



MILLENNIUM & COPTHORNE
HOTELS plc



Annual Report & Accounts 2017



M COLLECTION



COPTHORNE COLLECTION

Our hotel collections

MILLENNIUM COLLECTION

Our Millennium and Grand Millennium hotels offer timeless elegance and personalised, gracious service to the seasoned global traveller. They are brilliant for corporate guests and groups as they are seen as a great place to meet and network in the world's most fascinating cities.



M COLLECTION

The M Collection showcases stylish and vibrant design with strong local influence, offering guests a new, urban, and stimulating lodging experience. These conveniently located hotels are colourful, lively, and technologically equipped with the aim of helping guests tap into their own creative and adventurous spirits.

LENG'S COLLECTION

Leng's Collection is a legacy of our founders, the Leng generation of the Kwek family. Unique, authentic and elegant, these iconic hotels offer guests a most distinctive hospitality experience and provide the sense of being part of a club. They are beautifully situated, characterful properties in some of the world's most desirable destinations.



COPTHORNE COLLECTION

Our collection of Grand Copthorne, Copthorne and Kingsgate properties comprises comfortable and competitively priced hotels, where friends and families are welcomed with a warm smile and helpful service. As with all of our properties, Copthorne hotels are in locations that put our guests close to the heart of their chosen destinations.

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GOVERNANCE



FINANCIAL STATEMENTS





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CHAIRMAN'S STATEMENT

KWEK LENG BENG

Chairman



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“

The Group expects to make significant capital investment for a needed transformation to the repositioning of our hotels.

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Underlying hotel performance was flat last year. Foreign exchange gains relating to hotel revenue totalled £39m arising from weaker sterling, which is our reporting currency, against currencies in the regions where we operate. The increase in 2017 hotel revenue was attributable mainly to a full year of trading at two of our hotels: Millennium Hilton New York One UN Plaza, which re-opened post-refurbishment in September 2016, and Grand Millennium Auckland, which joined the Group in September 2016.

Performance was impacted by industry-wide factors, including political instability in Korea, the unabated growth in popularity amongst customers of online travel agents and alternative lodging options; and rising costs, especially in London, where Brexit is impacting a hospitality labour market already affected by minimum wage legislation. Our New York business will take some time to restore profitability in light of a strong union operating environment, union-driven wage increases and the continuing growth in room supply.

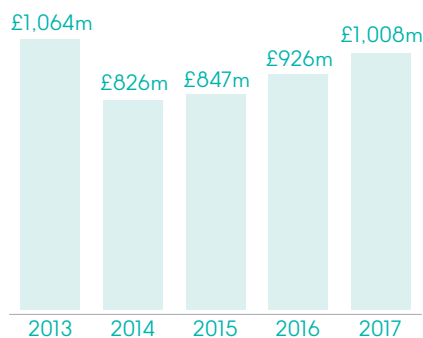
The Group expects to make significant capital investment for a needed transformation to the repositioning of our hotels so as to keep pace with guest expectations. Increased expenditure on both maintenance and product improvement will therefore be necessary for the Group to stay relevant and competitive. We also remain alert to opportunities to grow by acquisition.

We respect the decision by shareholders in the recent lapsed offer by City Developments Limited.

During 2017, the Group struggled to make headway against a number of challenges. In New York, Millennium Broadway continued to under-perform, whilst the recent operating transfer of ONE UN to Hilton will take some time to yield results. The recent growth in local hotel room inventory constrained our ability to

Revenue

£1,008M
+8.9%



RevPAR*

£82.78
+3.2%

2016: £80.19

PBT

£147M
+36.1%

2016: £108M

increase room rates in Singapore, whilst the performance of the other Asian hotels was flat overall.

Concerns about Brexit have affected our UK hotels especially in London, where there were already pressures on labour costs from a recent minimum wage increase. More positively, our hotels in New Zealand continued their recent run of good RevPAR growth, reflecting higher visitor numbers in the country, as well as the inclusion of Grand Millennium Auckland in September 2016.

Total revenue for the year increased by £82m or 8.9% to £1,008m (2016: £926m). Hotel revenue contributed most of this growth i.e. £66m. REIT revenue increased by £10m to £66m (2016: £56m) mainly due to contributions from newly acquired hotels. Increased land bank sales in New Zealand added £5m to total revenue.

Pre-tax profit grew by 36.1% to £147m (2016: £108m). Part of the increase was driven by lower impairment losses compared to the previous year and the reversal of a £12m loan impairment following the sale of the Group's interest in its Thailand joint venture, Fena, the owner of Pullman Bangkok Grande Sukhumvit (formerly Grand Millennium Sukhumvit Bangkok).

The Group's share of profit from joint ventures and associates fell by £4m to £22m (2016: £26m). The decrease was principally due to a gain recognised by First Sponsor Group Limited ("FSG") in the comparative year 2016 relating to a project based in Dongguan, China.

The Board recommends a final ordinary dividend of 4.42p per share (2016: 5.66p) 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 (2016: 2.08p), the total ordinary dividend for 2017 is 6.50p per share (2016: 7.74p).

Subject to approval by shareholders at the Annual General Meeting to be held on 4 May 2018, the final dividend will be paid on 11 May 2018 to shareholders on the register on 16 March 2018.

The Group refreshed its Board of Directors during the year. With Aloysius Lee having retired as a Director and the Group Chief Executive Officer at the end of February 2017 and with Alexander Waugh and Nicholas George stepping down from the Board at last year's annual general meeting, we welcomed Martin Leitch and Christian de Charnacé as Independent Non-Executive Directors on 22 May and 16 August 2017 respectively. Howard Wu, who joined the Board as an Independent Non-Executive Director on 17 February 2017, stepped down from the Board as of 3 August 2017 in order to take on executive responsibilities within the Group.

Following the annual general meeting on 5 May 2017, His Excellency Shaukat Aziz was appointed Senior Independent Director, succeeding Nicholas George. Following these and other changes, the compositions of the Audit, Nominations, Risk and Remuneration Committees were updated further, as explained in the Corporate Governance Statement starting on page 40.

In the first 31 days of trading in 2018, Group RevPAR in constant currency increased by 3.6%. New York up by 4.5%, Rest of Asia up 14.2%, Australasia up 10.3%, Rest of Europe up 1.2% but London down 3.2%, Singapore down 2.0% and Regional US down 2.5%.

Excluding Millennium Hotel Glasgow (116 rooms reduced to 60 rooms from July 2017), M Social Auckland (opened October 2017) and Millennium Hotel London Mayfair (refurbishment commenced in November 2017), like-for-like Group RevPAR increased by 4.0% with London up 0.9%, Rest of Europe up 0.2% and Australasia up by 9.9%.

*2016 figure shown in constant currency

BUSINESS REVIEW AND STRATEGY

BUSINESS MODEL

Our business model generates earnings predominately through acquiring and owning hotels and managing them profitably over the long term. This distinctive owner/operator model allows a significant proportion of hotel revenue to flow directly to the bottom line as profit and allows us to retain control over our property assets. In some destinations, where real estate ownership is less attractive for fiscal, legal or other reasons, we may operate hotels under management contracts or franchise agreements or through joint ventures.

STRATEGY

Our strategy is to maximise returns on shareholders' capital, whilst growing the business through asset acquisition, prudent investment in the existing hotel portfolio and the development of our people, processes and technology. Our strategic focus has always been on prime locations within gateway cities - destinations that naturally attract a large number of business and leisure travellers.

STRATEGY IN ACTION

Our strategic priorities in 2017 were to strengthen the Group's ability to manage the change that is transforming global hospitality markets, not least through the impact of "disruptive" technologies, and to tackle the specific challenges that we face in certain markets.

We completed a review of the senior executive management structure and created new leadership positions in marketing and sales, technology and human resources, whilst also strengthening regional leadership.

The Board was focussed on re-positioning key hotels in the global portfolio, such as Millennium Hotel London Mayfair, and developing a strategy to restore profitability to our New York business, which will take some time and investment to achieve.

The Group continued to review and streamline its corporate processes, thereby aiding cost control, and sought to enhance its capital efficiency. We also continued to develop our brand presence, especially in the China market and the business travel sector.

Hotel operations

Hotel revenue increased by £66m or 8.1% to £880m (2016: £814m) mainly because of favourable foreign exchange movements of £39m. In constant currency, hotel revenue grew by £27m or 3.2% due largely to full-year contributions from two new and refurbished properties in New York and Auckland. Otherwise hotel revenue was flat compared to last year.

Group RevPAR increased by 7.9% and 3.2% in reported currency and constant currency respectively. Hotel gross operating margin was slightly higher at 32.2% (2016: 31.6%).

Developments

The Group received building permit approval for the Yangdong development project in Seoul on 25 January 2017. Construction is intended to commence after fine-tuning the design for optimal efficiency.

The Group continues to review the project cost and specification for a 263-room hotel and a 250-unit residential apartment block on its 35,717m² mixed use freehold landsite at Sunnyvale, California, and intends to start construction in 2018. The Group may

modify certain aspects of the development, which is anticipated to take about 18 months to complete after commencement. Final planning approval for the project was received in December 2016.

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

Phased refurbishment work on Millennium Hotel London Mayfair commenced in the fourth quarter of 2017 and is scheduled to commence in Q2 2019. Refurbishment of Millennium Hotel London Knightsbridge is planned to commence next year.

Refurbishment of 260 deluxe guest rooms in the Orchard Wing of the Orchard Hotel Singapore has been re-scheduled to commence in the second half of this year to accommodate customer demand. Refurbishment is also planned for the lobby area and F&B outlets at the ground level. Renovation of the hotel's Hua Ting Restaurant, which started in August 2017, is complete, with the facility re-opened on 7 December 2017.

The final phase of the refurbishment of Grand Millennium Kuala Lumpur, relating to the guestrooms at levels 7 and 8, is under review. Guest rooms on levels 9 to 19 were completed in late 2016.

In October 2017, the 190-room M Social Auckland (previously known as Copthorne Hotel Auckland Harbourcity) was opened and benefited from keen demand for the hotel's innovative design, social spaces and service ethos. Initial feedback from key markets, including international and New Zealand business and leisure travellers has been positive.

Acquisitions

On 4 May 2017, CDL Hospitality Trusts ("CDLHT") completed the acquisition of the 165-room The Lowry Hotel in Manchester for a purchase consideration of £53m.

On 14 July 2017, CDLHT completed the acquisition of an effective interest of 94.5% in the 337-room Pullman Hotel Munich and its office and retail components and the fixtures, furniture and equipment used by the hotel for a purchase consideration of €101m (£89m).



Hua Ting Restaurant at
Orchard Hotel Singapore

BUSINESS REVIEW AND STRATEGY CONTINUED

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

Disposals

The Group continues to engage with the developer of Birmingham's Paradise Circus redevelopment scheme, under previously agreed commercial arrangements, regarding the closure and acquisition by the developer of the Copthorne Hotel Birmingham and possible acquisition by the Group of an alternative site for development of a new hotel within the scheme.

In March 2017 Scottish Ministers approved an order that allows Network Rail Infrastructure Limited ("Network Rail") to take permanently and to demolish the 1970s-built, 51-room extension of the Millennium Hotel Glasgow, in connection with the redevelopment of Queen Street Station. In July 2017, 56 guestrooms were permanently removed from the hotel in connection with the development. The property now has 60 guestrooms compared to 116 previously.

The Group is entitled to compensation, which will either be negotiated with Network Rail or settled at the Lands Tribunal. Separation and other works arising from the order were completed at the end of 2017, with demolition of the extension anticipated to commence in Q1 2018. The Group is continuing to consider its options with respect to the refurbishment of the remaining hotel areas.

On 11 January 2018, CDLHT completed the divestment of two hotels in Australia, the Mercure Brisbane and Ibis Brisbane for A\$77m (£45m) to an independent third party. Accordingly these investment properties were reclassified as assets held for sale on the balance sheet as at 31 December 2017.



Other Group operations

Joint ventures and associates contributed £22m to profit in 2017 (2016: £26m). The Group has an effective interest of 36% in First Sponsor Group Limited ("FSGL"), which is listed on the Singapore Exchange and reports its results independently.

On 11 January 2018, a partnership comprised of a subsidiary of FSGL together with subsidiaries of CDL and another substantial shareholder of FSGL acquired a 300-room hotel currently operated by a tenant as Le Meridien Frankfurt for €79m (£70m), excluding certain transaction related expenses.

On 1 February 2018, FSGL together with four other co-investors acquired all the issued shares of Hotelmaatschappij Rotterdam B.V., which owns the 254-room Hilton Rotterdam Hotel in the Netherlands, for €51m (£45m). Following the completion of the transaction, FSGL has a 24.7% interest in the acquired company.

On 7 February 2018, the Group provided an irrevocable undertaking to take up its full entitlement of FSGL's proposed rights issue of new perpetual convertible capital securities for a total cost of S\$58m (£32m) and a proportion of the excess rights not subscribed by other shareholders for a cost of up to S\$31m (£17m).

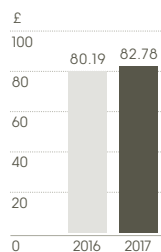
KEY PERFORMANCE INDICATORS

We use a set of carefully selected key performance indicators (“KPIs”) to monitor our success in executing our strategy set out on page 6. These KPIs are used to measure the Group’s progress year-on-year against those strategic priorities, and are set out below:

GROWTH

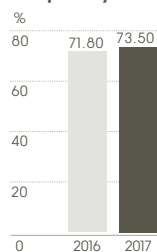
To achieve profitable growth and improved asset returns for our hospitality business. These are shown at constant rates of exchange.

Revenue per Available Room*



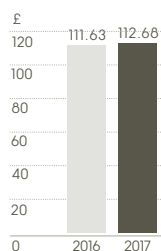
Average room rate multiplied by occupancy percentage.

Occupancy



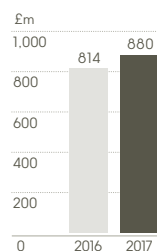
Percentage of rooms available for sale that were actually sold to our guests.

Average room rate*



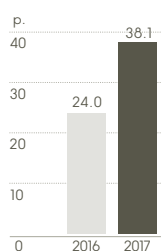
Revenue from room sales, divided by the number of room nights sold.

Hotel Revenue



Including room sales, food and beverage sales and meetings and events.

Basic earnings per share



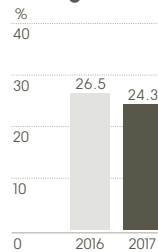
Profit for the year attributable to equity holders of the parent divided by weighted average number of shares in issue.

*2016 figures shown in constant currency

FINANCIAL LEVERAGE

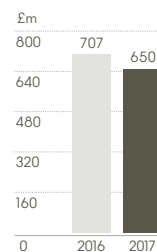
To ensure a sound financial base in order to provide a solid platform for the development and growth of the Group.

Gearing



Net debt over total equity attributable to equity holders of the parent.

Net debt

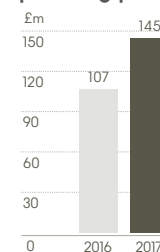


Total borrowings less total cash.

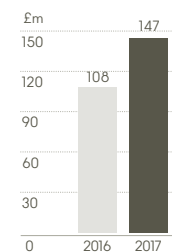
COST CONTROL

To ensure costs remain in line with revenue movements through a decentralised model, technological enhancements to drive efficiencies and rigorous monitoring of spending.

Operating profit



Profit before tax



The Group believes that the KPIs provide useful and necessary information on underlying trends to shareholders and the investment community and are used by the Group for internal performance analysis. Net Asset Value growth was replaced this year with a gearing measurement to better align the KPIs with the Group's strategy and Board reporting metrics. Given the decentralised model of the Group, regional management focuses on operational KPIs. 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 Group-wide figures.

FINANCIAL PERFORMANCE

For the full year to 31 December 2017, total revenue increased by 8.9% to £1,008m (2016: £926m) mainly due to favourable foreign currency movements as a result of the weak pound against major currencies and higher hotel revenue. The Group's reported revenue benefited from a positive foreign exchange impact of £46m during the year. Total revenue in constant currency was 3.7% higher as compared to last year.

	Reported Currency				Constant Currency		
	FY 2017 £m	FY 2016 £m	Change		FY 2016 £m	Change	
			£m	%		£m	%
Hotel	880	814	66	8.1	853	27	3.2
Property	62	56	6	10.7	60	2	3.3
REIT	66	56	10	17.9	59	7	11.9
Total Revenue	1,008	926	82	8.9	972	36	3.7

Financial performance

On a constant currency basis, hotel revenue increased by 3.2% to £880m principally due to the inclusion of new and refurbished hotels. During the year, New York region remained in a loss position. Performance by the Group's hotels in Singapore continued to decline with RevPAR down by 0.9%.

Reported profit before tax increased by 36.1% to £147m (2016: £108m). During the year, a total of £29m (2016: £44m) of net revaluation and impairment losses were charged to the income statement. The impairment losses are a result of the Group's impairment testing whereby the carrying amount of 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.

After removing the effects of the impairment losses and revaluation gains, the Group's reported profit before tax is £176m (2016: £152m). Profit was also impacted by the release of £3m accruals no longer required in relation to the Glyndebourne project which was completed in 2013. Finance cost was also lower by £5m in 2017.

Basic earnings per share increased by 58.8% to 38.1p (2016: 24.0p).

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 could materially affect the amount of these items in the Group's financial statements, even if their values have not changed in their original currencies.

The table in Note 22(c)(i) to the financial statements sets out the sterling exchange rates of the other principal currencies in the Group. Sterling weakened compared to other major currencies during the financial year, the impact of which is reflected in the translation reserve on page 84.



The Chelsea Harbour Hotel

Financial Position and Resources

	2017 £m	2016 £m	Change £m
Property, plant and equipment and lease premium prepayment	3,232	3,345	(113)
Investment properties	577	534	43
Investment in joint ventures and associates	324	320	4
Non-current assets	4,133	4,199	(66)
Current assets excluding cash	228	195	33
Provisions and other liabilities excluding borrowings	(274)	(297)	23
Net debt	(650)	(707)	57
Deferred tax liabilities	(188)	(220)	32
Net assets	3,249	3,170	79
Equity attributable to equity holders of the parent	2,676	2,668	8
Non-controlling interests	573	502	71
Total equity	3,249	3,170	79

Non-current assets

The Group states property, plant and equipment at cost, less depreciation or provision for impairment. Investment properties are held at fair value. External professional open market valuations took place at the end of 2017 for all investment properties and those property assets identified as having impairment risks.

Non-current assets decreased slightly by 1.6% compared to last year, principally due to the impact of exchange translation on property, plant and equipment.

Financial position

Group interest cover ratio for the year ended 31 December 2017 (excluding share of results of joint ventures and associates, and other operating income and expense) is 8 times (2016: 6 times).

At 31 December 2017, the Group had £354m cash and £292m of undrawn and committed facilities available comprising revolving credit facilities which provide the Group with financial flexibility. Most of the facilities are unsecured with unencumbered assets representing 88% (2016: 86%) of fixed assets and investment properties. At 31 December 2017, gross borrowing amounted to £1,004m of which £155m was drawn under £176m of secured bank facilities.

At 31 December 2017, the Group had net debt of £650m (2016: £707m). Excluding CDLHT, the net debt was £186m (2016: £232m).

Future funding

Of the Group's total facilities of £1,603m, £599m matures within 12 months. Excluding CDLHT, the Group's total facilities were £819m of which £171m matures within the

next 12 months. Plans for refinancing of the facilities are underway.

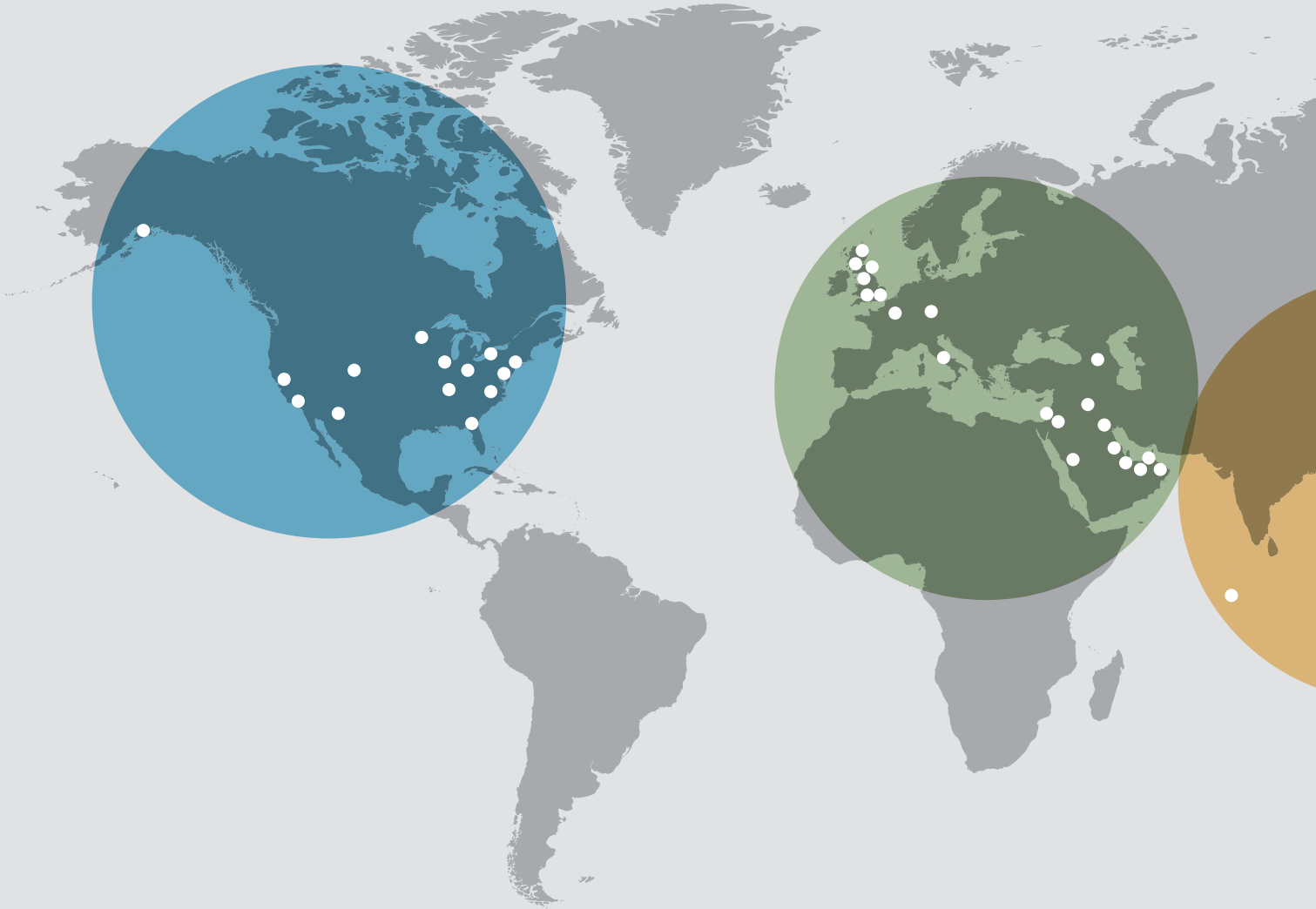
Treasury risk management

Group treasury matters are governed by policies and procedures approved by the Board of Directors. The treasury management 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.

