

Registered number: 0744379

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**London Britannia Hotel Limited**

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**Annual report and financial statements**

**For the Year Ended 31 December 2018**



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**London Britannia Hotel Limited**

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**Company Information**

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**Directors** Copthorne Hotels Limited  
Kwek Leng Beng  
J M Grech

**Company secretary** Copthorne Hotels Limited

**Registered number** 0744379

**Registered office** Victoria House  
Victoria Road  
Horley  
Surrey  
RH6 7AF

**Auditor** KPMG LLP  
15 Canada Square  
London  
E14 5GL

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**London Britannia Hotel Limited**

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**Contents**

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	Page
<b>Strategic report</b>	<b>1</b>
<b>Directors' report</b>	<b>2 - 3</b>
<b>Directors' responsibilities statement</b>	<b>4</b>
<b>Independent auditors' report to the members of London Britannia Hotel Limited</b>	<b>5 - 7</b>
<b>Statement of comprehensive income</b>	<b>8</b>
<b>Statement of financial position</b>	<b>9</b>
<b>Statement of changes in equity</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11 - 26</b>

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## London Britannia Hotel Limited

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### Strategic report For the Year Ended 31 December 2018

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#### Business review

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

A decision was made to close the Millennium Hotel London Mayfair ('the hotel') entirely during the remainder of its refurbishment programme so as to accelerate the works in order to reposition the property within a new luxury competitive set. The refurbishment, which is estimated to cost approximately £50 million, started in November 2017 as a phased process and the hotel was closed entirely at the beginning of July 2018. The hotel, which had 336 rooms prior to the refurbishment, reopened on 9 September 2019 with 308 guest rooms, including 51 suites.

Turnover for the year was £4,943,000 (2017: £24,593,000) and the loss on ordinary activities before taxation for the year was £5,094,000 (2017: profit before taxation £6,367,000). The loss for the year after taxation amounted to £4,137,000 (2017: profit after taxation £4,659,000).

#### 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. Further discussion of these risks and uncertainties, and others, in context of the Millennium & Copthorne Hotels plc group ('the Group') as a whole, is provided on pages 38 to 45 of the Group's annual report for the year ended 31 December 2018 which does not form part of this report.

#### Financial key performance indicators

The Directors of 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 'London' geographical segment of the Group, which includes the Company, is discussed on page 22 of the Group's annual report for the year ended 31 December 2018 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:

	2018	2017
RevPAR	£59.72	£158.66
Average Room Rate	£192.37	£202.12
Occupancy %	31.0%	78.5%
Gross Profit	£1.9m	£16.2m


#### 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 27 September 2019 and signed on its behalf.

  
J M Grech  
Director

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## London Britannia Hotel Limited

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### Directors' report For the Year Ended 31 December 2018

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The Directors present their report and the financial statements for the year ended 31 December 2018.

#### Principal activity

Previously the principal activities of the Company were the ownership and operation of the Millennium Hotel London Mayfair. Subsequent to rebranding (refer to 'post balance sheet events' for further information), the principal activity of the Company will be the ownership of The Biltmore, Mayfair - LXR Hotels & Resorts.

#### Results and dividends

The loss for the year, after taxation, amounted to £4,137,000 (2017 - profit £4,659,000).

No interim dividend was paid during the year (2017: £7,500,000). No final dividend is proposed (2017: £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 1.3 to the financial statements. Accordingly, the Directors have prepared the financial statements on a going concern basis.

#### Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### Post balance sheet events

There have been no significant post balance sheet events other than those mentioned hereafter. The Group has rebranded Millennium Hotel London Mayfair as The Biltmore, Mayfair - LXR Hotels & Resorts. In addition, the Company has entered into a ten-year agreement with a subsidiary of Hilton for the operation of the hotel as part of Hilton's new LXR Hotels & Resorts luxury hotel collection.

#### Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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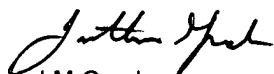
**London Britannia Hotel Limited**

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**Directors' report (continued)**  
**For the Year Ended 31 December 2018**

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This report was approved by the board on 27 September 2019 and signed on its behalf.



J M Grech  
Director

Victoria House  
Victoria Road  
Horley  
Surrey  
RH6 7AF

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

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

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

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

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BRITANNIA HOTEL LIMITED**

## **Opinion**

We have audited the financial statements of London Britannia Hotel Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Going concern**

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

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

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

## **Other matter – prior period financial statements**

We noted that the prior period financial statements were not audited. Consequently ISAs (UK) require the auditor to state that the corresponding figures contained within these financial statements are unaudited. Our opinion is not modified in respect of this matter.

