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## Annual Report & Accounts 2015



MILLENNIUM & COPTHORNE  
HOTELS plc



Our vision is to be the leading global hospitality real estate ownership group for key gateway cities with effective, in-built and unique asset management skills.

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## Our Company

### Who we are

We are a global hospitality management and real estate group, with 126 hotels in 84 business and leisure destinations in Asia, Australasia, Europe, the Middle East and North America.

### Our strategy

Our strategy is to create value by improving hotel profitability through capital investment, consistent service delivery, lean operations and a motivated workforce. We build and generate long-term value through dynamic management of our property portfolio.

### How we make money

We earn profits through the efficient operation of our hotels and effective management of our substantial property portfolio.

In each of our distinctive brand offerings, we aim to provide guests with consistently high levels of service at well-appointed and conveniently located hotels and hospitality outlets.

Lean operations and low central costs are our business hallmarks. Combined with our owner/operator strategy and distinctive business model, this enables us to deliver good annual returns to shareholders.



### MILLENNIUM COLLECTION

The global travellers' choice in gateway cities. The Millennium Collection hotels are created with timeless elegance and famed for their conference and banquet offerings, world-class facilities and the ultimate in personalized, gracious service. They are perfect for corporate, leisure, meetings and conventions.

Brands in the Millennium Collection include: Grand Millennium Hotels and Millennium Hotels.

### COPTHORNE COLLECTION

Comfortable hotels at a comfortable price. The Copthorne Collection hotels are firmly established as a true global brand recognized across the world as the preferred choice for both business and leisure travellers in providing comfortable service.

Brands in the Copthorne Collection include: Copthorne Hotels and Kingsgate Hotels.

### LENG'S COLLECTION

Unique hotels with powerfully distinct personalities – from historic properties to trendy urban escapes. The Leng's Collection hotels represent the legacy of our founders, the Leng generation of the Kwek family.

Brands in the Leng's Collection include: The Bailey's Hotel London, The Chelsea Harbour Hotel, Grand Hotel Palace Rome, M Hotels, Studio M Hotels and M Social.



Millennium Vee Hotel Taichung, Taiwan



# Overview

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## Group at a glance

Millennium & Copthorne Hotels is a financially strong, globally diversified business, with a growing hotel portfolio, well situated in vibrant business and leisure destinations. The Group is supported by talented staff and real estate assets in some of the most valuable locations in the world.



# Inventory

## Group



	Hotels			Room Count		
	2015	2014	Change	2015	2014	Change
Owned or leased	65	64	1	18,984	19,044	(60)
Managed	37	31	6	10,212	8,780	1,432
Franchised	8	10	(2)	1,206	1,427	(221)
Investment	16	15	1	4,316	4,116	200
<b>Total</b>	<b>126</b>	<b>120</b>	<b>6</b>	<b>34,718</b>	<b>33,367</b>	<b>1,351</b>

## Asia



	Hotels			Room Count		
	2015	2014	Change	2015	2014	Change
Owned or leased	12	12	-	5,977	5,972	5
Managed	9	9	-	2,862	2,870	(8)
Franchised	2	2	-	780	780	-
Investment	9	9	-	2,527	2,525	2
<b>Total</b>	<b>32</b>	<b>32</b>	<b>-</b>	<b>12,146</b>	<b>12,147</b>	<b>(1)</b>

## Europe



	Hotels			Room Count		
	2015	2014	Change	2015	2014	Change
Owned or leased	21	20	1	4,680	4,571	109
Managed	26	21	5	7,090	5,763	1,327
Franchised	-	-	-	-	-	-
Investment	1	-	1	198	-	198
<b>Total</b>	<b>48</b>	<b>41</b>	<b>7</b>	<b>11,968</b>	<b>10,334</b>	<b>1,634</b>

## United States



	Hotels			Room Count		
	2015	2014	Change	2015	2014	Change
Owned or leased	19	19	-	6,701	6,701	-
Managed	-	-	-	-	-	-
Franchised	-	-	-	-	-	-
Investment	-	-	-	-	-	-
<b>Total</b>	<b>19</b>	<b>19</b>	<b>-</b>	<b>6,701</b>	<b>6,701</b>	<b>-</b>

## Australasia



	Hotels			Room Count		
	2015	2014	Change	2015	2014	Change
Owned or leased	13	13	-	1,626	1,800	(174)
Managed	2	1	1	260	147	113
Franchised	6	8	(2)	426	647	(221)
Investment	6	6	-	1,591	1,591	-
<b>Total</b>	<b>27</b>	<b>28</b>	<b>(1)</b>	<b>3,903</b>	<b>4,185</b>	<b>(282)</b>

## How we performed

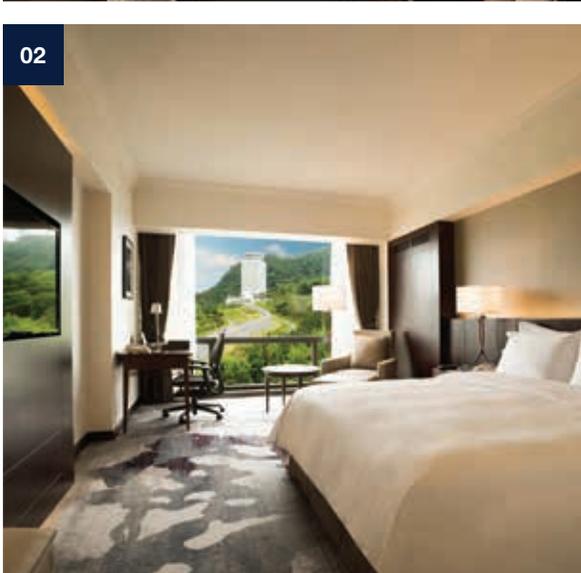
“In 2015, global hospitality markets were impacted by falling commodity prices, mounting concern with regard to terrorism, health advisory travel alerts and uncertainty regarding growth of the Chinese market. These external factors, which negatively affected the year’s performance, are expected to continue in the current year.



01

Although the short term trading outlook is uncertain, the Group has a long term perspective. Management considers that asset ownership is key to creating long term value in a changing hospitality industry landscape. The Group will therefore continue to focus on its strategy of ownership and management of hospitality real estate assets. In 2016, management will work on optimising returns on the Group’s assets by undertaking refurbishment projects, whilst remaining vigilant with regard to controlling costs.”

**Kwek Leng Beng, Chairman**



02



**RevPAR**

Group RevPAR for 2015 increased by 0.6% to £71.98 (2014: £71.55). In constant currency, RevPAR decreased by 1.3%. The main contributor to the reduction of 1.3% in RevPAR was the performance of the Group’s Asian hotels, where RevPAR fell by 9.0% across Singapore and Rest of Asia combined. London and New York also saw RevPAR declines during 2015, due mainly to the impact of refurbishment at The Bailey’s Hotel London and ONE UN New York respectively.

**Revenue**

Revenue for 2015 increased by 2.5% to £847m (2014: £826m) reflecting contributions from hotel acquisitions and the opening of Millennium Mitsui Garden Hotel Tokyo in December 2014, together with favourable foreign exchange movements.

**Profit before tax (“PBT”)**

The Group has recognised a net charge of £43m of impairment losses and net revaluation gains against pre-tax profits in 2015. This net charge includes £76m of impairment losses relating primarily to four of the Group’s properties located in New York, Rest of Europe and Rest of Asia; offset by net revaluation gains of £33m on its investment properties.

Profit before tax for the year fell by 42.0% to £109m (2014: £188m). Excluding revaluation gains and impairment losses, pre-tax profit decreased by 5.6% to £152m (2014: £161m).

01 & 03 The Bailey’s Hotel London  
02 Millennium Seoul Hilton

RevPAR (£)

**+0.6%**

2015: 71.98    2014: 71.55

Revenue (£m)

**+2.5%**

2015: 847    2014: 826

PBT (£m)

**-42.0%**

2015: 109    2014: 188

PBT (excluding revaluation gains and impairment losses) (£m)

**-5.6%**

2015: 152    2014: 161

03

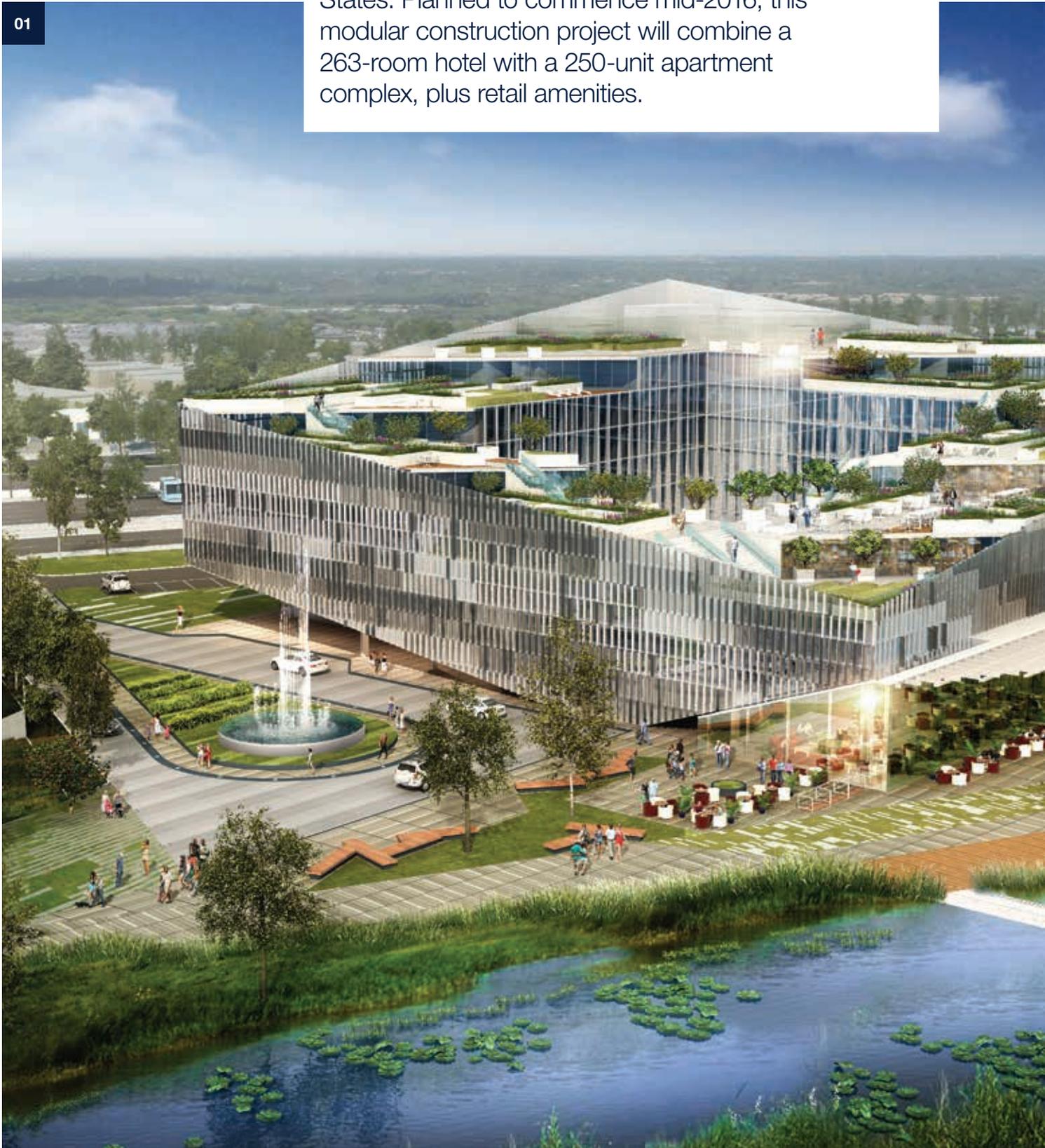


## Building for the future

Sunnyvale, California, USA

01

Millennium Sunnyvale is the Group's innovative mixed-use development in the heart of Silicon Valley, the epicentre of innovation in the United States. Planned to commence mid-2016, this modular construction project will combine a 263-room hotel with a 250-unit apartment complex, plus retail amenities.



Millennium Sunnyvale will be defined by its sense of place, energy, innovative design, state of the art features and amenities, great architecture and its inviting and appealing public spaces. The project capitalises on the continued growth and expansion of Silicon Valley and the City of Sunnyvale. It envisions a dynamic urban experience for residents and guests with a curated collection of indoor and outdoor social spaces, integrated with a unique life style hotel, which will be the US flagship

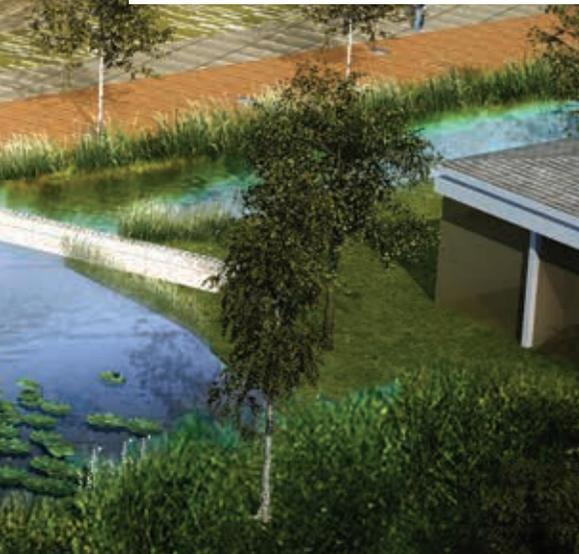
for the Group's M-Social brand. Balancing hospitality and residential uses with modern retail amenities, Millennium Sunnyvale will be a destination for dining and socialising, living and staying. The design facilitates convenient public access with optimised pedestrian and traffic flow to and within the site, whilst capturing the energy and presence of Silicon Valley. It will create an attractive environment that appeals to the hip, tech-savvy and affluent people driving the Silicon Valley market.

01 & 03 Aerial view of development (artist's impression)

02 Map showing neighbouring high-tech businesses



02



03

## Building for the future Seoul, South Korea



Work on the Group's mixed-used development in Seoul, South Korea is planned to commence in the middle of 2016, with completion scheduled in 2018. The project comprises a 306-room hotel and 209 serviced apartments with units ranging in size from 44 square metres to 182 square metres. The dual 20-storey tower development shares a common, separable podium and will also have eight

basement levels, including six for car-parking. The lifestyle hotel, complementing the Group's nearby Millennium Seoul Hilton, will feature a dynamic lobby atmosphere with café/deli style food and beverage outlets and bar and the serviced apartments will include a welcoming lobby and a third-party F&B outlet. Other social spaces and facilities will include meeting and breakfast areas, swimming pool and gym.



02



03



04

- 01 Aerial view of development with existing Millennium Seoul Hilton (artist's impression)
- 02 Twin room in new Seoul hotel (artist's impression)
- 03 Ground level view of development (artist's impression)
- 04 Common area for planned hotel (artist's impression)



Copthorne Orchid Hotel Penang, Malaysia



# Strategic Report

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## Chairman's statement

Hospitality markets in 2015 reflected the impact of economic and political uncertainty on many parts of the world, including a number of destinations served by our hotels. In addition the global hotel landscape is changing significantly, with consolidation of some of the largest companies in the sector. These are significant forces for change in the hospitality industry and the Group is focused on making the correct strategic choices in order to grow earnings and optimise returns on assets in a rapidly changing competitive environment.

01 & 02 Grand Hyatt Taipei  
03 Grand Hotel Palace Rome



Like-for-like revenue and pre-tax profit for the Group decreased by 0.4% and 4.4% respectively. Most of the reduction in revenue came from the Group's Asian hotels, which were affected by reduced visitor numbers and spending, and with increasing supply of new room inventory.



RevPAR increased by 0.6% to £71.98 in 2015, but decreased by 1.3% in constant currency. This was due to the continuing deterioration of trading conditions in the Group's Asian hotels, where RevPAR declined by 9.0%. Trading was weaker than last year in London and New York especially in the second half of the year.

Like-for-like RevPAR for the year fell by 3.7%. Like-for-like comparisons exclude the impact of acquisitions, closures and sales of the remaining three Glyndebourne condominium units in 2014, and they are stated in constant currency terms.

Hotel revenue rose by 2.0% to £765m (2014: £750m) reflecting contributions from recent hotel acquisitions and favourable foreign currency movements. Hotel gross operating margin was lower at 34.1% (2014: 36.0%).

The Group is addressing shortfalls in hotel trading through a number of revenue initiatives, including an enhanced digital marketing platform, increased focus on the Chinese outbound market and identifying further upselling opportunities across the estate.

**Kwek Leng Beng**  
Chairman

18 February 2016

The Group made several key appointments during the second half of last year to strengthen its senior executive talent pool including key positions in regional management and the marketing function.

The Board recommends a final ordinary dividend of 4.34p per share (2014: 11.51p) taking into account the Group's current cash position and future capital expenditure requirements. Together with the interim ordinary dividend of 2.08p per share (2014: 2.08p), the total ordinary dividend for 2015 is 6.42p per share (2014: 13.59p) representing a cover of approximately 3 times, which is in line with the Group's dividend policy.

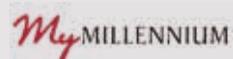
Subject to approval by shareholders at the Annual General Meeting to be held on 5 May 2016, the final dividend will be paid on 13 May 2016 to shareholders on the register on 18 March 2016.

In the first 31 days of trading in 2016 Group RevPAR decreased by 5.9%, with Europe down by 10.1%, the US down by 10.9% and Asia down by 3.6%. RevPAR for Australasia increased by 20.7%.

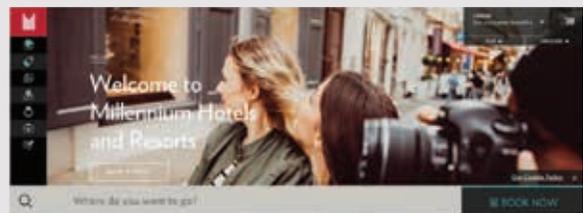
## Business review and strategy

<p><b>Business model</b></p>	<p>The Group’s hospitality real estate ownership model enables investors to participate in long-term asset value growth as well as hotel earnings. The model is de-centralised with relatively low central overheads, the core aim being to ensure that a high proportion of hotel revenues flow directly through to the Group’s bottom line. In some markets where real estate ownership is sub-optimal for fiscal or other reasons, the Group may operate hotels under management contract.</p>
<p><b>Strategy</b></p>	<p>The core strategic objective of the Group is to provide long-term, improving returns on shareholders’ capital, whilst growing the business through asset acquisition and prudent investment in the existing asset portfolio. We are focused on capital allocation, promoting growth, controlling costs and fostering efficient operating procedures.</p>
<p><b>Strategy in action</b></p>	<p>The Group is investing in its people, its brands and its technology in order to provide high quality cost-efficient service to its customers and good financial returns to its shareholders.</p> <p>The Group aims to increase the flow of revenue to its hotels by delivering a superior guest experience throughout – from ease of booking to quality of stay – and by widening customer reach through a flexible, innovative and targeted revenue generating programme. Building a better guest experience is a commercial strategy driven by commercial goals: increasing direct sales, reducing distribution costs, developing a single brand voice and thereby “owning” our guests – creating a global community of fans and friends of the Millennium Hotels &amp; Resorts brand.</p>

### Investing in technology



To build a closer relationship with our guests we need first to understand them better. To achieve that, we are investing in our digital platform. Our investment in technology will enable the Group to present a new, innovative and accessible face to the world, putting our hotels right where many of our guests spend most of their time – on line through their laptops or mobile phones. Upgraded customer relationship management



(“CRM”) systems helps us to deliver targeted, cost-effective promotions and offers, including the next generation of the M&C Loyalty programme – *My Millennium*. Launching in March 2016, *My Millennium* is a root to tip rethink of Loyalty: richer, more flexible, designed to quickly recognise guests for their

frequent stays and offering a wider range of rewards, including but not just limited to hotel rooms. The scheme will herald a number of industry firsts, including a ‘part-points-part-cash’ payment model.

### Hotel operations

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The Group is addressing shortfalls in hotel trading through a number of revenue initiatives, including an enhanced digital marketing platform, increased focus on the Chinese outbound market and identifying further upselling opportunities across the estate.

### Acquisitions

On 18 August 2015, the Group completed the acquisition of a long leasehold interest in Hard Days Night Hotel in Liverpool for £13.8m. The Beatles-inspired hotel, which contains 110 rooms and suites, is located within the popular Cavern Quarter of the city.

CDL Hospitality Trusts ("CDLHT") which is consolidated within the Group's accounts under IFRS 10 and in which the Group owns a 36% stake, acquired the Hilton Cambridge City Centre (previously known as Cambridge City Hotel) for £61.5m on 1 October 2015. The property is a 198-room newly-refurbished upper upscale hotel located in the heart of Cambridge city centre. This acquisition marks CDLHT's first investment in Europe.

### Developments

In December 2014, Urban Environmental Improvement approval was granted for the Group's land in Seoul, South Korea, to be used for lodging facilities. A more detailed submission to the Construction Deliberation Commission ("CDC") was lodged in September 2015 for the construction of a 306-room hotel and a 209-unit serviced apartment complex. The response from CDC is still pending. In December 2015, construction companies were invited to tender for the main building contract. The tender closed in January 2016 and the project team is currently reviewing submissions in preparation for the award once necessary permits from the authority are obtained. The development cost is estimated to be KRW157b (£90m) for the construction of the two buildings and external works. It will take about two years to complete from the expected commencement date in the middle of 2016.

### Growing our China business

Nowhere is 'knowing your customer' more commercially important than in China, which is fast becoming the largest market for international 'outbound' travel. With travel visa restrictions being loosened in the US and UK, China is a critical growth market for our hotels. Our enhanced digital platform delivers M&C in Mandarin, directly onto the mobile devices & platforms-



of-choice of the youngest and most mobile of all Chinese travellers and when they arrive at our hotels they will be delighted by Mandarin speaking staff and literature, authentic Chinese restaurant options and Chinese TV channels.

### Growing through 'Upselling'

Upselling has long been a strength of many M&C hotels, but this year we are launching a global 'best practice' programme aimed at creating value for our guests and incremental revenue for us. The key components are: room upgrades, club packages and staff incentives. In addition to promotions via My Millennium and an enhanced Group website the upselling programme is designed to help us maximise the value of room inventory whilst surprising and delighting our guests.



The Group's enhanced digital platform will be fully launched during the first half of 2016. Once established, it will provide a solid foundation for the speedy evolution of brands, products and guest services.

## Business review and strategy continued

The proposed development of the 35,717m<sup>2</sup> mixed-use freehold landsite at Sunnyvale in California is progressing and will include a 263-room hotel and a 250-unit residential apartment block in the initial phase. A subsequent phase is expected to include a retail component. This is a mixed use development project located in the heart of the Silicon Valley. The preliminary budget is estimated at US\$300m (£200m). The Group expects to break ground on the site in the middle of 2016, with completion scheduled for late 2017.

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

### Hotel refurbishments

During 2015, the Group completed refurbishment of all guest rooms at The Bailey's Hotel London, Millennium Hotel Buffalo and the remaining rooms at Millennium Seoul Hilton. All guest rooms at these hotels had returned to inventory at the start of 2016. The total cost of these refurbishments was £16m. In New Zealand, renovation of 40 guestrooms at Copthorne Hotel & Resort Queenstown Lakefront was completed in November 2015. Work on the main lobby of the Grand Hyatt Taipei was substantially completed in January 2016, with a retail corner and two small food and beverage ("F&B") outlets planned for completion later this year.

The Group will commence refurbishment of two of its key London hotels in 2016. The cost of refurbishment of Millennium Hotel London Mayfair and Millennium Hotel London Knightsbridge is estimated at £80m and £50m respectively. It is anticipated that both projects will require removal of rooms from inventory in stages but the hotels will not need to be fully closed during the refurbishment period. The hotels are expected to fully re-open in late 2017 or 2018.

In the US, refurbishment of the East Tower of ONE UN New York, with an approved budget of US\$38m (£24m) commenced at the end of 2015 with all guest rooms

scheduled to return to inventory by July 2016. Work on guest rooms at Millennium Hotel Durham is scheduled to commence in March 2016 with work completing in September 2016. Refurbishment of public spaces at both hotels will be completed later. The Millennium Biltmore Hotel Los Angeles refurbishment is in progress and is scheduled to complete by the middle of 2017.

Work on the overhaul of the lobby and F&B outlets of the Grand Copthorne Waterfront in Singapore commenced in December 2015 and is targeted for completion in Q3 2016.

In July 2015, Copthorne Hotel Auckland Harbour City in New Zealand was closed for extensive refurbishment, including replacement of building services, guest-rooms and public areas. The work, to cost over NZ\$40m (£18m), is expected to be completed in early 2017. Internal demolition and other works are currently underway and are on schedule.

### Asset disposals

As previously announced, the Group entered into an agreement with the developer of Birmingham's Paradise Circus redevelopment scheme in March 2014. That agreement grants the Group a number of options, including an option to sell the existing site and an option to acquire an alternate site in the redevelopment area for the construction of a new hotel. Discussions with the developer are ongoing.

In September 2015, the Group received notice of an application made by Network Rail Infrastructure Limited ("Network Rail") for an order under the Transport and Works (Scotland) Act 2007 to temporarily close and possess the Millennium Hotel Glasgow, and permanently take a portion of the hotel, in connection with the redevelopment of the Queen Street Station in Glasgow. M&C has objected to the application, together with other affected parties, and continues to pursue an alternative solution with Network Rail. The inquiry currently is scheduled to be held in May 2016.

### Other Group operations

Joint ventures and associates contributed £17m to profit in 2015 (2014: £10m).

First Sponsor Group Limited ("First Sponsor") was listed on the Singapore Exchange on 22 July 2014. The Group has an effective interest of 36% in First Sponsor, which now reports its results publicly. At 31 December 2015, the Group managed one property owned by First Sponsor—the 196-room M Hotel Chengdu.

## Key performance indicators

We use a set of carefully selected key performance indicators (“KPIs”) to monitor our success in executing our strategy set out on page 16. These KPIs are used to measure the Group’s progress year-on-year against those strategic priorities, and are set out below:

Strategic priority	KPIs			
<b>Growth</b> To achieve profitable growth for our hospitality business. These are shown at constant rates of exchange.	<b>Revenue per Available Room</b> 	<b>Occupancy</b> 	<b>Average room rate</b> 	<b>Hotel revenue</b> 
	Average room rate multiplied by occupancy percentage.	Percentage of rooms available for sale that were actually sold to our guests.	Revenue from room sales, divided by the number of room nights sold.	Including room sales, food and beverage sales and meetings and events.
<b>Capital allocation</b> To ensure appropriate use of the Group’s capital so that long-term return on investment for the shareholders is maximised, through a rigorous asset management programme, selective acquisitions, and an appropriate use of equity investments.	<b>Net Asset Value</b> 	<b>Net debt</b> 	<b>Basic earnings per share</b> 	
	Total assets less total liabilities.	Total borrowings less total cash.	Profit for the year attributable to equity holders of the parent divided by weighted average number of shares in issue.	
<b>Cost Control</b> To ensure costs remain in line with revenue movements through a decentralised model, technological enhancements to drive efficiencies and rigorous monitoring of spending.	<b>Operating profit</b> 	<b>Profit before tax</b> 		
	To ensure costs remain in line with revenue movements through a decentralised model, technological enhancements to drive efficiencies and rigorous monitoring of spending.	To ensure costs remain in line with revenue movements through a decentralised model, technological enhancements to drive efficiencies and rigorous monitoring of spending.		

The Group believes that the KPIs provide useful and necessary information on underlying trends to shareholders, the investment community and are used by the Group for internal performance analysis. The Group monitors Net Asset Value to better reflect the property ownership nature

of the Group. Given the decentralised model of the Group, regional management focuses on operational KPIs as well as the above. These include customer feedback, hotel gross operating profit and staff retention. General Managers report their operating KPIs to Regional Managers

on a regular basis with comparison numbers for the local competitive set of each hotel. The hotel performance numbers are then consolidated into regional and Groupwide figures.

## Financial performance

For the full year to 31 December 2015, total revenue increased by 2.5% to £847m (2014: £826m). This increase was attributable to the three hotels acquired in 2014, the opening of the Millennium Mitsui Garden Tokyo last December and favourable foreign currency movements. Like-for-like<sup>1</sup> revenue decreased by 0.4%.

### Full year overview

Profit before tax fell by 42.0% to £109m (2014: £188m). The fall in profit was mainly due to £43m net charge relating to impairment losses of £76m offset by net revaluation gains of £33m. They relate primarily to two of the Group's Asian properties and two recently acquired hotels.

With regard to the two Asian properties, the market has deteriorated over the past year and the outlook in the short to medium term is uncertain and challenging. The region's current weak financial and economic position has affected visitor numbers and spending, and together with the supply of new room inventory, these factors continue to have an adverse impact on the performance of the region. Valuation of one of the impaired hotels was also negatively affected after loss of rental income following its failure to secure a new tenant. In relation to the two recently acquired hotels, room rates achieved were lower than expected.

The impairment losses are a result of M&C's annual impairment testing whereby the carrying amount of M&C's assets is compared against the estimated recoverable amount, which is the greater of the fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to each asset.

Currency (=£)	As at 31 December		Average for 12 months January–December	
	2015	2014	2015	2014
US dollar	1.490	1.556	1.532	1.645
Singapore dollar	2.103	2.059	2.101	2.087
New Taiwan dollar	48.923	49.419	48.623	49.938
New Zealand dollar	2.167	2.001	2.176	1.990
Malaysian ringgit	6.403	5.442	5.934	5.391
Korean won	1,742.09	1,708.55	1,730.23	1,727.98
Chinese renminbi	9.668	9.684	9.640	10.138
Euro	1.358	1.278	1.375	1.240
Japanese yen	179.411	187.334	185.880	173.950

After removing the effects of the impairment losses and revaluation gains, the Group's profit before tax decreased by 5.6% to £152m (2014: £161m). Most of the reduction in profit relates to the Group's Asian hotels, where the RevPAR declined by 9.0%. Like-for-like<sup>1</sup> pre-tax profit fell by 4.4%.

Basic earnings per share decreased by 41.5% to 19.9p (2014: 34.0p).

### Foreign exchange translation

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

The above table sets out the sterling exchange rates of the other principal currencies in the Group. Sterling strengthened appreciably compared to the Singapore dollar but weakened against the US dollar during the year, the impact of which is reflected in the translation reserve on page 73.

Note:

<sup>1</sup> Like-for-like comparisons exclude the impact of acquisitions, closures and sales of the remaining three Glyndebourne condominium units in 2014, and they are stated in constant currency terms.

## Financial Position and Resources

	2015 £m	2014 £m	Change £m
Property, plant and equipment and lease premium prepayment	2,858	2,851	7
Investment properties	506	479	27
Investment in joint ventures and associates	255	235	20
Other financial assets	–	5	(5)
<b>Non-current assets</b>	<b>3,619</b>	<b>3,570</b>	<b>49</b>
Current assets excluding cash	163	182	(19)
Provisions and other liabilities excluding borrowings	(255)	(271)	16
Net debt	(605)	(525)	(80)
Deferred tax liabilities	(210)	(221)	11
<b>Net assets</b>	<b>2,712</b>	<b>2,735</b>	<b>(23)</b>
Equity attributable to equity holders of the parent	2,276	2,263	13
Non-controlling interests	436	472	(36)
<b>Total equity</b>	<b>2,712</b>	<b>2,735</b>	<b>(23)</b>

### Non-current assets

The Group states land and buildings at depreciated deemed cost, being their UK GAAP carrying value, including revaluations as at 1 January 2004, together with additions thereafter less subsequent depreciation or provision for impairment. External professional open market valuations took place at the end of 2015 for all investment properties and those property assets identified as having impairment risks.

Non-current assets increased slightly by 1.4% compared to last year, principally due to the acquisitions of Hard Days Night Hotel in Liverpool and Hilton Cambridge City Centre for a total cost of £75m, net revaluation gains of investment properties of £33m (2014: £27m); and offset by impairment of property, plant and equipment of £76m (2014: £nil).

### Financial position

Group interest cover ratio for the year ended 31 December 2015 (excluding share of results of joint ventures and associates, and other operating income and expense) is 8 times (2014: 10 times).

At 31 December 2015, the Group had £238m cash and £406m of undrawn and committed facilities available comprising revolving credit facilities which provide the Group with financial flexibility. Most of the facilities are unsecured with unencumbered assets representing 92% of fixed assets and investment properties. At 31 December 2015, total borrowing amounted to £843m of which £67m was drawn under £83m of secured bank facilities.

At 31 December 2015, the Group had net debt of £605m (Dec 2014: net debt £525m). Excluding CDLHT, the net debt was £201m (Dec 2014: net debt £185m).

### Future funding

Of the Group's total facilities of £1,297m, £351m matures within 12 months. Excluding CDLHT, the Group's total facilities was £730m of which £168m matures within the next 12 months. Plans for refinancing the facilities are underway.

### Treasury risk management

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

## Regional performance

### Asia

Asia RevPAR for 2015 fell by 9.0% to £64.23 (2014: £70.59) contributed by lower room rate and occupancy.

#### Singapore

In Singapore, RevPAR is 7.5% lower for 2015 as a result of reduced consumer spending and lower corporate travel demand against a backdrop of a regional economic slowdown. Those factors, combined with increased price competition from new and refurbished hotels in the market and a relatively strong Singapore dollar relative to key source markets in Asia, the Singapore hotels have seen a reduction in both occupancy and rate compared to last year.

#### Rest of Asia

In Rest of Asia, RevPAR fell by 9.3% in 2015, mainly driven by a decrease of 6.7 percentage points in occupancy. The weakening Chinese currency and increased room inventory in the Xinyi District have dampened demand at Grand Hyatt Taipei. South Korea also suffered from the impact of the Middle East Respiratory Syndrome outbreak earlier this year.

- 01 Orchard Hotel Singapore
- 02 Grand Hyatt Taipei



	2015	2014	Change
<b>Asia</b>			
Hotel Revenue (£m)	270	284	(4.9)%
RevPAR (£)	64.23	70.59	(9.0)%
Occupancy (%)	73.2	78.1	(4.9)pts
ARR (£)	87.7	90.41	(3.0)%
<b>Singapore</b>			
Hotel Revenue (£m)	122	130	(6.2)%
RevPAR (£)	79.85	86.34	(7.5)%
Occupancy (%)	87.1	88.3	(1.2)pts
ARR (£)	91.67	97.79	(6.3)%
<b>Rest of Asia</b>			
Hotel Revenue (£m)	148	154	(3.9)%
RevPAR (£)	54.35	59.95	(9.3)%
Occupancy (%)	64.5	71.2	(6.7)pts
ARR (£)	84.31	84.23	0.1%

## Regional performance

### Europe

Europe RevPAR for 2015 increased by 2.2% driven by acquisitions. Like-for-like RevPAR, excluding the acquisitions of The Chelsea Harbour Hotel, Hard Days Night Hotel, Liverpool and Grand Hotel Palace Rome and the expiry of the lease on Copthorne Hotel Hannover, fell 1.8%.

#### London

London RevPAR for 2015 fell by 3.4%. Excluding The Chelsea Harbour Hotel which was acquired in March 2014, London RevPAR fell 3.5%. Lower RevPAR at The Bailey's Hotel London was the largest factor in the decline due to the refurbishment of guestrooms which started at the end of 2014 and was completed in the fourth quarter of 2015.

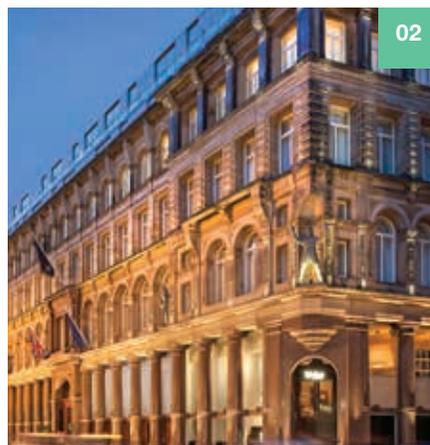
#### Rest of Europe

Most of the Group's European hotels outside London performed better than last year with RevPAR up 11.7%, boosted by recent acquisitions. The main exception was Copthorne Hotel Aberdeen which was affected by the significant fall in energy prices and the consequential impact on the hotel's oil and gas customer activity. On a like-for-like basis, RevPAR grew by 2.2%.

01 The Bailey's Hotel London

02 & 03 Hard Days Night Hotel Liverpool

	2015	2014	Change
<b>Europe</b>			
Hotel Revenue (£m)	199	195	2.1%
RevPAR (£)	80.92	79.16	2.2%
Occupancy (%)	76.5	77.4	(0.9)pts
ARR (£)	105.72	102.33	3.3%
<b>London</b>			
Hotel Revenue (£m)	124	126	(1.6)%
RevPAR (£)	108.68	112.47	(3.4)%
Occupancy (%)	80.2	85.7	(5.5)pts
ARR (£)	135.51	131.23	3.3%
<b>Rest of Europe</b>			
Hotel Revenue (£m)	75	69	8.7%
RevPAR (£)	51.56	46.16	11.7%
Occupancy (%)	72.7	69.1	3.6pts
ARR (£)	70.96	66.82	6.2%



## Regional performance

### United States

RevPAR for the US region during 2015 decreased by 0.1% to £79.89 with growth in the newly refurbished regional US hotels being offset by slower performance in the New York hotels.

#### New York

New York RevPAR fell by 5.8% as a result of a 4.6 percentage point fall in occupancy and a 0.5% fall in average room rate driven by an increase in the city's hotel room inventory and the weak euro leading to reduced number of European travellers to the city. Excluding Novotel New York Times Square which was acquired in June 2014, New York RevPAR fell 6.6% and the total US region was down 2.6%.

#### Regional US

RevPAR for the Regional US increased by 3.1% to £48.92 (2014: £47.46) reflecting contributions from Millennium Harvest House Boulder, Millennium Knickerbocker Hotel Chicago and The McCormick Scottsdale which were recently refurbished.

- 01 Millennium Buffalo
- 02 Millennium Alaskan Hotel Anchorage



	2015	2014	Change
<b>United States</b>			
Hotel Revenue (£m)	256	247	3.6%
RevPAR (£)	79.89	79.94	(0.1)%
Occupancy (%)	66.1	68.5	(2.4)pts
ARR (£)	120.84	116.73	3.5%
<b>New York</b>			
Hotel Revenue (£m)	138	132	4.5%
RevPAR (£)	142.92	151.73	(5.8)%
Occupancy (%)	82.1	86.7	(4.6)pts
ARR (£)	173.99	174.95	(0.5)%
<b>Regional US</b>			
Hotel Revenue (£m)	118	115	2.6%
RevPAR (£)	48.92	47.46	3.1%
Occupancy (%)	58.2	60.2	(2.0)pts
ARR (£)	84.00	78.79	6.6%

## Regional performance Australasia

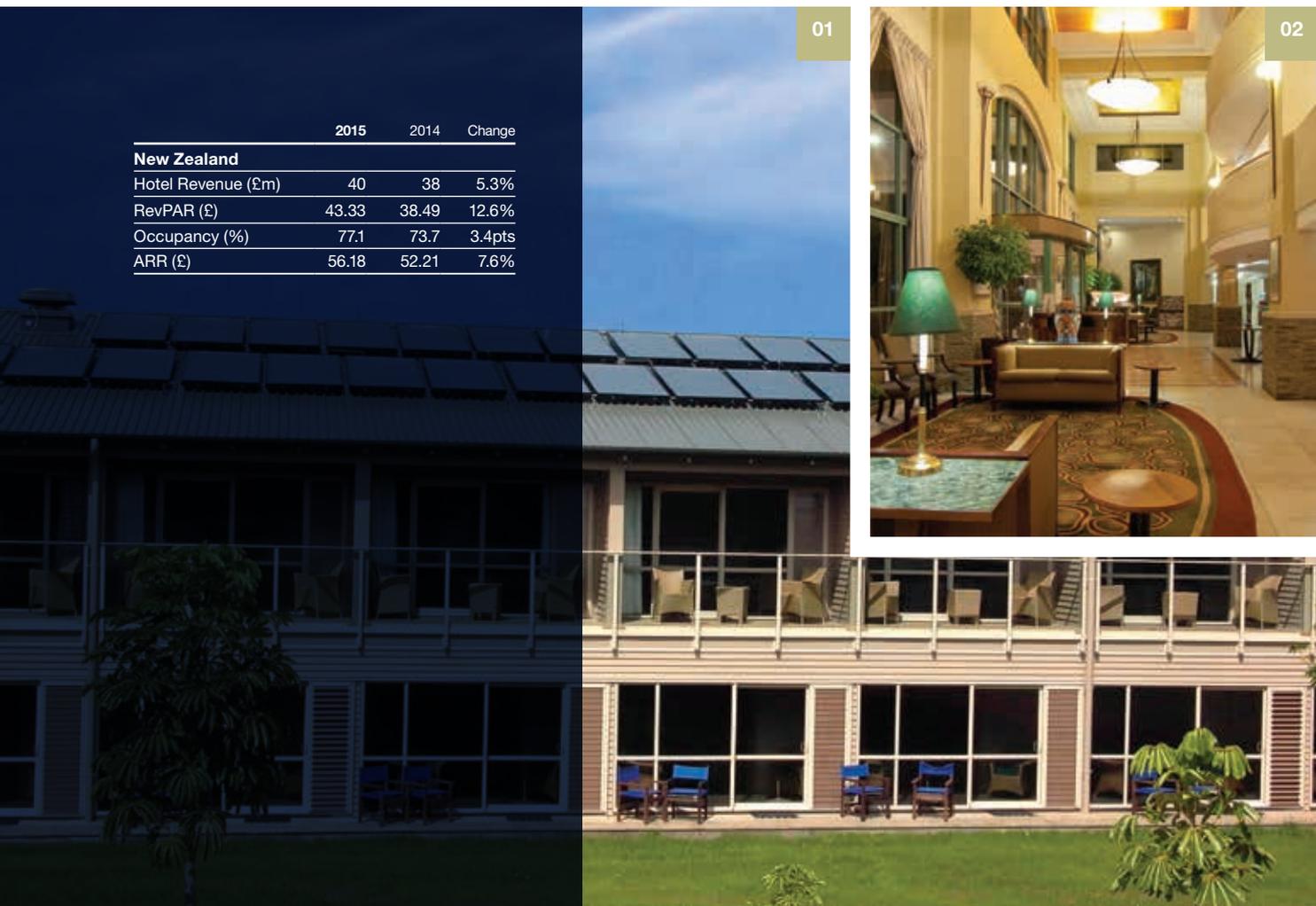
Australasia RevPAR grew 12.6% in 2015 driven by an increase in overseas visitors.