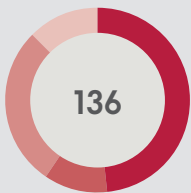


The Bailey's Hotel London

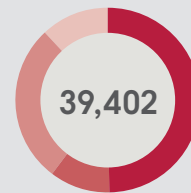
OUR GLOBAL REACH



GROUP INVENTORY AS AT 31 DECEMBER 2017

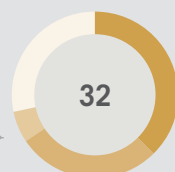


	Hotels			Room count		
	2017	2016	Change	2017	2016	Change
● Owned or leased	66	66	–	19,672	19,534	138
● Managed	15	42	(27)	4,098	11,924	(7,826)
● Franchised	38	7	31	10,982	1,091	9,891
● Investment	17	16	1	4,650	4,473	177
Total	136	131	5	39,402	37,022	2,380



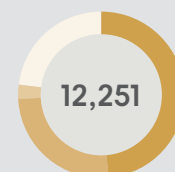
REGIONAL INVENTORY AS AT 31 DECEMBER 2017

Asia

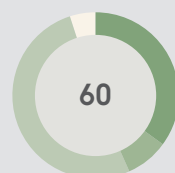


- Owned or leased
- Managed
- Franchised
- Investment

	Hotels			Room count		
	2017	2016 Change		2017	2016 Change	
Owned or leased	12	12	-	5,981	5,979	2
Managed	9	10	(1)	3,134	3,152	(18)
Franchised	2	2	-	325	780	(455)
Investment	9	10	(1)	2,811	3,136	(325)
Total	32	34	(2)	12,251	13,047	(796)

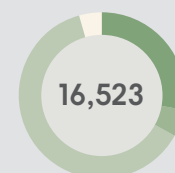


Europe



- Owned or leased
- Managed
- Franchised
- Investment

	Hotels			Room count		
	2017	2016 Change		2017	2016 Change	
Owned or leased	21	21	-	4,626	4,680	(54)
Managed	5	31	(26)	851	8,659	(7,808)
Franchised	31	-	31	10,346	-	10,346
Investment	3	1	2	700	198	502
Total	60	53	7	16,523	13,537	2,986



United States

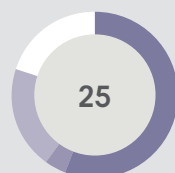


- Owned or leased
- Managed
- Franchised
- Investment

	Hotels			Room count		
	2017	2016 Change		2017	2016 Change	
Owned or leased	19	19	-	6,797	6,797	-
Managed	-	-	-	-	-	-
Franchised	-	-	-	-	-	-
Investment	-	-	-	-	-	-
Total	19	19	-	6,797	6,797	-

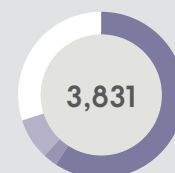


Australasia



- Owned or leased
- Managed
- Franchised
- Investment

	Hotels			Room count		
	2017	2016 Change		2017	2016 Change	
Owned or leased	14	14	-	2,268	2,078	190
Managed	1	1	-	113	113	-
Franchised	5	5	-	311	311	-
Investment	5	5	-	1,139	1,139	-
Total	25	25	-	3,831	3,641	190

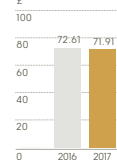


REGIONAL PERFORMANCE

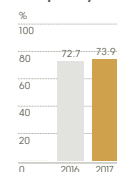
ASIA

Grand Copthorne
Waterfront Hotel Singapore

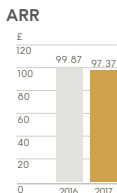
RevPAR	Total Asia	2017	2016	Change
£	Revpar (£)	71.91	72.61	(1.0)%
	Occupancy (%)	73.9	72.7	1.2
	Average Room Rate (£)	97.37	99.87	(2.5)%



Occupancy	Singapore	2017	2016	Change
%	Revpar (£)	83.83	84.58	(0.9)%
	Occupancy (%)	85.6	84.2	1.4
	Average Room Rate (£)	97.91	100.41	(2.5)%



ARR	Rest Of Asia	2017	2016	Change
£	Revpar (£)	64.39	65.05	(1.0)%
	Occupancy (%)	66.4	65.4	1.0
	Average Room Rate (£)	96.93	99.43	(2.5)%



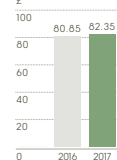
The long-running decline in Singapore hotel room revenue slowed during 2017, with RevPAR down by just 0.9% compared to the previous year. Lower room rates were offset by higher occupancy, reflecting the increase in foreign visitors to Singapore, notably from China. In the fourth quarter Singapore RevPAR grew by 0.8%. Despite the increase in visitor numbers, there is still over-capacity in the Singapore hotel room market, although the rate of construction of new hotels has passed its peak.

RevPAR fell by 1.0% in the Group's Rest of Asia region, with majority of the hotels contributing to the decline.

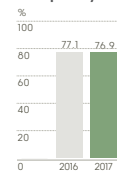
EUROPE

Grand Hotel Palace
Rome

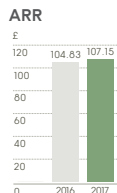
RevPAR	Total Europe	2017	2016	Change
£	Revpar (£)	82.35	80.85	1.9%
	Occupancy (%)	76.9	77.1	(0.2)
	Average Room Rate (£)	107.15	104.83	2.2%



Occupancy	London	2017	2016	Change
%	Revpar (£)	109.98	107.18	2.6%
	Occupancy (%)	83.0	81.9	1.1
	Average Room Rate (£)	132.47	130.83	1.3%



ARR	Rest Of Europe	2017	2016	Change
£	Revpar (£)	53.66	53.83	(0.3)%
	Occupancy (%)	70.5	72.2	(1.7)
	Average Room Rate (£)	76.16	74.55	2.2%



Europe RevPAR for 2017 increased by 1.9%, with a 2.2% increase in average room rate compensating for a small drop in occupancy. Our London hotels were resilient, despite a number of terrorist attacks.

Outside of London, the Group's European region hotels trod water throughout the year with RevPAR falling by 0.3% compared to 2016. Rome suffered a double digit decline in RevPAR during the year due mainly to a significant drop in occupancy with rates flat.

UNITED STATES



RevPAR	Total US	2017	2016	Change
	Revpar (£)	95.79	90.91	5.4%
	Occupancy (%)	68.3	65.0	3.3
	Average Room Rate (£)	140.23	139.94	0.2%
Occupancy	New York	2017	2016	Change
	Revpar (£)	164.84	153.03	7.7%
	Occupancy (%)	85.3	77.9	7.4
	Average Room Rate (£)	193.18	196.33	(1.6)%
ARR	Regional US	2017	2016	Change
	Revpar (£)	61.90	60.41	2.5%
	Occupancy (%)	60.0	58.6	1.4
	Average Room Rate (£)	103.23	103.11	0.1%

RevPAR for the US region during 2017 grew by 5.4% to £95.79, driven by small increases in both occupancy and average room rate.

New York RevPAR increased by 7.7%. The increase can be attributed to a full year of operation by ONE UN, now trading as Millennium Hilton New York One UN Plaza, which was fully re-opened in Q4 2016 following refurbishment of the east tower. Excluding this property, US RevPAR was up slightly by 1.3% and New York RevPAR up by 0.2%. Regional US RevPAR grew by 2.5%, resulting from a mix of strong and weak hotel performances.

AUSTRALASIA



RevPAR	Australasia	2017	2016	Change
	Revpar (£)	73.06	62.84	16.3%
	Occupancy (%)	81.2	81.3	(0.1)
	Average Room Rate (£)	90.01	77.31	16.4%
Occupancy	Australasia	2017	2016	Change
	Revpar (£)	73.06	62.84	16.3%
	Occupancy (%)	81.2	81.3	(0.1)
	Average Room Rate (£)	90.01	77.31	16.4%
ARR	Australasia	2017	2016	Change
	Revpar (£)	73.06	62.84	16.3%
	Occupancy (%)	81.2	81.3	(0.1)
	Average Room Rate (£)	90.01	77.31	16.4%

Australasia RevPAR grew by 16.3% in 2017 with significant contribution from Grand Millennium Auckland which traded its first full year in 2017. Average room rate increased by 16.4% against flat occupancy compared to the previous year.

In October 2017, the 190-room new M Social Auckland was opened. Excluding Grand Millennium Auckland and M Social Auckland, RevPAR for 2017 increased by 7.7%.

CORPORATE RESPONSIBILITY



As an international hotel company operating in over 27 countries, we remain committed to making a positive difference in the places in which we operate and consider corporate responsibility in all aspects of our business.

We work hard to train and develop our colleagues so that they can provide a valuable contribution to the industry and our local communities. Our hotels support local charities and community projects and we actively seek ways to reduce our impact on the environment, in our own operations and through engaging with our supply chain.

This report reviews our current systems and performance for the financial year

ended 31 December 2017, and it highlights actions we have taken to enhance our sustainability efforts.

Board responsibility

The Board has overall responsibility for the Group's corporate responsibility initiatives, with the Interim Group Chief Executive Officer taking the lead from a management perspective. Underpinning our commitment to sustainability, 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 environment and the communities in which we operate. These policies are reviewed regularly and are updated as necessary. They are also

translated into multiple languages where appropriate. A list of these policies can be found on our website at <https://investors.millenniumhotels.com/corporate-responsibility/supply-chain-transparency-statement>

Board diversity

Pursuant to the Group's diversity policy, the Board seeks diversity of skills, experience, geographical representation and gender both in its composition and throughout all levels of our business, more details of which can be found in the Nominations Committee Report of this Annual Report and Accounts.



Millennium Hotel Queenstown

Compliance

Within our operations, we are fully committed to meeting the highest standards of legal and regulatory compliance. We adhere to all applicable laws and regulations, not just the letter of the law, but the spirit of the law.

In 2017 we did not receive any material fines or penalties associated with non-compliance with any laws relating to the environment, human rights violations, labour standards, anti-corruption or taxation.

No donations were made by the Group for political purposes during the year (2016: £nil).

In addition, we endeavour to report transparently on tax policy and management, more information of which can be found in this Annual Report and Accounts.

Corporate ethics and business conduct

The Group is committed to maintaining the highest standards of ethics and integrity in the way we do business. Our Code of Ethics and Business Conduct ("Code") sets out our minimum expectations for all colleagues and describes our most important legal obligations. The Code reflects the responsibility we have, not just to comply with the law, but also to do the right thing. We also expect our suppliers and business partners to align to the standards set out within the Code and other related policies including, for instance, our Anti-Bribery and Business Hospitality and Gifts policies, over which the Board has oversight. As mentioned, these policies are translated into other languages where appropriate, including Spanish and Simplified Chinese.

To raise awareness of key operational risks and ensure we meet our compliance requirements, our global online compliance training platform continues to deliver training on anti-bribery, money laundering in certain jurisdictions and competition law. Our aim is to expand this to include training on data protection and preventing tax evasion.

The Group's Anti-Bribery policy has been developed in line with the requirements of the UK Bribery Act 2010 and is routinely reviewed, with the last review having taken place in April 2016. The Group maintains a confidential hotline and e-mail account to encourage employees to report improprieties or breaches they may have witnessed. A risk assessment is conducted to identify those categories of employees who require training on bribery and corruption, which includes people in areas

such as procurement and sales, and on our other policies.

A group-wide Anti-Bribery and Anti-Corruption Compliance Guide is also made available to all employees. This guide, which is in addition to the policy, highlights key risks relevant to the Group and identifies those operations in countries where corruption is perceived to be a high risk. The guide sets out a number of procedures for managing these risks, including escalation and whistleblower mechanisms and procedures for risk assessments for operations of potential business associates or counterparties.

We take breaches of these policies seriously and, if necessary, will consider disciplinary action for non-compliance by our employees. In the reporting year, we are unaware of any staff being disciplined or dismissed due to non-compliance with our Anti-Bribery policy.

Throughout our global activities, we are committed to respecting the human rights of our colleagues and others with whom we engage during the course of our business operations, including customers, suppliers and business partners. Our human rights policy reflects our commitment to certain fundamental human rights principles, which are aligned with those of the International Labour Organisation and the UN Guiding Principles on Business and Human Rights and include freedom of association and collective bargaining.

In accordance with the requirements of the Modern Slavery Act 2015, the Company has undertaken a review of its supply chain. Last year we had proposed a number of improvements to our Modern Slavery Act compliance framework. For instance, in the UK we implemented regular training exercises with law enforcement agencies to better train our hotel teams to spot the risks of modern slavery and human trafficking. Our contracts are updated

CORPORATE RESPONSIBILITY CONTINUED

on an ongoing basis with provisions regarding compliance with the Group's Human Rights Policy, which was updated in 2016 to include requirements around ethical working practices, human rights, child labour, forced labour and other similar concerns. Our European supplier intake forms now include questions about supplier track records with preventing slavery and human trafficking, and we take their answers into account when selecting reputable suppliers. This area remains a priority for the Board and we will look to make further improvements in our processes in 2018. The Group has also adopted a formal slavery and human trafficking statement which is available at <https://investors.millenniumhotels.com/corporate-responsibility/supply-chain-transparency-statement>

Our employees

We understand the importance of having the right people with the right skills, now and in the future, to deliver the exceptional service and expertise which is the basis of our relationships with our guests. To deliver that service and expertise, we are continually improving our talent pool and are committed to training and educating the next generation.

Learning and development

Our employees are encouraged to develop and manage their own careers and this is facilitated by providing relevant job training and, where appropriate, we aim to fill vacancies with existing staff where employees are suitably qualified and experienced. Our hotels also help young people from disadvantaged backgrounds by providing employment skills training and vocational opportunities. For example, our North American and European regions have introduced internship programmes for young hospitality talent, often in partnership with local universities.

We are committed to improving employee engagement and learning more about

the needs of our workforce. In addition to our training and development programmes, we aim to communicate frequently with our employees. We value highly the commitment of our employees and recognise the important role communication has in fostering good working relationships and practices. We seek to ensure that employees are informed on matters relating to their employment and on financial and economic factors affecting the business. At the same time, we actively seek feedback and ideas from our employees to improve our operations and where appropriate provide forums to allow employees to voice their views.

We also continue to have in place our global brand-defining 'Outstanding Service Excellence' employee development training programme where our colleagues are empowered to adapt and deliver a tailored service to each guest. This inspiration-based service approach is designed to engage both our colleagues and guests on a personal level, encouraging a genuine connection and creating true 'fans' of our brand.

Diversity

We recognise the importance of, and the benefits to be derived from, diversity across our international operations. Our employment policies not only seek to comply with all relevant legislation, but they also strive to ensure that all areas of our business embrace diversity, creating an environment that fosters fairness and equal opportunity in every aspect. For example, when recruiting, all applicants are assessed fairly regardless of race, gender, age, disability, marital status, sexual orientation or religious belief. More information on our equal opportunity employment policies can be found in the Directors' Report of this Annual Report and Accounts.

For the year ended 31 December 2017, the Group employed an average of 11,602 people worldwide in over 27 countries (2016: 10,996).

Employees by gender	Male	Female
Directors	8	1
Senior managers ¹	223	115
Other employees	6,159	5,096

¹ This is based on the participants in the Group's 2017 bonus pool and 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:

	2017 Numbers	2016 Numbers
Hotel operating staff	9,020	8,397
Management/ administration	1,439	1,481
Sales and marketing	461	468
Repairs and maintenance	682	650
	11,602	10,996

A safe working environment

Our overriding commitment in the workplace continues to be the health, safety and welfare of its employees, guests and all those who visit the Company's locations, as well as those who carry out work on behalf of the Group. To ensure their protection and well-being, our health and safety functions have comprehensive processes and procedures in place at all properties to comply with relevant legislation. Such measures also support our hotels to identify and assess key risk activities with a view to implementing appropriate controls to reduce occupational incidents.

Health and safety is a principal risk and as such is overseen by the Board Risk Committee. Effective training, supervision and regular communication on health and safety matters are provided to our employees both regionally and at property level. To support these activities, a comprehensive schedule of audits,

inspections and drills are carried out both internally and by independent bodies to check awareness and promote continuous improvements, compliance and readiness to deal with emergencies.

In the UK region, for example, we have put in place policies and procedures that are certified to OHSAS 18001 (externally audited by the British Standards Institution). Management continues the process of rolling out the system across the whole of the UK portfolio which is designed to ensure robust and comprehensive risk assessment and recognition across the business. These efforts are supported by compliance management software, resulting in tighter control of mandatory activities, inspections and the creation of audit trails.

For added assurance, quarterly reports covering health and safety matters are also presented to the Audit Committee. These provide statistics on incidents and updates on health and safety matters in all of our operating regions.

Respect for our environment

Energy use

Energy consumption is the most significant environmental impact of our business and we continue to drive operational efficiency and invest in energy efficient plant and equipment in our hotels.

Our LED light replacement programme continues to be rolled out across our estate. At a number of our hotels, lift modernisation works have been carried out or are being planned, new boilers have been installed and building management systems upgraded. Moreover, where hotel refurbishments are taking place, we seek to maximize energy efficiency opportunities.

In the UK, as a result of the Energy Savings Opportunity Scheme ("ESOS") undertaken in 2015, the recommendations identified from hotel audits were implemented across a number of our hotels and as we prepare for phase two of ESOS, we look forward

to the opportunity to identify and achieve even more energy savings.

Our energy consumption is shown below. This has been restated to exclude the hotels in the Middle East region ("ME Region") as a result of our sale of our joint venture interest in the operating entity for the region as of 31 December 2016. While the ME Region hotels generally continue to be managed by the same operator, since it is no longer a subsidiary of the Group, the ME Region data is not included in this year's calculations.

2017		2016	
Absolute (kWh)	Per room (kWh)	Absolute (kWh)	Per room (kWh)
507,724,416	22,195	491,032,100 ¹	21,047 ¹

¹ Restated to exclude all ME Region sites' data

A number of our hotels have also implemented an environmental management system that is aligned with the requirements of ISO 14001 which requires that each asset has a framework for identifying and mitigating environmental impact, as well as having processes for identifying relevant environmental legislation and ensuring compliance.

Recognitions

In recognition of adopting sustainable practices, a number of our hotels in Singapore still maintain Green Mark awards, an initiative set up by the Building and Construction Authority of Singapore to encourage environmentally friendly buildings.



Since 2011, we have been reporting our emissions performance annually to the CDP's climate change programme (formerly the Carbon Disclosure Project). As a result of the Group's efforts in implementing a range of actions to manage climate change, both in our own operations and beyond, we

were able to achieve an A- Leadership score in 2017.

Greenhouse gas reporting

This year's reporting covers the period 1 October 2016 to 30 September 2017. This period has been chosen to allow sufficient time to review emissions data ahead of the year-end and to ensure that verification of the data was completed in advance of the reporting deadlines. The data has been restated to exclude hotels in the ME Region for the reasons stated above.

Last year we also reported that a new target had been set to reduce our absolute Scope 1 and 2 operational carbon emissions from energy use and refrigerant losses by an aggregate amount of 10% by 2020, based on a 2015 baseline year. On a like-for-like basis between 2015 and 2017, we have already reduced our carbon emissions by 11%. We are pleased with this result, as we have achieved the carbon emission reduction target ahead of schedule. We intend to review this in due course and set a further stretching target.

Our Scope 1, 2 and 3 emissions, as well as the underlying energy, refrigerant, waste, water and travel data, have been externally verified by an independent third party, Jacobs U.K. Limited, in accordance with ISO 14064-3: 2006 Standard. A copy of the Verification Statement can be found at <https://investors.millenniumhotels.com/corporate-responsibility>

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

CORPORATE RESPONSIBILITY CONTINUED

Details of our total carbon footprint are summarised in the table below. For this reporting period, the Group's carbon footprint was 254,572 tonnes compared to 221,523 last year.

	Global tonnes of CO ₂ e		
	2017	2016	2015 Base year
Scope 1 ¹	50,024	46,811	47,542
Scope 2 ²	144,190	152,626	173,510
Carbon intensity (tonnes of CO ₂ e/ room. Includes scope one, two and three emissions)	11.13	9.50	10.32
Scope 3 ³	60,358 ⁴	22,086	24,289
No. of rooms	22,876	23,330	23,772
Total gross emissions	254,572	221,523 ⁵	245,341 ⁵

- Direct emissions from activities owned or controlled by our organisation that release emissions into the atmosphere.
- Indirect emissions that are a consequence of our organisation's activities but which occur at sources we do not own or control.
- 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.
- Well-to-Tank ("WTT") and Transmission and Distribution ("T&D") associated emissions, as

well as all waste emissions reported for the first time this year.

- Restated to exclude all ME Region sites.

In the reporting period, absolute emissions increased by 15% compared to last year due to an increase in the number of waste emission sources on which we now report. Previously reported emissions data were limited to waste sent to landfill, however in line with GHG protocol reporting recommendations made this year, we have reported all emissions from waste management processes including recycling and compost waste, together with emission losses from T&D and WTT (emissions associated with the extraction, generation and transport of fuels used). As a result of this, emissions per room has increased by 17% to 11.13 tonnes of CO₂e/room.

