;
- Management fees – earned from hotels managed by the Group, usually under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability; recognised when earned on an accrual basis under the terms of the contract;
- Franchise fees – received in connection with licensing of the Group's brand names, usually under long-term contracts with the hotel owner. The Group charges franchise royalty fees as a percentage of room revenue; recognised when earned on an accrual basis under the terms of the agreement;
- Income from property rental – recognised on a straight-line basis over the lease term, lease incentives granted are recognised as an integral part of the total rental income; and
- Development property sales – recognised when the transfer of control of the property has passed to the buyer, which is usually when legal title transfers depending on jurisdictions. The trigger for revenue recognition depends on the laws within each jurisdiction.

Q DIVIDEND DISTRIBUTION

Dividend distribution to the shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are appropriately authorised and approved for payment and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**R OPERATING SEGMENT INFORMATION**

Disclosure of segmental information is principally presented in respect of the Group's geographical segments. The segments reported reflect the operating information included in internal reports that the Chief Operating Decision Maker ("CODM"), which is the Board, regularly reviews. Further details are given in Note 5.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Discrete financial information is reported to and is reviewed by the CODM on a geographical basis. Operating segments have Chief Operating Officers ("COOs") or equivalent who are directly accountable for the functioning of their segments and maintain regular contact with the Group Chief Executive Officer and Chairman of the CODM to discuss the operational and financial performance. The CODM makes decisions about allocation of resources to the regions managed by the COOs. No operating segments have been aggregated to form the reportable operating segments.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise interest-bearing loans, borrowings, cash and cash equivalents, net finance expense, taxation balances and corporate expenses.

S NON-CURRENT ASSETS HELD-FOR-SALE

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale. Generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to property, plant and equipment and lease premium prepayment, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

T OTHER FINANCIAL ASSETS AND LIABILITIES

Trade investments are classified as either equity instruments at FVOCI or fair value through profit and loss ("FVTPL") and are included under non-current assets within 'other financial assets'. They are recorded at market value with movements in value taken to equity. Any impairment to value is recorded in the income statement.

Trade and other receivables are stated at their nominal amount (discounted if material) less any impairment. Trade and other payables are stated at their nominal amount (discounted if material).

U RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements under IFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies and the reported amount of revenue and expenses during the year. The Group evaluates its estimates and assumptions on an ongoing basis. Such estimates and judgements are based upon historical experience and other factors it believes to be reasonable under the circumstances, which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

Certain critical accounting policies, among others, affect the Group's more significant estimates and assumptions used in preparing the consolidated financial statements. Actual results could differ from the Group's estimates and assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3.1 JUDGEMENTS**

The key judgements are:

CLASSIFICATION OF INVESTMENT PROPERTIES

The Group holds a number of investment properties and accounts for such properties in accordance with the accounting policy set out in Note 2.2H. The Group owns assets which are leased to external third parties with lease rentals and related charges varying according to the agreement involved. The Group accounts for such assets in its financial statements in accordance with the accounting policy set out in Note 2.2H.

Where the indicators are such that on balance the Group is shown to be a passive investor, the relevant property is accounted for in accordance with IAS 40 and the Group accounts for the fair value change through the income statement as other operating income or expense. Indicators considered include (1) party that has the power to make the significant operating and financing decisions regarding the operations of the property in a management contract, (2) calculation of the lessor's return, (3) lessor's power of intervention under the management contract, and (4) duration of the contract.

CONSOLIDATION OF ENTITIES IN WHICH THE GROUP HOLDS LESS THAN A MAJORITY OF VOTING RIGHTS (DE FACTO CONTROL)

In 2014, the new consolidation accounting standard, IFRS 10 introduced a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

This required the Group to consider whether it has de facto control over its investees, particularly when it owned less than 50% of the voting rights. In 2014, in accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees and changed its control conclusion in respect of its investment in CDLHT, which was previously accounted for as an associate using the equity method. Although the Group owns less than half of the voting power of the investee, management determined that, under IFRS 10, the Group has had control over the investee since its inception. This is because a 100% owned subsidiary of the Group, M&C REIT Management Limited acts as REIT Manager with its fees having a performance-based element and therefore the Group has exposure to variable returns from its involvement with the investee. Accordingly, in 2014, the Group applied acquisition accounting to the investment from the year it was first established in 2006, and restated the relevant amounts as if the investee had been consolidated from that year. This judgement was reconsidered this year and continues to be appropriate.

BUSINESS COMBINATION

For each acquisition, the Group has to make a judgement whether to account the transaction as an asset purchase or a business combination, which results in a different accounting treatment. In particular, under business combination accounting, goodwill and additional intangible assets may arise and the valuation of acquired assets is complex. In addition, transaction costs can be capitalised in an asset acquisition, but have to be charged through the income statement for a business combination. The classification of each acquisition and related accounting is highly judgemental. Details of acquisitions undertaken by the Group during 2018, including the specific judgements, are set out in Notes 12 and 14. There were no acquisitions undertaken by the Group during 2019.

LAND LEASES CLASSIFICATION

The Group holds a number of hotels with leases of land that are determined to have an indefinite economic life. The judgement prior to 1 January 2019 was that these were classified as a finance lease even if at the end of the lease term title does not pass to the lessee. Subsequent to 1 January 2019 and the adoption of IFRS 16 'Leases', these assets have been reclassified as right-of-use assets.

3.2 ESTIMATES

The key estimates are:

IMPAIRMENT OF TANGIBLE ASSETS

The Group determines whether tangible fixed assets are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the recoverable value of the cash generating units to which the tangible fixed assets are allocated, which is predominantly at the individual hotel site level. Where appropriate, external valuations are also undertaken. Estimation of the recoverable value of the hotel assets is done with the reference to fair value less cost to sell, using income approach, which requires estimation of future cash flows of a third-party efficient operator, the time period over which they will occur, an appropriate discount rates, terminal capitalization rates and growth rates. The Directors consider that the assumptions made represent their best estimate, and that the discount rate and terminal capitalisation rate used are appropriate given the risks associated with the specific cash flows. A sensitivity analysis has been performed over the estimates (see Note 12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

The following standards and interpretations, which have been issued by the IASB, become effective after the current year end and have not been early adopted by the Group:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective date 1 January 2020);
- Amendments to IFRS 3: Definition of a Business (effective date 1 January 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (effective date 1 January 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective date 1 January 2020); and
- IFRS 17 Insurance Contracts (effective date 1 January 2021).

The Group is in the process of assessing the impact of these new standards, amendments and interpretations on the financial statements.

5 OPERATING SEGMENT INFORMATION

Disclosure of segmental information is principally presented in respect of the Group's geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise: interest-bearing loans, borrowings, cash and cash equivalents, net financial expense, taxation balances and corporate expenses.

GEOGRAPHICAL SEGMENTS

The hotel and property operations are managed on a worldwide basis and operate in seven principal geographical areas as follows:

- New York
- Regional US
- London
- Rest of Europe
- Singapore
- Rest of Asia
- Australasia

The segments reported reflect the operating segment information included in the internal reports that the Chief Operating Decision Maker ("CODM"), which is the Board, regularly reviews.

The reportable segments are aligned with the structure of the Group's internal organisation which is based according to geographical region. Discrete financial information is reported to and is reviewed by the CODM on a geographical basis. Operating segments have Chief Operating Officers ("COOs") or equivalent who are directly accountable for the functioning of their segments and who maintain regular contact with the Group Chief Executive Officer and Chairman of the CODM to discuss the operational and financial performance. The CODM makes decisions about allocation of resources to the regions managed by the COOs.

The results of CDLHT have been incorporated within the existing geographical regions. In addition, CDLHT operations are reviewed separately by its board on a monthly basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

SEGMENT RESULTS

	2019								
	NEW YORK £M	REGIONAL US £M	LONDON £M	REST OF EUROPE £M	SINGAPORE £M	REST OF ASIA £M	AUSTRALASIA £M	CENTRAL COSTS £M	TOTAL GROUP £M
Revenue									
Hotel	166	146	109	66	134	182	85	–	888
Property operations	–	5	–	–	3	10	53	–	71
REIT ⁴	–	–	–	33	17	11	5	–	66
Total revenue	166	151	109	99	154	203	143	–	1,025
Hotel gross operating profit	18	27	42	11	53	61	41	–	253
Hotel fixed charges ¹	(32)	(20)	(23)	(11)	(6)	(29)	(6)	–	(127)
Hotel operating profit/(loss)	(14)	7	19	–	47	32	35	–	126
Property operating profit	–	1	–	–	3	9	26	–	39
REIT operating profit/(loss)	–	–	–	11	(4)	(3)	4	–	8
Central costs	–	–	–	–	–	–	–	(44)	(44)
Other operating income ²	–	–	–	–	3	7	–	–	10
Other operating expense ²	(17)	(3)	–	(1)	–	(5)	–	–	(26)
Other operating expense – REIT ²	–	–	–	(2)	(1)	(11)	(1)	–	(15)
Operating profit/(loss)	(31)	5	19	8	48	29	64	(44)	98
Share of joint ventures and associates profit	–	–	–	19	–	17	–	–	36
Add: Depreciation and amortisation	11	13	7	6	15	21	4	3	80
Add: Net revaluation gain/deficit & impairment	17	3	–	3	1	9	1	–	34
EBITDA³	(3)	21	26	36	64	76	69	(41)	248
Less: Depreciation, amortisation, net revaluation gain/deficit & impairment									(114)
Net finance expense									(32)
Profit before tax									102

1 Hotel fixed charges include depreciation, property rent, taxes and insurance, and management fees.

2 See Note 7 for details of other operating income and expense.

3 EBITDA is earnings before interest, tax, depreciation and amortisation.

4 CDLHT operates the REIT business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2018								
	NEW YORK £M	REGIONAL US £M	LONDON £M	REST OF EUROPE £M	SINGAPORE £M	REST OF ASIA £M	AUSTRALASIA £M	CENTRAL COSTS £M	TOTAL GROUP £M
Revenue									
Hotel	159	139	106	71	130	177	85	–	867
Property operations	–	5	–	–	3	9	48	–	65
REIT ⁴	–	–	–	31	16	13	5	–	65
Total revenue	159	144	106	102	149	199	138	–	997
Hotel gross operating profit	25	27	43	16	51	60	42	–	264
Hotel fixed charges ¹	(33)	(25)	(23)	(11)	(4)	(33)	(6)	–	(135)
Hotel operating profit/(loss)	(8)	2	20	5	47	27	36	–	129
Property operating profit	–	2	–	–	2	8	25	–	37
REIT operating profit/(loss)	–	–	–	11	(2)	1	5	–	15
Central costs	–	–	–	–	–	–	–	(43)	(43)
Other operating income ²	–	–	–	–	3	5	–	–	8
Other operating expense ²	(31)	(19)	–	(3)	–	(6)	–	–	(59)
Other operating income – REIT ²	–	–	–	10	9	–	3	–	22
Other operating expense – REIT ²	–	–	–	–	–	(4)	–	–	(4)
Operating profit/(loss)	(39)	(15)	20	23	59	31	69	(43)	105
Share of joint ventures and associates profit	–	–	–	13	–	16	–	–	29
Add: Depreciation and amortisation	9	12	6	4	13	20	3	2	69
Add: Net revaluation gain/deficit & impairment	31	19	–	(7)	(12)	5	–	–	36
EBITDA³	1	16	26	33	60	72	72	(41)	239
Less: Depreciation, amortisation, net revaluation gain/deficit & impairment									(105)
Net finance expense									(28)
Profit before tax									106

1 Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.

2 See Note 7 for details of other operating income and expense.

3 EBITDA is earnings before interest, tax, depreciation and amortisation.

4 CDLHT operates the REIT business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

SEGMENTAL ASSETS AND LIABILITIES

	2019							
	NEW YORK £M	REGIONAL US £M	LONDON £M	REST OF EUROPE £M	SINGAPORE £M	REST OF ASIA £M	AUSTRALASIA £M	TOTAL GROUP £M
Hotel operating assets	601	310	559	227	62	653	189	2,601
REIT operating assets	–	–	–	258	625	136	144	1,163
Hotel operating liabilities	(58)	(58)	(37)	(41)	(30)	(80)	(19)	(323)
REIT operating liabilities	–	–	–	(14)	(12)	(18)	(3)	(47)
Investment in joint ventures and associates	–	–	–	9	–	141	–	150
Total hotel operating net assets	543	252	522	439	645	832	311	3,544
Property operating assets	–	61	–	–	89	200	116	466
Property operating liabilities	–	(2)	–	–	(1)	(3)	(1)	(7)
Investment in joint ventures and associates	–	–	–	95	–	169	–	264
Total property operating net assets	–	59	–	95	88	366	115	723
Deferred tax liabilities								(147)
Income taxes payable								(13)
Net debt								(759)
Net assets								3,348

	2018							
	NEW YORK £M	REGIONAL US £M	LONDON £M	REST OF EUROPE £M	SINGAPORE £M	REST OF ASIA £M	AUSTRALASIA £M	TOTAL GROUP £M
Hotel operating assets	614	309	514	228	24	659	188	2,536
REIT operating assets	–	–	–	258	626	130	155	1,169
Hotel operating liabilities	(31)	(48)	(13)	(34)	(25)	(66)	(11)	(228)
REIT operating liabilities	–	–	–	(7)	(7)	(7)	(3)	(24)
Investment in joint ventures and associates	–	–	–	1	–	161	–	162
Total hotel operating net assets	583	261	501	446	618	877	329	3,615
Property operating assets	–	48	–	39	89	195	115	486
Property operating liabilities	–	(1)	–	–	(2)	(3)	(2)	(8)
Investment in joint ventures and associates	–	–	–	36	–	160	–	196
Total property operating net assets	–	47	–	75	87	352	113	674
Deferred tax liabilities								(172)
Income taxes payable								(27)
Net debt								(727)
Net assets								3,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Geographic information

	2019 £M	2018 £M
Revenue from external customers		
United States	317	303
United Kingdom	183	183
Singapore	154	149
New Zealand	133	129
Taiwan	77	73
South Korea	49	48
China	25	26
Malaysia	14	14
France	11	13
Australia	11	9
Philippines	7	6
Italy	7	6
Maldives	6	7
Indonesia	5	5
Other	26	26
Total revenue per consolidated income statement	1,025	997

The revenue information above is based on the location of the business. The £1,025m (2018: £997m) revenue is constituted of £888m (2018: £867m) of hotel revenue, £71m (2018: £65m) of property operations revenue and £66m (2018: £65m) of REIT revenue. The property operations revenue comprises £53m (2018: £48m) from Australasia, £3m (2018: £3m) from Singapore and £15m (2018: £14m) from other countries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2019 £M	2018 £M
Non-current assets		
United States	930	938
United Kingdom	808	756
Singapore	673	728
China	274	290
Taiwan	291	276
New Zealand	239	238
Japan	239	235
South Korea	176	191
Hong Kong	124	121
Germany	100	106
Australia	81	85
Maldives	91	84
Italy	78	83
Netherlands	103	73
Malaysia	65	66
France	36	36
Indonesia	13	12
Philippines	7	7
Total non-current assets per consolidated statement of financial position	4,328	4,325

Non-current assets for this purpose consist of property, plant and equipment, investment properties, investment in joint ventures and associates and other non-current financial assets.

6 ADMINISTRATIVE EXPENSES

The following items are included within administrative expenses:

	2019 £M	2018 £M
Included in administrative expenses is the auditor's remuneration, for audit and non-audit services as follows:		
Auditor's remuneration		
Statutory audit services:		
– Annual audit of the Company and consolidated financial statements	1	1
– Audit of subsidiary companies	2	2
	3	3
Non-audit related services:		
– Tax advisory	1	1
Total	4	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2019 £M	2018 £M
Repairs and maintenance	60	54
Depreciation		
– property, plant and equipment	72	66
– right-of-use assets	8	–
Lease premium amortisation	–	3
Rental paid/payable under operating leases*		
– land and buildings	1	4
– plant and machinery	1	3

* Under IFRS 16 'Leases', which the Group adopted in the current year, payments under operating leases are not charged to the income statement except for those where a recognition exemption has been applied.

7 OTHER OPERATING INCOME AND EXPENSE

	NOTES	2019 £M	2018 £M
Revaluation gain/(deficit) of investment properties	(A)		
– REIT properties		(4)	16
– Millennium Mitsui Garden Hotel Tokyo		6	5
– Biltmore Court & Tower		(3)	(1)
– Tanglin Shopping Centre		1	3
Impairment of property, plant & equipment	(B)	(34)	(59)
		(34)	(36)
Gain on disposal of investment properties	(C)	–	3
Fair value gain from FSGL's warrant	(D)	3	–
		(31)	(33)

(A) REVALUATION GAIN/(DEFICIT) OF INVESTMENT PROPERTIES

At the end of the financial year, in accordance with the Group's policy its investment properties were subject to external professional valuation on an open-market existing use basis. Based on these valuations, the revaluation gain or deficit was recorded as considered appropriate by the Directors. Further details on these valuations are provided in Note 14.

