

# **MANDARIN ORIENTAL INTERNATIONAL LIMITED**

## **Preliminary Financial Statements**

*for the year ended 31st December 2023*

# Consolidated Profit and Loss Account

for the year ended 31st December 2023

	Note	2023			2022		
		Underlying business performance US\$m	Non-trading items US\$m	Total US\$m	Underlying business performance US\$m	Non-trading items US\$m	Total US\$m
Revenue	2	558.1	–	558.1	454.1	–	454.1
Cost of sales		(308.7)	–	(308.7)	(302.7)	–	(302.7)
Gross profit		249.4	–	249.4	151.4	–	151.4
Selling and distribution costs		(35.6)	–	(35.6)	(27.0)	–	(27.0)
Administration expenses		(116.7)	–	(116.7)	(109.2)	–	(109.2)
Other operating income/(expense)		5.2	(0.4)	4.8	5.7	–	5.7
Change in fair value of investment properties	12	–	(486.7)	(486.7)	–	(104.1)	(104.1)
Gain on sale of a subsidiary/asset disposals	8	–	43.8	43.8	–	40.6	40.6
Operating (loss)/profit	3	102.3	(443.3)	(341.0)	20.9	(63.5)	(42.6)
Financing charges		(17.6)	–	(17.6)	(16.7)	–	(16.7)
Interest income		7.7	–	7.7	2.3	–	2.3
Net financing charges	4	(9.9)	–	(9.9)	(14.4)	–	(14.4)
Share of results of associates and joint ventures	5	(0.3)	(0.6)	(0.9)	9.7	–	9.7
(Loss)/profit before tax		92.1	(443.9)	(351.8)	16.2	(63.5)	(47.3)
Tax	6	(11.0)	(2.5)	(13.5)	(8.5)	6.4	(2.1)
(Loss)/profit after tax		81.1	(446.4)	(365.3)	7.7	(57.1)	(49.4)
Attributable to:							
Shareholders of the Company	7&8	81.0	(446.4)	(365.4)	7.6	(57.1)	(49.5)
Non-controlling interests		0.1	–	0.1	0.1	–	0.1
		81.1	(446.4)	(365.3)	7.7	(57.1)	(49.4)
		US¢		US¢	US¢		US¢
(Loss)/earnings per share	7						
– basic		6.41		(28.91)	0.60		(3.92)
– diluted		6.41		(28.91)	0.60		(3.92)

# Consolidated Statement of Comprehensive Income

for the year ended 31st December 2023

	Note	2023 US\$m	2022 US\$m
Loss for the year		(365.3)	(49.4)
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	16	(2.5)	(2.1)
Revaluation surplus of right-of-use assets before transfer to investment properties	11	–	79.8
Tax on items that will not be reclassified	6	0.4	0.3
		(2.1)	78.0
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net gain/(loss) arising during the year		34.0	(58.2)
– transfer to profit and loss		33.5	–
Cash flow hedges			
– net (loss)/gain arising during the year		(15.1)	16.6
Tax relating to items that may be reclassified	6	1.3	(2.4)
Share of other comprehensive income of associates and joint ventures		0.4	0.7
		54.1	(43.3)
Other comprehensive income for the year, net of tax		52.0	34.7
Total comprehensive expense for the year		(313.3)	(14.7)
Attributable to:			
Shareholders of the Company		(314.2)	(14.7)
Non-controlling interests		0.9	–
		(313.3)	(14.7)

# Consolidated Balance Sheet

at 31st December 2023

	Note	2023 US\$m	2022 US\$m
<b>Net assets</b>			
Intangible assets	9	43.7	45.7
Tangible assets	10	618.6	916.3
Right-of-use assets	11	229.1	242.4
Investment properties	12	2,060.3	2,472.6
Associates and joint ventures	13	155.8	203.8
Other investments	14	14.0	14.0
Deferred tax assets	15	14.0	14.2
Pension assets	16	0.6	3.0
Non-current debtors	17	10.9	12.2
Non-current assets		3,147.0	3,924.2
Stocks		5.0	5.0
Current debtors	17	80.3	90.5
Current tax assets		1.7	6.8
Cash and bank balances	18	178.8	226.2
		265.8	328.5
Assets classified as held for sale	19	331.9	–
Current assets		597.7	328.5
Current creditors	20	(158.0)	(159.1)
Current borrowings	21	(414.9)	(2.2)
Current lease liabilities	22	(5.8)	(5.9)
Current tax liabilities		(22.1)	(18.4)
		(600.8)	(185.6)
Liabilities directly associated with assets classified as held for sale	19	(24.1)	–
Current liabilities		(624.9)	(185.6)
Net current (liabilities)/assets		(27.2)	142.9
Long-term borrowings	21	(0.6)	(599.8)
Non-current lease liabilities	22	(110.6)	(123.5)
Deferred tax liabilities	15	(42.0)	(41.6)
Pension liabilities	16	–	(0.1)
Non-current creditors	20	(1.1)	(4.5)
Non-current liabilities		(154.3)	(769.5)
		2,965.5	3,297.6
<b>Total equity</b>			
Share capital	24	63.2	63.2
Share premium	25	500.9	500.7
Revenue and other reserves		2,396.3	2,730.2
Shareholders' funds		2,960.4	3,294.1
Non-controlling interests		5.1	3.5
		2,965.5	3,297.6

Approved by the Board of Directors

**Laurent Kleitman**

**Matthew Bishop**

Directors

7th March 2024

# Consolidated Statement of Changes in Equity

for the year ended 31st December 2023

	Share capital US\$m	Share premium US\$m	Capital reserves US\$m	Revenue reserves US\$m	Asset revaluation reserves US\$m	Hedging reserves US\$m	Exchange reserves US\$m	Attributable to shareholders of the Company US\$m	Attributable to non-controlling interests US\$m	Total equity US\$m
<b>2023</b>										
At 1st January	63.2	500.7	258.9	(428.8)	3,023.2	15.4	(138.5)	3,294.1	3.5	3,297.6
Total comprehensive income	–	–	–	(367.6)	–	(13.7)	67.1	(314.2)	0.9	(313.3)
Dividends paid by the Company	–	–	–	(19.0)	–	–	–	(19.0)	–	(19.0)
Unclaimed dividend forfeited	–	–	–	0.1	–	–	–	0.1	–	0.1
Subsidiary disposed of	–	–	0.2	(0.6)	–	–	(0.2)	(0.6)	0.7	0.1
Transfer	–	0.2	(0.2)	–	–	–	–	–	–	–
At 31st December	63.2	500.9	258.9	(815.9)	3,023.2	1.7	(71.6)	2,960.4	5.1	2,965.5
<b>2022</b>										
At 1st January	63.2	500.5	259.1	(377.7)	2,943.4	0.9	(80.6)	3,308.8	3.5	3,312.3
Total comprehensive income	–	–	–	(51.1)	79.8	14.5	(57.9)	(14.7)	–	(14.7)
Transfer	–	0.2	(0.2)	–	–	–	–	–	–	–
At 31st December	63.2	500.7	258.9	(428.8)	3,023.2	15.4	(138.5)	3,294.1	3.5	3,297.6

Revenue reserves as at 31st December 2023 included cumulative fair value losses on the investment property under development of US\$1,207.8 million (2022: US\$720.2 million).

# Consolidated Cash Flow Statement

for the year ended 31st December 2023

	Note	2023 US\$m	2022 US\$m
<b>Operating activities</b>			
Operating loss	3	(341.0)	(42.6)
Depreciation, amortisation and impairment		51.1	58.2
Other non-cash items	28a	440.3	63.5
Movements in working capital	28b	(2.8)	(1.1)
Interest received		8.5	2.1
Interest and other financing charges paid		(17.6)	(15.6)
Tax paid		(2.6)	(8.0)
		135.9	56.5
Dividends and interest from associates and joint venture		5.3	–
Cash flows from operating activities		141.2	56.5
<b>Investing activities</b>			
Purchase of tangible assets		(13.7)	(12.8)
Additions to investment properties		(71.0)	(30.2)
Purchase of intangible assets		(6.4)	(6.1)
Additions to right-of-use assets		–	(0.2)
Refund on Munich expansion	28c	–	4.0
Purchase of other investments		(0.1)	(0.2)
Purchase of an associate	28d	–	(1.0)
Advance to associates and joint ventures	28e	(20.7)	(2.4)
Repayment of loans to associates and joint ventures	28f	67.2	4.2
Sale of a subsidiary	28g	75.6	–
Net proceeds from asset disposals	8	–	131.4
Cash flows from investing activities		30.9	86.7
<b>Financing activities</b>			
Drawdown of borrowings	21	58.1	23.0
Repayment of borrowings	21	(247.9)	(139.5)
Principal elements of lease payments	28h	(6.2)	(5.7)
Dividends paid by the Company	27	(19.0)	–
Cash flows from financing activities		(215.0)	(122.2)
Net (decrease)/increase in cash and cash equivalents		(42.9)	21.0
Cash and cash equivalents at 1st January		226.2	212.8
Effect of exchange rate changes		7.0	(7.6)
Cash and cash equivalents at 31st December	28i	190.3	226.2

# Notes to the Financial Statements

## General information

Mandarin Oriental International Limited (the 'Company') is incorporated in Bermuda and has a primary listing in the standard segment of the London Stock Exchange, with secondary listings in Bermuda and Singapore.

## 1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations as issued by the International Accounting Standards Board ('IASB').

At 31st December 2023, the current liabilities of the Group exceeded its current assets by US\$27.2 million. Included in the current liabilities were the current portion of long-term bank loans of US\$414.9 million due to mature within 2024. In February 2024, the Group has refinanced bank facilities of US\$409.2 million to enable the Group to meet its obligations as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

Details of the Group's material accounting policies are included in note 34.

The Group has adopted the following standard and amendments for the annual reporting period commencing 1st January 2023.

### **IFRS 17 'Insurance Contracts'** *(effective from 1st January 2023)*

The standard covers recognition, measurement, presentation and disclosure for insurance contracts. The Group has assessed its performance guarantees provided to third-party hotel owners and concluded that current arrangements do not include significant insurance risk. They remain within the scope of the Group's existing revenue recognition accounting policies.

### **Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2** *(effective from 1st January 2023)*

The amendments require entities to disclose material rather than significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material.

Material accounting policy information is information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. IASB further clarifies that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The material accounting policies following the adoption of IAS 1 are included in note 34.

### **Amendment to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction** *(effective from 1st January 2023)*

The amendment requires deferred tax to be recognised on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They typically apply to transactions such as leases of lessees and decommissioning obligations and require the recognition of additional deferred tax assets and liabilities. On adoption of the amendment, there is no impact on the Group's consolidated financial statements.

### **Amendment to IAS 12 – International Tax Reform – Pillar Two Model Rules** *(effective for annual reporting period commencing on or after 1st January 2023)*

The amendment provides a temporary mandatory exception from deferred tax accounting in respect of Pillar Two income taxes and certain additional disclosure requirements. The Group is within the scope of the OECD Pillar Two model rules, and has applied the amendment from 1st January 2023.

Pillar Two legislation has been enacted or substantially enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's annual reporting period commencing 1st January 2024. Since the Pillar Two legislation was not effective at 31st December 2023, the Group has no related current tax exposure.

## 1 Basis of preparation *continued*

The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two incomes taxes when the legislation comes into effect. The assessment of the potential exposure to Pillar Two income taxes is based on the latest financial information for the year ended 31st December 2023 of the constituent entities in the Group. Based on the assessment, the effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the effective tax rate is slightly below or close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

Apart from the above, there are no other standard or amendments which are effective in 2023 and relevant to the Group's operations, that have a significant impact on the Group's results, financial position and accounting policies.

The Group has not early adopted any standard, interpretation or amendments that have been issued but not yet effective (refer note 35).

The principal operating subsidiaries, associates and joint ventures have different functional currencies in line with the economic environments of the locations in which they operate. The functional currency of the Company is United States dollars. The consolidated financial statements are presented in United States dollars.

The Group's reportable segments are set out in note 2.

## 2 Segmental information and revenue

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Directors of the Company for the purpose of resource allocation and performance assessment. The Group has three (2022: three) distinct business activities: Hotel ownership, Hotel & Residences branding and management, and Property development which form the basis of its operating and reportable segments. The Property development segment represents the redevelopment of The Excelsior, Hong Kong as a commercial building following the closure of the hotel on 31st March 2019 (the 'Causeway Bay site under development'). The redevelopment is expected to complete in 2025.

In addition, The Group is operated on a worldwide basis in three (2022: three) regions: Asia, Europe, the Middle East and Africa ('EMEA'), and America. The Group's segmental information for non-current assets is set out in note 23.

	2023 US\$m	2022 US\$m
<b>Analysis by business activity</b>		
Hotel ownership	486.8	400.9
Hotel & Residences branding and management	94.5	68.5
Less: intra-segment revenue	(23.2)	(15.3)
	558.1	454.1
<b>Analysis by geographical area</b>		
Asia	219.9	141.4
EMEA	288.6	239.7
America	49.6	73.0
	558.1	454.1
<b>From contracts with customers</b>		
Recognised at a point in time	163.7	140.8
Recognised over time	375.8	295.2
	539.5	436.0
<b>From other sources</b>		
Rental income	18.6	18.1
	558.1	454.1



## 2 Segmental information and revenue *continued*

### *Contract balances*

Setup costs in order to secure long-term hotel management contracts are capitalised under intangible assets and amortised in profit and loss when the related revenue is recognised. Management reviews the capitalised costs on a regular basis and expects the setup costs to be recoverable.

Contract liabilities primarily relate to the advance consideration received from customers relating to gift cards and advance customer deposits for hotel services.