### **Other information**

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

A handwritten signature in black ink, appearing to read 'Jonathan Downer', with a horizontal line underneath the name.

**Jonathan Downer (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

27 September 2019

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London Britannia Hotel Limited

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**Statement of comprehensive income  
For the Year Ended 31 December 2018**

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	Note	<b>Audited 2018 £000</b>	<i>Unaudited 2017 £000</i>
Turnover	3	<b>4,943</b>	24,593
Cost of sales		<b>(3,071)</b>	(8,363)
<b>Gross profit</b>		<b>1,872</b>	16,230
Administrative expenses		<b>(6,218)</b>	(7,660)
Other operating expenses	4	<b>(748)</b>	(2,203)
<b>Operating (loss)/profit</b>	4	<b>(5,094)</b>	6,367
Tax on (loss)/profit	6	<b>957</b>	(1,708)
<b>(Loss)/profit for the financial year</b>		<b>(4,137)</b>	4,659

There were no recognised gains and losses for Audited 2018 or Unaudited 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for Audited 2018 (Unaudited 2017:£000NIL).

The notes on pages 11 to 26 form part of these financial statements.

**London Britannia Hotel Limited**  
Registered number: 0744379

**Statement of financial position**  
**As at 31 December 2018**

	Note	Audited 2018 £000	Unaudited 2017 £000
<b>Fixed assets</b>			
Tangible assets	8	105,787	84,855
		<u>105,787</u>	<u>84,855</u>
<b>Current assets</b>			
Stocks		14	85
Debtors: amounts falling due within one year	9	464	892
Cash at bank and in hand	10	4	409
		<u>482</u>	<u>1,386</u>
Creditors: amounts falling due within one year	11	(33,432)	(9,049)
<b>Net current liabilities</b>		<u>(32,950)</u>	<u>(7,663)</u>
<b>Total assets less current liabilities</b>		<u>72,837</u>	<u>77,192</u>
Deferred taxation	13	(352)	(572)
<b>Net assets</b>		<u><u>72,485</u></u>	<u><u>76,620</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	1	1
Share premium account		62,629	62,629
Other reserves		12,244	12,244
Profit and loss account		(2,389)	1,746
		<u>72,485</u>	<u>76,620</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2019.

  
**J M Grech**  
Director

The notes on pages 11 to 26 form part of these financial statements.

**London Britannia Hotel Limited**

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

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2018	1	62,629	12,244	1,746	76,620
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(4,137)	(4,137)
<b>Total comprehensive income for the year</b>	-	-	-	(4,137)	(4,137)
Equity settled share-based payments	-	-	-	2	2
<b>Total transactions with owners</b>	-	-	-	2	2
<b>At 31 December Audited 2018</b>	<b>1</b>	<b>62,629</b>	<b>12,244</b>	<b>(2,389)</b>	<b>72,485</b>

**Statement of changes in equity  
Unaudited  
For the Year Ended 31 December 2017**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2017	1	62,629	12,244	4,585	79,459
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	4,659	4,659
<b>Total comprehensive income for the year</b>	-	-	-	4,659	4,659
Dividends paid during the year	-	-	-	(7,500)	(7,500)
Equity settled share-based payments	-	-	-	2	2
<b>Total transactions with owners</b>	-	-	-	(7,498)	(7,498)
<b>At 31 December Unaudited 2017</b>	<b>1</b>	<b>62,629</b>	<b>12,244</b>	<b>1,746</b>	<b>76,620</b>

The notes on pages 11 to 26 form part of these financial statements.

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## London Britannia Hotel Limited

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### Notes to the financial statements For the Year Ended 31 December 2018

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#### 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.

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## London Britannia Hotel Limited

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### Notes to the financial statements For the Year Ended 31 December 2018

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#### 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 plc, the smallest group in which the results of the Company are consolidated. Millennium & Copthorne Hotels plc 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 9

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 1 January 2018. Further information is detailed in the Group's annual report on page 120.

###### IFRS 15

From 1 January 2018, the Company has applied IFRS 15 using the modified retrospective approach.

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 1 January 2018. Further information is detailed in the Group's annual report on page 120.

##### 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.

##### 1.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

IFRS 16 becomes effective for annual periods beginning on or after 1 January 2019. The Group's assessment of the impact of the new standard can be found in the Group's annual report on page 122.

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**London Britannia Hotel Limited**

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**Notes to the financial statements  
For the Year Ended 31 December 2018**

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**1. Accounting policies (continued)**

**1.7 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 15.

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.