If we were to exclude WTT and T&D emission losses, our absolute emissions total would have decreased by 4% compared to last year.

Waste and resource use

Increasing waste diverted from landfill remains a key focus of our sustainability journey. By sharing best practice and innovative ideas among our hotels, waste reduction and recycling initiatives have

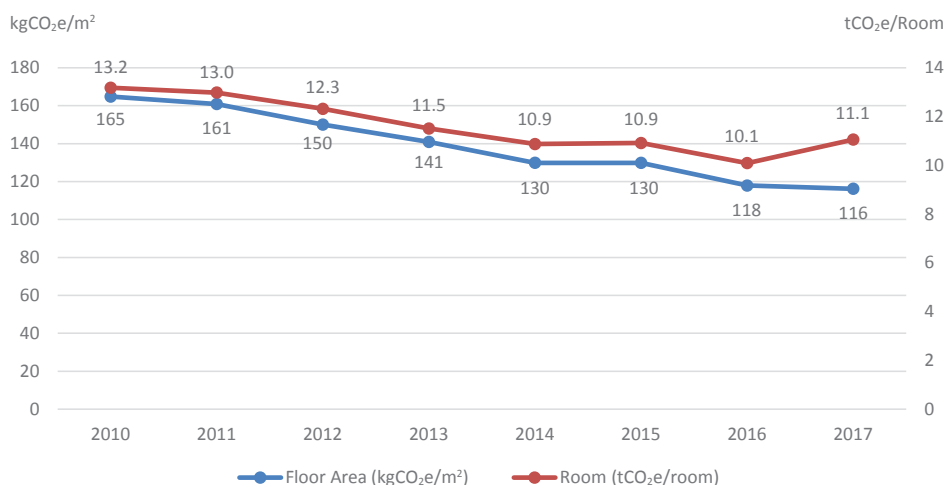
been spread to a large extent across our portfolio.

Our London hotels continue to work closely with our UK waste contractor to improve the recycle facilities in the back of house areas and conference rooms. For example, glass bottles for drinking water are provided in the guest rooms and function rooms, thereby eliminating the use of their plastic counterparts. By introducing this system, we significantly reduce the amount of plastic waste that would be generated as well as reducing the carbon emissions associated with the production, transportation and recycling of plastic water bottles.

Waste data

For 2017 the reported volume of waste increased by 39.97% on an absolute basis and by 44% on a per room basis compared to last year largely due to a change in how we report our waste. This year where data on recycling is unavailable, we have assumed that all such waste is landfilled, so that we account for the highest possible impact on our emissions. This has resulted in an increase in the amount of waste defined as landfilled but also gives us the opportunity to work on improving the quality of this data for future reporting.

Relative: Carbon Emissions by Source



2017		2016	
Absolute (tonnes to landfill)	Per room (tonnes to landfill)	Absolute (tonnes to landfill)	Per room (tonnes to landfill)
10,436	0.46	7,456 ¹	0.32 ¹

- Restated to exclude all ME Region sites' data

Water

Water is a scarce resource and we recognise that demand for water is likely to surge further in the next few decades; we therefore actively strive and encourage our colleagues to conserve water usage throughout our business, particularly where we operate in water stressed regions.

Based on the World Resources Institute's analysis of future water stress, we identified that 8% of our current operations are in countries facing extremely high water stress by 2040.

We conduct risk assessments regarding water issues as part of our on-going risk assessment procedures at our existing hotels.

To further minimise consumption through inadvertent water use, we seek customer engagement by encouraging the reuse of towels. We also have measures in place that quickly identify leaks and potential problems, in addition to providing water saving devices in guestrooms and toilets.

Water consumption data

2017		2016	
Absolute (m ³ consumed)	Per room (m ³ consumed)	Absolute (m ³ consumed)	Per room (m ³ consumed)
4,582,223	200	4,764,440 ¹	204 ¹

¹ Restated to exclude all ME Region sites' data

Our water consumption data has been independently verified by Jacobs U.K. Limited.

Sourcing responsibly

As a global hotel company that purchases food and beverage items, linens, amenities, beds and energy, sourcing is a complex and often decentralised process. Our suppliers extend beyond 27 countries and span multiple industries, with varied infrastructure and logistical challenges. We work closely with our suppliers to ensure that their products and services meet the demands of our operations and the expectations of our guests.

We therefore expect our suppliers to demonstrate effective environmental management of energy use, greenhouse gas emissions, water use, waste, pollution, resource use and biodiversity. We also question whether suppliers have appropriate corporate governance arrangements in place to operate in an ethical and sustainable manner

whilst encouraging diversity and equal opportunities throughout their business.

Our selection process for suppliers is stringent and we request and review information on their reduction of packaging, environmental policies and sustainable transport plans prior to contracts being signed. Since 2013, it has been our aim to assess all new European suppliers based on their environmental, labour, corruption and human rights practices.

Wherever practical, we purchase products made from local renewable and ethically sound sources. Specific focus is placed on using suppliers that reduce emissions and air pollution from food miles and our aim is to use suppliers with a demonstrable commitment to sustainable production methods.

To demonstrate our commitment to sustainable sourcing, one of our major suppliers in the UK that provides us with a variety of fresh, cold and frozen foods has committed to reducing its carbon emissions by reducing the total distance travelled by its fleet through the introduction of a new vehicle which has separate regulated varying temperatures in each of its storage compartments. This, combined with the use of the latest driver performance software and rainwater-harvesting facilities at their new sites represents a direct investment in the sustainability of its operations and in the health of the environment.

Supporting the community

We are committed to making positive and lasting impacts on the communities in which we operate. Our investment in local communities is fundamental to our business both from an ethical perspective, but also as efforts to improve the prosperity and wellbeing of our local communities will contribute to the stability of the local tourism industry and therefore to our resilience as a business.

We actively facilitate employee involvement with charitable partners, as

laid out in our Group Charity policy. Our colleagues have embraced this by helping the elderly, homeless, those in hospital and people with disabilities.

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

Copthorne Tara, London made Valentine's Day extra special this year by participating in a fundraising campaign for the Rays of Sunshine Charity that grants wishes to children living with serious or life-threatening illnesses. With every Ask Alfred children's concierge package sold, £1.40 was donated to the charity.

A team from the **Grand Copthorne Waterfront, Singapore** visited the Red Cross Home for the Disabled, a residential home for those with multiple disabilities, over two occasions to assist with art therapy sessions. Over 30 employees of the hotel took time off their busy work schedule to join residents of the home for their painting sessions, a creative activity organised by the home.

Over 170 donors came forward in a blood donation drive organised by **Millennium Sirih Jakarta, Indonesia** together with Red Cross Indonesia and You C1000. Themed 'A Drop Of Blood, A Million Purposes', the aim of the drive was to encourage more donors to come forward, to donate safe blood for national transfusion needs. Participants comprising hotel staff and management, hotel guests and those from the surrounding offices and communities came forward to lend an arm for the cause. A total of 115 bags of blood were collected during the half-day event.

Millennium Hotels and Resorts New Zealand is proud to support IHC, a New Zealand organisation providing support and care for people of all ages with intellectual disabilities and their families. IHC launched a new programme called 'Take a break with us' and all of our New Zealand hotels participate by donating hotel room nights to nominated full time carers of people with disabilities.

CORPORATE RESPONSIBILITY CONTINUED



The Grand Copthorne Waterfront Sales & Marketing team supporting painting classes for residents at the Red Cross Home for the Disabled, Singapore

Earlier this year, the **Lakefront Anchorage Hotel, Alaska** conducted its quarterly food drive for the Alaska Food Bank and collected over 400 pounds of food as part of its commitment to community service. The goal for 2017 was to donate one tonne of food for those in need in the local community.



In early September, **Grand Copthorne Waterfront, Singapore** and Singapore Red Cross jointly organised the 'Dancing Colours, Bridging Love' Charity Auction at the hotel's Grand Ballroom. The charity auction showcased 20 paintings for bidding that were completed by residents of the Red Cross Home for the Disabled as part of their art therapy programme, together with hotel staff. The auction raised up to S\$12,000 in support of Singapore Red Cross.



The **Grand Millennium Kuala Lumpur, Malaysia** partnered with the Food Aid Foundation Malaysia to support victims affected by the flood disaster in Penang, Malaysia which saw a continuous downpour of over 20 hours causing water levels to rise, trees to be uprooted and homes of residents to be severely damaged. The hotel supported the charity's relief efforts by donating over 200 pieces of clothing and bedding necessities to the flood victims.

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. In this section, we describe the principal risks that could affect the Group's ability to deliver against its strategy together with the controls and activities in place to mitigate such risks.

Risk factors

Below we provide information on the nature of each of the Group's principal risks as identified by the Board. Not all potential risks are listed; some risks that we are managing and monitoring in the business are excluded because the Board considers that they are not material to the Group's long term strategy, performance or viability.

In general, the diversity and geographical spread of the Group's assets provides a natural hedge against many of the principal risks identified on the following pages. However, as with any business, the Board accepts that risks are inherent in conducting a global business and that 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.

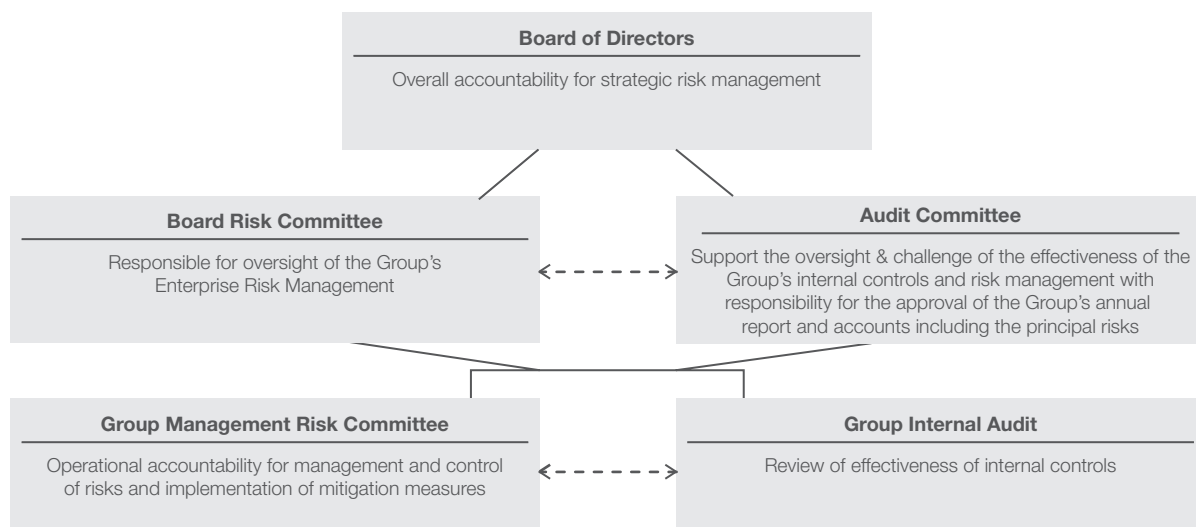
Management of risk

The Board is accountable for carrying out a robust assessment of the principal risks facing the Company, including those threatening its customers, people, values, reputation, business model, diverse brand portfolio, future performance, solvency or liquidity. To assist the Board in this task, the Board formed a separate Board Risk Committee in April 2016, which is tasked with reviewing the effectiveness of the Group's risk management framework and overseeing the Group's principal risks. These principal risks are referred to as "Level 1" risks. Below the Board Risk Committee sits the Group Management Risk Committee, which is chaired by the Group Chief Executive Officer, and is comprised of key executive personnel and supported by the head of Internal

Audit. The Committee provides input on, and oversight over, this risk management framework, including the identification, assessment and monitoring of the Group's Level 1 risks as well as any emerging or escalated risks.

Each business function and regional operations head, in turn, is responsible for formally identifying and assessing the risks within his or her remit and measuring them against a defined set of criteria, while considering the likelihood of occurrence and potential impact to the Group. These regional and functional risk profiles are the Group's "Level 2" risks.

The Group's risk management function, supported by an outsourced team from Barnett Waddingham, assists the Group Management Risk Committee, and ultimately the Board Risk Committee, in co-ordinating the risk management processes and producing a consolidated view. The risk management process uses a standardised approach to assess risks, including regular risk reviews and the updating of risk registers, to enable the highest risks to be escalated. The process also clarifies Board expectations through



OUR RISKS CONTINUED

risk appetite and is designed to focus on key risks, encourage accountability, holistic thinking, the use of management information in risk management discussions and informed decisions to deliver improvement and actions where necessary.

Risks at the individual hotel and project level, "Level 3" risks, are identified and managed by hotel general managers and financial controllers and the project owners, with support from the regional management teams.

Activities during 2017

The Board Risk Committee met four times in 2017, during which meetings it agreed a new risk management framework, conducted an assessment of the Group's principal, or Level 1, risks, and received updates on these principal risks by the designated risk owners.

The Group Management Risk Committee, in turn, met five times during the year. In addition to supporting the Board Risk Committee in assessing and monitoring the Group's principal risks, the Management Risk Committee conducted more detailed analyses of several of the key risks. One such "deep-dive" analysis focused on the threat of increasing costs of sale, particularly through third-party distribution channels. This work included sophisticated data analytics to help the team better understand and track its costs of sale through the various channels, with the goal of being able to better manage those costs.

Underpinning the work of the Board and Group Management Risk Committees and to help instill the new risk management framework within the Group, the risk management team held workshops and training sessions with key stakeholders over the course of the year.

The Board understands that risk management is an iterative exercise, one which is never complete. As such, the members of the Board Risk Committee look forward to continued improvements in the processes in 2018.

Risk assessment

Material risks are identified through a detailed bottom up assessment as well as a holistic top down review. The bottom up assessment encompasses the identification, management and monitoring of risks in each area of the business, including at the hotel level, and ensures that risk management controls are embedded in the businesses' operations. The top down review led by the Board Risk Committee, supported by the Group Management Risk Committee, evaluates the Group's operating environment, as explained above, with a particular focus, in conjunction with the Audit Committee, on the cash flows of the Group.

Risk committee

The Nominations Committee reviewed the structure of the Board's committees and the Board has decided to amalgamate the duties of the Risk and Audit Committee given the commonalities of their remits and

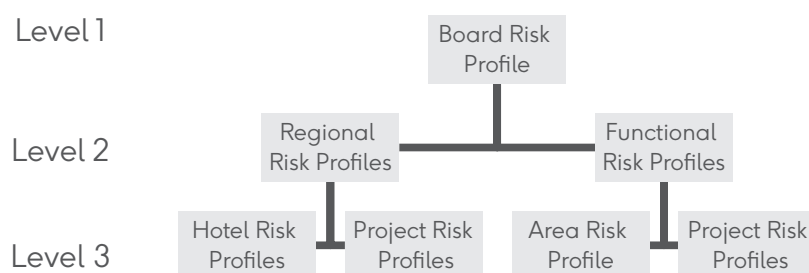
the establishment within the Group, since the formation of the Risk Committee, of a robust risk management framework. These changes will take effect following the conclusion of the Company's 2018 Annual General Meeting.

Review period

The UK Corporate Governance Code requires the Company to issue a 'viability statement' declaring whether the Directors expect that the Company will be able to continue in operation over a relevant period and meet its liabilities during that period after taking into account the Group's current position and principal risks. The overriding aim is to encourage the Directors to focus on the longer term and be more actively involved in risk management and internal controls. The relevant period over which the Board is to assess the viability of the Company must be longer than 12 months, and in this case the Board has selected a three year period.

A three year assessment period was considered by the Directors to be appropriate for several reasons:

- First, the three-year period is in line with the Group's rolling financial and capital expenditure planning, particularly as many of the Group's financing facilities have three-year maturities.
- Second, the landscape of online competition has been changing rapidly and is likely to continue to change further in the foreseeable future. It



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 combinations of 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 2020 taking into account the Group's assets, 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 annual budget and plan and three year financial and capital expenditure projections are 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 three year period to 31 December 2020.

would be difficult to form a reasonable judgment of how the online marketplace will evolve beyond a period of three years.

- Finally, market data, used to develop rate and other projections, beyond three years is thought to be less reliable.



Viability assessment



In order to assess the viability of the Group over the three year period, the Directors evaluated both the 2018 budget and plan, which is reviewed and approved by the Board, and three year financial and capital expenditure projections. The budget and these projections were prepared taking into account the Group's strategy and the current market conditions. They also took into account the principal risks, and the controls in place to mitigate those risks, and the projections included a sensitivity analysis based on a significant decline in hotel profit due to a combination of those risks, such as the failure of the Group to renew its financing facilities, materialising for a sustained period.

Having assessed the principal risks, the Directors have determined that they have a reasonable expectation that the Company will be able to continue in operation and meets its liabilities as they fall due for a period of three years to 31 December 2020.



OUR RISKS CONTINUED



Principal Risks and Uncertainties

Risk	Potential Impact	Mitigating Activities	Risk Trend
Quality of service delivery and product	<p>Consistent delivery of service and product quality is vitally important to creating and maintaining brand loyalty and value perception and influencing consumer preference. This is enhanced by the growing influence of customer ratings, reviews and the power of social media. 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 certain markets gives rise to the risk of non-performance on the part of the hotel owners and joint venture partners, affecting the ability of the relevant hotels to deliver service and product quality consistent with the Group brand and operating standards, especially when the strategic objectives of those parties are not always aligned with those of the Group.</p>	<ul style="list-style-type: none"> • Generally the Group operates properties which it owns, and therefore is able to exercise control over the service and product quality of those hotels. • For those hotels we own but do not operate, such as the Novotel New York Times Square and Grand Hyatt Taipei, the Group asset manages those properties to ensure compliance with its service levels and contractual requirements. • 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. • The Group currently endeavours to reinvest one-third of its EBITDA into its hotel estate. • 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. • Management representatives are assigned to manage the relationships with joint venture partners and third party hotel owners. 	
Intellectual property rights and brands	<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"> • In 2017 a formal launch of the latest brand offering, M Collection, took place with the promotion of the opening of M Social Auckland. • 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. 	


Risk	Potential Impact	Mitigating Activities	Risk Trend
Increasing competition	<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. The sector is also seeing a degree of consolidation in pursuit of scale benefits.</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"> • The Group's asset management teams help to ensure hotels are appropriately maintained and refreshed to remain competitive • 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. • Since 2014, a new advanced central reservations system has been in place providing a platform for future enhancements. Additionally, the Group's website and loyalty programme are regularly reviewed and upgraded as necessary to help improve brand recognition and drive more bookings through the Group's own, less costly distribution channels. • The Group's robust financial control and flexible revenue management systems help it to control costs and achieve better yields in volatile trading conditions. 	
Talent management and succession	<p>Delivery of consistent service quality and 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 impact service quality, consistency or delay the execution of the Group's strategies and increase costs and inefficiencies.</p> <p>The results of the UK referendum and ongoing negotiations around the UK's departure from the European Union may affect the availability of EU nationals, which is a key source of talent for frontline roles particularly in London.</p>	<ul style="list-style-type: none"> • 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. • During 2017 the Group implemented key changes to its senior management structure and team and several of its compensation programmes, particularly the incentive scheme utilised for the global sales team, to enhance employee engagement and performance. • We have conducted a risk assessment around the impact of 'Brexit' and continue to refine the scenario, contingency and staffing plans whilst monitoring the on-going developments of the governmental negotiations 	

OUR RISKS CONTINUED

Risk	Potential Impact	Mitigating Activities	Risk Trend
Financial risk management and financial controls	<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. The 2016 referendum in the UK to leave the European Union resulted in a sustained devaluation of the pound sterling. 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> <p>Financial control and accounting is a fundamental expectation impacting shareholder trust and reputation of the Group. This ranges from property level to consolidated and statutory reports.</p>	<ul style="list-style-type: none"> 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 Committee receive regular updates on treasury matters. Foreign exchange exposure is primarily managed through the funding of purchases and repayment of borrowings from income generated in the same currency. 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. Each hotel has an accountable financial controller who reports into the regional finance team and ultimately the Group's Chief Financial Officer. A cyclical programme of hotel audits is in place to ensure a proper control environment is being maintained. In 2017, the Group's Chief Financial Officer, with the support of the Audit Committee, reviewed the Company's financial controls and commenced a project to enhance the Group's financial control measures. 	
Legal and regulatory compliance	<p>The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex and rigorous 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. A particular area of focus in 2017 was in respect of the Group's preparation for the commencement of EU General Data Protection Regulation (GDPR), which comes into force in May 2018.</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"> 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. In response to the GDPR coming into effect, the Group has created a task force comprising legal, information technology, operations and other representatives to develop and implement plans to achieve substantial compliance by May 2018. 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. 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. 	

Risk	Potential Impact	Mitigating Activities	Risk Trend
Health, safety and social responsibility	<p>Health and safety of guests, visitors and employees is a fundamental expectation. The Group is further exposed to a wide range of regulatory requirements and obligations concerning health and safety.</p> <p>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> <p>Failure to implement and maintain sufficient controls regarding health and safety issues could result in serious injury or loss of life and expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.</p>	<ul style="list-style-type: none"> The Group has established and maintains health and safety and environmental management systems including policies, procedures, drills and tests, self and third party audits, training, governance, and reporting which, where possible, 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. Following the tragic fire at the Grenfell Tower in London in June 2017, management completed an assessment of cladding used on the Group's hotel estate to help ensure the safety of hotels guests, visitors and employees. 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. The Group maintains in place industry standard insurance cover to mitigate many risks and liabilities, such as workers compensation and general liability policies. 	
Information Security, vulnerability to cyber-attacks and PCI-DSS compliance	<p>Increasing reliance on online distribution channels, transactions over the internet, 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 failures, breaches and 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 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"> A new Group IT governance committee was formed in 2017 comprising the Chief Technology Solutions Officer, The Chief Financial Officer and SVP General Counsel and Company Secretary to enhance IT oversight and focus. The Group have in place information technology policies and procedures that have been updated to reflect implementation of the latest PCI-DSS compliance standards Periodically, the Group engages external consultancy firms to conduct security and penetration testing services in relation to the Group's websites and systems and implements enhancements where necessary. Software systems are regularly updated to allow for the latest security updates and patches to be installed. 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. The regional information technology teams have developed disaster recovery plans and guides with regard to their high-priority systems, and tests are conducted on select mission-critical systems annually to verify their recoverability offsite. The Company has in place, and regularly reviews, cyber insurance coverage to protect against certain cyber risks. 	