Contract liabilities are further analysed as follows:

	2023 US\$m	2022 US\$m
Contract liabilities (refer note 20)		
– gift cards	10.1	10.9
– advance customer deposits and other	9.8	7.7
	19.9	18.6

### *Revenue recognised in relation to contract liabilities*

Revenue recognised in the current year relating to carried-forward contract liabilities:

	2023 US\$m	2022 US\$m
Gift cards	6.4	10.8
Advance customer deposits and other	5.5	9.6
	11.9	20.4

### *Revenue expected to be recognised on unsatisfied contracts with customers*

Timing of revenue to be recognised on unsatisfied performance obligations:

	Gift cards US\$m	Advance customer deposits and other US\$m	Total US\$m
<b>2023</b>			
Within one year	3.9	16.8	20.7
Between one and two years	4.2	–	4.2
Between two and three years	1.3	–	1.3
Between three and four years	0.5	–	0.5
Between four and five years	0.2	–	0.2
	10.1	16.8	26.9
<b>2022</b>			
Within one year	4.2	9.6	13.8
Between one and two years	4.5	–	4.5
Between two and three years	1.4	–	1.4
Between three and four years	0.6	–	0.6
Between four and five years	0.2	–	0.2
	10.9	9.6	20.5

### 3 EBITDA (earnings before interest, tax, depreciation and amortisation) and operating loss from subsidiaries

	2023 US\$m	2022 US\$m
<b>Analysis by business activity</b>		
Hotel ownership	101.9	45.3
Hotel & Residences branding and management	52.5	33.8
Property development	(1.0)	–
Underlying EBITDA from subsidiaries	153.4	79.1
Non-trading items ( <i>refer note 8</i> )		
– change in fair value of investment properties	(486.7)	(104.1)
– change in fair value of other investments	(0.4)	–
– gain on sale of a subsidiary/asset disposals	43.8	40.6
	(443.3)	(63.5)
EBITDA from subsidiaries	(289.9)	15.6
Underlying depreciation and amortisation from subsidiaries	(51.1)	(58.2)
Operating loss	(341.0)	(42.6)
<b>Analysis by business activity</b>		
Hotel ownership	145.4	85.9
Hotel & Residences branding and management	52.4	33.8
Property development	(487.7)	(104.1)
EBITDA from subsidiaries	(289.9)	15.6
Hotel ownership	102.4	36.7
Hotel & Residences branding and management	44.3	24.8
Property development	(487.7)	(104.1)
Operating loss	(341.0)	(42.6)
<b>Analysis by geographical area</b>		
Asia	41.5	(8.7)
EMEA	108.5	82.8
America	3.4	5.0
Underlying EBITDA from subsidiaries	153.4	79.1

### 3 EBITDA (earnings before interest, tax, depreciation and amortisation) and operating loss from subsidiaries *continued*

	2023 US\$m	2022 US\$m
The following items have been credited/(charged) in arriving at operating loss:		
Rental income ( <i>refer note 10</i> )	18.6	18.1
Amortisation and impairment of intangible assets ( <i>refer note 9</i> )	(5.5)	(6.0)
Depreciation of tangible assets ( <i>refer note 10</i> )	(38.9)	(45.3)
Amortisation/depreciation of right-of-use assets ( <i>refer note 11</i> )	(6.7)	(6.9)
Employee benefit expense		
– salaries and benefits in kind	(226.5)	(216.9)
– defined benefit pension plans ( <i>refer note 16</i> )	(2.7)	(3.2)
– defined contribution pension plans	(2.2)	(1.8)
	(231.4)	(221.9)
Net foreign exchange gain	0.1	0.3
Expenses relating to low value leases	(0.2)	(0.4)
Expenses relating to short-term leases	(1.0)	(1.0)
Expenses relating to variable lease payments not included in lease liabilities	(5.6)	(3.4)
Auditors' remuneration		
– audit	(1.9)	(1.9)
– non-audit services	(0.2)	(0.2)
	(2.1)	(2.1)

**4 Net financing charges**

	2023 US\$m	2022 US\$m
Interest expense		
– bank loans	(15.3)	(13.3)
– interest on lease liabilities	(1.7)	(1.9)
Commitment and other fees	(0.6)	(1.5)
Financing charges	(17.6)	(16.7)
Interest income	7.7	2.3
Net financing charges	(9.9)	(14.4)

**5 Share of results of associates and joint ventures**

	EBITDA US\$m	Depreciation and amortisation US\$m	Operating profit/ (loss) US\$m	Net financing charges US\$m	Tax US\$m	Net profit/ (loss) US\$m
<b>2023</b>						
<b>Analysis by business activity</b>						
Hotel ownership	23.8	(15.2)	8.6	(8.9)	0.2	(0.1)
Other	0.4	(0.5)	(0.1)	(0.1)	–	(0.2)
	24.2	(15.7)	8.5	(9.0)	0.2	(0.3)
Non-trading items – closure costs	(0.6)	–	(0.6)	–	–	(0.6)
	23.6	(15.7)	7.9	(9.0)	0.2	(0.9)
<b>Analysis by geographical area</b>						
Asia	10.4	(10.1)	0.3	(3.3)	0.1	(2.9)
EMEA	5.5	(3.6)	1.9	(3.3)	0.1	(1.3)
America	8.3	(2.0)	6.3	(2.4)	–	3.9
	24.2	(15.7)	8.5	(9.0)	0.2	(0.3)
Non-trading items – closure costs	(0.6)	–	(0.6)	–	–	(0.6)
	23.6	(15.7)	7.9	(9.0)	0.2	(0.9)
<b>2022</b>						
<b>Analysis by business activity</b>						
Hotel ownership	32.3	(15.4)	16.9	(5.6)	(1.0)	10.3
Other	–	(0.5)	(0.5)	(0.1)	–	(0.6)
	32.3	(15.9)	16.4	(5.7)	(1.0)	9.7
<b>Analysis by geographical area</b>						
Asia	19.2	(10.4)	8.8	(2.4)	(1.1)	5.3
EMEA	4.0	(3.4)	0.6	(1.1)	0.1	(0.4)
America	9.1	(2.1)	7.0	(2.2)	–	4.8
	32.3	(15.9)	16.4	(5.7)	(1.0)	9.7

## 6 Tax

	2023 US\$m	2022 US\$m
Tax (charged)/credited to profit and loss is analysed as follows:		
– current tax	(11.8)	(12.0)
– deferred tax ( <i>refer note 15</i> )	(1.7)	9.9
	(13.5)	(2.1)
<b>Analysis by business activity</b>		
Hotel ownership	(7.2)	5.3
Hotel & Residences branding and management	(6.3)	(7.4)
	(13.5)	(2.1)
<b>Analysis by geographical area</b>		
Asia	(8.3)	(0.2)
EMEA	(4.3)	(5.2)
America	(0.9)	3.3
	(13.5)	(2.1)
Reconciliation between tax expense and tax at the applicable tax rate*:		
Tax at applicable tax rate	56.2	9.0
Income not subject to tax		
– change in fair value of other investments	0.1	–
– gain on sale of a subsidiary	9.3	–
– other items	3.8	1.8
Expenses not deductible for tax purposes		
– change in fair value of investment properties	(80.3)	(17.1)
– other items	(5.2)	(3.5)
Tax losses and temporary differences not recognised	(4.1)	(11.9)
Utilisation of previously unrecognised tax losses and temporary differences	7.9	14.3
Recognition of previously unrecognised tax losses and temporary differences	4.1	(0.4)
Deferred tax liabilities written back		
– disposal of Mandarin Oriental, Washington D.C.	–	10.7
– other items	–	0.1
Withholding tax	(4.6)	(3.8)
Under-provision in prior years	(0.5)	(1.3)
Change in tax rates	(0.2)	–
	(13.5)	(2.1)
Tax relating to components of other comprehensive income is analysed as follows:		
Remeasurements of defined benefit plans	0.4	0.3
Cash flow hedges	1.3	(2.4)
	1.7	(2.1)

Tax on profits has been calculated at rates of taxation prevailing in the territories in which the Group operates.

In 2023, current tax included a non-trading capital gain tax charge of US\$2.5 million in relation to the sale of 96.9% ownership stake in P.T. Jaya Mandarin Agung, the owning company of Mandarin Oriental, Jakarta (*refer note 31*). In 2022, current tax included a non-trading capital gain tax charge of US\$4.3 million and deferred tax included a non-trading tax credit of US\$10.7 million in relation to the sale of Mandarin Oriental, Washington D.C. (*refer note 8*).

Share of tax credit of associates and joint ventures of US\$0.2 million (2022: share of tax charge of US\$1.0 million) is included in share of results of associates and joint ventures (*refer note 5*).

\* The applicable tax rate for the year was 16% (2022: 16%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

## 7 (Loss)/earnings per share

Basic loss per share is calculated using loss attributable to shareholders of US\$365.4 million (2022: US\$49.5 million) and the weighted average number of 1,263.8 million (2022: 1,263.7 million) shares in issue during the year.

Diluted loss per share is calculated using loss attributable to shareholders of US\$365.4 million (2022: US\$49.5 million) and the weighted average number of 1,263.8 million (2022: 1,263.8 million) shares in issue after adjusting for the number of shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on the average share price during the year.

The weighted average number of shares is arrived at as follows:

	Ordinary shares in millions	
	2023	2022
Weighted average number of shares for basic loss per share calculation	1,263.8	1,263.7
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	–	0.1
Weighted average number of shares for diluted loss per share calculation	1,263.8	1,263.8

Additional basic and diluted loss/earnings per share are also calculated based on underlying profit attributable to shareholders. A reconciliation of loss/earnings is set out below:

	2023			2022		
	US\$m	Basic (loss)/earnings per share US¢	Diluted (loss)/earnings per share US¢	US\$m	Basic (loss)/earnings per share US¢	Diluted (loss)/earnings per share US¢
Loss attributable to shareholders	(365.4)	(28.91)	(28.91)	(49.5)	(3.92)	(3.92)
Non-trading items (refer note 8)	446.4			57.1		
Underlying profit attributable to shareholders	81.0	6.41	6.41	7.6	0.60	0.60

## 8 Non-trading items

An analysis of non-trading items after interest, tax and non-controlling interests is set out below:

	2023 US\$m	2022 US\$m
Change in fair value of investment properties	(486.7)	(104.1)
Change in fair value of other investments	(0.4)	–
Gain on sale of a subsidiary (refer note 31) /asset disposals*	41.3	47.0
	(445.8)	(57.1)
Share of results of associates and joint ventures – closure costs	(0.6)	–
	(446.4)	(57.1)

\* In September 2022, the Group completed the sale of Mandarin Oriental, Washington D.C., including tangible assets and stocks of US\$90.8 million, for gross proceeds of US\$139.0 million. After taking into account the selling expenses and sales related taxes of US\$ 7.6 million, the net proceeds were US\$131.4 million. As a result, the Group has recognised a post-tax, non-trading gain of US\$47.0 million which included a net tax credit of US\$6.4 million.

## 9 Intangible assets

	Goodwill US\$m	Computer software US\$m	Development project contract costs US\$m	Total US\$m
<b>2023</b>				
Cost	23.9	30.2	28.0	82.1
Amortisation and impairment	–	(21.3)	(15.1)	(36.4)
Net book value at 1st January	23.9	8.9	12.9	45.7
Exchange differences	–	0.1	(0.1)	–
Additions	–	4.5	1.9	6.4
Disposals	(2.8)	–	–	(2.8)
Classified as held for sale	–	(0.1)	–	(0.1)
Amortisation and impairment charge	–	(4.4)	(1.1)	(5.5)
Net book value at 31st December	21.1	9.0	13.6	43.7
Cost	21.1	34.2	28.0	83.3
Amortisation and impairment	–	(25.2)	(14.4)	(39.6)
	21.1	9.0	13.6	43.7
<b>2022</b>				
Cost	23.9	29.2	28.2	81.3
Amortisation and impairment	–	(19.2)	(15.4)	(34.6)
Net book value at 1st January	23.9	10.0	12.8	46.7
Exchange differences	–	(0.1)	–	(0.1)
Additions	–	3.4	1.7	5.1
Amortisation and impairment charge	–	(4.4)	(1.6)	(6.0)
Net book value at 31st December	23.9	8.9	12.9	45.7
Cost	23.9	30.2	28.0	82.1
Amortisation and impairment	–	(21.3)	(15.1)	(36.4)
	23.9	8.9	12.9	45.7

Management has performed an impairment review of the carrying amount of goodwill at 31st December 2023. For the purpose of impairment review, goodwill acquired has been allocated to the hotel and is reviewed for impairment based on the hotel forecast operating performance and cash flows. Cash flow projections for the impairment review are based on value-in-use calculation using the updated hotel forecasts (including the following year's hotel budget) with assumptions updated for the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculation include an average annual growth rate of 2% to forecast cash flows over a five-year period, after which the growth rate is assumed to be up to 2% in perpetuity. Individual growth assumptions vary across the Group's geographical locations, and are based on management expectations for each market's development. A pre-tax discount rate of 8% is applied to the cash flow projections. The discount rate used reflects business specific risks relating to the business life-cycle and geographical location. On the basis of the review, management concluded that no impairment exists.

The amortisation charges are all recognised in arriving at operating profit and are included in cost of sales, selling and distribution costs, administration expenses and other operating expense.

