Registered number: 2845022

CDL Hotels (Chelsea) Limited

Unaudited

Annual report and financial statements

For the Year Ended 31 December 2019

CDL Hotels (Chelsea) Limited

Company Information

Directors	Copthorne Hotels Limited Kwek Leng Beng J M Grech
Company secretary	Copthorne Hotels Limited
Registered number	2845022
Registered office	Corporate Headquarters Scarsdale Place Kensington London W8 5SY

CDL Hotels (Chelsea) Limited

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Strategic report
For the Year Ended 31 December 2019

Business review

CDL Hotels (Chelsea) Limited ('the Company') is an indirect subsidiary of Millennium & Copthorne Hotels Limited. The Directors consider the ultimate holding and controlling company to be Hong Leong Investment Holdings Pte Ltd.

Turnover for the year was £15,490,000 (2018: £15,017,000) and the profit on ordinary activities before taxation for the year was £5,313,000 (2018: profit before taxation £4,934,000).

The profit for the year after taxation amounted to £4,283,000 (2018: profit after taxation £3,846,000).

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks which impacts the recoverable amount of the Company's assets.

The key business risks and uncertainties affecting the Company are considered to relate to the competition from hotels in London. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Millennium & Copthorne Hotels Limited group ('the Group') and are not separately managed. Further discussion of these risks and uncertainties, and others including the impact of the COVID-19 pandemic, in context of the Millennium & Copthorne Hotels Limited group ('the Group') as a whole, is provided on pages 11 to 16 of the Group's annual report for the year ended 31 December 2019 which does not form part of this report.

Financial key performance indicators

The Group manage its operations on a geographical basis and the Company's results are included in the 'Rest of Europe' geographical segment of the Group's consolidated annual report and accounts.

The key performance indicators ('KPIs') and the performance review of the 'Rest of Europe' geographical segment of the Group, which includes the Company, is discussed on page 9 of the Group's annual report for the year ended 31 December 2019 which does not form part of this report.

In addition to the KPIs analysed on a geographical basis the Directors measure four main KPIs specific to the Company in their evaluation of the performance of the Company. These are set out in the table below:

	2019	2018
RevPAR	£163.11	£159.68
Average Room Rate	£203.40	£188.81
Occupancy %	80.2%	84.6%
Gross Profit	£10.7m	£10.2m

Method of calculating KPIs
RevPAR is occupancy multiplied by average room rate.
Average room rate is room revenue divided by rooms sold.
Occupancy % is rooms sold divided by rooms available.

This report was approved by the board on 7 December 2020 and signed on its behalf.

J M Grech
Director

Directors' report
For the Year Ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activities of the Company are the ownership and operation of the Millennium Hotel London Knightsbridge.

Results and dividends

The profit for the year, after taxation, amounted to £4,283,000 *(2018 - profit of £3,846,000)*.

A total interim dividend was paid during the year of £6,000,000 (2018: £3,000,000). No final dividend is proposed (2018: £Nil).

Directors

The Directors who served during the year were:

Copthorne Hotels Limited
Kwek Leng Beng
J M Grech

Going concern

The Directors consider that the Company has access to sufficient funding to meet its needs for the reasons set out in Note 1 to the financial statements. Accordingly, the Directors have prepared the financial statements on a going concern basis.

Post balance sheet events

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 Company's revenue and profit due to quarantines, social distancing measures and travel restrictions implemented in various jurisdictions. More information has been provided in the Group's annual report Business Review on page 8 and Strategic Report on page 12 which do not form part of this report.

This report was approved by the board on 7 December 2020 and signed on its behalf.

J M Grech
Director

Directors' responsibilities statement
For the Year Ended 31 December 2019

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of comprehensive income
For the Year Ended 31 December 2019

	Note	2019 £000	*2018 £000*
Turnover	3	**15,503**	*15,020*
Cost of sales		**(4,749)**	*(4,848)*
Gross profit		**10,754**	*10,172*
Administrative expenses		**(5,171)**	*(5,238)*
Other operating expenses	4	**(23)**	-
Operating profit	4	**5,560**	*4,934*
Interest payable and similar expenses	6	**(247)**	-
Profit before tax		**5,313**	*4,934*
Tax on profit	7	**(1,030)**	*(1,088)*
Profit for the financial year		**4,283**	*3,846*
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Deferred tax on share-based payment		**-**	*(2)*
Total comprehensive income for the year		**4,283**	*3,844*

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 7 to 25 form part of these financial statements.