Millennium Hotel Queenstown and Copthorne Hotel Rotorua continued to make gains after completion of their refurbishment projects. The performance of these hotels and Copthorne Hotel Wellington Oriental Bay reflected the fact that New Zealand remains a popular destination for Chinese, United States and European visitors.

Copthorne Hotel Auckland Harbour City which has been closed for a refurbishment program is expected to be reopened in the first quarter of 2017. The hotel will be extensively refurbished and its operations will be appropriately repositioned to reflect the new look and the investment which will be made to the property.

- 01 Copthorne Hotel & Resort Bay of Islands
- 02 Millennium Hotel Queenstown

	2015	2014	Change
<b>New Zealand</b>			
Hotel Revenue (£m)	40	38	5.3%
RevPAR (£)	43.33	38.49	12.6%
Occupancy (%)	77.1	73.7	3.4pts
ARR (£)	56.18	52.21	7.6%



## Corporate responsibility

As a leading hotel chain, we remain committed to operating our business in an economically, socially and environmentally responsible manner.

We believe that each hotel plays an active role in its local community, creating jobs, stimulating economic opportunity and managing its environmental impacts in a responsible way. Our aim is to develop new and better ways to build and run our hotels, which create sustainable value for our brands, business and stakeholders as well as addressing our social and environmental responsibilities.

The Board is responsible for the Group's corporate responsibility with the Group Chief Executive Officer taking the lead. To support our commitment to corporate responsibility, the Board supports a number of policies, collectively referred to as Responsible Hospitality which are designed to recognise and manage the Group's wider impact on the communities in which we operate. The Board recognises the need to review these policies regularly and these are updated as necessary. A list of these policies can be found on our website at <http://www.millenniumhotels.com/corporate/investors/policies.html>

### Building our team

Our employees are an essential part of our business and we aim to foster an inspiring, diverse and collaborative work environment where our people know they are appreciated, valued and respected. Upon commencement with the Group, new colleagues are provided with an extensive induction which gives them an update on the business and introduces them to our unique company culture and brands.

Suitable training and personal development opportunities are provided to our employees and we use a number of ways to engage them, which helps promote team building and create a better understanding of the Company.

Consistent with our Responsible Hospitality approach, we also have in place our brand defining 'Outstanding Service Excellence' programme where colleagues are empowered to adapt and deliver personalised service to each guest. This inspiration-based service approach

is designed to engage both colleagues and guests on an emotional level, encouraging a genuine connection and creating true 'fans' of our brand.

The Group maintains a code of high ethical standards, to which all employees are required to adhere. Our Code of Ethics and Business Conduct ("Code") requires that we comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The Code prohibits the giving or receiving of illicit payments and requires all colleagues to be treated fairly, impartially and with respect. It also requires that all managers must be fully aware of their obligations under the Code and must establish procedures to ensure compliance at all levels within their organisations. Further guidance in specific areas is provided through related corporate and regional policies and guidance, such as our Anti-Bribery policy and the Business Hospitality and Gifts policy.

Procedures are also in place by which colleagues can raise, in confidence, matters of serious concern in areas such as financial reporting or compliance.

We support and protect human rights wherever we can. As a responsible company with operations across the world, we believe that strong ethics and good business go hand in hand and we are committed to complying with the laws and regulations of the countries and jurisdictions in which we operate. The Group has adopted a human rights policy which is designed to communicate and enhance awareness of our values and commitment to certain fundamental human rights principles which are aligned with those of the International Labour Organisation and the United Nations Universal Declaration of Human Rights.

The Group has also adopted a formal slavery and human trafficking statement which is available at <http://www.millenniumhotels.com/utilities/slavery.html>

The Group continues to be fully committed to equality of opportunity and more information can be found on page 38 of the Directors' Report.

For the year ended to 31 December 2015, the Group employed an average of 10,870 people worldwide in over 20 countries (2014: 10,257)

Employees by gender	Male	Female
Directors	8	1
Senior managers <sup>1</sup>	181	97
Other employees	5,789	4,794

Note:

<sup>1</sup> This excludes 36 subsidiary directors who were external non-independent/independent appointments of which 29 were male and 7 female.

The average number of employees employed by the Group (including the Company's Directors) during the year analysed by category was as follows:

	2015 Number	2014 Number
Hotel operating staff	8,399	7,954
Management/ administration	1,385	1,253
Sales and marketing	466	464
Repairs and maintenance	620	586
	10,870	10,257

### A safe workplace

Providing a safe and secure environment for our guests, employees and subcontractors is essential. To ensure their protection and well-being, our health and safety functions ensure that comprehensive processes and procedures are in place at all properties and comply with relevant legislation. Such measures also support our hotels to identify hazards, assess risks and implement appropriate controls to reduce occupational injuries, accidents and fatalities.

Health and safety is a principal risk and as part of our risk management effective training, supervision and regular communication on health and safety matters is regularly provided to our employees. To support this, a comprehensive schedule of audits, inspections and drills is carried out both internally and by independent bodies to check awareness, compliance and readiness to deal with emergencies.

For example, our UK region has published and launched health and safety management policies and procedures certified to OHSAS 18001 (externally audited by the British Standards Institution).

Management is currently in the process of rolling out the system across the remaining UK hotels which is designed to ensure robust and comprehensive risk assessment and recognition across the business. These efforts are supported by new compliance management software resulting in tighter control of statutory/mandatory activities, inspections and creation of audit trails.

Quarterly reports covering health and safety matters are also presented to the Board. These provide statistics on accidents, incidents and progress in fulfilling targets linked to continuous improvement, reporting and review of health and safety matters.

### Caring for the environment

We understand that sustainability impacts nearly all aspects of our hotel operations, so we embrace it as a means to preserve our environment, to provide increased guest comfort and to engage and inspire our colleagues. We encourage our hotel managers to seek new ways to reduce and manage emissions and energy use across our hotel estate by adopting environmental best practices and optimising efficiency.

For example, as part of an ongoing process, our hotels have been converting incandescent light bulbs to LED. As LEDs are extremely energy efficient, consuming up to 90% less power than incandescent bulbs, significant benefits are being derived in terms of reduced power together with savings on maintenance and replacement costs due to their longer lifespan. Other energy saving projects have included installation of new energy efficient equipment, use of renewable energy technology and optimising the performance of existing equipment.

A number of our hotels in Asia and the US have also participated in a soap recycling programme set up through a nonprofit organisation called Clean the World that collects partially used soaps and other hygiene amenities. Collected items are then hygienically recycled and distributed globally to communities in need.

During 2015, our London hotels took part in the Mayor of London's Business Energy Challenge awards which provides an excellent opportunity for businesses to showcase their drive for energy efficiency

and cuts to their carbon emissions. Although we were not successful in achieving an award, our contribution helped the government to develop a better understanding of energy efficiency in London.

Our UK business also participated in the Energy Savings Opportunity Scheme, a UK mandatory energy assessment scheme for large organisations. As part of the scheme, energy audits were carried out at a selection of our hotels. The energy audits identified energy efficiency measures which we are considering in terms of cost and consumption savings.

Details of our total carbon footprint are summarised in the table on the right. The base year was set as 2010 being the first year the Group reported greenhouse gas emissions. This year our carbon footprint was 389,257 tonnes.

To calculate our emissions, we have used the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard methodology and the operational control approach to determine what properties are included. Franchise hotels and investment hotels that are managed by third party operators have not been included in the data collation.

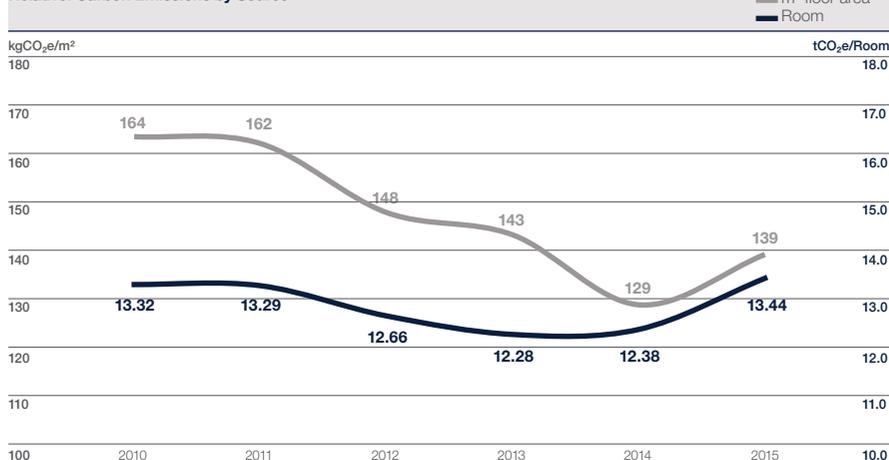
	Global tonnes of CO <sub>2</sub> e		
	2015	2014	2010 Base year
Scope 1 <sup>1</sup>	60,543	59,200	73,309
Scope 2 <sup>2</sup>	296,906	262,918	235,916
Scope 1 and 2 carbon intensity (tonnes of CO <sub>2</sub> e/room. Includes scope one, two and three emissions but not travel)	13.44	12.38	13.32
Scope 3 <sup>3</sup>	31,808	27,323	19,214
No. of rooms	28,744	27,925	24,658
Total gross emissions	389,257 <sup>4</sup>	349,442 <sup>4</sup>	328,439

Notes:

- 1 Direct emissions from activities owned or controlled by our organisation that release emissions into the atmosphere.
- 2 Indirect emissions that are a consequence of our organisation's activities but which occur at sources we do not own or control.
- 3 Other indirect emissions that are a consequence of our activities which occur at sources which we do not own or control and which are not classed as scope 2 emissions.
- 4 Includes business travel.

Absolute emissions for the year have increased due to the opening of a number of new hotels. However, if newly opened hotels were to be excluded, overall group emissions would show a decrease of 5% compared to 2014. Emissions per unit floor area have decreased by 15% since our base year of 2010. Emissions per room has increased slightly by 1% since our base year of 2010. This is due to hotels opened since 2012 being larger in size but with a smaller number of rooms and being located in hot climates where there is a higher air conditioning requirement.

Relative: Carbon Emissions by Source



## Corporate responsibility continued

Measuring our carbon emissions against relative metrics gives us the opportunity to improve the efficiency of our operations through the implementation of new technologies and initiatives. It also allows us to focus on reducing the consumption of natural resources including through reuse and recycling to work towards a lower carbon business.

### Sourcing responsibly

In order to affirm our commitment to sourcing responsibly, we continually develop unique opportunities for sustainable sourcing in each aspect of our daily operations with a specific focus on food and beverage ingredients. Our focus includes reducing food miles and using suppliers with a demonstrable commitment to sustainable production methods. For example, our UK main food supplier has introduced best practices and investment programmes with goals to reduce CO<sub>2</sub> emissions, minimise energy consumption and waste to landfill.

In 2015, our US properties worked with a national food distributor to develop programmes around sustainability which support positive change in fisheries and agriculture.

Moreover, new standards and protocols have been set up in the US which identify products that meet an established set of sustainability standards, such as products that have been Bovine Growth Hormone free and Humane Farm Animal Care certified, which help our hotel procurement teams to source responsible products.

In the UK, we have also started to optimise the frequency of land trucking deliveries so as to reduce our overall pollution and emissions. Our project of 'zero waste being transferred to landfill', which commenced in 2014 and piloted by two of our UK hotels, continues.

### Supporting local communities

We fully embrace the communities in which we operate and we are committed to conducting our business in ways that have a positive impact on society. We

encourage every hotel to get involved in its community in ways that make the most of their skills and for causes about which they are passionate. Our colleagues are encouraged to participate directly, whether through volunteering, fundraising or coordinating events for local charitable causes.

Below are a few of the community initiatives from our hotel colleagues, who are helping to build a brighter future in their communities.

**Orchard Hotel Singapore** supported the 'Adopt a Wishing Star' foundation by collecting handwritten wishes from children of low-income families of Thye Hua Kwan Moral Charities Limited and Sengkang Family Service Centre and encouraging hotel staff and guests to fulfil the wishes.

**Millennium Hotel Sirih Jakarta**, held in 2015 a golf tournament in conjunction with the Jakarta Hotels Association which raised nearly £8,000 for Habitat for Humanity Indonesia. The money was used towards building homes for five families with children at Desa Bojongkoneng, Sentul in Indonesia.

**Millennium Corniche Hotel Abu Dhabi** joined hands with Brightpoint Royal Women's Hospital during the month of October, known internationally as Breast Cancer Awareness month, to raise awareness of the disease. Ladies who attended a coffee morning session at the hotel's bar Cristal were given a 50% discount card for a mammogram test. Representatives from Brightpoint Hospital explained the importance of routine examinations and early detection to beat the disease that remains a global killer.

**Millennium Hotel Cincinnati** employees have been collecting children's books for Adopt-A-Book, a non-profit organisation dedicated to providing underprivileged children with books of their own. The target was to collect 500 books, however the hotel team were so passionate about the cause that they exceeded the target with a total of 1,539 children's books.

**The Heritage Hotel Manila** sponsored 30 runners to participate in the Million Volunteer Run organised by the Philippine Red Cross to raise funds for those affected by disasters.

### Copthorne Hotel London Gatwick

continues to support the local community by providing desserts for a homeless shelter on Christmas day. This contribution was part of a local Operation Santa appeal by the local press in Crawley and involved businesses contributing items to help feed over 70 homeless people at Crawley Open House in Stephenson Way, Three Bridges over Christmas. The hotel's pastry department baked over 70 desserts for the shelter. Other staff at the hotel also helped by collecting toothbrushes and toiletries to give as Christmas gifts for the homeless.

**Copthorne Hotel Rotorua** organised a 'Can for Can' initiative which involved colleagues donating a canned food item and the hotel matching the total number of cans donated which were divided equally between a local woman's refuge and the Salvation Army foodbank charity.

Our hotels also help young people from disadvantaged backgrounds by providing employment skills training and vocational opportunities. For example, our **ONE UN New York** hotel provided training and hands on work experience to students from the New York University. Similarly, **Maingate Lakeside Resort** teamed up with a mentoring organisation called Junior Achievement and provided seven weeks of instruction to high school students on "Career Success and Getting Hired".

### Looking forward

We will continue to commit time and resources to our corporate responsibility programme, refine our practices and contribute to our communities in a meaningful way.

## Our risks

Like any other business, we are subject to a number of risks and uncertainties, which are influenced by both internal and external factors, often outside our control. In this section, we describe the principal risks that could have a material effect on the Group’s ability to deliver against its strategy together with the controls and activities in place to mitigate such risks.

### Risk factors

We provide information on the nature of each principal risk. Not all potential risks are listed below; some risks are excluded because the Board considers that they are not material to the Group as a whole. Our processes aim to provide reasonable, not absolute, assurance that the risks significant to our business have been identified and addressed. Additionally, there may be risks that are not reasonably foreseeable at the date of this report such that the Group can assess fully their potential impact on the business.

The order in which risks are presented below is not indicative of the relative potential impact on the Group. The risks may, to varying degrees, impact the Group’s revenues, profits, net assets, financial and other resources and reputation. It is often difficult for management to assess with accuracy the likely impact of an event on reputation, as any damage often may be disproportionate to the event’s actual financial impact.

### Management of risk

In general, the geographical spread of the Group provides a natural hedge against many of the principal risks identified on the following pages. Our risk management activity is directed by the regional operational heads and functional heads, led by the Group Chief Executive Officer, and is monitored by the Audit & Risk Committee with assistance from the Internal Audit function as shown in the diagram below. Risk registers, which map the nature of the risks relative to their likelihood of occurrence and severity and associated trends, are compiled and periodically updated. Members of the executive management team are assigned responsibility for devising risk treatment plans to eliminate, minimise or transfer the relevant risks for which they are responsible, and they undertake regular reviews of the risk register and progress with risk management plans. The Board has overall responsibility for risk management and for ensuring that the Group’s risks are managed appropriately.

### Risk assessment

Material risks are identified through a detailed bottom up approach as well as a holistic top down review.

The bottom up review encompasses the identification, management and monitoring of risks in each area of the business including the hotels and ensures that risk management controls are embedded in the businesses’ operations.

The top down review led by the Audit & Risk Committee, supported by management, evaluates the Group’s operating environment with a particular focus on the cash flows of the Group for the three financial years ending 31 December 2018. Such evaluation also includes sensitivity analysis based on a significant decline in hotel profit due to a combination of the principal risks, as set out on pages 31 to 33, materialising for a sustained period or failing to renew debt facilities maturing in the period as they fall due.



## Our risks continued

### *Review period*

The Directors have assessed the viability of the Group over a variety of periods. Whilst the Directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved, the period over which the Directors consider it possible to form a reasonable expectation as to the Group's longer-term viability, is the three year period to 31 December 2018. This three-year period has been selected for several reasons.

- First, the three-year period is in line with the Group's rolling strategic and financial planning. Plans are reviewed by the Board on an annual basis; and
- Second, the landscape of online competition has been changing rapidly and is likely to continue to change further in the foreseeable future. It would be difficult to form a reasonable judgment of how the online marketplace will evolve beyond a period of three years.

### **VIABILITY STATEMENT**

- In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This assessment involved a review of the prospects of the Group over the three year period to 31 December 2018 taking into account the Group's strategy and the Group's principal risks and how these are managed over this time period, as detailed above.
- The Directors believe the three year period to be appropriate for the reasons stated above. The three year plan review is supported by regular Board briefings provided by management and the discussion of any new initiatives undertaken by the Board in its normal course of business.
- Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities, as they fall due, over the period to 31 December 2018.

## Principal Risks and Uncertainties

	Risk and Potential Impact	Mitigating Activities
<b>Reputation and brand protection</b>	<p><b>Quality of service delivery and product</b></p> <p>Consistent delivery of service and product quality is vitally important to creating and maintaining brand loyalty and value perception and influencing consumer preference. Lack of investment in the Group's assets or the removal of a significant number of rooms from inventory in order to complete needed refurbishment programmes could have a significant impact on those factors and therefore on the revenues that hotels are able to achieve. As supply increases, particularly in our key gateway cities, business may be lost to newer hotels and/or rates may have to be reduced to remain competitive.</p> <p>In addition, management of third-party owned hotels under management agreements, particularly in the Middle East and China regions, and the use of joint ventures in the Middle East and other markets gives rise to the risk of non-performance on the part of the hotel owners and joint venture partners, and the ability of the relevant hotels to deliver service and product quality to Group brand and operating standards, especially when the strategic objectives of those parties are not fully aligned with those of the Group</p>	<ul style="list-style-type: none"> <li>• Generally the Group operates properties which it owns, and therefore is able to exercise control over the service and product quality of those hotels.</li> <li>• For those hotels we own but do not operate, such as the Novotel New York Times Square, the Group asset manages those properties to ensure compliance with its service levels and contractual requirements.</li> <li>• The Group continues to develop property specific asset management plans which focus on the capital requirements of each property in terms of regular maintenance and product enhancement to help ensure the products remain competitive. Refurbishments are phased appropriately in order to minimise the impact of those programmes on operations, to the extent possible.</li> <li>• The Group currently endeavours to reinvest one-third of its EBITDA into its hotel estate.</li> <li>• The Group has in place brand and operating standards, and regularly refreshes those, to provide for consistent service delivery and product quality among its hotels, even if they are owned by third parties and/or operated through joint ventures.</li> <li>• Management representatives are assigned to manage the relationships with joint venture partners and third party hotel owners.</li> </ul>
<b>Intellectual property rights and brands</b>	<p>Future growth and pricing power and the image and reputation of the Group in general will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. The ability of the group to protect its intellectual property rights in those brands is instrumental in preventing them from deteriorating in value.</p> <p>In addition, the proliferation of e-commerce and online sales channels, whether through affiliates, online travel agencies, meta search websites or otherwise, can give rise to brand confusion and further dilution if the Group's intellectual property is not used appropriately and in accordance with the Group's brand and marketing standards.</p>	<ul style="list-style-type: none"> <li>• In 2015 the Group allocated its hotels and brands into distinct collections and updated its brand and marketing standards to enhance and clarify its brand portfolio.</li> <li>• Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration, enforcement of intellectual property rights and domain name protection. The Group utilises third party online brand monitoring and protection agencies to assist with the Group's enforcement activities.</li> </ul>
<b>Increasing competition</b>	<p>The hotel industry operates within an inherently cyclical marketplace where competition, both online and offline, is increasing. An increase in market room supply, without corresponding increases in demand, may lead to downward pressure on rates, which in turn could negatively impact the Group's performance.</p> <p>With regard to online competition, the Group's hotel rooms are booked through a number of distribution channels, one of which is the online travel agency ("OTA"). OTAs tend to have higher commission rates than more traditional distribution channels and are taking an increasing share of bookings across the sector. Over time, consumers may develop loyalties to the OTAs rather than to our brands. These trends may impact our profitability. In addition, sharing economy platforms, such as Airbnb, may expand their market share and compete with more traditional business and leisure accommodations.</p>	<ul style="list-style-type: none"> <li>• The Group's flexible financial control and revenue management systems help it to control costs and achieve better yields in volatile trading conditions.</li> <li>• The Group continues to refresh its digital marketing strategy and invest in its e-commerce, customer relationship management, revenue management and reservations systems in order to help increase rates, retain existing customers and generate new business.</li> <li>• A new advanced central reservations system was implemented in 2014, providing a platform for future enhancements. Additionally, the Group's website and loyalty programme are in the process of being upgraded to help improve brand recognition and drive more bookings through the Group's own, less costly distribution channels.</li> </ul>

## Our risks continued

Risk and Potential Impact	Mitigating Activities
<b>Talent management and succession</b>	
<p>Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude. This becomes more difficult as world travel becomes more prevalent and competition in the hospitality industry increases.</p> <p>Failure of the Group to properly plan for the succession of key management roles may cause operational disruption, potentially delaying the execution of the Group's strategies and increasing costs and inefficiencies.</p>	<ul style="list-style-type: none"> <li>The Group has a strong service culture supported by performance management and recognition systems, compensation and benefits arrangements, and training and development programmes. Labour relations are actively managed on a regional and local basis.</li> <li>In the second half of 2015 the Group, with the support of an external compensation and benefits consultant, completed a review of its below Board level executive compensation and benefits arrangements and will be implementing certain changes in 2016 in an effort to enhance employee engagement and performance.</li> </ul>
<b>Financial</b>	
<p>The Group operates in numerous jurisdictions and trades in various international currencies, but reports its financial results in pounds sterling. Fluctuations in currency exchange rates and interest rates may either be accretive or dilutive to the Group's reported trading results and net asset value.</p> <p>Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance.</p>	<ul style="list-style-type: none"> <li>The Group's internal Treasury Management Committee monitors and addresses treasury matters, including investment and counterparty risks, in accordance with the Group's treasury policy. The Board and Audit &amp; Risk Committee receive regular updates on treasury matters.</li> <li>Foreign exchange exposure is primarily managed through the funding of purchases and repayment of borrowings from income generated in the same currency.</li> <li>Interest rate hedges are only used to manage interest rate risk to the extent the perceived costs are considered to outweigh the benefits of having flexible, variable-rate debt.</li> </ul>
<b>Compliance and corporate responsibility</b>	
<p>Legal and regulatory compliance</p> <p>The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements, including competition law, anti-bribery and corruption and data privacy compliance regimes. Non-compliance with such regulations, which differ by jurisdiction and are an area of increasing focus by regulators, could result in fines and/or other damages, including reputational damage, being incurred, particularly in the event a data breach should occur.</p> <p>In addition, the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or as a result of providing services to customers. Significant costs could be incurred where claims are not insured or are not fully insured, and litigation could give rise to reputational damage being suffered and management distraction.</p> <p>In certain countries where the Group operates, particularly in emerging markets, local practices and the legal environment may be such that enforcement of the Group's legal rights is challenging.</p>	<ul style="list-style-type: none"> <li>The Group continues to monitor changes in the regulatory environments in which it operates, identify its compliance obligations and implement appropriate compliance and training programmes. The Group has comprehensive global and, where applicable, regional policies and procedures in place to address competition law, data privacy, ethical business conduct, whistle-blowing, anti-corruption and bribery, gifts and hospitality and charitable donations, among others.</li> <li>The Group maintains in place industry standard insurance cover to mitigate many potential litigation risks, such as employment practices liability, workers compensation and general liability policies.</li> <li>The Group has controls in place to manage and help mitigate the risks associated with its various contractual relationships, from execution through to termination, insured and uninsured litigation and other disputes. Regular litigation reports are provided to the Board.</li> </ul>
<p>Health and safety and social responsibility</p> <p>The Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.</p> <p>Furthermore, as a significant property owner and operator of hotels in multiple jurisdictions, the Group must do more than simply comply with local regulations. We must act in a responsible way towards our stakeholders and the communities in which our hotels operate.</p>	<ul style="list-style-type: none"> <li>The Group has established and maintains health and safety and environmental management systems which it seeks to align with the requirements of ISO 14001 and OHSAS 18001. By using these standards the Group is committed to working to the highest standards of health and safety and to an internationally accredited system.</li> <li>The Group has adopted various corporate responsibility initiatives in relation to its employees, guests and the environment. The Group's operating regions have flexibility to tailor such initiatives and adopt new ones to better conform to local and regional customs and practices.</li> </ul>

Risk and Potential Impact	Mitigating Activities
<p><b>Vulnerability to cyber attacks or fraud</b></p> <p>Increasing reliance on online distribution channels and transactions over the internet and the aggregation and storage of guest and other information electronically, both on company-controlled servers and networks and in cloud-based environments, present heightened risks of attacks affecting the operation of those systems and networks and/or a potential loss or misuse of confidential or proprietary information. The occurrence of cyber risks could disrupt business, the ability of the Group to take or fulfil bookings or lead to reputational and monetary damages, litigation or regulatory fines.</p> <p>In addition, various aspects of the Group's operations are required to achieve compliance with the payment card industry data security standards ("PCI-DSS"), and failure to do so could result in penalties and/or withdrawal of credit card payment facilities.</p>	<ul style="list-style-type: none"> <li>• In 2015 the Group engaged an external consultancy firm to conduct security and penetration testing services in relation to certain of the Group's websites and implemented enhancements following that review. Also, as part of the Group's PCI-DSS compliance activities, all regions conduct additional internal and external penetration testing annually as required.</li> <li>• The Company has in place, and regularly reviews, cyber insurance coverage to protect against certain cyber risks.</li> <li>• Software systems are regularly updated to allow for the latest security updates and patches to be installed.</li> <li>• Where the Group outsources critical information technology systems, including its point of sale and property management systems, the Group utilises reputable suppliers that have industry-standard or best-in-class data security protocols. The Group's hotels utilise Oracle's MICROS property management system, for example.</li> <li>• The regional information technology teams have developed disaster recovery plans and guides with regard to their high-priority systems that need to be up-and-running, and tests are conducted on select mission-critical systems annually to verify their recoverability offsite.</li> <li>• Information technology policies and procedures have been updated to reflect implementation of the latest PCI-DSS compliance standards.</li> </ul>
<p><b>Natural, geopolitical and economic events</b></p> <p>Sustained levels of occupancy and the Group's ability to optimise room rates and profitability can be adversely affected by various external events that may reduce travel or increase the Group's operating costs.</p> <p>Such events, which often are beyond the control of management, may be localised to a particular community, city or country or they may have a wider international impact. Examples of such events include severe weather conditions and natural disasters, acts of terrorism, war or perceived risk of armed conflict, epidemics, nationalisation of assets or restrictions on the repatriation of funds, increased travel costs, industrial action and political and/or social unrest. Notably the forthcoming UK referendum on EU membership will give rise to further political and economic uncertainty. Appropriate insurance coverage may not be available in the market in some instances or coverage may not be available on commercially viable terms.</p>	<ul style="list-style-type: none"> <li>• The Group has in place disaster recovery, crisis response and business continuity plans to enable it to respond to major incidents or emergencies.</li> <li>• Management pro-actively monitors geopolitical developments and seeks to identify emerging risks at the earliest opportunity and implements ownership structures, internal controls and other steps to minimise these exposures to the greatest extent possible.</li> <li>• The Group's flexible financial and revenue management systems help it to control costs and achieve better yields in volatile trading conditions.</li> <li>• The Group's insurance requirements are regularly reviewed by management to ensure that the coverages obtained are appropriate to the company's risk profile relative to the cost of cover available in the relevant markets.</li> <li>• The wide geographic spread of the Group's properties is a natural hedge against the impact of natural, geopolitical and economic events.</li> </ul>

Note: Due to the in-depth review and restatement of the Group's principal risks following the implementation of the Viability Statement a year on year comparison of the status of each risk was not performed as in prior years.

### Approval of Strategic Report

The Strategic Report comprises the following sections: Chairman's statement, Business review and strategy, Key performance indicators, Financial performance and regional performances, Corporate responsibility (which incorporates information relating to greenhouse gas emissions required to be included in the Directors' report) and Our risks sections. The Strategic Report was approved by the Board and has been signed on its behalf by:

#### Aloysius Lee

Group Chief Executive Officer

18 February 2016



Copthorne Hotel Wellington Oriental Bay, NZ



# Governance

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## Board of Directors

As at 31 December 2015



**1 Kwek Leng Beng<sup>N</sup>**  
**Chairman of the Board and Chairman of the Nominations Committee**

Kwek Leng Beng has been the Chairman of Millennium & Copthorne Hotels plc since its incorporation. He is also the executive chairman of City Developments Limited, chairman and managing director of Hong Leong Finance Limited and City e-Solutions Limited and the chairman of Hong Leong Asia Limited.

Mr Kwek holds an honorary doctorate in Business Administration in Hospitality from Johnson & Wales University in the US and an honorary doctorate from Oxford Brookes University in the UK. He also serves as a member of the INSEAD East Asia Council.

Kwek Leng Beng has distinguished himself in property investment and development, hotel ownership and management, financial services and industrial enterprises. He leads a business empire worth over US\$32b in diversified premium assets worldwide and comprising companies traded on six of the world's stock markets. Mr Kwek heads a worldwide staff of over 40,000 across a range of businesses in Asia-Pacific, the Middle East, Europe and North America.

**2 Aloysius Lee Tse Sang**  
**Group Chief Executive Officer**  
 (from 1 March 2015)

Aloysius Lee Tse Sang was appointed to the Board and as Group Chief Executive Officer on 1 March 2015. He is a non-executive director of Millennium & Copthorne Hotels New Zealand and CDL Investments New Zealand Limited, both of which are listed on the New Zealand stock exchange, having been appointed on 1 April 2015, and he was appointed as a non-executive director of First Sponsor Group Limited, which is listed on the Singapore Exchange, on 2 April 2015. Mr Lee serves as president and chairman of the board of Grand Plaza Hotel Corporation, which is listed in the Philippines, after his appointment on 15 May 2015.

Mr Lee was previously the Chief Executive Officer of South Beach Consortium Pte Ltd., a joint venture established by City Developments Limited and other parties to create a mixed-use real estate development in Singapore. Prior to that, Mr Lee held senior leadership positions at Shui On Land, Hong Kong Telecom, Star Cruises and Singapore Airlines. He is a fellow of both the Chartered Management Institute and the Chartered Institute of Marketing, and earned a masters degree in business administration from the University of Hong Kong. He also holds management qualifications from Harvard University and the University of Hawaii.

**3 Nicholas George<sup>ANR</sup>**  
**Senior Independent Director**

Nicholas George was appointed to the Board in June 2009. A chartered accountant by profession, Mr George sits on the board of GK Goh Holdings a company listed in Singapore and Aberdeen New Dawn Investment Trust which is listed on the London Stock Exchange. He also sits on the boards of euNetworks and Nutmeg Savings and Investments.

Mr George was a founding partner of KGR Capital, a leading Asian funds of hedge funds, that was sold to LGT Capital Partners in 2008. He has over 30 years of experience in investment banking and was a managing director of JP Morgan Securities (previously Jardine Fleming) in Asia from 1993 to 2002 and a managing director of HSBC Securities in Asia from 2002 to 2003.

**4 Kwek Eik Sheng**  
**Non-Executive Director**

Kwek Eik Sheng was appointed to the Board in April 2008. He has been with the Hong Leong Group of companies in Singapore since 2006 and joined City Developments Limited in 2009, where he currently serves as the Chief Strategy Officer.

Mr Kwek holds a Bachelor of Engineering in Electrical and Electronics Engineering from Imperial College of Science, Technology and Medicine and a MPhil in Finance from Judge Business School, Cambridge University.

**Committee membership:**

A Audit & Risk Committee  
 N Nominations Committee  
 R Remuneration Committee



**5 Kwek Leng Peck<sup>N</sup>**  
 Non-Executive Director

Kwek Leng Peck was appointed to the Board in February 1995, prior to the flotation of the Company on the London Stock Exchange. He holds directorships on most of the listed companies within the Hong Leong Group of companies in Singapore,

including City Developments Limited, Hong Leong Finance Limited and China Yuchai International Limited. He also serves as an executive director for Hong Leong Asia Limited and is the non-executive chairman of Tasek Corporation Berhad.

**6 His Excellency Shaukat Aziz<sup>NR</sup>**  
 Independent Non-Executive Director

Shaukat Aziz was appointed to the Board in June 2009. He was elected as Prime Minister of Pakistan and served between 2004 and 2007, having previously held the post of Finance Minister for five years.

As an Executive Vice President, he held several senior management positions in Citibank, including head of institutional banking for Central Eastern Europe, the Middle East and Africa and later for Asia Pacific, followed by Chief Executive of Citibank's global wealth management business. A renowned public speaker on economic and geopolitical affairs, Mr Aziz is a member of several boards of directors and the advisory boards of various commercial and non-profit entities around the world.

After graduating from Gordon College, Rawalpindi in 1967, Mr Aziz earned a masters of business administration degree from the Institute of Business Administration, University of Karachi. An internship at Citibank marked the beginning of a 30 year career in global finance.

**7 Susan Farr<sup>NR</sup>**  
 Independent Non-Executive Director

Susan Farr was appointed to the Board in December 2013. She has been a business director of Chime Communication Limited (formerly Chime Communication plc) since 2003, a position now held on a part time basis. She also serves as a non-executive director of British American Tobacco p.l.c., Dairy Crest plc and

Accsys Technologies plc. A specialist in business development and marketing, Ms Farr previously held a number of senior management positions at Vauxhall Motors, the BBC and Thames Television. She is also the former chair of The Marketing Society and the Marketing Group of Great Britain.

**8 Gervase MacGregor<sup>AR</sup>**  
 Independent Non-Executive Director and  
 Chairman of the Audit & Risk Committee

Gervase MacGregor was appointed to the Board in December 2014. He has been a partner of BDO LLP since 1991, where he is currently the head of international advisory, risk and quality services, specialising in forensic investigations and expert witness services.

over the last 25 years, first as an auditor of international five star hotels and more recently with investigations and disputes in the sector.

Prior to joining BDO LLP, Mr MacGregor worked as a petroleum geologist in the North Sea, Australia and West Africa. He has experience in the hospitality sector

Gervase MacGregor is a fellow of the Institute of Chartered Accountants in England and Wales and a graduate of the University of Liverpool and he has a masters degree from HEC in Paris.

**9 Alexander Waugh<sup>ANR</sup>**  
 Independent Non-Executive Director and  
 Chairman of the Remuneration Committee

Alexander Waugh was appointed to the Board in June 2009. Mr Waugh has commercial experience in event management, the media industry and is the founder of a successful publishing business. Mr Waugh is also a well-known author, literary critic and composer. He is Honorary President of the Shakespeare Authorship Coalition and Senior Visiting Fellow at the University of Leicester.

## Directors' report

### Introduction

The Directors submit their report for the financial year ended 31 December 2015. This report includes information required to be disclosed under the Companies Act 2006 (the "Act"), the UK Corporate Governance Code (the "Code"), the Disclosure and Transparency Rules and the Listing Rules. Certain information required to be included in this report is set out in other sections of the Annual Report, which are cross-referenced and incorporated herein. In particular, the Corporate Governance Statement on pages 42 to 46 and the Directors' remuneration report on pages 49 to 64 form part of this report.

Disclosure	Section	Pages
Viability statement	Strategic Report	30
Future developments	Strategic Report	6-9
Greenhouse gas emissions	Corporate Responsibility	27-28
Financial instruments	Note 22 to the financial statements	109-119
Internal controls	Corporate Governance Statement	45
Charitable activities	Corporate Responsibility	28
Policy on payment for loss of office	Directors' Remuneration Report	54
Changes to share capital	Note 29 to the financial statements	128

### Strategic Report

The Act requires the Directors to prepare a strategic report that provides a fair review of the Company's business, including an analysis of the development and performance of the Company's business during the year and position of its business at the end of the year and a description of the Company's strategy and business model. This report is found on pages 14 to 33, and certain information required to be disclosed in this report has been included within the Strategic Report as noted above.

### Board of Directors

The names and biographical details of the Directors holding office as at 31 December 2015 – including identification of the Chairman, Senior Independent Director, the other Directors who are considered by the

Board to be independent and the chairs of the Board's standing committees – are shown on pages 36 to 37.

In addition to the Directors holding office as at 31 December 2015, Wong Hong Ren served as a Director and the Group Chief Executive Officer of the Company until he stepped down on 28 February 2015. Except for Wong Hong Ren and Aloysius Lee Tse Sang, who was appointed as a Director and the Group Chief Executive Officer with effect from 1 March 2015, all Directors served on the Board during the entire year.

### Director shareholding

Details of the Directors' shareholdings at the year-end are shown on page 59. No changes to these shareholdings have occurred between 31 December 2015 and the date of this report.

### Appointment and removal of Directors

A Director may be appointed to fill a casual vacancy or as an additional Director by an ordinary resolution of shareholders. In addition, the Directors may appoint a Director to fill a casual vacancy or as an additional Director, provided that the individual retires at the next annual general meeting.

In line with the Code, which provides that all directors of FTSE 350 companies should stand for election or re-election by shareholders every year, all members of the Board will retire and seek election or re-election at this year's annual general meeting. The eligibility requirements for directors to be appointed at a general meeting are specified in the Company's Articles of Association.

A Director may be removed by the Company in certain circumstances as set out in the Company's Articles of Association or the Director's appointment agreement, including by an ordinary resolution of the Company, upon being given written notice to resign signed by all of the other Directors or in the event the Director becomes prohibited by law from acting as a Director.

### Results and dividends

The results of the Group for the year ended 31 December 2015 are set out on pages 72 to 139.

An interim dividend for the year ended 31 December 2015 of 2.08p per share was paid on 2 October 2015. The Directors are recommending a final dividend of 4.34p per share (2014: 11.51p), which, if approved at the annual general meeting in May 2016, will be paid on 13 May 2016 to shareholders on the register on 18 March 2016.

### Political donations and expenditure

The Company operates a politically neutral policy with regard to political donations and expenditure. No donations were made by the Group for political purposes and the Group did not incur any political expenditure during the year (2014: £nil). See the Corporate Responsibility review on page 28 for details of the Company's non-political charitable activities.

### Financial instruments

An indication of the Group's financial risk management objectives and policies in respect of the use of financial instruments and exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk are set out in Note 22 to the consolidated financial statements.

### Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions can be found in the Corporate Responsibility review on pages 26 to 28.

### Employee involvement and disabled persons

The Group operates in over 20 countries and employs over 10,000 employees worldwide. We value highly the rich ethnic and cultural diversity of our people. We are an equal opportunities employer and our objective is to ensure that no employee or other worker or job applicant receives less favourable treatment, directly or indirectly, on the grounds of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation.

Further, our policies encourage the employment, training and advancement of disabled persons, having regard to their particular aptitudes and abilities, provided that they can be employed in a safe working environment. Suitable employment would, if possible, be found for any employee who becomes disabled during the course of employment.

The Group values the engagement of its employees and endeavours to keep employees informed about matters of concern to them and the performance of the Company, whether through management presentations, regional intranet sites and other communications. Likewise, the Group seeks to consult with employees on a regular basis so that their views can be taken into account. The Group operates an HM Revenue & Customs approved Save as You Earn Scheme in the UK, a long term incentive plan, executive share plan and deferred share bonus plan for certain levels of executives globally. The primary aims of these plans are to incentivise and engage our employees and align their interests with the Group's performance. Further details on employee benefits are set out in Note 23 to the consolidated financial statements.

#### Future developments

The Group's strategy and business model including proposed future developments can be found in the Strategic Report on pages 14 to 33.

#### Research and development

Whilst we continue to review ways to improve our service and product offering, the Group did not conduct significant research and development activities during the year.

#### Branches

The Company did not have any branches outside the UK during the year.

#### Going concern

In assessing whether the Group is a going concern, the Directors follow a review process consistent with the principles set out in the "Guidance on Risk Management, Internal Control and Related Financial and

Business Reporting 2014" published by the Financial Reporting Council. Cash flow forecasts for the Group have been prepared for a period in excess of twelve months from the date of approval of these consolidated financial statements. These forecasts reflect an assessment of current market conditions and show that the Group will be able to operate within the current committed debt facilities and continued compliance with the financial covenants applicable to the Company. In addition, management has considered various mitigating actions that could be taken in the event that market conditions are worse than the current assessment. Such measures include further reduction in costs and in capital expenditure, among others.

On the basis of the exercise as described above and the available committed debt facilities, which are described further in Note 21 to the financial statements, the Directors have a reasonable expectation that the Company and Group as a whole have adequate resources to continue in operational existence for at least 12 months beyond the date of signing of these accounts. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Company and Group.

#### Amendment to the Company's Articles of Association

The Company's Articles of Association may only be amended by special resolution of its shareholders in accordance with the Act.

#### Significant agreements

There are no significant agreements to which the Company is a party that take effect, are altered or terminate upon a change of control of the Company following a takeover bid.

#### Share capital and related matters

The Company's issued share capital at 31 December 2015 consisted of 324,730,301 fully paid ordinary shares of 30 pence each. The shares are traded on the Main Market of the London Stock Exchange. During 2015, 58,240 new shares were issued under employee share plans. Further details of the changes to the

ordinary issued share capital during the year are shown in Note 29 to the Company's financial statements.

#### Rights attaching to shares

Rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, a copy of which can be obtained from Companies House or from the Company's investor relations website at [www.millenniumhotels.com/corporate/investors/governance-statement.html](http://www.millenniumhotels.com/corporate/investors/governance-statement.html). Each ordinary share in the capital of the Company ranks equally in all respects.

