For Immediate Release **15 February 2019**

MILLENNIUM & COPTHORNE HOTELS PLC
PRELIMINARY RESULTS ANNOUNCEMENT
Full year and fourth quarter results to 31 December 2018

Highlights for the full year 2018:

	Full year 2018	**Reported Currency**			**Constant Currency**		
		Full year 2017	Change		Full year 2017	Change	
RevPAR	**£81.57**	£82.78	£(1.21)	(1.5)%	£80.97	£0.60	0.7%
Revenue - total	**£997m**	£1,008m	£(11)m	(1.1)%	£987m	£10m	1.0%
Revenue - hotel	**£867m**	£880m	£(13)m	(1.5)%	£862m	£5m	0.6%
Profit before tax	**£106m**	£147m	£(41)m	(27.9)%	£144m	£(38)m	(26.4)%
Basic EPS	**13.1p**	38.1p	(25.0)p	(65.6)%			
Ordinary dividends	**4.23p**	6.50p	(2.27)p	(34.9)%			

Highlights for the 4th quarter 2018:

	Q4 2018	**Reported Currency**			**Constant Currency**		
		Q4 2017	Change		Q4 2017	Change	
RevPAR	**£88.49**	£83.88	£4.61	5.5%	£85.15	£3.34	3.9%
Revenue - total	**£267m**	£260m	£7m	2.7%	£264m	£3m	1.1%
Revenue - hotel	**£240m**	£231m	£9m	3.9%	£234m	£6m	2.6%
Profit before tax	**£7m**	£29m	£(22)m	(75.9)%	£30m	£(23)m	(76.7)%
Basic EPS	**(1.7)p**	9.8p	(11.5)p	(117.3)%			

** Like-for-like comparisons exclude the impact of acquisitions, closures and refurbishments; and they are stated in constant currency terms.*

- In constant currency, Group RevPAR for 2018 increased by 0.7% to £81.57 (2017: £80.97). In reported currency, it decreased by 1.5% reflecting a stronger pound sterling against the Group's main trading currencies.
- Like-for-like* Group RevPAR for 2018 increased by 2.4%. Like-for-like comparison excludes the Mayfair hotel which was impacted by its closure in July 2018, the Millennium New Plymouth New Zealand which was acquired in February 2018, and M Social Auckland which was re-opened in October 2017.
- In constant currency, hotel revenue for 2018 increased slightly by 0.6%. Reported hotel revenue was down by £13m or 1.5%, reflecting the stronger pound.
- In constant currency, total revenue for the year increased by £10m or 1.0%. Reported total revenue for 2018 fell by £11m or 1.1% to £997m (2017: £1,008m).
- Pre-tax profit for 2018 decreased by £41m to £106m (2017: £147m) and included net valuation and impairment charges of £36m (2017: £29m); and higher operating costs. After removing the effects of impairment losses and net revaluation gains, the Group's reported profit before tax was £142m (2017: £176m). In 2017, the Group recognised £12m credit from the reversal of an earlier shareholder's loan impairment.
- During 2018, the closure of the Mayfair hotel resulted in the reduction of the Group's revenue and operating profit of £20m and £12m respectively.
- In Q4 2018, Group RevPAR grew by 3.9% in constant currency. Like-for-like* Group RevPAR increased by 5.0%.
- For the first 28 days of January 2019, Group RevPAR in constant currency was up by 1.2%.
- The Board recommends a final ordinary dividend of 2.15p per share (2017: 4.42p per share), giving a total ordinary dividend for the year of 4.23p per share (2017: 6.50p per share).

Mr Kwek Leng Beng, Chairman commented:

"The hospitality industry faced a range of geo-political and global economic headwinds in 2018, many of which look set to continue in the current year, including US/China trade relations, Brexit and increasing minimum wage levels in many jurisdictions.

The Board's priority is to evaluate and develop new and innovative strategic plans to meet the challenges facing our fast-changing operating environment. The shortage of talent—from rank and file to senior management—is intensifying with many new hotels being built around the world, not to mention the growth of Airbnb and serviced apartments. Any hospitality business that wants to progress will need to evolve and embrace these changes to stay relevant and profitable in the immediate and medium term. Restoring profitability in our New York hotels also remains at the top of the Board's objectives.

Meanwhile, we continue to invest in and reposition our hotels. We look forward to our Mayfair hotel being rebranded and opened as The Biltmore, Mayfair in the second quarter of this year. This is the first opening under Hilton's new LXR Hotels & Resorts collection in Europe. This also will mark the Group's debut in the London five-star deluxe market and it is our aim to fast track our lost earnings growth at this hotel after it re-opens.

2019 will be another challenging year for the Group, with significant capital projects underway and several large hotels earmarked for major renovations. These investments will be carefully managed and phased to deliver the right returns to shareholders and underline the Group's intention to maintain strict control of costs throughout the business."

Enquiries
Millennium & Copthorne Hotels plc Tel: +44 (0) 20 78722444
Tan Kian Seng, Interim Group Chief Executive Officer
Kok-Kee Chong, Chief Financial Officer
Jonathon Grech, Group General Counsel and Company Secretary
David Allchurch, Tulchan Communications LLP Tel: +44 (0) 20 73534200

BUSINESS REVIEW

During 2018, the Group continued to make progress in its hotel refurbishment programme including the Mayfair hotel in London, the Orchard Hotel in Singapore and smaller scale refurbishment work in other properties to improve its product offerings and maintain competitiveness.

The refurbishment work of the Mayfair hotel in London started during the fourth quarter of 2017 on a phased basis with partial closures of guest rooms. The property was then fully closed in July 2018 to facilitate on-going refurbishment work and re-position it as the Group's luxury flagship hotel when it re-opens in Q2 this year. Total cost is estimated to be around £50m.

The Mayfair hotel has been one of the Group's biggest revenue and profit contributors. The closure of the hotel resulted in an estimated £20m reduction in revenue and £12m reduction in operating profit during the financial year ended 31 December 2018 with the Group continuing to incur certain fixed costs such as payroll and property related expenditure at the hotel.

In Singapore, refurbishment work on the Orchard Hotel commenced in Q4 2018 and is expected to complete by Q2 this year. This upgrading of the property is estimated to cost around S$20m (£11m). The hotel will remain operational during the refurbishment period with phased room closures that are not expected to have a material revenue impact.