Statement of financial position
As at 31 December 2019

	Note		2019 £000		2018 £000
Non current assets					
Tangible assets	10		**31,953**		*25,191*
Deferred Taxation	16		**435**		*433*
			32,388		*25,624*
Current assets					
Stocks		**32**		*39*	
Debtors: amounts falling due within one year	11	**543**		*508*	
Cash at bank and in hand	12	**395**		*1,146*	
		970		*1,693*	
Creditors: amounts falling due within one year	13	**(5,748)**		*(5,053)*	
Net current liabilities			**(4,778)**		*(3,360)*
Creditors: amounts falling due after more than one year	14		**(7,063)**		-
Net assets			**20,547**		*22,264*
Capital and reserves					
Called up share capital	17		**7,053**		*7,053*
Profit and loss account			**13,494**		*15,211*
			20,547		*22,264*

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The Company was entitled to exemption from the requirement to have an audit under section 479A of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 December 2020.

J M Grech
Director

Statement of changes in equity
For the Year Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2019	7,053	15,211	22,264
Comprehensive income for the year			
Profit for the year	-	4,283	4,283
Total comprehensive income for the year	-	4,283	4,283
Dividends paid during the year	-	(6,000)	(6,000)
At 31 December 2019	7,053	13,494	20,547

Statement of changes in equity
For the Year Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	7,053	14,356	21,409
Comprehensive income for the year			
Profit for the year	-	3,846	3,846
Deferred tax on share-based payments	-	(2)	(2)
Other comprehensive income for the year	-	(2)	(2)
Total comprehensive income for the year	-	3,844	3,844
Dividends paid during the year	-	(3,000)	(3,000)
Equity-settled share based payments	-	11	11
At 31 December 2018	7,053	15,211	22,264

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

1. Accounting policies (continued)

1.3 Going concern

The financial statements have been prepared on the going concern basis. The Company is dependent for its working capital on funds provided to it indirectly by Millennium & Copthorne Hotels Limited, the smallest group in which the results of the Company are consolidated.

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.

Millennium & Copthorne Hotels Limited has indicated to the Company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.4 Impact of new international reporting standards, amendments and interpretations

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, and therefore the Company, 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 1.6.

1.5 Revenue

Revenue represents amounts derived in the United Kingdom from the ownership and operation of the hotel.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

1. Accounting policies (continued)

1.6 Operating leases: the Company as lessee

Effective 1 January 2019, the Group, and therefore the Company, 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 19.

At the commencement of a lease, the Company 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 Company 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 Company 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 Company'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 Company 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 Company 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

1.7 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1. Accounting policies (continued)

1.8 Share based payments

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

The cost of equity-settled transaction 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 method, further details of which are given in Note 8.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

1. Accounting policies (continued)

1.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

1. Accounting policies (continued)

1.10 *Tangible fixed assets (continued)*

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	-
Building core	- 50 years or lease term if shorter
Building surface, finishes and services	- 30 years or lease term if shorter
Plant & machinery	- 20 years
Motor vehicles	- 4 years
Fixtures & fittings	- 10 years
Office equipment	- 10 years
Computer equipment	- 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Capital expenditure on major projects is recorded separately within fixed assets as capital work in progress. Once the project is completed the balance is transferred to the appropriate fixed asset categories. Capital work in progress is not depreciated.

Where applicable borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

Reversal of impairment

Where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1. Accounting policies (continued)

1.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

1.14 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

1. Accounting policies (continued)

1.14 Financial instruments (continued)

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

1.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires the Company 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 Company 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.

Key estimates and judgements have been made in the following area:

Asset carrying values

Management performs an assessment at each balance sheet date of assets where risk of impairment has been identified. Key judgement areas include the carrying values of property, plant and equipment. The recovery of these assets is dependent on future cash flows receivable and the provision of future services or goods by third parties.

Where risk of impairment has been identified an impairment review has been performed and where appropriate, external evaluations have been undertaken.

3. Turnover

	2019 £000	*2018 £000*
United Kingdom	15,503	*15,020*
	15,503	*15,020*

4. Operating profit

The operating profit is stated after charging:

	2019 £000	*2018 £000*
Depreciation of tangible fixed assets	265	*258*
Depreciation of right-of-use asset	98	-
Write off of fixed assets	23	-

5. Employees

Staff costs were as follows:

	2019 £000	*2018 £000*
Wages and salaries	3,004	*2,929*
Social security costs	241	*230*
Other staff costs	60	*40*
	3,305	*3,199*

The average monthly number of employees, including the Directors, during the year was as follows:

	2019 No.	*2018 No.*
Operational staff	97	*89*
Administration staff	7	*7*
Maintenance staff	8	*7*
Sales staff	2	*2*
	114	*105*

6. Interest payable and similar expenses

	2019 £000	*2018 £000*
Interest expense recognised under IFRS 16 'Leases'	247	-
	247	-