The voting rights attached to the Company's ordinary shares are not restricted and there are no restrictions on the transfer of the Company's shares aside from certain restrictions which may from time to time be imposed by laws and regulations, such as insider dealing laws. In addition, pursuant to the Company's share dealing code, the Company's Directors and persons discharging managerial responsibility are required to seek approval to deal in the Company's shares.

None of the Company's shares carry special rights with regard to control of the Company. Neither the Company's management nor its Directors are aware of any agreements between shareholders that could result in restrictions on the transfer of shares or voting rights.

#### Employee share schemes

The Company has in place a discretionary employee benefit trust ("EBT"), the Millennium & Copthorne Hotels plc Employee Benefit Trust 2006, which is funded by loans or gifts in order to acquire shares for the potential benefit of employees. Details of shares held by the EBT at 31 December 2015 are set out on page 128. During 2015 no shares were released from the EBT in respect of share schemes for employees. The trustee of the EBT has the power to exercise all voting rights in relation to the Company's shares held within the EBT, but abstains from voting.

## Directors' report continued

### Payment for loss of office

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover bid. However, all of the Company's employee share plans contain provisions relating to a change of control pursuant to a general offer, scheme of arrangement or similar event. On such a change of control, options and awards granted to employees under the Company's share plans may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time.

Further details about payments to be made to Directors for loss of office can be found in the Directors' remuneration report on page 54.

### Power of Directors

The Directors may exercise all the Company's powers that are not required by the law or the Company's Articles of Association to be exercised in a general meeting. In particular, the Directors may exercise all the powers of the Company to borrow money, issue shares, appoint and remove directors and recommend and declare dividends.

At the Company's annual general meeting in May 2015 and in accordance with the Company's Articles of Association, the Directors were authorised to allot new shares pursuant to Section 551 of the Act up to a total nominal amount of £32,468,540 and to disapply the pre-emption provisions contained in the Act in order to allot shares for cash up to a nominal value of £4,870,281. In addition, the Directors were authorised to make market purchases of up to 10% of the Company's issued share capital. All of these authorities remained in effect as at 31 December 2015 and shareholders will be asked to renew them at the annual general meeting in 2016.

The Co-Operation Agreement between the Company and City Developments Limited ("CDL"), the Company's controlling shareholder, contains a provision that requires the Company to use all reasonable

endeavours to ensure that any issue of voting securities for cash (other than pursuant to an employee or executive share option scheme) which takes place while the Company is on the Official List of the London Stock Exchange, is carried out in a manner that provides CDL with an opportunity to acquire additional ordinary shares at the time of such proposed issue for cash in such amounts as are necessary to enable it to maintain its voting rights in the Company at the same percentage level as is held immediately prior to such issue. These pre-emption rights are put to a vote of shareholders each year and most recently were approved at the Company's annual general meeting in May 2015.

### Controlling shareholder independence disclosure

As of the date of this report, CDL is the controlling shareholder of the Company. As required under Listing Rule 9.2.2AR(2), the Company and CDL have entered into the Amended and Restated Co-operation Agreement dated 14 November 2014 (the "Co-Operation Agreement"), which is intended to ensure that the Company's controlling shareholder complies with the independence provisions set out in Listing Rules. The Co-Operation Agreement allows CDL to appoint up to five Directors to the Board. As at the date of this report, CDL has appointed three Directors.

The Company confirms that during the year it has complied with the independence provisions included within the Co-Operation Agreement and, in so far as it is aware, CDL has complied with such provisions as well.

### Directors' indemnities

The Articles of Association of the Company permit it to indemnify the Directors of the Company or any Group company against liabilities incurred by them in relation to or in connection with their duties, powers or office, to the extent permitted by law. The Company has provided each of its Directors with a qualifying third-party indemnity, as defined in section 234 of the Act. In addition, the Company has provided qualifying pension scheme indemnities to the directors of Millennium & Copthorne Pension Trustee Limited, which acts as

trustee of the Group's UK pension plan, and qualifying third-party indemnities to the directors of its European subsidiary companies. The indemnities do not apply in the event the relevant Director is proved to have committed a criminal offence or otherwise where indemnification is prohibited by law. These indemnities remain in force as at the date of this report.

In 2015, the Company purchased and maintained Directors' and Officers' liability insurance, which coverage has been renewed for the current year.

No claim was made under any such indemnity or insurance policy during the year.

### Annual general meeting

The 2016 annual general meeting will be held at the Chelsea Harbour Hotel, Chelsea Harbour Drive, London, SW10 0XG on 5 May 2016 at 10.00am. The Chairman's letter and the Notice of Meeting along with this report, with notes explaining the business to be transacted at the meeting, will be sent to shareholders.

At the meeting, resolutions will be proposed to declare a final dividend, to receive the Annual Report and Financial Statements, to approve the Directors' remuneration report, to re-elect all Directors, to re-appoint KPMG LLP as auditors, and to renew the Company's Long Term Incentive Plan and Sharesave Plan for 10-year periods. In addition, shareholders will be asked to renew both the general authority of the Directors to issue shares and to authorise the Directors to issue shares without applying the statutory pre-emption rights. In this regard, the Company will continue to adhere to the provisions in the Pre-Emption Group's Statement of Principles.

### Essential contracts

The Group has contractual and other arrangements with numerous third parties in support of its business activities. Whilst the termination of some of these contracts might cause temporary disruption, none of the arrangements is, individually, considered to be essential to the Group's business.

### Re-appointment of auditor

KPMG LLP has expressed their willingness to be reappointed as auditor of the Company. Upon the recommendation of the Audit & Risk Committee, resolutions to reappoint them as auditor and to authorise the Directors to determine their remuneration will be proposed at the 2016 annual general meeting.

### Significant holdings

As at the date of this report, the Company had received formal notification, under the Disclosure and Transparency Rules, of the following significant holdings in its shares (the percentages shown are the percentages at the time of the disclosure and have not been re-calculated based on the issued share capital as at the date of the report).

Significant shareholder	# of ordinary shares	Notified Interest (%)	Nature of holding
City Developments Limited	212,006,624	65.3	Indirect holding through various subsidiaries
International Value Advisers, LLC	19,490,496	6.0	Investment advisor
Aberdeen Asset Managers Limited	16,459,003	5.1	Discretionary investment manager on behalf of multiple managed portfolios

### Statement of the Directors as to disclosure of information to the auditor

Each Director who held office as at the date of approval of this Directors' report confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he or she ought to have taken in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Approval of Directors' report

The Directors' Report and Corporate Governance Statement were approved by the Board on 18 February 2016.

By order of the Board

**Jonathon Grech**  
Company Secretary

18 February 2016

## Corporate governance statement

Dear Shareholders,

In 2015 the business faced challenging trading conditions in several key markets, particularly in Singapore, while at the same time some positive developments came to pass, such as the successful on-boarding of our new Group Chief Executive Officer, Aloysius Lee Tse Sang, and other key management appointments, acquisition of the Hard Days Night Hotel in Liverpool and the commencement and completion of several significant refurbishment and development projects, all to help drive the business forward. During this time, the Company has been committed to maintaining robust corporate governance practices throughout the Group. As with last year, the Board has determined that the Company has complied with the provisions of the UK Corporate Governance Code, as revised by the Financial Reporting Council in September 2014 (the “Code”).

We continually review developments in corporate governance, both in the UK and internationally, in order to ensure that the Group’s governance regime is fit for purpose and is not simply a tick-the-box exercise. This past year saw the introduction of the viability statement, the slavery and human trafficking transparency statement under the UK’s newly enacted Modern Slavery Act 2015, increased focus on the remuneration of executive directors and other corporate governance enhancements. I would like to thank the Directors for their hard work and diligence, as members of the Board and its committees, to help the Group effectively manage its risks and implement good governance in an ever changing and increasing global regulatory environment.

Pages 29 to 33 describe our corporate governance framework in more detail, outline our principal risks and how we seek to mitigate them and explain how our governance is applied on a day-to-day basis. You will find more about the work of the individual Board committees in their respective committee reports. My objectives for the Board this year are to ensure that the focus and composition of the Board continues to evolve to support the refinement and execution of our strategy and address the opportunities and challenges we face.

**Kwek Leng Beng**  
Chairman

18 February 2016

### Compliance with the UK Corporate Governance Code

Millennium & Copthorne Hotels plc (“M&C” or the “Company”) is the holding company of the Millennium Hotels & Resorts group of companies (the “Group”). M&C is a premium listed company with equity shares trading on the Main Market of the London Stock Exchange and therefore the Company is subject to the UK Corporate Governance Code (the “Code”). The Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. This year the Board has assessed the Group’s compliance against the version of the Code which was last amended by the Financial Reporting Council in September 2014, a copy of which is available at [www.frc.org.uk](http://www.frc.org.uk), and the Board has determined that the Company has complied with the provisions of the Code.

This statement forms a part of the Directors’ Report. The Strategic Report on pages 14 to 33 provides information about the Group’s strategy and outlook, its businesses, the financial and operating performance during the year, the principal risks and uncertainties and its corporate responsibility initiatives. A description of the Group’s business model is included on page 16 as required by provision C.1.2 of the Code.

### The role of the Board and its committees

The Board provides leadership to the Group. It sets the Group’s strategy and oversees implementation of that strategy, ensuring that acceptable risks are taken and mitigated where possible. The Board ensures that adequate resources are in place in order to deliver long-term value to shareholders and benefits to the wider communities in which the Group operates.

The activities of our Audit & Risk, Remuneration and Nominations Committees are set out in the reports of each committee’s chairman, which reports are deemed to be part of this report. The Company Secretary acts as secretary to all standing committees of the Board.

The Board has a schedule of matters reserved for its attention and which require its approval, including the following:

- Long term objectives and commercial strategy;
- Oversight over the Group's operations and internal controls;
- Annual operating and capital expenditure budgets;
- Extension of the Group's activities into new business or geographic areas;
- Changes relating to the Group's capital structure, corporate structure and listing status;
- The half-yearly report, interim management statements and any preliminary announcement of the final results;
- The annual report and accounts, including the corporate governance statement and Directors' remuneration report;
- Dividend policy, declaration of the interim dividend and recommendation of the final dividend;
- Significant changes in accounting policies or practices;
- The Group's treasury policies;
- Capital expenditure above £5m and material contracts and leases;
- Any acquisition of land, property, or any addition of a hotel into the portfolio by acquisition or by means of a management contract;
- Major investments, including the acquisition or disposal of interests of more than five per cent of the voting shares of any company or the making of any takeover offer;
- Marketing campaigns or sponsorships where expenditure exceeds £500,000;
- Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting;
- Approval of all circulars, prospectuses and listing particulars;
- Changes to the structure, size and composition of the board, following recommendations from the Nominations Committee;
- Appointments to the board, following recommendations by the Nominations Committee;
- Membership and chairmanship of Board committees;

- Appointment, re-appointment and removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit & Risk Committee;
- Determining the remuneration policy for the directors, company secretary and other senior executives; and
- The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.

Certain of those reserved matters have been delegated to the Board's standing committees with specific delegated authority. Copies of the terms of reference for each committee can be found on the investor relations section of the Group's website at [www.millenniumhotels.com/corporate.html](http://www.millenniumhotels.com/corporate.html).

The Group Chief Executive Officer, supported by an executive committee comprised of the regional heads of operation and key functional heads, is responsible to the Board for the Group's operational performance, including:

- implementing the Group strategy as determined by the Board;
- maintaining adequate internal control systems and risk management processes;
- monitoring operational performance against plans and targets and reporting to the Board any significant variances; and

- maintaining an effective management team and succession planning.

The respective responsibilities of the Chairman and Group Chief Executive Officer are set out below and have been approved by the Board again this year. The Board currently is comprised of nine directors including the Chairman, one Executive Director, five independent Non-Executive Directors and two other Non-Executive Directors who, like the Chairman, are appointees of the majority shareholder, City Developments Limited. Each Director is expected to fulfil his or her duties for the benefit of all shareholders.

#### Board and committee attendance

The Board generally meets up to ten times a year. The actual number of regularly scheduled Board and Committee meetings attended by each Director during the year is shown below next to the maximum number of such meetings that each Director could have attended during the year. In addition to the seven regularly scheduled Board meetings, the Board also held two ad hoc meetings during the year. The Audit & Risk Committee and Remuneration Committee each held one ad hoc meeting during the year while the Nominations Committee meetings were scheduled as needed.

	Board	Audit & Risk Committee	Nominations Committee	Remuneration Committee
Kwek Leng Beng	7 (7)	–	2 (2)	–
Aloysius Lee Tse Sang <sup>1</sup>	6 (6)	–	–	–
Wong Hong Ren <sup>2</sup>	1 (1)	–	–	–
Shaukat Aziz	6 (7)	–	2 (2)	4 (5)
Susan Farr	7 (7)	–	2 (2)	5 (5)
Nicholas George	7 (7)	6 (6)	2 (2)	5 (5)
Gervase MacGregor <sup>3</sup>	7 (7)	6 (6)	–	3 (3)
Kwek Leng Peck	4 (7)	–	1 (2)	–
Kwek Eik Sheng	7 (7)	–	–	–
Alexander Waugh	7 (7)	6 (6)	2 (2)	5 (5)

1 Aloysius Lee Tse Sang was appointed to the Board with effect as of 1 March 2015.

2 Wong Hong Ren stepped down from the Board on 28 February 2015.

3 Gervase MacGregor was appointed to the Remuneration Committee on 7 May 2015.

## Corporate governance statement continued

### The Chairman

The Chairman provides leadership to the Board on all aspects of its role. His key duties are to:

- formulate and set the strategic direction and organisational structure of the Group, subject to the Board's approval;
- set a clear vision for the Group;
- mentor the Group Chief Executive Officer as and when required;
- balance the interests of management and the Board as well as the needs of shareholders and management;
- act as a liaison between management and the Board as well as between the Company and its shareholders;
- manage communications and information dissemination processes between the Company and its shareholders and work closely with the Company's public relations team to achieve this objective;
- establish the agenda and manage Board meetings;
- offer advice and tap the collective wisdom and experience of Board members;
- take a proactive role in the appointment of Directors and, following such appointments, oversee the development of individual Directors; and
- develop the top management team, in particular the Group Chief Executive Officer, and establish a succession plan for the Group Chief Executive Officer position.

There have been no changes to the Chairman's other significant commitments during the year.

### The Group Chief Executive Officer

The Group Chief Executive Officer reports to the Board and has ultimate accountability for the day-to-day running of the Group. He is responsible for leading the management team, operational activities and performance of the Group, including the effective delivery of the Company's strategy and business plan, as agreed by the Board, while managing and mitigating the principal risks faced by the Group.

His duties are to:

- receive the strategic vision of the Group from the Board of Directors and to

implement such strategic vision, develop the strategic plan, business plan and budget and deliver the same to the satisfaction of the Board;

- lead and act as an advocate for the executive management team of the Group;
- oversee the execution of the strategic vision and plans, and assess the Group's performance and progress in meeting them;
- promote the growth of the Group;
- develop the management team and establish a succession plan for key management appointments;
- act on the feedback of the Chairman;
- be responsible for the day-to-day management of the Group's business and affairs and ensure that significant issues that arise are resolved in an efficient and timely manner; and
- lead the management team to improve performance in every division.

### The independent Non-Executive Directors

The majority of the Board is made up of independent Non-Executive Directors who have wide ranging international experience at senior levels in areas of finance, accounting and investigatory work, fund management, media, branding and international affairs. They bring strong, independent judgement to the deliberations of the Board, particularly in respect of the Group's corporate governance regime.

Nicholas George, as the Senior Independent Director, is available to meet with our institutional shareholders and shareholder representative bodies and to discuss any matters where it would be inappropriate for conversations to be held with either the Chairman or the Group Chief Executive Officer. He also acts as a sounding board for the Chairman and as an intermediary for other Board members when necessary.

On appointment, each independent Non-Executive Director receives a letter of appointment setting out the terms of their appointment, fees to be paid and matters such as confidentiality of information, potential conflicts of interest and share

dealing restrictions. Such letters of appointment are subject to termination by either party giving one month's notice. Appointment and any subsequent re-appointment of a Non-Executive Director is subject at all times to the Articles of Association of the Company and any necessary shareholder approval or ratification.

Pursuant to Listing Rule 13.8.17 and based on the principles outlined in provision B.1.1 of the Code, the Board regularly reviews the independence of each of the Company's Non-Executive Directors, taking into account whether the Non-Executive Director is independent in character and judgement, and whether there are any relationships or circumstances that are likely to affect, or could appear to affect, their judgement. Following that review in December 2015, the Board has determined that there is no change to the independent status of the five current independent Non-Executive Directors. Their diverse business backgrounds, skills and experience enable all of them to continue to bring independent judgement to bear on issues of strategy, performance, resources, key appointments, standards of conduct and other matters presented to the Board.

In addition, in line with the principles outlined in Code provision B.2.3, the continued service of any Non-Executive Director for a term beyond six years should be subject to particularly rigorous review. Nicholas George, His Excellency Shaukat Aziz, and Alexander Waugh each were appointed in June 2009 and reached six years of Board service during 2015. Consequently, the members of the Nominations Committee, excluding those Directors who are members of the committee, reviewed their performance and independence during a meeting in May 2015 and determined that their continued appointment was appropriate for the following reasons:

- their length of tenure provided them with a deep understanding of the business that enabled them to challenge management;
- they continue to make valuable contributions to Board discussions; and

- the three directors provided continuity to the Board given the relatively recent appointments of Susan Farr, Gervase MacGregor and Aloysius Lee Tse Sang in December 2013, December 2014 and March 2015 respectively.

At least once during the year the Chairman and independent Non-Executive Directors met, without the Executive Director being present, to discuss the performance of senior management, the Board and other matters of importance.

#### Director training and information

All Directors have access to the advice of the Company Secretary, who is responsible for ensuring the Board procedures and applicable corporate governance rules and regulations are observed. In addition, the Directors are able, if necessary, to take independent professional advice at the Company's expense. The Non-Executive Directors also have the opportunity to meet separately with the Chairman during the year.

The Chairman, in conjunction with the Company Secretary, is also responsible for ensuring that Directors receive appropriate training at the Company's expense where specific expertise is required in the course of the exercise of their duties. All Directors receive a Board compendium detailing matters relating to Board procedures. A bespoke induction programme is established for any new directors who are appointed, based on their needs and experience.

#### Conflicts of interest

The Board has established agreed procedures for managing potential operational conflicts of interest. These procedures and any potential conflicts authorised in accordance with section 175 of the Companies Act 2006, as permitted by the Company's Articles of Association, are reviewed by the Board at least annually and other potential conflicts are reviewed as they may arise from time to time. The Board is satisfied that the procedures for managing potential conflicts remain effective.

#### Evaluation process

An independent, externally-facilitated Board evaluation was once again conducted by Lintstock Limited. In the fourth quarter of 2015, the Directors and Company Secretary completed on-line questionnaires and a number of one-on-one interviews with members of the Lintstock team. The evaluation process covered the Board and the Audit & Risk, Remuneration and Nominations Committees and focused on the following key themes:

- board composition, expertise and dynamics;
- time management and Board support;
- the operation of Board committees;
- strategic oversight;
- risk management and internal controls; and
- succession planning and human resource management.

As part of the Lintstock exercise, an evaluation of the Chairman was completed by the independent Non-Executive Directors, led by the Senior Independent Director, and individual performance reviews were submitted by the Directors.

Following completion of the questionnaires, a preliminary report was produced based on feedback received. The results of the surveys were presented and discussed at the Board Meeting held in February 2016 and the outcome of the interviews will be considered in due course.

Lintstock Limited has no other significant connection with the Group.

#### Internal control and risk management system in relation to preparation of consolidated accounts

The Board is responsible for the Group's internal control and risk management systems, including oversight over the processes and procedures which are in place in connection with the preparation of the Group's consolidated accounts. In establishing these systems, the Directors have considered the nature of the Group's business, the principal risks to which the business is exposed, the likelihood of such risks occurring, their potential impact and

the costs of protecting against such risks. However, such systems are designed to manage or mitigate these principal risks, rather than eliminate them, and can only provide reasonable and not absolute assurance against material misstatement. The Group's principal risk factors and mitigating activities are described on pages 29 to 33.

The main features of the Group's internal control and risk management framework are set out below.

#### Strategy

- The Group's strategic direction is reviewed by the Board, generally on an annual basis. Often as part of that process, a dedicated Board strategy session is held with the Group Chief Executive Officer and other senior management as appropriate. Further detail about the Group's business model and strategy can be found on page 16.
- Management prepares an annual budget for each year, in line with the Group's strategy, and that budget is submitted to the Board for its review and approval.
- The Board reviews, at least quarterly, management's progress in executing the Group's strategy and how the Group's performance is tracking against the annual budget.

#### Internal controls

- The Company reviews and confirms its level of compliance with the Code on an annual basis.
- The matters reserved to the Board require that significant transactions, projects and programmes must have specific Board approval.
- If Board approval is not required, authority levels are prescribed and delegated to ensure segregation among management and proper escalation of approval limits.
- Group financial and treasury policies, controls and procedures are in place and regularly reviewed and updated.
- All financial information published by the Group is subject to the approval of the Audit & Risk Committee and the Board.

## Corporate governance statement continued

### *Risk management*

- The principal risks of the Group are assessed annually.
- During the year, there is an ongoing process for identifying, evaluating and managing those risks and, if appropriate, modifying the risks in light of changing conditions. This process is reviewed by the Audit & Risk Committee on behalf of the Board and has been in place for the year under review and up to the date of approval of the Annual Report.

### *Operation*

- Primary responsibility for the day-to-day operation of the internal control and risk management systems is delegated to the Group's Chief Executive Officer and the executive management team. The heads of the Company's operating regions and global functions carry out regular reviews to ensure appropriate actions are implemented to meet the Group's objectives and manage its principal risks appropriately.

### *Assurance*

- The effectiveness of the internal control and risk management systems is reviewed by an internal audit function and, where appropriate, by the Group's external auditor and/or external consultants, who report to management and to the Audit & Risk Committee. As part of that process, the internal audit department produces individual reports, which are issued to appropriate senior management, who are accountable to rectify any deficiencies and implement any recommendations. These reports are summarised and distributed, as appropriate, to the Audit & Risk Committee members, the Group Chief Executive Officer, senior management and the external auditors and, where necessary, issues are drawn to the attention of the full Board.

### **Communications with shareholders**

The Board and executive management team regularly interact with shareholders and analysts. In particular:

- Presentations are made after the announcement of the Group's final and half-yearly results. During these presentations, analysts have the opportunity to ask questions of the Group Chief Executive Officer and Chairman of the Board.
- Management meets with institutional shareholders on an ongoing basis to review the Group's performance, business model and objectives. In addition, the Senior Independent Director often conducts meetings with a range of major shareholders during the year; other Non-Executive Directors have the opportunity to attend such meetings. Significant feedback expressed by shareholders during those meetings is then provided to the Board in a timely manner.
- As part of the Company's regular investor relations activities, the Group Chief Executive Officer, the Company Secretary and senior finance personnel are available to answer queries raised by analysts and institutional investors from time to time.
- The Group's website provides regular updates for investors and contains all announcements made by the Group.
- At the annual general meeting, all shareholders have the opportunity to question the Chairman and other Directors, including the Chairs of the Audit & Risk, Remuneration and Nominations Committees. The Company prepares individual resolutions on each substantially separate issue to be put to shareholders and does not combine resolutions together inappropriately, and the Annual Report and Accounts is laid before the shareholders at the annual general meeting. Notice of the annual general

meeting and related papers are sent to shareholders at least 21 working days prior to the date of the meeting, and the Company encourages all shareholders to make positive use of the opportunity to communicate with the Board. A schedule of the proxy votes cast at the meeting is then made available on the Company's website after the conclusion of the meeting.

## Audit & Risk Committee report

### Annual chairman's statement

Dear Shareholders,

The composition of the Committee is described on page 48.

The Committee holds regular, structured meetings and consults with senior management including internal audit, where appropriate, and external auditors. The Committee frequently requests that senior operational and functional heads attend meetings in order to update the Committee with events in the business. Occasionally external business consultants were also invited to attend the meetings to present specific projects such as the hotel refurbishment programme and IT security. These meetings provide the Committee an opportunity to understand the projects and assess management's decisions.

The Committee regularly reviews strategic and operational risks and the associated controls and mitigating factors. The Committee receives regular reports and briefings from internal audit and has reviewed the level of internal audit resource available within the Group and believes that it is adequate for the size, structure and business risks of the Group and is supplemented with appropriate external resources where needed.

The Committee's review of the interim and full year financial statements for the year ended 31 December 2015 focused on the following areas of significance:

- reviewed the Group's hotel performance with reference to RevPAR and hotel revenue;
- monitored the performance of newly acquired hotels;
- reviewed the selection and testing of assets for impairment purposes;
- assessed whether material judgemental assumptions that were used in the valuations were within reasonable parameters;
- monitored transactions with the Company's majority shareholder;
- reviewed the Group's tax arrangements including transfer pricing; and

- reviewed debt recoverability and agree on write-off, if deemed necessary.

#### Impairment of hotel assets

Note 12 to the consolidated financial statements states that the carrying amount of assets as at 31 December 2015 is £2,764m (2014: £2,753m). The Group continues to engage external valuation experts to assist with the valuation exercise and impairment review. Financial performance and sensitivity of the valuation models to the other key inputs means that the valuation remains inherently subjective. The property, plant and equipment assets are carried at historical cost, which mitigates the risk of impairment of these assets.

During the year, the Committee examined management's recommendations in respect of the valuation of the Group's hotel and property portfolio and agreed that:

- the selection of assets to be tested was done appropriately, taking into account indicators of impairment risk and materiality;
- there was the appropriate use of third party valuation expertise;
- sufficient robust challenge was given to management by the external auditors;
- material judgemental assumptions that were used in the valuations were within reasonable parameters; and
- conclusions have been appropriately drawn.

#### Valuation & classification of investment properties

In general, the carrying amount of investment properties is the fair value of the properties as determined by a registered independent appraiser. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties. Where a fair value cannot be reasonably determined, the property is held at cost.

Classification of an asset as investment property requires judgement, and is determined by reference to future intentions and the Group's business model. The total carrying amount of investment properties as at 31 December 2015 is £506m (2014: £479m) as shown in Note 14 to the consolidated financial statements.

During the year, the Committee examined management's recommendations in respect of the classification and valuation of investment properties and agreed that:

- there was appropriate classification of assets as investment properties;
- there was appropriate use of third party valuation expertise;
- sufficient robust challenge was given to management by the external auditors;
- material judgemental assumptions that were used in the valuations were within reasonable parameters; and
- conclusions have been appropriately drawn.

#### Internal controls and risks

The Committee is responsible for reviewing, and conducting an annual review of the effectiveness of the Group's system of internal control and risk management procedures.

Accepting that risk is an inherent part of doing business, the Committee reviewed the Group's risk management strategy to ensure that any required remedial action on any identified weaknesses is taken. This includes a regular review of the risk register which contains the significant risks faced by the Group and identifies their potential impact and likelihood.

Where specific actions are agreed to mitigate risks to a level deemed acceptable, these are agreed with specific timeframes for delivery and are monitored closely until fully implemented.

The system of internal controls audited by Internal Audit (and commented on by the external auditor from time to time) encompasses all controls including those

## Audit & Risk Committee report continued

### Annual chairman's statement continued

relating to financial reporting processes, operational and compliance controls and those relating to risk management processes.

The Committee ensures that arrangements are in place for employees to raise concerns, in confidence, about possible fraud risk or wrong-doing in financial reporting or other matters. Where a whistleblowing incident occurs, this is investigated by Internal Audit on a confidential basis and in a proportionate manner. Appropriate actions are recommended and undertaken which are reported to the Committee which then reviews the recommendations and focuses on possible trends and potential systematic weaknesses.

The Committee also reviewed the Group's cash position and future commitments, borrowings, facilities and covenants and reported its assessment to the Board.

The Committee also receives reports and presentations from senior management on significant activities of the Group, including branding, talent and sales strategies including the upgraded website to be launched soon. Frequent briefings are received on Health and Safety, Risk Management, Whistleblowing and Corporate Governance generally.

The Committee had discussions with the external auditor on audit planning, fees, accounting policies, audit findings, internal controls and non-audit services rendered by them. The external auditor attended all of this year's Committee meetings. Meetings are also held with the auditor without management present. The effectiveness of audit was assessed through the review of audit plans, reports and conclusions and through discussions with management and the external auditor. The Committee was satisfied that the audit was effective.

The Committee acknowledges the recent change in the law requiring mandatory auditor rotation. There has been regular partner rotation, and Jonathan Downer will take over from Steve Masters following the

signing of the 2015 full year results. The Committee is satisfied that KPMG continues to possess the skills and experience required to fulfil its duties effectively and efficiently.

The Committee is responsible for recommending the appointment, re-appointment and removal of the external auditor. Consideration is given each year to an audit tender process and the Committee may undertake a tender exercise in 2016 as KPMG LLP has been the Group's auditor since the listing of the Company on the London Stock Exchange in 1996. Under the current transitional rules, the latest year in which KPMG would be able to undertake an audit of the Company is to 31 December 2022.

In order to ensure the continued independence and objectivity of the Group's external auditor, the Group has strict policies regarding the provision of non-audit services rendered by the external auditor. The Committee's approval is required in advance for the provision of non-audit services if the fee exceeds £50,000 for an individual assignment. The Committee reviews non-audit fees regularly. The Group's external auditor is prohibited from providing any services that would conflict with their statutory responsibilities or which would otherwise compromise their objectivity or independence. During the year ended 31 December 2015, KPMG's audit fee amounted to £2m and KPMG's non-audit fees were £1m in total.

The Committee's performance is reviewed annually through a facilitated evaluation conducted by Lintstock Limited, the results of which showed that the Committee was effective.

**Gervase MacGregor**  
Chairman of the Audit & Risk Committee

18 February 2016

### Committee governance

#### Our objectives

The key objective of the Committee throughout the year has remained the provision of effective governance over the appropriateness of the Group's financial reporting including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor, and the oversight of the Group's systems of internal control, business risks and related compliance activities.

#### Our members

The Board believes that amongst the members of the Committee they have suitable broad commercial knowledge and significant business experience. The Board has determined that Gervase MacGregor has recent and relevant financial experience as required by the provisions of the UK Corporate Governance Code.

The Group Chief Executive Officer, senior finance managers, Company Secretary and Head of Internal Audit, although not members of the Committee, also attend the meetings, as does the senior statutory auditor from our external auditor, who is not present when we discuss the auditor's performance and/or remuneration.

As part of this process of working with the Board and to maximise effectiveness, meetings of the Committee generally take place just prior to a Company Board meeting. The Chairman of the Committee reports to the Board as part of a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of their work.

#### Our role

The Committee's terms of reference are available from the Group's website at [www.millenniumhotels.com/corporate/investors.html](http://www.millenniumhotels.com/corporate/investors.html).

#### Financial reporting

The Committee monitors the integrity, prior to submission to the Board, of periodic financial statements, annual accounts, reports to shareholders and any other public announcement concerning the Group's financial position, corporate governance statements and statements on the Group's system of internal controls and reports its views to the Board to assist in its approval of the results announcements and the annual report.

## Directors' remuneration report

### Annual chairman's statement

Dear Shareholders,

Following a busy 2014, during which time we finalised and gained shareholder approval for our Directors' Remuneration Policy and approved the remuneration arrangements for our outgoing and incoming Group Chief Executive Officers, 2015 proved to be a quieter year for the Remuneration Committee.

As the Remuneration Policy approved by shareholders at the 2014 annual general meeting has, in the Committee's view, been implemented and utilised successfully over the past two years, particularly with regard to the remuneration package developed for Aloysius Lee Tse Sang as the new Group Chief Executive Officer and exit arrangements for Wong Hong Ren when he stepped down in February 2015, we are not proposing any changes to the policy this year. Therefore, it will not be put to shareholders for re-approval until we are required to do so again at the 2017 annual general meeting.

In terms of significant matters considered, the Committee has awarded Mr Lee a bonus for 2015 of £127,122 which represents 18.5% of the maximum opportunity for the portion of the year during which Mr Lee served as Group Chief Executive Officer. This amount takes into account the performance of the Company and the personal achievements of Mr Lee since his appointment, and further details of the calculation can be found on page 57 of this report. We also agreed Mr Lee's 2016 performance objectives, and that his salary would remain the same for 2016.

Turning to our share schemes:

- Under the Long-Term Incentive Plan ("LTIP"), the performance measures of total shareholder return and earnings per share for the three-year period ended on 31 December 2015 did not meet the required minimum thresholds and, as such, the awards granted in 2013 will lapse.
- The current LTIP and Sharesave Plan expire in May 2016. Since no changes are being proposed to our remuneration policy and the LTIP scheme already incorporates many of the recommended best practices, such as clawback and malus provisions, it is being put to shareholders for re-approval at this year's annual general meeting without significant revision except to include the flexibility to introduce a two-year holding period on vested LTIP awards, in addition to the standard three-year performance period, to be used at the discretion of the Committee. This change is to acknowledge the revised 2015 Principles of Remuneration issued by the Investment Association and the expectation that LTIPs include performance and holding periods of at least five years in total. The Committee does not anticipate implementing the additional two-year holding period for the LTIP grant to be made this year. Instead, the Committee intends to examine the applicable LTIP metrics and holding period requirements during 2016 as part of a holistic remuneration policy review prior to

submitting the remuneration policy for shareholder approval at the 2017 AGM. The guiding principles for this review will be that remuneration should be linked to performance and align management with the interests of shareholders.

The Committee supported management's efforts to review the global compensation and benefits packages of the Group's senior management team below the Board level and approved policy changes to simplify the packages and make them more understandable, engaging and effective.

Finally, during the year we were pleased to welcome Gervase MacGregor to the Committee. Following his appointment in May 2015, all of the independent Non-Executive Directors now sit on the Committee. I would like to thank them for their diligent efforts over the past year and I look forward to a productive 2016.

The Directors' remuneration report, consisting of this annual Chairman's statement, the Directors' Remuneration Policy and the Annual Report on Remuneration, is prepared in compliance with applicable reporting requirements and I hope you will find it helpful. The Committee welcomes any feedback from our shareholders and we trust that you will support the policies and practices outlined in this report.

Yours faithfully,

**Alexander Waugh**  
Chairman of the Remuneration Committee

18 February 2016

## Directors' remuneration report continued

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### Committee governance

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#### Membership

Alexander Waugh chairs the Remuneration Committee (the "Committee") and all of the other independent Non-Executive Directors are members, including Shaukat Aziz, Susan Farr, Nicholas George and Gervase MacGregor. All Committee members served throughout the full year except Gervase MacGregor, who was appointed to the Committee in May 2015. The Committee held five scheduled meetings in 2015 and one ad hoc meeting. Attendance of the regularly scheduled meetings is shown on page 43. The Chairman of the Board and the Group Chief Executive Officer are invited to attend meetings as appropriate, but they are excluded when their own performance or remuneration are being discussed.

No member of the Committee has any personal financial interest, other than as a shareholder of the Company, in the matters to be decided by the Committee or involvement in the day-to-day management of the business of the Group.

Further information regarding the Committee's advisors and its evaluation can be found on page 63 of this report.

#### Our role

The Committee has delegated authority from the Board to determine, in consultation with the Chairman of the Board and Group Chief Executive Officer as appropriate, the broad remuneration policy and individual remuneration arrangements of the Chairman, Executive Directors, Company Secretary and senior management team. It also oversees the Group's share-based incentive arrangements.

In addition, the Committee is authorised to:

- administer the Company's share option schemes;
- oversee major changes to employee benefit structures throughout the Group;
- ensure that performance related elements of remuneration form a significant proportion of the total remuneration of Executive Directors and are designed to align their interests with those of shareholders;
- consider whether the Executive Directors should be eligible for annual bonuses and benefits under long-term incentive schemes;
- provide packages needed to attract, retain and motivate Executive Directors of the quality required;
- approve the terms and duration of any service agreement to be entered into with an Executive Director;
- consider the compensation commitments payable to Executive Directors under their service agreements or otherwise in the event of early termination; and
- select and appoint consultants engaged to advise the Committee.

The Committee's terms of reference are available at [www.millenniumhotels.com/corporate/investors.html](http://www.millenniumhotels.com/corporate/investors.html).

## Directors' remuneration policy

The Company's Remuneration Policy was approved by shareholders at the Company's annual general meeting held on 1 May 2014 and remains unchanged.

The Remuneration Policy set out below is as disclosed in the 2014 Directors' remuneration report. The Committee retains discretion to make non-significant changes to the Remuneration policy without reverting to shareholders.

### Policy for Executive Directors

Presently there is only one Executive Director, the Group Chief Executive Officer, but a similar policy would be applied to any other Executive Directors appointed to the Board.

#### Base salary

Purpose and link to strategy	Salaries are a key component of the reward package in attracting, motivating and retaining executives.
Operation	Salaries in the Group are based on the value of the individual, the level of responsibility, experience and market conditions. Salaries are reviewed at least annually but are not necessarily increased. In reviewing salaries, account is taken of market conditions, significant changes in role, pay and conditions elsewhere in the Group, inflation and budgets.
Maximum	The maximum salary payable is the amount agreed by the Remuneration Committee for the period. The Committee does not prescribe a maximum salary for any employee in the Group as it wishes to retain the flexibility to set levels of pay appropriate to roles and market conditions. The establishment of maximum salaries could result in unrealistic expectations of employees and weaken the Company's negotiating position.

#### Annual bonus

Purpose and link to strategy	Executive Directors are eligible to participate in an annual bonus scheme to: <ul style="list-style-type: none"> <li>incentivise executives to drive Group strategy and performance over the short term; and</li> <li>ensure that a significant proportion of the total reward of executives' packages is linked to performance during the year.</li> </ul>												
Operation	<p>The performance period for annual bonuses corresponds with the financial year. Bonus measures, weightings and targets are set annually at the start of the financial year by the Committee which retains discretion to revise any calculated bonus downwards, but not upwards, if it is felt to have become misaligned with the Group's performance.</p> <p>Payment of the annual bonus is contingent on the employee still being employed by the Group at the time of vesting and not having served notice.</p> <p>Annual bonus is not pensionable. The Committee may defer and pay a proportion up to 100% of the annual bonus in shares which must be held for three years before vesting. No performance conditions apply to such deferred bonus shares other than a requirement for continuous employment but such deferred bonus share awards would be eligible for a dividend equivalent.</p> <p>In the event that annual bonuses are found to have been paid on the basis of any material misstatement of financial performance, the rules of the scheme provide for appropriate means of redress, including the adjustment of future bonuses and any unvested long-term incentive awards.<sup>1</sup></p>												
Maximum	<p>The level of bonus opportunity for Executive Directors is:</p> <table border="1"> <thead> <tr> <th></th> <th>Group Chief Executive Officer</th> <th>Other Executive Directors Bonus as a % of base salary</th> </tr> </thead> <tbody> <tr> <td>Threshold</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Target</td> <td>75%</td> <td>50%</td> </tr> <tr> <td>Maximum</td> <td>150%</td> <td>100%</td> </tr> </tbody> </table> <p>The maximum value of a deferred bonus share award is the value of the cash bonus that would otherwise have been paid.</p>		Group Chief Executive Officer	Other Executive Directors Bonus as a % of base salary	Threshold	0%	0%	Target	75%	50%	Maximum	150%	100%
	Group Chief Executive Officer	Other Executive Directors Bonus as a % of base salary											
Threshold	0%	0%											
Target	75%	50%											
Maximum	150%	100%											
Performance <sup>2</sup>	70% of bonus potential will be linked to financial performance, with the remainder linked to personal objectives and individual contribution. However, the Committee has discretion to vary those percentages by plus or minus 10% for any performance period to reflect particular corporate objectives. Financial measures may include, but are not limited to, operating profit, profit before tax, revenue and revenue per available room.												

#### Notes:

- The Remuneration Committee wishes to clarify that clawback rights with respect to paid bonuses do, and will continue to, exist within its Remuneration Policy.
- The Committee determines bonus performance measures, weightings and targets annually which are closely aligned with the Group's short-term strategic priorities. Targets for financial measures are set by reference to the Group's budget, while the personal element of the bonus is driven by personal KPIs set at the start of the year.

## Directors' remuneration report

### continued

#### Directors' remuneration policy continued

##### Long-Term Incentive Plan

Purpose and link to strategy	<p>The Company adopted a Long-Term Incentive Plan ("LTIP") in 2006 which forms the long-term variable element of executive remuneration. The Plan allows for the award of performance shares, nil cost share options and deferred bonus shares.</p> <p>Performance share awards aim to drive and reward sustained performance over the long term, align the interests of executives and shareholders and support retention.</p>
Operation	<p>Performance share awards are made annually and vest on the third anniversary of the date of grant subject to the achievement of performance conditions over three years and continued employment with the Group, subject to the rules of the plan. There is no re-testing. The Plan provides for dividends or their equivalent to be paid.</p> <p>In the event that performance shares are found to have vested on the basis of any material misstatement of financial performance, the rules of the scheme provide for appropriate means of redress, including the adjustment of future bonuses and any unvested long-term incentive awards.</p>
Maximum	The maximum value of an award of performance shares and nil cost share options is 150% of base salary, though 200% may be awarded in exceptional circumstances including but not limited to the recruitment of new Executive Directors. The level of awards is otherwise determined by the Committee at the time of grant. <sup>1</sup>
Performance <sup>2</sup>	<p>The performance measures are Earnings per Share ("EPS"), Relative Total Shareholder Return ("TSR") and Net Asset Value (plus dividends) ("NAV").</p> <p>The weightings applying to each performance measure may vary year-on-year reflecting strategic priorities. Whilst a number of performance measures are applied, weighting for any one measure is expected to range between 10% and 60%. Under each measure, entry level performance will result in 25% of maximum vesting for that element, rising on a straight-line basis to full vesting.</p>

##### Pension

Purpose and link to strategy	The provision of retirement benefits is an important element of executive reward packages in attracting and retaining executives and promoting long-term retirement planning.
Operation	A defined cash contribution may be made into either a Company sponsored pension plan or a private pension plan or as cash in lieu of pension.
Maximum	20% of base salary and by exception up to 30% of base salary.