Concerns about Brexit have affected the Group's UK hotels especially in London, where the hotels started to face difficulties in recruiting EU workers which currently comprise more than half of the London workforce. The minimum wage increase that came into force in 2018 has further added pressures to the Group's increasing labour costs.

The Group's New York hotels generated £159m during 2018 which is about 18% of total hotel revenue. However, the region remained loss-making due to its inflexible operating cost structure arising mainly from the employment of trade union staff.

By comparison, the Group's hotels in New Zealand generated £85m of revenue with an operating profit of £36m. This region continued to benefit from the high visitor numbers to the country, as well as the re-opening of M Social Auckland in the last quarter of 2017 and the acquisition of Millennium New Plymouth in February 2018.

The European and Asian regions contributed £177m and £307m of hotel revenue respectively in 2018 or 55% of the Group's hotel revenue. The combined operating profit from these two regions in 2018 was £99m or 77% of the Group's total hotel operating profit.

Reported total revenue for the year decreased by £11m or 1.1% to £997m (2017: £1,008m). Reported hotel revenue fell by £13m or 1.5% to £867m (2017: £880m).

REIT revenue fell by £1m or 1.5% to £65m (2017: £66m). Property revenue of £65m was higher by £3m or 4.8% (2017: £62m).

Hotel operations

In constant currency, hotel revenue increased by £5m or 0.6%. Reported hotel revenue in 2018 fell by £13m with the impact from a stronger pound sterling against the Group's main trading currencies. The increase of £5m in hotel revenue in 2018 was due principally to higher contributions from Millennium Hilton New York UN Plaza and M Social Auckland in New Zealand; offset partially by the loss of revenues from the closure of the Mayfair hotel in London.

Group RevPAR increased by 0.7% in constant currency. Hotel gross operating margin was lower at 30.5% (2017: 32.2%).

Developments

The Sunnyvale California project comprises the construction of a 263-room hotel and a 250-unit residential apartment block on 35,717m^2 mixed use freehold landsite. The ground-breaking ceremony was held on 16 October 2018 and the project is scheduled to complete in Q1 2021. The construction cost is estimated at US$180m (£142m). The hotel will be built first and the plan is to brand it as M Social to fit with the expected guest profile. The Group hopes to capitalise from the location of this project as Sunnyvale is the headquarters of many technology companies and is part of California's high-tech area of Silicon Valley.

In South Korea, the Group plans to construct a 300-room hotel and a 250-unit serviced apartment complex on Yangdong development land, situated adjacent to Millennium Seoul Hilton. It will take about three years to complete from the expected commencement date in the middle of 2020. Architecture and engineering designs are being amended with the exact construction cost dependent on the final agreed design but anticipated to be in the region of KRW130b (£91m).

Hotel refurbishments

As noted above, on-going refurbishment work at the Mayfair hotel in London, which started in November 2017, is on track to complete in Q2 2019.The hotel will be re-opened as a 5-star deluxe property as LXR Hotels & Resorts' first UK property, following an agreement between Hilton and the Group.

The hotel is situated in a prime Mayfair location on Grosvenor Square and will be renamed "The Biltmore, Mayfair – LXR Hotels & Resorts". The hotel is designed by Goddard Littlefair and will have 257 luxurious guest rooms plus 51 designer's suites. The hotel will have a large 500 sqm ballroom with capacity of up to 700 guests, and several other smaller function rooms. Current work also includes the provision of new restaurants, an all-year round an alfresco terrace, a cocktail bar and a large gymtech fitness suite.

Refurbishment work is also progressing well in the Orchard Hotel in Singapore. The first phase including refurbishment of the lobby and food & beverage outlets was completed at the end of last year. Refurbishment is being undertaken on a phased basis. Work has recently started on guest rooms, the ballroom and meeting spaces and is expected to complete in the middle of this year.

Acquisitions

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

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

Disposals

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.

As previously reported, in December 2013 the Group entered into various commercial arrangements with Birmingham City Council and the developer of Birmingham's Paradise Circus redevelopment scheme, now known as Paradise Birmingham, as a result of a compulsory purchase order by Birmingham City Council that covered the Copthorne Hotel Birmingham and other properties in its vicinity. Those arrangements include options that provide for the sale of the existing hotel to the developer as well as the Group's acquisition of an alternate site in the scheme for the development of a new 250-room hotel. In December 2018, the Group exercised its option to acquire that alternative site and continues to engage with the developer regarding the project.

With regard to the compulsory purchase order impacting the Millennium Hotel Glasgow, pursuant to which Network Rail Infrastructure Limited ("Network Rail") acquired and demolished the 1970s-built, 51-room extension of the hotel as part of the redevelopment of Queen Street Station, negotiations are ongoing with Network Rail regarding the level of compensation payable to the Group in connection with the taking. If the parties are unable to agree a value, the matter will be settled at the Lands Tribunal. Meanwhile, the Group continues to consider its options with respect to the refurbishment and repositioning of the existing hotel.

Other Group operations

Joint ventures and associates contributed £29m to profit in 2018 (2017: £22m). 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 publicly.

In April 2018, the Group subscribed for its full entitlement of FSGL's rights issue of new Perpetual Convertible Capital Securities ("PCCS") for a total cost of S$58.2m (£32m) and the PCCS were allotted on 19 April 2018.

On 14 February 2019, the Group provided an irrevocable undertaking to take up its full entitlement of FSGL's proposed rights issue of new PCCS for a total cost of S$53m (£30m). As part of the capital funding proposal, 1 new free warrant will be issued for every 1 new PCCS subscribed for; in addition, 1 new bonus warrant will be issued for every 10 existing ordinary shares held in FSGL. Also, as part of the proposal additional funds would be required within the next five years should the Group choose to exercise its rights in respect of the new warrants and this will amount to S$90m (£52m) if all warrants are exercised.

On 24 January 2019, FSGL acquired a bare shell 65-room hotel located in Milan for a total consideration of approximately €11m (£10m).

Management changes

The departure of three Directors – Jennifer Fox, Sue Farr and Gervase MacGregor – in the latter half of the year created an opportunity to re-examine the composition of the Group's Board and its committee. On the recommendation of the Nominations Committee, His Excellency Shaukat Aziz was appointed Chair of the Remuneration Committee in November 2018, having served as a member of the Committee since 16 June 2009, and Christian de Charnace was appointed as a member of the Audit & Risk, Remuneration and Nominations Committees, respectively during 2018.