The amortisation periods for intangible assets are as follows:

Computer software	3 to 5 years
Development project contract costs	20 to 40 years

## 10 Tangible assets

	Freehold properties US\$m	Properties on leasehold land & leasehold improvements US\$m	Plant & machinery US\$m	Furniture, equipment & motor vehicles US\$m	Total US\$m
<b>2023</b>					
Cost	736.3	353.4	116.4	218.0	1,424.1
Depreciation and impairment	(81.7)	(189.2)	(81.5)	(155.4)	(507.8)
Net book value at 1st January	654.6	164.2	34.9	62.6	916.3
Exchange differences	25.9	6.3	0.4	1.4	34.0
Additions	0.3	0.6	2.1	10.1	13.1
Disposals	–	–	(0.2)	(0.6)	(0.8)
Reclassification	–	10.3	–	(10.3)	–
Classified as held for sale ( <i>refer note 19</i> )	(279.9)	(6.6)	(15.7)	(2.9)	(305.1)
Depreciation charge	(8.6)	(11.0)	(5.2)	(14.1)	(38.9)
Net book value at 31st December	392.3	163.8	16.3	46.2	618.6
Cost	470.5	342.4	87.0	228.0	1,127.9
Depreciation and impairment	(78.2)	(178.6)	(70.7)	(181.8)	(509.3)
	392.3	163.8	16.3	46.2	618.6
<b>2022</b>					
Cost	915.4	370.7	131.2	300.0	1,717.3
Depreciation and impairment	(121.8)	(191.8)	(88.5)	(217.0)	(619.1)
Net book value at 1st January	793.6	178.9	42.7	83.0	1,098.2
Exchange differences	(48.6)	(3.7)	(2.8)	(3.4)	(58.5)
Additions	3.4	1.0	0.3	8.1	12.8
Disposals ( <i>refer note 8</i> )	(84.1)	–	(0.2)	(6.0)	(90.3)
Transfer to investment properties	–	(0.6)	–	–	(0.6)
Depreciation charge	(9.7)	(11.4)	(5.1)	(19.1)	(45.3)
Net book value at 31st December	654.6	164.2	34.9	62.6	916.3
Cost	736.3	353.4	116.4	218.0	1,424.1
Depreciation and impairment	(81.7)	(189.2)	(81.5)	(155.4)	(507.8)
	654.6	164.2	34.9	62.6	916.3

Rental income from properties and other tangible assets amounted to US\$18.6 million (2022: US\$18.1 million) (*refer note 3*).

The maturity analysis of the undiscounted lease payments to be received after the balance sheet date are as follows:

	2023 US\$m	2022 US\$m
Within one year	15.3	14.5
Between one and two years	13.1	10.1
Between two and five years	32.5	26.2
Beyond five years	16.3	20.8
	77.2	71.6

At 31st December 2023, the carrying amount of hotel properties pledged as security for bank borrowings amounted to US\$355.4 million (2022: US\$342.6 million) (*refer note 21*).



## 11 Right-of-use assets

	Leasehold land US\$m	Properties US\$m	Total US\$m
<b>2023</b>			
Cost	133.3	199.9	333.2
Amortisation/depreciation and impairment	(9.6)	(81.2)	(90.8)
Net book value at 1st January	123.7	118.7	242.4
Exchange differences	(0.1)	(6.7)	(6.8)
Additions	–	0.1	0.1
Disposals	(0.2)	–	(0.2)
Remeasurement	–	0.3	0.3
Amortisation/depreciation charge	(0.2)	(6.5)	(6.7)
Net book value at 31st December	123.2	105.9	229.1
Cost	133.0	189.1	322.1
Amortisation/depreciation and impairment	(9.8)	(83.2)	(93.0)
	123.2	105.9	229.1
<b>2022</b>			
Cost	143.6	228.2	371.8
Amortisation/depreciation and impairment	(12.4)	(86.1)	(98.5)
Net book value at 1st January	131.2	142.1	273.3
Exchange differences	–	(17.5)	(17.5)
Additions	0.2	0.6	0.8
Revaluation surplus before transfer to investment properties	79.8	–	79.8
Transfer to investment properties	(87.1)	–	(87.1)
Amortisation/depreciation charge	(0.4)	(6.5)	(6.9)
Net book value at 31st December	123.7	118.7	242.4
Cost	133.3	199.9	333.2
Amortisation/depreciation and impairment	(9.6)	(81.2)	(90.8)
	123.7	118.7	242.4

At 31st December 2023, the carrying amount of leasehold land pledged as security for bank borrowings amounted to US\$121.8 million (2022: US\$122.2 million) (*refer note 21*). None of the other right-of-use assets have been pledged at 31st December 2023 and 2022.

The typical lease term associated with the right-of-use assets are as follows:

Leasehold land	20 to 895 years
Properties	2 to 30 years

## 12 Investment properties

	Under development leasehold commercial property US\$m	Completed leasehold residential property US\$m	Total US\$m
<b>2023</b>			
At 1st January	<b>2,384.9</b>	<b>87.7</b>	<b>2,472.6</b>
Exchange differences	<b>(5.3)</b>	<b>(0.2)</b>	<b>(5.5)</b>
Additions	<b>79.9</b>	<b>–</b>	<b>79.9</b>
(Decrease)/increase in fair value	<b>(487.6)</b>	<b>0.9</b>	<b>(486.7)</b>
At 31st December	<b>1,971.9</b>	<b>88.4</b>	<b>2,060.3</b>
<b>2022</b>			
At 1st January	2,462.0	–	2,462.0
Exchange differences	0.6	–	0.6
Additions	26.4	–	26.4
Transfer from tangible assets	–	0.6	0.6
Transfer from right-of-use assets	–	87.1	87.1
Decrease in fair value	(104.1)	–	(104.1)
At 31st December	2,384.9	87.7	2,472.6

In 2022, an own-use property, including tangible assets of US\$0.6 million and right-of-use assets of US\$87.1 million, was transferred to a completed residential investment property following a change of its future use determined by the management.

The Group measures its investment properties at fair value. The fair values of the Group's investment properties have been determined on the basis of valuations carried out by independent valuers who hold a recognised relevant professional qualification and have recent experience in the location and segment of the investment properties valued.

The Group employed Jones Lang LaSalle to value its under development commercial property in Hong Kong which is held under leases with unexpired lease terms of more than 20 years. The valuation, which conforms to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, was derived using the residual method. The Report of the Valuers is set out on page [•].

The valuations are comprehensively reviewed by the Group.

## 12 Investment properties *continued*

### *Fair value measurements of completed residential property using no significant unobservable inputs*

Fair value of the completed residential property is generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

### *Fair value measurements of under development commercial property using significant unobservable inputs*

In 2022, the fair value of the under development commercial property was derived using the direct comparison method and the residual method with equal weighting. In 2023, there has been a change in the valuation methodology from an equal weighting of the direct comparison method and the residual method to fully weighted on the residual method.

Due to a lack of recent comparable transactions which reflect the current market conditions, it is considered that the previous comparable site transactions used in the direct comparison method have become outdated. As a result, the direct comparison method was not considered appropriate and does not form part of the basis for assessment of value of the site at 31st December 2023. As such, the fair value of the under development commercial property was derived using the residual method. The change in the valuation methodology to reflect residual, value-in-use estimates, is in line with the market practice as the development of the site progresses toward completion.

The residual method assesses the value of the asset by reference to its development potential, by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completion as at the date of valuation.

Information about fair value measurements of the Group's under development commercial property using significant unobservable inputs at 31st December:

	Fair value US\$m	Valuation method	Range of significant unobservable inputs	
			Prevailing market rent per month/ Average unit price US\$	Capitalisation rate %
<b>2023</b>				
Hong Kong	<b>1,971.9</b>	Residual*	Prevailing market rent per month of 8.2 to 10.4 per square foot	2.55 to 3.95
<b>2022</b>				
Hong Kong	2,384.9	Direct comparison	Average unit price of 3,951.6 per square foot	n/a
		Residual*	Prevailing market rent per month of 8.3 to 10.0 per square foot	2.45 to 3.85

\* In using the residual method to make fair value measurements of the under development commercial property, unobservable inputs relating to the estimated costs to complete the development and the developer's estimated profit and margin for risk have been used.

Prevailing market rents are estimated based on independent valuers' view of recent lettings. Capitalisation rates are estimated by independent valuers based on the risk profile of the property being valued.

**12 Investment properties** *continued****Fair value measurements of under development leasehold commercial property using significant unobservable inputs*** *continued*

An increase/decrease to prevailing market rent will increase/decrease valuations, while an increase/decrease to capitalisation rate will decrease/increase valuations. Sensitivity analyses have been performed on the under development commercial property (which contributed 96% of the total investment properties balance at 31st December 2023), to assess the impact on the valuation of changes in the two significant unobservable inputs: prevailing market rent per month and capitalisation rate. The impact of any reasonably possible change in the assumptions for other investment properties would not be material. The Group believes the changes in assumptions in the table below capture a reasonable range of variations in these key valuation assumptions.

	(Increase)/decrease in valuation		
	Change in assumption %	Increase in assumption US\$m	Decrease in assumption US\$m
Prevailing market rent per month	5.00	110.0	(115.2)
Capitalisation rate	0.10	(83.2)	83.2

The maturity analysis of the undiscounted lease payments to be received in respect of the completed residential property after the balance sheet date are as follows:

	2023 US\$m	2022 US\$m
Within one year	–	0.6
Between one and two years	–	0.6
Between two and five years	–	0.5
	–	1.7

The Group's operating lease in respect of the completed residential property is for a term of three years. The lease was terminated during the year.

**13 Associates and joint ventures**

	2023 US\$m	2022 US\$m
<b>Associates</b>		
Listed associate – OHTL PLC ('OHTL')	6.9	2.2
Unlisted associates	42.8	49.7
Share of attributable net assets	49.7	51.9
Notional goodwill	5.5	5.5
Goodwill on acquisition	2.1	2.1
	57.3	59.5
Amounts due from associates	58.7	38.4
	116.0	97.9
<b>Joint ventures</b>		
Share of attributable net liabilities of unlisted joint ventures	(29.9)	(25.7)
Goodwill on acquisition	6.1	5.9
	(23.8)	(19.8)
Amounts due from joint ventures	63.6	125.7
	39.8	105.9
	155.8	203.8

### 13 Associates and joint ventures *continued*

Amounts due from associates are interest free, unsecured and have no fixed terms of repayment, except for a convertible loan of US\$2.0 million (2022: US\$2.0 million) which bears interest at 4% per annum and will mature on 15th June 2024 and a loan of US\$20.3 million (2022: nil) which bears interest at 5% per annum and is repayable on 31st December 2024. The Group is expected to extend the repayment to 2025 upon its maturity and accordingly the loan is classified under non-current assets.

Amounts due from joint ventures are unsecured, bear interest at rates ranging from approximately 1.15% to 5.00% (2022: 1.15% to 5.00%) per annum and are repayable within two years (2022: two to three years), except for amounts of US\$31.9 million (2022: US\$30.7 million) with no fixed terms of repayment.

The Group's share of the carrying value of hotel properties (including properties, plant and equipment, and leasehold land) owned by the Group's associates and joint ventures amounted to US\$218.8 million (2022: US\$186.0 million) and US\$107.5 million (2022: US\$106.5 million) respectively.

	Associates		Joint ventures	
	2023 US\$m	2022 US\$m	2023 US\$m	2022 US\$m
Movements of associates and joint ventures during the year:				
At 1st January	97.9	88.3	105.9	113.2
Exchange differences	(0.1)	–	4.4	(7.3)
Share of results after tax and non-controlling interests	0.4	10.1	(1.3)	(0.4)
Share of other comprehensive income/(expense) after tax and non-controlling interests	1.5	0.3	(1.1)	0.4
Acquisition of an associate (refer note 28d)	–	1.0	–	–
Interest received	(1.0)	–	(4.3)	–
Advance to associates and joint ventures (refer note 28e)	20.3	2.0	0.4	0.4
Repayment of loans to associates and joint ventures (refer note 28f)	(3.0)	(3.8)	(64.2)	(0.4)
At 31st December	116.0	97.9	39.8	105.9
Fair value of listed associate	187.2	186.7	n/a	n/a

**13 Associates and joint ventures** *continued***a) Investment in associates**

The material associates of the Group are listed below. These associates have share capital consisting solely of ordinary shares, which are held directly by the Group.

Nature of investments in material associates in 2023 and 2022:

Name of entity	Nature of business	Country of incorporation and principal place of business/ place of listing	% of ownership interest	
			2023	2022
OHTL	Owner of Mandarin Oriental, Bangkok	Thailand/Thailand	<b>47.6%</b>	47.6%
Marina Bay Hotel Private Ltd. ('Marina Bay Hotel')	Owner of Mandarin Oriental, Singapore	Singapore/Unlisted	<b>50.0%</b>	50.0%

At 31st December 2023, the fair value of the Group's interest in OHTL, which is listed on the Thailand Stock Exchange, was US\$187.2 million (2022: US\$186.7 million) and the carrying amount of the Group's interest was US\$12.4 million (2022: US\$7.7 million).

