

## General Announcement::Announcement by Subsidiary Company, Millennium &amp; Copthorne Hotels plc

## Issuer &amp; Securities

<b>Issuer/ Manager</b>	CITY DEVELOPMENTS LIMITED
<b>Securities</b>	CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09
<b>Stapled Security</b>	No

## Announcement Details

<b>Announcement Title</b>	General Announcement
<b>Date &amp; Time of Broadcast</b>	08-Feb-2018 17:25:11
<b>Status</b>	New
<b>Announcement Sub Title</b>	Announcement by Subsidiary Company, Millennium & Copthorne Hotels plc
<b>Announcement Reference</b>	SG180208OTHRNLSS
<b>Submitted By (Co./ Ind. Name)</b>	Enid Ling Peek Fong
<b>Designation</b>	Company Secretary
<b>Description (Please provide a detailed description of the event in the box below)</b>	Please refer to the Announcement released by Millennium & Copthorne Hotels plc on 8 February 2018 relating to Full Year and Fourth Quarter Results Ended 31 December 2017.
<b>Attachments</b>	<a href="#">08022018_MCplc_2017_Full Year Results.pdf</a> Total size =830K

**MILLENNIUM & COPTHORNE HOTELS PLC**  
**PRELIMINARY RESULTS ANNOUNCEMENT**  
**Full year and fourth quarter results to 31 December 2017**

**Highlights for the full year 2017:**

	Full year 2017	Reported Currency			Constant Currency		
		Full year 2016	Change		Full year 2016	Change	
RevPAR	<b>£82.78</b>	£76.71	£6.07	7.9%	£80.19	£2.59	3.2%
Revenue - total	<b>£1,008m</b>	£926m	£82m	8.9%	£972m	£36m	3.7%
Revenue - hotel	<b>£880m</b>	£814m	£66m	8.1%	£853m	£27m	3.2%
Profit before tax	<b>£147m</b>	£108m	£39m	36.1%	£114m	£33m	28.9%
Basic EPS	<b>38.1p</b>	24.0p	14.1p	58.8%			
Ordinary dividends	<b>6.50p</b>	7.74p	(1.24)p	(16.0)%			

**Highlights for the 4<sup>th</sup> quarter 2017:**

	Q4 2017	Reported Currency			Constant Currency		
		Q4 2016	Change		Q4 2016	Change	
RevPAR	<b>£83.88</b>	£84.79	£(0.91)	(1.1)%	£82.87	£1.01	1.2%
Revenue - total	<b>£260m</b>	£261m	£(1)m	(0.4)%	£256m	£4m	1.6%
Revenue - hotel	<b>£231m</b>	£233m	£(2)m	(0.9)%	£229m	£2m	0.9%
Profit before tax	<b>£29m</b>	£6m	£23m	383.3%	£5m	£24m	480.0%
Basic EPS	<b>9.8p</b>	5.8p	4.0p	69.0%			

- Group RevPAR for 2017 increased by 7.9% to £82.78 (2016: £76.71). In constant currency, RevPAR increased by 3.2%. For the fourth quarter of 2017, RevPAR fell by 1.1% to £83.88 (2016: £84.79) in reported currency and increased by 1.2% in constant currency.
- Hotel revenue increased by 8.1% to £880m (2016: £814m). The growth was due mainly to foreign exchange gains of £39m and full-year contributions from Millennium Hilton New York One UN Plaza (re-opened in September 2016 after refurbishment) and Grand Millennium Auckland (joined the Group in September 2016).
- Total revenue for 2017 grew by 8.9% to £1,008m (2016: £926m), including foreign exchange gains of £46m.
- Profit before tax for the year increased by 36.1% to £147m (2016: £108m) and included impairment charges of £38m, net revaluation gains of £9m and reversal of impairment of the Group's shareholder loan to Fena Estate Co. Ltd ("Fena") of £12m. The REIT's portion of asset impairment was £7m. After removing the effects of the impairment losses and revaluation gains, the Group's reported profit before tax was £176m (2016: £152m).
- In light of anticipated capital spending requirements, the Board recommends a final ordinary dividend of 4.42p per share (2016: 5.66p per share), giving a total ordinary dividend for the year of 6.50p per share (2016: 7.74p per share).

Mr Kwek Leng Beng, Chairman commented:

“Underlying hotel performance was flat last year. Foreign exchange gains relating to hotel revenue totalled £39m arising from weaker sterling, which is our reporting currency, against currencies in the regions where we operate. The increase in 2017 hotel revenue was attributable mainly to a full year of trading at two of our hotels: Millennium Hilton New York One UN Plaza, which re-opened post-refurbishment in September 2016, and Grand Millennium Auckland, which joined the Group in September 2016.

Performance was impacted by industry-wide factors, including political instability in Korea, the unabated growth in popularity amongst customers of online travel agents and alternative lodging options; and rising costs, especially in London, where Brexit is impacting a hospitality labour market already affected by minimum wage legislation. Our New York business will take some time to restore profitability in light of strong union operating environment, union driven wage increases and the continuing growth in room supply.

The Group expects to make significant capital investment for a needed transformation to the repositioning of our hotels so as to keep pace with guest expectations. Increased expenditure on both maintenance and product improvement will therefore be necessary for the group to stay relevant and competitive. We also remain alert to opportunities to grow by acquisition.

We respect the decision by shareholders in the recent lapsed offer by City Developments Limited.”

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## **BUSINESS REVIEW**

During 2017, the Group struggled to make headway against a number of challenges. In New York, Millennium Broadway continued to under-perform, whilst the recent operating transfer of ONE UN to Hilton will take some time to yield results. The recent growth in local hotel room inventory constrained our ability to increase room rates in Singapore, whilst the performance of the other Asian hotels was flat overall.

Concerns about Brexit have affected our UK hotels especially in London, where there were already pressures on labour costs from a recent minimum wage increase. More positively, our hotels in New Zealand continued their recent run of good RevPAR growth, reflecting higher visitor numbers in the country, as well as the inclusion of Grand Millennium Auckland in September 2016.

Total revenue for the year increased by £82m or 8.9% to £1,008m (2016: £926m). Hotel revenue contributed most of this growth i.e. £66m. REIT revenue increased by £10m to £66m (2016: £56m) mainly due to contributions from newly acquired hotels. Increased land bank sales in New Zealand added £5m to total revenue.

Pre-tax profit grew by 36.1% to £147m (2016: £108m). As previously noted part of the increase was driven by lower impairment losses compared to the previous year and the reversal of a £12m loan impairment following the sale of the Group's interest in its Thailand joint venture, Fena, the owner of Pullman Bangkok Grande Sukhumvit (formerly Grand Millennium Sukhumvit Bangkok).

The Group's share of profit from joint ventures and associates fell by £4m to £22m (2016: £26m). The decrease was principally due to a gain recognised by First Sponsor Group Limited ("FSGL") in the comparative year 2016 relating to a project based in Dongguan, China.

### **Hotel operations**

Hotel revenue increased by £66m or 8.1% to £880m (2016: £814m) mainly because of favourable foreign exchange movements of £39m. In constant currency, hotel revenue grew by £27m or 3.2% due largely to full-year contributions from two new or refurbished properties in New York and Auckland. Otherwise hotel revenue was flat compared to last year.

Group RevPAR increased by 7.9% and 3.2% in reported currency and constant currency respectively. Hotel gross operating margin was slightly higher at 32.2% (2016: 31.6%).

### **Developments**

The Group received building permit approval for the Yangdong development project in Seoul on 25 January 2017. Construction is intended to commence after fine tuning the design for optimal efficiency.