As previously reported, the Board is conducting a search for a permanent Group Chief Executive Officer and new independent non-executive directors. With regards to the search for a permanent Group Chief Executive Officer, we remain open to either hiring an external candidate or promoting talent from within the Group. Following the departure of Ms Fox, Kian Seng Tan was appointed interim Group Chief Executive Officer on 28 September 2018.

Dividends

The Board recommends a final ordinary dividend of 2.15p per share (2017: 4.42p) 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 (2017: 2.08p), the total ordinary dividend for 2018 is 4.23p per share (2017: 6.50p).

Subject to approval by shareholders at the Annual General Meeting to be held on 10 May 2019, the final dividend will be paid on 17 May 2019 to shareholders on the register on 15 March 2019.

HOTEL OPERATIONS

For comparability, the following performance review is based on calculations in constant currency whereby 31 December 2017 hotel revenue, RevPAR and average room rates have been translated at average exchange rates for the year ended 31 December 2018.

In constant currency, Group RevPAR increased by 0.7% to £81.57 for the year ended 31 December 2018, with occupancy down by 0.2% points and average room rate up 1.0%. Like-for-like Group RevPAR increased by 2.4% in 2018.

Group RevPAR for Q4 2018 grew by 3.9% with increases in all regions. On a like-for-like basis, Group RevPAR increased by 5.0%.

Full year 2018	**RevPAR**			**Occupancy**			**Average Room Rate**		
	FY 2018 £	#FY 2017 £	Change %	**FY 2018 %**	FY 2017 %	Change %pts	**FY 2018 £**	#FY 2017 £	Change %
New York	**165.49**	159.37	3.8	**86.3**	85.3	1.0	**191.78**	186.77	2.7
Regional US	**59.61**	59.84	(0.4)	**57.6**	60.0	(2.4)	**103.51**	99.81	3.7
Total US	**94.52**	92.61	2.1	**67.1**	68.3	(1.2)	**140.96**	135.57	4.0
London	**101.89**	109.98	(7.4)	**80.1**	83.0	(2.9)	**127.22**	132.47	(4.0)
Rest of Europe	**56.18**	53.85	4.3	**71.2**	70.5	0.7	**78.94**	76.43	3.3
Total Europe	**78.76**	82.45	(4.5)	**75.6**	76.9	(1.3)	**104.22**	107.27	(2.8)
Singapore	**83.56**	83.06	0.6	**85.9**	85.6	0.3	**97.26**	97.01	0.3
Rest of Asia	**65.17**	63.53	2.6	**68.1**	66.4	1.7	**95.74**	95.64	0.1
Total Asia	**72.29**	71.09	1.7	**75.0**	73.9	1.1	**96.42**	96.25	0.2
Australasia	**73.13**	68.76	6.4	**82.5**	81.2	1.3	**88.61**	84.71	4.6
Total Group	**81.57**	80.97	0.7	**73.3**	73.5	(0.2)	**111.31**	110.22	1.0

Q4 2018	**RevPAR**			**Occupancy**			**Average Room Rate**		
	Q4 2018 £	#Q4 2017 £	Change %	**Q4 2018 %**	Q4 2017 %	Change %pts	**Q4 2018 £**	#Q4 2017 £	Change %
New York	**202.02**	193.88	4.2	**89.8**	89.3	0.5	**225.06**	217.06	3.7
Regional US	**54.84**	52.93	3.6	**51.0**	51.3	(0.3)	**107.42**	103.23	4.1
Total US	**103.49**	99.34	4.2	**63.8**	63.8	-	**162.09**	155.70	4.1
London	**114.61**	107.73	6.4	**86.9**	79.3	7.6	**131.90**	135.80	(2.9)
Rest of Europe	**55.11**	52.63	4.7	**68.5**	67.9	0.6	**80.47**	77.52	3.8
Total Europe	**83.34**	80.87	3.1	**77.2**	73.8	3.4	**107.93**	109.65	(1.6)
Singapore	**85.49**	83.07	2.9	**85.0**	82.2	2.8	**100.51**	101.02	(0.5)
Rest of Asia	**73.12**	71.74	1.9	**72.8**	71.7	1.1	**100.49**	100.01	0.5
Total Asia	**77.91**	76.13	2.3	**77.5**	75.8	1.7	**100.50**	100.43	0.1
Australasia	**81.64**	75.41	8.3	**86.1**	83.2	2.9	**94.77**	90.64	4.6
Total Group	**88.49**	85.15	3.9	**73.7**	72.1	1.6	**120.01**	118.15	1.6

\# *In constant currency whereby, 31 December 2017 RevPAR and average room rates have been translated at average exchange rates for the year ended 31 December 2018.*

US

US RevPAR for the year ended 31 December 2018 increased by 2.1% to £94.52 (2017: £92.61). Average room rate for US increased by 4.0% offset partially by decrease in occupancy of 1.2% points.

New York RevPAR increased by 3.8% due principally to increases in both occupancy and average room rate of 1.0% points and 2.7% respectively. The growth in RevPAR is mainly driven by higher contribution from Millennium Hilton New York One UN Plaza which was re-opened in September 2016 after refurbishment and later re-branded in August 2017.

Excluding Millennium Hilton New York One UN Plaza, US RevPAR for 2018 was up slightly by 0.2% and New York RevPAR up by 0.6% as compared to last year.

RevPAR for Regional US decreased by 0.4% to £59.61 (2017: £59.84). The results are mixed with half the hotel portfolio showing increases and the other half, decreases in RevPAR.

In Q4 2018, reported RevPAR for both US and New York increased by 4.2% driven mainly by higher average room rate. Regional US also registered a higher RevPAR growth of 3.6%.

Europe

Europe RevPAR for the year ended 31 December 2018 fell by 4.5% with decreases in both occupancy and average room rate of 1.3% points and 2.8% respectively. London RevPAR also fell with a drop of 7.4%. Occupancy and average room rate were down by 2.9% points and 4.0% respectively.

The Mayfair hotel which was fully closed for refurbishment from July 2018 was the main contributor to the drop in London RevPAR. Like-for-like London RevPAR excluding the Mayfair hotel for 2018 increased by 3.3% with a slight increase in occupancy of 0.3% points and higher average room rate of 2.9%.

RevPAR for Rest of Europe increased by 4.3% with occupancy up by 0.7% points and average room rate up by 3.3%.

In Q4 2018, Europe RevPAR increased by 3.1%. On a like-for-like basis, Europe RevPAR was up by 11.5%. Like-for-like occupancy was up by 3.7% points and average room rate up by 6.3%.