(B) IMPAIRMENT OF PROPERTY, PLANT & EQUIPMENT

The Directors undertook their annual review of the carrying value of hotels and property assets for indication of impairment and where appropriate, external valuations were also obtained. As a result of this review, the total impairment charge for the year ended 31 December 2019 was £34m consisting of £17m in New York, £3m in Rest of Europe and £14m in Rest of Asia. For 2018, a total impairment charge of £59m was recognised in relation to £31m in New York, £3m in Rest of Europe, £6m in Rest of Asia and £19m for Regional US. Further information is given in Note 12.

(C) GAIN ON DISPOSAL OF INVESTMENT PROPERTIES

On 11 January 2018, CDLHT completed the divestment of two hotels in Australia, the Mercure Brisbane and Ibis Brisbane for A\$77m (£45m) and a gain of £3m was recognised by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(D) FAIR VALUE GAIN FROM FSGL'S WARRANT

On 3 June 2019, the Group took up its full entitlement of First Sponsor Group Limited's ("FSGL") rights issue of new Perpetual Convertible Capital Securities ("PCCS") for a total cost of S\$53m (£30m). As part of the capital funding exercise, 1 new free warrant was issued for every 1 new PCCS subscribed for; in addition, 1 new bonus warrant was issued for every 10 existing ordinary shares held in FSGL. For the year ended 31 December 2019, a fair value gain of £3m was recorded by the Group from the holding of new warrants.

8 PERSONNEL EXPENSES

	2019 £M	2018 £M
Wages and salaries	322	309
Compulsory social security contributions	50	49
Contributions to defined contribution schemes	22	19
Defined benefit pension (gain)/cost – recorded in the statement of comprehensive income	1	(5)
Defined benefit pension cost – recorded in the income statement	2	2
	397	374

The number of employees employed by the Group as at year end analysed by category was as follows:

	2019 NUMBER	2018 NUMBER
Hotel operating staff	9,023	8,853
Management/administration	1,497	1,478
Sales and marketing	519	492
Repairs and maintenance	648	681
	11,687	11,504

DIRECTORS' REMUNERATION

	2019 £M	2018 £M
Remuneration	1	1
Received by the Directors under:		
– Long-term incentive schemes	–	–
– Pensions	–	–
	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9 NET FINANCE EXPENSE

	2019 £M	2018 £M
Interest income	5	5
Foreign exchange gain	2	4
Finance income	7	9
Interest expense		
– Overdrafts, bank and other loans	(25)	(28)
– Recognised under IFRS 16 'Leases'	(5)	–
Foreign exchange loss	(9)	(9)
Finance expense	(39)	(37)
Net finance expense	(32)	(28)

10 INCOME TAX EXPENSE

	2019 £M	2018 £M
Current tax		
Corporation tax charge for the year	30	34
Adjustment in respect of prior years	(2)	1
Total current tax expense	28	35
Deferred tax (Note 26)		
Origination and reversal of timing differences	(10)	(14)
Benefits of tax losses recognised	(11)	(9)
(Over)/under provision in respect of prior years	1	1
Total deferred tax credit	(20)	(22)
Total income tax charge in the consolidated income statement	8	13
UK	1	2
Overseas	7	11
Total income tax charge in the consolidated income statement	8	13

For the year ended 31 December 2019, the Group has a tax charge of £8m (2018: £13m) excluding the tax relating to joint ventures and associates.

The effective tax rate relating to the tax charge of £8m is 12.4% (2018: 16.9%). The Group's underlying effective tax rate is 17.5% (2018: 20.4%). The effective tax rate has been affected primarily by the mix of Group regional profits and tax adjustments in respect of previous years (finalisation of exposures in Philippines).

For the year ended 31 December 2019, a charge of £7m (2018: £7m) relating to joint ventures and associates is included in the profit before tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

ADJUSTMENTS IN RESPECT OF SETTLEMENT OF PRIOR YEARS' TAX LIABILITIES

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profit and loss and/or cash flow variances. The geographical complexity of the Group's structure makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and it is often dependent on the efficacy of the legal processes in the relevant tax jurisdictions in which the Group operates.

INCOME TAX RECONCILIATION

	2019 £M	2018 £M
Profit before income tax in consolidated income statement	102	106
Less share of profits of joint ventures and associates	(36)	(29)
Profit on ordinary activities excluding share of joint ventures and associates	66	77
Income tax on ordinary activities at the standard rate of UK tax of 19.00% (2018: 19.00%)	13	15
Tax exempt income	(29)	(22)
Non-deductible expenses	17	10
Unrecognised tax losses arising during the year	3	3
Other effect of tax rates in foreign jurisdictions	4	5
Other adjustments to tax charge in respect of prior years	–	2
Income tax expense per consolidated income statement	8	13

11 EARNINGS PER SHARE

Subsequent to the Final Offer and Delisting of the Group, earnings per share is no longer applicable. Refer to the Directors Report on page 22 for further detail regarding the Final Offer and Delisting.

	2019	2018
(a) Basic		
Profit for the year attributable to holders of the parent (£m)	62	43
Weighted average number of shares in issue (m)	325	325
Basic earnings per share (pence)	–	13.1p
(b) Diluted		
Profit for the year attributable to holders of the parent (£m)	62	43
Weighted average number of shares in issue (m)	325	325
Potentially dilutive share options under the Group's share option schemes (m)	–	–
Weighted average number of shares in issue (diluted) (m)	325	325
Diluted earnings per share (pence)	–	13.1p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12 PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS £M	CAPITAL WORK IN PROGRESS £M	PLANT AND MACHINERY £M	FIXTURES, FITTINGS AND EQUIPMENT AND VEHICLES £M	RIGHT-OF-USE ASSETS £M	TOTAL £M
Cost						
Balance at 1 January 2018	3,297	36	349	381	–	4,063
Additions – Acquisitions	5	–	–	1	–	6
Additions – Others	2	43	10	15	–	70
Reclassification between asset categories	3	(6)	–	3	–	–
Transfer to investment properties	–	(3)	–	–	–	(3)
Disposals	–	–	–	(2)	–	(2)
Written off	(1)	–	(3)	(4)	–	(8)
Foreign exchange adjustments	82	2	12	12	–	108
Balance at 31 December 2018	3,388	72	368	406	–	4,234
Balance at 1 January 2019	3,388	72	368	406	–	4,234
Adoption of IFRS 16 on 1 January 2019	–	–	–	–	207	207
Additions – Others	11	45	14	29	8	107
Reclassification between asset categories	35	(61)	12	14	–	–
Transfer to assets held for sale	(97)	(7)	(38)	(6)	(2)	(150)
Disposals	–	–	–	(1)	–	(1)
Written off	–	(1)	(8)	(10)	–	(19)
Foreign exchange adjustments	(55)	(1)	(5)	(8)	(4)	(73)
Balance at 31 December 2019	3,282	47	343	424	209	4,305
Accumulated depreciation and impairment losses						
Balance at 1 January 2018	520	1	135	278	–	934
Charge for the year	19	–	14	33	–	66
Impairment	58	–	1	–	–	59
Disposals	–	–	–	(2)	–	(2)
Written off	–	–	(2)	(4)	–	(6)
Foreign exchange adjustments	16	–	5	9	–	30
Balance at 31 December 2018	613	1	153	314	–	1,081
Balance at 1 January 2019	613	1	153	314	–	1,081
Charge for the year	21	–	15	36	8	80
Impairment	29	–	5	–	–	34
Disposals	–	–	–	(1)	–	(1)
Reclassification between asset categories	–	–	(1)	1	–	–
Transfer to assets held for sale	(13)	–	(27)	(6)	–	(46)
Written off	–	(1)	(7)	(9)	–	(17)
Foreign exchange adjustments	(10)	–	(2)	(7)	(1)	(20)
Balance at 31 December 2019	640	–	136	328	7	1,111
Carrying amounts						
At 31 December 2019	2,642	47	207	96	202	3,194
At 31 December 2018	2,775	71	215	92	–	3,153

The carrying value of property, plant and equipment held under finance leases at 31 December 2019 was £nil (2018: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

A IMPAIRMENT

Property, plant and equipment are reviewed for impairment based on each cash generating unit ("CGU"). The CGUs are individual hotels. The carrying value of individual hotels was compared to the recoverable amount of the hotels, which was derived with the reference to fair value through creation of discount cash flow models. Under this methodology, the fair value measurement reflects current market expectations about the third-party efficient operator's future cash flows, discounted to their present value. The underlying basis for the impairment model involves each hotel's projected cash flow for the financial year ending 31 December 2020, extrapolated to incorporate individual assumptions in respect of revenue growth (principally factoring in room rate and occupancy growth) and major expense lines. The future cash flows are based on assumptions about competitive growth rates for hotels in that area, as well as internal business plans. These plans and forecasts include management's most recent view of trading prospects for the hotel in the relevant market. Where appropriate, the Directors sought guidance on value from a registered independent appraiser with an appropriately recognised professional qualification and recent experience in the location and category of the hotel being valued.

On the basis of external valuations in 2019, the Group recorded an impairment charge of £34m consisting of £17m in New York, £14m in Rest of Asia and £3m in Rest of Europe. For 2018, a total impairment charge of £59m was recognised in relation to £31m in New York, £3m in Rest of Europe, £6m in Rest of Asia and £19m for Regional US. Further information is given in Note 12.

Circumstances and events that led to impairment are largely due to the performance of the hotels. The fair values assumed through the impairment assessment are considered to fall within level 3 of the fair value hierarchy. Refer to Note 22d for more detail.

B KEY ASSUMPTIONS USED BY THE EXTERNAL APPRAISERS

The key assumptions used were as follows:

Pre-tax discount rate – The discount rate is based on the country in which the hotel is located and is adjusted for risks associated with the hotel. Discount rates ranged from 7.75% in the US, 5.90% to 11.50% in Europe, 7.25% to 12.00% in Asia and 7.25% to 10.25% in New Zealand.

Occupancy rate – The occupancy growth rates ranged up to 1.00% in the US, up to 1.00% in Europe, an increase of 10% to a decrease of 2.00% in Asia and up to 3.00% in New Zealand.

Average room rate – The average room rate growth ranged from 4.60% in the US, 1.70% to 2.60% in Europe, 2.40% to 6.80% in Asia and 2.50% to 5.80% in New Zealand.

Terminal rate – These rates ranged from 5.50% in the US, 4.00% to 9.50% in Europe, 5.50% to 9.00% in Asia and 6.50% to 9.25% in New Zealand.

The forecasts cover a five to ten year period, and cash flows beyond this period are extrapolated using a growth rate ranging between 1.50% and 3.00%, which is based upon the expected trading growth for each hotel and inflation in the country.

C SENSITIVITIES

The Group's impairment review is sensitive to changes in key assumptions used, most notably the discount and terminal rates. Based on the Group's sensitivity analysis performed on the property in New York (which represents 50% of the total impairment recognised), assuming that all other variables were to remain constant, the increase/(decrease) in the Group's total impairment recognised would be as follows:

	£M
Terminal rate decreased by 0.25%	(5)
Terminal rate increased by 0.25%	4
Discount rate decreased by 0.25%	(3)
Discount rate increased by 0.25%	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

D LAND AND BUILDINGS

Interest of £2m (2018: £nil) was capitalised within land and buildings during the year. The cumulative capitalised interest within land and buildings is £7m (2018: £5m).

E PLEDGED ASSETS

At year-end, the net book value of assets pledged as collateral for secured loans was £529m (2018: £477m). The security for the loans is by way of charges on the properties of the Group companies concerned.

13 LEASE PREMIUM PREPAYMENT

	2019 £M
Cost	
Balance at 1 January 2019	129
Adoption of IFRS 16 on 1 January 2019	(129)
Balance at 31 December 2019	–
Amortisation	
Balance at 1 January 2019	24
Adoption of IFRS 16 on 1 January 2019	(24)
Balance at 31 December 2019	–
Carrying amount at 31 December 2019	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 INVESTMENT PROPERTIES

Completed investment properties comprise Tanglin Shopping Centre, Biltmore Court & Tower, CDLHT properties and Millennium Mitsui Garden Hotel Tokyo. Investment properties under construction represents the site at Sunnyvale.

Movements in the year analysed as:

	COMPLETED INVESTMENT PROPERTIES £M	INVESTMENT PROPERTIES UNDER CONSTRUCTION £M	RIGHT- OF-USE ASSETS £M	TOTAL £M
Balance at 1 January 2018	568	9	–	577
Transfer from property, plant and equipment	–	3	–	3
Additions	–	6	–	6
Acquisition of property	38	–	–	38
Adjustment to fair value	22	–	–	22
Foreign exchange adjustment	22	–	–	22
Balance at 31 December 2018	650	18	–	668
Balance at 1 January 2019	650	18	–	668
Adoption of IFRS 16 on 1 January 2019	–	–	7	7
Additions	5	16	–	21
Foreign exchange adjustment	(15)	(1)	–	(16)
Balance at 31 December 2019	640	33	7	680

In general, the carrying amount of investment property other than those under construction is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property.

Consistent with the prior year, only the land site at Sunnyvale, California, is classified as investment properties under construction as the project of building a hotel and an apartment complex is still in progress. This asset is carried at cost on the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Group's investment properties were subject to external professional valuation on an open market existing use basis by the following accredited independent valuers:

PROPERTIES	VALUERS
Tanglin Shopping Centre, Singapore	Edmund Tie & Company (SEA) Pte Ltd
Biltmore Court & Tower, Los Angeles	Sequoia Hotel Advisors, LLC
Land site at Sunnyvale, California	Sequoia Hotel Advisors, LLC
Millennium Mitsui Garden Hotel Tokyo	Jones Lang LaSalle KK
CDLHT – Singapore	Knight Frank Pte Ltd
CDLHT – Australia	CBRE Pte Ltd and Jones Lang LaSalle Advisory Services Pty Limited
CDLHT – Maldives	Jones Lang LaSalle Property Consultants Pte Ltd
CDLHT – Germany	Cushman & Wakefield
CDLHT – Italy	Cushman & Wakefield

Based on these valuations together with such considerations as the Directors consider appropriate, Millennium Mitsui Garden Hotel Tokyo, Biltmore Court & Tower and Tanglin Shopping Centre recorded a revaluation gain of £6m (2018: revaluation gain £5m), a revaluation deficit of £3m (2018: revaluation deficit £1m) and a revaluation gain of £1m (2018: revaluation gain £3m) respectively. In addition, the REIT properties recorded a net revaluation deficit of £4m (2018: net revaluation gain of £16m). All the other investment properties recorded no change and no impairment was identified.

FAIR VALUE HIERARCHY

The fair value measurement for investment properties not under construction of £640m (2018: £650m) has been categorised as a Level 3 fair value based on inputs to the valuation technique used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

The following table shows the valuation technique used in measuring the fair value of investment property, as well as significant unobservable inputs used.

VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
The technique applied in the valuation of the Tanglin Shopping Centre is based on market comparison of sales of similar properties in the vicinity. Further adjustments are made to this value to account for differences in location, size, tenure, view, accessibility, condition and other factors.	Tanglin Shopping Centre Open market values for other properties.	The estimated fair value would increase/ (decrease) if:
Biltmore Court & Tower and Millennium Mitsui Garden Hotel Tokyo were valued using a discounted cash flow technique based on expected rental income and discount rate appropriate for the property.	Biltmore Court & Tower Discount rate of between 8.25% to 10.50% and capitalisation rate of 7.75% to 9.00%.	Expected market rental growth were higher/(lower); and
Investment properties held by the REIT were valued using the discounted cash flow, capitalisation or comparison techniques.	Millennium Mitsui Garden Hotel Tokyo Discount rate of 3.7% and capitalisation rate of 4.1%.	Risk adjusted discount rate was lower/ (higher), capitalisation rate was higher/ (lower) and terminal yield was lower/ (higher).
	CDLHT investment properties Discount rate of between 4.75% and 12.00%, capitalisation rate of 4.25% to 6.00% and terminal yield of 4.25% to 9.00%.	

Further details in respect of investment property rentals are given in Note 37.

ACQUISITION OF PROPERTY

On 27 November 2018, the H-REIT Group acquired 95.0% of the shares and voting interest in Event Hospitality Group III B.V., which wholly-owns Event Hospitality Group III Italy SRL, sole shareholder of NKS Hospitality III (collectively, the "Italy Acquisition") for a total consideration of €33m (£29m). NKS Hospitality III SRL is the legal owner of Hotel Cerretani Florence, MGallery by Sofitel and the fixtures, furniture and equipment therein (collectively, the "Italy Property"). The acquisition was accounted for as an acquisition of assets.

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	€M	£M
Investment property	43	38
Trade and other receivables	1	1
Cash at bank	3	3
Current liabilities	(1)	(1)
Borrowings	(11)	(10)
Total identifiable net assets	35	31
Less: Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	(2)	(2)
Identifiable net assets acquired	33	29

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONSIDERATION TRANSFERRED

	€M	£M
Total consideration for 95.0% equity interest acquired	33	29
Add: Acquisition related costs	2	2
Less: Cash at bank of subsidiaries acquired	(3)	(3)
Less: Acquisition related costs not yet paid	(2)	(2)
Net cash outflow on acquisition¹	30	26

¹ Included in cash flows from investing activities.