##### Other benefits

Purpose and link to strategy	Help recruit and retain through the provision of cost effective benefits consistent with market practice.
Operation	<p>Benefits are determined to ensure they are competitive with market practice by location and the responsibilities of the individual. These may comprise (although are not limited to) a motor vehicle and driver or an appropriate allowance, insurances for life, personal accident, disability and family medical cover.</p> <p>Additional benefits such as relocation, removal, tax equalisation, house purchase/rental and children's education may need to be offered to attract the right candidate in the event that an Executive Director is appointed on expatriate or international assignment terms.</p>
Maximum	There is no maximum. The value of 'other benefits' is consistent with market practice and is kept under review by the Committee but would not be expected to exceed more than the equivalent of a month's salary, other than in exceptional circumstances (such as a relocation requirement).

##### Notes:

<sup>1</sup> The Committee retains discretion to use Listing Rule 9.4.2(2), within the remit confirmed on page 53, to make awards in exceptional circumstances.

<sup>2</sup> The Committee determines the level of LTIP awards and the associated performance measures, targets and weightings annually. The performance measures of EPS and relative TSR ensure that executives are aligned with shareholder interests and are consistent with FTSE market practice. The introduction in 2014 of a third measure, NAV plus dividends, improves the alignment with the Group's strategic priorities by capturing a balance sheet measure. The targets for the financial measures are set by reference to the Group's budget and strategic plans as well as taking account of broker forecasts for both the Group and other sector peers. The TSR target measures comparative performance against a relevant benchmark which for 2016 will be split equally between the FTSE250 market index and an index of peer companies.

### Shareholding requirements

Within five years of being appointed to the Board, Executive Directors are required to build up, and retain, ordinary shares in the Company equivalent in value to 100% of their base annual salary. Provided that Executive Directors hold and maintain the appropriate level of shares, they may sell shares, subject to the normal requirement for directors' dealings under the Listing Rules and Disclosure and Transparency Rules.

Share interests which do not count against the shareholding guidelines include:

- unvested performance share awards;
- SAYE options;
- unvested deferred bonus shares; and
- any notional accrued dividend equivalent shares.

Directors to whom this requirement applies are prohibited from engaging in any hedging transactions with respect to Millennium & Copthorne Hotels plc shares including trading in any derivative security.

There are no formal shareholding guidelines for the Chairman, the Non-Executive Directors and the senior management, however, they are encouraged to hold shares in the Company in order to align their interests with those of shareholders.

### Non-Executive Director Policy

The remuneration policy for Non-Executive Directors is set out below:

Fees	
Basic fee	Fees paid to Non-Executive Directors are determined by the Board as a whole taking into account the time commitment and responsibilities. The policy is to set fees at or around the median for companies of a similar size and complexity. Their purpose is to attract and retain Non-Executive Directors.
Additional fees	Non-Executive Directors are paid an additional fee for being a member of a Board committee and for chairing a Board committee.
Other matters	The independent Non-Executive Directors each have rolling letters of appointment which may be terminated by either party on one month's notice.
All fees are paid in cash.	<p>Non-Executive Directors are not entitled to bonuses, benefits or pension scheme contributions or to participate in any share scheme operated by the Company.</p> <p>In addition to any remuneration payable, a Non-Executive Director may be paid reasonable travelling, hotel and other expenses properly incurred in discharging the Director's duties.</p> <p>Fees cease immediately in the event the Non-Executive Director ceases to be a Director.</p>

### Remuneration on recruitment

Reward packages for new Executive Directors will be consistent with the policy set out on pages 51 to 55, which describes each component of remuneration for the Executive Directors of the Company. Fixed remuneration elements would be paid only from the date of employment and any bonus will be pro-rated to reflect the proportion of employment over the year. The maximum level of variable remuneration is as stated in the policy table above. If, consequent to joining the Group, a new director forfeits elements of variable reward linked to their previous employment, the Committee reserves the right to make compensatory awards up to the maximum amount of the individual's loss. Any such awards would be made taking into account the performance conditions and time horizon of the forfeited awards. In the event that an internal candidate is appointed as an Executive Director, any contractual obligation in respect of a previous role will be honoured even if it is inconsistent with this policy at the time the obligation is fulfilled.

As disclosed on the Company's website in April 2014, the Committee confirms that Listing Rule 9.4.2(2) will only be used to compensate an Executive Director for long-term incentive scheme awards forfeited on leaving a previous employer. Such buyout awards will have a fair value no greater than the awards forfeited. The arrangements that exist for current Executive Directors, as set out in the Policy Table, would then apply to the balance of the individual's remuneration package.

## Directors' remuneration report continued

### Directors' remuneration policy continued

#### Directors service agreements and letters of appointment

To reflect current practice, it is the Company's policy for Executive Directors to have service contracts that provide for a notice period for termination of up to 12 months.

The dates on which Directors' initial service agreements/letters of appointment commenced and the current expiry dates are as follows:

Name	Date of contract	Notice period / Unexpired term
<b>Chairman</b>		
Kwek Leng Beng	–	Nominee of controlling shareholder
<b>Executive Director</b>		
Aloysius Lee Tse Sang	10 December 2014*	12 months' written notice given by either party
<b>Independent Non-Executive Directors</b>		
Shaukat Aziz	16 June 2009	Rolling letters of appointment terminable by either party on one month's notice
Susan Farr	12 December 2013	
Nicholas George	16 June 2009	
Gervase MacGregor	11 December 2014	
Alexander Waugh	16 June 2009	
<b>Other Non-Executive Directors</b>		
Kwek Eik Sheng	–	Nominees of controlling shareholder
Kwek Leng Peck	–	

\* The commencement date was 1 February 2015 and the effective date of Mr Lee's appointment to the Board was 1 March 2015.

Service contracts are kept at the Group's corporate headquarters at Millennium & Copthorne Hotels plc, Scarsdale Place, Kensington, London, W8 5SR.

There exists no other obligation that might give rise to or impact on remuneration payments or payment for loss of office which is not disclosed elsewhere in this report.

#### Termination payments

The Company's normal policy is to limit payments to Executive Directors on termination to entitlements under their service agreements and the rules of any incentive and pension plans. There is no automatic entitlement to bonus as part of the termination arrangements and the value of any terminating arrangement will be at the discretion of the Committee, having regard to all relevant factors. This discretion allows the Committee to determine good leaver status, the consequences of which are set out in the table on page 55.

## Incentive schemes

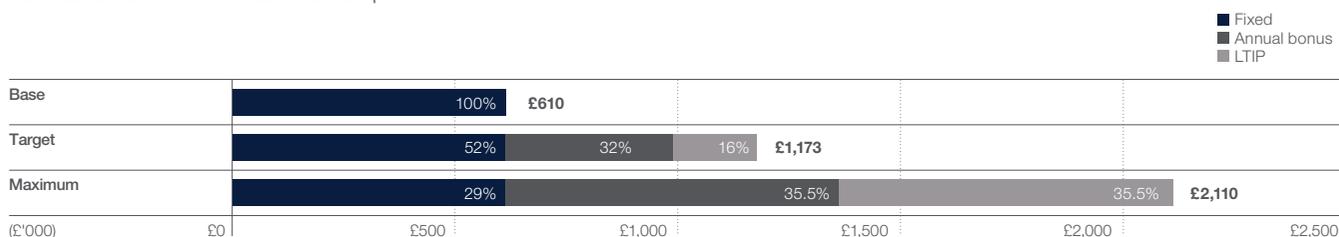
The rules of the incentive schemes provide that:

	Good leavers	Other leavers	Change of Control	Discretion
<b>Performance Shares</b>	Performance conditions applied taking into account the foreshortened performance period.  A time pro rata reduction is then applied.	Award lapses	Performance conditions applied taking into account the foreshortened performance period.  A time pro rata reduction is then applied.	The Committee has discretion to disapply the pro rata vesting, or decide that the award will vest on the normal vesting date.
<b>Annual Bonus</b>	Performance conditions applied taking into account the foreshortened performance period.  A time pro rata reduction is then applied.	No bonus payable	Performance conditions applied taking into account the foreshortened performance period.  A time pro rata reduction is then applied.	The Committee has discretion to disapply pro rata reduction and maintain original sum.
<b>Deferred Bonus Shares</b>	Vest in full	Award lapses	Vest in full	To determine the number of shares which vest up to the value of the applicable bonus.

Reasons for “good leaver” include death, ill health, retirement, office of employment ceases to be a part of the business or any other reason determined by the Committee.

## Pay Scenarios

The following chart shows the various remuneration scenarios for the existing remuneration package of the Group Chief Executive Officer, calculated based on the stated assumptions.



Assumptions:

**Base** – The ‘Base’ scenario reflects fixed remuneration, including base salary, pension and benefits, which are the only elements of the Group Chief Executive Officer’s package not linked to performance.

**Target** – The ‘Target’ scenario reflects the fixed remuneration elements as set out above, plus a target bonus payout of 50% of maximum and LTIP threshold vesting at 25% of the maximum award.

**Maximum** – The ‘Maximum’ scenario reflects fixed remuneration, plus full payout of all incentives.

No share price growth has been assumed in any scenario.

## Consideration of employment conditions in the Group

When setting the policy for executive remuneration, the Committee does not consult employees. Management does, however, ensure that the Committee is aware of pay and conditions throughout the Group and that these are taken into account when framing executive remuneration. As a global group, in a sector with ready mobility, the more senior the role, the more reward needs to reflect the global market, whilst for the majority of employees it is set with greater consideration of local market conditions and practices. The annual bonus scheme and awards under the LTIP are limited to the senior management team and those employees responsible for managing the hospitality business.

## Shareholder views

When determining remuneration, the Committee takes into account the views of investor representative bodies and those of its key shareholders and is committed to undertaking consultation before committing to significant changes in aspects of remuneration.

## Directors' remuneration report

### continued

#### Annual report on remuneration

#### Audited Information

#### Single total figure of remuneration for each Director in 2015

The total remuneration for each person who served as a Director of the Company during 2015 is set out in the table below.

Director	Remuneration (£ '000)											
	Salary and fees <sup>1</sup>		All taxable benefits		Annual bonus		LTIP awards		Pension contributions <sup>2</sup>		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Chairman</b>												
Kwek Leng Beng <sup>3</sup>	268	268	–	–	–	–	–	–	–	–	268	268
<b>Executive Directors</b>												
Wong Hong Ren <sup>4</sup> ,	663	650	7	40	9	609	– <sup>5</sup>	– <sup>5</sup>	22	130	701	1,429
Aloysius Lee Tse Sang <sup>6</sup>	458	–	11	–	127	–	–	–	92	–	688	–
<b>Non-Executive Directors</b>												
Shaukat Aziz	57	56	–	–	–	–	–	–	–	–	57	56
Susan Farr	57	55	–	–	–	–	–	–	–	–	57	55
Nicholas George	72	59	–	–	–	–	–	–	–	–	72	59
Kwek Eik Sheng	52	51	–	–	–	–	–	–	–	–	52	51
Kwek Leng Peck	59	57	–	–	–	–	–	–	–	–	59	57
Gervase MacGregor	68	3	–	–	–	–	–	–	–	–	68	3
Alexander Waugh	72	71	–	–	–	–	–	–	–	–	72	71
<b>Total<sup>7</sup></b>	<b>1,826</b>	<b>1,270</b>	<b>18</b>	<b>40</b>	<b>136</b>	<b>609</b>	<b>–</b>	<b>–</b>	<b>114</b>	<b>130</b>	<b>2,094</b>	<b>2,049</b>

#### Notes:

- Salaries and fees are shown inclusive of sums receivable by the Directors from the Company and any of its subsidiary undertakings.
- Both Wong Hong Ren and Aloysius Lee Tse Sang received their pension contributions as a cash allowance equal to 20% of their base salary.
- In addition to his basic fee, Kwek Leng Beng received £18,487 in fees from subsidiary companies.
- Wong Hong Ren stepped down as Group Chief Executive Officer and a Director as of 28 February 2015. Until that time, his benefits comprised a motor vehicle and driver, medical, personal accident and travel insurance. As indicated in this report, he was paid his base salary in monthly instalments through February 2016 and accrued holiday pay (£12,500) in accordance with his service agreement.
- The Long Term Incentive Plan award of 203,898 shares, made to Mr Wong on 16 August 2012, lapsed on 16 August 2015 since the minimum performance conditions for this award, which were measured over the three years ended on 31 December 2014, were not achieved. The 175,834 shares awarded to Mr Wong on 11 September 2013, will lapse on 11 September 2016 since the minimum performance conditions for this award, which were measured over the three years ended on 31 December 2015, were not achieved and therefore have been valued at nil.
- Aloysius Lee Tse Sang was appointed as the Group Chief Executive Officer and a Director with effect from 1 March 2015, after serving as Group Chief Executive Officer designate from 1 February 2015. Mr Lee is the highest paid Director. His biography on page 36 reports the directorships and positions he holds in other Group subsidiaries and associate companies.
- For comparison purposes, the total excludes amounts paid to Ian Batey and Sean Collins in 2014. They resigned from the Board on 20 February 2014 and 11 December 2014, respectively.

#### 2015 annual bonus for Executive Directors

The annual performance bonus for the two Executive Directors who served in 2015, Wong Hong Ren and Aloysius Lee Tse Sang, was divided into two components including financial performance measures, which represented 60% of the bonus opportunity, and personal key performance indicators, which combined represented 40% of the bonus opportunity for each Executive Director. Since Wong Hong Ren was set to step down as Group Chief Executive Officer at the end of February 2015, his personal objectives were limited in scope accordingly. Both his and Mr Lee's bonuses were adjusted on a pro-rata time basis for the number of months they were employed by the Group during the year.

The following describes how the annual bonuses for Wong Hon Ren and Aloysius Lee Tse Sang were calculated for the year ended 31 December 2015, including a summary of the Committee's assessment of the personal objectives for each. The Committee considers that the specific target figures remain commercially sensitive given their close alignment with the Company's strategic plans. Additionally, the Committee is of the view that disclosing the targets could put the Company at a disadvantage to some of its competitors, which are not subject to similar reporting requirements. However, the Committee commits to disclose such targets when the Committee determines that they are no longer commercially sensitive, such disclosure to be within the next two years in any event.

*Financial Performance Objectives representing 60% of the opportunity*

Financial Performance Measure	Target	Minimum and Maximum Thresholds	Weighting	Achievement
Group Revenue	Not disclosed	No payout below threshold of 95% of budget, rising on a straight line basis to maximum payout for 105% of budget or more	10%	0.49%
Group Profit Before Tax	Not disclosed	No payout below threshold of 92% of budget, rising on a straight line basis to maximum payout for 108% of budget or more	50%	nil%

*Personal Objectives representing 40% of the opportunity.*

Personal Key Performance Indicator	Weighting
Wong Hong Ren	
Orderly transition of the Group Chief Executive Officer responsibilities to Aloysius Lee Tse Sang	20%
Delivery of the Annual Report and Accounts 2014 to agreed timescale and quality	20%
<b>Total</b>	<b>40%</b>
Aloysius Lee Tse Sang	
Objectives concerning the development of the senior executive management team	10%
US business development and performance objectives	15%
Group growth, capital and asset management objectives	10%
Room rate and room occupancy growth objectives	5%
<b>Total</b>	<b>40%</b>

The Committee assessed that Mr Lee achieved 18% of the 40% of his bonus opportunity related to his personal key performance indicators (KPIs) due to his achievements during the ten months of his tenure as Group Chief Executive Officer and one month as Group Chief Executive Officer designate despite the difficult trading conditions in certain jurisdictions. The Committee recognised the progress in development of the senior executive management team and medium term strategy, particularly the progress with the development and refurbishment projects.

While a transition of the Group Chief Executive Officer role and responsibilities to Mr Lee occurred during the year and the 2014 annual report and accounts were delivered on time, in light of the short time served during 2015 and the Group's financial performance over the year it was considered appropriate to award to Mr Wong 5% of his maximum bonus potential under his personal KPIs.

Each bonus was prorated for time served resulting in Mr Lee receiving a total bonus of £127,122 and Mr Wong a total bonus of £8,922.

### Scheme interests awarded in 2013

Performance share awards made under the Long-Term Incentive Plan ("LTIP") in 2013 were subject to performance conditions comprising both earnings per share ("EPS") growth and relative total shareholder return ("TSR") performance over the three-year period ending 31 December 2015. These awards were due to vest on the third anniversary of the awards being made, with 50% vesting in the event the Company's EPS growth over the period exceeds the growth of the UK Retail Price Index by set targets over the same period and the remaining 50% vesting if the Company's TSR performance over the relevant period meets or exceeds the median TSR performance of a comparator group comprising those companies within the FTSE 250 index, excluding investment trusts, over the period.

Based on the Company's EPS growth and relative TSR performance for the three years ended 31 December 2015, the Committee has determined that the LTIP awards made on 11 September 2013 will lapse in full.

## Directors' remuneration report continued

### Annual report on remuneration continued

#### Scheme interests awarded during 2015

The only Director to be awarded performance shares under the Company's LTIP during 2015 was Aloysius Lee Tse Sang. The award was made on 3 August 2015 and, subject to achievement of the relevant performance measures and LTIP rules, will vest on 3 August 2018. Details of the award and the performance measures and targets attaching to the 2015 LTIP awards are provided in the tables below. The Directors did not participate in any other share-based incentive plans during the year.

Aloysius Lee Tse Sang	
Date of award	3 August 2015
Awards made during the year	134,408
Market price of shares used to calculate award <sup>1</sup>	£5.5800
Basis of award	150% of salary
Face value of award on date of grant (£'000)	£750
% vesting at threshold performance	25%
Performance measures and targets	See following table
Performance period end date	31 December 2017
Vesting date	3 August 2018
Market price at the vesting date	–
Monetary value of vested award	–

Note:

1 The number of shares awarded was calculated using the middle market share price on 31 July 2015, one business day prior to the date of grant.

The performance measures, targets and vesting thresholds are set out below.

Performance Measure	Weighting	Minimum Threshold	Level of Vesting	Maximum Threshold <sup>1</sup>	Level of Vesting
Cumulative EPS	60%	114 pence	25%	138 pence	100%
Net Asset Value growth plus dividends	20%	6% p.a.	25%	13% p.a.	100%
TSR – FTSE 250 <sup>2</sup>	10%	Index	25%	Index + 9% p.a.	100%
TSR – Peer group <sup>3</sup>	10%	Median	25%	Median + 9% p.a.	100%

Notes:

1 Vesting levels between threshold and maximum will be assessed on a straight-line basis.

2 The FTSE 250 comparator group excludes investment trusts.

3 The peer group comprises Accor, Banyan Tree Holdings, Belmond, Choice Hotels International, Hongkong & Shanghai Hotels, Hotel Properties, Hyatt Hotels, InterContinental Hotels Group, Mandarin Oriental, Marriott International, Melia Hotels International, NH Hotels, Overseas Union Enterprise, Rezidor, Shanghai Jin Jiang International, Shangri-La Asia, Starwood Hotels & Resorts, Whitbread and Wyndham Worldwide.

#### Payments made to past directors

Except as disclosed elsewhere in this report, no payments to past Directors were made during 2015. In particular, no special project fees were agreed with or paid to Wong Hong Ren under his consultancy arrangement as Senior Advisor to the Group.

#### Payments for loss of office

The termination arrangements agreed with Wong Hong Ren were fully disclosed in last year's report, and all sums paid to him in respect of 2015 are included in the single total figure of remuneration table. There were no other payments for loss of office made during the year.

### Statement of directors' shareholdings and share interests

The interests of the Directors who served during 2015, and their connected persons, in the ordinary shares of Millennium & Copthorne Hotels plc were as follows:

Director	Number of ordinary shares owned outright <sup>1</sup>		Number of scheme interests		Total interests as at 31 December 2015	Value of ordinary shares owned outright as a percentage of salary <sup>2</sup>
	Holding on 31 December 2015	Holding on 1 January 2015	LTIP awards which are not subject to performance conditions at 31 December 2015	LTIP awards which are subject to future performance conditions at 31 December 2015		
<b>Chairman</b>						
Kwek Leng Beng <sup>3</sup>	–	–	–	–	–	N/A
<b>Executive Directors</b>						
Wong Hong Ren	498,838 <sup>5</sup>	498,838 <sup>5</sup>	–	349,630 <sup>4</sup>	848,468	N/A
Aloysius Lee Tse Sang <sup>6</sup>	–	–	–	134,408	134,408	0%
<b>Non-Executive Directors</b>						
Shaukat Aziz	–	–	–	–	–	N/A
Susan Farr	–	–	–	–	–	N/A
Nicholas George	12,500	12,500	–	–	12,500	N/A
Kwek Eik Sheng <sup>3</sup>	–	–	–	–	–	N/A
Kwek Leng Peck <sup>3</sup>	–	–	–	–	–	N/A
Gervase MacGregor	–	–	–	–	–	N/A
Alexander Waugh	–	–	–	–	–	N/A

Notes:

- 1 Includes beneficial holdings held by the Directors personally and by their connected persons, including their spouses and minor children.
- 2 For the purposes of determining Executive Director shareholdings as a percentage of salary, the individual's salary and the share price as at 31 December 2015 were used.
- 3 The interests of the Directors appointed by City Developments Limited in that company and its ultimate parent company, Hong Leong Investment Holdings Pte. Ltd, are disclosed in the accounts of those companies.
- 4 LTIP interests comprise the 175,834 shares granted to Wong Hon Ren pursuant to the 2013 LTIP award which will lapse in full, as disclosed in this report and the award of 173,796 shares held by Mr Wong relating to the LTIP award made on 4 April 2014, details of which can be found in the 2014 Annual Report and Accounts.
- 5 Shares held by Mr Wong on his retirement as Group Chief Executive Officer on 28 February 2015 and as at 1 January 2015, the latter restated to include his connected persons.
- 6 In addition to shares or scheme interests in the Company, Aloysius Lee Tse Sang due to his appointment as a director of the following subsidiaries holds 1 share in the following subsidiaries of the Company: Grand Plaza Hotel Corporation, Rogo Realty Corporation and Harbour Land Corporation. These shares were transferred from Mr Wong.

Director shareholding requirements are as disclosed earlier in this report, on page 53. Given Mr Lee was appointed as an Executive Director with effect from 1 March 2015, he was not required to have met the requirements by 31 December 2015.

There have been no changes to the Directors' interests between 31 December 2015 and the date of this report.

## Directors' remuneration report continued

### Annual report on remuneration continued

#### Unaudited Information

##### Implementation of Remuneration Policy in 2016

This section provides an overview of how the Committee is proposing to implement our Remuneration Policy in 2016.

##### *Base salary of the Executive Directors*

Given the recent appointment of Aloysius Lee Tse Sang in 2015, the Committee has determined that his base salary of £500,000 per annum will remain unchanged for 2016.

##### *2016 annual bonus for Executive Directors*

The Committee established the following 2016 annual bonus performance conditions for Aloysius Lee Tse Sang as Group Chief Executive Officer. As in previous years and in line with the Remuneration Policy, the bonus will be comprised of two elements, including financial performance measures and personal objectives. The Committee has decided to retain the 40% weighting on personal performance as applied last year in order to ensure strong alignment with the Group's strategy and to reflect the importance of the selected KPIs which are felt to be key drivers of future financial performance. The financial performance measures indicated below will apply to any other Executive Director who is appointed during the year whilst such Director's personal objectives will be agreed by the Committee at the appropriate time, in conjunction with any appointment.

The Committee believes that the specific financial targets and detailed measurements for Mr Lee's personal objectives are commercially sensitive given their alignment with the Company's operating budget and strategic plans for 2016, and that consequently it is not appropriate to disclose them in this report. The Committee will consider the extent such targets and objectives will be disclosed in the 2016 Annual Report on Remuneration after the conclusion of the year.

Financial Performance Measure	Weighting
Group Revenue	10%
Underlying Group Profit Before Tax	50%
Personal Key Performance Indicators for Aloysius Lee Tse Sang	Weighting
Objectives concerning the further development of the senior executive management team	10%
US business development and performance objectives	15%
Group growth, capital and asset management objectives	10%
Room rate and room occupancy growth objectives	5%
<b>Total</b>	<b>40%</b>

##### *2016 Long Term Incentive Plan award*

The maximum value of any LTIP awards granted during the year will remain at 150% of base salary for Aloysius Lee Tse Sang as Group Chief Executive Officer and 100% of base salary for any other Executive Director. The Committee has reviewed the current LTIP structure and has agreed that the performance conditions will remain the same as in 2014 and 2015, namely earnings per share ("EPS"), net asset value ("NAV") and total shareholder return ("TSR"). The table below describes the applicable performance measures, weightings and targets. The vesting thresholds have been updated to reflect the Group's three-year forecast, based on its strategy and business plan over the coming years, and are considered to be appropriately stretching when compared to other FTSE companies.

The Committee has decided that the awards to be granted in 2016 will vest on the third anniversary of the grant date, without an additional holding period, but subject to continued employment, achievement of the above performance measures and the LTIP rules. No consideration will be payable for the grant of awards and no payment will be due from the grantees on the vesting and exercise of their awards.

Performance Measure	Weighting	Minimum Threshold	Level of Vesting	Maximum Threshold <sup>1</sup>	Level of Vesting
Cumulative EPS	60%	95 pence	25%	115 pence	100%
Net Asset Value growth plus dividends	20%	5% p.a.	25%	11% p.a.	100%
TSR – FTSE 250 <sup>2</sup>	10%	Index	25%	Index + 9% p.a.	100%
TSR – Peer group <sup>3</sup>	10%	Median	25%	Median + 9% p.a.	100%

Notes:

1 Vesting levels between threshold and maximum will be assessed on a straight-line basis.

2 The FTSE 250 comparator group excludes investment trusts.

3 The peer group comprises Accor, Banyan Tree Holdings, Belmond, Choice Hotels International, Hongkong & Shanghai Hotels, Hotel Properties, Hyatt Hotels, InterContinental Hotels Group, Mandarin Oriental, Marriott International, Melia Hotels International, NH Hotels, Overseas Union Enterprise, Rezidor, Shanghai Jin Jiang International, Shangri-La Asia, Starwood Hotels & Resorts, Whitbread and Wyndham Worldwide.

#### Pension and benefits

As in 2015, Aloysius Lee Tse Sang will receive a cash pension contribution worth 20% of his base salary in 2016. He also will continue to receive a standard package of other benefits consistent with those received in 2015.

#### Non-Executive Director fees

The basic fee for the Non-Executive Directors will continue to be £50,000 per annum in 2016, having increased from £45,000 per annum on 1 April 2014. Non-Executive Directors also will continue to receive separate annual fees for their service as a member and, to the extent applicable, the chair of a Board committee, and the Senior Independent Director will be paid an additional fee of £10,000 per annum to serve in such capacity. Details of the additional committee fees are set out in the table below.

Committee	Annual fee for membership of a committee	Additional annual Chairman's fee
Audit & Risk Committee	£5,000	£10,000
Remuneration Committee	£5,000	£10,000
Nominations Committee	£2,000	–

The annual fee for the Chairman of the Board will remain unchanged at £250,000 for 2016, having increased from £200,000 per annum from 1 April 2013. Also, the Chairman will continue to receive fees for serving as a director of certain subsidiary companies.

## Directors' remuneration report continued

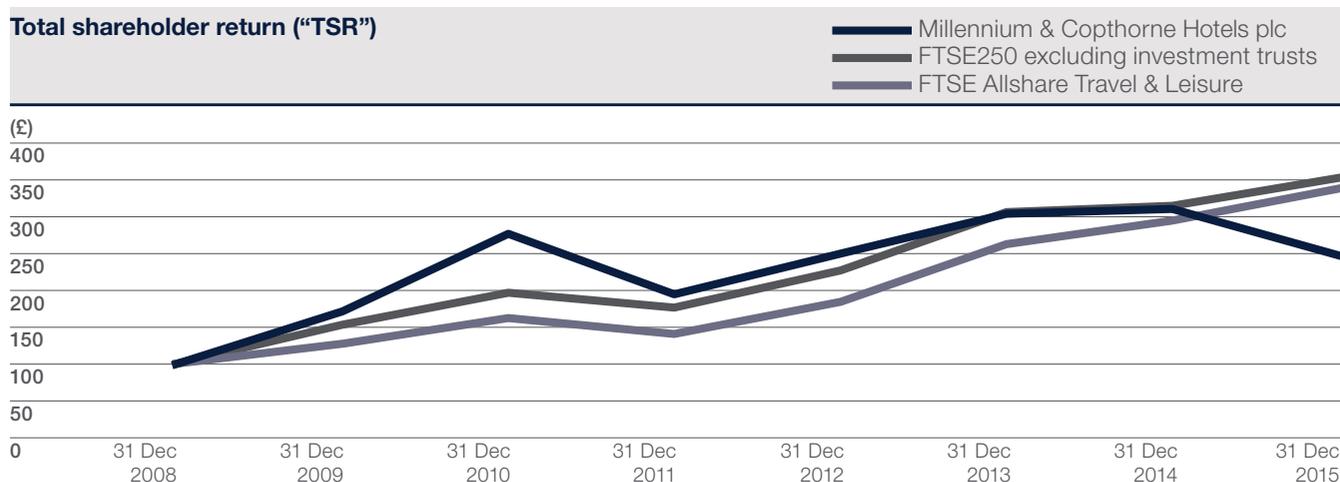
### Annual report on remuneration continued

#### Additional disclosures

##### Performance of the Company and historic remuneration of the Group Chief Executive Officer

The following graph illustrates the total shareholder return of the Company's shares and comparator indexes over the past six years. As the Company is a constituent of both the FTSE 250 and the FTSE Allshare Travel & Leisure index, the Directors consider these indices to be the most appropriate broad equity market indices against which the Company's performance should be compared for these purposes. The remuneration history of the Group Chief Executive Officer over the same period also is provided.

#### Total shareholder return ("TSR")



	2010 (£ '000)	2011 <sup>1</sup> (£ '000)	2012 (£ '000)	2013 (£ '000)	2014 (£ '000)	2015 <sup>2</sup> (£ '000)
Total remuneration	£1,243	£4,404	£1,495	£2,287	£1,429	£1,389
Annual bonus (as a percentage of maximum opportunity)	100%	63%	37%	67%	62%	19%
LTIP vesting rates (as a percentage of maximum opportunity)	0%	100%	100%	50%	0%	0%

#### Notes:

- Richard Hartman retired as Group Chief Executive Officer and Wong Hong Ren was appointed to the post on 27 June 2011. These figures are for both and are restated to be consistent with the other years.
- Wong Hong Ren stepped down as Group Chief Executive Officer on 28 February 2015 and Aloysius Lee Tse Sang was appointed as Group Chief Executive Officer Designate from 1 February 2015 and assumed the full role as of 1 March 2015. These figures are for both.

#### Percentage change in remuneration of the Group Chief Executive Officer

The tables below show the percentage change in remuneration (based on salary and fees, taxable benefits and annual bonus) between 2014 and 2015 for the Group Chief Executive Officer and employees within the Group's bonus pool.

	% Change from 2014 to 2015 <sup>1</sup>		
	Base Salary	Benefits	Bonus
Group Chief Executive Officer <sup>2</sup>	(23)	(68)	(79)
Employees	3	5	8 <sup>3</sup>

- All percentages are based on converting relevant local currencies into pounds sterling using the average rates for the respective year.
- Group Chief Executive Officer change is the percentage change between the remuneration paid to Mr Wong in 2014 and Mr Lee in 2015. The salary and benefits paid to Mr Lee have been trued up to equate to a full year.
- Change in bonus relates to payments made in the respective year.

### Relative importance of spend on pay

The table below illustrates the year-on-year change in total pay for colleagues across the Group (being the aggregate personnel expenses as set out in Note 8 to the financial statements) and distributions to shareholders (being declared dividends). The average number of colleagues employed by the Group in 2015 was 10,870 (2014: 10,257).

	2014 (£m)	2015 (£m)	Change (%)
Employee remuneration costs	325	351	8%
Dividends distributed	73 <sup>1</sup>	44	(39.7)

<sup>1</sup> Includes a special dividend paid of 9.15p per share driven by the Glyndebourne development profit. Like-for-like percentage change was nil%.

### Statement of voting at general meeting

The following table sets out the voting in respect of the resolutions to approve the Directors' Remuneration Policy and the 2014 Directors' remuneration report, which resolutions were put to shareholders at the Company's annual general meetings held on 1 May 2014 and 7 May 2015, respectively. The Directors were pleased with the support received from shareholders.

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld	% of vote
Approve the Directors' Remuneration Policy	281,458,849	99.09%	2,573,555	0.91%	10,619,954	3.60%
Approve the Directors' remuneration report for the year ended 31 December 2014	279,396,939	97.70%	6,567,005	2.30%	645,484	0.23%

This Directors' remuneration report will be put to an advisory vote of the shareholders at the annual general meeting to be held on 5 May 2016. No changes to the Remuneration Policy are proposed for 2016. In line with best practice, the Committee intends to present the Remuneration Policy to shareholders for approval once again at the annual general meeting in 2017 unless any modifications are required before then.

### Consideration by the Committee members of matters relating to directors' remuneration

The Committee is authorised by the Board to appoint external advisers if it considers such an appointment to be beneficial. In 2012 the Committee conducted a tender process and selected Kepler Associates as the Committee's remuneration advisor. Kepler Associates, who are now known as Kepler, a brand of Mercer, continued to act in that capacity during 2015, where over the course of the year, consultants from Kepler attended most of the Committee's meetings and provided advice on a range of topics, including remuneration trends and best practices and the design of the performance share incentive plans.

Separately, the Company also received from Kepler advice on the accounting treatment of share options required by IFRS 2: Share-based payments. Kepler provided no other services to the Company.

Kepler is a founding member and signatory to the Code of Conduct for Remuneration Consultants, details of which can be found at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com). The consultants from Kepler are routinely asked to confirm any conflicts and the Committee is satisfied that the advice received was objective and independent.

Kepler generally charges on an hourly basis. The aggregate amount of fees paid to Kepler during 2015 was £62,000 (2014: £70,000).

The Company Secretary acts as secretary to the Committee. The Chairman of the Board and Group Chief Executive Officer are invited to attend Committee meetings. In addition to the remuneration consultant, the Committee considers their views when reviewing the remuneration of Executive Directors and other senior executives. Individuals who attend Remuneration Committee meetings do not participate in discussions concerning their own remuneration.

### External appointments

The Company recognises that Executive Directors may be invited to become non-executive directors of other companies and that such appointments can broaden the executives' knowledge and experience, to the benefit of the Group. Fees payable to Executive Directors in connection with external appointments may be retained by them with the approval of the Committee. As at the date of this report, Mr Lee does not hold an external appointment for which he receives a fee.

## Directors' remuneration report continued

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### Annual report on remuneration continued

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#### *Satisfaction of performance share awards*

Performance share awards are made for nil consideration and are satisfied either by the issue of new shares or through market purchases of shares. Currently the company has in place an employee benefit trust known as the Millennium & Copthorne Hotels plc Employee Benefit Trust 2006 (the "EBT"), which was established to acquire shares to satisfy performance share awards that may vest from time to time. As at 31 December 2015, the EBT held 5,758 shares (2014: 5,758 shares), representing approximately 0.00177% of the Company's issued share capital as at the same date. Executive Directors who participate in the LTIP, together with other employees of the Group who participate in the LTIP and other performance share schemes, are potential beneficiaries of the EBT and, as such, are deemed to be interested in any shares held.

#### *Dilution*

The Company ensures that the level of shares granted under the Company's share plans and the means of satisfying such awards remains within best practice guidelines so that dilution from employee share awards does not exceed 10 per cent of the Company's issued share capital for all-employee share plans and 5 per cent in respect of executive share plans in any ten-year rolling period. The Company monitors dilution levels on a regular basis and the Committee reviews these at least once a year.

#### *Share price*

The market price of a Millennium & Copthorne Hotels plc ordinary share at 31 December 2015 was 463.4 pence and the range during the year was 463.0 pence to 600.5 pence.

The Directors confirm that this report has been prepared in accordance with the Companies Act 2006, reflects the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and was approved at a meeting of the Board held on 18 February 2016.

On behalf of the Board

#### **Alexander Waugh**

Chairman of the Remuneration Committee

18 February 2016

## Nominations Committee report

### Chairman's Statement

Dear Shareholders,

This report describes the activities of the Nominations Committee during 2015.

#### Activities undertaken in 2015

The Committee met two times during the year and we focused our attention on the following matters in particular:

- Maintaining Board stability in light of the recent appointments of Nick George as the Senior Independent Director and Gervase MacGregor as a Director and Chair of the Audit & Risk Committee at the end of 2014, following the departure of Sean Collins, and the appointment of Aloysius Lee Tse Sang as the new Group Chief Executive Officer and a Director after Wong Hong Ren stepped down on 28 February 2015
- Supporting Mr Lee in continuing to build the strength of the senior management team through additional recruitment and re-alignment of roles and responsibilities
- Assessing the membership of the Board's committees, which assessment resulted in the appointment of Gervase MacGregor to the Remuneration Committee in May 2015
- As described further in the Corporate Governance Statement on page 44, reviewing the continued service of Shaukat Aziz, Nicholas George and Alexander Waugh given they each completed six years as Directors in June 2015
- Considering the composition of the Board and needs of the Group to determine if any additional appointments were necessary

#### Board and management changes

As noted above, Wong Hong Ren stepped down from the Board on 28 February 2015 and Aloysius Lee Tse Sang joined the Group as the new Group Chief Executive Officer and a Director on 1 March 2015. We are satisfied with the work done by Mr Lee, in conjunction with the Board and management team, during his induction programme and are confident that he is in a strong position to progress the Group's strategy against the backdrop of

challenging conditions in certain of our key markets during the year.

#### Future priorities

As a result of the work undertaken during 2015, the Nominations Committee and Board have a good understanding of the challenges facing the business and the talent, both at the Board and executive management level, required to move the Group forward. We are encouraged by the depth of talent available within the Group and the plans in place to add further capability to the team.

#### Kwek Leng Beng

Chairman of the Nominations Committee

18 February 2016

### Committee Governance

#### Membership

The Nominations Committee comprises a majority of independent Non-Executive Directors and meets on such occasions as are necessary, but at least twice each year. Kwek Leng Beng chairs the Committee except when the business of the meeting concerns his succession. The Board considers that all members have the experience and expertise necessary to meet the Committee's responsibilities.

#### Role of the Committee

The role of the Committee is, among other things, to:

- Review the structure, size and composition of the Board, including the skills, knowledge, experience and diversity of the Directors;
- consider succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company and the skills and expertise needed;
- identify and nominate for approval by the Board candidates to fill Board vacancies when they arise;
- keep under review the leadership needs of the organisation, with a view to ensuring the continued ability of the organisation to

- compete effectively in the marketplace;
- review the time required from Non-Executive Directors;
- in consultation with the Chairmen of the Board committees, review and if appropriate recommend changes to the composition of the committees;
- consider the re-appointment of Non-Executive Directors at the conclusion of their specified terms of office, giving due regard to their performance and ability to continue to contribute to the Board; and
- assess the appointment of any Director to an executive or other office.

#### Board diversity

The Committee recognises the value of diversity and that it can only serve to strengthen the Group. We continue to incorporate all aspects of diversity as an objective criterion for the selection of future Board members and we also strive to ensure that this policy is reflected in all levels of the organisation. We support the aspirations set out by Lord Davies in his report on 'Women on Boards', including the representation of women at the highest level in the organisation. Selection of candidates to join the Board is based on merit and the contribution which they will bring to the workings of the Board.

#### Advisors

The Company Secretary, the Group Chief Executive Officer and other members of the management team are invited to attend meetings as appropriate. External advisers are consulted when necessary to provide advice or market perspective.

The Committee did not utilise any external advisors during 2015; however, the Group did engage recruitment firms from time to time during the year, as necessary, to identify qualified candidates to fill senior executive positions.

#### Terms of Reference

The Nominations Committee's terms of reference are available at: [www.millenniumhotels.com/corporate/investors.html](http://www.millenniumhotels.com/corporate/investors.html).

## Statement of Directors' responsibilities in respect of the annual report and accounts

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. For the Group financial statements, these are required to be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards including FRS 101 Reduced Disclosure Framework.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' remuneration report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy

On behalf of the Board

**Aloysius Lee Tse Sang**  
Group Chief Executive Officer

18 February 2016

## Independent auditor's report to the members of Millennium & Copthorne Hotels plc only

### Opinions and conclusions arising from our audit

#### 1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Millennium & Copthorne Hotels Plc for the year ended 31 December 2015 set out on pages 72 to 145. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### 2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows.

##### Valuation of hotel assets (£2,764m)

Refer to Audit & Risk Committee Report, Note 2.3 (Summary of significant accounting policies), Note 3 (Accounting estimates and judgments), and Note 12 (financial disclosures).

- **The risk:** The Group has £2,764 million of hotel assets which are subject to annual review to assess whether or not they may be impaired. The Group carries these assets at cost. There are a number of factors which drive additional audit effort in this area. Firstly, certain hotels were impaired in previous years and any further decline in performance may result in further impairment being recorded. Secondly, the Group purchased three hotels in 2014 which, in varying degree,

have not met performance targets indicating a risk to the recoverability of their book value. Finally, the Group has experienced a difficult trading environment in 2015, particularly in Asia, where some of the Group's largest hotel properties operate. The Group applies a two-step process in assessing their hotel assets for possible impairment. The first step is to identify those properties at risk, i.e. those where there is an indication of impairment. Those hotels highlighted as being at risk following this analysis are then subjected to a detailed impairment review, either through an external valuation or through analysis of an internal discounted cash flow model. The initial analysis to identify those properties at risk is subject to judgment. Furthermore, for those subject to a more detailed analysis, the estimation of the recoverable amount is complex and dependent on assumptions about the future. Specifically, significant judgment is required in relation to the appropriate discount rates, growth rates, occupancy rates, revenue per available room, terminal values and the resulting forecast cash flows to use in determining value in use. Therefore, this is one of the key judgmental areas that our audit is concentrated on.

- **Our response:** Our procedures included challenging the directors' initial risk assessment process by which properties were selected for further assessment of their recoverable amount. This included comparison of actual asset performance to previous forecasts and available headroom. We further considered future forecasts, comparing these to internal plans and external market information. For those properties selected for a detailed impairment review, we used our own valuation specialists to assist us in evaluating the valuation methodology used by the group for both external and internal valuations, including compliance with relevant accounting standards and alignment to market practice. With input from our valuation specialists, we challenged the key assumptions used within each model in determining the recoverable amount of these hotel assets, which was generally considered to be their

value in use. This included a comparison of occupancy rates, revenue per available room, market growth and expected inflation with externally derived data including external hotel industry reports. We also performed our own assessment of other key inputs such as estimated future costs, discount rates and terminal multipliers, and considered the historical accuracy of directors' estimates, and performed break-even analysis on the assumptions. We assessed the principles and integrity of the discounted cash flow models and considered the appropriateness of the Group's disclosures about the impairments and the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

##### Classification and valuation of investment properties (£506m)

Refer to page Audit & Risk Committee Report, Note 2.3 (Summary of significant accounting policies), Note 3 (Accounting estimates and judgments), and Note 14 (financial disclosures).