7. Taxation

	2019 £000	*2018 £000*
Corporation tax		
Current tax on profits for the year	1,011	*955*
Adjustments in respect of previous periods	21	*(5)*
Total current tax	1,032	*950*
Deferred tax		
Origination and reversal of timing differences	(2)	*(5)*
Changes to tax rates	-	*143*
Total deferred tax	(2)	*138*
Taxation on profit on ordinary activities	1,030	*1,088*

7. Taxation (continued)

The tax assessed for the year is higher than *(2018 - higher than)* the standard rate of corporation tax in the UK of 19.00% *(2018 - 19.00%)*. The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	**5,313**	*4,934*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	**1,009**	*937*
Effects of:		
Impact of change in tax rates	**-**	*143*
Timing difference relating to fixed assets	**1**	*-*
Permanent differences	**-**	*13*
Tax relating to prior years	**20**	*(5)*
Total tax charge for the year	**1,030**	*1,088*

Factors that may affect future tax charges

The headline rate of UK corporation tax effective from 1 April 2017 is 19% (reduced from 20%) and will continue through to years starting on 1 April 2021.

8. Dividends

	2019 £000	2018 £000
Dividends paid during the year	**6,000**	*3,000*
	6,000	*3,000*

9. Share based payments

Subsequent to the Delisting of Millennium & Copthorne Hotels plc (now known as Millennium & Copthorne Hotels Limited) from the London Stock Exchange on 11 October 2019, 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. Any grants made during 2019 (if applicable) were before the Delisting took place, refer to page 23 of the Group's annual report, which does not form part of this report, for more detail and the impact this had on the share option schemes.

The Group previously operated a number of share option schemes. The Company applied IFRS 2 to its active employee share-based payment arrangements. In accordance with the Company's accounting policy in Note 1 on share-based payment transactions, the fair value of share options are 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.

There was no charge to the income statement in the current year (2018: charge of £11,410).

(i) Millennium & Copthorne Hotels plc 2006 and 2016 Sharesave Schemes

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

There were no options outstanding at year end and therefore no weighted average contractual life (2018: 1.97 years).

Date of grant	Options outstanding 1 Jan 2019	Granted during the year	Forfeited during the year	Exercised during the year
06.05.2014	**269**	**-**	**(269)**	**-**
14.04.2015	**3,198**	**-**	**(427)**	**(2,771)**
12.04.2016	**14,396**	**-**	**-**	**(14,396)**
11.04.2017	**6,440**	**-**	**(2,195)**	**(4,245)**
05.06.2018	**10,648**	**-**	**(8,265)**	**(2,383)**
09.04.2019	**-**	**21,984**	**(19,544)**	**(2,440)**
Total	**34,951**	**21,984**	**(30,700)**	**(26,235)**

Measurement of fair value

The Sharesave awards were valued using the Black Scholes valuation method.
The options pricing model involves six variables, as detailed below:

	2019 3 year scheme	2019 5 year scheme
Fair value at measurement date	£1.11	£1.28
Variables:		
Exercise price	£3.75	£3.75
Share price at grant	£4.44	£4.44
Expected term (years)	3.31	5.31
Expected volatility of share price	26.0%	26.0%
Risk free interest rate	0.72%	0.82%
Expected dividend yield	0.95%	0.95%

	2018 3 year scheme	2018 5 year scheme
Fair value at measurement date	£1.35	£1.54
Variables:		
Exercise price	£4.36	£4.36
Share price at grant	£5.32	£5.32
Expected term (years)	3.16	5.16
Expected volatility of share price	26.0%	26.0%
Risk free interest rate	0.75%	0.97%
Expected dividend yield	1.22%	1.22%

(ii) Annual Bonus Plan ("ABP")

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

1. 2015 awards, at the end of three years; and
2. 2016, 2017 and 2018 awards, 25% after years one and two and 50% after three years.

The fair values for the deferred share awards were determined using the market price of the shares at the date of grant.

There are no options outstanding at the end of the year.

10. Tangible fixed assets

	L/term leasehold property £000	Plant & machinery £000	Fixtures & fittings £000	Capital work in progress £000	Right-of-use asset* £000	Total £000
Cost or valuation						
At 1 January 2019	24,803	4,084	1,976	1,277	-	32,140
Additions	-	-	48	-	7,100	7,148
Disposals	-	(11)	(13)	-	-	(24)
Transfers between classes	-	402	146	(548)	-	-
At 31 December 2019	24,803	4,475	2,157	729	7,100	39,264
Depreciation						
At 1 January 2019	1,671	3,682	1,596	-	-	6,949
Charge for the year on owned assets	98	60	107	-	98	363
Disposals	-	-	(1)	-	-	(1)
At 31 December 2019	1,769	3,742	1,702	-	98	7,311
Net book value						
At 31 December 2019	23,034	733	455	729	7,002	31,953
At 31 December 2018	*23,132*	*402*	*380*	*1,277*	*-*	*25,191*

*The right-of-use asset addition represents the initial adoption of IFRS 16 'Leases' on 1 January 2019. Refer to Note 19 for further information.