OUR RISKS CONTINUED

Risk	Potential Impact	Mitigating Activities	Risk Trend
<p>Response to natural, geopolitical and economic events</p>	<p>The Group is exposed to various external events that may reduce travel, impact on operations or increase the Group's operating costs. Such events 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.</p> <p>Notably, with regard to the UK referendum on EU membership, while we have not seen any immediate or material impacts from that decision aside from significant exchange rate fluctuations, we recognise that the coming years will be challenging in the UK as uncertainty remains and we are monitoring political and macro-economic developments closely.</p> <p>With regard to these risks, 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"> The wide geographic spread of the Group's properties is a natural hedge against the impact of natural, geopolitical and economic events. The Group's flexible financial and revenue management systems help it to control costs and achieve better yields in volatile trading conditions. The Group has in place disaster recovery, crisis response and business continuity plans and often has working relationships with local law enforcement bodies to enable it to respond to major incidents or emergencies. Management pro-actively monitors geopolitical developments and seeks to identify emerging risks at the earliest opportunity to ensure clear roles and responsibilities, internal controls and other steps to minimise these exposures to the greatest extent possible. 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. 	

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 and Our risks sections. The Strategic Report was approved by the Board and has been signed on its behalf by:

Kwek Leng Beng

Chairman of the Board

28 March 2018

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Grand Millennium
Kuala Lumpur

BOARD OF DIRECTORS



1

1 Kwek Leng Beng^N

Chairman of the Board and Chair 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 and Chairman, Managing Director of Hong Leong Finance Limited and the Executive Chairman of Hong Leong Investment Holdings Pte. Ltd, the immediate and ultimate holding company of City Developments Limited. He also was the Non-Executive Chairman of Hong Leong Asia Limited until its annual general meeting in April 2017, when he stepped down as its Chairman and as a Director. Mr Kwek was also the Chairman and Managing Director of City e-Solutions Limited until he stepped down in September 2016 after it ceased to be a subsidiary of City Developments Limited.

Mr Kwek holds a law degree, 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.

Mr Kwek has distinguished himself in property investment and development, hotel ownership and management, financial services, and industrial enterprises. He was presented the Lifetime Achievement Award at the Asia Pacific Entrepreneurship Awards 2017 organised by Enterprise Asia, a regional non-governmental organisation for entrepreneurship. The accolade was in recognition of his outstanding achievements, visionary leadership and steadfast dedication that has led to the successful growth of the Hong Leong Group for over five decades. He leads a business empire worth over US\$32b in diversified premium assets worldwide and companies traded on 6 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

2 Kwek Eik Sheng^{Rc}

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 Group 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.



3

3 Kwek Leng Peck^N

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, including City Developments Limited, Hong Leong Finance Limited, and China Yuchai International Limited. He also serves as an Executive Chairman of Hong Leong Asia Ltd, and is Non-Executive Chairman of Tasek Corporation Berhad.



4

4 His Excellency Shaukat Aziz^{NR}

Independent Non-Executive Director and Senior Independent 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 5 years.

After graduating from Gordon College, Rawalpindi in 1967, Mr Aziz gained a MBA 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, encompassing roles globally.

As 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 their global wealth management business. A renowned public speaker on economic and geopolitical affairs, Mr Aziz is a member of several boards and advisory boards of various commercial and non-profit entities around the world.

Committee membership:

A - Audit Committee
N - Nominations Committee
R - Remuneration Committee
Rc - Risk Committee



5

5 Daniel Desbaillets ^{RRcA}
Independent Non-Executive Director

Daniel Desbaillets was appointed to the Board in September 2016. Prior to his appointment Mr Desbaillets was an Independent Non-Executive Director of M&C REIT Management Limited, the manager for CDL Hospitality Real Estate Investment Trust ("H-REIT"), and also of M&C Business Trust Management Limited, the trustee-manager for CDL Hospitality Business Trust ("HBT"). Both H-REIT and HBT are comprised as a stapled group in CDL Hospitality Trusts ("CDLHT") which is listed on the Singapore Exchange Securities Trading Limited.

Mr Desbaillets has extensive hospitality experience. He has been in the hospitality industry since 1973 holding senior positions with InterContinental Hotel Group, Hilton and Shangri-La. He was appointed to the boards of CDLHT as an Independent Non-Executive Director in July 2010.



6

6 Susan Farr ^{RN}
Independent Non-Executive Director and Chair of the Remuneration Committee

Susan Farr was appointed to the Board in December 2013. She was a business Director of Chime Communication Limited (formerly Chime Communication plc) from 2003 until 2015 and serves as a special adviser on a part time basis. She also serves as a Non-Executive Director of British American Tobacco p.l.c., Dairy Crest plc, Accsys Technologies plc. Susan Farr stepped down from the Board of Dolphin Capital Investors Limited in January 2018.

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.



7

7 Gervase MacGregor ^{ARc}
Independent Non-Executive Director and Chair of the Risk Committee

Gervase MacGregor was appointed to the Board in December 2014. He has been a partner in 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.

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 over the

last 25 years, first as an auditor of international five star hotels, and more recently in investigations and disputes in the sector. Gervase MacGregor is a fellow of the Institute of Chartered Accountants in England and Wales, and is a graduate of the University of Liverpool, and has a Masters from HEC in Paris.



8

8 Christian de Charnacé ^A
Independent Non-Executive Director

Christian de Charnacé was appointed to the Board in August 2017. He has over 40 years of global experience in merchant, corporate and institutional banking. Most recently he was CEO, Investment Banking Asia Pacific, for BNP Paribas based in Hong Kong. He has since 1980 led various divisions of the bank working in Singapore, Hong Kong, Seoul, Los Angeles, Taipei, Tokyo, Paris and London. Mr de Charnacé has been involved in numerous financing and advisory transactions for clients throughout Asia, the

US and Europe, and has considerable experience in advising listed companies. He began his banking career at Bank of America, working in its Multinational Division.



9

9 Martin Leitch ^{AN}
Independent Non-Executive Director and Chair of the Audit Committee

Martin Leitch was appointed to the Board and as a member of the Audit and Nominations Committees in May 2017. He is an international finance executive with over 30 years' experience of both publicly quoted and private equity owned groups. He is a Chartered Accountant and has since 2013 provided finance, strategy, corporate finance and other services to a number of international businesses, including Volac International and Constantia Flexibles. Before that he was Chief Financial Officer at Innovia Films, Quest International and Antalis Group. In

conjunction with his recent advisory work, Martin was appointed as a Director of Accrol Group Holdings plc on 4 February 2018 where he holds the position of Interim CFO. He began his corporate career at Pepsi-Cola International in 1993, having worked for Price Waterhouse in both the UK and US between 1979 and 1993.

DIRECTORS' REPORT

Introduction

The Directors present their annual report of the business and the Group, together with the financial statements and auditors report, for the year ended 31 December 2017.

The Directors' Report is required to be produced under the Companies Act 2006 (the "Act"). The Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTRs") and Listing Rules ("LRs") also require the Company to make certain disclosures.

The purpose of the Directors' Report is to provide shareholders with certain statutory information about the Company, its Directors and its operations. The Strategic Report informs shareholders of and helps them assess how the Directors have performed in their duty to promote the success of the company.

Other information that is relevant to this report, and which is also incorporated by reference, including information required in accordance with the Act and LR 9.8.4R, can be located as follows:

Disclosure	Section	Pages
Directors' emoluments	Directors Remuneration Report	page 57
Long Term Incentive schemes	Details of the Group's employee share schemes are set out in Note 23 of the consolidated financial statements and also on pages 65 and 66 of the Directors' annual report on remuneration. Details of the shares held by the Millennium & Copthorne Hotels plc Employee Benefit Trust can be found in the Directors' Report on pages 35 and 36 and in Note 30 of the Consolidated Financial Statements on page 135	
Interest capitalised by the Group	Note 12 of the consolidated financial statements	page 108
Parent participation in a placing by a listed subsidiary	None	
Contract of Significance with a controlling shareholder	None	
Provision of services by a controlling shareholder	Note 33 of the consolidated financial statements	page 137
Non-pre-emptive issues of equity for cash	None	
Non-pre-emptive issues of equity for cash in relation to major subsidiary undertakings	None	
Agreements with the controlling shareholder	Corporate governance statement	page 46
Employee involvement and policies	Corporate responsibility	page 18
Greenhouse gas emissions	Corporate responsibility	page 20

Company status

Millennium & Copthorne Hotels plc is a public limited company incorporated under the laws of England and Wales. It has a premium listing on the London Stock Exchange main market for listed securities and is a constituent of the FTSE 250 index.

Strategic Report

This report is prepared by the Directors and is found on pages 4 to 30. The Strategic Report is required by the Act to provide 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 the position of its business at the end of the year and a description of the Company's strategy and business model.

Board of Directors

The names and biographical details of the Directors holding office as at 31 December 2017 are shown on pages 32 to 33.

Except for Martin Leitch and Christian de Charnacé, who were appointed as Independent Non-Executive Directors with effect from 22 May 2017 and 16 August 2017, respectively, all other Directors who held office at 31 December 2017 served on the Board during the entire year.

Directors' shareholdings

Details of the Directors' shareholdings at the year-end are shown on page 60. No change to these shareholdings has occurred between 31 December 2017 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 2017 are set out on pages 80 to 149.

An interim dividend for the year ended 31 December 2017 of 2.08p per share was paid on 29 September 2017. The Directors are recommending a final dividend of 4.42 p per share (2016: 5.66p), which, if approved at the annual general meeting on 4 May 2018, will be paid on 11 May 2018 to shareholders on the register on 16 March 2018.

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 (2016: £nil). The Company operates a politically neutral policy with regard to any political donations and expenditure it may elect to make. See the Corporate Responsibility review on page 16 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 Report on pages 19 to 21.

Employee involvement and disabled persons

We value highly the rich ethnic and cultural diversity of our people. The Group operates in 27 countries and employs an average of 11,602 employees worldwide. 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, global and 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 compliant Save as You Earn Scheme in the UK which is an all employee share plan for employees in the UK, and Long Term Incentive plan,

DIRECTORS' REPORT CONTINUED

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 4 to 30.

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

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future (which for this purpose is a period of at least 12 months from the date of approval of these financial statements). Accordingly, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements of the Group. Further details on this assessment are included on page 87, within Note 2 to the Group financial statements.

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. However, as mentioned in the "Payment for loss of office" section in this Directors' Report, the Company's share plans include change of control provisions.

Share capital and related matters

The Company's issued share capital at 31 December 2017 consisted of 324,760,755 fully paid ordinary shares of 30 pence each. The shares are traded on the Main Market of the London Stock Exchange. During 2017, 25,190 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 <https://investors.millenniumhotels.com/corporate-governance/policies>. Each ordinary share 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 manual, 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 known as the Millennium & Copthorne Hotels plc Employee Benefit Trust 2006 (the "EBT"), which is funded by the Company and was established to acquire shares in the Company for the benefit of employees participating in the Company's share-based incentive schemes. Details of shares held by the EBT at 31 December 2017 are set out on page 135. During 2017, 22,028 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 generally abstains from voting.

Payment for loss of office

The Company does not have an agreement 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 59.

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.

Allotment of shares

Under the Act, Directors may only allot shares or grant rights to subscribe for, or convert any security into, shares if authorised to do so by shareholders at the Company's annual general meeting. The authority conferred on the Directors at the Company's 2017 annual general meeting under Section 551 of the Act will expire at the Company's next annual general meeting or 30 June 2018 whichever is earlier. At the Company's 2018 annual general meeting shareholders will be asked to renew this authority for Directors to allot equity shares representing at least one-third of the issued share capital as at the latest practicable date prior to the publication of the notice of annual general meeting. Further details of this resolution and other resolutions are contained in the 2018 notice of annual general meeting.

Purchase of own shares

The Company was authorised by shareholders at its 2017 annual general meeting to purchase its own shares on the market within certain limits. In the period since the 2017 annual general meeting, the Company has not exercised this authority. The Board will seek shareholder approval at the 2018 annual general meeting to renew this authority to make market purchases of the Company's shares.

The Co-Operation Agreement (described further below) 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 2017.

Controlling shareholder independence disclosure

As of the date of this report, CDL is the controlling shareholder of the Company. As required under LR 9.2.2ADR, 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 the LRs.

In accordance with LR 6.5.4R the Co-operation Agreement establishes, among other things, that CDL and its associates shall (i) conduct all transactions and arrangements with the Company and its subsidiaries at arm's length and on normal commercial terms; (ii) not take any action which would have the effect of preventing the Company from complying with its obligations under the LRs; and (iii) not exercise any voting or other rights and powers to propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the LRs. The Co-Operation Agreement will continue in operation as long as the Company's shares are listed on the

premium segment of the Official List of the London Stock Exchange and should terminate should CDL cease to be a 'controlling shareholder' as defined in the LRs.

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.

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.

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 2017, the Company purchased and maintained Directors' and Officers' liability insurance coverage, which has been renewed for the current year. No claim was made under any such indemnity or insurance policy during the year.

DIRECTORS' REPORT CONTINUED

Annual general meeting

The 2018 annual general meeting will be held at the Millennium Hotel London Knightsbridge, 17 Sloane St, Knightsbridge, London SW1X 9NU on 4 May 2018 at 10.00a.m. The Notice of Meeting which will contain notes explaining the business to be transacted at the meeting, will be sent to shareholders under a covering letter from the Chairman and together with a copy of the Annual Report and Accounts.

At the meeting, resolutions will be proposed to, among other things, declare a final dividend, to receive the Annual Report and Accounts, to approve the Directors' remuneration report, to re-elect

all Directors, to re-appoint KPMG LLP as auditors, and to authorise the Directors to approve their fees. 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 Committee, resolutions to reappoint them as auditor and to authorise the Directors to determine their remuneration will be proposed at the 2018 annual general meeting.

Significant holdings

As at the date of this report, the Company had been notified, under DTR 5.1.2, of the following interests of three per cent or more in its total voting rights:

Significant shareholder	# of ordinary shares	Notified Interest (%)	Nature of holding
City Developments Limited	211,749,487	65.2	Indirect holding through various subsidiaries
International Value Advisers, LLC	22,815,011	7.03	Investment advisor
Standard Life Aberdeen plc	13,724,147	4.22	Discretionary investment manager on behalf of multiple managed portfolios
MSD Capital, L.P.	16,394,202	5.05	Discretionary investment manager on behalf of multiple managed portfolios

Corporate Governance Statement

In compliance with DTR 7.2.1R, the disclosures required by DTR 7.2.2R to 7.2.7R are set out in this Report of the Directors and in the Corporate Governance Statement on pages 40 to 47 which together with the Directors' Statement of Responsibilities are incorporated by reference into this Report of the Directors.

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

In accordance with Section 418 of the Act, each Director who held office at the date of approval of the 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 28 March 2018.

By order of the Board

Jonathon Grech

Group General Counsel and
Company Secretary

28 March 2018

CORPORATE GOVERNANCE STATEMENT

Dear Shareholders,

As I remarked in last year's Corporate Governance Statement, an effective governance regime must be practical and tailored to the needs of each business. It cannot exist in a vacuum, but instead must evolve and help support the growth of the business. That is why over the course of 2017 we implemented changes to the composition of our Board to help refresh, and enhance the skills and experience of, our Directors.

Sustainable governance

This was a year of change on the Board. With Aloysius Lee, Alexander Waugh and Nicholas George stepping down from the Board during the first half of the year, we were pleased to welcome Martin Leitch to the Board in May 2017 and Christian de Charnacé in August 2017. Both Christian and Martin have a proven track record of delivering results and bring a wealth of experience to the Board. As previously reported, Howard Wu, who joined the Board in February 2017, stepped down in August 2017 to lead our U.S. operations and our global information technology department as part of our executive management team.

These retirements and appointments created an opportunity for us to examine and adjust the membership of our Board committees. Susan Farr and Martin Leitch were appointed to chair the Remuneration Committee and Audit Committee, respectively, taking over from Alexander Waugh and Gervase MacGregor. Mr MacGregor took on the chair of the Risk Committee in place of Mr Kwok Leng Peck, and His Excellency Shaukat Aziz assumed the role of Senior Independent Director after Nicholas George stepped down. Christian de Charnacé was appointed as a member of the Audit Committee effective 23 March 2018.

In 2018 I will work with the Directors to ensure that we continue to focus on the challenges we face, both internally

and externally, and that the Board and Group have the proper mix of talent and resources to allow the Company to execute its strategy and develop the business over the coming years. New Director appointments may be considered as part of this proposal.

Board evaluation

This year we conducted an internal Board evaluation which supported the findings of the external Board evaluation which was conducted in 2016 and we found that the Board is collegiate, transparent and effective. A summary of the key findings from the internal board evaluation is set out on page 46 of the Corporate Governance Statement.

Board priorities

Given the geopolitical events we are experiencing around the world, such as the tensions in Korea and proposed withdrawal of the U.K. from the European Union in 2019, and other challenges facing the Group, including the performance of our New York hotels and increasing market share of online travel agencies, the Board and management team have spent a considerable amount of time considering the possible effects these will have on our business and will continue to keep these matters under review and assess ways in which their impacts can be mitigated. I believe that our entrepreneurial and innovative culture will help the Company become more resilient and tackle these challenges in 2018 and beyond.

Proposed takeover offer

On 9th October 2017 an announcement was made in respect of a possible offer by Agapier Investments Limited, a company indirectly and wholly-owned by City Developments Limited ("CDL"), for the entire issued and to be issued ordinary share capital of the Company not already held by CDL and its subsidiaries (and persons acting in concert with them) (the "Possible Offer"). It was disclosed that prior to this announcement an Independent Committee comprising of all

the Independent Non-Executive Directors had been set up to assess the merits of the approach from CDL. After the Possible Offer was announced, the Independent Committee received a wide range of feedback from minority shareholders, held constructive dialogue with CDL and continued to carefully consider the merits of the transaction. Following continued engagement between the parties, on 8 December 2017, a further announcement was made indicating that CDL and the Independent Committee had reached agreement on the terms of an increased recommended final offer of 600 pence per share, in cash, together with an increased special dividend of 20 pence per share. The process concluded on 26 January 2018, when CDL confirmed that the possible offer had lapsed.

The Board therefore has recommenced examining its strategic priorities whilst taking into consideration the detailed shareholder feedback that was received during and after the offer period. The Board has determined that the following are some of the key areas of focus for the Group, among others:

Governance

- Succession planning for the Board and Committee membership, the Group Chief Executive Officer and senior management
- The dedication of more time to reviewing and setting the high-level strategy and priorities for the Group

Operational

- Increased capital investment to transform and reposition the Group's hotel estate
- Further investment into and enhancement of the Company's website, e-commerce capabilities, loyalty programmes and its digital strategy overall, with a particular focus on business-to-business initiatives

People

- Strengthening the senior management team in the US and elsewhere
- Development of a more comprehensive strategy to deal with the possible effects of the UK leaving the European Union
- The restructuring of key functions, such as the Group's global sales team, to help drive the business forward

Over the coming year, the Board will seek to devise a more detailed strategy for the Company's short and long-term priorities.

Succession planning

Board and senior management succession are key considerations for the Board. Succession planning is essential to help minimise or avoid instability and ensure an appropriate level of quality within the Board and management team. Following the retirement of Aloysius Lee at the end of February 2017, the Nominations Committee, together with the Board, identified that Mr Tan Kian Seng, who first joined the Group as Chief of Staff and interim President of Asia in October 2016, would be an ideal successor to Mr Lee. Mr Tan was appointed to the role of interim Group Chief Executive Officer with effect from March 2017 and with the support of the Board set to task in reshaping and strengthening the senior management team. A number of key appointments were made in order to address some of the skill gaps within the team and challenges facing the Group. More information on the key appointments made to date is available on page 67 of the Nominations Committee Report.

With Mr Tan serving as the interim Group Chief Executive Officer since March 2017, the Board has been mindful of the need to appoint a permanent successor balanced against the need to find the right candidate, with the best skills and experience to take the Company forward. The search continued through the first

half of the year and was put on hold pending the outcome of the offer by CDL. With the offer having lapsed in January 2018, the Board has determined that filling the role on a permanent basis will be a key consideration in 2018, although the Directors remain confident that the management of the Group is in safe hands with Mr Tan in his interim role in the meantime.

Diversity and inclusion

The Board believes that it is important to have an appropriate balance of skills, experience, knowledge and backgrounds on the Board and at the senior management level. This is vital to enable different perspectives to be brought to Board and committee discussions. We are mindful of the recommendations made by Lord Davies and his Women on Boards Report, which initially stated that there should be at least 25% female representation on the Boards of FTSE 350 listed companies, but which subsequently has been revised to recommend that one-third of the members of boards of FTSE 350 companies be comprised of females by 2020. The Nominations Committee acknowledges that there is further work to be done in respect of increasing gender diversity on the Board and this remains an on-going priority for the Nominations Committee and the Board. Further information on the Group's diversity efforts is contained on page 70 of the Nominations Committee Report.

Risk management

In 2016 the Group established a dedicated Risk Committee to carry out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance and solvency. In 2017 the main objectives of the Risk Committee were to build on the work completed in 2016 and also to continue developing a more robust Group risk management framework. This included a comprehensive review and

assessment of the Group's principal risks and the development of a risk framework below those risks, at the regional, functional and hotel levels. This work is further described in the "Our risks" section on page 23.

Despite all of the change and activity during the year, I am pleased to say that the Board has determined that the Company has complied with the provisions of the UK Corporate Governance Code in 2017, as further detailed in this Corporate Governance Statement.

I would like to thank the Directors for their diligent efforts over the course of the year, particularly as they had to take on additional responsibilities and time commitments in connection with the takeover offer. As we get ready to head into the second half of 2018, we remain focused and ready to make difficult decisions in order to turn around the Group's U.S. and Singapore regions and push the performance of our global hotel portfolio.