- **The risk:** Classification of an asset as investment property (rather than as Property, Plant & Equipment) requires judgment, and is determined by reference to the Group's future intentions and business model. As discussed in Note 2.3, this classification results in a different accounting treatment because Property, Plant and Equipment is recorded at depreciated cost whereas investment properties are carried at fair value. The Group engaged external experts to value its investment properties. The valuation models applied to determine the value of investment properties are complex and sensitive to assumptions around occupancy rates, market growth, sales and rental rates, as well as discount rates and terminal multipliers. On this basis, classification and valuation of investment properties are key judgmental areas on which our audit is concentrated.
- **Our response:** When considering the appropriate classification of a property our procedures included making enquiries of the senior members of the finance team

## Independent auditor's report to the members of Millennium & Copthorne Hotels plc only

### continued

and Directors, inspecting internal business plans, and considering key terms of external contracts and agreements. We analysed the appropriateness of the valuation methodology applied, and considered whether it is in line with accounting requirements and business practice. We challenged the key assumptions used in determining fair value. This included a comparison of forecast rental rates, market growth, occupancy rates, and real estate sales prices with externally derived data and internal budgets. We also performed our own assessment of other key inputs such as discount rates and terminal multipliers. Our valuation specialists assisted in the evaluation of the more subjective and complex assumptions and analyses. Finally, we assessed whether the Group's disclosures properly reflected the risks inherent in the calculations and met the requirements of relevant accounting standards.

In our audit report for the year ended 31 December 2014 we included consolidation accounting and override of controls as two of the risks of material misstatement that had the greatest effect on our audit. We considered consolidation accounting risk to be less significant in the current year as the Group finalised its first time implementation of the standard dealing with consolidation in the prior year. In 2014, this resulted in the consolidation of CDLHT, which had previously been accounted for as an associate. The override of controls risk was reported last year due to the significant changes in senior management which coincided with the 2014 year-end reporting timetable. Mitigating measures were put in place in 2015 to re-instate an additional level of oversight over year-end financial reporting which reduced this risk. Therefore, whilst we continue to perform audit procedures over these two areas, we have not assessed them as risks that had the greatest effect on our audit. Consequently they are not separately identified in our report this year.

### 3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £7.5m. This has been determined with reference to a benchmark of the Group profit before tax and after deducting non-controlling interest, which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the Group. We consider it appropriate to exclude the profit due to non-controlling interest as following the consolidation of CDLHT in 2014, this has a material impact on the Group's profit measure. Materiality represents 5.0% of the Group profit before tax and after non-controlling interest.

We report to the Audit & Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of £370,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The Group's principal operations are in the United Kingdom, Asia and the US which represent over 94% of Group revenue, 94% Group profit before tax and 92% of Group total assets. All of these operations are scoped in for a full scope audit to component materiality for the Group audit purposes. Although not financially significant, in agreement with the Audit Committee, reviews of financial information including inquiry were also performed on two entities in Middle East and China by component auditors simultaneously with the audit of the Group and its financially significant operations.

The remaining 2% of total Group revenue, 2% of Group profit before tax and 5% of total Group assets is represented by four other overseas operations, none of which individually represented more than 1% of any of total Group revenue, Group profit before tax or total Group assets. For these remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these operations.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.2 million to £5 million, having regard to the mix of size and risk profile of the Group across the components. The work on the five reporting components was performed by component auditors and the rest by the Group audit team.

The Group audit team visited three component locations in the UK, US and Asia. Telephone conference meetings were also held with these component auditors and all the others that were not physically visited. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

	Number of components	Group Revenue %	Group profit before tax %	Group total assets %
Audits for group reporting purposes	Three (Asia, US, UK)	94	94	92
Reviews of financial information (including enquiry)	Two (Middle East and China)	4	4	3
<b>Total</b>		<b>98</b>	<b>98</b>	<b>95</b>

#### 4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

#### 5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of Risks on pages 29 to 33, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2018; or
- the disclosures in Note 3 of the financial statements concerning the use of the going concern basis of accounting.

#### 6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit & Risk Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 30 and 39, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 42 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

#### Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 66, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate). This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a\\_1](http://www.kpmg.com/uk/auditscopeukco2014a_1), which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

#### Steve Masters (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*

15 Canada Square  
London  
E14 5GL

18 February 2016



Al Jahra Copthorne Hotel & Resort, Kuwait



# Financial Statements

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## Consolidated income statement

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Revenue	5	847	826
Cost of sales		(350)	(333)
<b>Gross profit</b>		<b>497</b>	493
Administrative expenses	6	(342)	(325)
Other operating income	7	41	29
Other operating expense	7	(84)	(2)
<b>Operating profit</b>		<b>112</b>	195
Share of profit of joint ventures and associates	15	17	10
Finance income		5	7
Finance expense		(25)	(24)
<b>Net finance expense</b>	9	<b>(20)</b>	(17)
<b>Profit before tax</b>	5	<b>109</b>	188
Income tax expense	10	(12)	(37)
<b>Profit for the year</b>		<b>97</b>	151
Attributable to:			
Equity holders of the parent		65	110
Non-controlling interests		32	41
		<b>97</b>	151
Basic earnings per share (pence)	11	19.9p	34.0p
Diluted earnings per share (pence)	11	19.8p	33.9p

The financial results above derive from continuing activities.

The notes on pages 79 to 139 are an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
<b>Profit for the year</b>		<b>97</b>	151
<b>Other comprehensive income/(expense), net of tax:</b>			
<b>Items that are not reclassified subsequently to income statement:</b>			
Remeasurement of defined benefit plan actuarial net gains/(losses)	23	(2)	3
		(2)	3
<b>Items that may be reclassified subsequently to income statement:</b>			
Foreign currency translation differences – foreign operations		(19)	47
Foreign currency translation differences – equity accounted investees		4	7
Net loss on hedge of net investments in foreign operations		(9)	(17)
		(24)	37
<b>Other comprehensive income/(expense) for the year, net of tax</b>		<b>(26)</b>	40
<b>Total comprehensive income for the year, net of tax</b>		<b>71</b>	191
Total comprehensive income attributable to:			
Equity holders of the parent		49	162
Non-controlling interests		22	29
<b>Total comprehensive income for the year, net of tax</b>		<b>71</b>	191

The notes on pages 79 to 139 are an integral part of these consolidated financial statements.

## Consolidated statement of financial position

As at 31 December 2015

	Notes	2015 £m	2014 £m
<b>Non-current assets</b>			
Property, plant and equipment	12	2,764	2,753
Lease premium prepayment	13	94	98
Investment properties	14	506	479
Investment in joint ventures and associates	15	255	235
Other financial assets	16	–	5
		<b>3,619</b>	<b>3,570</b>
<b>Current assets</b>			
Inventories	17	4	4
Development properties	18	81	72
Lease premium prepayment	13	2	2
Trade and other receivables	19	76	104
Cash and cash equivalents	20	238	392
		<b>401</b>	<b>574</b>
<b>Total assets</b>		<b>4,020</b>	<b>4,144</b>
<b>Non-current liabilities</b>			
Interest-bearing loans, bonds and borrowings	21	(665)	(518)
Employee benefits	23	(13)	(15)
Provisions	24	(8)	(7)
Other non-current liabilities	25	(12)	(11)
Deferred tax liabilities	26	(210)	(221)
		<b>(908)</b>	<b>(772)</b>
<b>Current liabilities</b>			
Interest-bearing loans, bonds and borrowings	21	(178)	(399)
Trade and other payables	27	(187)	(197)
Provisions	24	(2)	(6)
Income taxes payable		(33)	(35)
		<b>(400)</b>	<b>(637)</b>
<b>Total liabilities</b>		<b>(1,308)</b>	<b>(1,409)</b>
<b>Net assets</b>		<b>2,712</b>	<b>2,735</b>

The notes on pages 79 to 139 are an integral part of these consolidated financial statements.

## Consolidated statement of financial position continued

As at 31 December 2015

	Notes	2015 £m	2014 £m
<b>Equity</b>			
Issued share capital	29	97	97
Share premium		843	843
Translation reserve	30	196	210
Treasury share reserve	30	(4)	(4)
Retained earnings		1,144	1,117
<b>Total equity attributable to equity holders of the parent</b>		<b>2,276</b>	2,263
Non-controlling interests		436	472
<b>Total equity</b>		<b>2,712</b>	2,735

These financial statements were approved by the Board of Directors on 18 February 2016 and were signed on its behalf by:

**Kwek Leng Beng**

Chairman

Registered No: 3004377

**Aloysius Lee Tse Sang**

Group Chief Executive Officer

## Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital £m	Share premium £m	Translation reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding non-controlling interests £m	Non-controlling interests £m	Total equity £m
<b>Balance at 1 January 2014</b>	<b>97</b>	<b>843</b>	<b>160</b>	<b>(2)</b>	<b>1,078</b>	<b>2,176</b>	<b>503</b>	<b>2,679</b>
Profit	–	–	–	–	110	110	41	151
Other comprehensive income/(expense)	–	–	50	–	2	52	(12)	40
Total comprehensive income	–	–	50	–	112	162	29	191
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Dividends – equity holders	–	–	–	–	(73)	(73)	–	(73)
Dividends – non-controlling interests	–	–	–	–	–	–	(35)	(35)
Purchase of own shares	–	–	–	(2)	–	(2)	–	(2)
Contribution by non-controlling interests	–	–	–	–	–	–	3	3
<b>Changes in ownership interests</b>								
Distribution to minority interests	–	–	–	–	–	–	(28)	(28)
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(2)</b>	<b>(73)</b>	<b>(75)</b>	<b>(60)</b>	<b>(135)</b>
<b>Balance at 31 December 2014</b>	<b>97</b>	<b>843</b>	<b>210</b>	<b>(4)</b>	<b>1,117</b>	<b>2,263</b>	<b>472</b>	<b>2,735</b>
<b>Balance at 1 January 2015</b>	<b>97</b>	<b>843</b>	<b>210</b>	<b>(4)</b>	<b>1,117</b>	<b>2,263</b>	<b>472</b>	<b>2,735</b>
Profit	–	–	–	–	65	65	32	97
Other comprehensive expense	–	–	(14)	–	(2)	(16)	(10)	(26)
Total comprehensive income/(expense)	–	–	(14)	–	63	49	22	71
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Dividends – equity holders	–	–	–	–	(44)	(44)	–	(44)
Dividends – non-controlling interests	–	–	–	–	–	–	(35)	(35)
Share-based payment transactions (net of tax)	–	–	–	–	2	2	–	2
Contribution by non-controlling interests	–	–	–	–	–	–	–	–
<b>Changes in ownership interests</b>								
Change of interests in subsidiaries without loss of control	–	–	–	–	6	6	(23)	(17)
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(36)</b>	<b>(36)</b>	<b>(58)</b>	<b>(94)</b>
<b>Balance at 31 December 2015</b>	<b>97</b>	<b>843</b>	<b>196</b>	<b>(4)</b>	<b>1,144</b>	<b>2,276</b>	<b>436</b>	<b>2,712</b>

The notes on pages 79 to 139 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
<b>Cash flows from operating activities</b>			
Profit for the year		97	151
Adjustments for:			
Depreciation and amortisation	12, 13	61	52
Share of profit of joint ventures and associates	15	(17)	(10)
Other operating income	7	(41)	(30)
Other operating expense	7	84	3
Equity settled share-based transactions		2	–
Finance income	9	(5)	(7)
Finance expense	9	25	24
Income tax expense	10	12	37
<b>Operating profit before changes in working capital and provisions</b>		<b>218</b>	<b>220</b>
Movement in inventories, trade and other receivables		28	76
Movement in development properties		(14)	(1)
Movement in trade and other payables		(4)	35
Movement in provisions and employee benefits		(8)	–
<b>Cash generated from operations</b>		<b>220</b>	<b>330</b>
Interest paid		(20)	(17)
Interest received		4	5
Income tax paid		(27)	(37)
<b>Net cash generated from operating activities</b>		<b>177</b>	<b>281</b>
<b>Cash flows from investing activities</b>			
Dividends received from joint ventures and associates		1	–
Increase in investment in associate		–	(44)
Return of capital from associate		–	3
Proceeds for sale of investment		4	–
Acquisition of subsidiary, net of cash acquired		(61)	–
Acquisition of property, plant and equipment, lease premium prepayment and investment properties		(85)	(429)
<b>Net cash used in investing activities</b>		<b>(141)</b>	<b>(470)</b>
<b>Balance carried forward</b>		<b>36</b>	<b>(189)</b>

The notes on pages 79 to 139 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows continued

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
<b>Balance brought forward</b>		<b>36</b>	(189)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(724)	(49)
Drawdown of borrowings		646	377
Payment of transaction costs related to borrowings		-	(1)
Dividends paid to non-controlling interests		(35)	(35)
Purchase of own shares		-	(2)
Capital contribution from non-controlling interests		-	3
Acquisition of non-controlling interests		(17)	-
Dividends paid to equity holders of the parent	28	(44)	(73)
<b>Net cash generated from/(used in) financing activities</b>		<b>(174)</b>	220
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(138)</b>	31
Cash and cash equivalents at beginning of the year		388	351
Effect of exchange rate fluctuations on cash held		(12)	6
<b>Cash and cash equivalents at end of the year</b>		<b>238</b>	388
<b>Reconciliation of cash and cash equivalents</b>			
Cash and cash equivalents shown in the consolidated statement of financial position		238	392
Bank overdrafts included in borrowings		-	(4)
<b>Cash and cash equivalents for consolidated statement of cash flows</b>	20	<b>238</b>	388

The notes on pages 79 to 139 are an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

### 1 Reporting entity

Millennium & Copthorne Hotels plc (the “Company”) is a limited company incorporated in England and Wales whose shares are publicly traded on the London Stock Exchange. The registered office is located at Victoria House, Victoria Road, Horley, Surrey RH6 7AF, United Kingdom. These consolidated financial statements comprise the Company and its subsidiaries (collectively the “Group”). The consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 18 February 2016.

#### 2.1 Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for investment properties and, from 1 January 2005, derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale which are stated at their fair values. Hotel properties are stated at cost or deemed cost. Deemed cost is calculated based on the hotel’s frozen valuation as at 1 January 2004. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. The Group’s income statement and segmental analysis separately identifies operating profit and other operating income and expense. This is in accordance with IAS 1 ‘Presentation of Financial Statements’ and is consistent with the way that financial performance is measured by management and assists in providing a meaningful analysis of the trading results of the Group. The financial statements are presented in the Company’s functional currency of sterling, rounded to the nearest million.

The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’.

#### Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS as required by EU law (IAS Regulation EC 1606/2002). Details of the Group’s accounting policies, including changes during the year, are included below.

#### Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### (ii) Interests in equity-accounted investees

The Group’s interests in equity-accounted investees comprise interests in joint-ventures and associates.

An associate is an entity in which the Group has significant influence but not control or joint control, over the financial and operating policies. A joint-venture is an arrangement in which the Group has joint control, and where the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint-ventures and associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

##### (iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### 2.2 Changes in accounting policies and disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## Notes to the consolidated financial statements

### continued

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

#### **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. The quantitative impact of the change is negligible.

#### **Annual Improvements 2010-2012 Cycle**

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these consolidated financial statements. They include:

##### **(i) IFRS 2 Share-based Payment**

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. Thus, these amendments did not impact the Group's financial statements or accounting policies.

##### **(ii) IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. There have been no change in contingent considerations, thus, this amendment did not impact the Group's financial statements. The accounting policy has been changed accordingly.

##### **(iii) IFRS 8 Operating Segments**

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 5 in this period's financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of their decision making.

### 2.3 Summary of significant accounting policies

Except for the changes explained in Note 2.2, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

#### A Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and identifiable net asset acquired are measured at the acquisition date fair value.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at that date through the income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, will be recognised in the statement of profit or loss. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed, and is allocated to each of the Group's hotels that are expected to benefit from the combination. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## Notes to the consolidated financial statements

### continued

#### **B Foreign currency**

The financial statements of each of the Group's businesses are prepared in the functional currency applicable to that business.

##### **(i) Foreign currency translation**

Transactions in foreign currencies other than the functional currency are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into sterling at foreign exchange rates ruling at the date the fair value was determined.

##### **(ii) Financial statements of foreign operations**

On consolidation, the assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the income statement.

##### **(iii) Net investment in foreign operations**

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to translation reserve. They are released into the income statement upon disposal or partial disposal of the foreign operation.

#### **C Derivative financial instruments**

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value; any directly attributable transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

## D Hedges

### (i) Cash flow hedges

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those covered by the above policy, the associated cumulative gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

### (ii) Hedge of monetary assets and liabilities

When a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

### (iii) Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity within the translation reserve. The ineffective portion is recognised immediately in the income statement.

## E Property, plant and equipment and depreciation

### (i) Recognition and measurement

Land and buildings (other than investment properties) are stated at cost, except as allowed under IFRS 1 transition rules, less depreciation and any provision for impairment. All other property, plant and equipment is stated at cost less depreciation and any provision for impairment. Any impairment of such properties below depreciated historical cost is charged to the income statement.

Under the transition provisions of IFRS 1, land and buildings which were previously revalued under UK GAAP were measured on the basis of their deemed cost, being their UK GAAP carrying value, including revaluations, as at 1 January 2004 being the effective date of the Group's conversion to IFRS.

### (ii) Depreciation

Freehold land is not depreciated. All other assets are depreciated to their residual values on a straight-line basis over their estimated useful lives as follows:

Building core	50 years or lease term if shorter
Building surface, finishes and services	30 years or lease term if shorter
Plant and machinery	15 – 20 years
Furniture and equipment	10 years
Soft furnishings	5 – 7 years
Computer equipment	5 years
Software	up to 8 years
Motor vehicles	4 years

No residual values are ascribed to building surface finishes and services. Residual values ascribed to building core depend on the nature, location and tenure of each property.

## Notes to the consolidated financial statements continued

### (iii) Subsequent costs

Capital expenditure on major projects is recorded separately within property, plant and equipment as capital work in progress. Once the project is complete the balance is transferred to the appropriate fixed asset categories. Capital work in progress is not depreciated.

Interest attributable to funds used to finance the construction or acquisition of new hotels or major extensions to existing hotels is capitalised gross of tax relief and added to the cost of the hotel core.

Operating supplies, which include china, linen, glass and silverware, were stated at their deemed costs as at 1 January 2008 and subsumed into the costs of the hotel buildings. Subsequent renewals and replacements of such stocks and new supplies upon initial hotel opening are written off as incurred to the income statement.

## F Leases

### (i) Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is initially recorded at the lower of fair value and the present value of minimum lease payments.

The equivalent liability, categorised as appropriate, is included within current or non-current liabilities. Assets are depreciated over the shorter of the lease term and their useful economic lives. Finance charges are allocated to accounting periods over the period of the lease to produce constant rates of return on the outstanding balance.

Rentals payable by the Group under operating leases are charged to the income statement on a straight-line basis over the lease term even if payments are not made on the same basis. In cases where rents comprise a fixed and a variable element, the fixed element only is charged to the income statement on a straight-line basis with the variable amounts being charged as they become due. Lease incentives received are recognised as an integral part of the total lease expense.

Rentals receivable by the Group as lessor under operating leases, including the sub-letting of retail outlets within hotel properties, are credited to the income statement on a straight-line basis over the lease term even if the receipts are not made on such a basis. Costs, including depreciation incurred in earning the lease income, are recognised as an expense.

### (ii) Lease premium

The Group makes and receives initial payments on entering into both long and short leases of land and buildings. Where payment for leased land is equivalent to the purchase of the freehold interest, the lease is classified as a finance lease. All other payments for leases of land are classified as operating leases.

On the statement of financial position, finance lease payment attributable to the land is recorded as property, plant and equipment and for operating leases, the land is recorded as a lease premium prepayment. Both lease types are charged to the income statement on a straight-line basis over the term of the lease. Interest attributable to funds to finance the purchase or lease of land is capitalised gross of tax relief and added to the cost of lease.

In the case of lease premiums received, these are reflected on the statement of financial position as deferred income, appropriately classified between current and non-current liabilities and are credited to the income statement on a straight-line basis over the term of the lease.

## G Impairment

The carrying amounts of the Group's assets, other than investment properties, inventories, employee benefit assets and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. Where permissible under IFRS, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in fair value of the asset below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement.

## **H Investment properties**

Investment properties held by the Group are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. Any increase or decrease in the fair value on annual revaluation is recognised in the income statement in accordance with IAS 40 Investment Property. In limited circumstances, the determination of fair value is uncertain, and these properties are carried at cost. Impairment analysis over these properties is carried out annually.

An external independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued, values the portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## **I Inventories**

Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## **J Development properties**

Development properties are stated at the lower of cost and net realisable value. They are held for sale in the short term and are therefore classified as current assets. The cost of development properties includes interest and other related expenditure incurred in order to get the asset ready for its intended use. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development. Payments received from purchasers arising from pre-sales of the property units prior to the completion are included as deferred income under other financial liabilities in the statement of financial position.

## **K Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

## **L Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost: any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

## Notes to the consolidated financial statements

### continued

#### **M Income tax**

Income tax on profit or loss comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: (i) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and (ii) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the benefit will be realised.

Deferred tax assets and liabilities are offset only to the extent that: (i) the Group has a legally enforceable right to offset current tax assets against current tax liabilities; (ii) the Group intends to settle net; and (iii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

#### **N Employee benefits**

##### **(i) Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement.

##### **(ii) Defined benefit plans**

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised immediately as an expense in the income statement.

The Group recognises remeasurement gains and losses within the consolidated statement of comprehensive income in the period in which they occur.

The Group determines the net interest expense (income) on the net defined benefit liabilities (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the income statement.

##### **(iii) Long-term service benefits**

The Group's net obligation in respect of long-term service benefits, other than post-employment plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any plan assets is deducted.

#### (iv) Share-based payment transactions

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

The cost of equity-settled transactions with employees for awards granted after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 23.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 11).

#### O Provisions

A provision is recognised on the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. Further details on provisions are given in Note 24.

#### P Revenue and its recognition

Revenue comprises:

- Income from the ownership and operation of hotels – recognised at the point at which the accommodation and related services are provided;
- Management fees – earned from hotels managed by the Group, usually under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability; recognised when earned on an accrual basis under the terms of the contract;
- Franchise fees – received in connection with licensing of the Group's brand names, usually under long-term contracts with the hotel owner. The Group charges franchise royalty fees as a percentage of room revenue; recognised when earned on an accrual basis under the terms of the agreement;
- Income from property rental – recognised on a straight-line basis over the lease term, lease incentives granted are recognised as an integral part of the total rental income; and
- Development property sales – recognised when the significant risks and rewards of ownership have passed to the buyer, which is usually when legal title transfers depending on jurisdictions. The trigger for revenue recognition depends on the laws within each jurisdiction.

## Notes to the consolidated financial statements continued

### Q Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are appropriately authorised and approved for payment and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### R Operating segment information

Disclosure of segmental information is principally presented in respect of the Group's geographical segments. The segments reported reflect the operating information included in internal reports that the Chief Operating Decision Maker ("CODM"), which is the Board, regularly reviews. Further details are given in Note 5.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Discrete financial information is reported to and is reviewed by the CODM on a geographical basis. Operating segments have Chief Operating Officers ("COOs") or equivalent who are directly accountable for the functioning of their segments and maintain regular contact with the Group Chief Executive Officer and Chairman of the CODM to discuss the operational and financial performance. The CODM makes decisions about allocation of resources to the regions managed by the COOs. No operating segments have been aggregated to form the reportable operating segments.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise interest-bearing loans, borrowings, cash and cash equivalents, net finance expense, taxation balances and corporate expenses.

### S Non-current assets held-for-sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale. Generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to property, plant and equipment and lease premium prepayment, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

### T Other financial assets and liabilities

Trade investments are classified as available-for-sale assets and are included under non-current assets within 'other financial assets'. They are recorded at market value with movements in value taken to equity. Any impairment to value is recorded in the income statement.

Trade and other receivables are stated at their nominal amount (discounted if material) less any impairment.

Trade and other payables are stated at their nominal amount (discounted if material).

### U Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### 3 Accounting estimates and judgements

Management has discussed with the Audit & Risk Committee the selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

The preparation of financial statements under IFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies and the reported amount of revenue and expenses during the year. The Group evaluates its estimates and assumptions on an ongoing basis. Such estimates and judgements are based upon historical experience and other factors it believes to be reasonable under the circumstances, which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

Certain critical accounting policies, among others, affect the Group's more significant estimates and assumptions used in preparing the consolidated financial statements. Actual results could differ from the Group's estimates and assumptions. Key estimates and judgements have been made in the following areas, of which the most significant are listed first:

### Asset carrying values

Management performs an assessment at each balance sheet date of assets across the Group where risk of impairment has been identified. Key judgement areas include the carrying values of property, plant and equipment and investment properties, investment in and loans to joint ventures and associates, and development properties. The recovery of these assets is dependent on future cash flows being receivable and the provision of future services or goods by third parties.

Where risk of impairment has been identified an impairment review has been performed on property, plant and equipment, lease premium prepayments and investments in and loans to joint ventures and associates held across the Group on a cash generating basis. Where appropriate, external evaluations are also undertaken. The impairment review is performed on a 'value in use' basis which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and appropriate growth rates. The discount rates used reflect appropriate sensitivities involved in the assessment. Discount rates used for impaired properties and investment properties are disclosed in Notes 12 and 14.

### Investment properties

The Group holds a number of investment properties and accounts for such properties in accordance with the accounting policy set out in Note 2.3H. The Group owns hotel assets which are leased to external third parties with lease rentals and related charges varying according to the agreement involved. The Group accounts for such hotel assets in its financial statements in accordance with the accounting policy set out in Note 2.3H.

Where the indicators are such that on balance the Group is shown to be a passive investor, the relevant property is accounted for in accordance with IAS 40 and the Group accounts for the fair value change through the income statement as other operating income or expense.

### Consolidation of entities in which the Group holds less than a majority of voting rights (de facto control)

In 2014, the new consolidation accounting standard, IFRS 10 introduced a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

This required the Group to consider whether it has de facto control over its investees, particularly when it owned less than 50% of the voting rights. In 2014, in accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees and changed its control conclusion in respect of its investment in CDL Hospitality Trusts ("CDLHT"), which was previously accounted for as an associate using the equity method. Although the Group owns less than half of the voting power of the investee, management determined that, under IFRS 10, the Group has had control over the investee since its inception. This is because a 100% owned subsidiary of the Group, M&C REIT Management Limited acts as REIT Manager with its fees having a performance-based element and therefore the Group has exposure to variable returns from its involvement with the investee. Accordingly, in 2014, the Group applied acquisition accounting to the investment from the year it was first established in 2006, and restated the relevant amounts as if the investee had been consolidated from that year. This judgement was reconsidered this year and continues to be appropriate.

### Business combination

For each acquisition, the Group has to make a judgement whether to account the transaction as an asset purchase or a business combination, which results in a different accounting treatment. In particular, under business combination accounting, goodwill and additional intangible assets may arise and the valuation of acquired assets is complex. In addition, transaction costs can be capitalised in an asset acquisition, but have to be charged through the income statement for a business combination. The classification of each acquisition and related accounting is highly judgemental.

### Taxation

The tax charge for the year is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax. The calculation of the Group's total tax charge involves a degree of estimation and judgement, particularly when tax treatment for certain items cannot be determined until a final resolution. In addition, recognition of deferred tax assets is judgemental as it depends on expected timing and level of future taxable income.

## Notes to the consolidated financial statements

### continued

Provisions for tax accruals require judgements on the interpretation of tax legislation, developments in tax case law and the potential outcomes of tax audits and appeals. The final resolution of certain of these items may give rise to material income statement and/or cash flow variances.

#### Land leases classification

The Group holds a number of hotels with leases of land that are determined to have an indefinite economic life. These are classified as a finance lease, even if at the end of the lease term title does not pass to the lessee. In determining whether the lease of land should be accounted for as a finance or an operating lease, the following factors were considered:

- transfer of ownership
- purchase options
- present value of minimum lease payments in comparison to fair value of land.

#### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 14 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report – Financial performance on pages 20 to 25 and in the key performance indicators on page 19. In addition, Note 22 of the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources and plans for refinancing maturing facilities are under way.

Cash flow forecasts for the Group have been prepared for a period in excess of twelve months from the date of approval of these consolidated financial statements. These forecasts reflect an assessment of current market conditions. The forecasts completed on this basis show that the Group will be able to operate within the current committed debt facilities and show continued compliance with the financial covenants. In addition, management has considered various mitigating actions that could be taken in the event that market conditions are worse than their current assessment. Such measures include further reduction in costs and in capital expenditure. On the basis of the exercise as described above and the available committed debt facilities, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for at least 12 months from the signing of this annual report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements of the Group and the Company.

In assessing whether the Group is a going concern, the Directors follow a review process which is consistent with the principles set out in the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014" published by the Financial Reporting Council.

#### Defined benefit pension plans

The Group operates a number of defined benefit pension plans. As set out in Note 23, the calculation of the present value of the Group's defined benefit obligations at each period end is subject to significant estimation. An appropriately qualified, independent actuary is used to undertake this calculation. The assumptions made by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered may not necessarily be borne out in practice. The valuation of scheme assets is based on their fair value at the balance sheet date. As these assets are not intended to be sold in the short term, their values may be subject to significant change before they are realised. In reviewing the work of the independent actuary, management is required to exercise judgement to satisfy themselves that appropriate weight has been afforded to macro economic factors.

Details of the assumptions used are set out in Note 23.

#### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non financial liabilities.

The Group has an established control framework with respect to the measurement of fair values. Management reviews significant unobservable inputs and valuations adjustments. If third party information is used to measure fair values, then management assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in their fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group Audit & Risk Committee.

When measuring fair values, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuations techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices led in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3: inputs for an asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in Note 14 'Investment Properties' and Note 23 'Employee Benefits'.

#### 4 New standards and interpretations not yet adopted

The following standards and interpretations, which have been issued by the IASB, become effective after the current year end and have not been early adopted by the Group:

International Accounting Standards (IAS/IFRS/IFRIC)	Effective date
IAS 1 Amendments: Presentation of the Financial Statements	1 January 2016
IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments: Classification and measurement	1 January 2018
IFRS 16 Leases	1 January 2019

The Group is assessing the potential impact on its consolidated financial statements resulting from implementation of these standards.

#### 5 Operating segment information

Disclosure of segmental information is principally presented in respect of the Group's geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise: interest-bearing loans, borrowings, cash and cash equivalents, net financial expense, taxation balances and corporate expenses.

##### Geographical segments

The hotel and property operations are managed on a worldwide basis and operate in seven principal geographical areas as follows:

- New York
- Regional US
- London
- Rest of Europe (including the Middle East)
- Singapore
- Rest of Asia
- Australasia

The segments reported reflect the operating segment information included in the internal reports that the Chief Operating Decision Maker ("CODM"), which is the Board, regularly reviews.

The reportable segments are aligned with the structure of the Group's internal organisation which is based according to geographical region. Discrete financial information is reported to and is reviewed by the CODM on a geographical basis. Operating segments have Chief Operating Officers ("COOs") or equivalent who are directly accountable for the functioning of their segments and who maintain regular contact with the Group Chief Executive Officer and Chairman of the CODM to discuss the operational and financial performance. The CODM makes decisions about allocation of resources to the regions managed by the COOs.

The results of CDLHT have been incorporated within the existing geographical regions. In addition, CDLHT operations are reviewed separately by its board on a monthly basis.

## Notes to the consolidated financial statements continued

### Segment results

	2015								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
<b>Revenue</b>									
Hotel	138	118	124	75	122	148	40	–	765
Property operations	–	3	–	–	2	7	23	–	35
REIT	–	–	–	3	12	20	12	–	47
<b>Total revenue</b>	<b>138</b>	<b>121</b>	<b>124</b>	<b>78</b>	<b>136</b>	<b>175</b>	<b>75</b>	<b>–</b>	<b>847</b>
<b>Hotel gross operating profit</b>	<b>33</b>	<b>25</b>	<b>63</b>	<b>20</b>	<b>54</b>	<b>49</b>	<b>17</b>	<b>–</b>	<b>261</b>
Hotel fixed charges <sup>1</sup>	(27)	(18)	(20)	(10)	(3)	(33)	(6)	–	(117)
Hotel operating profit	6	7	43	10	51	16	11	–	144
Property operating profit/(loss)	–	(1)	–	–	1	6	11	–	17
REIT operating profit/(loss)	–	–	–	(1)	(3)	7	12	–	15
Central costs	–	–	–	–	–	–	–	(21)	(21)
Other operating income <sup>2</sup>	–	–	–	–	–	32	–	–	32
Other operating expense <sup>2</sup>	(23)	(1)	–	(15)	(1)	(37)	(1)	–	(78)
Other operating income – REIT <sup>2</sup>	–	–	–	–	1	–	8	–	9
Other operating expense – REIT <sup>2</sup>	–	–	–	–	–	(4)	(2)	–	(6)
<b>Operating profit/(loss)</b>	<b>(17)</b>	<b>5</b>	<b>43</b>	<b>(6)</b>	<b>49</b>	<b>20</b>	<b>39</b>	<b>(21)</b>	<b>112</b>
Share of joint ventures and associates profit	–	–	–	1	–	16	–	–	17
Add: Depreciation and amortisation	7	9	6	4	11	21	2	1	61
<b>EBITDA <sup>3</sup></b>	<b>(10)</b>	<b>14</b>	<b>49</b>	<b>(1)</b>	<b>60</b>	<b>57</b>	<b>41</b>	<b>(20)</b>	<b>190</b>
Less: Depreciation and amortisation									(61)
Net finance expense									(20)
<b>Profit before tax</b>									<b>109</b>

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

<sup>2</sup> See Note 7 for details of other operating income and expense.

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

	2014								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
<b>Revenue</b>									
Hotel	123	106	125	71	131	152	42	–	750
Property operations	–	2	–	–	9	1	24	–	36
REIT	–	–	–	–	11	16	13	–	40
<b>Total revenue</b>	<b>123</b>	<b>108</b>	<b>125</b>	<b>71</b>	<b>151</b>	<b>169</b>	<b>79</b>	<b>–</b>	<b>826</b>
<b>Hotel gross operating profit</b>	<b>35</b>	<b>21</b>	<b>64</b>	<b>18</b>	<b>62</b>	<b>53</b>	<b>17</b>	<b>–</b>	<b>270</b>
Hotel fixed charges <sup>1</sup>	(22)	(16)	(19)	(11)	(2)	(28)	(4)	–	(102)
Hotel operating profit	13	5	45	7	60	25	13	–	168
Property operating profit/(loss)	–	(1)	–	–	8	–	8	–	15
REIT operating profit/(loss)	–	–	–	–	(3)	6	13	–	16
Central costs	–	–	–	–	–	–	–	(31)	(31)
Other operating income <sup>2</sup>	–	–	–	–	3	16	–	–	19
Other operating income – REIT <sup>2</sup>	–	–	–	–	5	1	2	–	8
<b>Operating profit/(loss)</b>	<b>13</b>	<b>4</b>	<b>45</b>	<b>7</b>	<b>73</b>	<b>48</b>	<b>36</b>	<b>(31)</b>	<b>195</b>
Share of joint ventures and associates profit	–	–	–	–	–	10	–	–	10
Add: Depreciation and amortisation	6	7	5	3	11	17	2	1	52
<b>EBITDA <sup>3</sup></b>	<b>19</b>	<b>11</b>	<b>50</b>	<b>10</b>	<b>84</b>	<b>75</b>	<b>38</b>	<b>(30)</b>	<b>257</b>
Less: Depreciation and amortisation									(52)
Net finance expense									(17)
<b>Profit before tax</b>									<b>188</b>

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

2 See Note 7 for details of other operating income and expense.

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

## Segmental assets and liabilities

	2015							
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
Hotel operating assets	540	293	490	248	17	602	138	2,328
REIT operating assets	–	–	–	62	528	127	158	875
Hotel operating liabilities	(24)	(31)	(19)	(27)	(19)	(63)	(7)	(190)
REIT operating liabilities	–	–	–	(2)	(11)	(2)	(2)	(17)
Investment in joint ventures and associates	–	–	–	–	–	112	–	112
<b>Total hotel operating net assets</b>	<b>516</b>	<b>262</b>	<b>471</b>	<b>281</b>	<b>515</b>	<b>776</b>	<b>287</b>	<b>3,108</b>
Property operating assets	–	33	–	–	75	135	81	324
Property operating liabilities	–	(1)	–	–	(7)	(3)	(4)	(15)
Investment in joint ventures and associates	–	–	–	–	–	143	–	143
<b>Total property operating net assets</b>	<b>–</b>	<b>32</b>	<b>–</b>	<b>–</b>	<b>68</b>	<b>275</b>	<b>77</b>	<b>452</b>
Deferred tax liabilities								(210)
Income taxes payable								(33)
Net debt								(605)
<b>Net assets</b>								<b>2,712</b>

## Notes to the consolidated financial statements

### continued

	2014							Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	
Hotel operating assets	542	279	502	242	18	654	147	2,384
REIT operating assets	–	–	–	–	539	128	162	829
Hotel operating liabilities	(34)	(22)	(34)	(19)	(21)	(59)	(8)	(197)
REIT operating liabilities	–	–	–	–	(15)	(3)	(2)	(20)
Investment in joint ventures and associates	–	–	–	–	–	96	–	96
<b>Total hotel operating net assets</b>	<b>508</b>	<b>257</b>	<b>468</b>	<b>223</b>	<b>521</b>	<b>816</b>	<b>299</b>	<b>3,092</b>
Property operating assets	–	31	–	–	97	102	74	304
Property operating liabilities	–	(1)	–	–	(8)	(6)	(4)	(19)
Investment in joint ventures and associates	–	–	–	–	–	139	–	139
<b>Total property operating net assets</b>	<b>–</b>	<b>30</b>	<b>–</b>	<b>–</b>	<b>89</b>	<b>235</b>	<b>70</b>	<b>424</b>
Deferred tax liabilities								(221)
Income taxes payable								(35)
Net debt								(525)
<b>Net assets</b>								<b>2,735</b>

### Geographic information

	2015 £m	2014 £m
<b>Revenue from external customers</b>		
United States	259	231
United Kingdom	175	171
Singapore	136	151
New Zealand	66	69
Taiwan	55	50
South Korea	40	46
China	24	23
Maldives	15	16
Malaysia	14	16
France	12	14
Australia	9	9
Philippines	6	6
Indonesia	5	6
Germany	0	5
Other	31	13
Total revenue per consolidated income statement	847	826

The revenue information above is based on the location of the business. The £847m (2014: £826m) revenue is constituted of £765m (2014: £750m) of hotel revenue, £35m (2014: £36m) of property operations revenue and £47m (2014: £40m) of REIT revenue. The property operations revenue comprises £23m (2014: £24m) from New Zealand, £2m (2014: £9m) from Singapore and £10m (2014: £3m) from other countries.

	2015 £m	2014 £m
<b>Non-current assets</b>		
United States	849	830
United Kingdom	693	630
Singapore	610	626
Taiwan	238	258
China	257	251
New Zealand	185	190
South Korea	176	175
Japan	166	131
Australia	101	109
Maldives	90	92
Hong Kong	89	79
Malaysia	55	64
Italy	52	56
France	34	37
Philippines	12	31
Indonesia	11	11
Others (including Middle East)	1	–
<b>Total non-current assets per consolidated statement of financial position</b>	<b>3,619</b>	<b>3,570</b>

Non-current assets for this purpose consist of property, plant and equipment, lease premium prepayment, investment properties, investment in joint ventures and associates, loans due from associate and other financial assets.

## 6 Administrative expenses

The following items are included within administrative expenses:

	2015 £m	2014 £m
Included in administrative expenses is the auditor's remuneration, for audit and non-audit services as follows:		
Auditor's remuneration		
Statutory audit services:		
– Annual audit of the Company and consolidated financial statements	1	1
– Audit of subsidiary companies	1	1
	<b>2</b>	<b>2</b>
Non-audit related services:		
– Tax advisory	1	1
<b>Total</b>	<b>3</b>	<b>3</b>

## Notes to the consolidated financial statements continued

	2015 £m	2014 £m
Repairs and maintenance	41	39
Depreciation	59	50
Lease premium amortisation	2	2
Rental paid/payable under operating leases		
– land and buildings	1	3
– plant and machinery	4	4

### 7 Other operating income and expense

	Notes	2015 £m	2014 £m
<b>Other operating income</b>			
Revaluation gain of investment properties	(a)		
– REIT properties		9	10
– Millennium Mitsui Garden Hotel Tokyo		32	16
– Tanglin Shopping Centre		–	3
		<b>41</b>	<b>29</b>
<b>Other operating expense</b>			
Revaluation deficit of investment properties	(a)		
– REIT properties		(6)	(2)
– Tanglin Shopping Centre		(1)	–
– Biltmore Court & Tower		(1)	–
Impairment of property, plant & equipment	(b)	(76)	–
		<b>(84)</b>	<b>(2)</b>

#### (a) Revaluation gain/deficit of investment properties

At the end of the financial year, in accordance with the Group's policy its investment properties were subject to external professional valuation on an open-market existing use basis. Based on these valuations, the revaluation gain or deficit was recorded as considered appropriate by the Directors.

#### (b) Impairment

The Directors undertook their annual review of the carrying value of hotels and property assets for indication of impairment and where appropriate, external valuations were also obtained. As a result of this review, the total impairment charge was £76m consisting of £23m in New York, £15m in Rest of Europe, £37m in Rest of Asia and £1m for NZ. No impairment charge was made in 2014. Further information is given in Note 12.