Asia

Asia RevPAR for the year ended 31 December 2018 increased by 1.7% to £72.29 (2017: £71.09) driven by increases in both occupancy and average room rates of 1.1% points and 0.2% respectively.

Singapore RevPAR increased slightly by 0.6%, reflecting 0.3% points increase in occupancy and a 0.3% increase in average room rate. All the hotels show RevPAR growth except Orchard Hotel Singapore which experienced weaker demand from the corporate sector.

Rest of Asia saw an improvement in performance with higher RevPAR of 2.6% contributed mainly by the Group’s hotels in Taipei and Beijing.

In Q4 2018, Asia RevPAR grew by 2.3% mainly due to an increase in occupancy by 1.7% points.

Australasia

Reported RevPAR for Australasia in 2018 increased by 6.4% helped by the inclusion of two new hotels. M Social Auckland which was re-opened in October 2017 contributed for the full year in 2018. Millennium New Plymouth was acquired in February 2018. Excluding M Social Auckland and Millennium New Plymouth, like-for-like Australasia RevPAR grew by 3.1% in 2018.

The tourism market continued to grow during 2018. International visitor arrivals grew by 3.1% for the first ten months of 2018. However, competition is increasing both from new inventory and non-traditional supply.

In Q4 2018, like-for-like RevPAR was up 8.5% with the exclusion of Millennium New Plymouth as M Social Auckland was already re-opened during this last quarter last year.

FINANCIAL PERFORMANCE

Financial performance – full year overview

Revenue

	FY 2018 £m	Reported Currency			Constant Currency		
		FY 2017 £m	Change		FY 2017 £m	Change	
			£m	%		£m	%
Hotel	**867**	880	(13)	(1.5)	862	5	0.6
Property	**65**	62	3	4.8	59	6	10.2
REIT	**65**	66	(1)	(1.5)	66	(1)	(1.5)
Total Revenue	**997**	1,008	(11)	(1.1)	987	10	1.0

For the full year to 31 December 2018, hotel revenue in constant currency increased by 0.6% as compared to last year. The Group recorded full year contribution from Millennium Hilton New York One UN Plaza (rebranded in August 2017) and M Social Auckland (re-opened in October 2017) in 2018. These higher hotel revenues were offset by lower revenue at the Mayfair hotel which was full closed for refurbishment in July 2018. The slight increase in hotel revenue is consistent with the increase of 2.4% in like-for-like Group RevPAR.

Property revenues were also higher in 2018 as compared to last year. Total property revenue increased by £6m or 10.2% to £65m (2017: £59m) due principally to higher sales of residential sections in New Zealand of £3m and the sale of two units of apartments in Australia of £2m.

Reported total revenue fell by 1.1% for the full year to 31 December 2018 reflecting a stronger pound sterling against the Group's main trading currencies.

Profit

Reported profit before tax for the full year to 31 December 2018 fell by £41m or 27.9% to £106m (2017: £147m).

During the year, a total of £36m (2017: £29m) 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.

Pre-tax profit for 2018 also includes gain of £3m from CDLHT's disposal of two Australian hotels. For the same period last year, pre-tax profit included net credit from the reversal of loan impairment of £12m.

After removing the effects of the impairment losses and revaluation gains, the Group's reported profit before tax is £142m (2017: £176m).

Last year's 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 higher by £8m in 2018.

Taxation

The Group recorded a tax charge of £13m for the year ended 31 December 2018. Last year, a total tax provision of £17m in relation to exposures in Singapore which were not required, were released and this gave rise to a tax credit of £12m.

Earnings per Share ("EPS")

Basic earnings per share decreased by 66% to 13.1p (2017: 38.1p).

Financial performance – fourth quarter 2018

	Q4 2018 £m	Reported Currency			Constant Currency		
		Q4 2017 £m	Change		Q4 2017 £m	Change	
			£m	%		£m	%
Hotel	**240**	231	9	3.9	235	5	2.1
Property	**10**	11	(1)	(9.1)	11	(1)	(9.1)
REIT	**17**	18	(1)	(5.6)	19	(2)	(10.5)
Total Revenue	**267**	260	7	2.7	265	2	0.8

Reported total revenue for the fourth quarter increased by £7m or 2.7% to £267m (Q4 2017: £260m). Pre-tax profit decreased by £22m to £7m from £29m last year. Excluding impairment loss, revaluation gain/deficit and reversal of impairment, pre-tax profit was £43m versus £49m 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 strengthened compared to other major currencies during the financial year, the impact of which is reflected in the translation reserve on page 11.

Financial Position and Resources

	2018 £m	2017 £m	Change £m
Property, plant and equipment and lease premium prepayment	**3,256**	3,232	24
Investment properties	**668**	577	91
Investment in joint ventures and associates	**358**	324	34
Other financial assets	**43**	-	43
Non-current assets	**4,325**	4,133	192
Current assets excluding cash	**224**	228	(4)
Provisions and other liabilities excluding borrowings	**(287)**	(274)	(13)
Net debt	**(727)**	(650)	(77)
Deferred tax liabilities	**(172)**	(188)	16
Net assets	**3,363**	3,249	114
Equity attributable to equity holders of the parent	**2,770**	2,676	94
Non-controlling interests	**593**	573	20
Total equity	**3,363**	3,249	114

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 2018 for all investment properties and those property assets identified as having impairment risks.

Non-current assets increased slightly by 4.6% 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 2018 (excluding share of results of joint ventures and associates, and other operating income and expense) is 5 times (2017: 8 times).

At 31 December 2018, the Group had £375m cash and £539m 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% (2017: 88%) of fixed assets and investment properties. At 31 December 2018, gross borrowing amounted to £1,102m of which £198m was drawn under £219m of secured bank facilities.

At 31 December 2018, the Group had net debt of £727m (Dec 2017: net debt £650m). Excluding CDLHT, the net debt was £226m (Dec 2017: net debt £186m).