15 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group has the following investments in joint ventures and associates:

	PRINCIPAL PLACE OF BUSINESS	FAIR VALUE OF OWNERSHIP INTEREST £M	EFFECTIVE GROUP INTEREST	
			2019	2018
Joint ventures				
New Unity Holdings Limited (“New Unity”)	Hong Kong	–	50%	50%
Ferguson Hotel Management Limited	Hong Kong	–	50%	50%
New York Sign LLC	New York	–	50%	50%
Associate				
First Sponsor Group Limited (“First Sponsor”)	People’s Republic of China	226	36%	36%
Prestons Road Limited	New Zealand	–	17%	17%
CDL Hotels Japan Pte. Ltd.	Singapore	–	40%	40%

The Group has 50% in New Unity which operates the Group’s hotel business in Hong Kong. First Sponsor is a property company which is listed on the Singapore Exchange and has interests in China, the Netherlands and Germany. It is also involved in the Chinese property financing business which carries additional risk of recoverability of certain assets.

	JOINT VENTURES £M	ASSOCIATES £M	TOTAL £M
Share of net assets/cost			
Balance at 1 January 2018	108	216	324
Share of profit for the year	7	22	29
Dividends received	–	(4)	(4)
Foreign exchange adjustments	6	3	9
Balance at 31 December 2018	121	237	358
Balance at 1 January 2019	121	237	358
Share of profit for the year	3	33	36
Additions	–	37	37
Dividends received	–	(5)	(5)
Foreign exchange adjustments	(3)	(9)	(12)
Balance at 31 December 2019	121	293	414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following is summarised financial information for First Sponsor and New Unity based on their respective financial statements prepared in accordance with IFRS. These are considered to be the most significant investments in joint ventures and associates.

	FIRST SPONSOR		NEW UNITY	
	2019 £M	2018 £M	2019 £M	2018 £M
Non-current assets	951	749	349	361
Current assets	618	621	91	101
Non-current liabilities	(367)	(476)	(84)	(104)
Current liabilities	(377)	(224)	(34)	(38)
Total assets less total liabilities	825	670	322	320
Less: Non-controlling interest	(17)	(7)	(82)	(79)
Net assets (100%)	808	663	240	241
Group's share	291	237	120	121
Revenue	183	154	118	134
Operating profit	108	76	13	28
Interest income/(expense)	–	4	(1)	(2)
Income tax expense	(16)	(15)	(2)	(4)
Profit for the year	92	65	10	22
Non-controlling interests	1	(3)	(5)	(9)
Profit for the year after non-controlling interests	93	62	5	13
Other comprehensive income	(19)	(13)	–	–
Profit and total comprehensive income (100%)	74	49	5	13
Group's share of profit and total comprehensive income	27	18	2	7
Dividends received by the Group	4	4	–	–

At 31 December 2019, the Group's share of the total capital commitments of joint ventures and associates amounted to £58m (2018: £15m). At 31 December 2019, the Group's joint ventures and associates had no contingent liabilities (2018: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16 OTHER FINANCIAL ASSETS

	2019 £M	2018 £M
Equity investments	34	39
Derivative financial assets	4	2
Deposits receivable	2	2
	40	43

17 INVENTORIES

	2019 £M	2018 £M
Consumables	7	5

18 DEVELOPMENT PROPERTIES

	2019 £M	2018 £M
Development properties comprise:		
Development land for resale		
– New Zealand residential sections	93	90
Development properties		
– Zenith Residences	22	25
	115	115

19 TRADE AND OTHER RECEIVABLES

	2019 £M	2018 £M
Trade receivables	40	45
Other receivables	24	27
Prepayments and accrued income	26	29
Trade receivables due from holding and associate companies	1	1
	91	102

Trade receivables are shown net of an impairment allowance of £7m (2018: £4m) relating to the likely insolvencies of certain customers and non-recoverability of debts.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20 CASH AND CASH EQUIVALENTS

	2019 £M	2018 £M
Cash at bank and in hand	254	228
Short-term deposits	240	225
Cash pool overdrafts	(85)	(78)
Cash and cash equivalents on the statement of financial position	409	375
Overdrafts included in borrowings	–	–
Cash and cash equivalents shown in the cash flow statement	409	375

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in Note 22. As at 31 December 2019, £3m (2018: £1m) of the cash balance was restricted.

21 INTEREST-BEARING LOANS, BONDS AND BORROWINGS

	2019 £M	2018 £M
Included within non-current liabilities:		
Bank loans	776	614
Bonds payable	77	175
	853	789
Included within current liabilities:		
Bank loans and overdrafts	219	234
Bonds payable	96	79
	315	313

Net debt of £759m (2018: £727m) is the total of the interest-bearing loans, bonds and borrowings of £1,168m (2018: £1,102m) less cash and cash equivalents of £409m (2018: £375m). Further details in respect of financial liabilities are given in Note 22.

22 FINANCIAL INSTRUMENTS
OVERVIEW

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, and the Group's policies and processes for measuring and managing risk.

(A) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to credit risk is monitored on an ongoing basis, with credit checks performed on all clients requiring credit over certain amounts. Credit is not extended beyond authorised limits, established where appropriate through consultation with a professional credit vetting organisation. Credit granted is subject to regular review, to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

ensure it remains consistent with the client's current creditworthiness and appropriate to the anticipated volume of business.

Investments are allowed only in liquid short-term instruments within approved limits, with investment counterparties approved by the Board, such that the exposure to a single counterparty is minimised.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet, these being spread across the various currencies and jurisdictions in which the Group operates.

The maximum exposure to credit risk at the reporting date was:

	CARRYING VALUE	
	2019 £M	2018 £M
Cash at bank and in hand (see Note 20)	254	228
Short-term deposits (see Note 20)	240	225
Cash pool overdrafts (see Note 20)	(85)	(78)
Trade receivables (see Note 19)	40	45
Other receivables (see Note 19)	24	27
Equity investments (see Note 16)	34	39
Deposits receivable (see Note 16)	2	2
Trade receivables due from holding and associate companies (see Note 19)	1	1
	510	489

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	CARRYING VALUE	
	2019 £M	2018 £M
New York	7	7
Regional US	5	4
Rest of Europe	5	10
Singapore	8	7
Rest of Asia	9	10
Australasia	6	7
	40	45

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The ageing of trade receivables at the reporting date was:

	GROSS RECEIVABLE		IMPAIRMENT ALLOWANCE		CARRYING VALUE	
	2019 £M	2018 £M	2019 £M	2018 £M	2019 £M	2018 £M
Not past due	24	28	–	–	24	28
Past due 0 – 30 days	9	11	–	–	9	11
Past due 31 – 60 days	3	3	–	–	3	3
Past due 61 – 90 days	2	1	–	–	2	1
More than 90 days	9	6	(7)	(4)	2	2
	47	49	(7)	(4)	40	45

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2019 £M	2018 £M
Balance at 1 January	4	3
Impairment losses recognised	4	2
Bad debts written off	(1)	(1)
Balance at 31 December	7	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONTRACTUAL MATURITIES OF FINANCIAL ASSETS
2019

	TOTAL £M	6 MONTHS OR LESS £M	6 MONTHS - 1 YEAR £M	1 - 5 YEARS £M	MORE THAN 5 YEARS £M
Financial Assets					
Fixed Rate					
US dollar	5	5	–	–	–
Korean Won	8	8	–	–	–
Singapore dollar	60	26	–	34	–
New Taiwan dollar	35	31	–	–	4
Australian dollar	41	41	–	–	–
New Zealand dollar	77	77	–	–	–
Malaysian Ringgit	22	22	–	–	–
Euro	2	–	–	2	–
Chinese Renminbi	7	7	–	–	–
Others	1	1	–	–	–
Non-Interest Bearing					
Sterling	50	50	–	–	–
US dollar	48	48	–	–	–
Singapore dollar	75	75	–	–	–
Australian dollar	6	6	–	–	–
New Zealand dollar	4	4	–	–	–
Malaysian Ringgit	1	1	–	–	–
Euro	17	17	–	–	–
Japanese Yen	18	18	–	–	–
Others	7	7	–	–	–
Interest Bearing Cash Pool deposits					
Singapore dollar	49	49	–	–	–
Non-Interest Bearing Cash Pool deposits					
Sterling	1	1	–	–	–
Total cash and other financial assets	534	494	–	36	4
Interest Bearing Cash Pool Overdrafts					
Sterling	(24)	(24)	–	–	–
Hong Kong dollar	(17)	(17)	–	–	–
Non-Interest Bearing Cash Pool Overdrafts					
Sterling	(38)	(38)	–	–	–
Euro	(6)	(6)	–	–	–
Total overdrafts (Note 20)	(85)	(85)	–	–	–
	449	409	–	36	4
Represented by:					
Cash and cash equivalents (Note 20)	409				
Financial assets (Note 16)	40				
	449				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONTRACTUAL MATURITIES OF FINANCIAL ASSETS
2018

	TOTAL £M	6 MONTHS OR LESS £M	6 MONTHS - 1 YEAR £M	1 - 5 YEARS £M	MORE THAN 5 YEARS £M
Financial Assets					
Fixed Rate					
US dollar	4	4	–	–	–
Korean Won	8	8	–	–	–
Singapore dollar	108	69	–	39	–
New Taiwan dollar	24	22	–	–	2
Australian dollar	38	38	–	–	–
New Zealand dollar	62	62	–	–	–
Malaysian Ringgit	21	21	–	–	–
Euro	2	–	–	2	–
Chinese Renminbi	20	20	–	–	–
Non-Interest Bearing					
Sterling	9	9	–	–	–
US dollar	34	34	–	–	–
Singapore dollar	29	29	–	–	–
Australian dollar	5	5	–	–	–
New Zealand dollar	5	5	–	–	–
Malaysian Ringgit	1	1	–	–	–
Euro	22	22	–	–	–
Japanese Yen	17	17	–	–	–
Others	4	4	–	–	–
Interest Bearing Cash Pool deposits					
Singapore dollar	53	53	–	–	–
Non-Interest Bearing Cash Pool deposits					
Sterling	30	30	–	–	–
Total cash and other financial assets					
	496	453	–	41	2
Interest Bearing Cash Pool Overdrafts					
Sterling	(24)	(24)	–	–	–
Hong Kong dollar	(19)	(19)	–	–	–
Non-Interest Bearing Cash Pool Overdrafts					
Sterling	(28)	(28)	–	–	–
Euro	(7)	(7)	–	–	–
Total overdrafts (Note 20)					
	(78)	(78)	–	–	–
	418	375	–	41	2
Represented by:					
Cash and cash equivalents (Note 20)	375				
Financial assets (Note 16)	43				
	418				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(B) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments using the interest rates prevailing as at the reporting date.

31 DECEMBER 2019	CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES						
	CARRYING AMOUNT £M	CONTRACTUAL CASH FLOWS £M	6 MONTHS OR LESS £M	6-12 MONTHS £M	1-2 YEARS £M	2-5 YEARS £M	MORE THAN 5 YEARS £M
Floating rate financial liabilities							
Secured loans	44	47	1	5	1	40	–
Unsecured loans	602	636	58	109	259	210	–
Secured bonds	20	20	20	–	–	–	–
Fixed rate financial liabilities							
Unsecured loans	311	340	4	66	7	263	–
Secured loans	38	41	–	–	1	2	38
Secured bonds	76	76	54	22	–	–	–
Unsecured bonds	77	81	1	1	79	–	–
Trade and other payables							
Trade payables	32	32	32	–	–	–	–
Other creditors	55	55	55	–	–	–	–
Non-current liabilities							
Other non-current liabilities	17	17	–	–	2	3	12
	1,272	1,345	225	203	349	518	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2018	CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES						
	CARRYING AMOUNT £M	CONTRACTUAL CASH FLOWS £M	6 MONTHS OR LESS £M	6-12 MONTHS £M	1-2 YEARS £M	2-5 YEARS £M	MORE THAN 5 YEARS £M
Floating rate financial liabilities							
Secured loans	61	64	28	–	1	35	–
Unsecured loans	451	475	52	75	157	191	–
Secured bonds	20	20	–	–	20	–	–
Unsecured bonds	157	167	3	80	3	81	–
Fixed rate financial liabilities							
Unsecured loans	296	321	4	95	29	193	–
Secured loans	40	44	–	–	1	2	41
Secured bonds	77	78	–	–	78	–	–
Trade and other payables							
Trade payables	32	32	32	–	–	–	–
Other creditors	53	53	53	–	–	–	–
Non-current liabilities							
Other non-current liabilities	15	15	–	–	2	3	10
	1,202	1,269	172	250	291	505	51

Undrawn committed borrowing facilities

At 31 December 2019, the Group had £595m (2018: £539m) of undrawn and committed facilities available, comprising committed revolving credit facilities which provide the Group with financial flexibility. Maturities of these facilities are set out in the following table.

The conditions precedent to the availability of these facilities are all satisfied at the balance sheet date.

	2019 £M	2018 £M
Expiring in one year or less	423	223
Expiring after more than one year but not more than two years	95	165
Expiring after more than two years but not more than five years	77	151
Expiring after more than five years	–	–
Total undrawn committed borrowing facilities	595	539
Total undrawn uncommitted borrowing facilities	112	173
Total undrawn borrowing facilities	707	712

SECURITY

Included within the Group's total bank loans and overdrafts of £996m (2018: £849m) are £82m (2018: £100m) of secured loans and overdrafts. Total bonds and notes payable of £173m (2018: £254m) consist of £77m unsecured.

Loans, bonds and notes are secured on land and buildings with a carrying value of £529m (2018: £477m) and an assignment of insurance proceeds in respect of insurances over the mortgaged properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Of the Group's total facilities of £1,879m, £846m matures within 12 months comprising £96m secured bonds and notes, £277m committed revolving credit facilities, £150m uncommitted facilities and overdrafts subject to annual renewal, £323m unsecured term loans and no secured term loans. Plans for refinancing the facilities are underway.

(C) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The primary objectives of the treasury function are to provide secure and competitively priced funding for the activities of the Group and to identify and manage financial risks, including exposure to movements in interest and foreign exchange rates arising from those activities. If appropriate, the Group uses financial instruments and derivatives to manage these risks, as set out below.

(I) FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk on revenue, purchases, borrowings and cash deposits denominated in currencies other than the functional currencies of the respective Group entities. The currencies giving rise to this risk are primarily US dollars, Singapore dollars, New Zealand dollars, New Taiwan dollars, Korean won, Chinese renminbi, Japanese yen and Euro.

The Group's principal policy, wherever possible, is to maintain a natural hedge whereby liabilities are matched with assets denominated in the same currency. Foreign currency investment exposure is also minimised by borrowing in the currency of the investment.

To mitigate foreign currency translation exposure, an appropriate proportion of net assets are designated as hedged against corresponding financial liabilities in the same currency.

NET INVESTMENT HEDGING

The Group has US\$302m (2018: US\$161m) US dollar loans and €7m (2018: €7m) Euro loans designated as hedges of corresponding respective proportions of its net investment in foreign operations whose functional currencies are US dollars and Euros. The risk being hedged is the foreign currency exposure on the carrying amount of the net assets of the foreign operation upon consolidation. The fair value of the hedging instruments as at 31 December 2019 was £292m (2018: £133m).

An analysis of borrowings by currency and their fair values as at 31 December is given below:

	31 DECEMBER 2019		31 DECEMBER 2018	
	BOOK VALUE £M	FAIR VALUE £M	BOOK VALUE £M	FAIR VALUE £M
Sterling	166	166	146	146
Singapore dollar	237	237	223	223
US dollar	549	549	468	468
New Zealand dollar	34	34	34	34
Chinese renminbi	10	10	27	27
Japanese yen	119	119	120	120
Korean Won	13	13	14	14
Euro	40	40	70	70
	1,168	1,168	1,102	1,102

Exchange differences arising on foreign currency loans during each accounting period are recognised as a component of equity, to the extent that the hedge is effective. The foreign exchange exposure arising on the Group's net investment in its subsidiaries is expected to be highly effective in offsetting the exposure arising on the Group's foreign currency borrowings. However during the year an immaterial amount (2018: £2m credit) was

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

recognised in the consolidated income statement that arose from hedges of net investments in foreign operations that were considered to be ineffective.

Foreign currency transaction exposure is primarily managed through funding of purchases from operating income streams arising in the same currency.

Hedging of transaction exposure is undertaken with approved counterparties and within designated limits, using spot or short-term forward contracts to buy or sell the currency concerned, once the timing and the underlying amount of exposure have been determined. Foreign exchange derivatives may also be used to hedge specific transaction exposure where appropriate.