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**London Britannia Hotel Limited**

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**Notes to the financial statements  
For the Year Ended 31 December 2018**

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**1. Accounting policies (continued)**

**1.8 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.

**1.9 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.

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## London Britannia Hotel Limited

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### Notes to the financial statements For the Year Ended 31 December 2018

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#### 1. Accounting policies (continued)

##### 1.9 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:

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
Fixtures & fittings	- 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 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.

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## London Britannia Hotel Limited

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### Notes to the financial statements For the Year Ended 31 December 2018

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#### 1. Accounting policies (continued)

##### 1.10 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.

##### 1.11 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.

##### 1.12 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.

##### 1.13 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

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## London Britannia Hotel Limited

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### Notes to the financial statements For the Year Ended 31 December 2018

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#### 1. Accounting policies (continued)

##### 1.13 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.

##### 1.14 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.

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**London Britannia Hotel Limited**

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**Notes to the financial statements  
For the Year Ended 31 December 2018**

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**3. Turnover**

	<b>Audited 2018 £000</b>	<i>Unaudited 2017 £000</i>
United Kingdom	4,943	24,593
	<u>4,943</u>	<u>24,593</u>

**4. Operating (loss)/profit**

The operating (loss)/profit is stated after charging:

	<b>Audited 2018 £000</b>	<i>Unaudited 2017 £000</i>
Depreciation of tangible fixed assets	828	927
Write off of fixed assets	748	2,203
	<u>748</u>	<u>2,203</u>

**5. Employees**

Staff costs were as follows:

	<b>Audited 2018 £000</b>	<i>Unaudited 2017 £000</i>
Wages and salaries	3,319	5,479
Social security costs	238	341
Other staff costs	175	181
	<u>3,732</u>	<u>6,001</u>

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

	<b>2018 No.</b>	<i>2017 No.</i>
Operational staff	62	208
Administration staff	20	8
Maintenance staff	7	12
Sales staff	6	7
	<u>95</u>	<u>235</u>

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London Britannia Hotel Limited

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Notes to the financial statements  
For the Year Ended 31 December 2018

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6. Taxation

	<b>Audited 2018 £000</b>	<b>Unaudited 2017 £000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	(729)	1,765
Adjustments in respect of previous periods	(8)	-
<b>Total current tax</b>	<b>(737)</b>	<b>1,765</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(65)	(76)
Adjustment relating to prior years	(1)	(114)
Adjustment arising from change in tax rate	(154)	133
<b>Total deferred tax</b>	<b>(220)</b>	<b>(57)</b>
<b>Taxation on (loss)/profit on ordinary activities</b>	<b>(957)</b>	<b>1,708</b>

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London Britannia Hotel Limited

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Notes to the financial statements  
For the Year Ended 31 December 2018

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6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	Audited 2018 £000	Unaudited 2017 £000
Profit on ordinary activities before tax	(5,094)	6,367
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(968)	1,226
Effects of:		
Permanent differences	172	463
Tax charge relating to prior years	(9)	(114)
Impact of change in tax rates	(154)	133
Timing differences relating to share schemes	2	-
Total tax (credit)/charge for the year	(957)	1,708

Factors that may affect future tax charges

The headline rate of UK corporation tax effective from 1 April 2017 is 19% (reduced from 20%). The UK government has introduced additional legislation, which has been enacted, to further reduce the headline rate of UK corporation tax from 19% to 17% from 1 April 2020. This will reduce the company's future current tax charge accordingly.

7. Dividends

	Audited 2018 £000	Unaudited 2017 £000
Dividends paid during the year	-	7,500
	-	7,500

London Britannia Hotel Limited

Notes to the financial statements  
For the Year Ended 31 December 2018

8. Tangible fixed assets

	L/Term Leasehold Property £000	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Capital work in progress £000	Total £000
<b>Cost or valuation</b>						
At 1 January 2018	84,039	8,095	4,574	225	3,320	100,253
Additions	-	-	-	6	22,502	22,508
Disposals	-	(1,695)	(56)	(80)	-	(1,831)
At 31 December Audited 2018	84,039	6,400	4,518	151	25,822	120,930
<b>Depreciation</b>						
At 1 January 2018	5,240	6,102	3,854	202	-	15,398
Charge for the year on owned assets	328	332	156	12	-	828
Disposals	-	(981)	(24)	(78)	-	(1,083)
At 31 December Audited 2018	5,568	5,453	3,986	136	-	15,143
<b>Net book value</b>						
At 31 December Audited 2018	78,471	947	532	15	25,822	105,787
At 31 December Unaudited 2017	78,799	1,993	720	23	3,320	84,855

9. Debtors

	Audited 2018 £000	Unaudited 2017 £000
Other debtors	25	238
Prepayments and accrued income	439	654
	464	892

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London Britannia Hotel Limited

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Notes to the financial statements  
For the Year Ended 31 December 2018

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9. Debtors (continued)

In the current and prior year, the Company's trade 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.