**8 Personnel expenses**

	2015 £m	2014 £m
Wages and salaries	291	278
Compulsory social security contributions	42	37
Contributions to defined contribution schemes	12	11
Defined benefit pension cost/(gain) – recorded in the statement of comprehensive income	2	(3)
Defined benefit pension cost – recorded in the income statement	2	2
Equity-settled share-based payment transactions	2	–
	<b>351</b>	<b>325</b>

The average number of employees employed by the Group (including Directors) during the year analysed by category was as follows:

	2015 Number	2014 Number
Hotel operating staff	8,399	7,954
Management/administration	1,385	1,253
Sales and marketing	466	464
Repairs and maintenance	620	586
	<b>10,870</b>	<b>10,257</b>

**Directors' remuneration**

	2015 £m	2014 £m
Remuneration	2	2
Received by the Directors under:		
– long-term incentive schemes	–	–
– Pensions	–	–
	<b>2</b>	<b>2</b>

**9 Net finance expense**

	2015 £m	2014 £m
Interest income	3	4
Interest receivable from joint ventures and associates	1	1
Foreign exchange gain	1	2
Finance income	5	7
Interest expense	(20)	(22)
Foreign exchange loss	(5)	(2)
Finance expense	(25)	(24)
Net finance expense	<b>(20)</b>	<b>(17)</b>

## Notes to the consolidated financial statements

### continued

#### 10 Income tax expense

	2015 £m	2014 £m
<b>Current tax</b>		
Corporation tax charge for the year	26	27
Adjustment in respect of prior years	–	4
Total current tax expense	26	31
<b>Deferred tax (Note 26)</b>		
Origination and reversal of timing differences	(9)	5
Effect of change in tax rate on opening deferred taxes	(2)	3
Benefits of tax losses recognised	(5)	(1)
Over provision in respect of prior years	(1)	(1)
Total deferred tax expense/(credit)	(14)	6
<b>Total income tax charge in the consolidated income statement</b>	<b>12</b>	<b>37</b>
UK	7	10
Overseas	5	27
<b>Total income tax charge in the consolidated income statement</b>	<b>12</b>	<b>37</b>

For the year ended 31 December 2015, the Group recorded a tax expense of £12m (2014: £37m) excluding the tax relating to joint ventures and associates, giving rise to an effective tax rate of 12.9% (2014: 20.7%). The effective tax rate has been affected by a number of factors which include the following items:

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

Excluding the impact of the items noted above, the Group's underlying effective tax rate is 18.4% (2014: 17.2%).

For the year ended 31 December 2015, a charge of £6m (2014: £6m) relating to joint ventures and associates is included in the profit before tax.

#### Adjustments in respect of settlement of prior years tax liabilities

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profit and loss and/or cash flow variances. The geographical complexity of the Group's structure makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and it is often dependent on the efficacy of the legal processes in the relevant tax jurisdictions in which the Group operates.

**Income tax reconciliation**

	2015 £m	2014 £m
<b>Profit before income tax in consolidated income statement</b>	<b>109</b>	188
Less share of profits of joint ventures and associates	<b>(17)</b>	(10)
<b>Profit on ordinary activities excluding share of joint ventures and associates</b>	<b>92</b>	178
Income tax on ordinary activities at the standard rate of		
UK tax of 20.25% (2014: 21.49%)	<b>19</b>	38
Tax exempt income	<b>(21)</b>	(21)
Non-deductible expenses	<b>11</b>	11
Current year losses for which no deferred tax asset was recognised	–	2
Effect of tax rates on other operating income and expense	–	1
Other effect of tax rates in foreign jurisdictions	<b>3</b>	–
Effect of change in tax rate on opening deferred taxes	<b>(2)</b>	3
Other adjustments to tax charge in respect of prior years	<b>2</b>	3
<b>Income tax expense per consolidated income statement</b>	<b>12</b>	37

**11 Earnings per share**

Earnings per share are calculated using the following information:

	2015	2014
<b>(a) Basic</b>		
Profit for the year attributable to holders of the parent (£m)	<b>65</b>	110
Weighted average number of shares in issue (m)	<b>325</b>	324
<b>Basic earnings per share (pence)</b>	<b>19.9p</b>	34.0p
<b>(b) Diluted</b>		
Profit for the year attributable to holders of the parent (£m)	<b>65</b>	110
Weighted average number of shares in issue (m)	<b>325</b>	324
Potentially dilutive share options under the Group's share option schemes (m)	<b>1</b>	1
Weighted average number of shares in issue (diluted) (m)	<b>326</b>	325
<b>Diluted earnings per share (pence)</b>	<b>19.8p</b>	33.9p

## Notes to the consolidated financial statements

### continued

#### 12 Property, plant and equipment

	Land and buildings £m	Capital work in progress £m	Plant and machinery £m	Fixtures, fittings and equipment and vehicles £m	Total £m
<b>Cost</b>					
Balance at 1 January 2014	2,411	25	216	226	2,878
Additions – Acquisitions	271	–	7	15	293
Additions – Others	41	20	19	19	99
Transfers	8	(21)	2	8	(3)
Disposals	–	–	–	(2)	(2)
Written off	–	–	–	(10)	(10)
Foreign exchange adjustments	42	–	5	5	52
<b>Balance at 31 December 2014</b>	<b>2,773</b>	<b>24</b>	<b>249</b>	<b>261</b>	<b>3,307</b>
Balance at 1 January 2015	2,773	24	249	261	3,307
Additions – Acquisitions	66	–	–	9	75
Additions – Others	7	29	15	20	71
Transfers	–	(10)	2	8	–
Disposals	(2)	–	(1)	(3)	(6)
Written off	(1)	–	(4)	(5)	(10)
Foreign exchange adjustments	4	(1)	(3)	(1)	(1)
<b>Balance at 31 December 2015</b>	<b>2,847</b>	<b>42</b>	<b>258</b>	<b>289</b>	<b>3,436</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 January 2014	267	1	70	170	508
Charge for the year	15	–	11	24	50
Disposals	–	–	–	(2)	(2)
Written off	–	–	–	(10)	(10)
Foreign exchange adjustments	4	–	2	2	8
Balance at 31 December 2014	286	1	83	184	554
Balance at 1 January 2015	286	1	83	184	554
Acquisition of subsidiaries	–	–	–	–	–
Charge for the year	17	–	15	27	59
Impairment	76	–	–	–	76
Disposals	(2)	–	(1)	(2)	(5)
Written off	–	–	(4)	(4)	(8)
Foreign exchange adjustments	1	–	(1)	(4)	(4)
<b>Balance at 31 December 2015</b>	<b>378</b>	<b>1</b>	<b>92</b>	<b>201</b>	<b>672</b>
<b>Carrying amounts</b>					
<b>At 31 December 2015</b>	<b>2,469</b>	<b>41</b>	<b>166</b>	<b>88</b>	<b>2,764</b>
At 31 December 2014	2,487	23	166	77	2,753

The carrying value of property, plant and equipment held under finance leases at 31 December 2015 was £9m (2014: £6m).

### a Impairment

Property, plant and equipment are reviewed for impairment based on each cash generating unit ("CGU"). The CGUs are individual hotels. The carrying value of individual hotels was compared to the recoverable amount of the hotels, which was predominantly based on value-in-use. For 2015, where indicators of impairment were present, the Group estimated value-in-use through creation of discounted cash flow models, based on future trading performance expected by management. The underlying basis for the impairment model involves each hotel's projected cash flow for the financial year ending 31 December 2016, extrapolated to incorporate individual assumptions in respect of revenue growth (principally factoring in room rate and occupancy growth) and major expense lines. The future cash flows are based on assumptions about competitive growth rates for hotels in that area, as well as internal business plans. These plans and forecasts include management's most recent view of trading prospects for the hotel in the relevant market. The forecasts cover a five to ten year period, and cash flows beyond this period are extrapolated using a growth rate ranging between 2% and 3%, which is based upon the expected trading growth for each hotel and inflation in the country. Where appropriate, the Directors sought guidance on value from a registered independent appraiser with an appropriately recognised professional qualification and recent experience in the location and category of the hotel being valued.

On the basis of external valuations in 2015, the Group recorded an impairment charge of £76m consisting of £23m in relation to a New York hotel, £15m for three hotels in Rest of Europe, £37m for two hotels in Rest of Asia and £1m for a hotel in New Zealand. No impairment charge was made in 2014. This reflected the challenging trading conditions in those regions.

Circumstances and events that led to the impairment are disclosed in the Financial Performance review in the Strategic Report.

### b Key assumptions used by the external appraisers

The key assumptions used were as follows:

**Pre-tax discount rate** – The discount rate is based on the country in which the hotel is located and is adjusted for risks associated with the hotel. Discount rates ranged from 8% to 10% in the US, 7% to 12% in Europe and 6% to 9% in Asia.

**Occupancy rate** – The occupancy growth rates ranged from 0% to 2% in the US, 0% to 8% in Europe and 0% to 3% in Asia.

**Average room rate** – The average room rate growth ranged from 3% to 5% in the US, 0% to 8% in Europe and 0% to 7% in Asia.

### c Sensitivities

The Group's impairment review is sensitive to changes in the key assumptions used, most notably the discount rates and revenue growth assumptions. Based on the Group's sensitivity analysis, a reasonably possible change in a single factor could result in impairment in certain hotels in London, Regional UK, Regional US, Asia and Australasia as their fair value currently exceeds their carrying value only by a small percentage.

### d Land and buildings

Land and buildings includes long leasehold building assets with a book value of £606m (2014: £595m). The net book value of land and buildings held under short leases was £96m (2014: £100m), in respect of which depreciation of £2m (2014: £2m) was charged during the year.

No interest was capitalised within land and buildings during the year (2014: £nil). The cumulative capitalised interest within land and buildings is £5m (2014: £5m).

### e Pledged assets

At year-end, the net book value of assets pledged as collateral for secured loans was £263m (2014: £283m). The security for the loans is by way of charges on the properties of the Group companies concerned.

## Notes to the consolidated financial statements

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#### f Business combination

##### Acquisition in 2015

##### Acquisition of a subsidiary (CDL HBT Cambridge City Hotel (UK) Ltd)

On 1 October 2015, the Group through its investment in CDLHT acquired 100% of the shares and voting interests in CDL HBT Cambridge City Hotel (UK) Ltd ("CCH") (the "Acquisition"). CDLHT acquired CCH in relation to the acquisition of the Cambridge City Hotel in Cambridge (the "Property"). The Acquisition marks CDLHT's first investment in Europe.

In the three months to 31 December 2015, CCH contributed gross revenue of £3m and net income before tax of £1m to the Group's results. If the acquisition had occurred on 1 January 2015, management estimates that the Group's gross revenue would have been £11m and the Group's net income before tax for the year would have been £3m. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

Consideration transferred	£'m
Total consideration for 100% equity interest acquired	62
Acquisition costs	1
Less: Cash at bank of subsidiary acquired	(2)
<b>Net cash outflow on acquisition</b>	<b>61</b>

##### Acquisition-related costs

The Group incurred acquisition-related costs of £1m on legal fees and due diligence costs.

##### Identifiable assets and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	£'m
Property, plant and equipment	61
Trade and other receivables	1
Cash at bank	2
Trade and other payables	(2)
<b>Total identifiable net assets</b>	<b>62</b>

##### Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation techniques
Property, plant and equipment	<i>Market comparison technique and Discounted cash flow technique:</i> The Market comparison valuation model considers quoted market prices for similar items when they are available. The Discounted cash flow valuation model is based upon a ten year forecast of the Property's potential trading performance, having built into the calculations any capital expenditure required for the hotel together with a Fixtures, Fittings & Equipment Reserve, based upon an appropriate percentage of the forecast turnover.

If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting acquisition will be revised.

#### *Acquisitions in 2014*

##### **Novotel New York Times Square**

On 12 June 2014, the Group acquired Novotel New York Times Square for a purchase price of US\$274m (£161m). The purchase price consisted of property, plant & equipment, which was included in the Group's New York geographical segment in 2014.

There was no change in the fair value asset allocation since the provisional assessment as at 31 December 2014.

##### **MyStays hotels in Japan**

In addition, on 19 December 2014, the Group acquired two hotels in Japan, as well as all the outstanding shares of capital stock of a company that operates them. The total consideration was S\$66m (£32m).

There was no change in the fair value asset allocation since the provisional assessment as at 31 December 2014 and the purchase price was fully allocated to property, plant & equipment on the Group's balance sheet.

#### **g Other acquisitions**

##### *Other acquisition in 2015*

##### **Hard Days Night Hotel in Liverpool**

On 19 August 2015, the Group acquired a long leasehold interest in a hotel property located in Liverpool for a total consideration of £14m. The total acquisition cost was capitalised as property, plant & equipment within the Group's existing hotels portfolio.

The purchase price has been fully allocated to property, plant & equipment on the Group's balance sheet.

##### *Other acquisitions in 2014*

##### **The Chelsea Harbour Hotel**

On 25 March 2014, the Group acquired the leasehold interest in a hotel property located within the Chelsea Harbour district in London for a purchase price of £65m. The total acquisition cost was capitalised as property, plant & equipment within the Group's existing hotels portfolio.

##### **Grand Hotel Palace Rome**

In addition, on 9 October 2014, the Group completed the purchase of its first hotel in Italy, for €66m (£51m). The total acquisition cost was capitalised as property, plant & equipment within the Group's existing hotels portfolio. In conjunction with the acquisition, the Group entered into a holdback escrow agreement with the seller. Pursuant to the holdback escrow agreement, approximately €6m (£5m) from the purchase price was withheld and placed into an escrow.

## Notes to the consolidated financial statements

### continued

#### 13 Lease premium prepayment

	2015 £m
<b>Cost</b>	
Balance at 1 January 2015	113
Foreign exchange adjustments	(2)
Balance at 31 December 2015	111
<b>Amortisation</b>	
Balance at 1 January 2015	13
Charge for the year	2
Balance at 31 December 2015	15
Carrying amount	96
Analysed between:	
Amount due after more than one year included in non-current assets	94
Amount due within one year included in current assets	2
	96

#### 14 Investment properties

Completed investment properties comprise Tanglin Shopping Centre, Biltmore Court & Tower, CDLHT properties and Millennium Mitsui Garden Hotel Tokyo. Investment properties under construction represents the land site at Sunnyvale.

##### Movements in the year analysed as:

	Completed investment properties £m	Investment properties under construction £m	Total £m
Balance at 1 January 2014	345	69	414
Transfers	63	(63)	–
Movements	42	–	42
Adjustment to fair value	27	–	27
Foreign exchange adjustment	(4)	–	(4)
<b>Balance at 31 December 2014</b>	<b>473</b>	<b>6</b>	<b>479</b>
Balance at 1 January 2015	473	6	479
Transfers	–	–	–
Movements	(1)	–	(1)
Adjustment to fair value	33	–	33
Foreign exchange adjustment	(6)	1	(5)
<b>Balance at 31 December 2015</b>	<b>499</b>	<b>7</b>	<b>506</b>

In general, the carrying amount of investment property other than those under construction is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property.

Only the land site at Sunnyvale, California, is classified as investment properties under construction at 31 December 2015 as the project of building a hotel and an apartment complex is still in progress. This asset is carried at cost on the balance sheet.

At the end of 2015, the Group's investment properties were subject to external professional valuation on an open market existing use basis by the following accredited independent valuers:

Properties	Valuers
Tanglin Shopping Centre, Singapore	DTZ DebenhamTie Leung (SEA) Pte Ltd
Biltmore Court & Tower, Los Angeles	Sequoia Hotel Advisors, LLC
Land site at Sunnyvale, California	Sequoia Hotel Advisors, LLC
Millennium Mitsui Garden Hotel Tokyo	Jones Lang LaSalle KK
CDLHT – Singapore property	Knight Frank Pte Ltd
CDLHT – Australia properties	CBRE Valuations Pty Limited
CDLHT – Maldives property	Jones Lang LaSalle Property Consultants Pte Ltd
CDLHT – New Zealand property	CB Richard Ellis (Pte) Ltd

Based on these valuations together with such considerations as the Directors consider appropriate, Millennium Mitsui Garden Hotel Tokyo recorded an uplift in value of £32m (2014: £16m) and Tanglin Shopping Centre and Biltmore Court & Tower a revaluation loss of respectively £1m (2014: gain of £3m) and £1m (2014: nil). In addition, the REIT properties recorded a net revaluation gain of £3m (2014: gain of £8m). All the other investment properties recorded no change and no impairment was identified.

#### Fair value hierarchy

The fair value measurement for investment properties not under construction of £499m (2014: £473m) has been categorised as a Level 3 fair value based on inputs to the valuation technique used.

#### Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The technique applied in the valuation of the Tanglin Shopping Centre is based on market comparison of sales of similar properties in the vicinity. Further adjustments are made to this value to account for differences in location, size, tenure, view, accessibility, condition and other factors.	<p><b>Tanglin Shopping Centre</b> Open market values for other properties.</p> <p><b>Biltmore Court &amp; Tower</b> Discount rate of between 8% to 10% and capitalisation rate of 7% to 9%.</p> <p><b>Millennium Mitsui Garden Hotel Tokyo</b> Discount rate of between 4% and 5% and capitalisation rate of 4% to 5%.</p> <p><b>CDLHT investment properties</b> Discount rate of between 11% and 14%, capitalisation rate of around 8% and terminal yield of 8% to 9%.</p>	<p>The estimated fair value would increase/ (decrease) if:</p> <p>Expected market rental growth were higher/(lower); and</p> <p>Risk adjusted discount rate was lower/ (higher), capitalisation rate was higher/ (lower) and terminal yield was lower/ (higher).</p>
Biltmore Court & Tower and Millennium Mitsui Garden Hotel Tokyo were valued using a discounted cash flow technique based on expected rental income and discount rate appropriate for the property.		
Investment properties held by the REIT were valued using the discounted cash flow, capitalisation or comparison techniques.		

Further details in respect of investment property rentals are given in Note 31.

## Notes to the consolidated financial statements

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#### 15 Investments in joint ventures and associates

The Group has the following significant investments in joint ventures and associates:

	Principal place of business	Fair value of ownership interest £m	Effective Group interest	
			2015	2014
<b>Joint ventures</b>				
New Unity Holdings Limited ("New Unity")	Hong Kong	–	50%	50%
Fena Estate Company Limited ("Fena")	Thailand	–	50%	50%
<b>Associate</b>				
First Sponsor Group Limited ("First Sponsor")	People's Republic of China	126	36%	36%

The Group has 50% interest in both New Unity and Fena which operate the Group's hotel business in Hong Kong and Bangkok respectively. First Sponsor is a property company which is listed on the Singapore Exchange and has interests in China and the Netherlands. It is also involved in the Chinese property financing business which carries additional risk of recoverability of certain assets.

	Joint ventures	Associates	Total £m
<b>Share of net assets/cost</b>			
Balance at 1 January 2014	68	135	203
Share of profit for the year	6	4	10
Additions	–	44	44
Restructuring	–	(28)	(28)
Foreign exchange adjustments	5	2	7
Other movements	–	(1)	(1)
<b>Balance at 31 December 2014</b>	<b>79</b>	<b>156</b>	<b>235</b>
Balance at 1 January 2015	79	156	235
Share of profit for the year	6	11	17
Foreign exchange adjustments	4	–	4
Other movements	–	(1)	(1)
<b>Balance at 31 December 2015</b>	<b>89</b>	<b>166</b>	<b>255</b>

The following is summarised financial information for First Sponsor and New Unity based on their respective financial statements prepared in accordance with IFRS.

The investment in Fena is not material to Group's financial statements.

	First Sponsor		New Unity	
	2015 £m	2014 £m	2015 £m	2014 £m
Non-current assets	347	161	325	315
Current assets	512	469	53	53
Non-current liabilities	(131)	(46)	(107)	(123)
Current liabilities	(260)	(146)	(23)	(28)
<b>Total assets less total liabilities</b>	<b>468</b>	<b>438</b>	<b>248</b>	<b>217</b>
Less: Non-controlling interest	(2)	–	(71)	(59)
<b>Net assets (100%)</b>	<b>466</b>	<b>438</b>	<b>177</b>	<b>158</b>
<b>Group's share</b>	<b>167</b>	<b>156</b>	<b>89</b>	<b>79</b>
<b>Revenue</b>	<b>102</b>	<b>73</b>	<b>106</b>	<b>100</b>
Operating profit	43	14	24	26
Interest income	0	6	(0)	(1)
Income tax expense	(11)	(9)	(4)	(4)
<b>Profit for the year</b>	<b>32</b>	<b>11</b>	<b>20</b>	<b>21</b>
Non-controlling interests	–	–	(9)	(8)
Profit for the year after non-controlling interests	32	11	11	13
Other comprehensive income	10	12	–	–
<b>Profit and total comprehensive income (100%)</b>	<b>42</b>	<b>23</b>	<b>11</b>	<b>13</b>
<b>Group's share of profit and total comprehensive income</b>	<b>15</b>	<b>8</b>	<b>6</b>	<b>7</b>
<b>Dividends received by the Group</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

At 31 December 2015, the Group's share of the total capital commitments of joint ventures and associates amounted to £27m (2014: £20m). At 31 December 2015, the Group's joint ventures and associates had no contingent liabilities (2014: £nil).

## 16 Other financial assets

	2015 £m	2014 £m
Other financial assets included within non-current assets comprise:		
Unquoted equity investments available-for-sale	–	5

## 17 Inventories

	2015 £m	2014 £m
Consumables	4	4

## Notes to the consolidated financial statements

### continued

#### 18 Development properties

	2015 £m	2014 £m
Development properties comprise:		
Development land for resale		
– New Zealand landbank	58	49
Development properties		
– Zenith Residences	23	23
	<b>81</b>	<b>72</b>

#### 19 Trade and other receivables

	2015 £m	2014 £m
Trade receivables	35	50
Other receivables	23	24
Prepayments and accrued income	18	30
	<b>76</b>	<b>104</b>

Trade receivables are shown net of an impairment allowance of £2m (2014: £2m) relating to the likely insolvencies of certain customers and non-recoverability of debts.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 22.

#### 20 Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	235	228
Short-term deposits	118	289
Cash pool overdrafts	(115)	(125)
Cash and cash equivalents on the statement of financial position	<b>238</b>	392
Overdrafts included in borrowings	–	(4)
Cash and cash equivalents shown in the cash flow statement	<b>238</b>	388

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in Note 22.

As at 31 December 2015, £5m (2014: £5m) of the cash balance was restricted. This forms part of the consideration for the acquisition of a hotel in Rome in 2014 (Note 12).

## 21 Interest-bearing loans, bonds and borrowings

	2015 £m	2014 £m
Included within non-current liabilities:		
Bank loans	466	323
Bonds payable	199	195
	<b>665</b>	518
Included within current liabilities:		
Bank loans and overdrafts	104	370
Bonds payable	74	29
	<b>178</b>	399

Further details in respect of financial liabilities are given in Note 22.

## 22 Financial instruments

### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, and the Group's policies and processes for measuring and managing risk.

### (a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to credit risk is monitored on an ongoing basis, with credit checks performed on all clients requiring credit over certain amounts. Credit is not extended beyond authorised limits, established where appropriate through consultation with a professional credit vetting organisation. Credit granted is subject to regular review, to ensure it remains consistent with the client's current creditworthiness and appropriate to the anticipated volume of business.

Investments are allowed only in liquid short-term instruments within approved limits, with investment counterparties approved by the Board, such that the exposure to a single counterparty is minimised.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet, these being spread across the various currencies and jurisdictions in which the Group operates.

## Notes to the consolidated financial statements

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The maximum exposure to credit risk at the reporting date was:

	Carrying value	
	2015 £m	2014 £m
Cash at bank and in hand (see Note 20)	235	228
Short-term deposits (see Note 20)	118	289
Unquoted equity investments available-for-sale (see Note 16)	–	5
Trade receivables (see Note 19)	35	50
Other receivables (see Note 19)	23	24
	<b>411</b>	596

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying value	
	2015 £m	2014 £m
New York	5	7
Regional US	3	7
Rest of Europe	7	5
Singapore	7	20
Rest of Asia	10	7
Australasia	3	4
	<b>35</b>	50

The ageing of trade receivables at the reporting date was:

	Gross receivable		Impairment allowance		Carrying value	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Not past due	22	39	–	–	22	39
Past due 0 – 30 days	4	6	–	–	4	6
Past due 31 – 60 days	3	3	–	–	3	3
Past due 61 – 90 days	2	1	–	–	2	1
More than 90 days	6	3	(2)	(2)	4	1
	<b>37</b>	52	<b>(2)</b>	(2)	<b>35</b>	50

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015 £m	2014 £m
Balance at 1 January	2	2
Impairment recognised	–	–
Balance at 31 December	<b>2</b>	2

	Contractual maturities of financial assets 2015				
	Total £m	6 months or less £m	6 months - 1 year £m	1 - 5 years £m	More than 5 years £m
<b>Financial Assets</b>					
<b>Fixed Rate</b>					
US dollar	14	14	-	-	-
Korean Won	2	2	-	-	-
Singapore dollar	37	37	-	-	-
New Taiwan dollar	8	8	-	-	-
Australian dollar	7	7	-	-	-
New Zealand dollar	36	36	-	-	-
Malaysian Ringgit	11	11	-	-	-
Euro	11	11	-	-	-
Chinese Renminbi	15	15	-	-	-
<b>Non Interest Bearing</b>					
Sterling	39	39	-	-	-
US dollar	36	36	-	-	-
Singapore dollar	21	21	-	-	-
Malaysian Ringgit	1	1	-	-	-
Euro	4	4	-	-	-
Japanese	12	12	-	-	-
Other	8	8	-	-	-
<b>Interest Bearing Cash Pool deposits</b>					
Singapore dollar	91	91	-	-	-
<b>Total cash and other financial assets</b>	<b>353</b>	<b>353</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Interest Bearing Cash Pool Overdrafts</b>					
Sterling	(33)	(33)	-	-	-
Euro	(5)	(5)	-	-	-
Japanese Yen	(13)	(13)	-	-	-
Hong Kong dollar	(28)	(28)	-	-	-
<b>Non Interest Bearing Cash Pool Overdrafts</b>					
Sterling	(28)	(28)	-	-	-
Japanese Yen	(8)	(8)	-	-	-
<b>Total overdrafts (Note 20)</b>	<b>(115)</b>	<b>(115)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	238	238	-	-	-
<b>Represented by:</b>					
Cash and cash equivalents (Note 20)	238				
	238				

## Notes to the consolidated financial statements continued

	Contractual maturities of financial assets 2014				
	Total £m	6 months or less £m	6 months - 1 year £m	1 - 5 years £m	More than 5 years £m
<b>Financial Assets</b>					
<b>Fixed Rate</b>					
Sterling	4	4	-	-	-
US dollar	22	22	-	-	-
Korean Won	7	7	-	-	-
Singapore dollar	175	175	-	-	-
New Taiwan dollar	6	6	-	-	-
Australian dollar	12	12	-	-	-
New Zealand dollar	47	47	-	-	-
Malaysian Ringgit	16	16	-	-	-
Euro	7	7	-	-	-
Others	16	16	-	-	-
<b>Non Interest Bearing</b>					
Sterling	23	23	-	-	-
US dollar	30	25	-	-	5
Korean Won	-	-	-	-	-
Singapore dollar	25	25	-	-	-
Malaysian Ringgit	1	1	-	-	-
Euro	4	4	-	-	-
Others	16	16	-	-	-
<b>Interest Bearing Cash Pool deposits</b>					
Singapore dollar	111	111	-	-	-
<b>Total cash and other financial assets</b>	<b>522</b>	<b>517</b>	<b>-</b>	<b>-</b>	<b>5</b>
<b>Interest Bearing Cash Pool Overdrafts</b>					
Sterling	(44)	(44)	-	-	-
US dollar	(2)	(2)	-	-	-
Euro	(12)	(12)	-	-	-
Japanese Yen	(20)	(20)	-	-	-
Hong Kong dollar	(30)	(30)	-	-	-
<b>Non Interest Bearing Cash Pool Overdrafts</b>					
Sterling	(17)	(17)	-	-	-
<b>Total overdrafts (Note 20)</b>	<b>(125)</b>	<b>(125)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>397</b>	<b>392</b>	<b>-</b>	<b>-</b>	<b>5</b>
<b>Represented by:</b>					
Cash and cash equivalents (Note 20)	392				
Other financial assets (non current) (Note 16)	5				
	<b>397</b>				

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments using the interest rates prevailing as at the reporting date.

31 December 2015	Carrying amount £m	Contractual cash flows £m	Contractual maturities of financial liabilities				
			6 months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than 5 years £m
<b>Floating rate financial liabilities</b>							
Secured loans	67	74	3	3	38	30	–
Unsecured loans	313	322	22	83	64	153	–
Secured bonds	16	16	–	–	–	16	–
Unsecured bonds	140	144	35	40	1	68	–
<b>Fixed rate financial liabilities</b>							
Secure bonds	60	61	–	–	–	61	–
Unsecured loans	190	213	3	3	6	201	–
Unsecured bonds	57	60	–	1	1	58	–
<b>Trade and other payables</b>							
Trade payables	22	22	20	2	–	–	–
Other creditors	31	31	31	–	–	–	–
<b>Non-current liabilities</b>							
Other non-current liabilities	12	12	–	–	–	3	9
	908	955	114	132	110	590	9

31 December 2014	Carrying amount £m	Contractual cash flows £m	Contractual maturities of financial liabilities				
			6 months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than 5 years £m
<b>Floating rate financial liabilities</b>							
Secured loans	67	72	2	2	5	63	–
Unsecured loans	526	540	56	265	57	162	–
Unsecured bonds	166	171	30	1	74	66	–
Bank overdrafts	3	4	4	–	–	–	–
<b>Fixed rate financial liabilities</b>							
Unsecured loans	97	105	2	51	1	51	–
Unsecured bonds	58	63	–	1	1	61	–
<b>Trade and other payables</b>							
Trade payables	23	23	19	4	–	–	–
Other creditors	16	16	16	–	–	–	–
<b>Non-current liabilities</b>							
Other non-current liabilities	11	11	–	–	1	2	8
	967	1,005	129	324	139	405	8

## Notes to the consolidated financial statements

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#### Undrawn committed borrowing facilities

At 31 December 2015, the Group had £406m (2014: £255m) of undrawn and committed facilities available, comprising committed revolving credit facilities which provide the Group with financial flexibility. Maturities of these facilities are set out in the following table.

The conditions precedent to the availability of these facilities are all satisfied at the balance sheet date.

	2015 £m	2014 3m
Expiring in one year or less	128	169
Expiring after more than one year but not more than two years	112	16
Expiring after more than two years but not more than five years	166	70
Expiring after more than five years	–	–
Total undrawn committed borrowing facilities	406	255

#### Security

Included within the Group's total bank loans and overdrafts of £570m (2014: £693m) are £67m (2014: £70m) of secured loans and overdrafts. Total bonds and notes payable of £197m (2014: £224m) are unsecured.

Loans, bonds and notes are secured on land and buildings with a carrying value of £263m (2014: £283m) and an assignment of insurance proceeds in respect of insurances over the mortgaged properties.

Of the Group's total facilities of £1,297m, £351m matures within 12 months comprising £73m unsecured bonds and notes, £67m committed revolving credit facilities, £45m uncommitted facilities and overdrafts subject to annual renewal, £163m unsecured term loans and £3m secured term loans. Plans for refinancing the facilities are underway.

#### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The primary objectives of the treasury function are to provide secure and competitively priced funding for the activities of the Group and to identify and manage financial risks, including exposure to movements in interest and foreign exchange rates arising from those activities. If appropriate, the Group uses financial instruments and derivatives to manage these risks, as set out below.

#### (i) Foreign currency risk

The Group is exposed to foreign currency risk on revenue, purchases, borrowings and cash deposits denominated in currencies other than the functional currencies of the respective Group entities. The currencies giving rise to this risk are primarily US dollars, Singapore dollars, New Zealand dollars, New Taiwan dollars, Korean won, Chinese renminbi, Japanese yen and Euro.

The Group's principal policy, wherever possible, is to maintain a natural hedge whereby liabilities are matched with assets denominated in the same currency. Foreign currency investment exposure is also minimised by borrowing in the currency of the investment.

To mitigate foreign currency translation exposure, an appropriate proportion of net assets are designated as hedged against corresponding financial liabilities in the same currency.

#### Net investment hedging

The Group has US\$167m (2014: US\$429m) US dollar loans and overdrafts, €61m (2014: €61m) Euro loans and overdrafts, and JPY3,704m (2014: JPY3,704m) Japanese yen overdrafts designated as hedges of corresponding respective proportions of its net investment in foreign operations whose functional currencies are US dollars, Euros and Japanese yen. The risk being hedged is the foreign currency exposure on the carrying amount of the net assets of the foreign operation upon consolidation. The fair value of the hedging instruments as at 31 December 2015 was £178m (2014: £343m).

There was no ineffectiveness recognised in the consolidated income statement that arose from hedges of net investments in foreign operations.

An analysis of borrowings by currency and their fair values as at 31 December is given below:

	31 December 2015		31 December 2014	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Sterling	64	64	–	–
Singapore dollar	199	199	204	204
Australia dollar	46	46	49	49
US dollar	303	303	438	438
New Zealand dollar	34	34	34	34
Chinese renminbi	33	33	36	36
Japanese yen	94	94	89	89
New Taiwan dollar	10	10	10	10
Korean Won	20	20	21	21
Euro	40	40	36	36
	<b>843</b>	<b>843</b>	917	917

Exchange differences arising on foreign currency loans during each accounting period are recognised as a component of equity, to the extent that the hedge is effective. The foreign exchange exposure arising on the Group's net investment in its subsidiaries is expected to be highly effective in offsetting the exposure arising on the Group's foreign currency borrowings.

Foreign currency transaction exposure is primarily managed through funding of purchases from operating income streams arising in the same currency.

Hedging of transaction exposure is undertaken with approved counterparties and within designated limits, using spot or short-term forward contracts to buy or sell the currency concerned, once the timing and the underlying amount of exposure have been determined. Foreign exchange derivatives may also be used to hedge specific transaction exposure where appropriate. There are no foreign exchange derivatives in place at 31 December 2015.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2015	2014	2015	2014
US dollar	1.532	1.645	1.490	1.556
Singapore dollar	2.101	2.087	2.103	2.059
New Taiwan dollar	48.623	49.938	48.923	49.419
New Zealand dollar	2.176	1.990	2.167	2.001
Malaysian ringgit	5.934	5.391	6.403	5.442
Korean won	1,730.23	1,727.98	1,742.09	1,708.55
Chinese renminbi	9.640	10.138	9.668	9.684
Euro	1.375	1.240	1.358	1.278
Japanese yen	185.880	173.950	179.411	187.334

## Notes to the consolidated financial statements

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#### Sensitivity analysis

With respect to the Group's foreign currency exposure, and assuming that all other variables, in particular interest rates, remain constant, it is estimated that a 10% strengthening of sterling against the following currencies at 31 December 2015 (31 December 2014: 10%) would have increased/(decreased) equity and profit before tax by the amounts shown below:

	31 December 2015		31 December 2014	
	Equity £m	Profit before tax £m	Equity £m	Profit before tax £m
US dollar	28	1	6	(1)
Australian dollar	(2)	–	(1)	–
Singapore dollar	4	(5)	4	(9)
New Taiwan dollar	–	1	–	–
New Zealand dollar	(5)	(2)	–	(2)
Malaysian ringgit	–	–	–	–
Korean won	–	–	–	–
Euro	8	1	(2)	–
Chinese renminbi	(3)	–	(3)	–
Hong Kong dollar	–	(1)	–	(2)
Thai baht	–	–	(2)	–
Japanese Yen	3	(3)	–	(2)
Philippines peso	–	2	–	–
Other	–	(1)	–	–
	<b>33</b>	<b>(7)</b>	2	(16)

A 10% weakening of sterling against the above currencies at 31 December 2015 (31 December 2014: 10%) would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### (ii) Interest rate risk and interest rate swaps

The Group adopts a policy of ongoing review of its exposure to changes in interest rates on its borrowings, taking into account market expectations with regard to the perceived level of risk associated with each currency, the maturity profile and cash flows of the underlying debt, and the extent to which debt may potentially be either prepaid prior to its maturity or refinanced at reduced cost.

The Group's policy is to maintain a mixture of its financial liabilities on a fixed and floating-rate basis with a greater emphasis on floating rates presently as this flexibility is considered to be appropriate in the context of the Group's overall geographical diversity, investment and business cycle and the stability of the income streams, cash balances and loan covenants.

Interest rate derivatives are used to manage interest rate risk, to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings, and the Group actively monitors the need and timing for such derivatives. Where used, interest rate derivatives are classified as cash flow hedges and stated at fair value within the Group's consolidated statement of financial position. Further details of interest rate derivatives in place at 31 December 2015 are provided hereafter.

### Cash flow sensitivity analysis for variable rate instruments

Assuming that all other variables, in particular foreign currency rates, remain constant, a change of one percentage point in the average interest rates applicable to variable rate instruments for the year would have increased/(decreased) the Group's profit before tax for the year as shown below:

	31 December 2015		31 December 2014	
	1% increase £m	1% decrease £m	1% increase £m	1% decrease £m
Variable rate financial assets	2	(2)	3	(3)
Variable rate financial liabilities	(9)	9	(8)	8
Cash flow sensitivity (net)	(7)	7	(5)	5

### (d) Fair value

Set out below is a comparison of the fair and book values of all the Group's financial instruments by category. Fair values are determined by reference to market values, where available, or calculated by discounting cash flows at prevailing interest rates.

	2015 Book value £m	2015 Fair value £m	2014 Book value £m	2014 Fair value £m
<b>Financial assets</b>				
<b>Cash and cash equivalents</b>				
Cash at bank and in hand	235	235	228	228
Short-term deposits	118	118	289	289
Cash pool overdrafts	(115)	(115)	(125)	(125)
<b>Available-for-sale financial assets</b>				
Unquoted equity investments available-for-sale	–	–	5	5
<b>Loans and receivables</b>				
Trade receivables	35	35	50	50
Other receivables	41	41	24	24
	314	314	471	471
<b>Financial liabilities</b>				
Overdrafts and borrowings	(843)	(843)	(917)	(917)
Trade payables	(22)	(22)	(23)	(23)
Other creditors	(31)	(31)	(16)	(16)
Other non-current liabilities	(12)	(12)	(11)	(11)
	(908)	(908)	(967)	(967)

### Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

#### Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps, bank valuations are used.

#### Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

## Notes to the consolidated financial statements

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#### Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for similar lease agreements. The estimated fair values reflect changes in interest rates.

#### Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

#### Interest rates used for determining fair value

Prevailing market interest rates are used to discount cash flows to determine the fair value of financial assets and liabilities.

#### Available-for-sale financial assets – unquoted equity investments

Fair value is estimated using appropriate valuation techniques.

#### Fair value hierarchy

As at 31 December 2015, the Group held certain financial instruments measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:  
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value	2015 £m	Level 1 £m	Level 2 £m	Level 3 £m
Investment properties	499	–	–	499
	<b>499</b>	<b>–</b>	<b>–</b>	<b>499</b>
Assets measured at fair value	2014 £m	Level 1 £m	Level 2 £m	Level 3 £m
Investment properties	473	–	–	473
Available-for-sale financial assets				
Unquoted equity investments available-for-sale	5	–	–	5
	<b>478</b>	<b>–</b>	<b>–</b>	<b>478</b>

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measures.

## Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective for managing its capital is to ensure that Group entities will be able to continue as a going concern while maximising the return to shareholders, as well as sustaining the future development of its business. In order to maintain or adjust the capital structure, the Group may alter the total amount of dividends paid to shareholders, return capital to shareholders, issue new shares, draw down additional debt or reduce debt.

The Group's capital structure consists of debt, which includes the loans and borrowings disclosed in Note 21, cash and cash equivalents disclosed in Note 20 and the equity attributable to the parent, comprising share capital, reserves and retained earnings, as disclosed in the consolidated statement of changes in equity. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

One of the Group's subsidiaries, CDLHT which is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT") and CDL Hospitality Business Trust ("HBT"), a business trust, is required to maintain certain minimum base capital and financial resources. H-REIT is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the Code on Collective Investment Schemes ("CIS Code") issued by Monetary Authority of Singapore. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 35.0% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 35.0% of its Deposited Property (up to a maximum of 60.0%) if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35.0% of its Deposited Property.

For this financial year, H-REIT has a credit rating of BBB- from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2015 was 36.4% (2014: 31.7%) of H-REIT's Deposited Property. This complied with the aggregate leverage limit as described above.

HBT, H-REIT and CDLHT have complied with the borrowing limit requirements imposed by the relevant Trust Deeds and all externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

Except for the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 23 Employee benefits

### Pension arrangements

The Group operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. The most significant funds are described below.

#### United Kingdom

The pension arrangements in the United Kingdom operate under the 'Millennium & Copthorne Pension Plan', which was set up in 1993. The plan operates a funded defined benefit arrangement together with a defined contribution plan, both with different categories of membership. The defined benefit section of the plan was closed to new entrants in 2001 and at the same time rights to a guaranteed minimum pension ("GMP") under the defined contribution scheme also ceased. The plan entitles a retired employee to receive an annual pension payment.

The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2014 and this has been updated on an approximate basis to 31 December 2015. The contributions of the Group during the year were 24% (2014: 24%) of pensionable salary.

As the defined benefit section is closed to new entrants, the current service cost, as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll. The assumptions which have the most significant effect on the results of the valuation are those relating to the discount rate and the rates of increase in salaries and pensions.

## Notes to the consolidated financial statements

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#### South Korea

The Group operates a defined benefit pension plan for its employees in South Korea. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2015. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and rate of increase in salaries.

#### Taiwan

The Group operates a defined benefit pension plan for its employees in Taiwan. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2015. The contributions of the Group were 6% (2014: 6%) of the employees' earnings. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and rate of increase in salaries.

The defined benefit plans are administered by pension funds that are legally separated from the Group. The boards of the pension funds are required by law to act in the best interests of the plan participants.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market investment risk.

The above plans are substantially funded by the Group's subsidiaries. The funding requirements are based on the pension funds' actuarial measurement framework set out in the funding policies of the plans.

The assets of each scheme have been taken at market value and the liabilities have been calculated using the following principal assumptions:

	2015 UK	2015 South Korea	2015 Taiwan	2014 UK	2014 South Korea	2014 Taiwan
Inflation rate	3.2%	3.0%	–	3.2%	3.0%	–
Discount rate	3.6%	2.8%	1.6%	3.7%	2.8%	2.0%
Rate of salary increase	3.7%	4.0%	3.0%	3.7%	5.0%	3.0%
Rate of pension increases	3.2%	–	–	3.2%	–	–
Rate of revaluation	2.2%	–	–	2.2%	–	–
Annual expected return on plan assets	3.6%	2.8%	1.6%	3.7%	2.8%	2.0%

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not necessarily be borne out in practice. The present values of the schemes' liabilities are derived from cash flow projections over long periods and are inherently uncertain. The expected annual return on UK defined benefit plan assets for 2015 was 3.6% (2014: 3.7%).