The following significant exchange rates applied during the year:

	AVERAGE RATE		CLOSING RATE	
	2019	2018	2019	2018
US dollar	1.276	1.334	1.299	1.270
Singapore dollar	1.743	1.799	1.759	1.741
New Taiwan dollar	39.432	40.237	39.070	39.152
New Zealand dollar	1.932	1.927	1.953	1.885
Malaysian ringgit	5.296	5.390	5.367	5.306
Korean won	1,482.06	1,465.85	1,507.54	1,428.30
Chinese renminbi	8.820	8.825	9.092	8.736
Euro	1.141	1.129	1.171	1.115
Japanese yen	139.432	147.426	142.223	140.298

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

SENSITIVITY ANALYSIS

With respect to the Group's foreign currency exposure, and assuming that all other variables, in particular interest rates, remain constant, it is estimated that a 10% strengthening of sterling against the following currencies at 31 December 2019 (31 December 2018: 10%) would have increased/(decreased) equity and profit before tax by the amounts shown below:

	31 DECEMBER 2019		31 DECEMBER 2018	
	EQUITY £M	PROFIT BEFORE TAX £M	EQUITY £M	PROFIT BEFORE TAX £M
US dollar	31	6	28	7
Australian dollar	(8)	(1)	(8)	(1)
Singapore dollar	7	(4)	6	(4)
New Taiwan dollar	–	(1)	–	(1)
New Zealand dollar	–	(5)	–	(5)
Euro	4	(2)	4	(2)
Chinese renminbi	(3)	(2)	(4)	(1)
Japanese Yen	2	(1)	2	(2)
	33	(10)	28	(9)

A 10% weakening of sterling against the above currencies at 31 December 2019 (31 December 2018: 10%) would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(II) INTEREST RATE RISK AND INTEREST RATE SWAPS

The Group adopts a policy of ongoing review of its exposure to changes in interest rates on its borrowings, taking into account market expectations with regard to the perceived level of risk associated with each currency, the maturity profile and cash flows of the underlying debt, and the extent to which debt may potentially be either prepaid prior to its maturity or refinanced at reduced cost.

The Group's policy is to maintain a mixture of its financial liabilities on a fixed and floating-rate basis with a greater emphasis on floating rates presently as this flexibility is considered to be appropriate in the context of the Group's overall geographical diversity, investment and business cycle and the stability of the income streams, cash balances and loan covenants.

Interest rate derivatives are used to manage interest rate risk, to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings, and the Group actively monitors the need and timing for such derivatives. Where used, interest rate derivatives are classified as cash flow hedges and stated at fair value within the Group's consolidated statement of financial position. Further details of interest rate derivatives in place at 31 December 2019 are provided hereafter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

Assuming that all other variables, in particular foreign currency rates, remain constant, a change of one percentage point in the average interest rates applicable to variable rate instruments for the year would have increased/(decreased) the Group's profit before tax for the year as shown below:

	31 DECEMBER 2019		31 DECEMBER 2018	
	1% INCREASE £M	1% DECREASE £M	1% INCREASE £M	1% DECREASE £M
Variable rate financial assets	2	(2)	2	(2)
Variable rate financial liabilities	(13)	13	(11)	11
Cash flow sensitivity (net)	(11)	11	(9)	9

(D) FAIR VALUE

Set out below is a comparison of the fair and book values of all the Group's financial instruments by category. Fair values are determined by reference to market values, where available, or calculated by discounting cash flows at prevailing interest rates.

	2019 BOOK VALUE £M	2019 FAIR VALUE £M	2018 BOOK VALUE £M	2018 FAIR VALUE £M
Financial assets				
Cash and cash equivalents				
Cash at bank and in hand	254	254	228	228
Short-term deposits	240	240	225	225
Cash pool overdrafts	(85)	(85)	(78)	(78)
Loans and receivables				
Trade receivables	40	40	45	45
Trade receivables due from holding and associate companies	1	1	1	1
Other receivables	24	24	27	27
Other financial assets				
Equity investments	34	34	39	39
Deposits receivable	2	2	2	2
	510	510	489	489
Financial liabilities				
Overdrafts and borrowings	(1,168)	(1,168)	(1,102)	(1,102)
Trade payables	(32)	(32)	(32)	(32)
Other creditors	(55)	(55)	(53)	(53)
Other non-current liabilities	(17)	(17)	(15)	(15)
	(1,272)	(1,272)	(1,202)	(1,202)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

ESTIMATION OF FAIR VALUES

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

DERIVATIVES

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps, bank valuations are used.

INTEREST-BEARING LOANS AND BORROWINGS

Fair value is calculated based on discounted expected future principal and interest cash flows.

FINANCE LEASE LIABILITIES

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for similar lease agreements. The estimated fair values reflect changes in interest rates.

TRADE AND OTHER RECEIVABLES/PAYABLES

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

INTEREST RATES USED FOR DETERMINING FAIR VALUE

Prevailing market interest rates are used to discount cash flows to determine the fair value of financial assets and liabilities.

FAIR VALUE HIERARCHY

As at 31 December 2019, the Group held certain financial instruments measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The table below provides a hierarchy analysis of financial instruments carried at fair value:

	2019				2018			
	LEVEL 1 £M	LEVEL 2 £M	LEVEL 3 £M	TOTAL £M	LEVEL 1 £M	LEVEL 2 £M	LEVEL 3 £M	TOTAL £M
Equity investment at FVOCI	–	30	–	30	–	39	–	39
Equity investment at FVTPL	–	4	–	4	–	–	–	–
Currency derivative assets	–	4	–	4	–	2	–	2
Assets	–	38	–	38	–	41	–	41
Interest rate derivative liabilities	–	–	–	–	–	1	–	1
Liabilities	–	–	–	–	–	1	–	1

During the year ended 31 December 2019 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measures.

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective for managing its capital

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

is to ensure that Group entities will be able to continue as a going concern while maximising the return to shareholders, as well as sustaining the future development of its business. In order to maintain or adjust the capital structure, the Group may alter the total amount of dividends paid to shareholders, return capital to shareholders, issue new shares, draw down additional debt or reduce debt.

The Group's capital structure consists of debt, which includes the loans and borrowings disclosed in Note 21, cash and cash equivalents disclosed in Note 20 and the equity attributable to the parent, comprising share capital, reserves and retained earnings, as disclosed in the consolidated statement of changes in equity. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

One of the Group's subsidiaries, CDLHT which is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT") and CDL Hospitality Business Trust ("HBT"), a business trust, is required to maintain certain minimum base capital and financial resources.

H-REIT is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the Code on Collective Investment Schemes ("CIS Code") issued by Monetary Authority of Singapore. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 45.0% of its Deposited Property (up to a maximum of 60.0%) if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 45.0% of its Deposited Property.

For this financial year, H-REIT has a credit rating of BBB- from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2019 was 35.4% (2018: 34.2%) of H-REIT's Deposited Property. This complied with the aggregate leverage limit as described above.

HBT, H-REIT and CDLHT have complied with the borrowing limit requirements imposed by the relevant Trust Deeds and all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

Except for the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**23 EMPLOYEE BENEFITS
PENSION ARRANGEMENTS**

The Group operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. The most significant funds are described below.

UNITED KINGDOM

The pension arrangements in the United Kingdom operate under the 'Millennium & Copthorne Pension Plan', which was set up in 1993. The plan operates a funded defined benefit arrangement together with a defined contribution plan, both with different categories of membership. The defined benefit section of the plan was closed to new entrants in 2001 and at the same time rights to a Guaranteed Minimum Pension ("GMPs") under the defined contribution scheme also ceased. The plan entitles a retired employee to receive an annual pension payment.

The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2017 and this has been updated on an approximate basis to 31 December 2019. The contributions of the Group during the year were about 11% (2018: 11%) of pensionable salary.

As the defined benefit section is closed to new entrants, the current service cost, as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll. The assumptions which have the most significant effect on the results of the valuation are those relating to the discount rate and the rates of increase in salaries and pensions.

SOUTH KOREA

The Group operates a defined benefit pension plan for its employees in South Korea. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

valuation was carried out on 31 December 2019. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and rate of increase in salaries.

TAIWAN

The Group operates a defined benefit pension plan for its employees in Taiwan. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2019. The contributions of the Group were no less than 6% (2018: 6%) of the employees' earnings. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and rate of increase in salaries.

The defined benefit plans are administered by pension funds that are legally separated from the Group. The boards of the pension funds are required by law to act in the best interests of the plan participants.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market investment risk.

The above plans are substantially funded by the Group's subsidiaries. The funding requirements are based on the pension funds' actuarial measurement framework set out in the funding policies of the plans.

The assets of each scheme have been taken at market value and the liabilities have been calculated using the following principal assumptions:

	2019 UK	2019 SOUTH KOREA	2019 TAIWAN	2018 UK	2018 SOUTH KOREA	2018 TAIWAN
Inflation rate	3.0%	2.0%	–	3.5%	2.0%	–
Discount rate	1.9%	2.0%	0.75%	2.9%	2.5%	1.0%
Rate of salary increase	3.5%	3.0%	3.0%	4.0%	3.0%	3.0%
Rate of pension increases	2.9%	–	–	3.3%	–	–
Rate of revaluation	2.2%	–	–	2.5%	–	–

The methodology for computing the discount rate is the yield range method.

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not necessarily be borne out in practice. The present values of the schemes' liabilities are derived from cash flow projections over long periods and are inherently uncertain.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions consistent, would have altered the defined benefit obligation by the amounts shown below:

	DEFINED BENEFIT OBLIGATION			
	2019 INCREASE £M	2019 DECREASE £M	2018 INCREASE £M	2018 DECREASE £M
Discount rate (1% movement)	(13)	13	(12)	14
Rate of salary increase (1% movement)	1	(1)	1	(1)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Amounts recognised on the balance sheet are as follows:

	2019 UK £M	2019 SOUTH KOREA £M	2019 TAIWAN £M	2019 OTHER £M	2019 TOTAL £M	2018 UK £M	2018 SOUTH KOREA £M	2018 TAIWAN £M	2018 OTHER £M	2018 TOTAL £M
Present value of funded obligations	74	4	9	2	89	66	4	10	2	82
Fair value of plan assets	(64)	(4)	(6)	–	(74)	(58)	(4)	(6)	–	(68)
Plan deficit	10	–	3	2	15	8	–	4	2	14

Changes in the present value of defined benefit obligations are as follows:

	2019 UK £M	2019 SOUTH KOREA £M	2019 TAIWAN £M	2019 OTHER £M	2019 TOTAL £M	2018 UK £M	2018 SOUTH KOREA £M	2018 TAIWAN £M	2018 OTHER £M	2018 TOTAL £M
Balance at 1 January	66	4	10	2	82	74	5	11	2	92
Current service cost	–	1	–	–	1	–	–	–	–	–
Past service cost	–	–	–	–	–	1	–	–	–	1
Interest cost	2	–	–	–	2	2	–	–	–	2
Benefits paid, death in service insurance premiums and expenses	(2)	(1)	(1)	–	(4)	(2)	(1)	(1)	–	(4)
Remeasurement losses/(gains) arising from:										
– Financial assumptions	10	–	–	–	10	(9)	–	–	–	(9)
– Demographic assumptions	(2)	–	–	–	(2)	–	–	–	–	–
Balance at 31 December	74	4	9	2	89	66	4	10	2	82

Changes in the fair value of plan assets are as follows:

	2019 UK £M	2019 SOUTH KOREA £M	2019 TAIWAN £M	2019 TOTAL £M	2018 UK £M	2018 SOUTH KOREA £M	2018 TAIWAN £M	2018 TOTAL £M	
Balance at 1 January		58	4	6	68	63	5	5	73
Interest income		2	–	–	2	2	–	–	2
Group contributions		–	–	1	1	–	–	2	2
Benefits paid		(2)	(1)	(1)	(4)	(2)	(1)	(1)	(4)
Remeasurement gains arising from:									
– Return/(loss) on plan assets excluding interest income		6	1	–	7	(5)	–	–	(5)
Balance at 31 December		64	4	6	74	58	4	6	68
Actual return/(loss) on plan assets		8	–	–	8	(3)	–	–	(3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The fair values of plan assets in each category are as follows:

	2019 UK £M	2019 SOUTH KOREA £M	2019 TAIWAN £M	2019 TOTAL £M	2018 UK £M	2018 SOUTH KOREA £M	2018 TAIWAN £M	2018 TOTAL £M
Quoted equities	24	–	–	24	19	–	–	19
Bonds	5	4	–	9	4	4	–	8
Property	1	–	–	1	1	–	–	1
Cash and cash equivalents	34	–	6	40	34	–	6	40
	64	4	6	74	58	4	6	68

The Group values plan assets in accordance with IAS 19 as follows:

- Quoted equities listed on recognised stock exchanges are valued at closing bid prices;
- Bonds are measured using pricing models making assumptions for credit risk, market risk and market yield curves; and
- Properties are valued on the basis of the open market value.

The expense recognised in the income statement is as follows:

	2019 UK £M	2019 SOUTH KOREA £M	2019 TAIWAN £M	2019 OTHER £M	2019 TOTAL £M	2018 UK £M	2018 SOUTH KOREA £M	2018 TAIWAN £M	2018 OTHER £M	2018 TOTAL £M
Current service cost	–	1	–	–	1	–	–	–	–	–
Past service cost *	–	–	–	–	–	1	–	–	–	1
Interest cost	2	–	–	–	2	2	–	–	–	2
Interest income	(2)	–	–	–	(2)	(2)	–	–	–	(2)
	–	1	–	–	1	1	–	–	–	1

* The English High Court ruling in Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with GMPs accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The estimated GMP equalisation impact for the UK scheme is an increase of 1.83% of the total value of scheme liabilities on the IAS19 basis as at 31 December 2018, or £1m.

Total cost is recognised within the following items in the income statement:

	2019 £M	2018 £M
Administrative expenses	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The gains or losses recognised in the consolidated statement of comprehensive income are as follows:

	2019 UK £M	2019 SOUTH KOREA £M	2019 TAIWAN £M	2019 OTHER £M	2019 TOTAL £M	2018 UK £M	2018 SOUTH KOREA £M	2018 TAIWAN £M	2018 OTHER £M	2018 TOTAL £M
Actual return less expected return on plan assets	6	1	-	-	7	(5)	-	-	-	(5)
Remeasurement (losses)/ gains arising from										
- Financial assumptions	(10)	-	-	-	(10)	9	-	-	-	9
- Demographic assumptions	2	-	-	-	2	-	-	-	-	-
Defined benefit plan remeasurement gains/(losses)	(2)	1	-	-	(1)	4	-	-	-	4

Actuarial losses recognised directly in equity are as follows:

	2019 £M	2018 £M
Cumulative as at 1 January	19	23
Remeasurement gains recognised during the year	1	(4)
Cumulative as at 31 December	20	19

The life expectancies underlying the value of the accrued liabilities for the UK Plan, based on retirement age of 65, are as follows:

	2019 YEARS	2018 YEARS
Males	22	22
Females	24	24

The weighted-average duration of the defined benefit obligations as at 31 December 2019 was 18 years (2018: 18). The Group expects about £2m in contributions to be paid to the defined benefit plans in 2020.

The Group monitors the deficit of the fund and believes any risk associated with the deficit is mitigated by the Group's strong balance sheet position.

SHARE-BASED PAYMENTS

The Group operates a number of share option schemes, a majority being designed to link remuneration to the future performance of the Group. In accordance with the Group's accounting policy 2.2N(iv) on share-based payment transactions, the fair value of share options and long-term incentive awards is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the share options and long-term incentive awards. The charge to the income statement for the year was £nil (2018: £nil).

The Group has applied IFRS 2 to its active employee share-based payment arrangements from 1 January 2005 except for arrangements granted before 7 November 2002.

All grants made during 2019 were before the Delisting took place, refer to page 23 for more detail and the impact this had on the share option schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) MILLENNIUM & COPTHORNE HOTELS LIMITED 2006 LONG-TERM INCENTIVE PLAN (“LTIP”)

Performance Share Awards under this scheme are awarded to Executive Directors and senior management of the Group.

DATE OF AWARDS	AWARDS OUTSTANDING AS AT 1 JAN 2019	AWARDS AWARDED DURING THE YEAR	AWARDS VESTED DURING THE YEAR	AWARDS FORFEITED DURING THE YEAR	AWARDS EXPIRED DURING THE YEAR	AWARDS OUTSTANDING AS AT 31 DEC 2019	CREDITED TO SHARE CAPITAL £M	CREDITED TO SHARE PREMIUM £M	VESTING DATE
03.08.2015	36,761	–	–	(36,761)	–	–	–	–	03.08.2018
29.03.2016	37,128	–	(4,401)	(32,727)	–	–	–	–	29.03.2019
	73,889	–	(4,401)	(69,488)	–	–	–	–	

(II) MILLENNIUM & COPTHORNE HOTELS LIMITED 2006 AND 2016 SHARES AVE SCHEMES

Share options under this scheme are granted to UK based employees.