The Group continues to review the project cost and specification for a 263-room hotel and a 250-unit residential apartment block on its 35,717m<sup>2</sup> mixed use freehold landsite at Sunnyvale, California, and intends to start construction in 2018. The Group may modify certain aspects of the development, which is anticipated to take about 18 months to complete after commencement. Final planning approval for the project was received in December 2016.

Management continues to explore options in relation to the freehold site occupied by the Millennium Hotel St. Louis, which was closed in January 2014.

### **Hotel refurbishments**

Phased refurbishment work on Millennium Hotel London Mayfair commenced in the fourth quarter of 2017 and is scheduled to complete in Q2 2019. Refurbishment of Millennium Hotel London Knightsbridge is planned to commence next year.

Refurbishment of 260 deluxe guest rooms in the Orchard Wing of the Orchard Hotel Singapore has been re-scheduled to commence in the second half of this year to accommodate customer demand. Refurbishment is also planned for the lobby area and F&B outlets at the ground level. Renovation of the hotel's Hua Ting Restaurant, which started in August 2017, is complete, with the facility re-opened on 7 December 2017.

The final phase of the refurbishment of Grand Millennium Kuala Lumpur, relating to the guestrooms at levels 7 and 8, is under review. Guest rooms on levels 9 to 19 were completed in late 2016.

In October 2017, the 190-room M Social Auckland (previously known as Copthorne Hotel Auckland Harbourcity) was opened and benefited from keen demand for the hotel's innovative design, social spaces and service ethos. Initial feedback from key markets, including International and New Zealand business and leisure travellers has been positive.

## Acquisition

On 4 May 2017, CDL Hospitality Trusts ("CDLHT") completed the acquisition of the 165-room The Lowry Hotel in Manchester for a purchase consideration of £53m.

On 14 July 2017, CDLHT completed the acquisition of an effective interest of 94.5% in the 337-room Pullman Hotel Munich and its office and retail components and the fixtures, furniture and equipment used by the hotel for a purchase consideration of €101m (£89m).

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

## Disposals

The Group continues to engage with the developer of Birmingham's Paradise Circus redevelopment scheme, under previously agreed commercial arrangements, regarding the closure and acquisition by the developer of the Copthorne Hotel Birmingham and possible acquisition by the Group of an alternative site for development of a new hotel within the scheme.

As previously reported, in March 2017 Scottish Ministers approved an order that allows Network Rail Infrastructure Limited ("Network Rail") to take permanently and to demolish the 1970s-built, 51-room extension of the Millennium Hotel Glasgow, in connection with the redevelopment of Queen Street Station. In July 2017, 56 guestrooms were permanently removed from the hotel in connection with the development. The property now has 60 guestrooms compared to 116 previously.

The Group is entitled to compensation, which will either be negotiated with Network Rail or settled at the Lands Tribunal. Separation and other works arising from the order were completed at the end of 2017, with demolition of the extension anticipated to commence in Q1 2018. The Group is continuing to consider its options with respect to the refurbishment of the remaining hotel areas.

On 11 January 2018, CDLHT completed the divestment of two hotels in Australia, the Mercure Brisbane and Ibis Brisbane for A\$77m (£45m) to an independent third party. Accordingly these investment properties were reclassified as assets held for sale on the balance sheet as at 31 December 2017.

## Other Group operations

Joint ventures and associates contributed £22m to profit in 2017 (2016: £26m). The Group has an effective interest of 36% in First Sponsor Group Limited ("FSGL"), which is listed on the Singapore Exchange and reports its results independently.

On 11 January 2018, a partnership comprised of a subsidiary of FSGL together with subsidiaries of CDL and another substantial shareholder of FSGL acquired a 300-room hotel currently operated by a tenant as the "Le Meridien Frankfurt" situated in Frankfurt for €79m (£70m), excluding certain transaction related expenses.

On 1 February 2018, FSGL together with four other co-investors acquired all the issued shares of Hotelmaatschappij Rotterdam B.V which owns the 254-room Hilton Rotterdam Hotel in the Netherlands for €51m (£45m). Following the completion of the transaction, FSGL owns 24.7% interest in the acquired company.

On 7 February 2018, the Group has provided an irrevocable undertaking to take up its full entitlement of FSGL's proposed rights issue of new perpetual convertible capital securities for a total cost of S\$58.2m (£32m) and a proportion of the excess rights not subscribed by other shareholders for a cost of up to S\$31.0m (£17m).

## Dividends

The Board recommends a final ordinary dividend of 4.42p per share (2016: 5.66p) taking into account the Group's current cash position and future capital expenditure requirements. Together with the interim ordinary dividend of 2.08p per share (2016: 2.08p), the total ordinary dividend for 2017 is 6.50p per share (2016: 7.74p).

Subject to approval by shareholders at the Annual General Meeting to be held on 4 May 2018, the final dividend will be paid on 11 May 2018 to shareholders on the register on 16 March 2018.

## Current trading

In the first 31 days of trading in 2018, Group RevPAR in constant currency increased by 3.6%. New York up by 4.5%, Rest of Asia up 14.2%, Australasia up 10.3%, Rest of Europe up 1.2% but London down 3.2%, Singapore down 2.0% and Regional US down 2.5%.

Excluding Millennium Hotel Glasgow (116 rooms reduced to 60 rooms from July 2017), M Social Auckland (opened October 2017) and Millennium Hotel London Mayfair (refurbishment commenced in November 2017), like-for-like basis, Group RevPAR increased by 4.0% with London up 0.9%, Rest of Europe up 0.2% and Australasia up by 9.9%.

## HOTEL OPERATIONS

For comparability, the following performance review is based on calculations in constant currency whereby 31 December 2016 hotel revenue, RevPAR and average room rates have been translated at average exchange rates for the year ended 31 December 2017.

In constant currency, Group RevPAR increased by 3.2% to £82.78 for the year ended 31 December 2017, with occupancy up by 1.7% points and average room rate up 0.9%.

During Q4 2017, RevPAR improved in all regions except for Europe which fell by 2.9% due to the drop in occupancy. RevPAR for London was down by 4.5% and Rest of Europe down by 0.6%.

Full year 2017	RevPAR			Occupancy			Average Room Rate		
	FY 2017 £	#FY 2016 £	Change %	FY 2017 %	FY 2016 %	Change %pts	FY 2017 £	#FY 2016 £	Change %
New York	<b>164.84</b>	153.03	7.7	<b>85.3</b>	77.9	7.4	<b>193.18</b>	196.33	(1.6)
Regional US	<b>61.90</b>	60.41	2.5	<b>60.0</b>	58.6	1.4	<b>103.23</b>	103.11	0.1
<b>Total US</b>	<b>95.79</b>	90.91	5.4	<b>68.3</b>	65.0	3.3	<b>140.23</b>	139.94	0.2
London	<b>109.98</b>	107.18	2.6	<b>83.0</b>	81.9	1.1	<b>132.47</b>	130.83	1.3
Rest of Europe	<b>53.66</b>	53.83	(0.3)	<b>70.5</b>	72.2	(1.7)	<b>76.16</b>	74.55	2.2
<b>Total Europe</b>	<b>82.35</b>	80.85	1.9	<b>76.9</b>	77.1	(0.2)	<b>107.15</b>	104.83	2.2
Singapore	<b>83.83</b>	84.58	(0.9)	<b>85.6</b>	84.2	1.4	<b>97.91</b>	100.41	(2.5)
Rest of Asia	<b>64.39</b>	65.05	(1.0)	<b>66.4</b>	65.4	1.0	<b>96.93</b>	99.43	(2.5)
<b>Total Asia</b>	<b>71.91</b>	72.61	(1.0)	<b>73.9</b>	72.7	1.2	<b>97.37</b>	99.87	(2.5)
<b>Australasia</b>	<b>73.06</b>	62.84	16.3	<b>81.2</b>	81.3	(0.1)	<b>90.01</b>	77.31	16.4
<b>Total Group</b>	<b>82.78</b>	80.19	3.2	<b>73.5</b>	71.8	1.7	<b>112.68</b>	111.63	0.9