10. Cash and cash equivalents

	<b>Audited 2018 £000</b>	<i>Unaudited 2017 £000</i>
Cash at bank and in hand	4	409
	<u>4</u>	<u>409</u>

11. Creditors: Amounts falling due within one year

	<b>Audited 2018 £000</b>	<i>Unaudited 2017 £000</i>
Bank overdraft	27,347	-
Amounts owed to group undertakings	4,320	5,188
Corporation tax	1,350	1,225
Other creditors	70	1,467
Accruals and deferred income	345	1,169
	<u>33,432</u>	<u>9,049</u>

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.

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**London Britannia Hotel Limited**

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**Notes to the financial statements  
For the Year Ended 31 December 2018**

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**12. Financial instruments**

	<b>Audited 2018 £000</b>	<i>Unaudited 2017 £000</i>
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	4	409
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(31,667)</u>	<u>(5,188)</u>

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

**13. Deferred taxation**

	<b>Audited 2018 £000</b>	<i>Unaudited 2017 £000</i>
At beginning of year	(572)	(629)
Credited to profit or loss	220	57
<b>At end of year</b>	<u>(352)</u>	<u>(572)</u>

The provision for deferred taxation is made up as follows:

	<b>Audited 2018 £000</b>	<i>Unaudited 2017 £000</i>
Difference between accumulated depreciation and capital allowances	(373)	(594)
Other timing differences	20	20
Share-based incentive scheme	1	2
	<u>(352)</u>	<u>(572)</u>

**14. Share capital**

	<b>Audited 2018 £000</b>	<i>Unaudited 2017 £000</i>
<b>Allotted, called up and fully paid</b>		
1,000 (2017 - 1,000) ordinary shares of £1.00 each	<u>1</u>	<u>1</u>

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London Britannia Hotel Limited

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Notes to the financial statements  
For the Year Ended 31 December 2018

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**15. Share based payments**

The Group operates 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.

The charge to the profit and loss account for the year was £2,872 (2017: £1,993).

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

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

Date of Grant	Exercise price	Exercise period
19.04.13	£4.48	01.08.2018-31.01.2019
06.05.14	£4.46	01.08.2017-31.01.2018
14.04.15	£4.69	01.08.2018-31.01.2019
12.04.16	£3.30	01.08.2019-31.01.2020
11.04.17	£3.66	01.08.2020-31.01.2021
05.06.18	£4.36	01.08.2021-31.01.2022

The share price at the date of exercise of share options in the year was £5.32 (2017: £6.05).

The options outstanding at the year end have a weighted average contractual life of 1.96 years (2017: 1.97 years).

London Britannia Hotel Limited

Notes to the financial statements  
For the Year Ended 31 December 2018

Date of grant	Options outstanding 1 Jan 2018	Granted during the year	Exercised during the year	Forfeited during the year	Options outstanding 31 Dec 2018
19.04.13	1,339	-	-	-	1,339
06.05.14	1,371	-	-	(1,371)	-
14.04.15	2,301	-	(2,301)	-	-
12.04.16	2,726	-	-	(1,636)	1,090
11.04.17	4,914	-	-	(1,474)	3,440
05.06.18	-	3,301	-	(412)	2,889
Total	12,651	3,301	(2,301)	(4,893)	8,758

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:

	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%
	2017 3 year scheme	2017 5 year scheme
Fair value at measurement date	£1.05	£1.09
Variables:		
Exercise price	£3.66	£3.66
Share price at grant	£4.47	£4.47
Expected term (years)	3.31	5.31
Expected volatility of share price	26.0%	24.0%
Risk free interest rate	0.2%	0.4%
Expected dividend yield	1.7%	1.7%

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London Britannia Hotel Limited

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Notes to the financial statements  
For the Year Ended 31 December 2018

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**(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 were no options outstanding as at 31 December 2018.

**16. Commitments under operating leases**

At 31 December Audited 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Audited 2018 £000</b>	<b>Unaudited 2017 £000</b>
Not later than 1 year	<b>43</b>	<b>36</b>
Later than 1 year and not later than 5 years	<b>144</b>	<b>4</b>
Later than 5 years	<b>2,398</b>	<b>-</b>
	<b>2,585</b>	<b>40</b>

**17. 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 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 plc, a company registered in England and Wales. The consolidated accounts of Millennium & Copthorne Hotels plc are available at [www.millenniumhotels.com](http://www.millenniumhotels.com).