DATE OF AWARDS	EXERCISE PRICE PER SHARE £	AWARDS OUTSTANDING AS AT 1 JAN 2019	AWARDS AWARDED DURING THE YEAR	AWARDS VESTED DURING THE YEAR	AWARDS FORFEITED DURING THE YEAR	AWARDS OUTSTANDING AS AT 31 DEC 2019	CREDITED TO SHARE CAPITAL £M	CREDITED TO SHARE PREMIUM £M	EXERCISE PERIOD
19.04.2013	4.480	2,008	–	–	(2,008)	–	–	–	01.08.2018–31.01.2019
06.05.2014	4.460	941	–	(672)	(269)	–	–	–	01.08.2019–31.01.2020
14.04.2015	4.690	1,456	–	(383)	(1,073)	–	–	–	01.08.2018–31.01.2019
14.04.2015	4.690	4,732	–	(3,547)	(1,185)	–	–	–	01.08.2020–31.01.2021
12.04.2016	3.300	101,374	–	(99,794)	(1,580)	–	–	–	01.08.2019–31.01.2020
12.04.2016	3.300	909	–	(606)	(303)	–	–	–	01.08.2021–31.01.2022
11.04.2017	3.660	37,704	–	(24,218)	(13,486)	–	–	–	01.08.2020–31.01.2021
11.04.2017	3.660	2,458	–	(382)	(2,076)	–	–	–	01.08.2022–31.01.2023
05.06.2018	4.360	56,180	–	(21,654)	(34,526)	–	–	–	01.08.2021–31.01.2022
05.06.2018	4.360	1,582	–	(238)	(1,344)	–	–	–	01.08.2023–31.01.2024
09.04.2019	3.750	–	93,436	(9,886)	(83,550)	–	–	–	01.08.2022–31.01.2023
09.04.2019	3.750	–	1,040	(53)	(987)	–	–	–	01.08.2024–31.01.2025
		209,344	94,476	(161,433)	(142,387)	–	–	–	

There are no options outstanding at the end of the year therefore there is no current exercise price (2018: exercise price ranged from £3.30 to £4.69) with no weighted average contractual life remaining (2018: 1.88 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(III) ANNUAL BONUS PLAN (“ABP”)

Under the ABP, deferred share awards are granted annually to selected employees of the Group. Shares in Millennium & Copthorne Hotels Limited are transferred to participants as follows if they continue to be employed by the Group:

- 2015 awards, at the end of three years; and
- 2016, 2017, 2018 and 2019 awards, 25% after years one and two and 50% after three years.

DATE OF AWARDS	AWARDS OUTSTANDING AS AT 1 JAN 2019	AWARDS AWARDED DURING THE YEAR	AWARDS VESTED DURING THE YEAR	AWARDS FORFEITED DURING THE YEAR	AWARDS EXPIRED DURING THE YEAR	AWARDS OUTSTANDING AS AT 31 DEC 2019	CREDITED TO SHARE CAPITAL £M	CREDITED TO SHARE PREMIUM £M	VESTING DATES
08.09.2015	1,530	–	(1,530)	–	–	–	–	–	08.09.2018
13.05.2016	17,009	–	(15,346)	(1,467)	–	196	–	–	13.05.2017/8/9
12.08.2016	1,188	–	(1,188)	–	–	–	–	–	12.08.2017/8/9
09.11.2016	488	–	(488)	–	–	–	–	–	09.11.2017/8/9
14.06.2017	27,122	–	(20,030)	(3,755)	–	3,337	–	–	14.06.2018/9/20
14.12.2018	57,358	–	(25,409)	(8,048)	–	23,901	–	–	14.12.2019/20/21
13.08.2019	–	35,724	(2,800)	(1,110)	–	31,814	–	–	13.08.2020/1/2
	104,695	35,724	(66,791)	(14,380)	–	59,248	–	–	

(IV) EXECUTIVE SHARE PLAN (“ESP”)

The ESP was approved by the Company on 18 February 2016 to replace participation in the LTIP by senior executive management. These awards will vest over a three-year period (25% after years one and two, 50% after three years), subject to the rules of the ESP.

DATE OF AWARDS	AWARDS OUTSTANDING AS AT 1 JAN 2019	AWARDS AWARDED DURING THE YEAR	AWARDS VESTED DURING THE YEAR	AWARDS FORFEITED DURING THE YEAR	AWARDS EXPIRED DURING THE YEAR	AWARDS OUTSTANDING AS AT 31 DEC 2019	CREDITED TO SHARE CAPITAL £M	CREDITED TO SHARE PREMIUM £M	VESTING DATES
29.03.2016	16,310	–	(16,310)	–	–	–	–	–	29.03.2017/8/9
15.08.2017	42,627	–	(25,694)	(13,570)	–	3,363	–	–	15.08.2018/9/20
04.12.2018	65,649	–	(20,103)	(33,874)	–	11,672	–	–	04.12.2019/20/21
09.08.2019	–	30,151	(1,577)	(12,790)	–	15,784	–	–	09.08.2020/1/2
	124,586	30,151	(63,684)	(60,234)	–	30,819	–	–	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AWARDS/OPTIONS GRANTED

The following awards/options were granted in the current and comparative years:

2019 AWARDS	DATE OF GRANT	AWARDS/OPTIONS GRANTED		SHARE PRICE PREVALING ON DATE OF GRANT £	EXERCISE PRICE £	FAIR VALUE £	EXPECTED TERM (YEARS)	EXPECTED VOLATILITY	EXPECTED DIVIDEND YIELD	RISK-FREE INTEREST RATES
		DIRECTOR	NON-DIRECTOR							
Executive Share Plan	09.08.2019	–	7,538	6.80	–	6.85	1.00	–	–	–
Executive Share Plan	09.08.2019	–	7,538	6.80	–	6.85	2.00	–	–	–
Executive Share Plan	09.08.2019	–	15,075	6.80	–	6.85	3.00	–	–	–
Sharesave Scheme (3 year)	09.04.2019	–	93,436	4.44	3.75	1.11	3.31	26.0%	0.95%	0.72%
Sharesave Scheme (5 year)	09.04.2019	–	1,040	4.44	3.75	1.28	5.31	26.0%	0.95%	0.82%
Deferred Share Awards	13.08.2019	–	8,931	6.80	–	6.85	1.00	–	–	–
Deferred Share Awards	13.08.2019	–	8,931	6.80	–	6.85	2.00	–	–	–
Deferred Share Awards	13.08.2019	–	17,862	6.80	–	6.85	3.00	–	–	–

2018 AWARDS	DATE OF GRANT	AWARDS/OPTIONS GRANTED		SHARE PRICE PREVALING ON DATE OF GRANT £	EXERCISE PRICE £	FAIR VALUE £	EXPECTED TERM (YEARS)	EXPECTED VOLATILITY	EXPECTED DIVIDEND YIELD	RISK-FREE INTEREST RATES
		DIRECTOR	NON-DIRECTOR							
Executive Share Plan	04.12.2018	–	16,412	4.66	–	4.60	1.00	–	1.39%	–
Executive Share Plan	04.12.2018	–	16,412	4.66	–	4.53	2.00	–	1.39%	–
Executive Share Plan	04.12.2018	–	32,825	4.66	–	4.47	3.00	–	1.39%	–
Sharesave Scheme (3 year)	05.06.2018	–	57,582	5.32	4.36	1.35	3.16	26.0%	1.22%	0.75%
Sharesave Scheme (5 year)	05.06.2018	–	1,582	5.32	4.36	1.54	5.16	26.0%	1.22%	0.97%
Deferred Share Awards	14.12.2018	–	14,340	4.68	–	4.61	1.00	–	1.39%	–
Deferred Share Awards	14.12.2018	–	14,340	4.68	–	4.55	2.00	–	1.39%	–
Deferred Share Awards	14.12.2018	–	28,678	4.68	–	4.48	3.00	–	1.39%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

MEASUREMENT OF FAIR VALUE

The Sharesave awards were valued using the Black-Scholes valuation method.

The ESP and ABP will be cash settled for a fixed price of £6.85 in line with the Final Offer executed by CDL. The fair values of these awards are therefore equal to the offer price.

24 PROVISIONS

	LEGAL £M	BEIJING INDEMNITY £M	TOTAL £M
Balance at 1 January 2019	2	9	11
Recognised during the year	3	–	3
Released during the year	(2)	–	(2)
Foreign exchange adjustments	–	–	–
Balance at 31 December 2019	3	9	12
Analysed as:			
Non-current provision	–	9	9
Current provision	3	–	3
Total provision	3	9	12

Provision for legal fees as at 31 December 2019 of £3m (2018: £2m) relates to disputes in several hotels. The Beijing indemnity of £9m (2018: £9m) relates to the tax indemnity to the former shareholders of Grand Millennium Hotel Beijing in which the Group acquired an additional 40% interest in 2007.

25 OTHER NON-CURRENT LIABILITIES

	2019 £M	2018 £M
Other liabilities	17	15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 DEFERRED TAXATION

Movements in deferred tax liabilities and assets (prior to offsetting balances) during the year are as follows:

	Charged/(credited) to income statement				
	AT 1 JANUARY 2019 £M	CHANGE IN TAX RATE £M	CURRENT YEAR MOVEMENT £M	EXCHANGE ON TRANSLATION £M	AT 31 DECEMBER 2019 £M
Deferred tax liabilities					
Property assets ¹	234	–	(8)	(4)	222
	234	–	(8)	(4)	222
Deferred tax assets					
Tax losses	(58)	–	(11)	(1)	(70)
Others	(4)	–	(1)	–	(5)
	(62)	–	(12)	(1)	(75)
Net deferred tax liabilities	172	–	(20)	(5)	147

1 Property assets comprise plant, property and equipment and investment properties.

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 deferred taxes relate to the same taxation authority.

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

	2019 £M	2018 £M
Tax losses	4	3
Adjustments due to:		
– Deductible temporary differences in respect of prior year	(1)	–
– Tax losses in respect of prior year	21	18
	24	21

The deductible temporary differences do not expire under current tax legislation. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The gross tax losses with expiry dates are as follows:

	2019 £M	2018 £M
Expiry dates:		
– within 1 to 5 years	27	25
– after 5 years	14	8
– no expiry date	84	81
	125	114

At 31 December 2019, a deferred tax liability of £8m (2018: £8m) relating to undistributed reserves of overseas subsidiaries and joint ventures of £1,000m (2018: £1,000m) has not been recognised because the Group determined that the distributions will not be made and the liability will not be incurred in the foreseeable future.

27 TRADE AND OTHER PAYABLES

	2019 £M	2018 £M
Trade payables	32	32
Other creditors including taxation and social security:		
– Social security and other taxes	13	13
– Value added tax and similar sales taxes	11	12
– Other creditors	29	26
Accruals	104	111
Deferred income	5	4
Contract liabilities	24	20
Rental and other deposits	2	2
	220	220

The Group's exposure to currency and liquidity risks related to trade and other payables are disclosed in Note 22.

28 DIVIDENDS

	2019 PENCE	2018 PENCE	2019 £M	2018 £M
Final ordinary dividend paid	2.15	4.42	7	14
Interim ordinary dividend paid	–	2.08	–	7
Total dividends paid	2.15	6.50	7	21

All dividends paid during 2019 and 2018 were in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Subsequent to 31 December 2019, the Directors declared the following final dividends, which have not been provided for:

	2019 PENCE	2018 PENCE	2019 £M	2018 £M
Final ordinary dividend	—*	2.15	—*	7

* The Board of Directors of the Company, after initially approving in principle the payment by the Company of a final dividend in the amount of six pence per ordinary share in respect of the 2019 financial year, subject to the results for the year being finalised and signed, subsequently approved the cancellation of that dividend payment in order to conserve cash following the impact on the Company's business of the global health crisis brought about by the novel coronavirus, COVID-19 in early 2020.

29 SHARE CAPITAL

	NUMBER OF 30P SHARES ALLOTTED, CALLED UP AND FULLY PAID
Balance at 1 January 2019	324,791,486
Issue of ordinary shares on exercise of share options	159,326
Balance at 31 December 2019	324,950,812

All of the share capital is equity share capital. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

At the year end, options over 59,248 and 30,819 ordinary shares remain outstanding under the ABP and ESP respectively. Holders of these options will receive a cash payment on the date of exercise, as such no shares will be awarded.

30 RESERVES

CASH FLOW HEDGE RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow instruments related to the hedged transactions that have not yet occurred (net of tax).

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign operations (net of tax).

TREASURY SHARE RESERVE

No shares were held by the employee benefit trust at 31 December 2019 (2018: 2,483).

FAIR VALUE RESERVE

The fair value reserve includes the cumulative change in the fair value of equity investments at FVOCI.

31 FINANCIAL COMMITMENTS

	2019 £M	2018 £M
(a) Capital commitments at the end of the financial year which are contracted but not provided for	53	94

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Group's share of the capital commitments of joint ventures and associates is shown in Note 15.

(b) Total commitments under non-cancellable operating lease rentals are payable by the Group as follows (from 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short term and low-value leases - refer to Note 37 for further detail):

	2019 £M	2018 £M
– less than one year	3	15
– between one and five years	–	45
– more than five years	–	198
	3	258

(c) The Group leases out certain of its properties under operating leases. The future minimum lease rentals receivable by the Group under non-cancellable leases are as follows:

	2019 £M	2018 £M
– less than one year	34	38
– between one and five years	–	98
– one to two years	15	–
– two to three years	9	–
– three to four years	10	–
– four to five years	37	–
– more than five years	77	122
	182	258

Future minimum lease rentals receivable under non-cancellable leases includes all future rentals receivable up to the period when those leases expire or become cancellable.

During the year ended 31 December 2019, £53m (2018: £51m) was recognised as rental income in the income statement and £2m (2018: £3m) in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment properties.

32 CONTINGENCIES AND SUBSEQUENT EVENTS

In the course of its operations the Group is routinely exposed to potential liabilities for claims made by employees and contractual or tortious claims made by third parties. No material losses are anticipated from such exposures. There were no contingent liabilities or guarantees other than those arising in the ordinary course of business and on these no material losses are anticipated. The Group has insurance cover up to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of its operations. Otherwise the Group generally carries its own risk. The Group believes that the accruals and provisions carried on the balance sheet are sufficient to cover these risks.

Other than the above transactions, there are no events subsequent to the balance sheet date which require adjustments to or disclosure within these consolidated financial statements except for those stated below:

- Millennium Cincinnati was disposed of effective 14 February 2020 with a gross sales price of US\$36m (£28m). The property was classified as asset held for sale in the statement of financial position as at 31 December 2019. Refer to Note 36 for further detail.
- The COVID-19 pandemic, which started at the end of 2019 in Asia and then later spread to other regions worldwide, has had a significant impact on the Group's revenue and profit due to quarantines, social distancing measures and travel restrictions implemented in various jurisdictions. More information has been provided in the Business Review on page 8 and Strategic Report on page 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**33 RELATED PARTIES****IDENTITY OF RELATED PARTIES**

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. All transactions with related parties were entered into in the normal course of business and at arm's length.

The Group has a related party relationship with its joint ventures, associates and with its Directors and executive officers.

TRANSACTIONS WITH ULTIMATE HOLDING COMPANY AND OTHER RELATED COMPANIES

The Group has a related party relationship with certain subsidiaries of Hong Leong Investment Holdings Pte. Ltd ("Hong Leong") which is the ultimate holding and controlling company of Millennium & Copthorne Hotels Limited and holds 100.0% (2018: 65.2%) of the Company's shares via CDL, the intermediate holding company of the Group. During the year ended 31 December 2019, the Group had the following transactions with those subsidiaries.

The Group deposited certain surplus cash with Hong Leong Finance Limited, a subsidiary of Hong Leong, on normal commercial terms. As at 31 December 2019, £2m (2018: £2m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL and its other subsidiaries were £1m (2018: £3m) which included rentals paid for the Grand Shanghai restaurant and King's Centre; property management fees for Tanglin Shopping Centre; charges for car parking, leasing commission and professional services.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers and contributes to a post-employment defined contribution plan depending on the date of commencement of employment. The defined contribution plan does not have a specified pension payable on retirement and benefits are determined by the extent to which the individual's fund can buy an annuity in the market at retirement.