Q4 2017	RevPAR			Occupancy			Average Room Rate		
	Q4 2017 £	#Q4 2016 £	Change %	Q4 2017 %	Q4 2016 %	Change %pts	Q4 2017 £	#Q4 2016 £	Change %
New York	<b>189.99</b>	185.44	2.5	<b>89.3</b>	87.2	2.1	<b>212.70</b>	212.70	-
Regional US	<b>50.31</b>	49.30	2.0	<b>51.3</b>	51.1	0.2	<b>98.12</b>	96.50	1.7
<b>Total US</b>	<b>96.30</b>	94.13	2.3	<b>63.8</b>	63.0	0.8	<b>150.94</b>	149.47	1.0
London	<b>107.73</b>	112.82	(4.5)	<b>79.3</b>	84.3	(5.0)	<b>135.80</b>	133.84	1.5
Rest of Europe	<b>52.53</b>	52.83	(0.6)	<b>67.9</b>	70.3	(2.4)	<b>77.37</b>	75.13	3.0
<b>Total Europe</b>	<b>80.82</b>	83.21	(2.9)	<b>73.8</b>	77.4	(3.6)	<b>109.58</b>	107.51	1.9
Singapore	<b>81.35</b>	80.74	0.8	<b>82.2</b>	82.4	(0.2)	<b>98.93</b>	97.94	1.0
Rest of Asia	<b>71.16</b>	68.65	3.7	<b>71.7</b>	69.3	2.4	<b>99.19</b>	99.06	0.1
<b>Total Asia</b>	<b>75.10</b>	73.33	2.4	<b>75.8</b>	74.4	1.4	<b>99.08</b>	98.58	0.5
<b>Australasia</b>	<b>76.27</b>	72.75	4.8	<b>83.2</b>	85.7	(2.5)	<b>91.67</b>	84.84	8.1
<b>Total Group</b>	<b>83.88</b>	82.87	1.2	<b>72.1</b>	72.3	(0.2)	<b>116.39</b>	114.55	1.6

# In constant currency whereby 31 December 2016 RevPAR and average room rates have been translated at average exchange rates for the year ended 31 December 2017.

### US

RevPAR for the US region during 2017 grew by 5.4% to £95.79, driven by small increases in both occupancy and average room rate.

New York RevPAR increased by 7.7%. The increase can be attributed to a full year of operation by ONE UN, now trading as Millennium Hilton New York One UN Plaza, which was fully re-opened in Q4 2016 following refurbishment of the east tower. Excluding this property, US RevPAR was up slightly by 1.3% and New York RevPAR up by 0.2%. Regional US RevPAR grew by 2.5%, resulting from a mix of strong and weak hotel performances.

For Q4 2017, US RevPAR increased by 2.3% continuing the pattern of the year as a whole.

## **Europe**

Europe RevPAR for 2017 increased by 1.9%, with a 2.2% increase in average room rate compensating for a small drop in occupancy. Our London hotels were resilient, despite a number of terrorist attacks in the city during the year with RevPAR growing 2.6% year-on-year, driven by both higher room rates and occupancy. Outside of London, the Group's European region hotel's tread water throughout the year with RevPAR falling by 0.3% compared to 2016. Rome suffered a double digit decline in RevPAR during the year due mainly to a significant drop in occupancy with rates flat.

The fourth quarter saw a 5% drop in occupancy dragging RevPAR down in the London hotels by 4.5%. Millennium Hotel London Mayfair which started its phased refurbishment during the quarter saw a 7.9% drop in RevPAR, although occupancy was also down in the other London hotels for the period. This partly reflects the post-Referendum spike in visitors during the second half of 2016, following the steep fall in the value of the pound on foreign exchanges. Regional UK and continental hotels also saw occupancy fall during the fourth quarter.

## **Asia**

The long-running decline in Singapore hotel room revenue slowed during 2017, with RevPAR down by just 0.9% compared to the previous year. Lower room rates were offset by higher occupancy, reflecting the increase in foreign visitors to Singapore, notably from China. In the fourth quarter Singapore RevPAR grew by 0.8%. Despite the increase in visitor numbers, there is still over-capacity in the Singapore hotel room market, although the rate of construction of new hotels has passed its peak.

RevPAR fell by 1.0% in the Group's Rest of Asia region, with majority of the hotels contributing to the decline.

For Q4 2017, Rest of Asia RevPAR improved by 3.7%, with increases in both occupancy and average room rate.

## **Australasia**

Australasia RevPAR grew by 16.3% in 2017 with significant contribution from Grand Millennium Auckland which traded its first full year in 2017. Average room rate increased by 16.4% against flat occupancy compared to the previous year.

In October 2017, the 190-room new M Social Auckland was opened. Excluding Grand Millennium Auckland and M Social Auckland, RevPAR for 2017 increased by 7.7%.

For Q4 2017, Australasia RevPAR increased by 4.8% with an increase in average room rate of 8.1% offset by a decrease in occupancy of 2.5% points.

*This announcement contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of Millennium & Copthorne Hotels plc. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.*

## FINANCIAL PERFORMANCE

	FY 2017 £m	Reported Currency			Constant Currency		
		FY 2016 £m	Change		FY 2016 £m	Change	
			£m	%		£m	%
Hotel	880	814	66	8.1	853	27	3.2
Property	62	56	6	10.7	60	2	3.3
REIT	66	56	10	17.9	59	7	11.9
Total Revenue	1,008	926	82	8.9	972	36	3.7

	Q4 2017 £m	Reported Currency			Constant Currency		
		Q4 2016 £m	Change		Q4 2016 £m	Change	
			£m	%		£m	%
Hotel	231	233	(2)	(0.9)	229	2	0.9
Property	11	14	(3)	(21.4)	13	(2)	(15.4)
REIT	18	14	4	28.6	14	4	28.6
Total Revenue	260	261	(1)	(0.4)	256	4	1.6

### Financial performance – full year overview

For the full year to 31 December 2017, total revenue increased by 8.9% to £1,008m (2016: £926m) mainly due to favourable foreign currency movements as a result of the weak pound against major currencies and higher hotel revenue. The Group's reported revenue benefitted from a positive foreign exchange impact of £46m during the year. Total revenue in constant currency was 3.7% higher as compared to last year.

On a constant currency basis, hotel revenue increased by 3.2% to £880m principally due to the inclusion of new and refurbished hotels. During the year, New York region remained in a loss position. Performance by the Group's hotels in Singapore continued to decline with RevPAR down by 0.9%.

Reported profit before tax increased by 36.1% to £147m (2016: £108m). During the year, a total of £29m (2016: £44m) of net revaluation and impairment losses were charged to the income statement. The impairment losses are a result of M&C's impairment testing whereby the carrying amount of M&C's assets is compared against the estimated recoverable amount, which is the greater of the fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to each asset.

After removing the effects of the impairment losses and revaluation gains, the Group's reported profit before tax is £176m (2016: £152m). Profit was also impacted by the release of £3m accruals no longer required in relation to the Glyndebourne project which was completed in 2013. Finance cost was also lower by £5m in 2017.

Basic earnings per share increased by 58.8% to 38.1p (2016: 24.0p).