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions consistent, would have altered the defined benefit obligation by the amounts shown below:

	Defined benefit obligation			
	2015 Increase £m	2015 Decrease £m	2014 Increase £m	2014 Decrease £m
Discount rate (1% movement)	(11)	14	(11)	14
Rate of salary increase (1% movement)	2	(2)	3	(2)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

Amounts recognised on the balance sheet are as follows:

	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Other £m	2015 Total £m	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Other £m	2014 Total £m
Present value of funded obligations	61	4	9	1	75	60	7	8	1	76
Fair value of plan assets	(55)	(4)	(3)	–	(62)	(54)	(3)	(4)	–	(61)
Plan deficit	6	–	6	1	13	6	4	4	1	15

Changes in the present value of defined benefit obligations are as follows:

	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Other £m	2015 Total £m	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Other £m	2014 Total £m
Balance at 1 January	60	7	8	1	76	55	4	9	1	69
Current service cost	1	1	–	–	2	1	1	–	–	2
Interest cost	2	–	–	–	2	2	–	–	–	2
Benefits paid, death in service insurance premiums and expenses	(2)	(1)	1	–	(2)	(1)	–	(1)	–	(2)
Remeasurement losses/ (gains) arising from:										
– Financial assumptions	1	(1)	–	–	–	4	–	–	–	4
– Demographic assumptions	(1)	–	–	–	(1)	–	–	–	–	–
– Experience adjustment	–	–	–	–	–	(1)	–	–	–	(1)
Foreign exchange adjustments	–	(2)	–	–	(2)	–	2	–	–	2
Balance at 31 December	61	4	9	1	75	60	7	8	1	76

Changes in the fair value of plan assets are as follows:

	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Total £m	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Total £m
Balance at 1 January	54	3	4	61	45	3	3	51
Interest income	2	–	–	2	2	–	–	2
Group contributions	4	–	–	4	2	–	1	3
Benefits paid	(4)	–	1	(3)	(1)	–	(1)	(2)
Remeasurement gains arising from:								
– Return on plan assets excluding interest income	(1)	–	–	(1)	6	–	–	6
Foreign exchange adjustments	–	1	(2)	(1)	–	–	1	1
Balance at 31 December	55	4	3	62	54	3	4	61
Actual return on plan assets	1	–	–	1	7	–	–	7

The fair values of plan assets in each category are as follows:

	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Total £m	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Total £m
Equities	8	–	–	8	21	–	–	21
Bonds	1	4	–	1	2	–	–	2
Cash and cash equivalents	46	–	3	53	31	3	4	38
	55	4	3	62	54	3	4	61

## Notes to the consolidated financial statements

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The expense recognised in the income statement is as follows:

	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Other £m	2015 Total £m	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Other £m	2014 Total £m
Current service cost	1	1	–	–	2	1	1	–	–	2
Interest cost	2	–	–	–	2	2	–	–	–	2
Interest income	(2)	–	–	–	(2)	(2)	–	–	–	(2)
	1	1	–	–	2	1	1	–	–	2

Total cost is recognised within the following items in the income statement:

	2015 £m	2014 £m
Cost of sales	1	1
Administrative expenses	1	1
	2	2

The gains or losses recognised in the consolidated statement of comprehensive income are as follows:

	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Other £m	2015 Total £m	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Other £m	2014 Total £m
Actual return less expected return on plan assets	(1)	–	–	–	(1)	6	–	–	–	6
Remeasurement (losses)/ gains arising from										
– Financial assumptions	(2)	1	–	–	(1)	(4)	–	–	–	(4)
– Demographic assumptions	–	–	–	–	–	–	–	–	–	–
– Experience adjustment	–	–	–	–	–	1	–	–	–	1
Defined benefit plan remeasurement gains/ (losses)	(3)	1	–	–	(2)	3	–	–	–	3

Actuarial losses recognised directly in equity are as follows:	2015 £m	2014 £m
Cumulative as at 1 January	15	18
Remeasurement losses recognised during the year	2	(3)
Cumulative as at 31 December	17	15

Mortality rates used reflect an industry wide recognition that life expectancy has increased. The life expectancies underlying the value of the accrued liabilities for the UK Plan, based on retirement age of 65, are as follows:

	2015 Years	2014 Years
Males	24	25
Females	27	27

The weighted-average duration of the defined benefit obligations as at 31 December 2015 was 26 years (2014: 26). The Group expects £0.8m in contributions to be paid to the defined benefit plans in 2016.

### Share-based payments

The Group operates a number of share option schemes, a majority being designed to link remuneration to the future performance of the Group. Details of these schemes are given in the Remuneration Committee report.

In accordance with the Group's accounting policy 2.3N(iv) on share-based payment transactions, the fair value of share options and long-term incentive awards is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the share options and long-term incentive awards.

The charge to the income statement for the year was £2m (2014: £nil).

The Group has applied IFRS 2 to its active employee share-based payment arrangements from 1 January 2005 except for arrangements granted before 7 November 2002.

#### (i) Millennium & Copthorne Hotels plc 2006 Long-Term Incentive Plan

Performance Share Awards under this scheme are awarded to Executive Directors and senior management of the Group.

Date of Award	Awards outstanding as at 1 Jan 2015	Awards awarded during the year	Awards vested during the year	Awards forfeited during the year	Awards expired during the year	Awards outstanding as at 31 Dec 2015	Credited to share capital £m	Credited to share premium £m	Vesting date
16.08.2012	491,335	–	–	(491,335)	–	–	–	–	16.08.2015
11.09.2013	407,211	–	–	(44,246)	–	362,965	–	–	11.09.2016
21.11.2013	21,055	–	–	–	–	21,055	–	–	21.11.2016
04.04.2014	648,610	–	–	(122,825)	–	525,785	–	–	04.04.2017
03.08.2015	–	251,122	–	–	–	251,122	–	–	03.08.2018
10.09.2015	–	11,867	–	–	–	11,867	–	–	10.09.2018
	1,568,211	262,989	–	(658,406)	–	1,172,794	–	–	

#### (ii) Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme

Share options under this scheme were granted to the Executive Director and senior management of the Group.

Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2015	Options exercised during the year	Options expired during the year	Options forfeited during the year	Options outstanding as at 31 Dec 2015	Proceeds on exercise of options during the year		Exercise period
							Credited to share capital £m	Credited to share premium £m	
Part II (Unapproved)									
24.03.2005	3.9842	10,581	(10,581)	–	–	–	–	–	24.03.2008 – 23.03.2015

## Notes to the consolidated financial statements

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#### (iii) Millennium & Copthorne Hotels plc 2006 Sharesave Scheme

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

Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2015	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 Dec 2015	Proceeds on exercise of options during the year		Exercise period
								Credited to share capital £m	Credited to share premium £m	
01.04.2010	3.3000	2,166	–	(1,978)	(188)	–	–	–	–	01.08.2015 – 31.01.2016
19.04.2011	4.1800	2,848	–	(2,762)	–	(86)	–	–	–	01.08.2014 – 31.01.2015
19.04.2011	4.1800	7,349	–	–	(309)	–	7,040	–	–	01.08.2016 – 31.01.2017
19.04.2012	3.8800	43,298	–	(39,115)	(1,680)	–	2,503	–	–	01.08.2015 – 31.01.2016
19.04.2012	3.8800	9,816	–	–	–	–	9,816	–	–	01.08.2017 – 31.01.2018
19.04.2013	4.4800	41,264	–	(1,283)	(4,295)	–	35,686	–	–	01.08.2016 – 31.01.2017
19.04.2013	4.4800	6,694	–	–	(3,348)	–	3,346	–	–	01.08.2018 – 31.01.2019
06.05.2014	4.4600	84,168	–	(2,521)	(18,539)	–	63,108	–	–	01.08.2017 – 31.01.2018
06.05.2014	4.4600	7,665	–	–	(1,344)	–	6,321	–	–	01.08.2019 – 31.01.2020
14.04.2015	4.6900	–	68,243	–	(9,358)	–	58,885	–	–	01.08.2018 – 31.01.2019
14.04.2015	4.6900	–	6,649	–	–	–	6,649	–	–	01.08.2020 – 31.01.2021
		205,268	74,892	(47,659)	(39,061)	(86)	193,354			

The weighted average share price at the dates of exercise of share options in the year was £5.54 (2014: £5.84).

The options outstanding at the year-end have an exercise price in the range of £3.30 to £4.69 (2014: £3.30 to £4.48) and a weighted average contractual life of 1.6 years (2014: 1.7 years).

The following awards/options were granted in the current year and comparative year:

2015 Awards/options	Date of grant	Awards/options granted		Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk-free interest rates
		Directors	Non-Directors							
LTIP – EPS	03.08.2015	80,645	70,028	5.55	–	5.16	3.00	–	2.5%	–
LTIP – EPS	10.09.2015	–	7,120	5.53	–	5.13	3.00	–	2.5%	–
LTIP – TSR (FTSE 250)	03.08.2015	13,441	11,671	5.55	–	1.22	2.28	19.5%	2.5%	0.8%
LTIP – TSR (FTSE 250)	10.09.2015	–	1,187	5.53	–	1.36	2.18	19.6%	2.5%	0.7%
LTIP – TSR (hotels)	03.08.2015	13,441	11,671	5.55	–	2.28	2.28	to 49.8% 17.7%	2.5%	0.8%
LTIP – TSR (hotels)	10.09.2015	–	1,187	5.53	–	2.83	2.18	to 52.5%	2.5%	0.7%
LTIP – NAV	03.08.2015	26,882	23,343	5.55	–	5.16	3.00	–	2.5%	–
LTIP – NAV	10.09.2015	–	2,373	5.53	–	5.13	3.00	–	2.5%	–
Sharesave Scheme (3 year)	14.04.2015	–	68,243	5.75	4.69	1.21	3.55	21.7%	2.4%	0.8%
Sharesave Scheme (5 year)	14.04.2015	–	6,649	5.75	4.69	1.45	5.55	25.2%	2.4%	1.1%

2014 Awards/options	Date of grant	Awards/options granted		Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk-free interest rates
		Directors	Non-Directors							
LTIP – EPS	04.04.2014	86,898	242,616	5.57	–	5.17	3.00	–	2.4%	–
LTIP – TSR (FTSE 250)	04.04.2014	26,069	72,785	5.57	–	1.61	3.00	16.5% 22.4%	2.4%	1.0%
LTIP – TSR (hotels)	04.04.2014	26,069	72,785	5.57	–	2.46	3.00	to 49.5%	2.4%	1.0%
LTIP – NAV	04.04.2014	34,760	97,045	5.57	–	5.17	3.00	–	2.4%	–
Sharesave Scheme (3 year)	06.05.2014	–	96,757	5.56	4.46	1.28	3.25	22.9%	2.4%	1.4%
Sharesave Scheme (5 year)	06.05.2014	–	7,934	5.56	4.46	1.80	5.25	33.1%	2.4%	2.0%

#### (iv) Annual Bonus Plan (“ABP”)

Under the ABP, deferred share awards are granted annually to selected employees of the Group. Shares in Millennium & Copthorne Hotels plc are transferred to participants at the end of three years if they continue to be employed by the group throughout that period.

The fair values for the deferred share awards were determined using the market price of the shares at the date of grant. The weighted average share price for deferred share awards granted in 2015 was £5.51.

Date of Award	Awards awarded during the year	Awards forfeited during the year	Awards outstanding as at 31 Dec 2015	Credited to share capital £m	Credited to share premium £m	Vesting date
08.09.2015	78,442	(1,574)	<b>76,868</b>	–	–	08.09.2018
06.11.2015	4,325	–	<b>4,325</b>	–	–	06.11.2018
	82,767	(1,574)	<b>81,193</b>	–	–	

The following awards were granted for the first time in the current year:

2015 Awards	Date of grant	Awards granted		Share price prevailing on date of grant £	Fair value £
		Directors	Non-Directors		
Deferred share awards	08.09.2015	–	78,442	5.55	5.55
Deferred share awards	06.11.2015	–	4,325	4.76	4.76

#### Measurement of fair value

The LTIP and Sharesave awards, which are subject to an EPS performance condition, were valued using the Black-Scholes valuation method. The LTIP awards which are subject to a share price related performance condition (i.e. TSR) were valued using the Monte Carlo valuation method.

The option pricing model involves six variables:

- Exercise price
- Share price at grant
- Expected term
- Expected volatility of share price
- Risk-free interest rate
- Expected dividend yield

## Notes to the consolidated financial statements

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#### 24 Provisions

	Dilapidation £m	Legal £m	Beijing indemnity £m	Total £m
Balance at 1 January 2015	1	5	7	13
Released/utilised	(1)	(3)	–	(4)
Foreign exchange adjustments	–	–	1	1
<b>Balance at 31 December 2015</b>	<b>–</b>	<b>2</b>	<b>8</b>	<b>10</b>
Analysed as:				
Non-current provision	–	–	8	8
Current provision	–	2	–	2
<b>Total provision</b>	<b>–</b>	<b>2</b>	<b>8</b>	<b>10</b>

Provision for legal fees as at 31 December 2015 of £2m (2014: £5m) relates to disputes in several hotels. The Beijing indemnity of £8m (2014: £7m) relate to the tax indemnity to the former shareholders of Grand Millennium Hotel Beijing in which the Group acquired an additional 40% interest in 2010. During the year, a £1m dilapidation provision relating to the cost to be incurred on termination of a leasehold asset has been released.

#### 25 Other non-current liabilities

	2015 £m	2014 £m
Other liabilities	12	11

#### 26 Deferred taxation

Movements in deferred tax liabilities and assets (prior to offsetting balances) during the year are as follows:

	At 1 January 2015 £m	Charged/(credited) to income statement				Exchange on translation £m	At 31 December 2015 £m
		Change in tax rate £m	Other adjustment to opening provision £m	Current year movement £m	Charged to reserves £m		
<b>Deferred tax liabilities</b>							
Property assets <sup>1</sup>	246	(2)	5	(10)	–	4	243
	246	(2)	5	(10)	–	4	243
<b>Deferred tax assets</b>							
Tax losses	(16)	–	(2)	(5)	–	(2)	(25)
Employee benefits <sup>2</sup>	(4)	–	–	–	–	–	(4)
Others	(5)	–	(1)	2	–	–	(4)
	(25)	–	(3)	(3)	–	(2)	(33)
<b>Net deferred tax liabilities</b>	<b>221</b>	<b>(2)</b>	<b>2</b>	<b>(13)</b>	<b>–</b>	<b>2</b>	<b>210</b>

1 Property assets comprise plant, property and equipment, lease premium prepayment and investment properties.

2 Employee benefits comprise defined benefit pension schemes and share-based payment arrangements.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same taxation authority.

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

	2015 £m	2014 £m
Tax losses	–	1
Adjustments due to:		
– Deductible temporary differences in respect of prior year	–	1
– Tax losses in respect of prior year	13	12
	<b>13</b>	14

The deductible temporary differences do not expire under current tax legislation. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

The gross tax losses with expiry dates are as follows:

	2015 £m	2014 £m
Expiry dates:		
– within 1 to 5 years	6	11
– after 5 years	4	–
– no expiry date	59	62
	<b>69</b>	73

At 31 December 2015, a deferred tax liability of £9m (2014: £10m) relating to undistributed reserves of overseas subsidiaries and joint ventures of £662m (2014: £1,440m) has not been recognised because the Group determined that the distributions will not be made and the liability will not be incurred in the foreseeable future.

## 27 Trade and other payables

	2015 £m	2014 £m
Trade payables	22	23
Other creditors including taxation and social security:		
– Social security and other taxes	9	5
– Value added tax and similar sales taxes	12	14
– Other creditors	31	16
Accruals	90	115
Deferred income	19	20
Rental and other deposits	4	4
	<b>187</b>	197

The Group's exposure to currency and liquidity risks related to trade and other payables are disclosed in Note 22.

## Notes to the consolidated financial statements

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#### 28 Dividends

	2015 pence	2014 pence	2015 £m	2014 £m
Final ordinary dividend paid	11.51	11.51	37	37
Final special dividend paid	–	9.15	–	30
Interim ordinary dividend paid	2.08	2.08	7	6
Total dividends paid	13.59	22.74	44	73

Subsequent to 31 December 2015, the Directors declared the following final dividends, which have not been provided for:

	2015 pence	2014 pence	2015 £m	2014 £m
Final ordinary dividend	4.34	11.51	14	41
Final special dividend	–	–	–	–

All dividends paid during 2015 and 2014 were in cash.

#### 29 Share capital

	Number of 30p shares allotted, called up and fully paid
Balance at 1 January 2015	324,672,061
Issue of ordinary shares on exercise of share options	58,240
<b>Balance at 31 December 2015</b>	<b>324,730,301</b>

All of the share capital is equity share capital.

At the year end, options over 193,354 ordinary shares remain outstanding under the Sharesave Scheme and are exercisable between now and 31 January 2021 at exercise prices between £3.30 and £4.69. In addition, awards made under the LTIP up to 1,172,794 ordinary shares remain unvested and may potentially vest between 11 September 2016 and 10 September 2018. Finally, 81,193 options under the Annual Bonus Plan may potentially vest between 8 September and 6 November 2018.

During the year Millennium & Copthorne Hotels plc issued invitations to UK employees under the Sharesave Scheme to enter into a three-year savings contract or a five-year savings contract with an option to purchase shares at an option price of £4.69 on expiry of the savings contract.

#### 30 Reserves

##### Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow instruments related to the hedged transactions that have not yet occurred (net of tax).

##### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign operations (net of tax).

##### Treasury share reserve

An employee benefit trust established by the Group held 5,758 shares at 31 December 2015 (2014: 5,758) to satisfy the vesting of awards under the LTIP. During the year no shares (2014: 252,590 shares) were purchased by the trust. At 31 December 2015, the cost of shares held by the trust was £33,153 (2014: £32,093), whilst the market value of these shares at 31 December 2015 was £26,683 (2014: £33,943). Shares purchased by the trust are treated as treasury shares which are deducted from equity and excluded from the calculations of earnings per share.

### 31 Financial commitments

	2015 £m	2014 £m
(a) Capital commitments at the end of the financial year which are contracted but not provided for	44	25

The Group's share of the capital commitments of joint ventures and associates is shown in Note 15.

(b) Total commitments under non-cancellable operating lease rentals are payable by the Group as follows:

	2015 £m	2014 £m
– less than one year	11	9
– between one and five years	33	30
– more than five years	141	140
	<b>185</b>	<b>179</b>

(c) The Group leases out certain of its properties under operating leases. The future minimum lease rentals receivable by the Group under non-cancellable leases are as follows:

	2015 £m	2014 £m
– less than one year	30	30
– between one and five years	91	96
– more than five years	55	75
	<b>176</b>	<b>201</b>

Future minimum lease rentals receivable under non-cancellable leases includes all future rentals receivable up to the period when those leases expire or become cancellable.

During the year ended 31 December 2015, £42m was recognised as rental income in the income statement (2014: £37m) and £1m (2014: £1m) in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment properties.

### 32 Contingencies and subsequent events

In the course of its operations the Group is routinely exposed to potential liabilities for claims made by employees and contractual or tortious claims made by third parties. No material losses are anticipated from such exposures. There were no contingent liabilities or guarantees other than those arising in the ordinary course of business and on these no material losses are anticipated. The Group has insurance cover up to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of its operations. Otherwise the Group generally carries its own risk. The Group believes that the accruals and provisions carried on the balance sheet are sufficient to cover these risks.

Other than the above transactions, there are no events subsequent to the balance sheet date which require adjustments to or disclosure within these consolidated financial statements.

### 33 Related parties

#### Identity of related parties

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. All transactions with related parties were entered into in the normal course of business and at arm's length.

The Group has a related party relationship with its joint ventures, associates and with its Directors and executive officers.

## Notes to the consolidated financial statements

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#### Transactions with ultimate holding company and other related companies

The Group has a related party relationship with certain subsidiaries of Hong Leong Investment Holdings Pte. Ltd (“Hong Leong”) which is the ultimate holding and controlling company of Millennium & Copthorne Hotels plc and holds 65% (2014: 61%) of the Company’s shares via City Developments Limited (“CDL”), the intermediate holding company of the Group. During the year ended 31 December 2015, the Group had the following transactions with those subsidiaries.

The Group deposited certain surplus cash with Hong Leong Finance Limited, a subsidiary of Hong Leong, on normal commercial terms. As at 31 December 2015, £3m (2014: £30m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL and its other subsidiaries were £2m (2014: £2m) which included rentals paid for the Grand Shanghai restaurant and Kings Centre; property management fees for Tanglin Shopping Centre; charges for car parking, leasing commission and professional services.

As at 31 December 2015, City e-Solutions Limited (“CES”), a subsidiary of CDL held 1,152,031 (2014: 1,152,031) ordinary shares in M&C. CES through its subsidiaries provided consultancy, management and reservation services to M&C for the year ended 31 December 2015 for a total of £1m (2014: £1m).

#### Transactions with joint venture

City Hotels Pte. Ltd, a 100% subsidiary of the Group, provided a shareholder loan facility of 550m Thai Baht (£10m) to Fena Estate Company Limited (“Fena”), its 50% owned joint venture. At 31 December 2015 and 2014 all of this facility was fully drawn. The loan attracts interest of 4.5% (2014: 4.5%) per annum. This interest was rolled up into the carrying value of the loan. The total loan outstanding as at 31 December 2015, including rolled up interest, was 754m Thai Baht (£14m) (2014: 730m Thai Baht (£14m)).

The Group provided a further US\$2m (£1m) operator loan facility to Fena which was fully drawn down. This loan together with interest charged at 2.2% per annum was fully settled in 2015.

#### Transactions with key management personnel

The beneficial interest of the Directors and their connected persons in the ordinary shares of the Company was 0.16% (2014: 0.16%).

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers and contributes to a post-employment defined contribution plan depending on the date of commencement of employment. The defined contribution plan does not have a specified pension payable on retirement and benefits are determined by the extent to which the individual’s fund can buy an annuity in the market at retirement.

Executive officers also participate in the Group’s share option programme, Long-Term Incentive Plan and the Group’s Sharesave schemes.

The key management personnel compensation is as follows:

	2015 £m	2014 £m
Short-term employee benefits	5	6
Share-based payment	2	–
	7	6
Directors	2	2
Executives	5	4
	7	6

### 34 Related undertakings

The full list of the Company's related undertakings as at 31 December 2015 are set out below:

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Aircoa Equity Interests Inc.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding Company
Aircoa GP Corporation	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
Aircoa LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding Company
All Seasons Hotels & Resorts Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Dormant
Anchorage Lakefront Limited Partnership	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner
Archyield Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
ATOS Holdings AG	100%	Direct subsidiary	Austria	Schulhof 6/1st floor, 1010 Vienna, Austria	Investment holding
Aurora Inn Operating Partnership L.P.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
Avon Wynfield Inn. Ltd.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
Avon Wynfield LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner
Beijing Fortune Hotel Co. Ltd.	70%	Indirect subsidiary	People's Republic of China	Building No. 5, 7 DongSanHuan Middle Road, Chaoyang District, Beijing, P.R.China 100020	Hotel owner and operator
Biltmore Place Operations Corporation	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Liquor licence holder
Birkenhead Holdings Pty. Ltd.	100%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
Birkenhead Investments Pty. Ltd.	100%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Property Investment & Management
Bostonian Hotel Limited Partnership	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner
Buffalo Operating Partnership L.P.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
Buffalo RHM Operating LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner
CDL (New York) LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner
CDL (NYL) Limited	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Investment holding
CDL Entertainment & Leisure Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Provision of management services and investment holding
CDL Hospitality Trusts <sup>1</sup>	36%	Associated undertakings	Republic of Singapore	See note below <sup>1</sup>	See note below <sup>1</sup>
CDL Hotels (Chelsea) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
CDL Hotels (Korea) Limited	100%	Indirect subsidiary	Republic of Korea	Chunggu Sowolro 50, Seoul, Korea 04637	Hotel owner and operator
CDL Hotels (Labuan) Limited	100%	Indirect subsidiary	Malaysia	Tiara Labuan, Jalan Tanjung Batu, 87000 F.T. Labuan, Malaysia	Hotel owner and operator

## Notes to the consolidated financial statements

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Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
CDL Hotels (Malaysia) Sdn. Bhd.	100%	Indirect subsidiary	Malaysia	Level 8, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan	Hotel owner and operator
CDL Hotels (U.K.) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
CDL Hotels Holdings Japan Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment Holding
CDL Hotels Holdings New Zealand Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Investment holding
CDL Hotels Japan Pte. Ltd.	40%	Associated undertakings	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment Holding
CDL Hotels USA, Inc	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel investment holding company
CDL Investments New Zealand Limited	67%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	investment and property management company
CDL Land New Zealand Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Property investment and development
CDL West 45th Street LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel Owner
Chicago Hotel Holdings Inc.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
Cincinnati S.I. Co.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner
City Century Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Restaurateur
City Elite Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Restaurateur
City Hotels Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Hotel owner
Context Securities Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Investment holding
Copthorne (Nominees) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Copthorne Aberdeen Limited	83%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel management
Copthorne Hotel (Birmingham) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Cardiff) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Effingham Park) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Gatwick) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Manchester) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Merry Hill) Construction Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Merry Hill) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Newcastle) Limited	96%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Plymouth) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Slough) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel Holdings Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road Horley, Surrey RH6 7AF	Investment holding

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Copthorne Hotels Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel investment holding
Copthorne Orchid Hotel Singapore Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Property owner and developer
Copthorne Orchid Penang Sdn. Bhd.	100%	Indirect subsidiary	Malaysia	Level 8, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan	Hotel owner
Diplomat Hotel Holding Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Durham Operating Partnership L.P.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
Elite Hotel Management Services Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Hotel Management Consultancy Services
Fena Estate Company Limited <sup>2</sup>	50%	Associated undertakings	Thailand	No. 18/8 FICO Place Building, Floor 10 Sukhumvit 21 Road (Asoke), Klongteuyneur Sub-district, Wattana District, Bangkok, Thailand	Investment holding company
Ferguson Hotel Management Limited	50%	Associated undertakings	Hong Kong	Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong	Investment holding
First 2000 Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
First Sponsor Group Limited (f.k.a. Idea Valley Investment Holdings Ltd) <sup>2</sup>	36%	Associated undertakings	Cayman Islands	190 Elgin Avenue, George Town, KY1-9005 Grand Cayman, Cayman Islands	Investment Holding
Five Star Assurance Inc.	100%	Indirect subsidiary	USA	1401 Eye St., NW, Suite 600, Washington D.C. 20005	Captive insurance company
Four Peaks Management Company	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Arizona condominium management
Gateway Holdings Corporation I	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	holding company
Gateway Hotel Holdings Inc.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
Gateway Regal Holdings LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner and operator
Grand Plaza Hotel Corporation	87%	Indirect subsidiary	Philippines	10 Floor, Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City, Philippines 1300	Hotel owner and operator and investment holding company
Harbour Land Corporation	100%	Associated undertakings	Philippines	10 Floor, Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City, Philippines 1300	Land owner
Harbour View Hotel Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Hotel operator
Harrow Entertainment Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding
Hong Leong Ginza TMK	70%	Indirect subsidiary	Japan	4-1 Nihonbashi 1-chome, Chuo-ku, Tokyo, Japan	Property owner
Hong Leong Hotel Development Limited	86%	Indirect subsidiary	Taiwan	2 Song Shou Road, Xinyi District, Taipei 11051, Taiwan	Hotel owner and operator
Hong Leong Hotels Pte. Ltd.	100%	Indirect subsidiary	Cayman Islands	PO Box 309 Ugland House, Grand Cayman, KY1-1104 Cayman Islands	Investment holding company
Hong Leong International Hotel (Singapore) Pte Ltd	97%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding
Hospitality Group Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Holding Company
Hospitality Holdings Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding company

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Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Hospitality Leases Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Lessee company
Hospitality Services Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Hotel operation/management
Hospitality Ventures Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding
Hotel Liverpool Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Property letting
Hotel Liverpool Management Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Operating company
Hotelcorp New Zealand Pty. Ltd.	100%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding Company
International Design Link Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Property project design consultancy services (currently dormant)
KIN Holdings Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Holding company
King's Tanglin Shopping Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Property Owner
Kingsgate Holdings Pty. Ltd	100%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
Kingsgate Hotel Pty. Ltd.	100%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Service company
Kingsgate Hotels and Resorts Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Franchise holder (Quality)
Kingsgate Hotels Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Hotel owner and operator
Kingsgate International Corporation Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Investment holding
Kingsgate Investments Pty. Ltd.	100%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Investment company
Lakeside Operating Partnership L.P.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
London Britannia Hotel Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
London Tara Hotel Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
M&C Asia Finance (UK) Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Finance company
M&C Asia Holdings (UK) Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
M & C (CB) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment company
M & C (CD) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
M & C Management Services (USA) Inc	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Management services company
M & C NZ Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Holding company
M & C Reservations Services Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Provider of reservation services to hotel owners and operators
M&C (India) Holdings Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment Holding

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
M&C (Mauritius) Holdings Limited	100%	Indirect subsidiary	Mauritius	3rd Floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius	Investment Holding
M&C Business Trust Management Limited	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Provision of property fund management services
M&C Colorado Hotel Corporation	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding Company
M&C Crescent Corporation	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Investment Holding
M&C Crescent Interests, LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Property owner
M&C Finance (1) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Finance company
M&C Holdings (Thailand) Ltd.	100%	Indirect subsidiary	Thailand	75 White Group Tower II, 11th Floor, Soi Rubia, Sukhumvit 42 Road, Kwaeng Phrakonong Khet Klongtoey, Bangkok 10110 Thailand	Investment Holding and Hotel Management
M&C Holdings Delaware Partnership	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Property Investment
M&C Holdings LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding Company
M&C Hotel Enterprises (Asia) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
M&C Hotel Interests Inc.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel Management services company
M&C Hotel Investments Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding
M&C Hotels France Management SARL	100%	Indirect subsidiary	France	12 boulevard Haussmann, 75009 Paris, France	Management Company
M&C Hotels France SAS	100%	Indirect subsidiary	France	12 boulevard Haussmann, 75009 Paris, France	Hotel Owner
M&C Hotels Holdings Japan Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment Holding
M&C Hotels Holdings Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
M&C Hotels Holdings USA Limited	100%	Direct subsidiary	Cayman Islands	PO Box 309 Ugland House, Grand Cayman, KY1-1104 Cayman Islands	Investment holding
M&C Hotels Japan Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment Holding
M&C Hotels Partnership France SNC	100%	Indirect subsidiary	France	12 boulevard Haussmann, 75009 Paris, France	Investment holding
M&C Hospitality Holdings (Asia) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
M&C Hospitality International Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
M&C Management Holdings Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
M&C REIT Management Limited	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	REIT investment management services
M&C New York (Times Square), LLC	100%	Indirect subsidiary	Delaware, USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Investment holding
M&C New York Finance (UK) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Finance Company
M&C New York (Times Square) EAT II LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner

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Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
M&C Singapore Finance (UK) Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Finance Company
M&C Singapore Holdings (UK) Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
McCormick Ranch Operating Partnership L.P.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
MHM Inc.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel management
Millennium Bostonian, Inc.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding Company
Millennium & Copthorne (Austrian Holdings) Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Millennium & Copthorne (Jersey Holdings) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Holding company
Millennium & Copthorne Hotel Holdings (Hong Kong) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment and development of hotels and hotel management
Millennium & Copthorne Hotels (Hong Kong) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Provision of hotel management and consultancy services
Millennium & Copthorne Hotels Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Name-holding
Millennium & Copthorne Hotels New Zealand Limited	75%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Hotel investment holding company
Millennium & Copthorne Hotels Pty. Ltd.	100%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Name holding
Millennium & Copthorne International Limited	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Hotels and resorts management
Millennium & Copthorne Middle East Holdings Limited	51%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	hotel management services company
Millennium & Copthorne Pension Trustee Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Pension trust acting on behalf of company trustees
Millennium & Copthorne Share Trustees Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Share Trustee Company
Millennium CDG Paris SAS	100%	Indirect subsidiary	France	12 boulevard Haussmann, 75009 Paris, France	Hotel operator
Millennium Hotel Holdings EMEA Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Millennium Hotels & Resorts Services Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Management Contract holding company
Millennium Hotels Europe Holdings Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Millennium Hotels Italy Holdings S.r.l.	100%	Indirect subsidiary	Italy	Via Vittoria Veneto, n. 70, Roma 00187, Italy	Hotellerie Sector
Millennium Hotels Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Millennium Hotels Hotel Palace Holdings S.r.l.	100%	Indirect subsidiary	Italy	Via Vittoria Veneto, n. 70, Roma 00187, Italy	Hotel owner and operator
Millennium Hotels (West London) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Property letting
Millennium Hotels (West London) Management Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel operator
Millennium Hotels London Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Millennium Opera Paris SAS	100%	Indirect subsidiary	France	12 boulevard Haussmann, 75009 Paris, France	Hotel operator
New Unity Holdings Ltd. <sup>2</sup>	50%	Associated undertakings	BVI	PO Box 146 Road Town, Tortola, British Virgin Islands	Investment holding
New York Sign LLC	50%	Associated undertakings	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	To lease, manage, and otherwise deal with certain advertising signage space at the Novotel hotel
Newbury Investments Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding
Park Plaza Hotel Corporation	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding Company
PT Millennium Hotels & Resorts	100%	Indirect subsidiary	Indonesia	Jalan Fachrudin 3, Jakarta 10250, Indonesia	Management services
PT. Millennium Sirih Jakarta	80%	Indirect subsidiary	Indonesia	Jalan Fachrudin 3, Jakarta 10250, Indonesia	Hotel owner
QINZ (Anzac Avenue) Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Hotel owner
QINZ Holdings (New Zealand) Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	holding company
Quantum Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1140, New Zealand	Holding company
Regal Grand Holdings Corporation I	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding company
Regal Harvest House L.P.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
Regal Hotel Management Inc.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding company
Republic Hotels & Resorts Limited	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Hotel operator and investment holding company
Republic Hotels Suzhou Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Domant
Republic Iconic Hotel Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Hotel operator
RHH Operating LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner
RHI Boston Holdings Corporation I	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding company
RHI Boston Holdings Corporation II	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding company
RHM Aurora LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
RHM Holdings Corporation I	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding company
RHM Management LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
RHM Ranch LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner
RHM Wynfield LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
RHM-88 LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner and operator
RHR Capital Pte. Ltd. (in the process of striking off)	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Financial and treasury Services
Richfield Holdings Corporation I	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding Company

## Notes to the consolidated financial statements

### continued

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Richfield Holdings Corporation II	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding Company
Richfield Holdings Inc	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding Company
Rogo Realty Corporation	40%	Associated undertakings	Philippines	10 Floor, Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City, Philippines 1300	Real estate owner
S.S. Restaurant Corporation	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Liquor license holder
Sunnyvale Partners Ltd.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
Tara Hotels Deutschland GmbH	100%	Indirect subsidiary	Germany	Registered at the Trade register at the local court of Hannover with the legal form of Private limited company (number HRB 209133).	Hotel investment holding company
The Philippine Fund Limited	60%	Indirect subsidiary	Bermuda	C/o Coson Corporate Services Limited, Cumberland House 9th Floor, 1 Victoria Street Hamilton HM 11, Bermuda	Investment holding
TOSCAP Limited	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding
Trimark Hotel Corporation	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner and operator
WHB Biltmore LLC	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel owner and operator
WHB Corporation	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding company
Wynfield GP Corporation	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Hotel ownership
Wynfield One Ltd.	100%	Indirect subsidiary	USA	7600 E. Orchard Rd., Suite 230 S, Greenwood Village, CO 80111	Holding company
Zatrio Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding
Zillion Holdings Limited	100%	Indirect subsidiary	Barbados	The Phoenix Centre, George Street, Belleville, St. Michael, Barbados	Investment holding

1 CDL Hospitality Trusts is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT"), a real estate investment trust, and CDL Hospitality Business Trust ("HBT"), a business trust. H-REIT has an investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real-estate related assets in relation to the foregoing. HBT is a business trust which was activated in December 2013. In addition to its function as a master lessee, HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT. The registered office address of M&C REIT Management Limited, Manager of H-REIT and M&C Business Trust Management Limited, Trustee-Manager of HBT is 36 Robinson Road #04-01 City House Singapore 068877.

As disclosed in Note 3 to the consolidated financial statements, the Group has concluded that under IFRS10, it has de facto control over CDL Hospitality Trusts.

2 The Group has assessed the classification of its investments in First Sponsor Group Limited, New Unity Holdings Limited and Fena Estate Company Limited in accordance with IFRS10 and concluded that it does not have control.

### Exemption from statutory audit

Listed below are subsidiaries controlled and consolidated by the Group, where the Directors have elected to take the exemption from having an audit of their financial statements for the year ended 31 December 2015. This exemption is taken in accordance with Companies Act s479A.

Archyield Limited (1747079)  
 CDL Hotels (Chelsea) Limited (2845022)  
 CDL Hotels (U.K.) Limited (2729520)  
 Copthorne Hotel (Birmingham) Limited (1816493)  
 Copthorne Hotel (Cardiff) Limited (2411296)  
 Copthorne Hotel (Effingham Park) Limited (1423861)  
 Copthorne Hotel (Gatwick) Limited (994968)  
 Copthorne Hotel (Manchester) Limited (1855800)  
 Copthorne Hotel (Merry Hill) Construction Limited (2649367)

Copthorne Hotel (Merry Hill) Limited (2590620)  
 Copthorne Hotel (Plymouth) Limited (3253120)  
 Copthorne Hotel (Slough) Limited (2300992)  
 Copthorne (Nominees) Limited (2574042)  
 Diplomat Hotel Holding Limited (1927463)  
 Hotel Liverpool Limited (9636541)  
 Hotel Liverpool Management Limited (9638688)  
 London Britannia Hotel Limited (744379)  
 London Tara Hotel Limited (1005559)

**Exemption from statutory audit**

continued

M&C Asia Finance (UK) Limited (8391037)	Millennium & Copthorne (Austrian Holdings) Limited (3757378)
M&C Asia Holdings (UK) Limited (8382946)	Millennium & Copthorne (Jersey Holdings) Limited (5846574)
M&C (CB) Limited (3846711)	Millennium & Copthorne Pension Trustee Limited (6662791)
M&C (CD) Limited (3846704)	Millennium & Copthorne Share Trustees Limited (3320990)
M&C Finance (1) Limited (6783896)	Millennium Hotel Holdings EMEA Limited (4592877)
M&C Hotels Holdings Limited (4407581)	Millennium Hotels Limited (3141048)
M&C Management Holdings Limited (5832248)	Millennium Hotels Europe Holdings Limited (8844747)
M&C New York Finance (UK) Limited (9060415)	Millennium Hotels London Limited (3691885)
M&C NZ Limited (5159722)	Millennium Hotels (West London) Limited (8599282)
M&C Singapore Finance (UK) Limited (8391052)	Millennium Hotels (West London) Management Limited (8891908)
M&C Singapore Holdings (UK) Limited (8382985)	Millennium Hotels & Resorts Services Limited (4601112)

Each company's registered number is shown in brackets after its name.

**35. Non-controlling interests ("NCI")**

The following subsidiaries have material NCI.

Name	Principal place of business/ Country of incorporation	Principal activity	Ownership interests held by NCI	
			2015	2014
Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ")	New Zealand	Hotel investment holding company	25%	25%
CDL Hospitality Trusts ("CDLHT")	Singapore	Real estate investment trust	64%	64%

The following is summarised financial information for MCHNZ and CDLHT, prepared in accordance with local accounting standards. The information is before inter-company eliminations with other companies in the Group.

Name	MCHNZ Subgroup		CDLHT Subgroup	
	2015 £m	2014 £m	2015 £m	2014 £m
Revenue	63	65	82	84
Profit after tax	13	18	28	62
Profit attributable to NCI	3	4	18	39
Other comprehensive income	2	5	-	-
<b>Total comprehensive income</b>	<b>15</b>	<b>23</b>	<b>28</b>	<b>62</b>
Total comprehensive income attributable to NCI	3	6	18	39
Current assets	60	75	44	48
Non-current assets	212	217	1,168	1,143
Current liabilities	(14)	(16)	(120)	(174)
Non-current liabilities	(53)	(52)	(344)	(231)
<b>Net assets</b>	<b>205</b>	<b>224</b>	<b>748</b>	<b>786</b>
Net assets attributable to NCI	26	56	479	503
Cash flows from operating activities	3	10	63	70
Cash flows from investing activities	(8)	(79)	(72)	(46)
Cash flows from financing activities	1	40	6	(20)
<b>Net increase in cash and cash equivalents</b>	<b>(4)</b>	<b>(29)</b>	<b>(3)</b>	<b>4</b>
Dividends paid to NCI during the year <sup>1</sup>	1	1	49	33

<sup>1</sup> Included in cash flows from financing activities.

## Company statement of financial position

As at 31 December 2015

	Notes	2015 £m	Restated 2014 £m
<b>Non current assets</b>			
Property, plant and equipment	(E)	3	3
Investments and other financial assets	(F)	1,903	1,889
Deferred tax asset		2	2
		<b>1,908</b>	<b>1,894</b>
<b>Current assets</b>			
Amounts owed by subsidiary undertakings falling due within one year		18	14
Other receivables		1	2
Cash and cash equivalents		–	9
		<b>19</b>	<b>25</b>
<b>Other current liabilities</b>	(G)	<b>(202)</b>	<b>(366)</b>
Net current liabilities		<b>(183)</b>	<b>(341)</b>
<b>Other non current liabilities</b>	(H)	<b>(391)</b>	<b>(396)</b>
<b>Net assets</b>		<b>1,334</b>	<b>1,157</b>
<b>Equity</b>			
Called up share capital	(I)	97	97
Share premium		843	843
Retained earnings		398	221
Own share reserve		(4)	(4)
<b>Total equity</b>		<b>1,334</b>	<b>1,157</b>

These financial statements were approved by the Board of Directors on 18 February 2016 and were signed on its behalf by:

**Kwek Leng Beng**

Chairman

**Aloysius Lee**

Group Chief Executive Officer

Registered No: 3004377

## Company statement of changes in equity

For the year ended 31 December 2015

	Share capital £m	Share premium £m	Own share reserve £m	Retained earnings £m	Total equity £m
<b>Restated balance at 1 January 2014</b>	97	843	(2)	210	1,148
Profit	–	–	–	83	83
Other comprehensive income	–	–	–	2	2
Total comprehensive income	–	–	–	85	85
Purchase of own shares	–	–	(2)	–	(2)
Dividends	–	–	–	(74)	(74)
<b>Restated balance at 31 December 2014</b>	<b>97</b>	<b>843</b>	<b>(4)</b>	<b>221</b>	<b>1,157</b>
<b>Balance at 1 January 2015</b>	<b>97</b>	<b>843</b>	<b>(4)</b>	<b>221</b>	<b>1,157</b>
Profit	–	–	–	221	221
Other comprehensive expense	–	–	–	(2)	(2)
Total comprehensive income	–	–	–	219	219
Share-based payment transactions (net of tax)	–	–	–	2	2
Dividends	–	–	–	(44)	(44)
<b>Balance at 31 December 2015</b>	<b>97</b>	<b>843</b>	<b>(4)</b>	<b>398</b>	<b>1,334</b>

The notes on pages 142 to 145 are an integral part of these Company's financial statements.