Kwek Leng Beng
Chairman

28 March 2018

CORPORATE GOVERNANCE STATEMENT CONTINUED

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 traded on the Main Market of the London Stock Exchange and therefore the Company is subject to the UK Corporate Governance Code (the "Code"). The Company has applied the main principles of the April 2016 edition of the Code, a copy of which is available at www.frc.org.uk, for the year ended 31 December 2017. It is the Board's view that the Company has complied with all of the provisions of the Code. The Board also is mindful of the proposed revisions currently being contemplated by the Financial Reporting Council in respect of the 2016 edition of the Code. As the revisions are in consultation stage, and if adopted would apply for accounting periods on or after 1 January 2019, the Board is not required to report in this year's Annual Report and Accounts as to the Company's application and compliance with the newly proposed Code requirements.

The Strategic Report on pages 4 to 30 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 6 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 Board's overriding duties are to run the

Company as stewards for the Company's stakeholders, with good governance, strong values and a safety-driven and ethical culture.

The activities of our Audit, Remuneration and Nominations Committees are set out in the reports of each committee, which reports are deemed to be part of this report. Details on the Risk Committee can be found in the "Our risks" section of the Strategic Report on page 23. The Company Secretary acts as secretary to all standing committees of the Board.

There is a formal schedule of matters reserved specifically for decision by the Board. A summary of the matters reserved for the Board is detailed below. These are matters that are significant to the Group as a whole because of their potential strategic, financial and reputational consequences. The Board has four main committees to deal with specific activities of the Group's affairs. The chair of each committee provides detailed reports to the Board on the matters discussed at each committee meeting to ensure that all Directors have visibility of, and the opportunity to discuss, the matters being considered by each committee.

- 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 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.

Copies of the terms of reference for each committee can be found on the investor relations section of the Group's website at <https://investors.millenniumhotels.com>.

The Group Chief Executive Officer, supported by 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 this year without significant change.¹ The Board currently is comprised of nine directors including the Chairman, six 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 has up to eight regularly scheduled meetings per year and convenes ad hoc meetings as necessary. 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 regularly scheduled meetings shown above, the Board held one ad hoc meeting, the Audit Committee held one ad hoc meeting, and the Remuneration Committee held two ad hoc meetings. Attendance for those meetings is not reported.

Board membership

At the date of this Report, the Board is comprised of nine directors, who will each seek re-election by shareholders at the forthcoming Annual General Meeting ("AGM"), except for Christian de Charnacé and Martin Leitch, who will be seeking election at this year's AGM. The Directors possess a variety of skills and have a mix of regional and global experience, as can be seen from the biographical details of the Directors set out on pages 32 to 33.

	Board	Audit Committee	Remuneration Committee	Nominations Committee	Risk Committee
Kwek Leng Beng	6 (6)	–	–	2 (2)	–
Shaukat Aziz	6 (6)	–	4 (4)	2 (2)	–
Christian de Charnacé ¹	3 (3)	–	–	–	–
Daniel Desbaillets ²	6 (6)	3 (3)	2 (2)	–	2 (2)
Susan Farr ³	6 (6)	2 (2)	4 (4)	2 (2)	–
Nicholas George ⁴	2 (2)	2 (2)	1 (2)	2 (2)	1 (2)
Aloysius Lee ⁵	0 (1)	–	–	–	0 (1)
Martin Leitch ⁶	4 (4)	3 (3)	–	0 (0)	–
Gervase MacGregor ⁸	4 (6)	4 (5)	1 (2)	–	4 (4)
Kwek Leng Peck ^{2 9}	5 (6)	–	–	2 (2)	2 (2)
Kwek Eik Sheng	6 (6)	–	–	–	4 (4)
Alexander Waugh ⁴	2 (2)	2 (2)	2 (2)	2 (2)	–
Howard Wu ⁷	2 (2)	–	–	–	1 (1)

1 Christian de Charnacé was appointed to the Board with effect from 16 August 2017.

2 On 5 May 2017, Kwek Leng Peck stepped down from the Risk Committee, Gervase MacGregor stepped down from the Remuneration Committee and Daniel Desbaillets joined the Audit, Remuneration and Risk Committees.

3 Susan Farr stepped down from the Audit Committee on 22 May 2017.

4 Nicholas George and Alexander Waugh retired from the Board with effect from 5 May 2017.

5 Aloysius Lee retired as the Group Chief Executive Officer and a Director at the end of February 2017.

6 Martin Leitch was appointed to the Board and to the Audit and Nominations Committees on 22 May 2017.

7 Howard Wu served as a Director from 17 February 2017 until 3 August 2017. Mr Wu was a member of the Risk Committee from 17 February 2017 until 5 May 2017.

8 Gervase MacGregor was unable to attend two Board meetings due to a conflicting appointment.

9 Kwek Leng Peck was unable to attend a Board meeting due to a conflicting appointment.

1 The responsibilities assigned to Tan Kian Seng, as the interim Group Chief Executive Officer, are substantially as set out in this report.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Division of responsibilities

There is a clear division of responsibilities between the Chairman, Chief Executive Officer and Senior Independent Director. The roles of the Chairman, Chief Executive Officer, Senior Independent Director are clearly defined so that no single individual has unfettered powers of decision. Summaries of the roles and responsibilities of the Chairman, Chief Executive Officer and Senior Independent Director are set out below.

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 to and draw on 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 material 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:

- 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.

Senior Independent Director

His duties are to:

- Provide a channel of communication between the Chairman and the Non-Executive Directors;
- Act as an intermediary for shareholders who wish to raise concerns that were not able to be raised through the normal channels of communication;
- Act as a sounding board for the Chairman and serve as an intermediary for the Non-Executive Directors, where necessary;
- Meet with the Non-Executive Directors at least once a year to appraise the performance of the Chairman and on such other occasions as are deemed appropriate; and
- Meet with a range of shareholders when requested, to develop a better understanding of their issues and concerns, and provide their feedback to the Board.

Non-Executive Directors

The Independent Non-Executive Directors are responsible for helping to develop the Company's strategy and providing rigorous, objective and constructive challenge to create accountability and drive performance. Among them, the current Independent Non-Executive Directors have the appropriate balance of skills, experience, knowledge and independent judgement gained through varied backgrounds and experiences, within the business world and without.

The responsibilities of the Independent Non-Executive Directors include:

- Helping management to develop the Company's strategic objectives by drawing on their own business and commercial experience and challenging assumptions;
- Scrutinising management's performance in delivering against the strategy;

- Satisfying themselves on the integrity of financial information and ensuring that the Group's risk and control systems are robust; and
- Determining appropriate levels of remuneration and reviewing succession planning for Executive Directors and participating their appointments.

The Board considers that each of the Independent Non-Executive Directors continues to have:

- The time required to undertake the responsibilities of their roles;
- Unquestioned honesty and integrity;
- An ability to provide strategic and pragmatic thought to the relevant matters;
- An ability to manage and consider materiality and risk tolerance as key considerations in decision-making; and
- An understanding of the risk environment of the Group, including the potential for internal and external events to impact on health and safety, environmental, reputational, regulatory, market and financial matters

The Independent Non-Executive Directors

In accordance with the Code it is the Company's policy that at least half of the Board comprises of Independent Non-Executive Directors. The Independent Non-Executive Directors have wide ranging international experience at senior levels in areas of finance, accounting, hospitality, investment banking, 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.

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 reappointment of a Non-Executive Director are subject at all times to the Articles of Association of the Company and any necessary shareholder approval or ratification.

Based on the principles outlined in provision B.1.1 of the Code, the Board regularly assesses 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. Since the Chairman of the Board, Kwek Leng Beng, Kwek Leng Peck and Kwek Eik Sheng are appointees of the controlling shareholder, CDL, for the purposes of Code provision B.1.1 they are not considered to be independent.

The Directors were satisfied that Martin Leitch and Christian de Charnacé met the independence requirements under the Code upon their appointments. In addition, the Board conducted its regular independence review in December 2017 and determined that there had not been a change to the independent status of all of the 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.

At least once during the year the Chairman and Independent Non-Executive Directors met, without management being present, to discuss the performance of senior management, the Board and other matters of importance. In 2017, that meeting took place in May 2017, following the Company's annual general meeting.

Diversity and inclusion

The Board continues to recognise that diversity is key for introducing different perspectives into Board debate and for better anticipating the risks and opportunities in building a long-term, sustainable business. Whilst relevance of skills is key, a balance between the skills represented is sought to ensure that there is an appropriate mix of members from diverse backgrounds. This contributes to minimising the risk of 'group think' by promoting a healthy culture of challenge and scrutiny.

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

CORPORATE GOVERNANCE STATEMENT CONTINUED

time to time. The Board is satisfied that the procedures for managing potential conflicts remain effective.

Co-Operation Agreement

The Co-Operation Agreement between the Company and its majority shareholder, CDL, which originally had been entered into at the time of the Company's listing in 1996 was subsequently amended and restated in November 2014 in order to ensure compliance with the revised Listing Rules for the protection of minority shareholders, which came into force in May 2014. The primary purpose of the Co-Operation Agreement is to ensure that the Group is able to carry on business independently of CDL and its associates and that all agreements and transactions between the Company, on the one hand, and CDL and/or any of its respective group undertakings, on the other hand, will be at arm's length and on a normal commercial basis. Under the terms of the Amended and Restated Co-Operation Agreement, CDL and its associates have agreed not to take any action that would prevent the Company from complying with its obligations under the Listing Rules. Furthermore, the Board and Nominations Committee will at all times consist of a majority of Directors who are independent of CDL. Whilst the Remuneration and Audit Committees shall at all times be comprised solely of Non-Executive Directors, CDL is entitled to nominate for appointment to the Board up to five Directors. As the Board is comprised of a majority of Independent Non-Executive Directors and the Company's ability to operate independently of CDL is protected by the Co-Operation Agreement, the Board considers that there are adequate safeguards for the protection of minority shareholder interests.

Evaluation process

The effectiveness of the Board is of paramount importance to the overall success of the Group and the Company undertakes a formal and rigorous annual review of the Board and its committees.

The Board evaluation is an important part of the corporate governance framework and both the process and outcome are taken seriously by the Board. Pursuant to the UK Corporate Governance Code, the Company was required to undertake an internal board evaluation for 2017. The evaluation was conducted in two parts. In the first part, Mr Aziz, as the Senior Independent Director, met with the Independent Non-Executive Directors individually to discuss the operation of the Board generally. For the second part, Lintstock Limited, which had no other connections with the Company, prepared a tailored and targeted survey focusing on key themes identified by the Lintstock team following the individual interviews conducted by Mr Aziz, including:

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

The survey was completed by all the Directors. As part of the survey, an evaluation of the Chairman was completed by the Independent Non-Executive Directors and individual performance reviews were submitted by the Directors as well as the performance reviews of each committee.

The Company's 2017 Board effectiveness evaluation confirmed that the Board and the Board committees were functioning effectively, there is a good balance of skills and experience on the Board and that the Board provides constructive challenge to management. A report summarising the findings from the survey was prepared by Lintstock and circulated to the Directors and discussed by the Board at its meeting in March 2018. Some of the principal areas

of focus, arising from the survey results, included further opportunities for Directors to meet and hear from management, particularly on key strategic initiatives; increased awareness of employee and customer views and developments with the Company's peers; and continued focus on succession planning at the senior management level.

An action plan will be developed to address these and other areas with measures to be implemented in due course to help improve the operation of the Board.

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 that 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 and resources associated with mitigating or protecting against such risks. In most instances such systems are designed to manage these principal risks, rather than eliminate them. As such, they can provide only a reasonable, and not absolute, assurance against them. The Group's principal risk factors and mitigating activities are described on pages 26 to 30.

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

details about the Group's business model and strategy can be found on page 6.

- 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 Committee and the Board.

Risk management

- The principal risks of the Group are assessed annually by the Risk Committee and confirmed by the Audit Committee.
- 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 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 and Accounts.

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, who chairs the management-level risk committee. 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 Committee. As part of that process, the internal audit department produces individual reports, which are issued to appropriate members of the management team who are accountable to rectify any deficiencies and implement any recommendations. These reports are summarised and distributed, as appropriate, to the Audit 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, Remuneration, Risk 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 COMMITTEE REPORT

Annual chairman's statement

Dear Shareholders,

On 22 May 2017, I joined the board of the Company as an Independent Non-Executive Director. I was appointed the Chairman of the Audit Committee on 4 August 2017 replacing Gervase MacGregor who stepped down from chairing, but he continues to be a member of the Audit Committee. In order for me to be familiar with the issues at hand, I had handover sessions with Mr MacGregor; and discussed relevant matters with our finance function, our Head of Internal Audit, our Company Secretary, our senior statutory auditor and our brokers.

This report provides an overview of what the Committee has done during the year, including the significant issues considered, and shares some of the details from the executive updates presented to the Committee from across the business.

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 announcements 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.

The Committee performs a detailed review of the content of the annual and half-yearly results announcements and annual report and accounts, as well as trading updates. The Committee has satisfied itself that controls over the accuracy and consistency of information presented in the annual report and accounts are robust, and has confirmed to the Board that it believes this annual report and accounts is fair, balanced and understandable. The Committee's review of the financial statements for the year ended 31 December 2017 focused on the following areas of significance:

- reviewed the Group's hotel performance with reference to average room rate, occupancy and RevPAR;
- monitored the Group's performance against the previous year's results and budget;
- monitored the performance of newly refurbished hotels;
- reviewed the capital expenditure of the Group;
- 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 cash position and future commitments, borrowings, facilities and covenants; and
- reviewed debt recoverability and agree on write-off, if deemed necessary.

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 who are Martin Leitch Chair, Gervase MacGregor, Daniel Desbaillets and Christian de Charnacé they have suitable broad commercial knowledge and significant business experience.

The Interim Group Chief Executive Officer, Chief Financial Officer, senior finance managers, Company Secretary and Head of Internal Audit, although not members of the Committee, also attend the meetings, as do the senior statutory auditor from our external auditor, who are 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 Company Board meetings. 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 <https://investors.millenniumhotels.com/corporate-governance/board-committees>.

The Audit Committee holds regular, structured meetings and consults with senior management. 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. 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 expertise is needed.

Impairment of hotel assets

Note 12 to the consolidated financial statements states that the carrying amount of assets as at 31 December 2017 is £3,129m (2016: £3,238m). 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 and 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 2017 is £577m (2016: £534m) 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

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.

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 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 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.

AUDIT COMMITTEE REPORT CONTINUED

External auditor process

The Committee acknowledges the recent change in the law requiring mandatory auditor rotation. There has been regular partner rotation, and Jonathan Downer took over from Steve Masters after completion of the 2015 audit in February 2016. 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. A resolution to re-appoint KPMG as the Group's external auditor will be proposed at the Company's forthcoming Annual General Meeting.

Consideration is given each year to an audit tender process 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.

Non-audit services

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 £30,000 for an individual assignment. The Committee reviews non-audit fees regularly. The Group's external auditor is prohibited from providing any service that would conflict with their statutory responsibilities or which would otherwise compromise their objectivity or independence.

In light of new requirements issued in the revised Ethical Standard for EU auditors, with effect from financial year commencing from 1 January 2017, KPMG is further prohibited from providing tax compliance services and other conflicting non-audit services directly or indirectly to the Group's controlled entities in the EU. In this respect, PwC was appointed to act as the tax adviser for the European region in 2017 whilst KPMG was retained for the other regions.

During the year ended 31 December 2017, KPMG's audit fee amounted to £3m (2016: £2m) and KPMG's non-audit fees were £1m (2016: £1m).

Effectiveness of the Audit Committee

The Board is satisfied that Martin Leitch, Gervase MacGregor and Christian de Charnacé have recent and relevant financial experience as required by the provisions of the UK Corporate Governance Code. The other member is Daniel Desbaillets.

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. During the year, the Committee has also undertaken the following:

- Discussed changes in accounting policies and initial work indicated that the impact on the Group's financial statements due to *IFRS 15 Revenue from Contracts with Customers* is not significant;
- Continued to receive updates from executives managing key areas that are loss making such as the US region;
- Reviewed the schedule of Board reserved matters;
- Discussed the foreign exchange

exposure relating to borrowings;

- Discussed quarterly reports relating to health and safety, litigation, treasury and tax; and
- Discussed other areas of compliance, including Preventing Tax Evasion Policy and building cladding standards.

Martin Leitch

Chair of the Audit Committee

28 March 2018

DIRECTORS' REMUNERATION REPORT

Annual chairman's statement

Dear Shareholders,

The Remuneration Committee (the "Committee") did not consider any significant remuneration issues for Directors in 2017, as the Company had no Executive Directors during the year apart from Aloysius Lee, who retired from the Board and as Group Chief Executive Officer on 28 February 2017. Consideration of the executive elements of the Remuneration Policy therefore related to the structure within which any new Executive Director appointments would be made rather than to their application to existing Executive Directors.

As set out in the 2016 Annual Report & Accounts, the Committee conducted a detailed review of its Directors' Remuneration Policy in 2016 and modified and enhanced the policy in line with many best practice guidelines. I am pleased to report that the revised Remuneration Policy was approved by shareholders at the Annual General Meeting held on 5 May 2017 (and will expire at the Annual General Meeting to be held in 2020), with 94.6% of votes for the resolution and 5.4% against. No further changes were made to the policy in 2017 nor are any being proposed.

Approach to Remuneration

It is the Committee's intention to develop within the Company a greater culture of performance related reward. The Committee recognises the importance of reward differential as a tool that can be used to help improve business performance and ensure that the appraisal and rating of employees takes place across all regions and levels. This in turn will have benefits on, amongst other things, employee retention and motivation.

Matters considered by the Committee in 2017

The primary matters considered by the Committee in respect of the 2017 financial year were, in summary:

Retirement of the Group Chief Executive Officer

In conjunction with the retirement of Aloysius Lee at the end of February 2017, the Committee determined the bonus to be paid to Mr Lee in respect of his 2016 performance, as reported in the 2016 Annual Report & Accounts. To recap his leaving arrangements, he received his salary, allowances and cash pension contribution through the end of January 2017, and no bonus was or will be paid in relation to 2017. With regard to Mr Lee's Long Term Incentive Plan awards over 134,408 shares (awarded in 2015) and 185,643 shares (awarded in 2016), the Committee determined that these awards would vest on their normal vesting dates subject to the relevant agreed performance conditions, time pro-rating and the rules of the scheme.

Long Term Incentive Plan ("LTIP")

No awards were made under the LTIP in 2017. The only outstanding awards under the LTIP are those made in 2015 and 2016.

With regard to the 2015 LTIP awards, the Committee reviewed the Company's achievement against the performance measures, including total shareholder return (assessed against the FTSE 250, excluding investment companies, and a hospitality peer group), growth of the Company's net asset value and dividends, and cumulative earnings per share for the three-year period ended 31 December 2017. The Committee determined that the Company did not meet the required minimum thresholds and that accordingly the awards will lapse in full in August 2018.

Review of the External Adviser to the Committee

During 2017 the Committee conducted through a tender process a review of its remuneration adviser and selected PricewaterhouseCoopers LLP as its next adviser. Further details of that review are set out on page 63 of this report.

Offer

During the year, an offer was made by Agapier Investments Limited, a company indirectly and wholly-owned by City Developments Limited ("CDL"), for the entire issued and to be issued ordinary share capital of the Company not already held by CDL and its subsidiaries (and persons acting in concert with them). A final offer was announced on 8 December 2017. The Committee as part of an assessment of the final offer considered carefully how existing share awards should be treated in the event that the offer were to proceed though the offer subsequently lapsed on 26 January 2018. The offer obviously created considerable uncertainty during the year and not a climate, in relation to remuneration, for new developments.

In closing, I would like to thank my predecessor as Chair of the Remuneration Committee, Alexander Waugh, for his outstanding contribution to the work of the Committee as a member since 2010 and as its Chair since 2011. I also would like to thank His Excellency Shaukat Aziz, Daniel Desbaillets, Gervase MacGregor and Nicholas George for their contributions to the Committee's work over the past year.

The remainder of this Directors' Remuneration Report has been prepared in compliance with applicable reporting requirements and I hope you find it useful. The Committee welcomes any feedback from our shareholders.

Yours faithfully,

Sue Farr

Chairman of the Remuneration Committee

28 March 2018

DIRECTORS' REMUNERATION REPORT CONTINUED

Committee governance

Membership

Susan Farr chairs the Remuneration Committee and the other members are His Excellency Shaukat Aziz and Daniel Desbaillets.

Ms Farr, who has been a member of the Committee since December 2013, was appointed Chair on 5 May 2017, in place of Alexander Waugh who retired from the Board on that date. Also on 5 May 2017, Daniel Desbaillets was appointed a member of the Committee whilst Nicholas George and Gervase MacGregor stepped down as members. Mr Aziz served as a member of the Committee throughout the full year.

There were four scheduled meetings in 2017 and two ad hoc meetings. Attendance at the regularly scheduled meetings is shown in the Corporate Governance Statement on page 43. In addition to the remuneration adviser, the Chairman of the Board, interim Group Chief Executive Officer and Chief Financial Officer are invited to attend Committee meetings as appropriate. The Committee considers their views when reviewing the remuneration of Executive Directors and other senior executives, however no Directors are involved in the consideration of their own remuneration. The Company Secretary acts as secretary to the Committee.

No member of the Committee has any personal financial interest 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 advisers can be found on page 63 of this report.

Role

The Committee has delegated authority from the Board to determine, in consultation with the Chairman of the Board and Interim 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 <https://investors.millenniumhotels.com/corporate-governance/board-committees>.

Summary of the Remuneration Policy

The Directors' Remuneration Policy (the "Policy") was approved by shareholders at the Company's AGM on 5 May 2017 (94.63% of votes cast being in favour). There are no proposals to amend the Directors' Remuneration Policy at the AGM on 4 May 2018. A summary of the policy is included for reference to assist with the understanding of the contents of this report. The full policy is detailed in our 2016 Annual Report and Accounts, which can be found <https://investors.millenniumhotels.com/financial/annual-reports>

The following table sets out each element of remuneration and how it supports the Company's short and long term strategic objectives.