Future funding

Of the Group's total facilities of £1,815m, £705m matures within 12 months. Excluding CDLHT, the Group's total facilities were £994m of which £170m 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
for the year ended 31 December 2018

	Notes	**Unaudited Fourth Quarter 2018 £m**	Unaudited Fourth Quarter 2017 £m	**Full Year 2018 £m**	Full Year 2017 £m
Revenue	3	**267**	260	**997**	1,008
Cost of sales		**(115)**	(107)	**(436)**	(431)
Gross Profit		**152**	153	**561**	577
Administrative expenses		**(115)**	(111)	**(423)**	(415)
Other operating income	4	**27**	18	**30**	30
Other operating expense	4	**(63)**	(38)	**(63)**	(47)
Operating profit		**1**	22	**105**	145
Share of profit of joint ventures and associates		**15**	11	**29**	22
Finance income		**2**	1	**9**	11
Finance expense		**(11)**	(5)	**(37)**	(31)
Net finance expense	3	**(9)**	(4)	**(28)**	(20)
Profit before tax	3	**7**	29	**106**	147
Income tax (expense)/credit	5	**4**	10	**(13)**	12
Profit for the year		**11**	39	**93**	159
Attributable to:					
Equity holders of the parent		**(5)**	32	**43**	124
Non-controlling interests		**16**	7	**50**	35
		11	39	**93**	159
Basic earnings per share (pence)	6	**(1.7)p**	9.8p	**13.1p**	38.1p
Diluted earnings per share (pence)	6	**(1.7)p**	9.8p	**13.1p**	38.1p

The financial results above derive from continuing activities.

Consolidated statement of comprehensive income
for the year ended 31 December 2018

	Full Year 2018 £m	Full Year 2017 £m
Profit for the year	**93**	159
Other comprehensive income:		
Items that are not reclassified subsequently to income statement:		
Remeasurement of defined benefit plan actuarial net gains, net of tax	**4**	4
Net change in fair value of equity investment	**5**	–
	9	4
Items that may be reclassified subsequently to income statement:		
Foreign currency translation differences - foreign operations	**72**	(102)
Foreign currency translation differences - equity accounted investees	**9**	(16)
Net (loss)/gain on hedge of net investments in foreign operations	**(3)**	12
	78	(106)
Other comprehensive income/(expense) for the year, net of tax	**87**	(102)
Total comprehensive income for the year	**180**	57
Total comprehensive income attributable to:		
Equity holders of the parent	**112**	22
Non-controlling interests	**68**	35
Total comprehensive income for the year	**180**	57

Consolidated statement of financial position
as at 31 December 2018

	As at 31 December 2018 £m	As at 31 December 2017 £m
Non-current assets		
Property, plant and equipment	**3,153**	3,129
Lease premium prepayment	**103**	103
Investment properties	**668**	577
Investment in joint ventures and associates	**358**	324
Other financial assets	**43**	–
	4,325	4,133
Current assets		
Inventories	**5**	4
Development properties	**115**	93
Lease premium prepayment	**2**	2
Trade and other receivables	**102**	88
Cash and cash equivalents	**375**	354
	599	541
Assets held for sale	–	41
	599	582
Total assets	**4,924**	4,715
Non-current liabilities		
Interest-bearing loans, bonds and borrowings	**(789)**	(791)
Employee benefits	**(14)**	(19)
Provisions	**(9)**	(9)
Other non-current liabilities	**(15)**	(13)
Deferred tax liabilities	**(172)**	(188)
	(999)	(1,020)
Current liabilities		
Interest-bearing loans, bonds and borrowings	**(313)**	(213)
Trade and other payables	**(220)**	(208)
Provisions	**(2)**	(2)
Income taxes payable	**(27)**	(23)
	(562)	(446)
Total liabilities	**(1,561)**	(1,466)
Net assets	**3,363**	3,249
Equity		
Issued share capital	**97**	97
Share premium	**843**	843
Translation reserve	**491**	431
Treasury share reserve	**(4)**	(4)
Fair value reserve	**5**	–
Retained earnings	**1,338**	1,309
Total equity attributable to equity holders of the parent	**2,770**	2,676
Non-controlling interests	**593**	573
Total equity	**3,363**	3,249

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Share capital £m	Share premium £m	Translation reserve £m	Treasury share reserve £m	Fair value reserve £m	Retained earnings £m	Total excluding non-controlling interests £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2018	97	843	431	(4)	-	1,309	2,676	573	3,249
Profit	-	-	-	-	-	43	43	50	93
Other comprehensive income	-	-	60	-	5	4	69	18	87
Total comprehensive income	-	-	60	-	5	47	112	68	180
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends - equity holders	-	-	-	-	-	(21)	(21)	-	(21)
Dividends - non-controlling interests	-	-	-	-	-	-	-	(43)	(43)
Changes in ownership interests									
Change in interests in subsidiaries without loss of control	-	-	-	-	-	3	3	(3)	-
Return of capital to non-controlling interests	-	-	-	-	-	-	-	(2)	(2)
Total transactions with owners	-	-	-	-	-	(18)	(18)	(48)	(66)
Balance at 31 December 2018	**97**	**843**	**491**	**(4)**	**5**	**1,338**	**2,770**	**593**	**3,363**

	Share capital £m	Share premium £m	Translation reserve £m	Treasury share reserve £m	Fair value reserve £m	Retained earnings £m	Total excluding non-controlling interests £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2017	97	843	537	(4)	-	1,195	2,668	502	3,170
Profit	-	-	-	-	-	124	124	35	159
Other comprehensive income/(expense)	-	-	(106)	-	-	4	(102)	-	(102)
Total comprehensive income/(expense)	-	-	(106)	-	-	128	22	35	57
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends - equity holders	-	-	-	-	-	(25)	(25)	-	(25)
Dividends - non-controlling interests	-	-	-	-	-	-	-	(40)	(40)
Changes in ownership interests									
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
Total transactions with owners	-	-	-	-	-	(14)	(14)	36	22
Balance at 31 December 2017	**97**	**843**	**431**	**(4)**	**-**	**1,309**	**2,676**	**573**	**3,249**