11. Debtors: Amounts falling due within one year

	2019 £000	2018 £000
Other debtors	211	151
Prepayments and accrued income	332	357
	543	508

In the current and prior year, the Company's debtors are principally accounted for within the central sales ledger of Copthorne Hotels Limited, a Group company, and therefore included within the amount owed by Group undertaking.

12. *Cash and cash equivalents*

	2019 £000	2018 £000
Cash at bank and in hand	395	1,146
	395	1,146

13. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Amounts owed to group undertakings	437	1,834
Corporation tax	3,612	1,625
Other creditors*	1,125	965
Accruals and deferred income	574	629
	5,748	5,053

In the current and prior year, the Company's creditors are principally accounted for within the central purchase ledger of Copthorne Hotels Limited, a Group company, and therefore included within the amount due to Group undertaking.

*Other creditors includes £19k (2018: £Nil) current portion of the lease liability recognised under IFRS 16 'Leases'.

14. Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Lease liability recognised under IFRS 16 'Leases'	7,063	-
	7,063	-

15. Financial instruments

	2019 £000	2018 £000
Financial assets		
Financial assets measured at fair value through profit or loss	395	1,146
Financial liabilities		
Financial liabilities measured at amortised cost	(437)	(1,834)

Financial Liabilities measured at amortised cost comprise amounts owed to group undertakings.

16. Deferred taxation

	2019 £000	2018 £000
At beginning of year	433	573
Credited/(Charged) to profit or loss	2	(138)
Charged to other comprehensive income	-	(2)
At end of year	435	433

16. Deferred taxation (continued)

The deferred tax balance is made up as follows:

	2019 £000	*2018 £000*
Accelerated capital allowances	**438**	*426*
Other timing differences	**3**	*4*
Share-based incentive schemes	**(6)**	*3*
	435	*433*

17. Share capital

	2019 £000	*2018 £000*
Allotted, called up and fully paid		
7,053,351 *(2018 - 7,053,353)* ordinary shares of £1.00 each	**7,053**	*7,053*

18. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	*2018 £000*
Not later than 1 year	**13**	*14*
Later than 1 year and not later than 5 years	**2**	*13*
	15	*27*

From 1 January 2019, the Company has recognised right-of-use assets for the above leases, except for short term and low value leases. Refer to Note 19 for further information.

19. Adoption of IFRS 16 'Leases'

The Company adopted IFRS 16 with an initial application date of 1 January 2019. The Company applied the modified retrospective approach and comparative information has not been presented. Exemptions were used for short term leases (less than 12 months) and low value assets (£5,000 or less).

The impact of the adoption is detailed below, the lease being the 'ground rent' of the hotel property.

	2019 £000	*2018* *£000*
Amounts recognised in the income statement		
Depreciation	98	-
Interest on lease liabilities	247	-
Total	345	-

	2019 £000	*2018* *£000*
Right-of-use asset (Land lease)		
Initial adoption of IFRS 16 on 1 January 2019	7,100	-
Depreciation	(98)	-
Carrying amount at 31 December 2019	7,002	-

	2019 £000	*2018* *£000*
Lease Liability		
Current	19	-
Non current	7,063	-
Total	7,082	-

The Company's lease liability was determined by discounting the relevant lease payments at the Group's incremental borrowing rate of 3.5% taking into account similar properties in the United Kingdom.

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:

	2019 £000	*2018 £000*
Operating lease commitment at 31 December 2018	**27**	-
Contracts reassessed as lease agreements	**20,277**	-
Recognition exemption for leases of low-value assets	**(27)**	-
Discounted at Group's incremental borrowing rate at 1 January 2019	**(13,177)**	-
Lease liability recognised at 1 January 2019	7,100	-

20. Controlling party

The Directors consider the ultimate holding and controlling company to be Hong Leong Investment Holdings Pte Ltd incorporated in the Republic of Singapore. The accounts of the ultimate holding company, which heads the largest group in which the results of the Company are consolidated, are available to the public at The Accounting and Corporate Regulatory Authority, 10 Anson Road # 05 01/15, International Plaza, Singapore 079903.

The immediate holding and controlling company is Millennium Hotels London Limited, a company registered in England and Wales. The smallest group in which the results of the Company are consolidated is headed by Millennium & Copthorne Hotels Limited, a company registered in England and Wales.