**Summarised financial information for material associates***Summarised balance sheet at 31st December*

	OHTL		Marina Bay Hotel		Total	
	2023 US\$m	2022 US\$m	2023 US\$m	2022 US\$m	2023 US\$m	2022 US\$m
Non-current assets	<b>106.7</b>	113.2	<b>181.8</b>	105.1	<b>288.5</b>	218.3
Current assets						
Cash and cash equivalents	<b>6.0</b>	8.0	<b>12.9</b>	48.1	<b>18.9</b>	56.1
Other current assets	<b>3.8</b>	3.9	<b>7.1</b>	4.8	<b>10.9</b>	8.7
Total current assets	<b>9.8</b>	11.9	<b>20.0</b>	52.9	<b>29.8</b>	64.8
Non-current liabilities						
Financial liabilities*	<b>(43.8)</b>	(57.8)	<b>(60.1)</b>	–	<b>(103.9)</b>	(57.8)
Other non-current liabilities*	<b>(21.5)</b>	(21.2)	–	(1.8)	<b>(21.5)</b>	(23.0)
Total non-current liabilities	<b>(65.3)</b>	(79.0)	<b>(60.1)</b>	(1.8)	<b>(125.4)</b>	(80.8)
Current liabilities						
Financial liabilities*	<b>(33.2)</b>	(37.9)	<b>(13.9)</b>	(12.5)	<b>(47.1)</b>	(50.4)
Other current liabilities*	<b>(3.5)</b>	(3.7)	<b>(2.6)</b>	(6.5)	<b>(6.1)</b>	(10.2)
Total current liabilities	<b>(36.7)</b>	(41.6)	<b>(16.5)</b>	(19.0)	<b>(53.2)</b>	(60.6)
Net assets	<b>14.5</b>	4.5	<b>125.2</b>	137.2	<b>139.7</b>	141.7

\* Financial liabilities excluding trade and other payables and provisions, which are presented under other current and non-current liabilities.

## 13 Associates and joint ventures *continued*

### *a) Investment in associates continued*

#### Summarised financial information for material associates *continued*

##### *Summarised statement of comprehensive income for the year ended 31st December*

	OHTL		Marina Bay Hotel		Total	
	2023 US\$m	2022 US\$m	2023 US\$m	2022 US\$m	2023 US\$m	2022 US\$m
Revenue	72.4	54.8	41.2	73.8	113.6	128.6
Depreciation and amortisation	(8.4)	(9.4)	(9.2)	(7.6)	(17.6)	(17.0)
Interest expense	(3.6)	(3.3)	(0.8)	0.4	(4.4)	(2.9)
Profit/(loss) from underlying business performance	11.5	4.2	(17.0)	12.5	(5.5)	16.7
Income tax (charge)/credit	(1.8)	–	1.9	(2.4)	0.1	(2.4)
Profit/(loss) after tax	9.7	4.2	(15.1)	10.1	(5.4)	14.3
Other comprehensive income	0.3	0.2	3.1	1.1	3.4	1.3
Total comprehensive income/(expense)	10.0	4.4	(12.0)	11.2	(2.0)	15.6

The information contained in the summarised balance sheet and statement of comprehensive income reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates, and fair value of the associates at the time of acquisition.

#### Reconciliation of the summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in its material associates for the year ended 31st December:

	OHTL		Marina Bay Hotel		Total	
	2023 US\$m	2022 US\$m	2023 US\$m	2022 US\$m	2023 US\$m	2022 US\$m
Net assets at 1st January	4.5	0.1	137.2	126.0	141.7	126.1
Profit/(loss) for the year	9.7	4.2	(15.1)	10.1	(5.4)	14.3
Other comprehensive income	0.3	0.2	3.1	1.1	3.4	1.3
Net assets at 31st December	14.5	4.5	125.2	137.2	139.7	141.7
Effective interest in associates (%)	47.6	47.6	50.0	50.0		
Group's share of net assets in associates	6.9	2.2	62.6	68.6	69.5	70.8
Notional goodwill*	5.5	5.5	–	–	5.5	5.5
Carrying value	12.4	7.7	62.6	68.6	75.0	76.3
Fair value	187.2	186.7	n/a	n/a	187.2	186.7

\* OHTL repurchased some of its own shares in 2013 which were subsequently cancelled in 2016. The number of OHTL shares held by the Group remained unchanged. As a result of the share repurchase, notional goodwill of US\$5.5 million was recognised and the Group's effective interest increased to 47.6%.

The Group has interests in a number of individually immaterial associates. The following table analyses, in aggregate, the share of profit and other comprehensive expense and carrying amount of these associates.

	2023 US\$m	2022 US\$m
Share of profit	3.3	3.0
Share of other comprehensive expense	(0.2)	(0.4)
Share of total comprehensive income	3.1	2.6
Carrying amount of interests in these associates	41.0	21.6

**13 Associates and joint ventures** *continued***a) Investment in associates** *continued***Contingent liabilities relating to the Group's interest in associates**

	2023 US\$m	2022 US\$m
Financial guarantee in respect of facilities made available to an associate	–	20.3

The guarantee in respect of facilities made available to an associate was stated at its contracted amount. The associate fully repaid the bank loan and cancelled the facilities during the year.

**b) Investment in joint ventures**

The material joint venture of the Group is listed below. This joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group.

Nature of investment in material joint venture in 2023 and 2022:

Name of entity	Nature of business	Country of incorporation and principal place of business	% of ownership interest	
			2023	2022
Ritz Madrid, S.A. ('Ritz Madrid')	Owner of Mandarin Oriental Ritz, Madrid	Spain	50.0%	50.0%

**Summarised financial information for material joint venture***Summarised balance sheet at 31st December*

	Ritz Madrid	
	2023 US\$m	2022 US\$m
Non-current assets	246.4	243.1
Current assets		
Cash and cash equivalents	8.3	8.0
Other current assets	5.3	3.9
Total current assets	13.6	11.9
Non-current liabilities		
Financial liabilities*†	(265.7)	(251.4)
Other non-current liabilities*	(46.3)	(36.4)
Total non-current liabilities	(312.0)	(287.8)
Current liabilities		
Other current liabilities*	(7.8)	(18.5)
Net liabilities	(59.8)	(51.3)

\* Financial liabilities excluding trade and other payables and provisions, which are presented under other current and non-current liabilities.

† Including shareholders' loans from joint venture partners of US\$127.2 million (2022: US\$251.4 million).



### 13 Associates and joint ventures *continued*

#### *b) Investment in joint ventures continued*

*Summarised statement of comprehensive income for the year ended 31st December*

	2023 US\$m	Ritz Madrid 2022 US\$m
Revenue	49.9	41.5
Depreciation and amortisation	(7.1)	(6.8)
Interest expense	(11.5)	(2.3)
Loss after tax	(6.2)	(0.9)
Other comprehensive (expense)/income	(2.3)	0.8
Total comprehensive expense	(8.5)	(0.1)

The information contained in the summarised balance sheet and statement of comprehensive income reflects the amounts presented in the financial statements of the joint venture adjusted for differences in accounting policies between the Group and the joint venture, fair value of the joint venture at the time of acquisition, and elimination of interest on shareholders' loan.

#### **Reconciliation of the summarised financial information**

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in its material joint venture for the year ended 31st December:

	2023 US\$m	Ritz Madrid 2022 US\$m
Net liabilities at 1st January	(51.3)	(51.2)
Loss for the year	(6.2)	(0.9)
Other comprehensive (expense)/income	(2.3)	0.8
Net liabilities at 31st December	(59.8)	(51.3)
Effective interest in joint venture (%)	50.0	50.0
Group's share of net liabilities in joint venture	(29.9)	(25.7)
Goodwill on acquisition	6.1	5.9
Shareholders' loans	63.6	125.7
Carrying value	39.8	105.9

The Group has no other joint ventures other than Ritz Madrid.

#### **Commitments and contingent liabilities in respect of joint venture**

There were no commitments and contingent liabilities relating to the Group's interest in its joint venture at 31st December 2023 and 2022.

### 14 Other investments

	2023 US\$m	2022 US\$m
Investment measured at fair value through profit and loss		
– unlisted investments	14.0	14.0

Movements of these investments which were valued based on unobservable inputs during the year are disclosed in note 36.

**15 Deferred tax assets/(liabilities)**

	Accelerated tax depreciation US\$m	Fair value gains/(losses) US\$m	Losses US\$m	Employee benefits US\$m	Provisions and other temporary differences US\$m	Total US\$m
<b>2023</b>						
At 1st January	(36.2)	(1.7)	12.9	(1.3)	(1.1)	(27.4)
Exchange differences	(1.1)	(0.1)	0.3	(0.1)	–	(1.0)
Disposals	0.3	–	–	0.2	–	0.5
Classified as held for sale	–	–	–	–	(0.1)	(0.1)
(Charged)/credited to profit and loss	(0.7)	–	(2.0)	(0.2)	1.2	(1.7)
Credited to other comprehensive income	–	1.3	–	0.4	–	1.7
At 31st December	(37.7)	(0.5)	11.2	(1.0)	–	(28.0)
Deferred tax assets	1.2	–	11.2	0.3	1.3	14.0
Deferred tax liabilities	(38.9)	(0.5)	–	(1.3)	(1.3)	(42.0)
	(37.7)	(0.5)	11.2	(1.0)	–	(28.0)
<b>2022</b>						
At 1st January	(46.1)	0.6	12.0	(1.9)	(1.0)	(36.4)
Exchange differences	2.0	0.1	(0.9)	0.1	(0.1)	1.2
Credited to profit and loss	7.9	–	1.8	0.2	–	9.9
(Charged)/credited to other comprehensive income	–	(2.4)	–	0.3	–	(2.1)
At 31st December	(36.2)	(1.7)	12.9	(1.3)	(1.1)	(27.4)
Deferred tax assets	1.1	–	12.9	0.2	–	14.2
Deferred tax liabilities	(37.3)	(1.7)	–	(1.5)	(1.1)	(41.6)
	(36.2)	(1.7)	12.9	(1.3)	(1.1)	(27.4)

Deferred tax balances predominantly comprise non-current items. Deferred tax assets and liabilities are netted when the taxes relate to the same taxation authority and where offsetting is allowed.

The recognition of deferred tax assets on tax losses of US\$11.2 million (2022: US\$12.9 million) is based on management's review of future taxable profit that will be available against which the tax losses can be utilised, referencing to individual hotel forecast operating performance.

Deferred tax assets of US\$60.7 million (2022: US\$76.8 million) arising from unused tax losses of US\$264.0 million (2022: US\$338.0 million) have not been recognised in the financial statements. Included in the unused tax losses, US\$245.0 million have no expiry date and the balance will expire at various dates up to and including 2031.

Deferred tax assets of US\$3.0 million (2022: US\$3.2 million) have not been recognised in relation to temporary differences in subsidiaries.

The Group has no unrecognised deferred tax liabilities arising on temporary differences associated with investments in subsidiaries at 31st December 2023 and 2022.

## 16 Pension plans

The Group operates defined benefit pension plans in the main territories in which it operates, with the majority of the plans in Hong Kong. Most of the pension plans are final salary defined benefit plans calculated based on members' length of service and their salaries in the final years leading up to retirement. In Hong Kong, the pension benefits are paid in one lump sum. With the exception of certain plans in Hong Kong, all the defined benefit plans are closed to new members. In addition, although all plans are impacted by the discount rate, liabilities are driven by salary growth.

The Group's defined benefit plans are either funded or unfunded, with the assets of the funded plans held independently of the Group's assets in separate trustee administered funds. Plan assets held in trusts are governed by local regulations and practice in each country. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the Company and the boards of trustees. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

The amounts recognised in the consolidated balance sheet are as follows:

	2023 US\$m	2022 US\$m
Fair value of plan assets	41.5	46.7
Present value of funded obligations	(40.9)	(43.7)
	0.6	3.0
Present value of unfunded obligations	–	(0.1)
Net pension assets	0.6	2.9
<b>Analysis of net pension assets</b>		
Pension assets	0.6	3.0
Pension liabilities	–	(0.1)
	0.6	2.9

**16 Pension plans** *continued*

The movement in the net pension assets is as follows:

	Fair value of plan assets US\$m	Present value of obligation US\$m	Total US\$m
<b>2023</b>			
At 1st January	46.7	(43.8)	2.9
Translation differences	(0.1)	0.1	–
Current service cost	–	(2.5)	(2.5)
Past service cost – plan amendments	–	(0.3)	(0.3)
Interest income/(expense)	2.2	(2.0)	0.2
Administration expenses	(0.1)	–	(0.1)
	2.1	(4.8)	(2.7)
	48.7	(48.5)	0.2
Remeasurements			
– return on plan assets, excluding amounts included in interest income	2.1	–	2.1
– change in financial assumptions	–	(1.6)	(1.6)
– experience losses	–	(2.9)	(2.9)
– demographic assumption changes	–	(0.1)	(0.1)
	2.1	(4.6)	(2.5)
Contributions from employers	3.9	–	3.9
Contributions from plan participants	0.7	(0.7)	–
Benefit payments	(12.9)	12.9	–
Transfer to other plans	0.2	(0.2)	–
Disposals	(1.2)	0.2	(1.0)
At 31st December	41.5	(40.9)	0.6
<b>2022</b>			
At 1st January	53.5	(46.7)	6.8
Current service cost	–	(3.0)	(3.0)
Interest income/(expense)	1.2	(1.0)	0.2
Administration expenses	(0.4)	–	(0.4)
	0.8	(4.0)	(3.2)
	54.3	(50.7)	3.6
Remeasurements			
– return on plan assets, excluding amounts included in interest income	(7.0)	–	(7.0)
– change in financial assumptions	–	5.5	5.5
– experience losses	–	(0.9)	(0.9)
– demographic assumption change	–	0.3	0.3
	(7.0)	4.9	(2.1)
Contributions from employers	1.4	–	1.4
Contributions from plan participants	0.6	(0.6)	–
Benefit payments	(2.5)	2.5	–
Transfer from other plans	(0.1)	0.1	–
At 31st December	46.7	(43.8)	2.9

## 16 Pension plans *continued*

The weighted average duration of the defined benefit obligation at 31st December 2023 is 4.6 years (2022: 4.4 years).