Consolidated statement of cash flows
for the year ended 31 December 2018

	2018 £m	2017 £m
Cash flows from operating activities		
Profit for the year	**93**	159
Adjustments for:		
Depreciation and amortisation	**69**	75
Share of profit of joint ventures and associates	**(29)**	(22)
Other operating income	**(30)**	(30)
Other operating expense	**63**	47
Finance income	**(9)**	(11)
Finance expense	**37**	31
Income tax expense	**13**	(12)
Operating profit before changes in working capital and provisions	**207**	237
Movement in inventories, trade and other receivables	**(15)**	9
Movement in development properties	**(22)**	(4)
Movement in trade and other payables	**7**	(13)
Movement in provisions and employee benefits	**-**	1
Cash generated from operations	**177**	230
Interest paid	**(24)**	(21)
Interest received	**5**	4
Income tax paid	**(31)**	(33)
Net cash generated from operating activities	**127**	180
Cash flows from investing activities		
Dividends received from joint ventures and associates	**4**	2
Proceeds from settlement of shareholder's loan	**-**	12
Proceeds from sale of investment properties	**45**	-
Acquisition of a subsidiary, net of cash acquired	**-**	(52)
Acquisition of property, plant and equipment, lease premium prepayment and investment properties	**(109)**	(142)
Subscription of Perpetual Convertible Capital Securities of associate	**(32)**	-
Net cash used in investing activities	**(92)**	(180)
Cash flows from financing activities		
Repayment of borrowings	**(145)**	(306)
Drawdown of borrowings	**189**	309
Dividends paid to non-controlling interests	**(43)**	(40)
Return of capital to non-controlling interests	**(2)**	(2)
Dividends paid to equity holders of the parent	**(21)**	(25)
Proceeds from issue of share capital	-	89
Net cash (used in)/generated from financing activities	**(22)**	25
Net increase in cash and cash equivalents	**13**	25
Cash and cash equivalents at beginning of the year	**354**	337
Effect of exchange rate fluctuations on cash held	**8**	(8)
Cash and cash equivalents at end of the year	**375**	354
Reconciliation of cash and cash equivalents		
Cash and cash equivalents shown in the consolidated statement of financial position	**375**	354
Bank overdrafts included in borrowings	**-**	-
Cash and cash equivalents for consolidated statement of cash flows	**375**	354

Notes to the consolidated financial statements

1. General information

Basis of preparation

The consolidated financial statements in this results announcement for Millennium & Copthorne Hotels plc ("M&C" or "the Company") as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in joint ventures and associates.

These primary statements and selected notes comprise the audited consolidated financial results of the Group for the years ended 31 December 2018 and 2017. This information set out in this results announcement does not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006 but represents extracts from them. These extracts do not provide as full an understanding of the financial performance and position, or financial and investing activities, of the Group as the complete Annual Report.

The comparative figures for the financial year ended 31 December 2017 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matter 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 consolidated financial statements of the Group as at and for the financial year ended 31 December 2017 are available from the Company's website at:

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

The consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated financial statements for the year ended 31 December 2018 were prepared 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 2017.

The financial statements were approved by the Board of Directors on 14 February 2019.

The financial statements were 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

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.

	As at 31 December		Average for 12 months January-December		Average for 3 months October-December	
Currency (=£)	**2018**	2017	**2018**	2017	**2018**	2017
US dollar	**1.270**	1.339	**1.334**	1.290	**1.280**	1.327
Singapore dollar	**1.741**	1.796	**1.799**	1.782	**1.761**	1.798
New Taiwan dollar	**39.152**	40.083	**40.237**	39.338	**39.385**	40.199
New Zealand dollar	**1.885**	1.896	**1.927**	1.814	**1.908**	1.903
Malaysian ringgit	**5.306**	5.473	**5.390**	5.544	**5.349**	5.515
Korean won	**1,428.30**	1,438.03	**1,465.85**	1,455.88	**1,442.01**	1,454.35
Chinese renminbi	**8.736**	8.779	**8.825**	8.722	**8.833**	8.786
Euro	**1.115**	1.127	**1.129**	1.143	**1.124**	1.131
Japanese yen	**140.298**	151.569	**147.426**	144.878	**144.303**	149.641

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
- 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

3. Operating segment information (continued)

Segment results

	Full Year 2018								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel	**159**	**139**	**106**	**71**	**130**	**177**	**85**	**-**	**867**
Property operations	**-**	**5**	**-**	**-**	**3**	**9**	**48**	**-**	**65**
REIT	**-**	**-**	**-**	**31**	**16**	**13**	**5**	**-**	**65**
Total revenue	**159**	**144**	**106**	**102**	**149**	**199**	**138**	**-**	**997**
Hotel gross operating profit	**25**	**27**	**43**	**16**	**51**	**60**	**42**	**-**	**264**
Hotel fixed charges [1]	**(33)**	**(25)**	**(23)**	**(11)**	**(4)**	**(33)**	**(6)**	**-**	**(135)**
Hotel operating profit/(loss)	**(8)**	**2**	**20**	**5**	**47**	**27**	**36**	**-**	**129**
Property operating profit	**-**	**2**	**-**	**-**	**2**	**8**	**25**	**-**	**37**
REIT operating profit/(loss)	**-**	**-**	**-**	**11**	**(2)**	**1**	**5**	**-**	**15**
Central costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(43)**	**(43)**
Other operating income [2]	**-**	**-**	**-**	**-**	**3**	**5**	**-**	**-**	**8**
Other operating expense [2]	**(31)**	**(19)**	**-**	**(3)**	**-**	**(6)**	**-**	**-**	**(59)**
Other operating income - REIT [2]	**-**	**-**	**-**	**10**	**9**	**-**	**3**	**-**	**22**
Other operating expense - REIT [2]	**-**	**-**	**-**	**-**	**-**	**(4)**	**-**	**-**	**(4)**
Operating profit/(loss)	**(39)**	**(15)**	**20**	**23**	**59**	**31**	**69**	**(43)**	**105**
Share of joint ventures and associates profit	**-**	**-**	**-**	**13**	**-**	**16**	**-**	**-**	**29**
Add: Depreciation and amortisation	**9**	**12**	**6**	**4**	**13**	**20**	**3**	**2**	**69**
Add: Net revaluation gain/deficit & impairment	**31**	**19**	**-**	**(7)**	**(12)**	**5**	**-**	**-**	**36**
EBITDA [3]	**1**	**16**	**26**	**33**	**60**	**72**	**72**	**(41)**	**239**
Less: Depreciation, amortisation, net revaluation gain/deficit & impairment									**(105)**
Net finance expense									**(28)**
Profit before tax									**106**

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

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

[2] See Note 4 for details of other operating income and expense.