The key management personnel compensation is as follows:

	2019 £M	2018 £M
Short-term employee benefits	5	7
Directors	1	1
Executives	4	6
	5	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34 RELATED UNDERTAKINGS

The full list of the Company's related undertakings as at 31 December 2019 are set out below:

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
Aircoa Equity Interests Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding Company
Aircoa GP Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Aircoa, LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding Company
All Seasons Hotels & Resorts Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Dormant
Anchorage-Lakefront Limited Partnership	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
Archyield Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
ATOS Holding GmbH	100%	Direct subsidiary	Austria	Schulhof 6/1st fl , 1010 Vienna, Austria	Investment holding
Aurora Inn Operating Partnership L.P.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Avon Wynfield Inn, Ltd.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Avon Wynfield LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
Beijing Fortune Hotel Co. Ltd.	70%	Indirect subsidiary	People's Republic of China	Building No. 5, 7 DongSanHuan Middle Road, Chaoyang District, Beijing, P.R.China 100020	Hotel owner and operator
Biltmore Place Operations Corp.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Liquor licence holder
Birkenhead Holdings Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
Birkenhead Investments Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Property Investment & Management
Bostonian Hotel Limited Partnership	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
Buffalo Operating Partnership L.P.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Buffalo RHM Operating LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
CDL (New York) LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
CDL (NYL) Limited	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Investment holding
CDL Entertainment & Leisure Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Provision of management services and investment holding
CDL Hospitality Trusts ¹	37%	Associated undertakings	Republic of Singapore	See note below ¹	See note below ¹
CDL Hotels (Chelsea) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
CDL Hotels (Korea) Ltd.	100%	Indirect subsidiary	Republic of Korea	Jung-gu Sowolro 50, Seoul, South Korea 04637	Hotel owner and operator
CDL Hotels (Labuan) Limited	100%	Indirect subsidiary	Malaysia	Tiara Labuan, Jalan Tanjung Batu, 87000 F.T. Labuan, Malaysia	Hotel owner and operator
CDL Hotels (Malaysia) Sdn. Bhd.	100%	Indirect subsidiary	Malaysia	Level 8, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan	Hotel owner and operator
CDL Hotels (U.K.) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
CDL Hotels Holdings Japan Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
CDL Hotels Holdings New Zealand Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Investment holding
CDL Hotels Japan Pte. Ltd.	40%	Associated undertakings	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
CDL Hotels USA, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel investment holding company
CDL Investments New Zealand Limited	50%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Investment and property management company
CDL Land New Zealand Limited	50%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Property investment and development
CDL West 45th Street LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
Chicago Hotel Holdings, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Cincinnati S.I. Co.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Previously hotel owner
City Century Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Restaurateur
City Elite Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Restaurateur
City Hotels Pte Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotel operator

MILLENNIUM & COPTHORNE HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
Context Securities Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Investment holding
Copthorne (Nominees) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding
Copthorne Aberdeen Limited	83%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel management
Copthorne Hotel (Birmingham) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
Copthorne Hotel (Cardiff) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
Copthorne Hotel (Effingham Park) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
Copthorne Hotel (Gatwick) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
Copthorne Hotel (Manchester) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
Copthorne Hotel (Merry Hill) Construction Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
Copthorne Hotel (Merry Hill) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
Copthorne Hotel (Newcastle) Limited	96%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
Copthorne Hotel (Plymouth) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
Copthorne Hotel (Slough) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
Copthorne Hotel Holdings Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding
Copthorne Hotels Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel investment holding
Copthorne Orchid Hotel Singapore Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Property owner and developer
Copthorne Orchid Penang Sdn. Bhd.	100%	Indirect subsidiary	Malaysia	Level 8, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan	Hotel owner
Diplomat Hotel Holding Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding
Durham Operating Partnership L.P.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Elite Hotel Management Services Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotel management consultancy services
Ferguson Hotel Management Limited	50%	Associated undertakings	Hong Kong	Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
First 2000 Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
First Sponsor Group Limited	36%	Associated undertakings	Cayman Islands	190 Elgin Avenue, George Town, KY1-9005 Grand Cayman, Cayman Islands	Investment Holding
Five Star Assurance, Inc.	100%	Indirect subsidiary	USA	1401 Eye St., NW, Suite 600, Washington D.C. 20005	Captive insurance company
Four Peaks Management Company	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Arizona condominium management
Gateway Holdings Corporation I	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Gateway Hotel Holdings, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Gateway Regal Holdings LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner and operator
Grand Plaza Hotel Corporation	66%	Indirect subsidiary	Philippines	10 Floor, Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City, Philippines 1300	Hotel owner and operator and investment holding company
Harbour Land Corporation	41%	Associated undertakings	Philippines	10 Floor, Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City, Philippines 1300	Land owner
Harbour View Hotel Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotel operator
Harrow Entertainment Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Hong Leong Ginza TMK	70%	Indirect subsidiary	Japan	4-1 Nihonbashi 1-chome, Chuo-ku, Tokyo, Japan	Property owner
Hong Leong Hotel Development Limited	84%	Indirect subsidiary	Taiwan	2 Song Shou Road, Xinyi District, Taipei 11051, Taiwan	Hotel owner and operator
Hong Leong Hotels Pte Ltd.	100%	Indirect subsidiary	Cayman Islands	PO Box 309 Uglund House, Grand Cayman, KY1-1104 Cayman Islands	Investment holding company
Hong Leong International Hotel (Singapore) Pte. Ltd.	97%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Hospitality Group Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company and property owner
Hospitality Holdings Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding company
Hospitality Leases Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Lessee company
Hospitality Services Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel operation/management
Hospitality Ventures Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
Hotel Liverpool Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Property letting
Hotel Liverpool Management Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Operating company
Hotelcorp New Zealand Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
KIN Holdings Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company
King's Tanglin Shopping Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Property owner
Kingsgate Holdings Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
Kingsgate Hotel Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Dormant
Kingsgate Hotels and Resorts Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Franchise holder (Kingsgate)
Kingsgate Hotels Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Dormant
Kingsgate International Corporation Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Investment holding
Kingsgate Investments Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Investment company
Lakeside Operating Partnership L.P.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
London Britannia Hotel Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner
London Tara Hotel Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel owner and operator
M&C Asia Finance (UK) Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Finance company
M&C Asia Holdings (UK) Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding
M & C (CB) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment company
M & C (CD) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
M & C Management Services (USA) Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Management services company
M & C NZ Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Holding company
M & C Reservations Services Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Provider of reservation services to hotel owners and operators
M&C Business Trust Management Limited	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Provision of property fund management services
M&C Colorado Hotel Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
M&C Crescent Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Investment holding
M&C Crescent Interests, LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Property owner
M&C Finance (1) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Finance company
M&C Holdings (Thailand) Ltd.	100%	Indirect subsidiary	Thailand	75 White Group Tower II, 11th Floor, Soi Rubia, Sukhumvit 42 Road, Kwaeng Phrakhanong Khet Klongtoey, Bangkok 10110 Thailand	Investment holding and hotel management
M&C Holdings Delaware Partnership	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Property investment
M&C Holdings, LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
M&C Hotel Enterprises (Asia) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
M&C Hotel Interests, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel management services company
M&C Hotel Investments Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
M&C Hotels France Management SARL	100%	Indirect subsidiary	France	12 Boulevard Haussmann, 75009 Paris, France	Management company
M&C Hotels France SAS	100%	Indirect subsidiary	France	12 Boulevard Haussmann, 75009 Paris, France	Hotel owner
M&C Hotels Holdings Japan Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
M&C Hotels Holdings Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding
M&C Hotels Holdings USA Limited	100%	Direct subsidiary	Cayman Islands	PO Box 309 Uglan House, Grand Cayman, KY1-1104 Cayman Islands	Investment holding
M&C Hotels Japan Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding

MILLENNIUM & COPTHORNE HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
M&C Hotels Partnership France SNC	100%	Indirect subsidiary	France	12 Boulevard Haussmann, 75009 Paris, France	Investment holding
M&C Hospitality Holdings (Asia) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
M&C Hospitality International Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
M&C Management Holdings Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding
M&C REIT Management Limited	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	REIT investment management services
M&C New York (Times Square), LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Investment holding
M&C New York Finance (UK) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Finance company
M&C New York (Times Square) EAT II LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
M&C Singapore Finance (UK) Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Finance company
M&C Singapore Holdings (UK) Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding
M&C Sponsorship Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Other service activities
McCormick Ranch Operating Partnership L.P.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
MHM, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel management
Millennium Bostonian, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Millennium & Copthorne (Austrian Holdings) Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding
Millennium & Copthorne (Jersey Holdings) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Holding company
Millennium & Copthorne Hotel Holdings (Hong Kong) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment and development of hotels and hotel management
Millennium & Copthorne Hotels (Hong Kong) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Provision of hotel management and consultancy services
Millennium & Copthorne NZ Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Name-holding
Millennium & Copthorne Hotels Management (Shanghai) Limited	100%	Indirect subsidiary	People's Republic of China	#1205, No. 511 Wei Hoi Road, Shanghai 200041, P.R. China	Hotel management

MILLENNIUM & COPTHORNE HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
Millennium & Copthorne Hotels New Zealand Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel investment holding company
Millennium & Copthorne Hotels Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Name holding company
Millennium & Copthorne International Limited	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotels and resorts management
Millennium & Copthorne Pension Trustee Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Pension trust acting on behalf of company trustees
Millennium & Copthorne Share Trustees Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Share trustee company
Millennium CDG Paris SAS	100%	Indirect subsidiary	France	2 Allée du Verger, 95700 Roissy, France	Hotel operator
Millennium Hotel Holdings EMEA Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding company
Millennium Hotels & Resorts Services Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Management contract holding company
Millennium Hotels Europe Holdings Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding company
Millennium Hotels Italy Holdings S.r.l.	100%	Indirect subsidiary	Italy	Via Vittorio Veneto, n. 70, Roma 00187, Italy	Holding company
Millennium Hotels Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding company
Millennium Hotels Palace Management S.r.l.	100%	Indirect subsidiary	Italy	Via Vittorio Veneto, n. 70, Roma 00187, Italy	Hotel operator
Millennium Hotels Property S.r.l.	100%	Indirect subsidiary	Italy	Via Vittorio Veneto, n. 70, Roma 00187, Italy	Property owner
Millennium Hotels (West London) Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Property letting
Millennium Hotels (West London) Management Limited	100%	Indirect subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Hotel operator
Millennium Hotels London Limited	100%	Direct subsidiary	United Kingdom	Corporate Headquarters, Scarsdale Place, Kensington, London W8 5SY	Investment holding company
Millennium Opera Paris SAS	100%	Indirect subsidiary	France	12 Boulevard Haussmann, 75009 Paris, France	Hotel operator
New Unity Holdings Ltd	50%	Associated undertakings	BVI	PO Box 146 Road Town, Tortola, British Virgin Islands	Investment holding company
New York Sign LLC	50%	Associated undertakings	USA	7900 East Union Avenue, Suite 500, Denver, Colorado 80237	To lease, manage, and otherwise deal with certain advertising signage space at the Novotel hotel
Newbury Investments Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding company
Park Plaza Hotel Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
Prestons Road Limited	17%	Indirect Associate	New Zealand	167 Main North Road, Christchurch 8140, New Zealand	Service provider
PT Millennium Hotels & Resorts	100%	Indirect subsidiary	Indonesia	Jalan Fachrudin 3, Jakarta 10250, Indonesia	Management services
PT. Millennium Sirih Jakarta Hotel	100%	Indirect subsidiary	Indonesia	Jalan Fachrudin 3, Jakarta 10250, Indonesia	Hotel owner
QINZ (Anzac Avenue) Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel owner
QINZ Holdings (New Zealand) Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company
Quantum Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company
Regal Grand Holdings Corporation I	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Regal Harvest House LP	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Regal Hotel Management Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Republic Hotels & Resorts Limited	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotel operator and investment holding company
Republic Iconic Hotel Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotel operator
RHH Operating LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
RHI Boston Holdings Corporation I	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
RHI Boston Holdings Corporation II	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
RHM Aurora LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
RHM Holdings Corporation I	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
RHM Management LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
RHM Ranch LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
RHM Wynfield LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
RHM-88, LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner and operator
Richfield Holdings Corporation I	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
Richfield Holdings Corporation II	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Richfield Holdings, Inc	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Rogo Investments Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Rogo Realty Corporation	24%	Associated undertakings	Philippines	10 Floor, Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City, Philippines 1300	Real estate owner
S.S. Restaurant Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Liquor license holder
St. Louis Operating, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Dormant
Sunnyvale Partners, Ltd.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Tara Hotels Deutschland GmbH	100%	Indirect subsidiary	Germany	Registered at the Trade register at the local court of Hannover with the legal form of Private limited company (number HRB 209133).	Hotel investment holding company
The Philippine Fund Limited	60%	Indirect subsidiary	Bermuda	C/o Coson Corporate Services Limited, Cumberland House 9th Floor, 1 Victoria Street Hamilton HM 11, Bermuda	Investment holding
TOSCAP Limited	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Trimark Hotel Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner and operator
WHB Biltmore LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner and operator
WHB Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Wynfield GP Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Wynfield One, Ltd.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Zatrio Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Zillion Holdings Limited	100%	Indirect subsidiary	Barbados	The Phoenix Centre, George Street, Belleville, St. Michael, Barbados	Investment holding

1 CDL Hospitality Trusts is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT"), a real estate investment trust, and CDL Hospitality Business Trust ("HBT"), a business trust. H-REIT has an investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real-estate related assets in relation to the foregoing. HBT is a business trust which was activated in December 2013. In addition to its function as a master lessee, HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT. The registered office address of M&C REIT Management Limited, Manager of H-REIT and M&C Business Trust Management Limited, Trustee-Manager of HBT is 9 Raffles Place #12-01 Republic Plaza Singapore 048619. As disclosed in Note 3 to the consolidated financial statements, the Group has concluded that under IFRS10, it has de facto control over CDL Hospitality Trusts.

2 The Group has assessed the classification of its investments in First Sponsor Group Limited and New Unity Holdings Limited in accordance with IFRS10 and concluded that it does not have control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

EXEMPTION FROM STATUTORY AUDIT

Certain subsidiaries of the Group can take an exemption from having an audit completed. Strict criteria must be met for this exemption to apply, and it must be agreed to by the Directors of each subsidiary entity.

Listed below are subsidiaries controlled and consolidated by the Group, where the Directors have elected to take the exemption from having an audit of their financial statements for the year ended 31 December 2019. This exemption is taken in accordance with Companies Act s479A.

Archyfield Limited (1747079)	M&C (CD) Limited (3846704)
CDL Hotels (Chelsea) Limited (2845022)	M&C Finance (1) Limited (6783896)
CDL Hotels (U.K.) Limited (2729520)	M&C Hotels Holdings Limited (4407581)
Copthorne Hotel (Birmingham) Limited (1816493)	M&C Management Holdings Limited (5832248)
Copthorne Hotel (Cardiff) Limited (2411296)	M&C New York Finance (UK) Limited (9060415)
Copthorne Hotel (Effingham Park) Limited (1423861)	M&C NZ Limited (5159722)
Copthorne Hotel (Gatwick) Limited (994968)	M&C Singapore Finance (UK) Limited (8391052)
Copthorne Hotel (Manchester) Limited (1855800)	M&C Singapore Holdings (UK) Limited (8382985)
Copthorne Hotel (Merry Hill) Construction Limited (2649367)	Millennium & Copthorne (Austrian Holdings) Limited (3757378)
Copthorne Hotel (Merry Hill) Limited (2590620)	Millennium & Copthorne (Jersey Holdings) Limited (5846574)
Copthorne Hotel (Plymouth) Limited (3253120)	Millennium & Copthorne Pension Trustee Limited (6662791)
Copthorne Hotel (Slough) Limited (2300992)	Millennium & Copthorne Share Trustees Limited (3320990)
Copthorne (Nominees) Limited (2574042)	Millennium Hotel Holdings EMEA Limited (4592877)
Diplomat Hotel Holding Limited (1927463)	Millennium Hotels Limited (3141048)
Hotel Liverpool Limited (9636541)	Millennium Hotels Europe Holdings Limited (8844747)
Hotel Liverpool Management Limited (9638688)	Millennium Hotels London Limited (3691885)
London Tara Hotel Limited (1005559)	Millennium Hotels (West London) Limited (8599282)
M&C Asia Finance (UK) Limited (8391037)	Millennium Hotels (West London) Management Limited (8891908)
M&C Asia Holdings (UK) Limited (8382946)	Millennium Hotels & Resorts Services Limited (4601112)
M&C (CB) Limited (3846711)	

Each company's registered number is shown in brackets after its name.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. NON-CONTROLLING INTERESTS (“NCI”)

The following subsidiaries have material NCI.

NAME	PRINCIPAL PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	OWNERSHIP INTERESTS HELD BY NCI	
			2019	2018
Millennium & Copthorne Hotels New Zealand Limited (“MCHNZ”)	New Zealand	Hotel investment holding company	24%	24%
CDL Hospitality Trusts (“CDLHT”)	Singapore	Real estate investment trust	62%	63%

The following is summarised financial information for MCHNZ and CDLHT, prepared in accordance with local accounting standards. The information is before inter-company eliminations with other companies in the Group.

NAME	MCHNZ SUBGROUP		CDLHT SUBGROUP	
	2019 £M	2018 £M	2019 £M	2018 £M
Revenue	119	114	113	112
Profit after tax	32	32	65	61
Profit attributable to NCI	7	6	41	39
Other comprehensive income	19	6	2	–
Total comprehensive income	51	38	67	61
Total comprehensive income attributable to NCI	6	6	42	39
Current assets	123	107	305	100
Non-current assets	393	369	1,435	1,602
Current liabilities	(18)	(18)	(75)	(174)
Non-current liabilities	(85)	(74)	(607)	(462)
Net assets	413	384	1,058	1,066
Net assets attributable to NCI	136	44	658	672
Cash inflow from operating activities	33	15	69	68
Cash outflow from investing activities	(11)	(17)	(26)	(2)
Cash outflow from financing activities	(8)	(8)	(44)	(40)
Net increase/(decrease) in cash and cash equivalents	14	(10)	(1)	26
Dividends paid to NCI during the year ¹	(2)	2	40	41

¹ Included in cash flows from financing activities.