Base Salary

Purpose and link to strategy	Salaries are a key component of the reward package in attracting, motivating and retaining executives who are instrumental in driving and growing the business and delivering the Company's strategic goals.
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. The Committee may award salary increases at other times of the year if it considers such an award to be appropriate. In reviewing salaries, account is taken of market conditions, significant changes in role, pay and conditions elsewhere in the Group, inflation and budgets.
Maximum	<p>The salary payable to Executive Directors will normally be capped at the upper quartile of the relevant market benchmark for the role under review. This maximum salary represents the highest end of the range at which the Committee would expect the base salary to be set, rather than the actual amount to be paid. Salaries will be set on a case-by-case basis to reflect the role and the experience and qualifications of the individual.</p> <p>There is no separate cap on the annual increase to base salaries. However, the Committee will normally determine the appropriate level of increase for Executive Directors taking into account the general level of increase for the broader workforce, but on occasion may need to make a more significant increase to recognise additional responsibilities, or an increase in the scale or scope of the role.</p> <p>Larger increases also may be considered appropriate if a Director initially had been appointed to the Board on a below-market salary.</p>

Annual Bonus

Purpose and link to strategy	<p>Executive Directors are eligible to participate in an annual bonus scheme to:</p> <ul style="list-style-type: none"> • incentivise executives to drive Group strategy and performance over the short term; and • ensure that a significant proportion of the total reward of executives' packages is linked to performance during the year.
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 normally contingent on the employee still being employed by the Group at the time of payment and the employee or the Company not having served notice of termination.</p> <p>Annual bonus is not pensionable. The Committee may defer and pay a proportion (up to 100% of the earned annual bonus) in shares which must be held for up to three years before vesting. No performance conditions apply to such deferred bonus shares, but their release is subject to continued employment over the vesting period. Deferred bonus share awards would be eligible, at the Committee's discretion, for a dividend equivalent.</p> <p>The bonus plan includes clawback and malus provisions.</p>
Maximum	<p>The level of bonus opportunity for Executive Directors is:</p> <ul style="list-style-type: none"> • Group Chief Executive Officer <ul style="list-style-type: none"> ○ Threshold: 0% of base salary ○ Target: 75% of base salary ○ Maximum: 150% of base salary • Other Executive Directors: <ul style="list-style-type: none"> ○ Threshold: 0% of base salary ○ Target: 50% of base salary ○ Maximum: 100% of base salary

DIRECTORS' REMUNERATION REPORT CONTINUED

Performance	<p>70% of the bonus opportunity will be linked to financial performance, with the remainder linked to non-financial measures, which may include personal objectives and other non-financial operational measures as determined by the Committee, such as corporate social responsibility performance targets. However, the Committee has discretion to vary those percentages by plus or minus 10% for any year 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.</p> <p>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 performance objectives set at the start of the year.</p>
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Long-Term Incentive Plan

Purpose and link to strategy	<p>The Company's 2016 Long-Term Incentive Plan ("LTIP") forms the long-term variable element of executive remuneration at the Company and is intended to incentivise long-term outperformance. The LTIP allows for the award of performance shares, nil cost share options and deferred bonus shares.</p> <p>For the three-year period over which this policy is intended to apply, LTIP awards will normally comprise awards of performance shares, which are aimed at: driving and rewarding sustainable performance over the long term; aligning the interests of executives and shareholders; and supporting retention.</p>
Operation	<p>Performance share awards are made annually and normally vest on the third anniversary of the date of grant, subject to the achievement of performance conditions over three years, continued employment with the Group and the rules of the Plan. LTIP awards may additionally be subject to an additional post-vesting holding period (of up to two years). There is no re-testing of performance conditions under the Plan. The Plan allows dividends or dividend equivalents to accrue, subject to the Committee's discretion.</p> <p>The Plan includes clawback and malus provisions.</p>
Maximum	<p>The maximum annual value of performance shares and nil cost share options awarded under the LTIP is 150% of base salary, although awards with face values of up to 200% of salary may be awarded in exceptional circumstances including, but not limited to, the recruitment of a new Executive Director. The level of award is otherwise determined by the Committee at the time of grant, details of which will be disclosed in the relevant Annual Report on Remuneration.</p>
Performance	<p>The performance measures attached to LTIP awards will comprise a blend of measures determined by the Committee from time to time, with at least a 50% weighting on Earnings Per Share ("EPS"). A small element, not exceeding 10% of any award, may be based on a discretionary assessment of the achievement of key strategic objectives, such as those relating to asset management and the timely delivery of key projects within budget.</p> <p>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	<p>The provision of retirement benefits supports the Company in attracting and retaining executives and promoting long-term retirement planning.</p>
Operation	<p>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.</p>
Maximum	<p>Up to 20% of base salary.</p>

Other benefits

Purpose and link to strategy	<p>Allows the Company to recruit and retain appropriate executive talent through the provision of cost effective benefits consistent with market practice.</p> <p>Executive Directors also may also participate, along with other employees, in the Group's tax advantaged United Kingdom Save as You Earn ("SAYE"), or other equivalent savings-based share schemes to share in the success of the Group.</p>
Operation	<p>Standard benefits are offered to ensure they are competitive with market practice by location and the level and 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>Special benefits such as relocation, removal, tax equalisation, house purchase/rental allowance and children's education allowance may be offered to attract the right candidate in the event that an Executive Director is appointed on expatriate or international assignment terms</p>

Maximum	<p>SAYE/savings-based schemes are subject to individual limits. In the UK the limit is set by the Committee up to the limits prescribed by legislation.</p> <p>The value of 'standard benefits' is consistent with relevant 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. The value of any 'special benefits' is reviewed on a case-by-case basis but would not be expected to exceed more than the equivalent of three months' base salary other than in exceptional circumstances.</p>
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Shareholding requirement

Overview	<p>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 200% of their base annual salary. Should an Executive Director not hold the required level of shares then at least 50% of any vesting under a Company incentive plan is required to be retained until the requirement is met. 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 applicable regulations.</p> <p>Share interests which do not count towards the shareholding guidelines include:</p> <ul style="list-style-type: none"> • unvested performance share awards; • SAYE options; • unvested deferred bonus shares; and • any notional accrued dividend equivalent shares with vesting subject to future performance. <p>Directors to whom this requirement applies are prohibited from engaging in any hedging transactions with respect to Company shares, including trading in any derivative securities. 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.</p>
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Non-Executive Director Fees

Chairman fee	In the case of the Chairman, the Chairman receives a set fee and the fee level is determined by the Committee. The Chairman's fee is determined taking into account the time commitment and responsibilities of the role, as well as the role holder's skills, gravitas and qualifications to lead the board.
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 Senior Independent Director, 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. Non-Executive Directors are not entitled to bonuses, benefits or pension scheme contributions or to participate in any share scheme operated by the Company. In addition to any remuneration payable, a Non-Executive Director may be paid reasonable travel, hotel and other expenses properly incurred in discharging the Director's duties. Fees cease immediately in the event the Non-Executive Director ceases to be a Director.

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration on recruitment

Reward packages for new Executive Directors will be consistent with the approved Remuneration Policy. Fixed remuneration elements would be paid only from the date of employment and any bonus will be pro-rated to reflect the proportion of the year employed. 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 actual or estimated 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.

The Committee retains discretion to use Listing Rule 9.4.2(2) (and for this purpose only) 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.

Termination payments

The Company's normal policy is to limit payments to Executive Directors on termination to contractual 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 below:

	Good leavers	Other leavers	Change of control	Discretion
Performance Shares	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.	To disapply the pro rata vesting, or decide that the award will vest on the normal vesting date.
Annual Bonus	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.	To disapply pro rata reduction and maintain original sum.
Deferred Bonus Shares	Vest in full	Award lapses	Vest in full	To determine the number of shares that vest, up to the value of the applicable bonus.

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

Annual report on remuneration

Audited Information

Single total figure of remuneration for each Director in 2017

The total remuneration for each person who served as a Director of the Company during 2017 is set out in the table below:

Director	Remuneration (£'000)											
	Salary and fees ¹		All taxable benefits		Annual bonus		LTIP awards		Pension contributions ²		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Chairman												
Kwek Leng Beng ^{3,6,4}	272	271	-	-	-	-	-	-	-	-	272	271
Executive Directors												
Aloysius Lee ²	42	500	1	12	-	110	-	-	8	100	51	722
Non-Executive Directors												
Shaukat Aziz ⁵	64	57	-	-	-	-	-	-	-	-	64	57
Christian de Charnacé ⁶	19	-	-	-	-	-	-	-	-	-	19	-
Daniel Desbaillets ⁷	58	15	-	-	-	-	-	-	-	-	58	15
Susan Farr ⁹	65	61	-	-	-	-	-	-	-	-	65	61
Martin Leitch ⁹	39	-	-	-	-	-	-	-	-	-	39	-
Kwek Eik Sheng ¹⁰	56	54	-	-	-	-	-	-	-	-	56	54
Kwek Leng Peck ¹⁰	63	66	-	-	-	-	-	-	-	-	63	66
Gervase MacGregor ¹¹	69	72	-	-	-	-	-	-	-	-	69	72
Past Non-Executive Directors												
Nicholas George ¹²	26	74	-	-	-	-	-	-	-	-	26	74
Alexander Waugh ¹³	25	72	-	-	-	-	-	-	-	-	25	72
Howard Wu ¹⁴	23	-	-	-	-	-	-	-	-	-	23	-
Total	821	1,242	1	12	-	110	-	-	8	100	830	1,464

Notes:

- Salaries and fees are shown inclusive of sums receivable by the Directors from the Company and any of its subsidiary undertakings.
- Aloysius Lee's pay and allowances ceased on 31 January 2017. He received a car allowance, and a cash pension contribution of 20% of his basic salary, up to the end of January 2017.
- In addition to his basic fee, Kwek Leng Beng received £22,183 in director fees from subsidiary companies.
- Kwek Leng Beng is the highest paid Director. His biography on page 32 reports the directorships and positions he holds in other publicly-traded Group subsidiaries and associate companies.
- Shaukat Aziz was appointed Senior Independent Director on 5 May 2017.
- Christian de Charnacé was appointed to the Board on 16 August 2017.
- Daniel Desbaillets was appointed a member of the Audit, Risk and Remuneration Committees on 5 May 2017.
- Susan Farr was appointed Chair of the Remuneration Committee on 5 May 2017. She stepped down as a member of the Audit Committee on 22 May 2017.
- Martin Leitch joined the Board and was appointed a member of the Audit and Nominations Committees on 22 May 2017. He became Chair of the Audit Committee on 4 August 2017.
- In addition to their basic fee, Kwek Leng Peck and Kwek Eik Sheng received £7,995, and £3,168 respectively in director fees from subsidiary companies.
- Gervase MacGregor was appointed Chair of the Risk Committee, and stepped down as a member of the Remuneration Committee, on 5 May 2017. He stepped down as Chair of the Audit Committee on 4 August 2017 but remains a member of the Committee.
- Nicholas George retired from the Board, as Senior Independent Director and as a member of the Audit, Risk, Remuneration and Nominations Committees on 5 May 2017.
- Alexander Waugh retired from the Board, as Chair of the Remuneration Committee and as a member of the Audit and Nominations Committees on 5 May 2017.
- Howard Wu was appointed to the Board and as a member of the Risk Committee on 17 February 2017. He ceased to be a member of the Risk Committee on 5 May 2017 and ceased to be a Director on 3 August 2017 upon taking up senior executive duties with the Company.

DIRECTORS' REMUNERATION REPORT CONTINUED

2017 annual bonus for Executive Directors

No annual bonus was payable to Aloysius Lee for 2017. There are therefore no performance measures or performance targets applicable to any Executive Director who served during 2017.

Reporting on 2016 annual bonus targets

The 2016 Annual Report and Accounts described the annual performance bonus criteria for Aloysius Lee, the only Executive Director who served in 2016. It was divided into two components, financial performance measures, which represented 60% of the bonus opportunity, and personal key performance indicators, which represented 40% of the bonus opportunity. The 2016 Annual Report & Accounts reported that, in relation to the financial performance measures, one target was based on Group Revenue (with a 10% weighting), and the other Group Profit Before Tax (with a 50% weighting). However, the 2016 Annual Report and Accounts did not show the specific financial targets for Aloysius Lee's financial performance measures due to their commercial sensitivity. The Committee has now determined that the specific financial targets are no longer commercially sensitive, and as such the financial performance targets and achievements for Mr Lee's annual bonus for the year ended 31 December 2016 are set out below.

Financial Performance Objectives representing 60% of the opportunity

2016 Financial Performance Measure	Target	Minimum and Maximum Thresholds	Weighting	Achievement (value and bonus outcome)
Group Revenue	£902m	No payout below threshold of 95% of target rising on a straight line basis to maximum payout for 105% of target or more	10%	£926m 7.73%
Group Profit Before Tax	£161m*	No payout below threshold of 92% of target, rising on a straight line basis to maximum payout for 108% of target or more	50%	£125m* nil

*Excluding revaluation gains and impairment losses, except in relation to properties within the CDL Hospitality Trusts portfolio.

Reporting on 2015 annual bonus targets

Wong Hong Ren was Group Chief Executive Officer and a Director until 28 February 2015. Aloysius Lee was appointed Group Chief Executive Officer and a Director as from 1 March 2015. The 2015 Annual Report and Accounts described how the annual bonuses for Mr Wong and Mr Lee were calculated. However, the 2015 Annual Report and Accounts did not show the specific financial targets for their financial performance objectives, due to their commercial sensitivity. The Committee has now determined that the specific financial targets are no longer commercially sensitive, and as such they are now set out below.

Financial Performance Objectives representing 60% of the opportunity

2015 Financial Performance Measure	Target	Minimum and Maximum Thresholds	Weighting	Achievement (value and bonus outcome)
Group Revenue	£887m	No payout below threshold of 95% of target, rising on a straight line basis to maximum payout for 105% of target or more	10%	£847m 0.49%
Group Profit Before Tax	£192m*	No payout below threshold of 92% of target, rising on a straight line basis to maximum payout for 108% of target or more	50%	£152m* nil

*Excluding revaluation gains and impairment losses, except in relation to properties within the CDL Hospitality Trusts portfolio.

Scheme interests awarded in 2017

No Director was awarded shares under the Company's LTIP or under any other Company share scheme during the year.

Scheme interests awarded during 2015 and 2016

The 2015 LTIP awards were made on 3 August 2015 and were due to vest on the third anniversary of the award being made, subject to performance conditions comprising earnings per share ("EPS"), net asset value ("NAV") plus dividend growth, and relative total shareholder return ("TSR") over the three-year period ended 31 December 2017. The only Director to be awarded performance shares under the Company's LTIP during 2015 was Aloysius Lee, over 134,408 shares.

The performance conditions and actual performance against the relevant targets are set out in the table below:

Performance condition	Weighting	Description	Target range		Actual performance	Vesting
			Threshold (25% vesting)	Maximum (100% vesting)		
EPS	60%	Cumulative EPS	114p	138p	82p	Nil
NAV	20%	Annual growth in NAV	6% pa	13% pa	4.7% pa	Nil
TSR	10%	TSR relative to FTSE 250 index (excluding investment trusts)	In line with the index	Outperform index by 9% pa	Underperformed index	Nil
TSR	10%	TSR relative to comparator group ¹	Median	Median + 9% pa	Below median	Nil
Overall						Nil

Notes:

- 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.
- Merged with Marriott International on 23 September 2016.

Based on the Company's cumulative EPS, NAV plus dividend growth and relative TSR performance for the three years ended 31 December 2017, the Committee has determined that the 2015 LTIP awards will lapse in full on 3 August 2018.

The only person to be awarded performance shares under the Company's LTIP during 2016 was Aloysius Lee. That award, details of which can be found in the 2016 Annual Report and Accounts, was made on 29 March 2016 over 185,643 shares and remains subject to achievement of the relevant performance measures, time pro-rating and the LTIP rules.

Payments made to past directors

Mr Wong retired as a Director and the Group Chief Executive Officer on 28 February 2015, but continued to be a director of certain subsidiaries of the Company, primarily M&C REIT Management Limited and M&C Business Trust Management Limited (until 12 February 2018 in each case), managers of the trusts that comprise CDL Hospitality Trusts, and Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited (until 30 June 2017 in each case). As previously disclosed, as part of Mr Wong's retirement arrangements, he renounced any fees payable to him in relation to those directorships for the period between 1 March 2015 and 29 February 2016. Mr Wong was entitled to retain any subsidiary directorship fees earned in respect of any period after February 2016, and as such he was paid a fee of NZ\$46,667 for serving as a director on the Board of Millennium & Copthorne Hotels New Zealand Limited and a fee of NZ\$40,000 for serving as a director on the Board of CDL Investments New Zealand Limited. Mr Wong's aggregate fees for serving as a Non-Executive Chairman of, and as a member of the Nominating and Remuneration Committees of, the Boards of M&C REIT Management Limited and M&C Business Trust Management Limited for the period from 29 February 2016 to 31 December 2017, inclusive, was S\$125,000.

Furthermore, on 30 September 2017, CDL Hotels Holdings New Zealand Limited acquired from Mr Wong, at a purchase price of NZ\$2.90 per share, 604,000 ordinary shares and 302,000 redeemable preference shares in Millennium & Copthorne Hotels New Zealand Limited. Both companies are subsidiaries of the Company.

DIRECTORS' REMUNERATION REPORT CONTINUED

Payments for loss of office

There were no payments for loss of office made during the year.

Statement of directors' shareholdings and share interests

The interests of the Directors who served during 2017, and their persons closely associated, in the ordinary shares of the Company were as follows:

Director	Number of ordinary shares owned outright ²		Number of scheme interests		Total interests as at 31 December 2017	Value of ordinary shares owned outright as a percentage of salary
	Holding on 31 December 2017	Holding on 1 January 2017	LTIP awards which are not subject to performance conditions at 31 December 2017	LTIP awards which are subject to future performance conditions at 31 December 2017		
Chairman						
Kwek Leng Beng ¹	–	–	–	–	–	N/A
Past Executive Director						
Aloysius Lee ^{2 3}	–	–	–	320,051	320,051	N/A
Non-Executive Directors						
Shaukat Aziz	–	–	–	–	–	N/A
Christian de Charnacé	–	–	–	–	–	N/A
Daniel Desbaillets	–	–	–	–	–	N/A
Susan Farr	–	–	–	–	–	N/A
Nicholas George	12,500	12,500	–	–	12,500 ⁴	N/A
Kwek Eik Sheng ¹	–	–	–	–	–	N/A
Kwek Leng Peck ¹	–	–	–	–	–	N/A
Martin Leitch	–	–	–	–	–	N/A
Gervase MacGregor	–	–	–	–	–	N/A
Alexander Waugh	–	–	–	–	–	N/A
Howard Wu	–	–	–	–	–	N/A

Notes:

- 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.
- In addition to shares or scheme interests in the Company, Mr Tan Kian Seng, holds 1 share in each such subsidiary effective from 15 February 2017: Grand Plaza Hotel Corporation, Rogo Realty Corporation and Harbour Land Corporation. These shares were transferred from Aloysius Lee.
- Mr Lee's shareholding of 320,051 shares was effective until he retired from the Board on 28 February 2017.
- As of 5 May 2017, when Mr George stepped down from the Board.

There have been no changes to the Directors' interests between 31 December 2017 and the date of this report.

Shareholding requirements

As set out in the Company's Remuneration Policy, 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 200% of their base annual salary.

As none of the Directors who served during 2017 were Executive Directors, apart from Aloysius Lee, none of them were required to comply with these requirements. With regard to Mr Lee, since he served as an Executive Director for only two years—from 1 March 2015 until 28 February 2017—he was not required to have met the shareholding requirements as of the date of his retirement from the Board.

Unaudited Information

Implementation of the Remuneration Policy in 2018

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in 2018.

Remuneration of Any Executive Directors to be appointed in 2018

The Committee expects that any recruitment benefits or compensation and the salary, bonus and share scheme arrangements, and pension and other benefits to be provided to any new Executive Director appointed during 2018 will be in line with the Directors' Remuneration Policy last approved by the Company's shareholders, as disclosed in the 2016 Annual Report and Accounts.

As disclosed in the Nominations Committee report, the recruitment of a permanent Group Chief Executive Officer was put on hold in August 2017 pending the results of the possible offer, and subsequent final offer, from CDL. As discussed earlier in the report the offer lapsed on 26 January 2018.

In the event a new Executive Director is to be appointed in 2018, the Committee will be mindful of the guidance set out in the Investment Association Principles of Remuneration that the use of additional holding periods for performance share awards is now commonly expected by investors, so that in total the performance and holding period should cover a period of at least five years. In addition, the Committee anticipates working with its remuneration advisor to develop a more tailored and fit-for-purpose remuneration package for any permanent Group Chief Executive Officer or other Executive Director to be appointed, which may include the use of a post-vesting holding period in the LTIP, and the deferral of a portion of any cash payments under the Company's short-term incentive bonus plan. The Committee believes that these measures could assist in further aligning the interests of Executive Directors with the interests of the Company's shareholders, and therefore help drive continued long-term value creation.