Expected maturity analysis of undiscounted pension benefits at 31st December is as follows:

	2023 US\$m	2022 US\$m
Within one year	8.6	14.8
Between one and two years	6.3	4.7
Between two and five years	15.6	15.2
Between five and ten years	24.5	22.5
Between ten and fifteen years	15.1	15.0
Between fifteen and twenty years	9.9	9.0
Beyond twenty years	5.5	6.3
	85.5	87.5

The principal actuarial assumptions used for accounting purposes at 31st December are as follows:

	2023 %	Hong Kong 2022 %
Discount rate	4.30	5.20
Salary growth rate	4.00	4.00

As participants of the plans relating to Hong Kong usually take lump sum amounts upon retirement, mortality is not a principal assumption for these plans.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption %	(Increase)/decrease on defined benefit obligation Increase in assumption US\$m	Decrease in assumption US\$m
Discount rate	1.00	1.8	(1.9)
Salary growth rate	1.00	(1.6)	1.5

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

**16 Pension plans** *continued*

The analysis of the fair value of plan assets at 31st December is as follows:

	2023 US\$m	2022 US\$m
Equity investments		
– Asia-Pacific	8.0	8.9
– Europe	7.7	9.2
– North America	18.4	21.0
– Global	4.0	4.8
	38.1	43.9
Investment funds		
– Asia-Pacific	0.4	0.4
– Europe	1.0	0.5
– North America	2.6	1.7
– Global	0.6	0.2
	4.6	2.8
Total investments	42.7	46.7
Cash and cash equivalents	1.4	2.5
Benefits payable and other	(2.6)	(2.5)
	41.5	46.7

As at 31st December 2023, 89.2% of equity investments and 89.4% of investment funds were quoted on active markets (2022: 89.6% and 96.6% respectively).

The strategic asset allocation is derived from the asset-liability modelling ('ALM') review, done triennially to ensure the plans can meet future funding and solvency requirements. The last ALM review was completed in 2021. The next ALM review is scheduled for 2024.

As at 31st December 2023, the Hong Kong plans had assets of US\$41.5 million (2022: US\$46.7 million).

The Group maintains an active and regular contribution schedule across all the plans. The contribution to all its plans in 2023 were US\$3.9 million and the estimated amount of contributions expected to be paid to all its plans in 2024 is US\$3.7million.

## 17 Debtors

	2023 US\$m	2022 US\$m
Trade debtors		
– third parties	42.4	37.6
– associates and joint ventures	2.9	4.2
	45.3	41.8
– provision for impairment	(1.6)	(2.3)
	43.7	39.5
Other debtors		
– third parties	46.4	62.4
– associates and joint ventures	3.8	3.1
	50.2	65.5
– provision for impairment	(2.7)	(2.3)
	47.5	63.2
	91.2	102.7
Non-current		
– other debtors	10.9	12.2
Current		
– trade debtors	43.7	39.5
– other debtors	36.6	51.0
	80.3	90.5
	91.2	102.7
<b>Analysis by geographical area</b>		
Asia	52.6	54.0
EMEA	31.9	34.4
America	6.7	14.3
	91.2	102.7
<b>Analysis by fair value</b>		
Trade debtors	43.7	39.5
Other debtors*	32.1	47.7
	75.8	87.2

\* Excluding prepayments.

Derivative financial instruments are stated at fair value. Other debtors are stated at amortised cost. The fair values of short-term debtors approximate their carrying amounts.

**17 Debtors** *continued***Trade and other debtors**

The average credit period on provision of services varies among Group businesses and is generally not more than 30 days.

Other debtors are further analysed as follows:

	2023 US\$m	2022 US\$m
Derivatives financial instruments (refer note 29)	2.4	17.4
Deferred consideration on sale of a subsidiary	3.2	–
Other amounts due from third parties	16.1	14.5
Other amounts due from associates and joint ventures	3.8	3.1
VAT recoverable	1.3	6.0
Rental and other deposits	3.5	3.6
Other receivables	1.8	3.1
Financial assets	32.1	47.7
Prepayments	15.4	15.5
	47.5	63.2

No debtors and prepayments have been pledged as security.

**Impairment of trade debtors**

Before accepting any new customer, the individual Group business assesses the potential customer's credit quality and sets credit limits by customer using internal credit scoring systems. These limits and scoring are reviewed periodically.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment are considered indicators that the debtor is impaired. An allowance for impairment of trade debtors is made based on the estimated irrecoverable amount determined by reference to past default experience.

The Group applied the simplified approach to measure expected credit loss, that is a lifetime expected loss allowance for trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Changes in certain macroeconomic information such as GDP and inflation rate, are relevant for determining expected credit loss rates.

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the customers to settle the receivables.

The loss allowances for trade debtors at 31st December 2023 and 2022 were determined as follows:

	Below 30 days	Between 31 and 60 days	Between 61 and 120 days	More than 120 days	Total
<b>2023</b>					
Expected loss rate	–	13%	–	15%	4%
Gross carrying amount – trade debtors (US\$m)	31.9	5.3	2.0	6.1	45.3
Loss allowance (US\$m)	–	0.7	–	0.9	1.6
<b>2022</b>					
Expected loss rate	–	–	–	38%	6%
Gross carrying amount – trade debtors (US\$m)	31.4	3.1	1.2	6.1	41.8
Loss allowance (US\$m)	–	–	–	2.3	2.3



## 17 Debtors *continued*

### *Impairment of trade debtors continued*

Movements in the provisions for impairment are as follows:

	Trade debtors		Other debtors	
	2023 US\$m	2022 US\$m	2023 US\$m	2022 US\$m
At 1st January	(2.3)	(3.5)	(2.3)	(1.8)
Exchange difference	(0.1)	0.2	–	–
Classified as held for sale	0.1	–	–	–
Additional provisions	(0.3)	(0.3)	(1.2)	(1.0)
Unused amounts reversed	0.8	0.9	0.8	0.2
Amounts written off	0.2	0.4	–	0.3
At 31st December	(1.6)	(2.3)	(2.7)	(2.3)

Trade debtors and other debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

## 18 Cash and bank balances

	2023 US\$m	2022 US\$m
Deposits with banks and financial institutions	70.4	104.9
Bank balances	107.9	120.6
Cash balances	0.5	0.7
	178.8	226.2
<b>Analysis by currency</b>		
Euro	15.9	44.9
Hong Kong dollar	14.7	11.0
Indonesian rupiah	0.8	4.8
Japanese yen	14.1	6.8
Swiss franc	3.0	4.9
United Kingdom sterling	16.4	39.8
United States dollar	100.5	103.5
Other	13.4	10.5
	178.8	226.2

The weighted average interest rate on deposits with banks and financial institutions at 31st December 2023 was 4.4% (2022: 1.2%) per annum.

**19 Assets classified as held for sale**

	2023 US\$m	2022 US\$m
Intangible assets	0.1	–
Tangible assets	305.1	–
Deferred tax assets	0.1	–
Current assets*	26.6	–
Total assets	331.9	–
Current liabilities	(24.1)	–

In December 2023, the Group has announced that it has, pursuant to a preliminary sale agreement, signed an option to sell its interests in Mandarin Oriental, Paris (the 'Paris hotel') to SLH Hotels Srl, the owner of Mandarin Oriental, Milan, for US\$227.0 million (€205.0 million). The two retail units at the main entrance of the Paris hotel are not included in the sale and were being actively marketed for sale at 31st December 2023.

The Group will retain a long-term management agreement to manage and brand the Paris hotel.

The Group's acceptance of the offer for its interests in the Paris hotel is subject to completion of a consultation process with the relevant Works Council. Subject to that process and to the statutory right of pre-emption by the City of Paris, among other conditions, it is anticipated that final documentation will be signed and completion of the sale of the Paris hotel will take place on or after 31st March 2024.

\* Included cash and bank balances of US\$11.5 million (*refer note 28i*).

**20 Creditors**

	2023 US\$m	2022 US\$m
Trade creditors	12.7	21.2
Accruals	97.8	82.3
Rental and other refundable deposits	3.8	4.6
Other creditors	24.0	33.5
Financial liabilities	138.3	141.6
Contract liabilities ( <i>refer note 2</i> )	19.9	18.6
Rental income received in advance	0.9	3.4
	159.1	163.6
Non-current	1.1	4.5
Current	158.0	159.1
	159.1	163.6
<b>Analysis by geographical area</b>		
Asia	91.4	64.8
EMEA	39.3	59.5
America	28.4	39.3
	159.1	163.6

## 20 Creditors *continued*

Derivative financial instruments are stated at fair value. Other creditors are stated at amortised cost. The fair values of these creditors approximate their carrying amounts.

At 31st December 2023, non-current creditors included an amount of US\$1.1 million (2022: US\$4.5 million) due to a service provider of a joint outlet. The amount is repayable to the service provider according to the terms of the joint outlet agreement.

Provision for reinstatement and restoration costs comprised the estimated costs, to be incurred by the Group as lessees, in dismantling and removing the underlying assets, restoring the sites on which they are located or restoring the underlying assets to the condition required by the terms and conditions of the leases. The expected costs of US\$0.8 million (2022: US\$0.8 million) were included in accruals at 31st December 2023.

## 21 Borrowings

	2023		2022	
	Carrying amount US\$m	Fair value US\$m	Carrying amount US\$m	Fair value US\$m
Short-term borrowings				
– other borrowings	–	–	2.2	2.2
Current portion of long-term borrowings				
– bank loans	414.9	414.9	–	–
Total current borrowings	414.9	414.9	2.2	2.2
Long-term borrowings				
– bank loans	0.6	0.6	599.8	599.8
	415.5	415.5	602.0	602.0

The Group has borrowing facilities of US\$754.4 million due to mature within 2024. In February 2024, the Group has refinanced bank facilities of US\$409.2 million for three to five years.

The fair values are estimated using the expected future payments discounted at market interest rate from 2.1% to 5.9% (2022: 1.2% to 5.7%) per annum. This is in line with the definition of ‘observable current market transactions’ under the fair value measurement hierarchy. The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

	2023 US\$m	2022 US\$m
Secured	414.9	599.8
Unsecured	0.6	2.2
	415.5	602.0

Borrowings of US\$414.9 million (2022: US\$599.8 million) were secured against the tangible fixed assets and right-of-use assets of certain subsidiaries at 31st December 2023. The book value of these tangible fixed assets and right-of-use assets at 31st December 2023 was US\$477.2 million (2022: US\$464.8 million).

**21 Borrowings** *continued*

The borrowings at 31st December are further summarised as follows:

	Weighted average interest rates %	Fixed rate borrowings		Floating rate borrowings US\$m	Total US\$m
		Weighted average period outstanding Years	US\$m		
<b>2023</b>					
Hong Kong dollar	4.5	0.2	160.0	191.3	351.3
United Kingdom sterling	3.0	0.3	50.9	13.3	64.2
			210.9	204.6	415.5
<b>2022</b>					
Hong Kong dollar	4.0	1.1	224.5	278.3	502.8
Swiss franc	1.5	–	–	2.2	2.2
United Kingdom sterling	3.0	1.3	48.2	48.8	97.0
			272.7	329.3	602.0

The weighted average interest rates and period of fixed rate borrowings are stated after taking into account hedging transactions (*refer note 29*).

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at 31st December after taking into account hedging transactions are as follows:

	2023 US\$m	2022 US\$m
Floating rate borrowings	204.6	329.3
Fixed rate borrowings		
– Within one year	210.9	64.1
– Between one and two years	–	208.6
– Between two and three years	–	–
– Between three and four years	–	–
– Between four and five years	–	–
– Beyond five years	–	–
	210.9	272.7
	415.5	602.0

## 21 Borrowings *continued*

The movements in borrowings are as follows:

	Long-term borrowings US\$m	Short-term borrowings US\$m	Total US\$m
<b>2023</b>			
At 1st January	599.8	2.2	602.0
Exchange differences	3.2	0.1	3.3
Drawdown of borrowings	58.1	–	58.1
Repayment of borrowings	(245.6)	(2.3)	(247.9)
At 31st December	415.5	–	415.5
<b>2022</b>			
At 1st January	727.8	2.5	730.3
Exchange differences	(11.7)	(0.1)	(11.8)
Drawdown of borrowings	23.0	–	23.0
Repayment of borrowings	(139.3)	(0.2)	(139.5)
At 31st December	599.8	2.2	602.0

## 22 Lease liabilities

	2023 US\$m	2022 US\$m
At 1st January	129.4	153.7
Exchange differences	(7.2)	(18.8)
Additions	0.1	0.6
Lease payments	(7.9)	(7.6)
Interest expense	1.7	1.9
Remeasurement	0.3	–
Modification of lease terms and other	–	(0.4)
At 31st December	116.4	129.4
Non-current	110.6	123.5
Current	5.8	5.9
	116.4	129.4

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The Group is not exposed to any residual guarantees in respect of the leases entered into at 31st December 2023 and 2022.

There is no lease contract entered but not commenced at 31st December 2023 and 2022.

## 23 Segmental information for non-current assets

Set out below is an analysis of the Group's non-current assets, excluding amounts due from associates and joint ventures, other investments, deferred tax assets, pension assets and derivative financial instruments, by reportable segment.

	2023 US\$m	2022 US\$m
<b>Analysis by geographical area</b>		
Asia	2,492.6	2,928.3
EMEA	404.7	696.7
America	102.2	109.0
	2,999.5	3,734.0

## 24 Share capital

	Ordinary shares in millions		2023 US\$m	2022 US\$m
	2023	2022		
<b>Authorised</b>				
Shares of US\$5.00 each	1,500.0	1,500.0	75.0	75.0
<b>Issued and fully paid</b>				
At 1st January	1,263.7	1,263.6	63.2	63.2
Issued under share-based long-term incentive plans	0.1	0.1	–	–
At 31st December	1,263.8	1,263.7	63.2	63.2

## 25 Share premium

	2023 US\$m	2022 US\$m
At 1st January	500.7	500.5
Transfer from capital reserves	0.2	0.2
At 31st December	500.9	500.7

## 26 Share-based long-term incentive plans

Share-based long-term incentive plans have been set up to provide incentives for selected executives. Awards can take the form of share options with an exercise price based on the then prevailing market prices or such other price set by the Directors or share awards which will vest free of payment. Awards normally vest on or after the third anniversary of the date of grant and may be subject to the achievement of performance conditions.