36. ASSETS HELD FOR SALE

Effective 1 July 2019, a subsidiary of the Company entered into a purchase and sale agreement to sell Millennium Cincinnati. Accordingly, the property with a total carrying value of US\$15m (£12m) was classified as asset held for sale in the statement of financial position as at 31 December 2019. The sale was completed on 14 February 2020 with a gross sales price of US\$36m (£28m) and resulting profit on sale of US\$18m (£14m) after taking expected selling costs into account of US\$3m (£2m). The asset is held under the segment “Regional US” as disclosed in Note 5.

On 21 November 2019, the H-REIT Group announced its proposed disposal of Novotel Singapore Clarke Quay. Accordingly, the property with a total carrying value of S\$160m (£91m) was classified as asset held for sale in the statement of financial position as at 31 December 2019. The disposal is expected to be completed in 2020. The asset is held under the segment “Singapore” as disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. ADOPTION OF IFRS 16 'LEASES'

The Group adopted IFRS 16 with an initial application date of 1 January 2019. The Group applied the modified retrospective approach and comparative information has not been presented.

The Group as a lessee

The Group's leases consist primarily of land & buildings and plant & machinery. Information about leases for which the Group is a lessee is presented below.

	NOTES	2019 £M
Amounts recognised in the income statement		
Depreciation	6, 12	
– Land and buildings		7
– Plant and machinery		1
– Fixtures, fittings and equipment and vehicles		–
Interest on lease liabilities	9	5
Total		13

	NOTES	LAND AND BUILDINGS £M	PLANT AND MACHINERY £M	FIXTURES, FITTINGS AND EQUIPMENT AND VEHICLES £M	INVESTMENT PROPERTIES £M	TOTAL £M
Right-of-use assets						
Initial recognition on 1 January 2019		203	3	1	7	214
Additions		8	–	–	–	8
Transfer to asset held for sale		(2)	–	–	–	(2)
Depreciation		(7)	(1)	–	–	(8)
Foreign exchange adjustments		(3)	–	–	–	(3)
Carrying amount at 31 December 2019	12, 14	199	2	1	7	209

	2019 £M
Lease liabilities	
Current	5
Non-current	108
Total	113

The total cash outflow for leases during the current year was £9m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The lease liabilities were determined by discounting the relevant lease payments at the Group's incremental borrowing rate of between 0.9% and 14.6% in Asia, 1.9% to 3.5% in Europe and 3.0% to 5.2% in the US.

The reconciliation between operating lease commitments previously reported in the financial statements for the year ended 31 December 2019 discounted at the Group's incremental borrowing rate and the lease liabilities recognised in the balance sheet on initial application of IFRS 16 is shown below:

	£M
Operating lease commitment at 31 December 2018 as disclosed in the Group's financial statement	258
Discounted at the Group's incremental borrowing rate at 1 January 2019	(80)
Recognition exemption for:	
– short-term leases	(2)
– leases of low-value assets	(1)
Extension and termination options reasonably certain to be exercised	10
Variable lease payments based on an index or a rate	15
Contracts reassessed as service agreements	(105)
Contracts reassessed as lease agreements	17
Lease liabilities recognised at 1 January 2019	112

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019 £M	2018 £M
Non-current assets			
Property, plant and equipment	(E)	1	2
Investments and other financial assets	(F)	2,049	1,988
Deferred tax asset		2	2
		2,052	1,992
Current assets			
Amounts owed by subsidiary undertakings falling due within one year		74	41
Other receivables		22	15
Cash and cash equivalents		35	16
		131	72
Other current liabilities	(G)	(180)	(159)
Net current liabilities		(49)	(87)
Other non-current liabilities	(H)	(599)	(505)
Net assets		1,404	1,400
Equity			
Called up share capital	(I)	97	97
Share premium		843	843
Retained earnings		468	464
Treasury share reserve		(4)	(4)
Total equity		1,404	1,400

These financial statements were approved by the Board of Directors on 22 June 2020 and were signed on its behalf by:



Kwek Leng Beng
Chairman

Registered No: 3004377

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	SHARE CAPITAL £M	SHARE PREMIUM £M	TREASURY SHARE RESERVE £M	RETAINED EARNINGS £M	TOTAL EQUITY £M
Balance at 1 January 2018	97	843	(4)	463	1,399
Profit	–	–	–	17	17
Other comprehensive income	–	–	–	5	5
Total comprehensive income	–	–	–	22	22
Dividends	–	–	–	(21)	(21)
Balance at 31 December 2018	97	843	(4)	464	1,400
Balance at 1 January 2019	97	843	(4)	464	1,400
Profit	–	–	–	11	11
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	11	11
Dividends	–	–	–	(7)	(7)
Balance at 31 December 2019	97	843	(4)	468	1,404

The notes on pages 111 to 113 are an integral part of these Company's financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

A AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The parent company financial statements of Millennium and Copthorne Hotels Limited (“the Company”) for the year ended 31 December 2019 were authorised for issue by the board of Directors and signed on its behalf on 22 June 2020. The Company is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared under the historical cost convention.

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

The Company’s results are included in the consolidated financial statements of Millennium and Copthorne Hotels Limited which are available from the Group’s website www.millenniumhotels.com.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. The financial statements are prepared in Sterling and are rounded to the nearest million except when otherwise indicated.

B ACCOUNTING POLICIES

The parent company financial statements of Millennium and Copthorne Hotels Limited have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”), which was first applied in 2015 after notifying shareholders of the proposed change. FRS 101 enables the financial statements of the parent company to be prepared in accordance with EU-adopted IFRS but with certain disclosure exemptions. The main areas of reduced disclosure are in respect of equity settled share-based payments, financial instruments, the cash flow statement, and related party transactions with Group companies.

The Company early adopted FRS 101 amendments before the effective date of 1 January 2016 regarding the presentation of financial statements in compliance with the IAS 1 format.

The accounting policies adopted for the parent company are otherwise consistent with those used for the Group which are set out on pages 39 to 48.

C DIVIDENDS

Details of dividends paid and proposed in the current and prior year are given in Note 28 to the consolidated financial statements.

D PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the financial statements of the Company is £11m (2018: £17m).

E PROPERTY, PLANT AND EQUIPMENT

	SOFTWARE £M	CAPITAL WORK IN PROGRESS £M	TOTAL £M
Cost at 1 January 2019	2	–	2
Depreciation	(1)	–	(1)
Cost at 31 December 2019	1	–	1

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

F INVESTMENTS AND OTHER FINANCIAL ASSETS

	SHARES IN SUBSIDIARY UNDERTAKINGS £M	LOANS TO SUBSIDIARY UNDERTAKINGS £M	GROUP SETTLED ARRANGEMENTS £M	TOTAL £M
Cost and net book value at 1 January 2019	1,902	79	7	1,988
Additions	–	72	–	72
Foreign exchange adjustments	(8)	(3)	–	(11)
Cost and net book value at 31 December 2019	1,894	148	7	2,049

There were no provisions made against investments in subsidiary undertakings. Reductions and additions relate to internal restructuring transactions.

The Company's subsidiary undertakings at 31 December 2019 are listed in Note 34 to the consolidated financial statements.

G OTHER CURRENT LIABILITIES

	2019 £M	2018 £M
Bank loans and overdrafts	132	47
Bonds payable	–	79
Amounts owed to subsidiary undertakings	38	28
Other payables	9	4
Accruals and deferred income	1	1
	180	159

H OTHER NON-CURRENT LIABILITIES

	2019 £M	2018 £M
Bank loans	177	83
Bonds payable	77	79
Amounts owed to subsidiary undertakings	335	335
Net employee defined benefit liabilities	10	8
	599	505

Other non-current liabilities are repayable as follows:-

	2019 £M	2018 £M
Between one and two years	129	66
Between two and five years	470	439
	599	505

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

I SHARE CAPITAL

Details of the Company's share capital are given in Note 29 to the consolidated financial statements.

J RELATED PARTIES

For the year ended 31 December 2019, fees paid/payable by the Company to Hong Leong Management Services, a subsidiary of Hong Leong Investment Holdings Pte. Ltd. amounted to £1m (2018: £1m). At 31 December 2019, £nil (2018: £nil) of fees payable was outstanding.

GROUP FINANCIAL RECORD

For the year ended 31 December 2019

	2019 £M	2018 £M	2017 £M	2016 £M	2015 £M
Income statement					
Revenue	1,025	997	1,008	926	847
Operating profit	98	105	145	107	112
Net finance expense	(32)	(28)	(20)	(25)	(20)
Income tax (expense)/credit	(8)	(13)	12	(10)	(12)
Profit for the year	94	93	159	98	97
Cash flow					
Cash generated from operations	222	177	230	220	220
Statement of financial position					
Property, plant, equipment and lease premium prepayment	3,194	3,256	3,232	3,345	2,858
Investment properties	680	668	577	534	506
Investment and loans in joint ventures and associates	414	358	324	320	255
Other financial assets	40	43	–	–	–
Non-current assets	4,328	4,325	4,133	4,199	3,619
Current assets excluding cash	316	224	228	195	163
Net debt	(759)	(727)	(650)	(707)	(605)
Deferred tax liabilities	(147)	(172)	(188)	(220)	(210)
Provisions and other liabilities	(390)	(287)	(274)	(297)	(255)
Net assets	3,348	3,363	3,249	3,170	2,712
Share capital and share premium	940	940	940	940	940
Reserves	1,842	1,830	1,736	1,728	1,336
Total equity attributable to equity holders	2,782	2,770	2,676	2,668	2,276
Non-controlling interests	566	593	573	502	436
Total equity	3,348	3,363	3,249	3,170	2,712
Key operating statistics					
Gearing	27%	26%	24%	26%	27%
Earnings per share	–	13.1p	38.1p	24.0p	19.9p
Dividends per share ¹	–	4.23p	6.50p	7.74p	6.42p
Hotel gross operating profit margin	28.5%	30.5%	32.2%	31.6%	34.1%
Occupancy	73.3%	73.3%	73.5%	71.8%	71.8%
Average room rate (£)	£114.52	£111.31	£112.68	£106.78	£100.19
RevPAR (£)	£83.94	£81.57	£82.78	£76.71	£71.98

¹ Dividends per share includes ordinary dividends and special dividends.

KEY OPERATING STATISTICS

For the year ended 31 December 2019

OWNED OR LEASED HOTELS*	YEAR ENDED 2019 REPORTED CURRENCY	YEAR ENDED 2018 CONSTANT CURRENCY	YEAR ENDED 2018 REPORTED CURRENCY
Occupancy (%)			
New York	86.6		86.3
Regional US	58.0		57.6
Total US	67.5		67.1
London	79.1		80.1
Rest of Europe	69.6		71.2
Total Europe	74.2		75.6
Singapore	86.8		85.9
Rest of Asia	68.5		68.1
Total Asia	75.6		75.0
Australasia	82.4		82.5
Total Group	73.3		73.3

Average Room Rate (£)

New York	197.45	200.43	191.78
Regional US	106.79	108.18	103.51
Total US	145.26	147.32	140.96
London	137.87	127.22	127.22
Rest of Europe	75.44	78.68	78.94
Total Europe	107.76	104.10	104.22
Singapore	101.47	100.37	97.26
Rest of Asia	97.81	96.79	95.74
Total Asia	99.43	98.38	96.42
Australasia	88.74	88.39	88.61
Total Group	114.52	113.88	111.31

KEY OPERATING STATISTICS (continued)

OWNED OR LEASED HOTELS*	YEAR ENDED 2019 REPORTED CURRENCY	YEAR ENDED 2018 CONSTANT CURRENCY	YEAR ENDED 2018 REPORTED CURRENCY
RevPAR (£)			
New York	171.09	172.96	165.49
Regional US	61.99	62.30	59.61
Total US	98.05	98.78	94.52
London	108.99	101.89	101.89
Rest of Europe	52.49	56.00	56.18
Total Europe	79.94	78.67	78.76
Singapore	88.04	86.23	83.56
Rest of Asia	67.04	65.88	65.17
Total Asia	75.17	73.76	72.29
Australasia	73.12	72.96	73.13
Total Group	83.94	83.45	81.57

Gross Operating Profit Margin (%)

New York	10.9		15.6
Regional US	18.5		19.3
Total US	14.5		17.4
London	39.0		41.0
Rest of Europe	16.6		21.8
Total Europe	30.6		33.2
Singapore	39.2		39.3
Rest of Asia	33.6		34.5
Total Asia	36.0		36.5
Australasia	47.7		49.0
Total Group	28.5		30.5

For comparability, the 31 December 2018 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 31 December 2019.

*excluding managed, franchised and investment hotels.

MAJOR GROUP PROPERTIES

For the year ended 31 December 2019

Asia

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Grand Millennium Beijing Fortune Plaza, 7 Dongsanhuan Middle Road Chaoyang District, Beijing 100020 PRC	Leasehold to year 2046 (hotel), leasehold to year 2056 (underground car park)	9,268	516	70
New World Millennium Hong Kong Hotel (Owned by New Unity Holdings Limited) 72 Mody Road, Tsimshatsui East Kowloon, Hong Kong	75-year term from 28.11.1984 and may be renewable for a further 75 years	2,850	464	50
JW Marriott Hotel Hong Kong (Owned by New Unity Holdings Limited) Pacific Place, 88 Queensway, Hong Kong	75-year term from 18.04.1985 and may be renewable for a further 75 years	10,690 (Part)	608	26
Millennium Hotel Sirih Jakarta Jalan Fachrudin 3, Jakarta 10250, Indonesia	The title is held under a Hak Guna Bangunan (i.e. Right to Build) and a 40-year lease wef 14.04.1984 and 22.01.1986 for approximate site area of 7,137 sq. metres and 212 sq. metres, respectively	7,349	401	100
Hotel MyStays Asakusabashi 1-5-5, Asakusabashi, Taito-ku, Tokyo 111-0053, Japan	Freehold	564	139	38
Hotel MyStays Kamata 5-46-5, Kamata, Ota-ku, Tokyo 144-0052, Japan	Freehold	497	116	38
Copthorne Orchid Hotel Penang Jalan Tanjung Bungah, 11200 Penang, Malaysia	Freehold	10,329	307	100
Grand Millennium Kuala Lumpur 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	Freehold	7,670	459	100
Angsana Velavaru South Nilandhe Atoll, Republic of Maldives	50-year title commencing from 26. 08.1997	67,717	113	38
Raffles Maldives Meradhoo (previously Dhevanafushi Maldives Luxury Resort) Meradhoo Island, Gaafu Alifu Atoll, Republic of Maldives	50-year lease commencing from 15.06.2006	53,576	37	38
The Heritage Hotel Manila Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines	Fee simple	9,888	450	66
Copthorne King's Hotel Singapore 403 Havelock Road, Singapore	99-year lease commencing from 01.02.1968	5,637	310	38
Grand Copthorne Waterfront Hotel Singapore 392 Havelock Road, Singapore	75-year lease commencing from 19.07.2006	10,860	574	38
M Hotel Singapore 81 Anson Road, Singapore	Freehold	2,134	415	38
Novotel Singapore Clarke Quay 177A River Valley Road, Singapore	97 years and 30 days leasehold interest commencing from 02.04.1980	12,925	403	38
Orchard Hotel Singapore 442 Orchard Road, Singapore	Freehold	8,588*	656	38
Studio M Hotel 3 Nanson Road, Singapore	99-year lease commencing from 26.02.2007	2,932	360	38

MAJOR GROUP PROPERTIES (continued)

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Millennium Hilton Seoul 50 Sowol-ro, Jung-gu, Seoul, South Korea 100-802	Freehold	18,787	680	100
Land Site in Seoul Located at Chung-gu, Namdaemunro 5 Ga 652-1	Freehold	1,564	–	100
Grand Hyatt Taipei 2, SongShou Road Taipei, Taiwan, 11051	50 years starting from 7 March 1990 The lease agreement is extendable for another 30 years.	14,193	850	84

* Includes Claymore Connect

Europe

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Copthorne Hotel Aberdeen 122 Huntly Street, Aberdeen AB10 1SU, Scotland	Freehold	1,302	87	83
Copthorne Hotel Birmingham Paradise Circus, Birmingham B3 3HJ, England	Freehold	2,188	211	100
Copthorne Hotel Cardiff-Caerdydd Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	26,305	135	100
Copthorne Hotel Effingham Gatwick West Park Road, Copthorne, West Sussex RH10 3EU, England	Freehold	161,878	122	100
Copthorne Hotel London Gatwick Copthorne Way, Copthorne, West Sussex RH10 3PG, England	Freehold	404,694	227	100
Copthorne Hotel Manchester Clippers Quay, Salford Quays, Manchester M50 3SN, England	Leasehold to year 2135	9,800	166	100
Copthorne Hotel Merry Hill-Dudley The Waterfront, Level Street, Brierley Hill, Dudley, West Midlands DY5 1UR, England	Freehold	13,734	138	100
Copthorne Hotel Newcastle The Close, Quayside, Newcastle upon Tyne NE1 3RT, England	Freehold	9,200	156	96
Copthorne Hotel Plymouth Armada Way, Plymouth PL1 1AR, England	Leasehold to year 2110	1,853	135	100
Copthorne Hotel Slough-Windsor Cippenham Lane, Slough, Berkshire SL1 2YE, England	Freehold	6,880	219	100
Copthorne Tara Hotel London Kensington Scarsdale Place, Kensington, London W8 5SY, England	Freehold	7,535	833	100
Hard Days Night Hotel Liverpool Central Buildings North John Street Liverpool, L2 6RR, England	Leasehold to year 2129	5,275	110	100
Hilton Cambridge City Centre Hotel Grand Arcade 20, Downing St, Cambridge CB2 3DT, England	125-year lease commencing from 25.12.1990 and extendable for a further 50 years	3,600	198	38
The Lowry Hotel 50 Dearmans Place, Salford, Manchester M3 5LH, United Kingdom	150-year lease commencing from 18.03.1997	2,200	165	38