Non-Executive Director fees

Payments to Non-Executive Directors will be in accordance with the current Directors' Remuneration Policy. Non-Executive Directors therefore will continue to receive a basic fee for Board membership and separate annual fees for their service as a member and, to the extent applicable, the Chair of a Board committee. The Senior Independent Director will be paid an additional fee, currently of £10,000 per year, to serve in such capacity. Details of the current additional committee and chair fees are set out in the table below and no changes are being proposed for 2018:

Committee	Annual fee for membership of a committee	Additional annual Chair fee
Audit Committee	£5,000	£10,000
Remuneration Committee	£5,000	£10,000
Nominations Committee	£2,000	–
Risk Committee	£3,000	£5,000

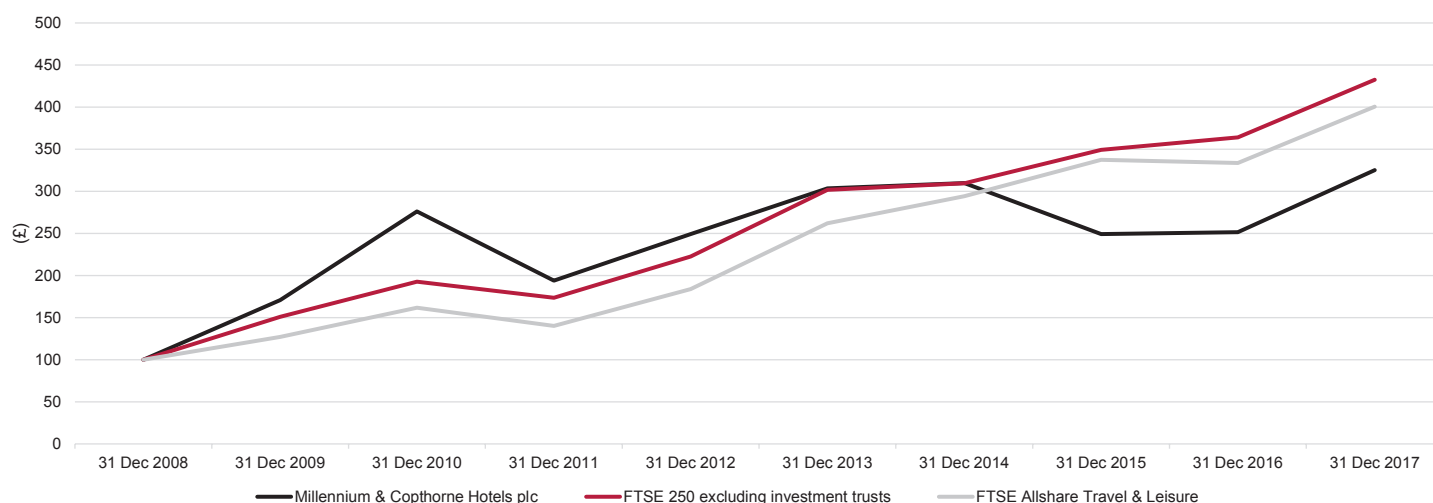
The Chairman of the Board will receive a set fee determined by the Committee from time to time. The current annual fee is £250,000 and will remain the same in 2018. The Chairman also may continue to receive additional fees for serving as a director of certain subsidiary companies.

DIRECTORS' REMUNERATION REPORT 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 nine 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 is as follows:

Remuneration history of the Group Chief Executive Officer

	2009	2010	2011 ¹	2012	2013	2014	2015 ²	2016 ³	2017 ⁴
Total remuneration (£'000)	797	1,243	4,404	1,495	2,287	1,429	1,389	832	51
Annual bonus (as a percentage of maximum opportunity)	25%	100%	63%	37%	67%	62%	19%	15%	N/A
LTIIP vesting rates (as a percentage of maximum opportunity)	0%	0%	100%	100%	50%	0%	0%	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 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.
- Includes the final two months of payments under Mr Wong Hen Ren's service contract.
- Aloysius Lee's pay, allowances and pension contributions ceased on 31 January 2017. Remuneration for Mr Tan Kian Seng interim Chief Executive Officer has not been included as he did not serve as an executive director during the year.

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 2016 and 2017 for the Group Chief Executive Officer and employees within the Group's bonus pool.

	% Change from 2016 to 2017 ¹		
	Basic Salary	Benefits	Bonus ³
Group Chief Executive Officer ²	-91.71%	-91.71%	-100%
Employees	4%	–	6%

1. All percentages are based on converting relevant local currencies into pounds sterling using the average rates for the respective year.

2. Group Chief Executive Officer change is the percentage change between the remuneration paid to Mr Lee in 2016 and 2017. The salary and benefits paid to Mr Lee in 2017 have been grossed up to equate to a full year based on his rate of pay as at his departure date of 28 February 2017.

3. 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 2017 was 11,602 (2016: 10,996).

	2016 (£m)	2017 (£m)	Change (%)
Employee remuneration costs	352	370	5
Dividends distributed	21	25	19

Statement of voting at general meeting

The following table sets out the proxy voting in respect of the resolutions to approve the Directors' Remuneration Policy and the 2016 Directors' Remuneration Report, which resolutions were put to shareholders at the Company's Annual General Meetings held on 5 May 2017, and passed on a show of hands. The Directors were pleased with the support received from shareholders.

Resolution	Votes for*	% of vote	Votes against	% of vote	Votes withheld
Approve the Directors' Remuneration Policy	296,115,147	94.63%	16,813,616	5.37%	5,707
Approve the Directors' Remuneration Report for the year ended 31 December 2016	306,112,649	97.82%	6,817,576	2.18%	4,245

* includes discretionary votes

The Company understands that a small number of shareholders would have preferred a mandatory post-vesting holding period to be included in the LTIP. As a result, and as noted earlier in this report, the Committee will consider including this feature in the package offered to new Executive Directors.

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. The Committee decided in December 2016 that it should carry out a tender process for the appointment of the Committee's remuneration adviser as a matter of good practice given that the incumbent, Mercer Kepler, had been in role for five years.

The Committee conducted a comprehensive tender and selection process during which the Committee invited five firms (including the incumbent) to submit written proposals. Four of those firms were then shortlisted and made presentations to the Committee. At the end of that process, PricewaterhouseCoopers LLP ("PwC") were selected as the Committee's new remuneration adviser, with effect from 1 December 2017. Consultants from PwC then commenced a transition exercise and attended the Remuneration Committee meeting of 14 December 2017; before then consultants from Mercer Kepler attended most of the Committee's other meetings in 2017.

DIRECTORS' REMUNERATION REPORT CONTINUED

PwC advises the Committee directly on matters within the Committee's terms of reference on which the Committee chooses to consult PwC. Its scope of work includes attending Committee meetings; updating the Committee on developments in the market and trends in remuneration best practices and governance; reviewing this report; carrying out total remuneration benchmarking for Executive Directors; carrying out IFRS 2 valuations for the Company in relation to the Company's share schemes; providing regular TSR monitoring reports and independently validating the Company's annual LTIP vesting calculations. PwC was paid £3,208 in respect of such services provided in 2017.

PwC may also be called upon to advise the Board of Directors of the Company (or those Directors charged by the Board to make recommendations) from time to time on the remuneration of Non-Executive Directors, including the Chairman.

In terms of PwC's other engagements with the Group, they provided limited advisory services to the Independent Non-Executive Directors of the Company on matters relating to the share schemes of the Company and the effect on those share schemes of the offer by CDL. The aggregate amount of fees paid to PwC for these services during 2017 was £19,665. PwC also acted as the primary tax advisor to the Group in the EU and provided tax consulting services to the Group in other regions upon request. This work will continue in 2018.

Aside from these services, PwC did not provide other significant services to the Group over the year and currently is not engaged to provide any services in 2018 other than the tax consulting services, for which PwC has implemented confidentiality barriers between their tax consulting and remuneration advisory teams to help ensure that their remuneration advice remains independent. The Committee also reviewed the potential for conflicts of interest and the Committee is comfortable that the PwC engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair the independence of their judgment. In addition, as a founder member of the Remuneration Consultants Group, PwC voluntarily operates under the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. Finally, as a member firm of the Institute of Chartered Accountants in England and Wales ("ICAEW"), PwC complies with the ICAEW's ethical guidelines. As a result, PwC operates under rigorous rules on independence, compliance and quality assurance.

For the reasons outlined above, the Committee has determined that the advice provided by PwC is objective and independent.

Mercer Kepler served as the Committee's remuneration advisor until 1 December 2017. Mercer Kepler's fees were generally charged on an hourly basis and the aggregate fees paid to Mercer Kepler during 2017 were £11,918 (2016: £30,100). Mercer Kepler also provided advice to the Company on the accounting treatment of share options under IFRS 2, Mercer Kepler provided no other services to the Group in 2017. Mercer Kepler, as a founding member and signatory to the Code of Conduct for Remuneration Consultants, routinely confirmed via their consultants that they did not have any conflicts of interest and the Committee was satisfied that their advice was independent.

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, for the benefit of the Group. If an Executive Director wishes to take on an external Non-Executive Director appointment, the Company's policy is to support an Executive Director with that appointment provided that there are no conflicts of interest and the role does not interfere with the executive's commitment or duties. They may retain any fees paid in connection with such other appointments, with the approval of the Committee.

Since there were no Executive Directors serving on the Board as at the date of this report, no external appointments are reported.

Directors service agreements and letters of appointment

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 the Directors' initial service agreements or letters of appointment commenced and the current expiry dates are as follows:

Name	Date of contract	Notice period / Unexpired term
Chairman		
Kwek Leng Beng	Appointed since listing Terms of appointment refreshed on 15 February 2017	Nominee of controlling shareholder
Independent Non-Executive Directors		
Shaukat Aziz	16 June 2009	
Daniel Desbaillets	11 August 2016 ¹	
Susan Farr	12 December 2013	
Alexander Waugh	16 June 2009 through 5 May 2017	
Nicholas George	16 June 2009 through 5 May 2017	Rolling letters of appointment terminable by either party on one month's notice
Gervase MacGregor	11 December 2014	
Martin Leitch	22 May 2017	
Howard Wu	16 February 2017 ² through 3 August 2017	
Christian de Charnacé	16 August 2017	
Other Non-Executive Directors		
Kwek Eik Sheng	13 May 2011	
Kwek Leng Peck	Appointed since listing Terms of appointment refreshed on 15 February 2017	Nominees of controlling shareholder
Executive Directors		
Aloysius Lee	10 December 2014 ³ through 28 February 2017	

1. The commencement date of Mr Desbaillets' appointment to the Board was 14 September 2016.

2. The effective date of Mr Wu's appointment was 17 February 2017.

3. Mr Lee commenced his role as a Director of the Company on 1 March 2015.

Letters of appointments for the Directors are kept at the Group's corporate headquarters at Millennium & Copthorne Hotels plc, Scarsdale Place, Kensington, London, W8 5SY.

There exist no other obligations that might give rise to, or impact on, remuneration payments or payment for loss of office which are not disclosed elsewhere in this report.

The Group's share schemes

In addition to the LTIP, the Group operates two other share schemes for senior employees other than the Executive Directors, the Deferred Share Bonus ("DSB") scheme and the Executive Share Plan ("ESP").

Under the ESP awards of conditional shares are made to senior executive management. The ESP was approved by the Group on 18 February 2016 to replace participation in the LTIP for this population. The Committee determines the size of the awards to be made taking into account the Group's performance and achievements over a one, two and three-year period. The shares are released to participants in tranches, subject to continued employment and the rules of the plan, with 25% vesting one year after grant; 25% two years after grant; and 50% three years after grant. The awards are subject to malus and clawback provisions under the rules of the ESP.

For the 2017 grant under the ESP, the Committee obtained advice from its remuneration consultant on the appropriate award level. The awards were made in August 2017 to eight senior executives, over a total of 56,838 shares.

DIRECTORS' REMUNERATION REPORT CONTINUED

The DSB is the deferred element of the Group's annual bonus plan. Awards of conditional shares are made to senior employees, but not to those who participate in the ESP, and are calculated based on a percentage of a participant's bonus earned for the previous year. Awards also are subject to malus and clawback provisions under the rules of the DSB.

In June 2017 awards were made to 59 employees over 55,750 shares and vest as to 25% after one year, 25% after two years and the final 50% after three years, subject to continued employment and the rules of the scheme.

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 2017, the EBT held 3,437 unallocated shares (2016: 4,345 shares), representing approximately 0.00010% 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 five 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 an ordinary share of the Company as at 31 December 2017 was 585 pence and the range during the year was 410 pence to 626 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 28 March 2018.

On behalf of the Board

Sue Farr

Chair of the Remuneration Committee

28 March 2018

NOMINATIONS COMMITTEE REPORT

Chairman's Statement

Dear Shareholders,

I am pleased to present the Company's Nominations Committee Report for 2017. This report provides a summary of the Committee's responsibilities and its activities throughout the year.

During the year the focus of the Committee was on Board and committee composition, the role of the Group Chief Executive Officer, which currently is filled by Mr Tan Kian Seng as the Company's interim Group Chief Executive Officer, and the succession of senior individuals within the business.

The progress made in these areas is outlined below and it is worth noting that the Committee also is committed to embedding inclusion and diversity at the Board and executive levels and generally throughout the Group. These efforts will continue to be a focus of the Committee and Board going forward.

Board and committee composition

This was a significant year of change on the Board. With Aloysius Lee, Alexander Waugh and Nicholas George stepping down from the Board during the first half of the year, those retirements created an opportunity to refresh the composition of the Board and its committees. The first new appointment during the year was Howard Wu, in February 2017. Given Howard's background and experience, it became clear that he could best support the Group in an executive capacity. On 5 May 2017 we announced that he would be leading the Group's information technology function and he has since taken on leadership of the Company's North American operations as its President. He stepped down from the Board on 3 August 2017.

In addition to Howard's appointment, the Committee identified and recommended two additional appointments to the Board, Martin Leitch and Christian de Charnacé, who joined the Board in May 2017 and

August 2017, respectively. Martin has valuable corporate finance experience in the U.K. whilst Christian brings deep international financial and investment banking experience to the Board. Biographies of these new directors are available on page 33.

As a result of these retirements and new appointments, the Committee considered succession planning within, and changes to, the Board's committees. First, His Excellency Shaukat Aziz succeeded Nicholas George as the Company's Senior Independent Director as from 5 May 2017. Given his experience and knowledge of the Company, his appointment helped to bring continuity to the role. Second, Susan Farr was appointed as Chair of the Remuneration Committee and Gervase MacGregor was appointed Chair of the Risk Committee, also with effect from 5 May 2017. Both Directors had served on and meaningfully participated in each respective committee prior to taking on their new chair responsibilities. Martin Leitch assumed the role of Chair of the Audit Committee on 4 August 2017. Finally Christian de Charnacé was appointed as a member of the Audit Committee effective 23 March 2018.

Additional changes were made as announced throughout the year and the Committee will continue to keep under review the composition of the Board and its committees and may consider new appointments as and when appropriate.

Role of the Group Chief Executive Officer

Following the retirement of Aloysius Lee at the end of February 2017, the Committee, together with the wider Board, took time to consider the role of the Group Chief Executive Officer. Mr Tan Kian Seng, who first joined the Group as Chief of Staff and interim President of Asia in October 2016, was elevated to serve as the interim Group CEO from March 2017, and has proven to be competent and a safe pair

of hands as we work to fill the skills gaps in our regional and functional leadership teams.

Whilst the Board believes that the appointment of a permanent Chief Executive Officer is vitally important for the Group, given the need and time required to find an appropriate candidate, it was critical to address the operational and other issues impacting our operations in the U.S., New York in particular, Singapore and elsewhere as a matter of priority. However, recruitment for the role was put on hold in August 2017 following the approach by Agapier Investments Limited, a wholly owned subsidiary of City Developments Limited ("CDL"), with regard to a possible cash offer to acquire all of the remaining shares in the Company not then held by CDL or parties acting in concert with it. With the lapse of the final offer in January 2018, the Committee has once again picked up this baton and recommenced the search process.

Senior management succession

As described above, one of the objectives assigned to Kian Seng, with the support of the Committee and the Board, was to review the senior leadership team and management structure and engage appropriate talent where necessary, to help put in place the foundation that would allow the Group to tackle the various challenges it faces and drive the business to the next level. This review has resulted in, among other things, the appointments of a new President of the U.S., a new President of UK/Europe, a new Chief Technology and Solutions Officer, a new Chief Marketing Officer and a new Global Senior Vice President of Human Resources. The former head of operations for Europe, who had been with the Company for many years, took on a newly created role of Chief Commercial Officer and has been busy reorganising the Group's global sales function.

NOMINATIONS COMMITTEE REPORT CONTINUED

With these direct reports to the Chief Executive Officer largely in place, the team has been focused on assessing and filling out the senior team below that level. However, this process is an ongoing exercise that must evolve as our business evolves.

Future priorities

The Committee's primary objectives for the coming year are to:

- Kick-start the process to recruit and appoint a permanent Group Chief Executive Officer;
- Continue to review the balance of skills, experiences and diversity of the Company's Directors to determine if any further changes or appointments are needed to ensure the Board has the talent necessary to help the Group deliver its strategic objectives; and
- Identify ways to improve the effectiveness of the Board and its committees.

Kwek Leng Beng

Chairman of the Nominations Committee

28 March 2018

Overview

The Nominations Committee reviews the composition of the Board and its committees and oversees succession planning of the Company's Directors. By identifying and recommending candidates as Directors. The Committee aims to ensure that the Board and its committees are fit for purpose and have the appropriate balance of skills, experience and diversity to be able to meet the challenges facing the Group.

Membership and meetings

The Committee is comprised of a majority of Independent Non-Executive Directors. During the year the following Directors were members of the Committee

Kwek Leng Beng (Chairman)
Kwek Leng Peck
His Excellency Shaukat Aziz
Susan Farr
Nicholas George¹
Martin Leitch²

The Company Secretary acts as secretary to the Committee and attends all meetings. Other Directors or members of senior management and external advisers may attend the meetings at the invitation of the chair.

The Nominations Committee met twice during the year.

Appointment and induction of new Directors

During the year, the Committee reviewed role requirements and prepared job specifications for the appointments of the interim Group Chief Executive Officer and new Non-Executive Directors. As part of that process, Committee members interviewed suitable candidates who were proposed, either by existing Board members, senior executives or by an external search firm or contacts, and extensive referencing was undertaken on

each candidate. Careful consideration was given to ensure proposed appointees had sufficient time available to devote to the roles and that the balance of skills, knowledge and experience on the Board would be maintained. When the Committee found a suitable candidate for a role, a proposal was made to the Board, which has retained the responsibility to approve all such appointments.

On appointment to the Board, each Director undergoes a comprehensive induction programme as appropriate. The programme is tailored to each Director's individual needs, but is intended to provide an introduction to the Group's business, challenges and risks. Newly appointed Directors also receive an overview of their duties, the corporate governance landscape applicable to listed companies in the U.K. and Board processes and policies. During the year, Martin Leitch and Christian de Charnacé received such induction programmes.

Nominations Committee performance review

As part of the Board's annual performance review, an assessment of the Committee's performance was commenced in March in respect of the year ended 31 December 2017. The results of the performance assessment were discussed and presented at the Board meeting held on 23 March. The key findings of the evaluation were that the Committee was considered to be effective and remains independent in nature.

Tenure

As at the date of this report the Committee acknowledges that His Excellency Shaukat Aziz will, on 16 June 2018, be nearing his ninth anniversary on the Board. The Committee is mindful that under Code provision B.1.1, a term of longer than nine years is a factor that may impact a Director's independence, and under

proposed revisions to the Code, which are being analysed by the Financial Reporting Council, a Director would be deemed to be non-independent once his or her appointment exceeds nine years. However, the Directors believe that in certain circumstances having Non-Executive Directors remain on the Board beyond nine-years could help to provide continuity and constructive and informed debate, with the appointment of new Directors from time to time providing an opportunity to add new perspectives. As such, the Committee may determine that it is in the Company's best interests for a Director's appointment to remain in effect for longer than nine years. It is along these lines that the Committee will be rigorously assessing Mr Aziz's appointment around his ninth anniversary.

None of the other Independent Non-Executive Directors will reach nine years in tenure in 2018.

Time commitment

All Directors are required to commit sufficient time to fulfil their responsibilities. The Nominations Committee monitors the extent of the Directors' other interests to ensure that the effectiveness of the Directors and the Board as a whole is not compromised. The Nominations Committee is satisfied that each of the Non-Executive Directors commits sufficient time to their duties.

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;

¹ Nicholas George stepped down from the Board at the conclusion of the Company's annual general meeting on 5 May 2017.

² Martin Leitch was appointed to the Committee on 22 May 2017.

NOMINATIONS COMMITTEE REPORT CONTINUED

- 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;
- assess the appointment of any Director to an executive or other office; and
- review the Committee's terms of reference from time to time.

Board diversity

The Board embraces diversity in its broadest sense, believing that a wide range of experience, background, perspective, skills and knowledge, combine to contribute towards a high performing, effective Board, which is able to support and direct the Company. The Company continues to make good progress in terms of diversity. Including Susan Farr, the percentage of women on the Board is at 11%. The Company acknowledges that more needs to be done in order to meet the aspirational target set by Lord Davies in his report on "Women On Boards" and the voluntary target, set by the Hampton Alexander Review, of boards of FTSE 350 companies to be comprised of 33% of women by 2020. This goal remains a top priority for the Nominations Committee.

The Board and Committee also are committed to strengthening the pipeline of senior executives within the business and have taken steps to ensure that there are no barriers to women succeeding at the highest levels of the organisation. The Company currently has 115 females in senior management positions.

Advisors

The Committee did not utilise any external advisors or agencies during 2017. However, management did engage recruitment firms from time to time during the year, as necessary, to identify qualified candidates to fill senior executive positions within the Group.

Terms of Reference

The Nominations Committee's terms of reference are available at:

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. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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, relevant, reliable 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;

- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the 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 complies 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 of the directors in respect of the annual financial report

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; and
- 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.

We consider the annual report and accounts, 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.

On behalf of the Board

Kwek Leng Beng

Chairman

28 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLENNIUM & COPTHORNE HOTELS PLC ONLY

1. Our opinion is unmodified

We have audited the financial statements of Millennium & Copthorne Hotels plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and the related notes, including the accounting policies in note 2.2 of the Group financial statements and note B of the Company financial statements.