- i) The Mandarin Oriental Share-based Long-term Incentive Plan (the '2014 Plan') was adopted by the Company on 6th March 2014. Under these awards, the free shares are received by the participants to the extent the award vests. Conditions, if any, are at the discretion of the Directors. No conditional share awards were granted in 2023 and 2022 under the 2014 Plan.
- ii) Prior to the adoption of the 2014 Plan, The Mandarin Oriental International Share Option Plan 2005 provided selected executives with options to purchase ordinary shares in the Company. The exercise price of the granted options was based on the average market price for the five trading days immediately preceding the date of grant of the options. Options are vested over a period of up to three years and are exercisable for up to ten years following the date of grant.

### Movements of the outstanding options during the year:

	2023		2022	
	Weighted average exercise price US\$	Options in millions	Weighted average exercise price US\$	Options in millions
At 1st January	1.57	0.5	1.59	1.0
Exercised	1.57	(0.5)	1.61	(0.5)
At 31st December	–	–	1.57	0.5

The average share price during the year was US\$1.70 (2022: US\$1.92) per share.

### Outstanding options at 31st December:

Expiry date	Exercise price US\$	Ordinary shares in millions	
		2023	2022
2023	1.57	–	0.5
of which exercisable		–	0.5

**27 Dividends**

	2023 US\$m	2022 US\$m
Interim dividend in respect of 2023 of US\$1.50 (2022: nil) per share	19.0	–

A final dividend in respect of 2023 of US\$3.50 (2022: nil) per share amounting to a total of US\$44.2 million (2022: nil) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2024 Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2024.

**28 Notes to consolidated cash flow statement****a) Other non-cash items**

	2023 US\$m	2022 US\$m
Fair value loss on investment properties	486.7	104.1
Fair value loss on other investments	0.4	–
Gain on modification of lease terms	–	(0.4)
Gain on sale of a subsidiary/asset disposals	(43.8)	(40.6)
Other	(3.0)	0.4
	440.3	63.5

**b) Movements in working capital**

	2023 US\$m	2022 US\$m
Increase in stocks	(0.9)	(0.2)
Increase in debtors	(17.0)	(21.2)
Increase in creditors	16.3	18.5
(Decrease)/increase in pension obligations	(1.2)	1.8
	(2.8)	(1.1)

- c) The Group withdrew from the expansion project of Mandarin Oriental, Munich in 2021 and received cash refund on deposits of land and related costs of US\$4.0 million in 2022.
- d) In January 2022, the Group acquired an additional interest in Stay One Degree Limited ('S1D') which increased shareholding from 16.7% to 22.4% for a consideration of US\$1.0 million.
- e) During 2023, the Group provided shareholder loan to Mandarin Oriental, Miami of US\$20.3 million (2022: nil) and Mandarin Oriental Ritz, Madrid of US\$0.4 million (2022: US\$0.4 million). In 2022, the Group also provided convertible loan of US\$2.0 million to S1D.
- f) During 2023, the Group received repayments on its shareholder loans previously provided to Mandarin Oriental Ritz, Madrid of US\$64.2 million (2022: US\$0.4 million) and Mandarin Oriental, Miami of US\$3.0 million (2022: US\$3.8 million).



## 28 Notes to consolidated cash flow statement *continued*

### g) Sale of a subsidiary

Net cash inflow for the sale of a subsidiary, P.T. Jaya Mandarin Agung (*refer note 31*), is summarised as follows:

	2023 US\$m	2022 US\$m
Non-current assets	4.8	–
Currents assets	5.2	–
Non-current liabilities	(0.6)	–
Current liabilities	(4.0)	–
Non-controlling interests	0.4	–
Net assets	5.8	–
Cumulative exchange translation difference	33.1	–
Profit on disposal before tax	43.8	–
Sales proceeds (net of selling expenses)	82.7	–
Adjustment for deferred payments	(3.2)	–
Cash and cash equivalents of a subsidiary disposed of	(3.9)	–
Net cash inflow	75.6	–

The revenue and loss after tax in respect of the subsidiary disposed of during the year amounted to US\$6.0 million and US\$0.6 million, respectively.

### h) Cash outflows for leases

	2023 US\$m	2022 US\$m
Lease rentals paid	(14.7)	(12.4)
The above cash outflows are included in		
– operating activities	(8.5)	(6.7)
– financing activities	(6.2)	(5.7)
	(14.7)	(12.4)

### i) Analysis of balances of cash and cash equivalents

	2023 US\$m	2022 US\$m
Cash and bank balances ( <i>refer note 18</i> )	178.8	226.2
Cash and cash equivalents of subsidiaries classified as held for sale ( <i>refer note 19</i> )	11.5	–
	190.3	226.2

## 29 Derivative financial instruments

The fair values of derivative financial instruments at 31st December are as follows:

	2023		2022	
	Positive fair value US\$m	Negative fair value US\$m	Positive fair value US\$m	Negative fair value US\$m
Designated as cash flow hedges				
– forward foreign exchange contracts	–	–	8.0	–
– interest rate swaps	2.4	–	9.4	–
	2.4	–	17.4	–

### *Forward foreign exchange contracts*

There was no outstanding forward foreign exchange contract at 31st December 2023 (2022: US\$53.3 million).

### *Interest rate swaps*

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2023 were US\$210.9 million (2022: US\$272.7 million).

At 31st December 2023, the fixed interest rates relating to interest rate swaps varied from 1.2% to 1.8% (2022: 1.2% to 2.1%) per annum.

The fair values of interest rate swaps at 31st December 2023 were based on the estimated cash flows discounted at market rates ranging from 0.9% to 1.0% (2022: 0.9% to 1.0%) per annum.

## 30 Commitments

	2023 US\$m	2022 US\$m
<b>Capital commitments</b>		
Authorised not contracted		
– other	92.4	148.3
Contracted not provided		
– other	262.2	363.9
	354.6	512.2

This primarily related to capital commitments for the Causeway Bay site under development, which is expected to complete in 2025.

### 31 Related party transactions

The parent company of the Group is Jardine Strategic Limited ('JSL') and the ultimate holding company of the Group is Jardine Matheson Holdings Limited ('JMH'). Both JMH and JSL are incorporated in Bermuda.

In the normal course of business, the Group undertakes a variety of transactions with its associates and joint ventures and with JMH's subsidiaries, associates and joint ventures. The more significant of these transactions are described below:

The Group managed six (2022: six) associate and joint venture hotels and received management fees of US\$14.3 million (2022: US\$14.7 million) based on long-term management agreements on normal commercial terms.

The Group provided hotel management services to Hongkong Land group ('HKL'), a subsidiary of JMH. Total management fees received from HKL in 2023 amounted to US\$2.2 million (2022: US\$1.4 million), based on long-term management agreements on normal commercial terms.

The Group pays a management fee to Jardine Matheson Limited, a subsidiary of JMH, in consideration for certain management consultancy services. The fee is calculated as 0.5% of the Group's net profit. No fee was paid in 2023 and 2022 (due to net losses).

The Group rented a property to DFI Retail Group, a subsidiary of JMH, and received rental income of US\$0.6 million (2022: US\$0.7 million), based on lease agreements on normal commercial terms. The lease was terminated during the year.

In respect of the Causeway Bay site under development, the Group paid consultancy fees of US\$1.9 million (2022: US\$3.2 million) to HKL in consideration for project management consultancy services. In addition, Gammon Construction Limited ('GCL'), a joint venture of JMH, completed value of works of US\$59.8 million (2022: US\$13.6 million). The HKL agreement and GCL contract were arranged on normal commercial terms.

In June 2023, the Group completed the sale of 96.9% ownership stake in P.T. Jaya Mandarin Agung, the owning company of Mandarin Oriental, Jakarta in Indonesia, to P.T. Astra Land Indonesia, a subsidiary of JMH, at a total consideration of US\$84.8 million. The Group has recognised a post-tax, non-trading gain of US\$41.3 million which included cumulative exchange translation loss of US\$33.1 million and a tax charge of US\$2.5 million. The Group has retained the hotel management contracts to manage and brand the hotel. Mandarin Oriental, Jakarta has become a managed hotel of the Group following the sale (*refer notes 8 and 28g*).

The outstanding balances with associates and joint ventures are set out in debtors in note 17.

Details of Directors' emoluments (being the key management personnel compensation) are shown on page [•] under the heading of 'Remuneration outcomes in 2023'.

### 32 Summarised balance sheet of the Company

Included below is certain summarised balance sheet information of the Company disclosed in accordance with Bermuda Law.

	2023 US\$m	2022 US\$m
Subsidiaries	1,322.1	1,344.3
Net current liabilities	(1.8)	(2.0)
Net assets	1,320.3	1,342.3
Share capital ( <i>refer note 24</i> )	63.2	63.2
Share premium ( <i>refer note 25</i> )	500.9	500.7
Revenue and other reserves	756.2	778.4
Shareholders' funds	1,320.3	1,342.3

Subsidiaries are shown at cost less amount provided, and include amounts due from and due to subsidiaries.

### 33 Principal subsidiaries, associates, joint ventures and managed hotels

The principal subsidiaries, associates, joint ventures and managed hotels of the Group at 31st December 2023 are set out below.

Principal place of business	Name of entity	Nature of business
<b>Subsidiaries</b>		
Hong Kong	Mandarin Oriental Hotel Group International Limited	Management
Hong Kong	Mandarin Oriental Hotel Group Limited	Management
Hong Kong	Mandarin Oriental, Hong Kong Limited	Owner: Mandarin Oriental, Hong Kong
Hong Kong	Excelsior Hotel (BVI) Limited	The Causeway Bay site under development
Japan	Mandarin Oriental Tokyo KK	Owner: Mandarin Oriental, Tokyo
United Kingdom	Mandarin Oriental Hyde Park Limited	Owner: Mandarin Oriental Hyde Park, London
Switzerland	Société Immobilière de Mandarin Oriental (Genève) SA	Owner: Mandarin Oriental, Geneva
Switzerland	Société pour l' Exploitation de Mandarin Oriental (Genève) SA	
Germany	Dinavest International Holdings B.V.	Owner: Mandarin Oriental, Munich
France	MOHG Hotel (Paris) Sarl	Owner: Mandarin Oriental, Paris
United States	Boylston Street Hotel LLC	Owner: Mandarin Oriental, Boston
<b>Associates and joint ventures</b>		
Singapore	Marina Bay Hotel Private Limited	Owner: Mandarin Oriental, Singapore
Thailand	OHTL PCL	Owner: Mandarin Oriental, Bangkok
Malaysia	Asas Klasik Sdn Bhd	Owner: Mandarin Oriental, Kuala Lumpur
Thailand	Chaophaya Development Corporation Limited	Owner: River City Shopping Complex
Spain	Ritz Madrid, S.A.	Owner: Mandarin Oriental Ritz, Madrid
United States	ICD Columbus Centre Hotel LLC	Owner: Mandarin Oriental, New York
United States	Swire Brickell Key Hotel Limited	Owner: Mandarin Oriental, Miami
Hong Kong	Stay One Degree Limited	Online booking service platform for luxury homes
<b>Managed hotels</b>		
Hong Kong	The Landmark Mandarin Oriental, Hong Kong	
Macau	Mandarin Oriental, Macau	
China	Mandarin Oriental, Sanya	
China	Mandarin Oriental, Guangzhou	
China	Mandarin Oriental Pudong, Shanghai	
China	Mandarin Oriental Wangfujing, Beijing	
China	Mandarin Oriental, Shenzhen	
Taiwan	Mandarin Oriental, Taipei	
Indonesia	Mandarin Oriental, Jakarta	
Czech Republic	Mandarin Oriental, Prague	
Spain	Mandarin Oriental, Barcelona	
Turkey	Mandarin Oriental, Bodrum	
Turkey	Mandarin Oriental Bosphorus, Istanbul	
Switzerland	Mandarin Oriental Palace, Luzern	
Switzerland	Mandarin Oriental Savoy, Zurich	
Italy	Mandarin Oriental, Milan	
Italy	Mandarin Oriental, Lago di Como	
Greece	Mandarin Oriental, Costa Navarino	
Morocco	Mandarin Oriental, Marrakech	
Qatar	Mandarin Oriental, Doha	
United Arab Emirates	Mandarin Oriental Jumeira, Dubai	
United Arab Emirates	Emirates Palace Mandarin Oriental, Abu Dhabi	
Saudi Arabia	Mandarin Oriental Al Faisaliah, Riyadh	
Chile	Mandarin Oriental, Santiago	
Saint Vincent and the Grenadines	Mandarin Oriental, Canouan	

Proportion of ordinary shares and voting powers at 31st December 2023 held by					
Attributable interest %		the Group		non-controlling	Hotel profile
2023	2022	%	%	interests	
	100	100	100	–	–
	100	100	100	–	–
	100	100	100	–	447 rooms. Lease expiry 2895
	100	100	100	–	–
	100	100	100	–	179 rooms. Lease expiry 2050
	100	100	100	–	181 rooms. Freehold
	85.3	85.3	85.3	14.7	Lease expiry 2040
	100	100	100	–	178 rooms
	100	100	100	–	73 rooms. Freehold
	100	100	100	–	135 rooms. Freehold (refer note 19)
	100	100	100	–	148 rooms. Freehold
	50	50	50	50	510 rooms. Lease expiry 2079
	47.6	47.6	47.6	52.4	331 rooms. Various freehold/leasehold
	25	25	25	75	629 rooms. Freehold
	49	49	49	51	–
	50	50	50	50	153 rooms. Freehold
	25.1	25.1	25.1	74.9	244 rooms. Freehold
	25	25	25	75	326 rooms. Freehold
	22.4	22.4	22.4	77.6	–
	–	–	–	–	111 rooms
	–	–	–	–	213 rooms
	–	–	–	–	278 rooms
	–	–	–	–	263 rooms
	–	–	–	–	362 rooms
	–	–	–	–	73 rooms
	–	–	–	–	178 rooms
	–	–	–	–	293 rooms
	–	–	–	–	272 rooms
	–	–	–	–	99 rooms
	–	–	–	–	120 rooms
	–	–	–	–	127 rooms
	–	–	–	–	100 rooms
	–	–	–	–	136 rooms
	–	–	–	–	80 rooms
	–	–	–	–	104 rooms
	–	–	–	–	75 rooms
	–	–	–	–	99 rooms
	–	–	–	–	63 rooms
	–	–	–	–	249 rooms
	–	–	–	–	250 rooms
	–	–	–	–	390 rooms
	–	–	–	–	325 rooms
	–	–	–	–	297 rooms
	–	–	–	–	35 rooms

## 34 Material accounting policies

### *Basis of consolidation*

- i) The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the Group's interests in associates and joint ventures.
- ii) A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition includes the fair value at the acquisition date of any contingent consideration. The Group recognises the non-controlling interest's proportionate share of the recognised identifiable net assets of the acquired subsidiary. In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognised in profit and loss.