MAJOR GROUP PROPERTIES (continued)

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
The Bailey's Hotel London 140 Gloucester Road, London SW7 4QH, England	Freehold	1,923	212	100
Millennium Gloucester Hotel London Kensington Harrington Gardens London SW7 4LH, England	Freehold	6,348	610	100
Millennium Hotel Glasgow George Square, Glasgow G2 1DS, Scotland	Leasehold to year 2109	5,926	61	100
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	100
The Biltmore, Mayfair – LXR Hotels & Resorts 44 Grosvenor Square, Mayfair, London W1K 2HP, England	Leasehold to year 2096	4,260	308	100
Millennium Hotel Paris Opéra 12 Boulevard Haussmann, 75009 Paris, France	Freehold	1,093	163	100
Millennium Hotel Paris Charles de Gaulle Zone Hoteliere, Allée du Verger, 95700 Roissy-en-France, France	Freehold	11,657	239	100
Pullman Hotel Munich Theodor-Dombart-Strasse 4, Munich 80805, Germany	Freehold	8,189	337	36
Grand Hotel Palace Rome Via Veneto, 70, Rome, 00187, Italy	Freehold	801	86	100
The Chelsea Harbour Hotel Chelsea Harbour, London, SW10 0XG, England	Leasehold to year 2112	2,561	158	100
Hotel Cerretani Florence, MGallery bySofitel Via de' Cerretani, 68, 50123 Florence, Italy	Freehold	1,350	86	36

North America

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
The Bostonian Boston 26 North Street At Faneuil Hall Marketplace, Boston MA 02109, USA	Freehold	2,769	204	100
The Lakefront Anchorage 4800 Spenard Road, Anchorage, AK 99517, USA	Hotel: Freehold Dock: Leasehold to 2040	14,159	248	100
Millennium Biltmore Los Angeles 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	11,305	683	100
Millennium Buffalo 2040 Walden Avenue Buffalo, NY 14225, USA	Leasehold to year 2022 (with one 10-year option)	31,726	301	100

MAJOR GROUP PROPERTIES (continued)

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Millennium Harvest House Boulder 1345 28th Street Boulder, CO 80302, USA	Freehold	64,019	269	100
Millennium Knickerbocker Hotel Chicago 163 East Walton Place, Chicago, IL 60611, USA	Freehold	2,007	306	100
Millennium Cincinnati (sold effective 14 February 2020) 150 West Fifth Street, Cincinnati, OH 45202, USA	Freehold	6,839	872	100
Millennium Durham 2800 Campus Walk Avenue, Durham, NC 27705, USA	Freehold	42,814	324*	100
Millennium Minneapolis 1313 Nicollet Mall, Minneapolis, MN 55403, USA	Leasehold to year 2030	4,537	321	100
Millennium Maxwell House Nashville 2025 Rosa L. Parks Boulevard, Nashville TN 37228, USA	Leasehold to year 2030 (with two 10-year options)	17,140	287	100
Millennium Broadway New York Times Square 145 West 44th Street, New York, NY 10036, USA	Freehold	1,762	626	100
Millennium Premier New York Times Square 133 West 44th Street, New York, NY 10036, USA	Freehold	360	124	100
Millennium Hilton New York ONE UN Plaza 1 UN Plaza, 44th Street at 1st Avenue, New York, NY 10017, USA	East tower freehold/ West tower leasehold to year 2079	4,554	439	100
Millennium Hotel St Louis (closed) 200 South 4th Street, St Louis, MO 63102, USA	Freehold	17,033	780	100
The McCormick Scottsdale 7421 North Scottsdale Road, Scottsdale, AZ 85208, USA	Leasehold to year 2033 (with two 10-year options)	32,819	125	100
Millennium Hilton New York Downtown 55 Church Street, New York, NY 10007, USA	Freehold	1,680	569	100
Novotel New York Times Square 226 W 52nd Street, New York, NY 10019, USA	Fee simple estate, a leasehold interest, and a leased fee interest	1,977	480	100
Maingate Lakeside Resort 7769 W Irla Bronson Memorial Highway, Kissimmee, FL 34747, USA	Freehold	93,796	475	100
Novotel Penthouse 1651-65 Broadway, New York, NY 10019, USA	Leasehold to year 2080	307	–	100
Comfort Inn Near Vail Beaver Creek 161 West Beaver Creek Boulevard, Avon, CO 81620, USA	Freehold	11,209	146	100
Pine Lake Trout Club 17021 Chillicothe Road, Chagrin Falls OH 44023, USA	Freehold	331,074	6	100

*Currently only 290 rooms are available for sale.

MAJOR GROUP PROPERTIES (continued)

Australasia

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Copthorne Hotel & Apartments Queenstown Lakeview 88 Frankton Road, Queenstown, New Zealand	Freehold/Strata title	4,713	85	76
Copthorne Hotel & Resort Bay of Islands Tau Henare Drive, Paihia, New Zealand	Leasehold land to year 2021 (renewal option to May 2087)	62,834	180	37
Copthorne Hotel & Resort Queenstown Lakefront Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	18,709	240	76
Copthorne Hotel Auckland City 150 Anzac Avenue Auckland, New Zealand	Perpetual leasehold land	2,495	110	76
M Social Auckland 196-200 Quay Street Auckland, New Zealand	Freehold	2,407	190	76
Copthorne Hotel Palmerston North 110 Fitzherbert Avenue, Palmerston North, New Zealand	Freehold	15,514	124	76
Copthorne Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	35,935	136	76
Copthorne Hotel Wellington Oriental Bay 100 Oriental Parade, Wellington, New Zealand	Freehold	3,904	118	76
Ibis Perth 334 Murray Street Perth, Western Australia, Australia	Freehold	1,480	192	38
Kingsgate Hotel Dunedin 10 Smith Street, Dunedin, New Zealand	Freehold	2,193	55	76
Kingsgate Hotel Greymouth 32 Mawhera Quay, Greymouth, New Zealand	Freehold/Perpetual leasehold land	2,807	98	76
Kingsgate Hotel Te Anau 20 Lakefront Drive, Te Anau, New Zealand	Freehold	8,819	94	76
Mercure Perth 10 Irwin Street Perth, Western Australia, Australia	Strata freehold	757	239	38

MAJOR GROUP PROPERTIES (continued)

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Millennium Hotel Queenstown Corner Frankton Road & Stanley Street Queenstown, New Zealand	Freehold	7,453	220	76
Millennium Hotel Rotorua Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/Perpetual leasehold land	10,109	227	76
Millennium Hotel New Plymouth, Waterfront 1 Egmont St, New Plymouth, New Zealand	Freehold	1,149	42	76
Novotel Brisbane 200 Creek Street Brisbane, Queensland, Australia	Strata volumetric freehold	6,235	296	38
Grand Millennium Auckland 71-87 Mayoral Drive, Auckland, New Zealand	Freehold	5,910	452	38
<hr/>				
INVESTMENT PROPERTIES	TENURE		APPROXIMATE LETTABLE STRATA AREA (SQ. METRES)	EFFECTIVE GROUP INTEREST (%)
Tanglin Shopping Centre A shopping-cum-office complex situated at Tanglin Road, Singapore, within the Orchard Road tourist district. The Group owns 83 out of 362 strata-titled units and 325 car park lots.	Freehold		6,029	100
Millennium Mitsui Garden Hotel Tokyo 5-11-1 Ginza, Chuo-Ku, Tokyo 104-0061 329 bedroom hotel.	Freehold/ Leasehold – 30 years from 25 March 2009		1,040/130 (site area)	70
Biltmore Court & Tower Situated at 500/520 South Grand Avenue, Los Angeles, CA 90071. Comprising the Court which has 22,133 square metres Class “B” lettable office space within the Biltmore hotel structure and the Tower which has 12,116 square metres of Class “A” office space.	Freehold		34,249	100
Land site in Sunnyvale City of Sunnyvale, California, USA	Freehold		35,717	100

MAJOR GROUP PROPERTIES (continued)

OWNED BY FIRST SPONSOR GROUP LIMITED, AN ASSOCIATE OF THE COMPANY:	TENURE	APPROXIMATE LETTABLE STRATA AREA (SQ. METRES)	EFFECTIVE GROUP INTEREST (%)
Poortgebouw Property 3rd floor up to and including the 9th floor of the Poortgebouw Hoog Catharijne, Catharijne Esplanade 13, 3511WK, Utrecht, the Netherlands Expected to comprise two hotels with 320 hotel rooms in total on completion.	Leasehold to year 2069	11,604	36
Arena Towers (Holiday Inn Amsterdam/Holiday Inn Express Amsterdam Hotels) Hoogoorddreef 66 and 68, Amsterdam, the Netherlands, Comprising 443 hotel rooms and 509 car park lots.	Perpetual leasehold Ground rent paid until 2053	17,396	36
Crowne Plaza Chengdu Wenjiang Hotel & Holiday Inn Express Chengdu Wenjiang Hotspring Hotel No 619 A/B North Phoenix Street, Wenjiang District, Chengdu, Sichuan Province, the PRC. Comprising 608 hotel rooms and suites, and a hot spring facility.	Leasehold to year 2051	81,041 (Gross fl area)	36

MILLENNIUM & COPTHORNE HOTELS WORLDWIDE

For the year ended 31 December 2019

ASIA

China

Crowne Plaza Chengdu Wenjiang Hotel & Holiday Inn Express Chengdu Wenjiang Hotspring Hotel
Grand Millennium Beijing
Grand Millennium Shanghai Hongqiao
Millennium Harbourview Hotel Xiamen
Millennium Hotel Chengdu
Millennium Hotel Fuqing
Millennium Hotel Wuxi
Millennium Residences @ Beijing Fortune Plaza
Millennium Resort Hangzhou
Millennium Hotel Zunyi
Millennium Resort Wuyishan

Hong Kong

JW Marriott Hotel Hong Kong
New World Millennium Hong Kong Hotel

Indonesia

Millennium Hotel Sirih Jakarta

Japan

Hotel MyStays Asakusabashi
Hotel MyStays Kamata
Millennium Mitsui Garden Hotel Tokyo

Malaysia

Copthorne Hotel Cameron Highlands
Copthorne Orchid Hotel Penang
Grand Millennium Kuala Lumpur

Maldives

Angsana Velavaru
Raffles Maldives Meradhoo (previously Dhevanafushi Maldives Luxury Resort)

Philippines

The Heritage Hotel Manila

Singapore

Copthorne King's Hotel Singapore
Grand Copthorne Waterfront Hotel Singapore
M Hotel Singapore
M Social Singapore
Novotel Singapore Clarke Quay
Orchard Hotel Singapore
Studio M Hotel

South Korea

Millennium Hilton Seoul

Taiwan

Grand Hyatt Taipei
Millennium Hotel Taichung
Millennium Gaea Resort Hualien

Thailand

Millennium Resort Patong Phuket

MILLENNIUM & COPTHORNE HOTELS WORLDWIDE (continued)**AUSTRALASIA****Australia**

Ibis Perth
 Mercure Perth
 Novotel Brisbane

New Zealand

Copthorne Hotel Auckland City
 Copthorne Hotel & Apartments Queenstown Lakeview
 Copthorne Hotel Grand Central New Plymouth
 Copthorne Hotel Palmerston North
 Copthorne Hotel & Resort Bay of Islands
 Copthorne Hotel & Resort Hokianga
 Copthorne Hotel & Resort Queenstown Lakefront
 Copthorne Hotel & Resort Solway Park Wairarapa
 Copthorne Hotel Rotorua
 Copthorne Hotel Wellington Oriental Bay
 Grand Millennium Auckland
 Kingsgate Hotel Autolodge Paihia
 Kingsgate Hotel Dunedin
 Kingsgate Hotel Greymouth
 Kingsgate Hotel Te Anau
 Kingsgate Hotel The Avenue Wanganui
 Millennium Hotel New Plymouth, Waterfront
 Millennium Hotel Queenstown
 Millennium Hotel Rotorua
 Millennium Hotel & Resort Manuels Taupo
 M Social Auckland

MIDDLE EAST***Iraq**

Copthorne Hotel Baranan
 Grand Millennium Hotel Sulaimani
 Millennium Kurdistan Hotel and Spa

Jordan

Grand Millennium Amman

Kuwait

Copthorne Al-Jahra Hotel & Resort
 Copthorne Kuwait City
 Millennium Hotel and Convention Centre Kuwait

Oman

Grand Millennium Muscat
 Millennium Executive Apartments Muscat
 Millennium Resort Salalah
 Millennium Resort Mussanah

Palestine

Millennium Palestine Ramallah

*As a result of the sale of M&C's joint venture interest in the Group's Middle East operating entity, Millennium & Copthorne Middle East Holdings Limited ("MCMEHL"), to the other shareholder in December 2016, properties that were previously shown as being managed by the Group are now shown as franchised, although as of the date hereof the properties continue to be managed or franchised by MCMEHL, with support from the Group, under a master license and services arrangement.

MILLENNIUM & COPTHORNE HOTELS WORLDWIDE (continued)**Qatar**

Copthorne Hotel Doha
Kingsgate Hotel Doha
Millennium Hotel Doha
Millennium Plaza Doha

Saudi Arabia

Copthorne Al Naseem
M Hotel Makkah by Millennium
M Hotel Makkah Al Aziziyah
Millennium Al Aqeeq Hotel
Millennium Makkah Al Naseem
Millennium Medina Airport
Millennium Hail Hotel Saudi Arabia
Millennium Taiba Hotel

United Arab Emirates

Bab Al Qasr Hotel
Copthorne Hotel Dubai
Copthorne Hotel Sharjah
Grand Millennium Al Wahda
Grand Millennium Business Bay
Grand Millennium Dubai
Kingsgate Hotel Abu Dhabi by Millennium
M Hotel Downtown by Millennium
Millennium Airport Hotel Dubai
Millennium Atria Business Bay
Millennium Deyaar Atria Residences
Millennium Deyaar Hotel & Apartments
Millennium Mont Rose Apartments
Millennium Place Dubai Marina
Millennium Place Hotel & Apartments Barsha Heights
Millennium Plaza Hotel Dubai
Studio M Arabia Plaza

EUROPE**France**

Millennium Hotel Paris Charles de Gaulle
Millennium Hotel Paris Opéra

Germany

Pullman Hotel Munich

Georgia

The Biltmore Hotel Tbilisi

Italy

Grand Hotel Palace Rome
Hotel Cerretani Florence, Mgallery by Sofitel

Turkey

Millennium Istanbul Golden Horn

MILLENNIUM & COPTHORNE HOTELS WORLDWIDE (continued)**United Kingdom**

Copthorne Hotel Aberdeen
Copthorne Hotel Birmingham
Copthorne Hotel Cardiff-Caerdydd
Copthorne Hotel at Chelsea Football Club
Copthorne Hotel Effingham Gatwick
Copthorne Hotel London Gatwick
Copthorne Hotel Manchester
Copthorne Hotel Merry Hill-Dudley
Copthorne Hotel Newcastle
Copthorne Hotel Plymouth
Copthorne Hotel Sheffield
Copthorne Hotel Slough-Windsor
Copthorne Tara Hotel London Kensington
Hard Days Night Hotel Liverpool
Hilton Cambridge City Centre Hotel
Millennium Hotel at Chelsea Football Club
Millennium Gloucester Hotel London Kensington
Millennium Hotel Glasgow
Millennium Hotel London Knightsbridge
Millennium Madejski Hotel Reading (management contract terminated 10 December 2019)
The Bailey's Hotel London
The Biltmore, Mayfair – LXR Hotels & Resorts
The Chelsea Harbour Hotel
The Lowry Hotel

THE AMERICAS**USA**

Comfort Inn Near Vail Beaver Creek
Maingate Lakeside Resort
Millennium Biltmore Los Angeles
Millennium Broadway New York Times Square
Millennium Buffalo
Millennium Cincinnati (sold effective 14 February 2020)
Millennium Durham
Millennium Harvest House Boulder
Millennium Hilton New York Downtown
Millennium Hilton New York ONE UN Plaza
Millennium Hotel St Louis (closed)
Millennium Knickerbocker Hotel Chicago
Millennium Maxwell House Nashville
Millennium Minneapolis
Millennium Premier New York Times Square
Novotel New York Times Square
Pine Lake Trout Club
The Bostonian Boston
The Lakefront Anchorage
The McCormick Scottsdale

END