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

Notes to the consolidated financial statements

3. Operating segment information (continued)

Segmental assets and liabilities

At 31 December 2018	New York	Regional US	London	Rest of Europe	Singapore	Rest of Asia	Australasia	Total Group
	£m	£m	£m	£m	£m	£m	£m	£m
Hotel operating assets	**614**	**309**	**514**	**228**	**24**	**659**	**188**	**2,536**
REIT operating assets	**–**	**–**	**–**	**258**	**626**	**130**	**155**	**1,169**
Hotel operating liabilities	**(31)**	**(48)**	**(13)**	**(34)**	**(25)**	**(66)**	**(11)**	**(228)**
REIT operating liabilities	**–**	**–**	**–**	**(7)**	**(7)**	**(7)**	**(3)**	**(24)**
Investment in joint ventures and associates	**–**	**–**	**–**	**1**	**–**	**161**	**–**	**162**
Total hotel operating net assets	**583**	**261**	**501**	**446**	**618**	**877**	**329**	**3,615**
Property operating assets	**–**	**48**	**–**	**39**	**89**	**195**	**115**	**486**
Property operating liabilities	**–**	**(1)**	**–**	**–**	**(2)**	**(3)**	**(2)**	**(8)**
Investment in joint ventures and associates	**–**	**–**	**–**	**36**	**–**	**160**	**–**	**196**
Total property operating net assets	**–**	**47**	**–**	**75**	**87**	**352**	**113**	**674**
Deferred tax liabilities								**(172)**
Income taxes payable								**(27)**
Net cash								**(727)**
Net assets								**3,363**

At 31 December 2017	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
Hotel operating assets	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
Total hotel operating net assets	584	281	483	395	588	868	359	3,558
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
Total property operating net assets	-	35	-	31	82	314	90	552
Deferred tax liabilities								(188)
Income taxes payable								(23)
Net cash								(650)
Net assets								3,249

Notes to the consolidated financial statements

4. Other operating income and expense	Notes	2018 £m	2017 £m
Reversal of impairment of loan	**(a)**	**–**	12
Revaluation gain of investment properties	**(b)**	**27**	18
Revaluation deficit of investment properties	**(b)**	**(4)**	(9)
Impairment of assets	**(c)**	**(59)**	(38)
Gain on disposal of investment properties	**(d)**	**3**	–

(a) Reversal of impairment of loan
On 31 July 2017, the Group disposed of its 50% interest in Fena Estate Co. Ltd 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 2017.

(b) 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.

(c) 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 2018 was £59m (2017: £38m) consisting of £31m in New York, £19m in Regional US, £3m in Rest of Europe and £6m in Rest of Asia.

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

5. Income tax expense

For the year ended 31 December 2018, the Group has a tax charge of £13m (2017: £5m) excluding the tax relating to joint ventures and associates. In 2017, a £17m provision in relation to exposures in Singapore were finalised which resulted in a total tax credit of £12m.

The effective tax rate relating to the tax charge of £13m is 16.9% (2017: 4.2% before the release of provision). The effective tax rate has been affected by a number of factors which include the following items:

- Increased irrecoverable withholding taxes;
- Reduction in non-taxable income;
- One off reduction in tax rates applied to brought forward net deferred tax liabilities in the US not repeated in current year; and
- Tax adjustments in respect of previous years.

Excluding the impact of the items noted above, the Group's underlying effective tax rate is 20.4% (2017: 9.2%).

For the year ended 31 December 2018, a charge of £7m (2017: £7m) relating to joint ventures and associates is included in the profit before tax.

Notes to the consolidated financial statements

6. Earnings per share

Earnings per share are calculated using the following information:

	Fourth Quarter 2018	Fourth Quarter 2017	**Full Year 2018**	Full Year 2017
(a) Basic				
(Loss)/profit for the year attributable to holders of the parent (£m)	**(5)**	32	**43**	124
Weighted average number of shares in issue (m)	**325**	325	**325**	325
Basic earnings per share (pence)	**(1.7)p**	9.8p	**13.1p**	38.1p
(b) Diluted				
(Loss)/profit for the year attributable to holders of the parent (£m)	**(5)**	32	**43**	124
Weighted average number of shares in issue (m)	**325**	325	**325**	325
Potentially dilutive share options under the Group's share option schemes (m)	**-**	-	**-**	-
Weighted average number of shares in issue (diluted) (m)	**325**	325	**325**	325
Diluted earnings per share (pence)	**(1.7)p**	9.8p	**13.1p**	38.1p

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% (2017: 65.2%) of the Company's shares via CDL, the intermediate holding company of the Company. During the year ended 31 December 2018, 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 2018, £2m (2017: £4m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL and its other subsidiaries were £3m (2017: £3m) which included rentals paid for the Grand Shanghai restaurant and King's Centre; property management fees for Tanglin Shopping Centre; charges for car parking, leasing commission and professional services.

There are no material transactions with joint ventures and associates.

8. Financial commitments, contingencies and subsequent events

Capital commitments at 31 December 2018 which are contracted but not yet provided for in the financial statements amount to £94m (2017: £70m). 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 14 February 2019, the Group provided an irrevocable undertaking to take up its full entitlement of FSGL's proposed rights issue of new PCCS for a total cost of S$53m (£30m). As part of the capital funding proposal, 1 new free warrant will be issued for every 1 new PCCS subscribed for; in addition, 1 new bonus warrant will be issued for every 10 existing ordinary shares held in FSGL. Also, as part of the proposal additional funds would be required within the next five years should the Group choose to exercise its rights in respect of the new warrants and this will amount to S$90m (£52m) if all warrants are exercised.

(2) On 24 January 2019, FSGL acquired a bare shell 65-room hotel located in Milan for a total consideration of approximately €11m (£10m).

APPENDIX 1: KEY OPERATING STATISTICS
for the year ended 31 December 2018

Owned or leased hotels*	**Year ended 2018 Reported currency**	Year ended 2017 Constant currency	Year ended 2017 Reported currency
Occupancy (%)			
New York	**86.3**		85.3
Regional US	**57.6**		60.0
Total US	**67.1**		68.3
London	**80.1**		83.0
Rest of Europe	**71.2**		70.5
Total Europe	**75.6**		76.9
Singapore	**85.9**		85.6
Rest of Asia	**68.1**		66.4
Total Asia	**75.0**		73.9
Australasia	**82.5**		81.2
Total Group	**73.3**		73.5
Average Room Rate (£)			
New York	**191.78**	186.77	193.18
Regional US	**103.51**	99.81	103.23
Total US	**140.96**	135.57	140.23
London	**127.22**	132.47	132.47
Rest of Europe	**78.94**	76.43	76.16
Total Europe	**104.22**	107.27	107.15
Singapore	**97.26**	97.01	97.91
Rest of Asia	**95.74**	95.64	96.93
Total Asia	**96.42**	96.25	97.37
Australasia	**88.61**	84.71	90.01
Total Group	**111.31**	110.22	112.68
RevPAR (£)			
New York	**165.49**	159.37	164.84
Regional US	**59.61**	59.84	61.90
Total US	**94.52**	92.61	95.79
London	**101.89**	109.98	109.98
Rest of Europe	**56.18**	53.85	53.66
Total Europe	**78.76**	82.45	82.35
Singapore	**83.56**	83.06	83.83
Rest of Asia	**65.17**	63.53	64.39
Total Asia	**72.29**	71.09	71.91
Australasia	**73.13**	68.76	73.06
Total Group	**81.57**	80.97	82.78
Gross Operating Profit Margin (%)			
New York	**15.6**		15.1
Regional US	**19.3**		21.2
Total US	**17.4**		18.0
London	**41.0**		49.5
Rest of Europe	**21.8**		22.2
Total Europe	**33.2**		39.6
Singapore	**39.3**		40.5
Rest of Asia	**34.5**		34.1
Total Asia	**36.5**		36.9
Australasia	**49.0**		49.1
Total Group	**30.5**		32.2