### Financial performance – fourth quarter 2017

Revenue for the fourth quarter was flat at £260m (Q4 2016: £261m). Pre-tax profit increased to £29m from £6m last year. Excluding impairment loss, revaluation gain/deficit and reversal of impairment, pre-tax profit was £49m versus £46m last year.

### Foreign exchange translation

The Company publishes its Group financial statements in sterling. However, the majority of the Company's subsidiaries, joint ventures and associates report their revenue, costs, assets and liabilities in currencies other than sterling. The Company translates the revenue, costs, assets and liabilities of those subsidiaries, joint ventures and associates into sterling and this translation of other currencies into sterling could materially affect the amount of these items in the Group's financial statements, even if their values have not changed in their original currencies.

The table set out in Note 2 to the financial statements sets out the sterling exchange rates of the other principal currencies in the Group. Sterling weakened compared to other major currencies during the financial year, the impact of which is reflected in the translation reserve on page 10.



## Financial Position and Resources

	2017	2016	Change
	£m	£m	£m
Property, plant and equipment and lease premium prepayment	3,232	3,345	(113)
Investment properties	577	534	43
Investment in joint ventures and associates	324	320	4
<b>Non-current assets</b>	<b>4,133</b>	<b>4,199</b>	<b>(66)</b>
Current assets excluding cash	228	195	33
Provisions and other liabilities excluding borrowings	(274)	(297)	23
Net debt	(650)	(707)	57
Deferred tax liabilities	(188)	(220)	32
<b>Net assets</b>	<b>3,249</b>	<b>3,170</b>	<b>79</b>
Equity attributable to equity holders of the parent	2,676	2,668	8
Non-controlling interests	573	502	71
<b>Total equity</b>	<b>3,249</b>	<b>3,170</b>	<b>79</b>

### Non-current assets

The Group states property, plant and equipment at cost, less depreciation or provision for impairment. Investment properties are held at fair value. External professional open market valuations took place at the end of 2017 for all investment properties and those property assets identified as having impairment risks.

Non-current assets decreased slightly by 1.6% compared to last year, principally due to the impact of exchange translation on property, plant and equipment.

### Financial position

Group interest cover ratio for the year ended 31 December 2017 (excluding share of results of joint ventures and associates, and other operating income and expense) is 8 times (2016: 6 times).

At 31 December 2017, the Group had £354m cash and £292m of undrawn and committed facilities available comprising revolving credit facilities which provide the Group with financial flexibility. Most of the facilities are unsecured with unencumbered assets representing 88% (2016: 86%) of fixed assets and investment properties. At 31 December 2017, gross borrowing amounted to £1,004m of which £155m was drawn under £176m of secured bank facilities.

At 31 December 2017, the Group had net debt of £650m (Dec 2016: net debt £707m). Excluding CDLHT, the net debt was £186m (Dec 2016: net debt £232m).

### Future funding

Of the Group's total facilities of £1,603m, £599m matures within 12 months. Excluding CDLHT, the Group's total facilities were £819m of which £171m matures within the next 12 months. Plans for refinancing of the facilities are underway.

### Treasury risk management

Group treasury matters are governed by policies and procedures approved by the Board of Directors. The treasury committee monitors and reviews treasury matters on a regular basis. A written summary of major treasury activity is presented to the Board on a regular basis.

**Consolidated income statement (unaudited)  
for the year ended 31 December 2017**

	Notes	<b>Fourth Quarter 2017 £m</b>	Fourth Quarter 2016 £m	<b>Full Year 2017 £m</b>	Full Year 2016 £m
Revenue	3	<b>260</b>	261	<b>1,008</b>	926
Cost of sales		<b>(107)</b>	(112)	<b>(431)</b>	(395)
<b>Gross Profit</b>		<b>153</b>	149	<b>577</b>	531
Administrative expenses		<b>(111)</b>	(108)	<b>(415)</b>	(382)
Other operating income	4	<b>18</b>	11	<b>30</b>	13
Other operating expense	4	<b>(38)</b>	(51)	<b>(47)</b>	(55)
<b>Operating profit</b>		<b>22</b>	1	<b>145</b>	107
Share of profit of joint ventures and associates		<b>11</b>	17	<b>22</b>	26
Finance income		<b>1</b>	-	<b>11</b>	7
Finance expense		<b>(5)</b>	(12)	<b>(31)</b>	(32)
<b>Net finance expense</b>	3	<b>(4)</b>	(12)	<b>(20)</b>	(25)
<b>Profit before tax</b>	3	<b>29</b>	6	<b>147</b>	108
Income tax credit/(expense)	5	<b>10</b>	5	<b>12</b>	(10)
<b>Profit for the year</b>		<b>39</b>	11	<b>159</b>	98
<b>Attributable to:</b>					
Equity holders of the parent		<b>32</b>	19	<b>124</b>	78
Non-controlling interests		<b>7</b>	(8)	<b>35</b>	20
		<b>39</b>	11	<b>159</b>	98
Basic earnings per share (pence)	6	<b>9.8p</b>	5.8p	<b>38.1p</b>	24.0p
Diluted earnings per share (pence)	6	<b>9.8p</b>	5.8p	<b>38.1p</b>	24.0p

The financial results above derive from continuing activities.

**Consolidated statement of comprehensive income (unaudited)  
for the year ended 31 December 2017**

	<b>Full Year 2017 £m</b>	<b>Full Year 2016 £m</b>
<b>Profit for the year</b>	<b>159</b>	<b>98</b>
<b>Other comprehensive income/(expense):</b>		
<b>Items that are not reclassified subsequently to income statement:</b>		
Remeasurement of defined benefit plan actuarial net gains/(losses)	4	(8)
	4	(8)
<b>Items that may be reclassified subsequently to income statement:</b>		
Foreign currency translation differences - foreign operations	(102)	422
Foreign currency translation differences - equity accounted investees	(16)	41
Net gain/(loss) on hedge of net investments in foreign operations	12	(33)
	(106)	430
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>(102)</b>	<b>422</b>
<b>Total comprehensive income for the year</b>	<b>57</b>	<b>520</b>
Total comprehensive income attributable to:		
Equity holders of the parent	22	411
Non-controlling interests	35	109
<b>Total comprehensive income for the year</b>	<b>57</b>	<b>520</b>

**Consolidated statement of financial position (unaudited)  
as at 31 December 2017**

	As at 31 December 2017 £m	As at 31 December 2016 £m
<b>Non-current assets</b>		
Property, plant and equipment	3,129	3,238
Lease premium prepayment	103	107
Investment properties	577	534
Investment in joint ventures and associates	324	320
	<b>4,133</b>	<b>4,199</b>
<b>Current assets</b>		
Inventories	4	5
Development properties	93	93
Lease premium prepayment	2	2
Trade and other receivables	88	95
Cash and cash equivalents	354	337
	<b>541</b>	<b>532</b>
Assets held for sale	41	-
	<b>582</b>	<b>532</b>
<b>Total assets</b>	<b>4,715</b>	<b>4,731</b>
<b>Non-current liabilities</b>		
Interest-bearing loans, bonds and borrowings	(791)	(951)
Employee benefits	(19)	(23)
Provisions	(9)	(10)
Other non-current liabilities	(13)	(14)
Deferred tax liabilities	(188)	(220)
	<b>(1,020)</b>	<b>(1,218)</b>
<b>Current liabilities</b>		
Interest-bearing loans, bonds and borrowings	(213)	(93)
Trade and other payables	(208)	(214)
Provisions	(2)	(1)
Income taxes payable	(23)	(35)
	<b>(446)</b>	<b>(343)</b>
<b>Total liabilities</b>	<b>(1,466)</b>	<b>(1,561)</b>
<b>Net assets</b>	<b>3,249</b>	<b>3,170</b>
<b>Equity</b>		
Issued share capital	97	97
Share premium	843	843
Translation reserve	431	537
Treasury share reserve	(4)	(4)
Retained earnings	1,309	1,195
<b>Total equity attributable to equity holders of the parent</b>	<b>2,676</b>	<b>2,668</b>
Non-controlling interests	573	502
<b>Total equity</b>	<b>3,249</b>	<b>3,170</b>