All material intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. The cost of and related income arising from shares held in the Company by subsidiaries are eliminated from shareholders' funds and non-controlling interests, and profit, respectively.

- iii) An associate is an entity, not being a subsidiary or joint venture, over which the Group exercises significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates and joint ventures are included on the equity basis of accounting.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the consolidated financial statements only to the extent of unrelated investor's interests in the associates and joint ventures.

- iv) Non-controlling interests represent the proportion of the results and net assets of subsidiaries and their associates and joint ventures not attributable to the Group.
- v) The results of subsidiaries, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal, respectively. The results of entities other than subsidiaries, associates and joint ventures are included to the extent of dividends received when the right to receive such dividend is established.

### *Foreign currencies*

Transactions in foreign currencies are accounted for at the exchange rates ruling at the transaction dates.

Assets and liabilities of subsidiaries, associates and joint ventures, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into United States dollars at the rates of exchange ruling at the year end. Results expressed in foreign currencies are translated into United States dollars at the average rates of exchange ruling during the year, which approximate the exchange rates at the dates of the transactions.

## 34 Material accounting policies *continued*

### *Foreign currencies continued*

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognised in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments, such exchange differences are recognised in profit and loss. Exchange differences on other investments measured at fair value through profit and loss are recognised in profit and loss as part of the gains and losses arising from changes in their fair value. Exchange differences on other investments measured at fair value through other comprehensive income are recognised in other comprehensive income as part of the gains and losses arising from changes in their fair value. All other exchange differences are recognised in profit and loss.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1st January 2003 are treated as assets and liabilities of the foreign entity and translated into United States dollars at the rate of exchange ruling at the year end.

### *Impairment of non-financial assets*

Assets that have indefinite useful lives are not subject to amortisation and are tested for impairment annually and whenever there is an indication that the assets may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the units may be impaired. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment annually.

### *Intangible assets*

- i) Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition-date fair value of any previously held equity interest in the acquiree over the acquisition-date fair value of the Group's share of the net identifiable assets acquired. Non-controlling interests are measured at their proportionate share of the net identifiable assets at the acquisition date. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in profit and loss. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and joint ventures. Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

The profit or loss on disposal of subsidiaries, associates and joint ventures is stated after deducting the carrying amount of goodwill relating to the entity sold.

- ii) Computer software represents acquired computer software licences which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis to allocate the cost over their estimated useful lives.
- iii) Development project contract costs are setup costs in order to secure long-term hotel management contracts and directly attributable to hotel projects under development, which are capitalised to the extent that such expenditure is expected to generate future economic benefits and upon completion of the project. Capitalised development project contract costs are amortised over the term of the management contracts when the related revenue is recognised.

Where the carrying amount of a development project contract cost is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

### 34 Material accounting policies *continued*

#### *Tangible fixed assets and depreciation*

Freehold properties comprised land and buildings. Freehold land is stated at cost less any impairment. No depreciation is provided on freehold land as it is deemed to have an indefinite life. Properties on freehold and leasehold land are stated at cost less any accumulated depreciation and impairment. Other tangible fixed assets are stated at cost less amounts provided for depreciation.

Depreciation of tangible fixed assets is calculated on the straight-line basis to allocate the cost or valuation of each asset to its residual value over its estimated useful life. The residual values and useful lives are reviewed at each balance sheet date. The estimated useful lives are as follows:

Properties on freehold land and under leases more than 20 years	21 years to 150 years
Properties under leases less than 20 years	over unexpired period of lease
Surfaces, finishes and services of hotel properties	20 years to 30 years
Leasehold improvements	shorter of unexpired period of the lease or useful life
Plant and machinery	5 years to 15 years
Furniture, equipment and motor vehicles	3 years to 10 years

Where the carrying amount of a tangible fixed asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The profit or loss on disposal of tangible fixed assets is recognised by reference to their carrying amount.

#### *Leases*

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease contracts may contain lease and non-lease components. The Group allocates the consideration in the contract to lease and non-lease component based on their relative stand-alone prices. For property leases where the Group is a lessee, it has elected not to separate lease and immaterial non-lease components and accounts for these items as a single lease component.

##### **i) As a lessee**

The Group enters into property leases for use as hotels or offices.

The Group recognises right-of-use assets and lease liabilities at the lease commencement dates, that is the dates the underlying assets are available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes amounts of the initial measurement of lease liabilities recognised, lease payments made at or before the commencement dates less any lease incentives received, initial direct costs incurred and restoration costs. Right-of-use assets are depreciated using the straight-line method over the shorter of their estimated useful lives and the lease terms.

When right-of-use assets meet the definition of investment properties, they are presented in investment properties, and are initially measured at cost and subsequently measured at fair value, in accordance with the Group's accounting policy.

The Group also has interests in leasehold land for use in its operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateable value set by the relevant government authorities. These payments are stated at cost and are amortised over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.



## 34 Material accounting policies *continued*

### *Leases continued*

#### i) *As a lessee continued*

Lease liabilities are measured at the present value of lease payments to be made over the lease terms. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if the lease term reflects the Group exercising that option. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liabilities are measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased by the interest costs on the lease liabilities and decreased by lease payments made.

The carrying amount of lease liabilities is remeasured when there is a change in the lease term, or there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise an extension or a termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets (i.e. US\$5,000 or less) and short-term leases. Low value assets comprised office equipment. Short-term leases are leases with a lease term of 12 months or less. Lease payments associated with these leases are recognised on a straight-line basis as an expense in profit and loss over the lease term.

Lease liabilities are classified as non-current liabilities unless payments are within 12 months from the balance sheet date.

#### ii) *As a lessor*

The Group enters into contracts with lease components as a lessor primarily on its properties. These leases are operating leases as they do not transfer the risk and rewards incidental to the underlying properties. The Group recognises the lease payments received under these operating leases on a straight-line basis over the lease term as part of revenue in the profit and loss.

### *Investment properties*

Properties including those under operating leases which are held for long-term rental yields or capital gains are classified and accounted for as investment properties, but the business model does not necessarily envisage that the properties will be held for their entire useful life. Investment properties are carried at fair value, representing estimated open market value determined annually by independent qualified valuers who have recent experience in the location and segment of the investment property being valued.

The market value of the under development commercial property is derived using the residual method. The residual method is based on the estimated capital value of the proposed development assuming completion as at the date of valuation, after deducting development costs together with developer's profit and risk. The market value of the residential property is arrived at by reference to market evidence of transaction prices for similar properties. Changes in fair value are recognised in profit and loss.

## 34 Material accounting policies *continued*

### *Investments*

The Group classifies its investments into the following measurement categories:

- i) Those to be measured subsequently at fair value, either through other comprehensive income or through profit and loss; and
- ii) Those to be measured at amortised cost.

The classification is based on the management's business model and their contractual cash flows characteristics.

Investments are measured at fair value with fair value gains and losses recognised in profit and loss, unless management has elected to recognise the fair value gains and losses through other comprehensive income. For investments measured at fair value through other comprehensive income, gains or losses realised upon disposal are not reclassified to profit and loss.

At initial recognition, the Group measures an investment at its fair value plus, in the case of the investment not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the investment. Transaction costs of investments carried at fair value through profit and loss are expensed in profit and loss.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments.

Investments are classified as non-current assets.

### *Stocks*

Stocks, which principally comprise beverages and consumables, are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method.

### *Debtors*

Trade debtors are recognised initially at the amount of consideration that is unconditional and measured subsequently at amortised cost using effective interest method. All other debtors, excluding derivative financial instruments, are measured at amortised cost except where the effect of discounting would be immaterial. The impairment measurement is subject to whether there has been a significant increase in credit risk. For trade debtors, the Group applied the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors. Provision for impairment is established by considering potential financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss.

Debtors with maturities greater than 12 months after the balance sheet date are classified under non-current assets.

### *Assets classified as held for sale*

Assets are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are expected to be recovered principally through a sale transaction within 12 months after the balance sheet rather than through continuing use. Once classified as held for sale, the assets are no longer amortised or depreciated.

## 34 Material accounting policies *continued*

### ***Cash and cash equivalents***

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions and cash and bank balances, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current borrowings.

### ***Provisions***

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligations can be made.

### ***Borrowings and borrowing costs***

Borrowings are initially recognised at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

Borrowing costs relating to major development projects are capitalised until the asset is substantially completed. Capitalised borrowing costs are included as part of the cost of the asset. All other borrowing costs are expensed as incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### ***Current and deferred tax***

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Provision for deferred tax is made on the revaluation of certain non-current assets and, in relation to acquisitions, on the difference between the fair value of the net assets acquired and their tax base. Deferred tax is provided on temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

## 34 Material accounting policies *continued*

### *Employee benefits*

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

Pension accounting costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the costs of providing pensions are charged to profit and loss spreading the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of major plans every year. The pension obligations are measured as the present value of the estimated future cash outflows by reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Plan assets are measured at fair value.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the year in which they occur.

Past service costs are recognised immediately in profit and loss.

The Group's total contributions relating to the defined contribution plans are charged to profit and loss in the year to which they relate.

### *Derivative financial instruments*

The Group only enters into derivative financial instruments in order to hedge underlying exposures and not as speculative investments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment ('cash flow hedge'), or a hedge of a net investment in a foreign entity.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in other comprehensive income and accumulated in equity under hedging reserves. Changes in the fair value relating to the ineffective portion is recognised immediately in profit and loss. Where the hedged item results in the recognition of a non-financial asset or of a non-financial liability, the deferred gains and losses are included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in profit and loss as the hedged item affects profit and loss. Otherwise, amounts deferred in hedging reserves are transferred to profit and loss in the same periods during which the hedged firm commitment or forecasted transaction affects profit and loss. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit and loss within finance cost at the same time as the interest expense on the hedged borrowings. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in hedging reserves at that time remains in the hedging reserves and is recognised when the committed or forecasted transaction ultimately is recognised in profit and loss. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserves is immediately transferred to profit and loss.

## 34 Material accounting policies *continued*

### *Derivative financial instruments continued*

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IFRS 9. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IFRS 9 are recognised immediately in profit and loss.

Hedges of net investments in foreign entities are accounted for on a similar basis to that used for cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in exchange reserves; the gain or loss relating to the ineffective portion is recognised immediately in profit and loss.

The fair value of derivatives which are designated and qualify as effective hedges are classified as non-current assets or liabilities if the remaining maturities of the hedged assets or liabilities are greater than 12 months after the balance sheet date.

### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### *Non-trading items*

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment properties and investments which are measured at fair value through profit and loss; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets, associates and joint ventures and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

### *Earning per share*

Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. For the purpose of calculating diluted earnings per share, the weighted average number of shares is adjusted for the number of shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on the average share price during the year.

### *Dividends*

Dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date.

## 34 Material accounting policies *continued*

### *Revenue recognition*

- i) Revenue from hotel ownership comprises amounts earned in respect of rental of rooms, food and beverage sales, and other ancillary services and goods supplied by the subsidiary hotels.

Revenue is recognised over the period when rooms are occupied or services are performed.

Revenue from the sale of food and beverages and goods is recognised at the point of sale when the food and beverages and goods are delivered to customers.

Payment is due immediately when the hotel guest occupies the room and receives the services and goods.

- ii) Revenue from hotel and residences branding and management comprises gross fees earned from the branding and management of all the hotels and residences operated by the Group.

Branding and management fees are recognised over time as determined by the relevant contract, taking into account the performance of the hotels, and the sales and operating expenses of the residences. Fees charged to the subsidiary hotels are eliminated upon consolidation.

Hotels and residences are invoiced in accordance with the terms of contract and fees are payable when invoiced.

- iii) Rental income from properties and other tangible assets are accounted for on an accrual basis over the lease terms.

## 35 Standards and amendments issued but not yet effective

A number of amendments effective for accounting periods beginning after 2023 have been published and will be adopted by the Group from their effective dates. The Group is currently assessing the potential impact of these amendments but expects their adoption will not have a significant impact on the Group's consolidated financial statements.