For comparability, the 31 December 2017 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 31 December 2018.

** excluding managed, franchised and investment hotels.*

APPENDIX 2: KEY OPERATING STATISTICS
for the quarter ended 31 December 2018

Owned or leased hotels*	**Fourth Quarter 2018 Reported Currency**	Fourth Quarter 2017 Constant currency	Fourth Quarter 2017 Reported currency
Occupancy (%)			
New York	**89.8**		89.3
Regional US	**51.0**		51.3
Total US	**63.8**		63.8
London	**86.9**		79.3
Rest of Europe	**68.5**		67.9
Total Europe	**77.2**		73.8
Singapore	**85.0**		82.2
Rest of Asia	**72.8**		71.7
Total Asia	**77.5**		75.8
Australasia	**86.1**		83.2
Total Group	**73.7**		72.1
Average Room Rate (£)			
New York	**225.06**	217.06	212.70
Regional US	**107.42**	103.23	98.12
Total US	**162.09**	155.70	150.94
London	**131.90**	135.80	135.80
Rest of Europe	**80.47**	77.52	77.37
Total Europe	**107.93**	109.65	109.58
Singapore	**100.51**	101.02	98.93
Rest of Asia	**100.49**	100.01	99.19
Total Asia	**100.50**	100.43	99.08
Australasia	**94.77**	90.64	91.67
Total Group	**120.01**	118.15	116.39
RevPAR (£)			
New York	**202.02**	193.88	189.99
Regional US	**54.84**	52.93	50.31
Total US	**103.49**	99.34	96.30
London	**114.61**	107.73	107.73
Rest of Europe	**55.11**	52.63	52.53
Total Europe	**83.34**	80.87	80.82
Singapore	**85.49**	83.07	81.35
Rest of Asia	**73.12**	71.74	71.16
Total Asia	**77.91**	76.13	75.10
Australasia	**81.64**	75.41	76.27
Total Group	**88.49**	85.15	83.88
Gross Operating Profit Margin (%)			
New York	**24.2**		21.0
Regional US	**12.5**		14.3
Total US	**19.4**		18.3
London	**36.6**		48.9
Rest of Europe	**18.9**		21.5
Total Europe	**29.5**		38.9
Singapore	**39.6**		40.1
Rest of Asia	**39.3**		37.2
Total Asia	**39.4**		38.5
Australasia	**52.6**		50.7
Total Group	**31.8**		33.1

For comparability, the 31 December 2017 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 31 December 2018.

** excluding managed, franchised and investment hotels.*

APPENDIX 3: HOTEL ROOM COUNT AND PIPELINE
as at 31 December 2018

Hotel and room count	Hotels **31 December 2018**	31 December 2017	Change	Rooms **31 December 2018**	31 December 2017	Change
Analysed by region:						
New York	**4**	4	-	**2,238**	2,238	-
Regional US	**15**	15	-	**4,559**	4,559	-
London	**7**	8	(1)	**2,266**	2,649	(383)
Rest of Europe	**23**	21	2	**3,741**	3,528	213
Middle East	**36**	31	5	**11,980**	10,346	1,634
Singapore	**7**	7	-	**3,011**	3,011	-
Rest of Asia	**23**	25	(2)	**9,006**	9,240	(234)
Australasia	**24**	25	(1)	**3,522**	3,831	(309)
Total	**139**	136	3	**40,323**	39,402	921
Analysed by ownership type:						
Owned or Leased	**66**	66	-	**19,437**	19,672	(235)
Managed	**14**	15	(1)	**3,537**	4,098	(561)
Franchised	**44**	38	6	**13,062**	10,982	2,080
Investment	**15**	17	(2)	**4,287**	4,650	(363)
Total	**139**	136	3	**40,323**	39,402	921
Analysed by brand:						
Grand Millennium	**10**	9	1	**3,986**	3,734	252
Millennium	**57**	52	5	**18,108**	17,415	693
Copthorne	**34**	33	1	**6,700**	6,469	231
Kingsgate	**7**	7	-	**671**	671	-
Other M&C	**15**	15	-	**5,570**	4,838	732
Third Party	**16**	20	(4)	**5,288**	6,275	(987)
Total	**139**	136	3	**40,323**	39,402	921

Pipeline	Hotels **31 December 2018**	31 December 2017	Change	Rooms **31 December 2018**	31 December 2017	Change
Analysed by region:						
Middle East	**17**	10	7	**8,181**	3,239	4,942
Asia	**6**	4	2	**1,770**	1,594	176
Regional US	**1**	1	-	**263**	263	-
Rest of Europe	**1**	1	-	**318**	184	134
London	**1**	-	1	**308**	-	308
Australasia	-	1	(1)	-	42	(42)
Total	**26**	17	9	**10,840**	5,322	5,518
Analysed by ownership type:						
Managed	**4**	3	1	**1,191**	1,052	139
Franchised	**18**	11	7	**8,499**	3,423	5,076
Investment	**1**	-	1	**37**	-	37
Owned	**3**	3	-	**1,113**	847	266
Total	**26**	17	9	**10,840**	5,322	5,518
Analysed by brand:						
Grand Millennium	**1**	1	-	**318**	251	67
Millennium	**16**	9	7	**6,479**	2,789	3,690
Copthorne	**3**	2	1	**2,396**	666	1,730
Third Party	**1**	-	1	**37**	-	37
Other M&C	**5**	5	-	**1,610**	1,616	(6)
Total	**26**	17	9	**10,840**	5,322	5,518