**Consolidated statement of changes in equity (unaudited)  
for the year ended 31 December 2017**

	Share capital £m	Share premium £m	Translation reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding non- controlling interests £m	Non- controlling interests £m	Total equity £m
<b>Balance at 1 January 2017</b>	97	843	537	(4)	1,195	2,668	502	3,170
Profit	-	-	-	-	124	124	35	159
Other comprehensive income/(expense)	-	-	(106)	-	4	(102)	-	(102)
<b>Total comprehensive income/(expense)</b>	-	-	(106)	-	128	22	35	57
<b>Transactions with owners, recorded directly in equity</b>								
Contributions by and distributions to owners								
Dividends - equity holders	-	-	-	-	(25)	(25)	-	(25)
Dividends - non-controlling interests	-	-	-	-	-	-	(40)	(40)
<b>Changes in ownership interests</b>								
Change in interests in subsidiaries without loss of control	-	-	-	-	11	11	(11)	-
Return of capital to non-controlling interests	-	-	-	-	-	-	(2)	(2)
Rights issue by subsidiary with non-controlling interests	-	-	-	-	-	-	89	89
<b>Total transactions with owners</b>	-	-	-	-	(14)	(14)	36	22
<b>Balance at 31 December 2017</b>	<b>97</b>	<b>843</b>	<b>431</b>	<b>(4)</b>	<b>1,309</b>	<b>2,676</b>	<b>573</b>	<b>3,249</b>

	Share capital £m	Share premium £m	Translation reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding non- controlling interests £m	Non- controlling interests £m	Total equity £m
<b>Balance at 1 January 2016</b>	97	843	196	(4)	1,144	2,276	436	2,712
Profit	-	-	-	-	78	78	20	98
Other comprehensive income	-	-	341	-	(8)	333	89	422
<b>Total comprehensive income</b>	-	-	341	-	70	411	109	520
<b>Transactions with owners, recorded directly in equity</b>								
Contributions by and distributions to owners								
Dividends - equity holders	-	-	-	-	(21)	(21)	-	(21)
Dividends - non-controlling interests	-	-	-	-	-	-	(35)	(35)
<b>Changes in ownership interests</b>								
Change in interests in subsidiaries without loss of control	-	-	-	-	2	2	(4)	(2)
Return of capital to non-controlling interests	-	-	-	-	-	-	(4)	(4)
<b>Total transactions with owners</b>	-	-	-	-	(19)	(19)	(43)	(62)
<b>Balance at 31 December 2016</b>	<b>97</b>	<b>843</b>	<b>537</b>	<b>(4)</b>	<b>1,195</b>	<b>2,668</b>	<b>502</b>	<b>3,170</b>

**Consolidated statement of cash flows (unaudited)  
for the year ended 31 December 2017**

	2017 £m	2016 £m
<b>Cash flows from operating activities</b>		
Profit for the year	159	98
<i>Adjustments for:</i>		
Depreciation and amortisation	75	73
Share of profit of joint ventures and associates	(22)	(26)
Other operating income	(30)	(13)
Other operating expense	47	55
Finance income	(11)	(7)
Finance expense	31	32
Income tax expense	(12)	10
<b>Operating profit before changes in working capital and provisions</b>	<b>237</b>	<b>222</b>
Movement in inventories, trade and other receivables	9	(20)
Movement in development properties	(4)	4
Movement in trade and other payables	(13)	15
Movement in provisions and employee benefits	1	(1)
<b>Cash generated from operations</b>	<b>230</b>	<b>220</b>
Interest paid	(21)	(21)
Interest received	4	4
Income tax paid	(33)	(33)
<b>Net cash generated from operating activities</b>	<b>180</b>	<b>170</b>
<b>Cash flows from investing activities</b>		
Dividends received from joint ventures and associates	2	2
Proceeds from settlement of shareholder's loan	12	-
Proceeds from insurance claim	-	2
Acquisition of a subsidiary, net of cash acquired	(52)	-
Acquisition of property, plant and equipment, lease premium prepayment and investment properties	(142)	(100)
<b>Net cash used in investing activities</b>	<b>(180)</b>	<b>(96)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(306)	(339)
Drawdown of borrowings	309	377
Dividends paid to non-controlling interests	(40)	(35)
Return of capital to non-controlling interests	(2)	(4)
Acquisition of non-controlling interests	-	(2)
Dividends paid to equity holders of the parent	(25)	(21)
Proceeds from issue of share capital	89	-
<b>Net cash generated/(used in) financing activities</b>	<b>25</b>	<b>(24)</b>
<b>Net increase in cash and cash equivalents</b>	<b>25</b>	<b>50</b>
Cash and cash equivalents at beginning of the year	337	238
Effect of exchange rate fluctuations on cash held	(8)	49
<b>Cash and cash equivalents at end of the year</b>	<b>354</b>	<b>337</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents shown in the consolidated statement of financial position	354	337
Bank overdrafts included in borrowings	-	-
<b>Cash and cash equivalents for consolidated statement of cash flows</b>	<b>354</b>	<b>337</b>

## **Notes to the consolidated financial statements (unaudited)**

### **1. General information**

#### **Basis of preparation**

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2017 or 2016. The financial information for 2016 is derived from the statutory accounts for 2016 which have been delivered to the registrar of companies. The auditor has reported on the 2016 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2017 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course. The consolidated financial statements of the Group as at and for the financial year ended 31 December 2016 are available from the Company's website at:

<https://investors.millenniumhotels.com/financial/annual-reports>

The financial information presented in these preliminary announcements was prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and by applying the accounting policies and presentation that were used in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2016.

The financial information was prepared on a going concern basis, supported by the Directors' assessment of the Group's current and forecast financial position, and forecast trading for at least the next 12 months from the date they were approved; and are presented in the Company's functional currency of sterling, rounded to the nearest million.

## Notes to the consolidated financial statements (unaudited)

### 2. Foreign currency translation

The Company publishes its Group financial statements in sterling. However, the majority of the Company's subsidiaries, joint ventures and associates report their revenue, costs, assets and liabilities in currencies other than sterling. The Company translates the revenue, costs, assets and liabilities of those subsidiaries, joint ventures and associates into sterling, and this translation of other currencies into sterling could materially affect the amount of these items in the Group's financial statements, even if their values have not changed in their original currencies. The following table sets out the sterling exchange rates of the other principal currencies of the Group.