## 36 Financial risk management

### *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's treasury function co-ordinates, under the directions of the board of Mandarin Oriental Hotel Group International Limited, financial risk management policies and their implementation on a Group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimise the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps and caps, and forward foreign exchange contracts as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through other comprehensive income and will be recognised in profit and loss when the hedged item affects profit and loss. In general, the volatility in profit or loss can be reduced by applying hedge accounting.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

## 36 Financial risk management *continued*

### *Financial risk factors continued*

The Group enters into interest rate swaps and caps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, effective economic relationship existed between the swaps and the loans.

The Group performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness for interest rate swaps may occur due to:

- i) The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan;
- ii) Differences in critical terms between the interest rate swaps and loans; and

The ineffectiveness during 2023 or 2022 in relation to the interest rate swaps was not material.

#### i) **Market risk**

##### *Foreign exchange risk*

Entities within the Group are exposed to foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Group entities are required to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions, entities in the Group use forward foreign exchange contracts in a consistent manner to hedge firm and anticipated foreign exchange commitments. The Group does not usually hedge its net investments in foreign operations except in circumstances where there is a material exposure arising from a currency that is anticipated to be volatile and the hedging is cost effective.

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. In 2023 and 2022, the Group's principal foreign exchange exposure was with the Euro. At 31st December 2023, if the United States dollar had strengthened/weakened by 10% against Euro with all other variables unchanged, the Group's loss after tax would have been US\$0.5 million (2022: US\$0.1 million) higher/lower, arising from foreign exchange losses/gains taken on translation. The impact on amounts attributable to the shareholders of the Company would be US\$0.5 million (2022: US\$0.1 million) lower/higher. This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by Group companies at 31st December 2023 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

## 36 Financial risk management *continued*

### *Financial risk factors continued*

#### i) Market risk *continued*

##### *Interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through fixed rate borrowings and the use of derivative financial instruments such as interest rate swaps and caps. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its gross borrowings, in fixed rate instruments. At 31st December 2023, the Group's interest rate hedge was 51% (2022: 45%), with an average tenor of 0.2 years (2022: 1.1 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 21.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by using forward rate agreements to a maturity of one year, and by entering into interest rate swaps and caps for a maturity of up to seven years. Forward rate agreements and interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, caps provide protection against a rise in floating rates above a pre-determined rate. Details of interest rate swaps are set out in note 29.

At 31st December 2023, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's loss after tax would have been US\$1.0 million (2022: US\$1.7 million) higher/lower, and hedging reserves would have been US\$0.5 million (2022: US\$2.7 million) higher/lower, as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. There is no significant sensitivity resulting from interest rate caps. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong, United Kingdom and European rates, over the period until the next annual balance sheet date. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of loss after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.



## 36 Financial risk management *continued*

### *Financial risk factors continued*

#### i) Market risk *continued*

##### *Price risk*

The Group is exposed to price risk from its investments which are measured at fair value through profit and loss. Gains and losses arising from changes in the fair value of these investments are recognised in profit and loss or other comprehensive income according to their classification. The performance of these investments are monitored regularly, together with an assessment of their relevance to the Group's long-term strategic plans. Details of these investments are contained in note 14.

The Group's interest in these investments are unhedged. At 31st December 2023, if the price of these investments had been 25% higher/lower with all other variables held constant, non-trading operating profit and total equity would have been US\$3.5 million (2022: US\$3.5 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

#### ii) Credit risk

The Group's credit risk is primarily attributable to deposits with banks, credit exposures to customers and derivative financial instruments with a positive fair value. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. At 31st December 2023, 94% (2022: 91%) of deposits and balances with banks and financial institutions were made to institutions with credit ratings of no less than A- (Fitch). Similarly transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit rating of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

In respect of credit exposures to customers, the Group has policies in place to ensure that sales on credit without collateral are made principally to travel agents and corporate companies with an appropriate credit history. Sales to other customers are made in cash or by major credit cards.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

**36 Financial risk management** *continued***Financial risk factors** *continued***iii) Liquidity risk**

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group's ability to fund its existing and prospective debt requirements is managed by maintaining diversified funding sources with adequate committed funding lines from high quality lenders, and by monitoring rolling short-term forecasts of the Group's cash and gross debt on the basis of expected cash flows. In addition, long-term cash flows are projected to assist with the Group's long-term debt financing plans.

At 31st December 2023, total available borrowing facilities amounted to US\$1,074 million (2022: US\$1,073 million) of which US\$415 million (2022: US\$602 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities totalled US\$659 million (2022: US\$471 million), in addition to cash and bank balances of US\$190 million\* (2022: US\$226 million).

Included in the total available borrowing facilities of US\$1,074 million, the Group has borrowing facilities of US\$754 million due to mature within 2024. The Group has refinanced bank facilities of US\$409 million for three to five years in February 2024.

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at 31st December 2023 and 2022 to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year US\$m	Between one and two years US\$m	Between two and three years US\$m	Between three and four years US\$m	Between four and five years US\$m	Beyond five years US\$m	Total undiscounted cash flows US\$m
<b>2023</b>							
Borrowings	423.2	0.7	–	–	–	–	423.9
Lease liabilities	7.7	7.5	7.1	5.2	4.8	102.8	135.1
Creditors	157.0	–	–	–	–	–	157.0
<b>2022</b>							
Borrowings	27.3	611.9	–	–	–	–	639.2
Lease liabilities	7.7	8.0	7.8	7.4	5.4	114.5	150.8
Creditors	141.6	–	–	–	–	–	141.6

\* The cash and bank balances of US\$190 million included cash and bank balances of US\$11 million classified as assets held for sale (refer note 19).

## 36 Financial risk management *continued*

### *Capital management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst seeking to maximise benefits to shareholders and other stakeholders. Capital is equity as shown in the consolidated balance sheet plus net debt.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, purchase Group shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover before taking into account the impact of IFRS 16 'Leases'. The gearing ratio is calculated as net debt divided by shareholders' funds on an IFRS basis, where the Group's freehold and leasehold interests are carried in the consolidated balance sheet at amortised cost, or alternatively on an adjusted shareholders' funds basis which takes into account the fair market value of the Group's freehold and leasehold interests. Net debt is calculated as total borrowings less bank and cash balances. Interest cover is calculated as underlying operating profit before the deduction of amortisation/depreciation of right-of-use assets, net of actual lease payments, and the Group's share of underlying results of associates and joint ventures, divided by net financing charges before the deduction of capitalised interest and excluding interest on lease liabilities. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2023 and 2022 are as follows:

	2023	2022
Gearing ratio		
– based on shareholders' funds	8%	11%
– based on adjusted shareholders' funds	5%	8%
Interest cover	6.7	1.9

### *Fair value estimation*

#### i) Financial instruments that are measured at fair value

For financial instruments that are measured at fair value in the balance sheet, the corresponding fair value measurements are disclosed by level of the following fair value measurement hierarchy:

a) *Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')*

The fair values of derivative financial instruments are determined using rates quoted by the Group's bankers at the balance sheet date. The rates for interest rate swaps and caps and forward foreign exchange contracts are calculated by reference to market interest rates and foreign exchange rates.

The fair values of unlisted investments, mainly include club and school debentures, are determined using prices quoted by brokers at the balance sheet date.

b) *Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')*

The fair values of other unlisted investments, are determined using valuation techniques by reference to observable current market transactions (including price-to earnings and price-to book ratios of listed securities of entities engaged in similar industries) or the market prices of the underlying investments with certain degree of entity specific estimates or discounted cash flow by projecting the cash inflows from these investments.

There were no changes in valuation techniques during the year.

**36 Financial risk management** *continued***Fair value estimation** *continued***i) Financial instruments that are measured at fair value** *continued*

The table below analyses financial instruments carried at fair value at 31st December 2023 and 2022, by the levels in the fair value measurement hierarchy.

	Observable current market transactions US\$m	Unobservable inputs US\$m	Total US\$m
<b>2023</b>			
<b>Assets</b>			
Other investments	5.6	8.4	14.0
Derivative financial instruments at fair value – through other comprehensive income	2.4	–	2.4
	8.0	8.4	16.4
<b>2022</b>			
<b>Assets</b>			
Other investments	6.0	8.0	14.0
Derivative financial instruments at fair value – through other comprehensive income	17.4	–	17.4
	23.4	8.0	31.4

There were no transfers among the two categories during the year ended 31st December 2023 and 2022.

Movements of financial instruments which are valued based on unobservable inputs during the year ended 31st December are as follows:

	Unlisted investments 2023 US\$m	2022 US\$m
At 1st January	8.0	10.5
Additions	0.4	0.2
Disposals	–	(2.7)
At 31st December	8.4	8.0

**ii) Financial instruments that are not measured at fair value**

The fair values of current debtors, cash and bank balances, current creditors, current borrowings and current lease liabilities are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair values of long-term borrowings are based on market prices or are estimated using the expected future payments discounted at market interest rates. The fair values of non-current lease liabilities are estimated using the expected future payments discounted at market interest rates.

### 36 Financial risk management *continued*

#### *Financial instruments by category*

The fair values of financial assets and financial liabilities, together with carrying amounts at 31st December 2023 and 2022 are as follows:

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised cost US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
<b>2023</b>						
<b>Financial assets measured at fair value</b>						
Other investments	–	14.0	–	–	14.0	14.0
Derivative financial instruments	2.4	–	–	–	2.4	2.4
	2.4	14.0	–	–	16.4	16.4
<b>Financial assets not measured at fair value</b>						
Amounts due from associates and joint ventures	–	–	122.3	–	122.3	122.3
Debtors	–	–	87.1	–	87.1	87.1
Cash and bank balances	–	–	190.3	–	190.3	190.3
	–	–	399.7	–	399.7	399.7
<b>Financial liabilities not measured at fair value</b>						
Borrowings	–	–	–	(415.5)	(415.5)	(415.5)
Lease liabilities	–	–	–	(116.4)	(116.4)	(116.4)
Trade and other payables excluding non-financial liabilities	–	–	–	(157.0)	(157.0)	(157.0)
	–	–	–	(688.9)	(688.9)	(688.9)
<b>2022</b>						
<b>Financial assets measured at fair value</b>						
Other investments	–	14.0	–	–	14.0	14.0
Derivative financial instruments	17.4	–	–	–	17.4	17.4
	17.4	14.0	–	–	31.4	31.4
<b>Financial assets not measured at fair value</b>						
Amounts due from associates and joint ventures	–	–	164.1	–	164.1	164.1
Debtors	–	–	69.8	–	69.8	69.8
Cash and bank balances	–	–	226.2	–	226.2	226.2
	–	–	460.1	–	460.1	460.1
<b>Financial liabilities not measured at fair value</b>						
Borrowings	–	–	–	(602.0)	(602.0)	(602.0)
Lease liabilities	–	–	–	(129.4)	(129.4)	(129.4)
Trade and other payables excluding non-financial liabilities	–	–	–	(141.6)	(141.6)	(141.6)
	–	–	–	(873.0)	(873.0)	(873.0)

The 2022 comparatives have been represented to include amounts due from associates and joint ventures.

### 37 Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable according to circumstances and conditions available. The existing and potential impacts arising from climate change has been considered when applying estimates and assumptions in the preparation of the financial statements, including the Group's assessment of impairment of assets and the independent valuers' valuation of the Group's investment properties.

The estimates and assumptions that have a significant effect on the reported amounts of assets and liabilities, and income and expenses are discussed below.

#### *Investment properties*

The fair value of the under development commercial property is determined by independent valuers on an open market basis using the residual method. The residual method is also based on assumptions about the estimated costs to complete the development, the developer's estimated profit and margin for risk, prevailing market rent and capitalisation rates (*refer note 12*).

Consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date.

The independent valuers have considered climate change, sustainability, resilience and environmental, social and governance ('ESG') within their valuations. Properties held by the Group are considered to currently display ESG characteristics that would be expected in the market, and therefore there were no direct and tangible pricing adjustments required to the valuation of the investment properties. The Group will monitor these considerations for each reporting period.

#### *Impairment of assets*

The Group tests annually whether goodwill that has indefinite useful life suffered any impairment. Other assets such as tangible fixed assets and development project contract costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of its fair value less costs to sell and its value in use, calculated on the basis of management's assumptions and estimates. Changing the key assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value-in-use calculations.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the balance sheet date (*refer note 17*).

#### *Tangible fixed assets and depreciation*

Management determines the estimated useful lives and related depreciation charges for the Group's tangible fixed assets. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

## 37 Critical accounting estimates and judgements *continued*

### *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision of deferred tax follows the way management expects to recover or settle the carrying amount of the related assets or liabilities, which the management may expect to recover through use, sale or combination of both. Accordingly, deferred tax will be calculated at income tax rate, capital gains tax rate or combination of both. There is a rebuttable presumption in International Financial Reporting Standards that investment properties measured at fair value are recovered through sale. Thus deferred tax on revaluation of investment property under development held by the Group is calculated at the capital gain tax rate.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

### *Pension obligations*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions.

### *Leases*

Liabilities and the corresponding right-of-use assets arising from leases are initially measured at the present value of the lease payments at the commencement date, discounted using the interest rates implicit in the leases, or if that rate cannot be readily determinable, the Group uses the incremental borrowing rate. The Group generally uses the incremental borrowing rate as the discount rate.

The Group applies the incremental borrowing rate with reference to the rate of interest that the Group would have to pay to borrow, over a similar term as that of the lease, the funds necessary to obtain an asset of a similar value to the right-of-use asset in the country where it is located.

Lease payments to be made during the lease term will be included in the measurement of a lease liability. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

### *Non-trading items*

The Group uses underlying business performance in its internal financial reporting to distinguish between the underlying profits and non-trading items. The identification of non-trading items requires judgement by management, but follows the consistent methodology as set out in the Group's accounting policies.