## Notes to the Company financial statements

### A Authorisation of financial statements and statement of compliance with FRS 101

The parent company financial statements of Millennium and Copthorne Hotels plc ("the Company") for the year ended 31 December 2015 were authorised for issue by the board of Directors and signed on its behalf on 18 February 2016. The Company is incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared under the historical cost convention.

The Company will prepare its accounts for the year ended 31 December 2016 in accordance with, and rely on the disclosure exemptions set out in, FRS 101. If any shareholders of the Company object to this, they should inform the Company in writing to its registered office, marking their letters for the attention of the Company Secretary, by no later than 30 April 2016.

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of the financial statements.

The Company's results are included in the consolidated financial statements of Millennium and Copthorne Hotels plc which are available from the Group's website [www.millenniumhotels.com](http://www.millenniumhotels.com).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015. The financial statements are prepared in Sterling and are rounded to the nearest million except when otherwise indicated.

### B Accounting policies

The parent company financial statements of Millennium and Copthorne Hotels plc have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), which was first applied this year after notifying shareholders of the proposed change. FRS 101 enables the financial statements of the parent company to be prepared in accordance with EU-adopted IFRS but with certain disclosure exemptions. The main areas of reduced disclosure are in respect of equity settled share based payments, financial instruments, the cash flow statement, and related party transactions with Group companies.

The Company early adopted FRS 101 amendments before the effective date of 1 January 2016 regarding the presentation of financial statements in compliance with the IAS 1 format.

An explanation of how the transition to FRS 101 has affected the reported financial position of the Company is provided in Note K.

The accounting policies adopted for the parent company are otherwise consistent with those used for the Group which are set out on pages 79 to 139.

### C Dividends

Details of dividends paid and proposed in the current and prior year are given in Note 28 to the consolidated financial statements.

### D Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent Company is £221m (2014: £84m).

### E Property, plant and equipment

	Capital work in progress £m
Cost at 1 January 2015	3
Additions	–
<b>Cost at 31 December 2015</b>	<b>3</b>

**F Investments and other financial assets**

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Group settled arrangements £m	Total £m
Cost and net book value at 1 January 2015	1,854	29	6	1,889
Reductions	(342)	(6)	–	(348)
Additions	355	2	1	358
Foreign exchange adjustments	5	(1)	–	4
<b>Cost and net book value at 31 December 2015</b>	<b>1,872</b>	<b>24</b>	<b>7</b>	<b>1,903</b>

There were no provisions made against investments in subsidiary undertakings. Reductions and additions relate to internal restructuring transactions.

The Company's subsidiary undertakings at 31 December 2015 are listed in Note 34 to the consolidated financial statements.

**G Other current liabilities**

	2015 £m	Restated 2014 £m
Bank loans and overdrafts	60	203
Bonds payable	34	29
Amounts owed to subsidiary undertakings	105	130
Other payables	1	2
Accruals and deferred income	2	2
	<b>202</b>	<b>366</b>

**H Other non current liabilities**

	2015 £m	Restated 2014 £m
Bank loans	71	74
Bonds payable	67	96
Amounts owed to subsidiary undertakings	247	220
Net employee defined benefit liabilities	6	6
	<b>391</b>	<b>396</b>

Other non current liabilities are repayable as follows:

	2015 £m	Restated 2014 £m
Between one and two years	–	64
Between two and five years	391	332
	<b>391</b>	<b>396</b>

**I Share capital**

Details of the Company's share capital are given in Note 29 to the consolidated financial statements.

**J Related parties**

For the year ended 31 December 2015, fees paid/payable by the Company to Hong Leong Management Services, a subsidiary of Hong Leong Investment Holdings Pte. Ltd. amounted to £nil (2014: £1m). At 31 December 2015, £nil (2014: £nil) of fees payable was outstanding.

## Notes to the Company financial statements continued

### K Transition to FRS 101

As stated in Note B, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in Note B have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

The transition from UK GAAP to FRS 101 has affected the Company's financial position with the recognition of a net employee defined benefit liability and relating deferred tax asset.

Detailed impacts are as follows:

	31 December 2015 UK GAAP £m	Effect of transition to FRS 101 £m	31 December 2015 FRS 101 £m
<b>Non current assets</b>			
Property, plant and equipment	3		3
Investments and other financial assets	1,903		1,903
Deferred tax asset	–	2	2
	1,906	2	1,908
<b>Current assets</b>			
Amounts owed by subsidiary undertakings falling due within one year	18		18
Other receivables	1		1
Cash and cash equivalents	–		–
	19		19
<b>Other current liabilities</b>	(199)	(3)	(202)
Net current liabilities	(180)	(3)	(183)
<b>Other non current liabilities</b>	(385)	(6)	(391)
<b>Net assets</b>	1,341	(7)	1,334
<b>Equity</b>			
Called up share capital	97		97
Share premium	843		843
Retained earnings	405	(7)	398
Own share reserve	(4)		(4)
<b>Total equity</b>	1,341	(7)	1,334

	31 December 2014 UK GAAP £m	Effect of transition to FRS 101 £m	31 December 2014 FRS 101 £m
<b>Non current assets</b>			
Property, plant and equipment	3		3
Investments and other financial assets	1,889		1,889
Deferred tax asset	–	2	2
	1,892	2	1,894
<b>Current assets</b>			
Amounts owed by subsidiary undertakings falling due within one year	14		14
Other receivables	2		2
Cash and cash equivalents	9		9
	25		25
<b>Other current liabilities</b>	(365)	(1)	(366)
Net current liabilities	(340)	(1)	(341)
<b>Other non current liabilities</b>	(390)	(6)	(396)
<b>Net assets</b>	1,162	(5)	1,157
<b>Equity</b>			
Called up share capital	97		97
Share premium	843		843
Retained earnings	226	(5)	221
Own share reserve	(4)		(4)
<b>Total equity</b>	1,162	(5)	1,157

	1 January 2014 UK GAAP £m	Effect of transition to FRS 101 £m	1 January 2014 FRS 101 £m
<b>Non current assets</b>			
Property, plant and equipment	2		2
Investments and other financial assets	1,602		1,602
Deferred tax asset	–	2	2
	1,604	2	1,606
<b>Current assets</b>			
Amounts owed by subsidiary undertakings falling due within one year	15		15
Other receivables	1		1
Cash and cash equivalents	16		16
	32		32
<b>Other current liabilities</b>	(74)	2	(72)
Net current liabilities	(42)	2	(40)
<b>Other non current liabilities</b>	(408)	(10)	(418)
<b>Net assets</b>	1,154	(6)	1,148
<b>Equity</b>			
Called up share capital	97		97
Share premium	843		843
Retained earnings	216	(6)	210
Own share reserve	(2)		(2)
<b>Total equity</b>	1,154	(6)	1,148



Millennium Hotel Glasgow, UK



# Further Information

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## Key operating statistics

Owned or leased hotels*	Year ended 2015 Reported currency	Year ended 2014 Constant currency	Year ended 2014 Reported currency
<b>Occupancy (%)</b>			
New York	82.1		86.7
Regional US	58.2		60.2
Total US	66.1		68.5
London	80.2		85.7
Rest of Europe	72.7		69.1
Total Europe	76.5		77.4
Singapore	87.1		88.3
Rest of Asia	64.5		71.2
Total Asia	73.2		78.1
Australasia	77.1		73.7
<b>Total Group</b>	<b>71.8</b>		<b>74.2</b>
<b>Average Room Rate (£)</b>			
New York	173.99	174.95	162.93
Regional US	84.00	78.79	73.37
Total US	120.84	116.73	108.70
London	135.51	131.23	131.23
Rest of Europe	70.96	66.82	69.16
Total Europe	105.72	102.33	103.38
Singapore	91.67	97.79	98.40
Rest of Asia	84.31	84.23	83.78
Total Asia	87.70	90.41	90.45
Australasia	56.18	52.21	57.09
<b>Total Group</b>	<b>100.19</b>	<b>98.31</b>	<b>96.49</b>

Owned or leased hotels*	Year ended 2015 Reported currency	Year ended 2014 Constant currency	Year ended 2014 Reported currency
<b>RevPAR (£)</b>			
New York	142.92	151.73	141.30
Regional US	48.92	47.46	44.19
<b>Total US</b>	<b>79.89</b>	79.94	74.44
London	108.68	112.47	112.47
Rest of Europe	51.56	46.16	47.78
<b>Total Europe</b>	<b>80.92</b>	79.16	79.97
Singapore	79.85	86.34	86.88
Rest of Asia	54.35	59.95	59.64
<b>Total Asia</b>	<b>64.23</b>	70.59	70.62
Australasia	43.33	38.49	42.10
<b>Total Group</b>	<b>71.98</b>	72.90	71.55
<b>Gross Operating Profit Margin (%)</b>			
New York	23.9		28.0
Regional US	21.2		20.1
<b>Total US</b>	<b>22.7</b>		24.3
London	50.8		50.9
Rest of Europe	26.7		24.9
<b>Total Europe</b>	<b>41.7</b>		41.5
Singapore	44.3		47.4
Rest of Asia	33.1		35.1
<b>Total Asia</b>	<b>38.1</b>		40.8
Australasia	42.5		41.4
<b>Total Group</b>	<b>34.1</b>		36.0

For comparability, the 31 December 2014 Average Room Rate and RevPAR have been translated at average exchange rates for the year ended 31 December 2015.

\*excluding managed, franchised and investment hotels.

## Group financial record

	2015 £m	2014 £m	Restated 2013 £m	2012 £m	Restated 2011 £m
<b>Income statement</b>					
Revenue	847	826	1,064	768	821
Operating profit	112	195	294	140	180
Net finance expense	(20)	(17)	(13)	(6)	(7)
Income tax expense	(12)	(37)	(30)	(25)	(28)
Profit for the year	97	151	265	147	165
<b>Cash flow</b>					
Cash generated from operations	220	330	204	196	216
<b>Statement of financial position</b>					
Property, plant, equipment and lease premium prepayment	2,858	2,851	2,457	2,096	2,091
Investment properties	506	479	414	169	174
Investment and loans in joint ventures and associates	255	235	203	440	423
Loans due from associate	–	–	–	29	51
Other financial assets	–	5	5	8	8
Non-current assets	3,619	3,570	3,079	2,742	2,747
Current assets excluding cash	163	182	259	264	242
Net cash/(debt)	(605)	(525)	(215)	52	(100)
Deferred tax liabilities	(210)	(221)	(208)	(228)	(236)
Provisions and other liabilities	(255)	(271)	(236)	(467)	(405)
<b>Net assets</b>	<b>2,712</b>	<b>2,735</b>	<b>2,679</b>	<b>2,363</b>	<b>2,248</b>
Share capital and share premium	940	940	940	940	940
Reserves	1,336	1,323	1,236	1,236	1,127
Total equity attributable to equity holders	2,276	2,263	2,176	2,176	2,067
Non-controlling interests	436	472	503	187	181
<b>Total equity</b>	<b>2,712</b>	<b>2,735</b>	<b>2,679</b>	<b>2,363</b>	<b>2,248</b>

	2015	2014	2013	2012	2011
<b>Key operating statistics</b>					
Gearing	27%	23%	10%	–	5%
Earnings per share	19.9p	34.0p	69.4p	42.0p	51.0p
Dividends per share <sup>1</sup>	6.42p	13.59p	22.74p	13.59p	16.50p
Hotel gross operating profit margin	34.1%	36.0%	35.0%	38.5%	38.7%
Occupancy	71.8%	74.2%	72.3%	70.8%	70.8%
Average room rate (£)	£100.19	£96.49	£96.25	£95.08	£91.48
RevPAR (£)	£71.98	£71.55	£69.58	£67.32	£64.81

1 Dividends per share includes ordinary dividends and special dividends

## Major Group properties

### Asia

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
<b>Grand Millennium Beijing</b> Fortune Plaza, 7 Dongsanhuan Middle Road Chaoyang District, Beijing 100020 PRC	Leasehold to year 2046 (hotel), Leasehold to year 2056 (underground car park)	9,268	514	70
<b>New World Millennium Hong Kong Hotel</b> (Owned by New Unity Holdings Limited) 72 Mody Road, Tsimshatsui East Kowloon, Hong Kong	75-year term from 28.11.1984 and may be renewable for a further 75 years	2,850	464	50
<b>JW Marriott Hotel Hong Kong</b> (Owned by New Unity Holdings Limited) Pacific Place, 88 Queensway, Hong Kong	75-year term from 18.04.1985 and may be renewable for a further 75 years	10,690 (Part)	602	26
<b>Millennium Hotel Sirih Jakarta</b> Jalan Fachrudin 3, Jakarta 10250, Indonesia	The title is held under a Hak Guna Bangunan (i.e. Right to Build) and a 40-year lease wef 14.04.1984 and 22.01.1986 for approximate site area of 7,137 sq. metres and 212 sq. metres, respectively	7,349	401	80
<b>Hotel MyStays Asakusabashi</b> 1-5-5, Asakusabashi, Taito-ku, Tokyo 111-0053, Japan	Freehold	567	138	36
<b>Hotel MyStays Kamata</b> 5-46-5, Kamata, Ota-ku, Tokyo 144-0052, Japan	Freehold	497	116	36
<b>Copthorne Orchid Hotel Penang</b> Jalan Tanjung Bungah, 11200 Penang, Malaysia	Freehold	10,329	307	100
<b>Grand Millennium Kuala Lumpur</b> 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	Freehold	7,670	459	100
<b>Angsana Velavaru</b> South Nilandhe Atoll, Republic of Maldives	50-year Title commencing from 26. 08.1997	67,717	113	36
<b>Jumeirah Dhevanafushi</b> Meradhoo Island, Gaafu Alifu Atoll, Republic of Maldives	50-year lease commencing from 15.06.2006	53,576	37	36
<b>The Heritage Hotel Manila</b> Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines	Fee simple	9,888	450	66
<b>Copthorne King's Hotel Singapore</b> 403 Havelock Road, Singapore	99-year lease commencing from 01.02.1968	5,637	310	36

## Major Group properties continued

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
<b>Grand Copthorne Waterfront Hotel Singapore</b> 392 Havelock Road, Singapore	20 year lease commencing 19.07.2006 and extendable for a further 20 years	10,860	574	36
<b>M Hotel Singapore</b> 81 Anson Road, Singapore	Freehold	2,134	413	36
<b>Novotel Singapore Clarke Quay</b> 177A River Valley Road, Singapore	97 years and 30 days Leasehold Interest commencing from 02.04.1980	12,925	403	36
<b>Orchard Hotel Singapore</b> 442 Orchard Road, Singapore	Freehold	8,588#	656	36
<b>Studio M Hotel Singapore</b> 3 Nanson Road, Singapore	99-year lease commencing from 26.02.2007	2,932	360	36
<b>Millennium Seoul Hilton</b> 50 Sowol-ro, Jung-gu, Seoul, South Korea 100-802	Freehold	18,787	680	100
<b>Land Site in Seoul</b> Located at Chung-gu, Namdaemunro 5 Ga 652-1	Freehold	1,564	–	100
<b>Pullman Bangkok Grande Sukhumvit Hotel</b> (Owned by Fena Estate Company Limited) Sukhumvit Soi 21, Asoke Road Bangkok, Thailand	30-year term from 02.02.2005 with option to renew for a further term of 30 years	5,052	325	50
<b>Grand Hyatt Taipei</b> 2, SongShou Road Taipei, Taiwan, 11051	50 years starting from 7 March 1990 The lease agreement is extendable for another 30 years.	14,193	853	83

# Includes Claymore Connect

## Europe

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
<b>Copthorne Hotel Aberdeen</b> 122 Huntly Street, Aberdeen AB10 1SU, Scotland	Freehold	1,302	87	83
<b>Copthorne Hotel Birmingham</b> Paradise Circus, Birmingham B3 3HJ, England	Freehold	2,188	211	100
<b>Copthorne Hotel Cardiff-Caerdydd</b> Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	26,305	135	100
<b>Copthorne Hotel Effingham Gatwick</b> West Park Road, Copthorne, West Sussex RH10 3EU, England	Freehold	161,878	122	100
<b>Copthorne Hotel London Gatwick</b> Copthorne Way, Copthorne, West Sussex RH10 3PG, England	Freehold	404,694	227	100
<b>Copthorne Hotel Manchester</b> Clippers Quay, Salford Quays, Manchester M50 3SN, England	Leasehold to year 2135	9,800	166	100
<b>Copthorne Hotel Merry Hill-Dudley</b> The Waterfront, Level Street, Brierley Hill, Dudley, West Midlands DY5 1UR, England	Freehold	13,734	138	100
<b>Copthorne Hotel Newcastle</b> The Close, Quayside, Newcastle upon Tyne NE1 3RT, England	Freehold	9,200	156	96
<b>Copthorne Hotel Plymouth</b> Armada Way, Plymouth PL1 1AR, England	Leasehold to year 2110	1,853	135	100
<b>Copthorne Hotel Slough-Windsor</b> Cippenham Lane, Slough, Berkshire SL1 2YE, England	Freehold	6,880	219	100
<b>Copthorne Tara Hotel London Kensington</b> Scarsdale Place, Kensington, London W8 5SR, England	Freehold	7,535	833	100

## Major Group properties continued

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
<b>Hard Days Night Hotel Liverpool</b> Central Buildings North John Street Liverpool, L2 6RR, England	Leasehold to year 2129	5,275	110	100
<b>Hilton Cambridge City Centre Hotel</b> Grand Arcade, Downing St, Cambridge CB2 3DT, England	125-year lease commencing from 25.12.1990 and extendable for a further 50 years	3,600	198	36
<b>Millennium Gloucester Hotel London Kensington</b> Harrington Gardens London SW7 4LH, England	Freehold	6,348	610	100
<b>Millennium Hotel Glasgow</b> George Square, Glasgow G2 1DS, Scotland	Leasehold to year 2109	9,398	116	100
<b>Millennium Hotel London Knightsbridge</b> 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	100
<b>Millennium Hotel London Mayfair</b> Grosvenor Square, Mayfair, London W1K 2HP, England	Leasehold to year 2096	4,260	336	100
<b>Millennium Hotel Paris Opéra</b> 12 Boulevard Haussmann, 75009 Paris, France	Freehold	1,093	163	100
<b>Millennium Hotel Paris Charles de Gaulle</b> Zone Hoteliere, Allée du Verger, 95700 Roissy-en-France, France	Freehold	11,657	239	100
<b>Grand Hotel Palace Rome</b> Via Veneto, 70, Rome, 00187, Italy	Freehold	801	87	100
<b>The Bailey's Hotel London</b> 140 Gloucester Road, London SW7 4QH, England	Freehold	1,923	211	100
<b>The Chelsea Harbour Hotel</b> Chelsea Harbour, London, SW10 0XG, England	Leasehold to year 2112	2,561	157	100

### North America

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
<b>The Lakefront Anchorage</b> 4800 Spenard Road, Anchorage, AK 99517, USA	Freehold	20,639	248	100
<b>Millennium Biltmore Hotel Los Angeles</b> 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	11,331	683	100
<b>The Bostonian Boston</b> 26 North Street At Faneuil Hall Marketplace, Boston MA 02109, USA	Freehold	2,796	204	100

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
<b>Millennium Buffalo</b> 2040 Walden Avenue Buffalo, NY 14225, USA	Leasehold to year 2022 (with one 10-year option)	31,726	301	100
<b>Millennium Harvest House Boulder</b> 1345 28th Street Boulder, CO 80302, USA	Freehold	64,019	269	100
<b>Millennium Knickerbocker Hotel Chicago</b> 163 East Walton Place, Chicago, IL 60611, USA	Freehold	2,007	306	100
<b>Millennium Hotel Cincinnati</b> 150 West Fifth Street, Cincinnati, OH 45202, USA	Freehold	6,839	872	100
<b>Millennium Hotel Durham</b> 2800 Campus Walk Avenue, Durham, NC 27705, USA	Freehold	42,814	224	100
<b>Millennium Hotel Minneapolis</b> 1313 Nicollet Mall, Minneapolis, MN 55403, USA	Leasehold to year 2030	4,537	321	100
<b>Millennium Maxwell House Nashville</b> 2025 Rosa L. Parks Boulevard, Nashville TN 37228, USA	Leasehold to year 2030 (with two 10-year options)	36,421	287	100
<b>Millennium Broadway Hotel NewYork</b> 145 West 44th Street, New York, NY 10036, USA	Freehold	1,762	625	100
<b>The Premier Hotel NewYork</b> 133 West 44th Street, New York, NY 10036, USA	Freehold	360	125	100
<b>ONE UN NewYork</b> 1 UN Plaza, 44th Street at 1st Avenue, New York, NY 10017, USA	East tower freehold/ West tower leasehold to year 2079	4,554	439	100
<b>Millennium Hotel St Louis (closed)</b> 200 South 4th Street, St Louis, MO 63102, USA	Freehold	17,033	780	100
<b>The McCormick Scottsdale</b> 7401 North Scottsdale Road, Scottsdale, AZ 85208, USA	Leasehold to year 2033 (with two 10-year options)	32,819	125	100
<b>Millennium Hilton</b> 55 Church Street, New York, NY 10007, USA	Freehold	1,680	569	100
<b>Novotel New York Times Square</b> 226 W 52nd Street, New York, NY 10019, USA	Fee simple estate, a leasehold interest, and a leased fee interest	1,977	480	100

## Major Group properties

continued

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
<b>Maingate Lakeside Resort</b> 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747, USA	Freehold	93,796	475	100
<b>Comfort Inn Near Vail Beaver Creek</b> 161 West Beaver Creek Boulevard, Avon, CO 81620, USA	Freehold	11,209	146	100
<b>Pine Lake Trout Club</b> 17021 Chillicothe Road, Chagrin Falls OH 44023, USA	Freehold	331,121	6	100

### Australasia

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
<b>Copthorne Hotel &amp; Apartments Queenstown Lakeview</b> 88 Frankton Road, Queenstown, New Zealand	Freehold/Strata title	4,713	85	75
<b>Copthorne Hotel &amp; Resort Bay of Islands</b> Tau Henare Drive, Paihia, New Zealand	Leasehold Land to year 2021 (with a 30-year option)	62,834	180	37
<b>Copthorne Hotel &amp; Resort Queenstown Lakefront</b> Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	18,709	240	75
<b>Copthorne Hotel Auckland City</b> 150 Anzac Avenue Auckland, New Zealand	Perpetual/Leasehold Land	2,495	110	75
<b>Copthorne Hotel Auckland Harbour City (closed for refurbishment)</b> 196-200 Quay Street Auckland, New Zealand	Freehold	2,407	187	75
<b>Copthorne Hotel Palmerston North</b> 110 Fitzherbert Avenue, Palmerston North, New Zealand	Freehold	15,514	89	75
<b>Copthorne Hotel Rotorua</b> Fenton Street, Rotorua, New Zealand	Freehold	35,935	110	75
<b>Copthorne Hotel Wellington Oriental Bay</b> 100 Oriental Parade, Wellington, New Zealand	Freehold	3,904	118	75

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
<b>Ibis Perth</b> 334 Murray Street Perth, Western Australia, Australia	Freehold	1,480	192	36
<b>Kingsgate Hotel Dunedin</b> 10 Smith Street, Dunedin, New Zealand	Freehold	2,193	55	75
<b>Kingsgate Hotel Greymouth</b> 32 Mawhera Quay, Greymouth, New Zealand	Freehold/Perpetual leasehold land	2,807	98	75
<b>Kingsgate Hotel Te Anau</b> 20 Lakefront Drive, Te Anau, New Zealand	Freehold	8,819	94	75
<b>Mercure &amp; Ibis Brisbane</b> 85-87 North Quay/ 27-35 Turbot Street Brisbane, Queensland, Australia	Interconnected at ground level, situated on one freehold title	3,845	194/218	36
<b>Mercure Perth</b> 10 Irwin Street Perth, Western Australia, Australia	Strata freehold	757	239	36
<b>Millennium Hotel Queenstown</b> Corner Frankton Road & Stanley St., Queenstown, New Zealand	Freehold	7,453	220	75
<b>Millennium Hotel Rotorua</b> Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/Perpetual leasehold land	10,109	227	75
<b>Novotel Brisbane</b> 200 Creek Street Brisbane, Queensland, Australia	Strata volumetric freehold	6,235	218	36
<b>Rendezvous Grand Hotel Auckland</b> 71-87 Mayoral Drive, Auckland, New Zealand	Freehold	5,910	452	36

## Major Group properties continued

Investment Properties	Tenure	Approximate lettable strata area (sq. metres)	Effective Group interest (%)
<p><b>Tanglin Shopping Centre</b> A shopping-cum-office complex situated at Tanglin Road, Singapore, within the Orchard Road tourist district. The Group owns 83 out of 362 strata-titled units and 325 car park lots.</p>	Freehold	6,285	100
<p><b>Millennium Mitsui Garden Hotel Tokyo</b> 5-11-1 Ginza, Chuo-Ku, Tokyo 104-0061 329 bedroom hotel.</p>	Freehold/ Leasehold – 30 years from 25 March 2009	1,040/ 130 (site area)	70
<p><b>Biltmore Court &amp; Tower</b> Situated at 500/520 South Grand Avenue, Los Angeles, CA 90071. Comprising the Court which has 22,133 square metres Class “B” lettable office space within the Biltmore hotel structure and the Tower which has 12,116 square metres of Class “A” office space.</p>	Freehold	34,249	100
<p><b>Land site in Sunnyvale</b> City of Sunnyvale, California, USA</p>	Freehold	35,717	100
Owned by First Sponsor Group Limited, an associate of the Company:			
<p><b>Humen International Cloth Centre</b> Located in Humen Town, Dongguan, Guangdong Province, the PRC. Comprising 145 commercial units and 11 serviced apartments.</p>	Leasehold to year 2063	3,467	36
<p><b>Chengdu Cityspring</b> Located in Gaoxin District, Chengdu, Sichuan Province, the PRC. Comprising 21,875 sq. metres commercial space in the same building as M Hotel Chengdu (level 3-17) and 5,647 sq. metres of commercial and retail spaces.</p>	Leasehold to year 2049	27,522	36
<p><b>Zuiderhof I</b> Located in the South Axis, Amsterdam, the Netherlands. Comprising office space, archive space and 111 car park lots.</p>	Perpetual Leasehold. Ground rent paid until 2050	12,538	12
<p><b>Arena Towers</b> Located in Amsterdam Southeast, the Netherlands. A hotel property comprising 443 hotel rooms and 509 car park lots.</p>	Perpetual Leasehold. Ground rent paid until 2053	17,396	36
<p><b>M Hotel Chengdu*</b> Located in Gaoxin District, Chengdu, Sichuan Province, the PRC. Comprising 196 hotel rooms and suites.</p>	Leasehold to year 2049	19,228 (Gross floor area)	36
<p><b>Millennium Waterfront Chengdu Hotel (under development)</b> Located in Wenjiang District, Chengdu, Sichuan Province, the PRC. Expected to have 610 hotel rooms on completion.</p>	Leasehold to year 2051	122,683 (Gross floor area)	36

\*Hotel managed by the Millennium & Copthorne Hotels Group.

## Millennium & Copthorne hotels worldwide

### ASIA

#### China

Copthorne Hotel Qingdao  
 Grand Millennium Beijing  
 Grand Millennium Shanghai Hongqiao  
 M Hotel Chengdu  
 Millennium Residences @ Beijing Fortune Plaza  
 Millennium Hotel Chengdu  
 Millennium Harbourview Hotel Xiamen  
 Millennium Hotel Fuqing  
 Millennium Resort Hangzhou  
 Millennium Hotel Wuxi

#### Hong Kong

New World Millennium Hong Kong Hotel  
 JW Marriott Hotel Hong Kong

#### Indonesia

Millennium Hotel Sirih Jakarta

#### Japan

Hotel MyStays Asakusabashi  
 Hotel MyStays Kamata  
 Millennium Mitsui Garden Hotel Tokyo

#### Malaysia

Copthorne Orchid Hotel Penang  
 Copthorne Hotel Cameron Highlands  
 Grand Millennium Kuala Lumpur

#### Maldives

Angsana Velavaru  
 Jumeirah Dhevanafushi

#### Philippines

The Heritage Hotel Manila

#### Singapore

Copthorne King's Hotel Singapore  
 Grand Copthorne Waterfront Hotel Singapore  
 M Hotel Singapore  
 Orchard Hotel Singapore  
 Novotel Singapore Clarke Quay  
 Studio M Hotel Singapore

#### South Korea

Millennium Seoul Hilton

#### Taiwan

Grand Hyatt Taipei  
 Millennium Vee Hotel Taichung

#### Thailand

Pullman Bangkok Grande Sukhumvit  
 Millennium Resort Patong Phuket

### AUSTRALASIA

#### Australia

Ibis Perth  
 Mercure & Ibis Brisbane  
 Mercure Perth  
 Novotel Brisbane

#### New Zealand

Copthorne Hotel Auckland City  
 Copthorne Hotel Auckland Harbour City  
 (closed for refurbishment)  
 Copthorne Hotel Grand Central New Plymouth  
 Copthorne Hotel Wellington Oriental Bay  
 Copthorne Hotel & Resort Bay of Islands  
 Copthorne Hotel & Resort Hokianga  
 Copthorne Hotel Palmerston North  
 Copthorne Hotel & Resort Queenstown Lakefront  
 Copthorne Hotel & Apartments Queenstown Lakeview  
 Copthorne Hotel Rotorua  
 Copthorne Hotel & Resort Solway Park Wairarapa  
 Kingsgate Hotel Autolodge Paihia  
 Kingsgate Hotel Dunedin  
 Kingsgate Hotel Greymouth  
 Kingsgate Hotel Hamilton (franchise ended 11 February 2016)  
 Kingsgate Hotel Te Anau  
 Kingsgate Hotel The Avenue Wanganui  
 Kingsgate Hotel Whangarei (franchise ended 25 January 2016)  
 Millennium Hotel Queenstown  
 Millennium Hotel Rotorua  
 Millennium Hotel & Resort Manuels Taupo  
 Rendezvous Hotel Auckland

### MIDDLE EAST

#### Iraq

Copthorne Hotel Baranan  
 Grand Millennium Sulaimani Hotel  
 Millennium Kurdistan Hotel and Spa (closed for maintenance)

#### Jordan

Grand Millennium Hotel Amman

#### Kuwait

Al-Jahra Copthorne Hotel & Resort  
 Millennium Hotel and Convention Centre Kuwait

#### Oman

Millennium Executive Apartments Muscat  
 Millennium Resort Mussanah

#### Qatar

Copthorne Hotel Doha  
 Kingsgate Hotel Doha  
 Millennium Hotel Doha

## Millennium & Copthorne hotels worldwide continued

### Saudi Arabia

Millennium Taiba Hotel Madinah  
Millennium Al Aqeeq Hotel

### United Arab Emirates

Copthorne Hotel Dubai  
Copthorne Hotel Sharjah  
Grand Millennium Dubai  
Grand Millennium Al Wahda  
Kingsgate Hotel Abu Dhabi  
Millennium Airport Hotel Dubai  
Millennium Corniche Hotel Abu Dhabi  
Millennium Plaza Hotel Dubai  
Millennium Hotel Fujairah

## EUROPE

### France

Millennium Hotel Paris Charles de Gaulle  
Millennium Hotel Paris Opéra

### Italy

Grand Hotel Palace Rome

### UK

Copthorne Hotel Aberdeen  
Copthorne Hotel Birmingham  
Copthorne Hotel Cardiff-Caerdydd  
Copthorne Hotel Effingham Gatwick  
Copthorne Hotel London Gatwick  
Copthorne Hotel Manchester  
Copthorne Hotel Merry Hill-Dudley  
Copthorne Hotel Newcastle  
Copthorne Hotel Plymouth  
Copthorne Hotel Sheffield  
Copthorne Hotel Slough-Windsor  
Copthorne Tara Hotel London Kensington  
Hard Days Night Hotel Liverpool  
Hilton Cambridge City Centre Hotel  
Millennium Gloucester Hotel London Kensington  
Millennium Hotel Glasgow  
Millennium Hotel London Knightsbridge  
Millennium Hotel London Mayfair  
Millennium & Copthorne Hotels at Chelsea Football Club  
Millennium Madejski Hotel Reading  
The Bailey's Hotel London  
The Chelsea Harbour Hotel

## THE AMERICAS

### USA

Comfort Inn Near Vail Beaver Creek  
Maingate Lakeside Resort  
The McCormick Scottsdale  
The Lakefront Anchorage  
Millennium Biltmore Hotel Los Angeles  
The Bostonian Boston  
Millennium Broadway Hotel New York  
Millennium Harvest House Boulder  
Millennium Hotel Buffalo  
Millennium Hotel Cincinnati

Millennium Hotel Durham  
Millennium Knickerbocker Hotel Chicago  
Millennium Maxwell House Hotel Nashville  
Millennium Hotel Minneapolis  
Millennium Hotel St Louis (closed)  
Millennium Hilton  
Novotel New York Times Square  
ONE UN New York  
Pine Lake Trout Club  
The Premier Hotel New York

## CORPORATE OFFICES

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Tel: + [1] 303 779 2000  
Fax: + [1] 303 779 2001  
Email: guestcomment@millenniumhotels.com

## GLOBAL SALES

### Asia

China, Beijing: + [86] 10 6533 0749  
 China, Chengdu: + [86] 28 8517 2000  
 China, Guangzhou: + [852] 29218328  
 China, Shanghai: + [86] 21 6468 8099  
 Hong Kong: + [852] 2921 8328  
 Singapore: + [65] 6664 8888  
 Taipei: + [886] (2) 2729 3299

### Australasia

Sydney: + [61] (2) 9358 5080  
 Auckland: + [64] (9) 353 5010  
 Wellington: + [64] (4) 382 0770

### Europe

France: + [33] (0) 1 4949 1617  
 Italy: + [39] (0) 6 4201 2198  
 UK: + [44] (0) 20 7872 2444

### North America

New York: +1 212 789 7860

## International reservations

### Asia

China North: +108 0065 00558 (toll free)  
 China South: +108 0026 52531 (toll free)  
 Hong Kong: +800 96 2541  
 Indonesia: +001 803 65 6541  
 Malaysia: +1 800 80 1063  
 Singapore: +65 6735 7575  
 Taiwan: +008 01 65 15 05 (toll free)  
 Thailand: +001 800 65 6544 (toll free)

### Australasia

Australia: +1 800 124 420  
 New Zealand: +0 800 808 228

### Middle East

UAE: + [971] (4) 309 9096  
 (Sunday – Thursday)  
 8:00am – 5:00pm

### Europe

When in the following countries, please use this toll free number:  
 00 800 86 86 8086  
 Austria, Belgium, Denmark, Finland (prefix 990 instead 00),  
 Germany, Ireland, Italy, The Netherlands, Norway, Portugal, Spain,  
 Sweden & Switzerland  
 France: 0800 909 586  
 UK: 0800 41 47 41 Main reservations  
 0845 30 20 001 Leisure bookings  
 0845 30 20 002 Meetings and Events bookings

### North America

When in the following countries, please use this toll free number:  
 +1 866 866 8086  
 Canada, Puerto Rico, USA & US Virgin Islands

## Shareholder information

Analysis of shareholders as at 31 December 2015

Number of shares	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
1 – 10,000	635	78.98%	847,195	0.26%
10,001 – 25,000	44	5.47%	681,263	0.21%
25,001 – 50,000	28	3.48%	995,992	0.31%
50,001 – 100,000	24	2.99%	1,750,926	0.54%
100,001 – 500,000	42	5.22%	9,748,500	3.00%
500,001 – 1,000,000	6	0.75%	4,235,154	1.30%
1,000,001 – Highest	25	3.11%	306,471,271	94.38%
<b>Total</b>	<b>804</b>	<b>100.00%</b>	<b>324,730,301</b>	<b>100.00%</b>

Shareholders can find a wealth of information on the Company at [www.millenniumhotels.com](http://www.millenniumhotels.com) including:

- regular updates about our business;
- hotel and other property information;
- the ability to book a room at one of our hotels around the world;
- share price information;
- financial results and investor information; and
- our financial calendar which includes dividend payment dates and amounts.

### Electronic shareholder communications

Registering for online communication gives shareholders more control of their shareholding. The registration process is via our registrar's secure website [www.shareview.co.uk](http://www.shareview.co.uk).

Once registered shareholders are able to:

- elect how we communicate with them;
- amend their details;
- amend the way dividends are received; and
- buy or sell shares online.

This does not mean shareholders can no longer receive paper copies of documents. We are able to offer a range of services and tailor communication to meet their needs.

### Managing your shares

Please contact our registrar, Equiniti, to manage your shareholding if you wish to:

- register for electronic communications;
- transfer your shares;
- change your registered name or address;
- register a lost share certificate and obtain a replacement;
- consolidate your share holdings;
- manage your dividend payments; and
- notify the death of a shareholder.

You can also manage your shareholding online by registering for Shareview at [www.shareview.co.uk](http://www.shareview.co.uk). When contacting Equiniti or registering online, you should have your shareholder reference number at hand. This can be found on your share certificate or latest dividend tax voucher.

Contact details for our registrar:

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom

Telephone: 0371 384 2343\*  
and outside the UK +44 121 415 7047  
Textphone: 0371 384 2255\*  
and outside the UK +44 121 415 7028

\* Lines are open from 8.30 am to 5.30 pm, Monday to Friday, UK time.

### ShareGift

It may be that you have a small number of shares which would cost you more to sell than they are worth. It is possible to donate these to ShareGift, a registered charity, who provide a free service to enable you to dispose charitably of such shares. More information on this service can be obtained from [www.sharegift.org](http://www.sharegift.org) or by calling +44 (0) 207 930 3737.

**Be aware of share fraudsters**

Shareholders are cautioned to be very wary of any unsolicited advice, offers to buy shares at a discount, sell your shares at a premium or offers of free reports on the Company.

If you do receive such an approach, you are encouraged to take the following steps:

- obtain the full name of the person and organisation and make a record of any other information they give you, for example telephone number, address or web address;
- if the caller persists, simply hang up; and
- report the matter to the Financial Conduct Authority (“FCA”) so that they can investigate.

If you suspect that you have been approached by fraudsters please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

You are advised to deal only with financial services firms that are authorised by the FCA. Check the firm is properly authorised by the FCA before getting involved by visiting [www.fca.org.uk/register](http://www.fca.org.uk/register). If you do deal with an unauthorised firm you will not be eligible to receive payment under the Financial Services Compensation Scheme if anything goes wrong.

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk).

Find out more at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart).

## Shareholder information

continued

### Contacts and advisers

#### Registered office

Victoria House, Victoria Road, Horley, Surrey RH6 7AF,  
United Kingdom  
Registered in England and Wales No: 3004377

#### Corporate headquarters

Scarsdale Place, Kensington, London W8 5SR,  
United Kingdom

#### Stockbroker

Credit Suisse Securities Limited

#### Auditor

KPMG LLP

#### Solicitor

Hogan Lovells International LLP

#### Principal bankers

Bank of America Merrill Lynch  
DBS Bank Ltd.  
Mizuho Bank, Ltd.  
Oversea-Chinese Banking Corporation Limited  
Royal Bank of Scotland plc  
Sumitomo Mitsui Banking Corporation  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
The Hongkong and Shanghai Banking Corporation Limited

#### Registrar

Equiniti Limited

## Further Information

We value feedback and welcome comments and questions you may have regarding this publication.

**Please email us at:**

[companysecretary@millenniumhotels.co.uk](mailto:companysecretary@millenniumhotels.co.uk)

**or write to:**

The Company Secretary  
Millennium & Copthorne Hotels plc  
Scarsdale Place  
Kensington  
London W8 5SR  
United Kingdom

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### Front cover images

Top row (left to right)	Bottom row (left to right)
Millennium Hotel Paris Opéra, France	Grand Copthorne Waterfront Hotel Singapore
ONE UN New York, USA	Grand Hotel Palace Rome, Italy
Grand Millennium Beijing, China	Millennium Hotel London Mayfair, UK
Millennium Biltmore Hotel Los Angeles, USA	Copthorne Hotel & Resort Queenstown Lakefront, NZ

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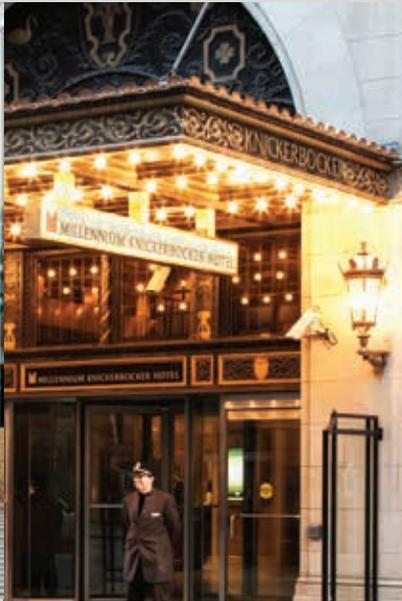
### Back cover images

Top row (left to right)	Bottom row (left to right)
The Bostonian Boston, USA	Grand Millennium Shanghai Hongqiao, China
The Chelsea Harbour Hotel, UK	Copthorne Hotel & Resort Bay of Islands, NZ
Millennium Knickerbocker Hotel Chicago, USA	Copthorne Hotel Wellington Oriental Bay, NZ
Grand Millennium Kuala Lumpur, Malaysia	Grand Millennium Al Wadha, UAE



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[www.millenniumhotels.co.uk](http://www.millenniumhotels.co.uk)