Currency (=£)	As at		Average for 12 months		Average for 3 months	
	31 December 2017	2016	January-December 2017	2016	October-December 2017	2016
US dollar	<b>1.339</b>	1.228	<b>1.290</b>	1.355	<b>1.327</b>	1.241
Singapore dollar	<b>1.796</b>	1.781	<b>1.782</b>	1.879	<b>1.798</b>	1.766
New Taiwan dollar	<b>40.083</b>	39.679	<b>39.338</b>	43.7000	<b>40.199</b>	39.496
New Zealand dollar	<b>1.896</b>	1.772	<b>1.814</b>	1.952	<b>1.903</b>	1.757
Malaysian ringgit	<b>5.473</b>	5.503	<b>5.544</b>	5.640	<b>5.515</b>	5.424
Korean won	<b>1,438.03</b>	1,486.48	<b>1,455.88</b>	1,576.43	<b>1,454.35</b>	1,457.14
Chinese renminbi	<b>8.779</b>	8.537	<b>8.722</b>	9.008	<b>8.786</b>	8.532
Euro	<b>1.127</b>	1.174	<b>1.143</b>	1.231	<b>1.131</b>	1.163
Japanese yen	<b>151.569</b>	144.311	<b>144.878</b>	147.961	<b>149.641</b>	135.462

### 3. 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 finance 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 (including the Middle East)
- 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 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 (unaudited)

### 3. Operating segment information (continued)

#### Segment results

	Full Year 2017								
	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
<b>Revenue</b>									
Hotel	156	144	122	70	132	176	80	-	880
Property operations	-	5	-	-	3	9	45	-	62
REIT	-	-	-	23	16	19	8	-	66
<b>Total revenue</b>	<b>156</b>	<b>149</b>	<b>122</b>	<b>93</b>	<b>151</b>	<b>204</b>	<b>133</b>	<b>-</b>	<b>1,008</b>
<b>Hotel gross operating profit</b>	<b>23</b>	<b>31</b>	<b>60</b>	<b>16</b>	<b>54</b>	<b>60</b>	<b>39</b>	<b>-</b>	<b>283</b>
Hotel fixed charges <sup>1</sup>	(33)	(26)	(23)	(10)	(4)	(35)	(6)	-	(137)
Hotel operating profit	(10)	5	37	6	50	25	33	-	146
Property operating profit/(loss)	-	-	-	-	5	8	24	-	37
REIT operating profit/(loss)	-	-	-	5	(3)	5	7	-	14
Central costs	-	-	-	-	-	-	-	(35)	(35)
Other operating income <sup>2</sup>	-	-	-	-	-	21	-	-	21
Other operating expense <sup>2</sup>	(11)	(8)	-	(4)	-	(8)	-	-	(31)
Other operating income - REIT <sup>2</sup>	-	-	-	-	-	-	9	-	9
Other operating expense - REIT <sup>2</sup>	-	-	-	(5)	-	(11)	-	-	(16)
<b>Operating profit/(loss)</b>	<b>(21)</b>	<b>(3)</b>	<b>37</b>	<b>2</b>	<b>52</b>	<b>40</b>	<b>73</b>	<b>(35)</b>	<b>145</b>
Share of joint ventures and associates profit	-	-	-	3	-	19	-	-	22
Add: Depreciation and amortisation	9	13	6	6	13	22	3	3	75
Add: Net revaluation deficit & impairment	11	8	-	9	-	10	(9)	-	29
<b>EBITDA <sup>3</sup></b>	<b>(1)</b>	<b>18</b>	<b>43</b>	<b>20</b>	<b>65</b>	<b>91</b>	<b>67</b>	<b>(32)</b>	<b>271</b>
Less: Depreciation, amortisation, net revaluation deficit & impairment									(104)
Net finance expense									(20)
<b>Profit before tax</b>									<b>147</b>

	Full Year 2016								
	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
<b>Revenue</b>									
Hotel	136	136	121	76	127	163	55	-	814
Property operations	-	4	-	-	3	9	40	-	56
REIT	-	-	-	11	14	19	12	-	56
<b>Total revenue</b>	<b>136</b>	<b>140</b>	<b>121</b>	<b>87</b>	<b>144</b>	<b>191</b>	<b>107</b>	<b>-</b>	<b>926</b>
<b>Hotel gross operating profit</b>	<b>21</b>	<b>28</b>	<b>60</b>	<b>15</b>	<b>52</b>	<b>55</b>	<b>25</b>	<b>-</b>	<b>256</b>
Hotel fixed charges <sup>1</sup>	(30)	(23)	(21)	(7)	(5)	(37)	(4)	-	(127)
Hotel operating profit	(9)	5	39	8	47	18	21	-	129
Property operating profit/(loss)	-	(1)	-	-	2	8	21	-	30
REIT operating profit/(loss)	-	-	-	3	(5)	7	11	-	16
Central costs	-	-	-	-	-	-	-	(26)	(26)
Other operating income <sup>2</sup>	-	3	-	-	-	8	2	-	13
Other operating expense <sup>2</sup>	(15)	(2)	-	(5)	(4)	(2)	-	-	(28)
Other operating expense - REIT <sup>2</sup>	-	-	-	(4)	(10)	(13)	-	-	(27)
<b>Operating profit/(loss)</b>	<b>(24)</b>	<b>5</b>	<b>39</b>	<b>2</b>	<b>30</b>	<b>26</b>	<b>55</b>	<b>(26)</b>	<b>107</b>
Share of joint ventures and associates profit	-	-	-	3	-	23	-	-	26
Add: Depreciation and amortisation	8	12	6	6	12	25	2	2	73
Add: Net revaluation deficit & impairment	15	(1)	-	9	14	7	-	-	44
<b>EBITDA <sup>3</sup></b>	<b>(1)</b>	<b>16</b>	<b>45</b>	<b>20</b>	<b>56</b>	<b>81</b>	<b>57</b>	<b>(24)</b>	<b>250</b>
Less: Depreciation, amortisation, net revaluation deficit & impairment									(117)
Net finance expense									(25)
<b>Profit before tax</b>									<b>108</b>

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

<sup>2</sup> See Note 4 for details of other operating income and expense.

<sup>3</sup> EBITDA is earnings before interest, tax and, depreciation and amortisation.

## Notes to the consolidated financial statements (unaudited)

### 3. Operating segment information (continued)

#### Segmental assets and liabilities

	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
<b>At 31 December 2017</b>								
Hotel operating assets	613	320	496	232	21	670	181	2,533
REIT operating assets	-	-	-	207	598	117	194	1,116
Hotel operating liabilities	(29)	(39)	(13)	(36)	(23)	(68)	(10)	(218)
REIT operating liabilities	-	-	-	(8)	(8)	(3)	(6)	(25)
Investment in joint ventures and associates	-	-	-	-	-	152	-	152
<b>Total hotel operating net assets</b>	<b>584</b>	<b>281</b>	<b>483</b>	<b>395</b>	<b>588</b>	<b>868</b>	<b>359</b>	<b>3,558</b>
Property operating assets	-	36	-	-	84	176	92	388
Property operating liabilities	-	(1)	-	-	(2)	(3)	(2)	(8)
Investment in joint ventures and associates	-	-	-	31	-	141	-	172
<b>Total property operating net assets</b>	<b>-</b>	<b>35</b>	<b>-</b>	<b>31</b>	<b>82</b>	<b>314</b>	<b>90</b>	<b>552</b>
Deferred tax liabilities								(188)
Income taxes payable								(23)
Net cash								(650)
<b>Net assets</b>								<b>3,249</b>

	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
<b>At 31 December 2016</b>								
Hotel operating assets	674	365	502	235	21	691	187	2,675
REIT operating assets	-	-	-	61	606	139	195	1,001
Hotel operating liabilities	(33)	(47)	(14)	(34)	(21)	(69)	(11)	(229)
REIT operating liabilities	-	-	-	(2)	(9)	(2)	(8)	(21)
Investment in joint ventures and associates	-	-	-	-	-	159	-	159
<b>Total hotel operating net assets</b>	<b>641</b>	<b>318</b>	<b>488</b>	<b>260</b>	<b>597</b>	<b>918</b>	<b>363</b>	<b>3,585</b>
Property operating assets	-	43	-	-	85	176	94	398
Property operating liabilities	-	(1)	-	-	(5)	(3)	(3)	(12)
Investment in joint ventures and associates	-	-	-	20	-	141	-	161
<b>Total property operating net assets</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>20</b>	<b>80</b>	<b>314</b>	<b>91</b>	<b>547</b>
Deferred tax liabilities								(220)
Income taxes payable								(35)
Net cash								(707)
<b>Net assets</b>								<b>3,170</b>

## Notes to the consolidated financial statements (unaudited)

4. Other operating income and expense	Notes	2017 £m	2016 £m
Gain on insurance claim	(a)	-	2
Reversal of impairment of loan	(b)	12	-
Revaluation gain of investment properties	(c)	18	11
Revaluation deficit of investment properties	(c)	(9)	(31)
Impairment of assets	(d)	(38)	(24)

### (a) Gain on insurance claim

In May 2016, a settlement was reached with the insurers in relation to Millennium Hotel Christchurch which was one of the hotels affected by the 2011 New Zealand earthquake. A gain of £2m in respect of material damage claim relating to fixtures, fittings and equipment was recognised by the Group in 2016. The lease for this property has expired and this 2016 settlement was the last insurance claim relating to the Christchurch earthquake damage.

### (b) Reversal of impairment of loan

On 31 July 2017, the Group disposed of its 50% interest in Fena in exchange for a token sum and repayment of the shareholder loan, which had been impaired in earlier years. The Group re-instated the loan on its balance sheet with an income of £12m recognised in the income statement. This amount was settled during the year.

### (c) 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.

### (d) Impairment of assets

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 2017 was £38m (2016: £24m) consisting of £11m in New York, £6m in Rest of US, £4m in Rest of Europe and £13m in Rest of Asia. Also included is £4m of goodwill impaired in relation to the acquisition by CDLHT of The Lowry Hotel in Manchester in 2017.

## 5. Income tax expense

For the year ended 31 December 2017, the Group has an underlying tax charge of £5m (2016: £10m) excluding the tax relating to joint ventures and associates. Together with the release of a total of £17m provision in relation to exposures in Singapore that were finalised in 2017, the Group recorded a tax credit of £12m.

The effective tax rate relating to the tax charge of £5m before the release of provision is 4.2% (2016: 12.2%). The effective tax rate has been affected by a number of factors which include the following items:

- Other income and expense of the Group; and
- Reduced tax rates applied to brought forward net deferred tax liabilities in the US; and
- Tax adjustments in respect of previous years.

Excluding the impact of the items noted above, the Group's underlying effective tax rate is 9.2% (2016: 15.4%).

For the year ended 31 December 2017, a tax charge of £7m (2016: £3m) relating to joint ventures and associates is included in the profit before tax.

## Notes to the consolidated financial statements (unaudited)

### 6. Earnings per share

Earnings per share are calculated using the following information:

	<b>Fourth Quarter 2017</b>	Fourth Quarter 2016	<b>Full Year 2017</b>	Full Year 2016
<b>(a) Basic</b>				
Profit for the year attributable to holders of the parent (£m)	<b>32</b>	19	<b>124</b>	78
Weighted average number of shares in issue (m)	<b>325</b>	325	<b>325</b>	325
<b>Basic earnings per share (pence)</b>	<b>9.8p</b>	5.8p	<b>38.1p</b>	24.0p
<b>(b) Diluted</b>				
Profit for the year attributable to holders of the parent (£m)	<b>32</b>	19	<b>124</b>	78
Weighted average number of shares in issue (m)	<b>325</b>	325	<b>325</b>	325
Potentially dilutive share options under the Group's share option schemes (m)	-	-	-	-
Weighted average number of shares in issue (diluted) (m)	<b>325</b>	325	<b>325</b>	325
<b>Diluted earnings per share (pence)</b>	<b>9.8p</b>	5.8p	<b>38.1p</b>	24.0p

### 7. 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 plc and holds 65.2% (2016: 64.9%) of the Company's shares via CDL, the intermediate holding company of the Company. During the year ended 31 December 2017, 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 2017, £4m (2016: £4m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL and its other subsidiaries were £3m (2016: £2m) which included rentals paid for the Grand Shanghai restaurant and Kings Centre; property management fees for Tanglin Shopping Centre; charges for car parking, leasing commission and professional services.

There are no material transactions with joint ventures and associates.

## Notes to the consolidated financial statements (unaudited)

### 8. Financial commitments, contingencies and subsequent events

Capital commitments at 31 December 2017 which are contracted but not yet provided for in the financial statements amount to £70m (2016: £37m). 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.

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:

- 1) On 11 January 2018, CDLHT completed the divestment of two hotels in Australia, the Mercure Brisbane and Ibis Brisbane for A\$77m (£45m) to an independent third party.
- 2) On 11 January 2018, a partnership comprised of a subsidiary of FSGL together with subsidiaries of CDL and another substantial shareholder of FSGL acquired a 300-room hotel currently operated by a tenant as the “Le Meridien Frankfurt” situated in Frankfurt for €79m (£70m), excluding certain transaction related expenses.
- 3) On 1 February 2018, FSGL together with four other co-investors acquired all the issued shares of Hotelmaatschappij Rotterdam B.V which owns the 254-room Hilton Rotterdam Hotel in the Netherlands for €51m (£45m). Following the completion of the transaction, FSGL owns 24.7% interest in the target company.
- 4) On 1 February 2018, the Group acquired the 42-room The Waterfront Hotel in New Plymouth, New Zealand, for a purchase consideration of NZ\$11m (£6m).
- 5) On 7 February 2018, the Group has provided an irrevocable undertaking to take up its full entitlement of FSGL’s proposed rights issue of new perpetual convertible capital securities for a total cost of S\$58m (£32m) and a proportion of the excess rights not subscribed by other shareholders for a cost of up to S\$31m (£17m).

**APPENDIX 1: KEY OPERATING STATISTICS**  
for the year ended 31 December 2017

<b>Owned or leased hotels*</b>	<b>Year ended 2017 Reported currency</b>	<b>Year ended 2016 Constant currency</b>	<b>Year ended 2016 Reported currency</b>
<b>Occupancy (%)</b>			
New York	85.3		77.9
Regional US	60.0		58.6
<b>Total US</b>	<b>68.3</b>		<b>65.0</b>
London	83.0		81.9
Rest of Europe	70.5		72.2
<b>Total Europe</b>	<b>76.9</b>		<b>77.1</b>
Singapore	85.6		84.2
Rest of Asia	66.4		65.4
<b>Total Asia</b>	<b>73.9</b>		<b>72.7</b>
Australasia	81.2		81.3
<b>Total Group</b>	<b>73.5</b>		<b>71.8</b>
<b>Average Room Rate (£)</b>			
New York	193.18	196.33	186.85
Regional US	103.23	103.11	98.12
<b>Total US</b>	<b>140.23</b>	<b>139.94</b>	<b>133.18</b>
London	132.47	130.83	130.83
Rest of Europe	76.16	74.55	72.86
<b>Total Europe</b>	<b>107.15</b>	<b>104.83</b>	<b>104.04</b>
Singapore	97.91	100.41	95.22
Rest of Asia	96.93	99.43	92.66
<b>Total Asia</b>	<b>97.37</b>	<b>99.87</b>	<b>93.81</b>
Australasia	90.01	77.31	71.84
<b>Total Group</b>	<b>112.68</b>	<b>111.63</b>	<b>106.78</b>
<b>RevPAR (£)</b>			
New York	164.84	153.03	145.64
Regional US	61.90	60.41	57.49
<b>Total US</b>	<b>95.79</b>	<b>90.91</b>	<b>86.52</b>
London	109.98	107.18	107.18
Rest of Europe	53.66	53.83	52.61
<b>Total Europe</b>	<b>82.35</b>	<b>80.85</b>	<b>80.24</b>
Singapore	83.83	84.58	80.21
Rest of Asia	64.39	65.05	60.63
<b>Total Asia</b>	<b>71.91</b>	<b>72.61</b>	<b>68.21</b>
Australasia	73.06	62.84	58.40
<b>Total Group</b>	<b>82.78</b>	<b>80.19</b>	<b>76.71</b>
<b>Gross Operating Profit Margin (%)</b>			
New York	15.1		15.9
Regional US	21.2		20.9
<b>Total US</b>	<b>18.0</b>		<b>18.4</b>
London	49.5		49.8
Rest of Europe	22.2		19.1
<b>Total Europe</b>	<b>39.6</b>		<b>37.8</b>
Singapore	40.5		40.8
Rest of Asia	34.1		34.0
<b>Total Asia</b>	<b>36.9</b>		<b>37.0</b>
Australasia	49.1		46.5
<b>Total Group</b>	<b>32.2</b>		<b>31.6</b>

For comparability, the 31 December 2016 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 31 December 2017.

\* excluding managed, franchised and investment hotels.

**APPENDIX 2: KEY OPERATING STATISTICS**  
for the quarter ended 31 December 2017

<b>Owned or leased hotels*</b>	<b>Fourth Quarter 2017 Reported Currency</b>	Fourth Quarter 2016 Constant currency	Fourth Quarter 2016 Reported currency
<b>Occupancy (%)</b>			
New York	<b>89.3</b>		87.2
Regional US	<b>51.3</b>		51.1
<b>Total US</b>	<b>63.8</b>		63.0
London	<b>79.3</b>		84.3
Rest of Europe	<b>67.9</b>		70.3
<b>Total Europe</b>	<b>73.8</b>		77.4
Singapore	<b>82.2</b>		82.4
Rest of Asia	<b>71.7</b>		69.3
<b>Total Asia</b>	<b>75.8</b>		74.4
Australasia	<b>83.2</b>		85.7
<b>Total Group</b>	<b>72.1</b>		72.3
<b>Average Room Rate (£)</b>			
New York	<b>212.70</b>	212.70	219.35
Regional US	<b>98.12</b>	96.50	104.87
<b>Total US</b>	<b>150.94</b>	149.47	157.06
London	<b>135.80</b>	133.84	133.84
Rest of Europe	<b>77.37</b>	75.13	74.54
<b>Total Europe</b>	<b>109.58</b>	107.51	107.25
Singapore	<b>98.93</b>	97.94	99.50
Rest of Asia	<b>99.19</b>	99.06	99.30
<b>Total Asia</b>	<b>99.08</b>	98.58	99.38
Australasia	<b>91.67</b>	84.84	86.15
<b>Total Group</b>	<b>116.39</b>	114.55	117.20
<b>RevPAR (£)</b>			
New York	<b>189.99</b>	185.44	191.24
Regional US	<b>50.31</b>	49.30	53.58
<b>Total US</b>	<b>96.30</b>	94.13	98.90
London	<b>107.73</b>	112.82	112.82
Rest of Europe	<b>52.53</b>	52.83	52.42
<b>Total Europe</b>	<b>80.82</b>	83.21	83.00
Singapore	<b>81.35</b>	80.74	82.03
Rest of Asia	<b>71.16</b>	68.65	68.81
<b>Total Asia</b>	<b>75.10</b>	73.33	73.93
Australasia	<b>76.27</b>	72.75	73.87
<b>Total Group</b>	<b>83.88</b>	82.87	84.79
<b>Gross Operating Profit Margin (%)</b>			
New York	<b>21.0</b>		24.2
Regional US	<b>14.3</b>		15.7
<b>Total US</b>	<b>18.3</b>		20.6
London	<b>48.9</b>		47.7
Rest of Europe	<b>21.5</b>		8.4
<b>Total Europe</b>	<b>38.9</b>		32.4
Singapore	<b>40.1</b>		40.2
Rest of Asia	<b>37.2</b>		36.8
<b>Total Asia</b>	<b>38.5</b>		38.2
Australasia	<b>50.7</b>		52.5
<b>Total Group</b>	<b>33.1</b>		32.2

For comparability, the 31 December 2016 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 31 December 2017.

\* excluding managed, franchised and investment hotels.

**APPENDIX 3: HOTEL ROOM COUNT AND PIPELINE**  
as at 31 December 2017

Hotel and room count	Hotels			Rooms		
	31 December 2017	31 December 2016	Change	31 December 2017	31 December 2016	Change
<b>Analysed by region:</b>						
New York	4	4	-	2,238	2,238	-
Regional US	15	15	-	4,559	4,559	-
London	8	8	-	2,649	2,651	(2)
Rest of Europe	21	19	2	3,528	3,081	447
Middle East	31	26	5	10,346	7,805	2,541
Singapore	7	7	-	3,011	3,011	-
Rest of Asia	25	27	(2)	9,240	10,036	(796)
Australasia	25	25	-	3,831	3,641	190
<b>Total</b>	<b>136</b>	<b>131</b>	<b>5</b>	<b>39,402</b>	<b>37,022</b>	<b>2,380</b>

<b>Analysed by ownership type:</b>						
Owned or Leased	66	66	-	19,672	19,534	138
Managed	15	42	(27)	4,098	11,924	(7,826)
Franchised	38	7	31	10,982	1,091	9,891
Investment	17	16	1	4,650	4,473	177
<b>Total</b>	<b>136</b>	<b>131</b>	<b>5</b>	<b>39,402</b>	<b>37,022</b>	<b>2,380</b>

<b>Analysed by brand:</b>						
Grand Millennium	9	9	-	3,734	3,732	2
Millennium	52	49	3	17,415	15,960	1,455
Copthorne	33	35	(2)	6,469	6,944	(475)
Kingsgate	7	7	-	671	671	-
Other M&C	15	12	3	4,838	3,617	1,221
Third Party	20	19	1	6,275	6,098	177
<b>Total</b>	<b>136</b>	<b>131</b>	<b>5</b>	<b>39,402</b>	<b>37,022</b>	<b>2,380</b>

Pipeline	Hotels			Rooms		
	31 December 2017	31 December 2016	Change	31 December 2017	31 December 2016	Change
<b>Analysed by region:</b>						
Middle East	10	17	(7)	3,239	5,465	(2,226)
Asia	4	4	-	1,594	1,608	(14)
Regional US	1	1	-	263	263	-
Rest of Europe	1	1	-	184	153	31
Australasia	1	-	1	42	-	42
<b>Total</b>	<b>17</b>	<b>23</b>	<b>(6)</b>	<b>5,322</b>	<b>7,489</b>	<b>(2,167)</b>

<b>Analysed by ownership type:</b>						
Managed	3	21	(18)	1,052	6,684	(5,632)
Franchised	11	-	11	3,423	-	3,423
Owned	3	2	1	847	805	42
<b>Total</b>	<b>17</b>	<b>23</b>	<b>(6)</b>	<b>5,322</b>	<b>7,489</b>	<b>(2,167)</b>

<b>Analysed by brand:</b>						
Grand Millennium	1	2	(1)	251	847	(596)
Millennium	9	11	(2)	2,789	3,079	(290)
Copthorne	2	2	-	666	666	-
Kingsgate	-	2	(2)	-	559	(559)
Other M&C	5	6	(1)	1,616	2,338	(722)
<b>Total</b>	<b>17</b>	<b>23</b>	<b>(6)</b>	<b>5,322</b>	<b>7,489</b>	<b>(2,167)</b>