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 2017 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 (IFRSs as adopted by the EU);
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the company before 1994 prior to the company becoming a public interest entity. The period of total uninterrupted engagement is for the 21 financial years ended 31 December 2017 as a public-interest entity. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£7.0m (2016:£7.0m)	
group financial statements as a whole	4.0% (2016: 4.5%) of normalised profit before tax	
Coverage	95% (2016: 92%) of group profit before tax	
Risks of material misstatement	vs 2016	
Recurring risks		
	Valuation of hotel assets	◀▶
	Valuation of investment properties	◀▶
	Recoverability of parent company's investments	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters unchanged from 2016, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Valuation of Hotel Assets (£3,129m; 2016: £3,238m) <i>Refer to page 49 (Audit Committee Report), page 90 (accounting policy) and page 107 (financial disclosures).</i></p>	<p>Subjective valuation</p> <p>The Group's hotel assets are subject to an annual review to assess whether or not they may be impaired.</p> <p>The Group first identifies the hotel assets where there is an indication of impairment. These assets, are then subjected to detailed impairment review with reference to either current external valuations or internal trading updates from the most recently available external valuation.</p> <p>Certain hotel assets were considered at risk of impairment due to being subject to impairment in previous years (and therefore any decline in performance may result in a further impairment being recorded) or because the Group has experienced a difficult trading environment in 2017, particularly in the US and Asia.</p> <p>External valuations are generally performed on a third party operator basis. This assesses the value of the hotel on the same basis that an 'efficient operator' market participant would and therefore assesses the net cash flows that an efficient operator believes it could achieve.</p> <p>This analysis is subjective due to the inherent uncertainty involved in determining appropriate assumptions such as expected free cash flows and future market growth, terminal rate and discount rates. Therefore, the review and challenge of these assumptions is one of the key judgmental areas that our audit is concentrated on.</p>	<p>Assessing values' credentials: we assessed the independence, professional qualifications, competence and experience of the external valuers used by the Group.</p> <p>Test of details: we challenged the Group's assessment of the properties at risk by reference to impairment indicators depending on the asset concerned using our understanding of the asset's performance in relation to previous forecasts and the market performance and assessing the quantum of available headroom from previous valuations.</p> <p>Methodology choice: using our valuation specialists, we challenged the appropriateness of the valuers' reports by assessing their valuations were in accordance with the RICS Valuation Professional Standards 'the Red Book' and relevant accounting standards.</p> <p>Benchmarking assumptions: we challenged the key assumptions used in external valuations performed during the year, in particular forecast free cash flows and future market growth, terminal and discount rates, by comparing them to externally derived data, internal budgets and source data, where applicable. Our valuation specialists assisted in the evaluation of the most subjective and complex assumptions and analyses.</p> <p>Our sector experience: For the properties at risk of impairment that were not externally valued during the year, we assessed the trading results of the properties and whether any significant changes in key assumptions were identified from the most recent external valuation. This included comparing the current performance of the assets to the forecasts made in the last external valuation and assessing unusual trends in cash flows against source data, where applicable. Our valuation specialists assisted in the evaluation of the most subjective and complex assumptions and analyses.</p> <p>Sensitivity analysis: we performed sensitivity analysis on the key assumptions noted above for the most subjective and complex valuations.</p> <p>Assessing transparency: we considered the appropriateness of the Group's disclosures about the impairment test and the sensitivity of the outcome of the impairment assessment to changes in key assumptions.</p> <p>Our results</p> <p>— We found the resulting estimate of the valuation of hotel assets to be acceptable (2016: acceptable).</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLENNIUM & COPTHORNE HOTELS PLC ONLY CONTINUED

	The risk	Our response
<p>Valuation of investment properties (£577m; 2016: £534m) <i>Refer to page 49 (Audit Committee Report), page 92 (accounting policy) and page 111 (financial disclosures).</i></p>	<p>Subjective valuation Investment property is one of the Group's largest asset category and the models applied to determine the fair value of investment properties are complex and sensitive to assumptions around rental rates and future market growth, terminal rate and discount rates. Most of the investment properties are currently held in Asia where the Group experienced economic slowdown which may introduce increased pressure and level of uncertainty around the valuation of these assets.</p>	<p>Assessing valuer's credentials: we assessed the independence, professional qualifications, competence and experience of the external valuers used by the Group. Methodology choice: using our valuation specialists, we challenged the appropriateness of the valuer's reports by assessing their valuations were in accordance with the RICS Valuation Professional Standards 'the Red Book' and relevant accounting standards. Benchmarking assumptions: we challenged the key assumptions used in valuation, in particular rental rates and future market growth, terminal rate and discount rates by comparing them to externally derived data, internal budgets and source data, where applicable. Our valuation specialists assisted in the evaluation of the more subjective and complex assumptions and analyses. Assessing transparency: we assessed whether the Group's disclosures properly reflected the risks inherent in the calculations and met the requirements of relevant accounting standards.</p> <p>Our results We found the valuation of investment properties to be acceptable (2016: acceptable).</p>
<p>Recoverability of parent company's investments (£1,970m; 2016: £1,979m) <i>Refer to page 152 (accounting policy) and page 153 (financial disclosures).</i></p>	<p>Low risk, high value The carrying amount of the parent company's investments in subsidiaries represents 97% (2016: 98%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>Tests of detail: we compared the carrying amount of 100% of investments to the relevant subsidiaries' consolidated trial balances to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount. Assessing subsidiary audits: we assessed the work performed by the subsidiary audit teams on all of those subsidiaries and considered the results of that work, on those subsidiaries' profits and net assets.</p> <p>Our results: We found the group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2016 acceptable).</p>

We continue to perform procedures over classification of investment properties. However, given there were no complex significant acquisitions of investment properties we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

Materiality for the Group financial statements as a whole was set at £7.0m (2016: £7.0m), determined with reference to a benchmark of group profit before tax normalised to exclude impairment on hotel assets and revaluation adjustments on investment properties as disclosed in note 12 and 14, of which it represents 4.0% (2016: 4.5%). These items are excluded due to their volatility.

Materiality for the parent company financial statements as a whole was set at £6.7m (2016: 7.0m). This is lower than the materiality we would otherwise have determined by reference to net assets, and represents 0.48% of the Company's net assets (2016: 0.52%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.35m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The components within the scope of our work accounted for the percentages illustrated opposite.

Of the Group's 5 (2016: 6) reporting components, we subjected 3 (2016: 3) to full scope audits for group purposes. These components are: UK, US and Asia – excluding Beijing.

We did not perform specified risk-focused audit procedures or review of financial information on any of the remaining components in 2017 (2016: we conducted reviews of financial information (including enquiry) at two other reporting components, namely, Middle East and Beijing to achieve sufficient coverage).

The remaining 4% of total group revenue, 5% of group total profits and losses that made up profit before tax and 3% of total group assets is represented by 2 reporting components (Europe and Beijing). For these remaining components,

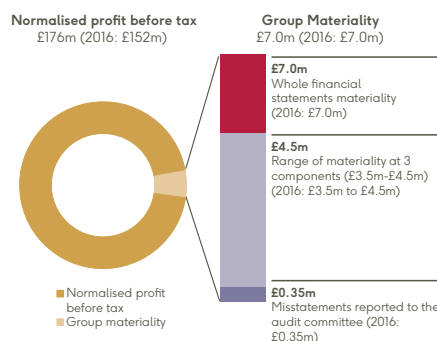
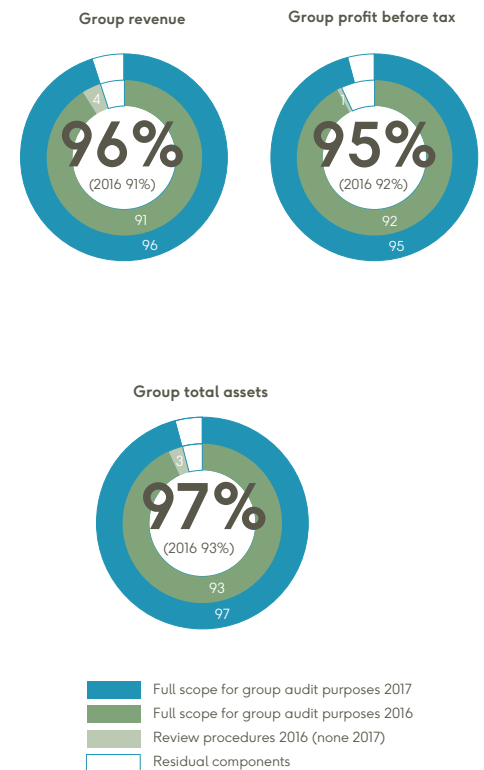
we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

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 £3.5m to £4.5m (2016: £3.5m to £4.5m) having regard to the mix of size and risk profile of the Group across the components.

The work on 2 of the 5 components (2016: 4 of the 6 components) was performed by component auditors and the rest was performed by the Group team. The group team performed procedures on the items excluded from normalised group profit before tax. The audit of the parent company was performed by the Group engagement team.

In 2017, the Group audit team visited all the three component locations subject to full-scope audit (2016: 3) to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors. 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 team was then performed by the component auditor.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLENNIUM & COPTHORNE HOTELS PLC ONLY CONTINUED

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 25 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the Viability statement page 25 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they 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 of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
 - we have not identified material misstatements therein; and
 - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

6. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 71, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of listing rules, anti-bribery, data protection, employment law, and certain aspects of company legislation recognising the nature of the group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team which included individuals with experience relevant to those laws and regulations and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

Jonathan Downer

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

Chartered Accountants

15 Canada Square
London,
E14 5GL

28 March 2018



FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Revenue	5	1,008	926
Cost of sales		(431)	(395)
Gross profit		577	531
Administrative expenses	6	(415)	(382)
Other operating income	7	30	13
Other operating expense	7	(47)	(55)
Operating profit		145	107
Share of profit of joint ventures and associates	15	22	26
Finance income		11	7
Finance expense		(31)	(32)
Net finance expense	9	(20)	(25)
Profit before tax	5	147	108
Income tax credit/(expense)	10	12	(10)
Profit for the year		159	98
Attributable to:			
Equity holders of the parent		124	78
Non-controlling interests		35	20
		159	98
Basic earnings per share (pence)	11	38.1p	24.0p
Diluted earnings per share (pence)	11	38.1p	24.0p

The financial results above derive from continuing activities.

The notes on pages 87 to 149 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Profit for the year		159	98
Other comprehensive income/(expense):			
Items that are not reclassified subsequently to income statement:			
Remeasurement of defined benefit plan actuarial net gains/(losses)	23	4	(8)
		4	(8)
Items that may be reclassified subsequently to income statement:			
Foreign currency translation differences – foreign operations		(102)	422
Foreign currency translation differences – equity accounted investees		(16)	41
Net gain/(loss) on hedge of net investments in foreign losses		12	(33)
		(106)	430
Other comprehensive (expense)/income for the year, net of tax		(102)	422
Total comprehensive income for the year, net of tax		57	520
Total comprehensive income attributable to:			
Equity holders of the parent		22	411
Non-controlling interests		35	109
Total comprehensive income for the year, net of tax		57	520

The notes on pages 87 to 149 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment	12	3,129	3,238
Lease premium prepayment	13	103	107
Investment properties	14	577	534
Investment in joint ventures and associates	15	324	320
		4,133	4,199
Current assets			
Inventories	17	4	5
Development properties	18	93	93
Lease premium prepayment	13	2	2
Trade and other receivables	19	88	95
Cash and cash equivalents	20	354	337
		541	532
Assets held for sale	36	41	–
		582	532
Total assets		4,715	4,731
Non-current liabilities			
Interest-bearing loans, bonds and borrowings	21	(791)	(951)
Employee benefits	23	(19)	(23)
Provisions	24	(9)	(10)
Other non-current liabilities	25	(13)	(14)
Deferred tax liabilities	26	(188)	(220)
		(1,020)	(1,218)
Current liabilities			
Interest-bearing loans, bonds and borrowings	21	(213)	(93)
Trade and other payables	27	(208)	(214)
Provisions	24	(2)	(1)
Income taxes payable		(23)	(35)
		(446)	(343)
Total liabilities		(1,466)	(1,561)
Net assets		3,249	3,170

The notes on pages 87 to 149 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

As at 31 December 2017

	Notes	2017 £m	2016 £m
Equity			
Issued share capital	29	97	97
Share premium		843	843
Translation reserve	30	431	537
Treasury share reserve	30	(4)	(4)
Retained earnings		1,309	1,195
Total equity attributable to equity holders of the parent		2,676	2,668
Non-controlling interests		573	502
Total equity		3,249	3,170

These financial statements were approved by the Board of Directors on 28 March 2018 and were signed on its behalf by:

Kwek Leng Beng

Chairman

Registered No: 3004377

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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
Balance at 1 January 2017	97	843	537	(4)	1,195	2,668	502	3,170
Profit	–	–	–	–	124	124	35	159
Other comprehensive (expense)/income	–	–	(106)	–	4	(102)	–	(102)
Total comprehensive (expense)/income	–	–	(106)	–	128	22	35	57
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends – equity holders	–	–	–	–	(25)	(25)	–	(25)
Dividends – non-controlling interests	–	–	–	–	–	–	(40)	(40)
Changes in ownership interests								
Change in interests in subsidiaries without loss of control	–	–	–	–	11	11	(11)	–
Rights issue by subsidiary with NCI	–	–	–	–	–	–	89	89
Return of capital to non-controlling interests	–	–	–	–	–	–	(2)	(2)
Total transactions with owners	–	–	–	–	(14)	(14)	36	22
Balance at 31 December 2017	97	843	431	(4)	1,309	2,676	573	3,249
Balance at 1 January 2016								
Balance at 1 January 2016	97	843	196	(4)	1,144	2,276	436	2,712
Profit	–	–	–	–	78	78	20	98
Other comprehensive income/(expense)	–	–	341	–	(8)	333	89	422
Total comprehensive income	–	–	341	–	70	411	109	520
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends – equity holders	–	–	–	–	(21)	(21)	–	(21)
Dividends – non-controlling interests	–	–	–	–	–	–	(35)	(35)
Changes in ownership interests								
Change in interests in subsidiaries without loss of control	–	–	–	–	2	2	(4)	(2)
Return of capital to non-controlling interests	–	–	–	–	–	–	(4)	(4)
Total transactions with owners	–	–	–	–	(19)	(19)	(43)	(62)
Balance at 31 December 2016	97	843	537	(4)	1,195	2,668	502	3,170

The notes on pages 87 to 149 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Profit for the year		159	98
Adjustments for:			
Depreciation and amortisation	12, 13	75	73
Share of profit of joint ventures and associates	15	(22)	(26)
Other operating income	7	(30)	(13)
Other operating expense	7	47	55
Finance income	9	(11)	(7)
Finance expense	9	31	32
Income tax (credit)/expense	10	(12)	10
Operating profit before changes in working capital and provisions		237	222
Movement in inventories, trade and other receivables		9	(20)
Movement in development properties		(4)	4
Movement in trade and other payables		(13)	15
Movement in provisions and employee benefits		1	(1)
Cash generated from operations		230	220
Interest paid		(21)	(21)
Interest received		4	4
Income tax paid		(33)	(33)
Net cash generated from operating activities		180	170
Cash flows from investing activities			
Dividends received from joint ventures and associates		2	2
Proceeds from settlement of shareholder's loan		12	–
Proceeds from insurance claim		–	2
Acquisition of subsidiary, net of cash acquired		(52)	–
Acquisition of property, plant and equipment, lease premium prepayment and investment properties		(142)	(100)
Net cash used in investing activities		(180)	(96)
Balance carried forward		–	74

The notes on pages 87 to 149 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

For the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Balance brought forward		–	74
Cash flows from financing activities			
Repayment of borrowings		(306)	(339)
Drawdown of borrowings		309	377
Dividends paid to non-controlling interests		(40)	(35)
Return of capital to non-controlling interests		(2)	(4)
Acquisition of non-controlling interests		–	(2)
Dividends paid to equity holders of the parent	28	(25)	(21)
Proceeds from issue of share capital		89	–
Net cash generated from/(used in) financing activities		25	(24)
Net increase in cash and cash equivalents		25	50
Cash and cash equivalents at beginning of the year		337	238
Effect of exchange rate fluctuations on cash held		(8)	49
Cash and cash equivalents at end of the year		354	337
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the consolidated statement of financial position		354	337
Bank overdrafts included in borrowings		–	–
Cash and cash equivalents for consolidated statement of cash flows	20	354	337

The notes on pages 87 to 149 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 2017 were authorised for issue in accordance with a resolution of the Directors on 28 March 2018.

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.

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 4 to 30. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report – Financial performance on pages 10 to 11 and in the key performance indicators on page 9. In addition,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

2.2 Summary of significant accounting policies

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 assets 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 is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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.

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 holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

(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 net 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

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 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3.1 Judgements

The key judgements are:

Classification of 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 2.2H. The Group owns 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 assets in its financial statements in accordance with the accounting policy set out in Note 2.2H.

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. Indicators considered include (1) party that has the power to make the significant operating and financing decisions regarding the operations of the property in a management contract, (2) calculation of the lessor's return, (3) lessor's power of intervention under the management contract, and (4) duration of the contract.

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. Details of acquisitions undertaken by the Group during the year, including the specific judgements, are set out in Notes 12 and 14.

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.

3.2 Estimates

The key estimates are:

Impairment of tangible assets

The Group determines whether tangible fixed assets are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the recoverable value of the cash generating units to which the tangible fixed assets are allocated, which is predominantly at the individual hotel site level. Where appropriate, external valuations are also undertaken. Estimation of the recoverable value of the hotel assets is done with the reference to fair value less cost to sell, using income approach, which requires estimation of future cash flows of a third party efficient operator, the time period over which they will occur, an appropriate discount rates, terminal capitalization rates and growth rates. The Directors consider that the assumptions made represent their best estimate, and that the discount rate and terminal capitalisation rate used are appropriate given the risks associated with the specific cash flows. A sensitivity analysis has been performed over the estimates (see Note 12).

Taxation

In determining the income tax assets and liabilities recognised in the consolidated Statement of Financial Position, the Group is required to estimate the outcome of multiple tax years remaining open to tax authority audit in each of the jurisdictions in which the Group has companies. As such provisions for tax accruals require estimates to be made 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. In making estimates for tax provisioning purposes management makes use of in-house tax expertise, comparable third party studies prepared by professional advisors and any other information available. In the event of an audit the Group may liaise with the relevant taxation authorities to agree an outcome.

The tax liability provided for each tax year and jurisdiction is reassessed in each period to reflect our best estimate of the probable outcome in light of all the information available. A final position agreed with a tax authority or through expiry of a tax audit period could differ from the estimates made by us which would impact the current tax liability of £23m (2016: £35m) recognised in the consolidated Statement of Financial Position.

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:

- In January 2016, the IASB issued '*IFRS 16 Leases*'. The standard is effective for annual periods beginning on or after 1 January 2019 and was endorsed by the European Union in November 2017. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the period of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is currently assessing the impact of this standard but it is not practicable to quantify the effect as at the date of the publication of these financial statements.
- In May 2014, the IASB issued '*IFRS 15 Revenue from Contracts with Customers*'. The standard is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The standard was endorsed by the European Union in September 2016. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The Group has started to assess the requirements of the standard and preliminary findings suggest that there will be no material impact to revenue.
- On 24 July 2014, the International Accounting Standards Board issued '*IFRS 9 Financial Instruments: Recognition and Measurement*' which is effective for periods starting on or after 1 January 2018. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Debt instruments currently classified as held-to maturity and measured at amortised cost will meet the conditions for classification at amortised cost under IFRS 9. The Company believes that its current hedge relationships will qualify as continuing hedges, upon the adoption of IFRS 9. The impact of this accounting standard on the Group's accounts is considered immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

	2016								Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	
Revenue									
Hotel	136	136	121	76	127	163	55	–	814
Property operations	–	4	–	–	3	9	40	–	56
REIT ⁴	–	–	–	11	14	19	12	–	56
Total revenue	136	140	121	87	144	191	107	–	926
Hotel gross operating profit	21	28	60	15	52	55	25	–	256
Hotel fixed charges ¹	(30)	(23)	(21)	(7)	(5)	(37)	(4)	–	(127)
Hotel operating profit/(loss)	(9)	5	39	8	47	18	21	–	129
Property operating profit/(loss)	–	(1)	–	–	2	8	21	–	30
REIT operating profit/(loss)	–	–	–	3	(5)	7	11	–	16
Central costs	–	–	–	–	–	–	–	(26)	(26)
Other operating income ²	–	3	–	–	–	8	2	–	13
Other operating expense ²	(15)	(2)	–	(5)	(4)	(2)	–	–	(28)
Other operating expense – REIT ²	–	–	–	(4)	(10)	(13)	–	–	(27)
Operating profit/(loss)	(24)	5	39	2	30	26	55	(26)	107
Share of joint ventures and associates profit	–	–	–	3	–	23	–	–	26
Add: Depreciation and amortisation	8	12	6	6	12	25	2	2	73
Add: Net revaluation deficit & impairment	15	(1)	–	9	14	7	–	–	44
EBITDA³	(1)	16	45	20	56	81	57	(24)	250
Less: Depreciation, amortisation, net revaluation deficit & impairment									(117)
Net finance expense									(25)
Profit before tax									108

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.

4 CDLHT operates the REIT business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Geographic information

	2017 £m	2016 £m
Revenue from external customers		
United States	305	276
United Kingdom	195	183
Singapore	151	144
New Zealand	123	98
Taiwan	73	62
South Korea	47	47
China	26	25
Maldives	14	14
Malaysia	14	15
France	12	11
Australia	10	9
Philippines	6	6
Italy	6	6
Indonesia	5	5
Other	21	25
Total revenue per consolidated income statement	1,008	926

The revenue information above is based on the location of the business. The £1,008m (2016: £926m) revenue is constituted of £880m (2016: £814m) of hotel revenue, £62m (2016: £56m) of property operations revenue and £66m (2016: £56m) of REIT revenue. The property operations revenue comprises £45m (2016: £40m) from New Zealand, £3m (2016: £3m) from Singapore and £14m (2016: £13m) from other countries.

	2017 £m	2016 £m
Non-current assets		
United States	943	1,053
United Kingdom	740	699
Singapore	692	702
China	278	286
Taiwan	277	286
New Zealand	231	242
Japan	212	215
South Korea	199	199
Hong Kong	108	113
Germany	94	–
Australia	89	122
Maldives	75	94
Malaysia	64	64
Italy	43	42
France	37	36
Netherlands	31	20
Indonesia	12	13
Philippines	8	12
Other	–	1
Total non-current assets per consolidated statement of financial position	4,133	4,199

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

6 Administrative expenses

The following items are included within administrative expenses:

	2017 £m	2016 £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	2	1
	3	2
Non-audit related services:		
– Tax advisory	1	1
Total	4	3

	2017 £m	2016 £m
Repairs and maintenance	51	45
Depreciation	72	70
Lease premium amortisation	3	3
Rental paid/payable under operating leases		
– land and buildings	1	1
– plant and machinery	7	5

7 Other operating income and expense

	Notes	2017 £m	2016 £m
Revaluation gain/(deficit) of investment properties	(a)		
– REIT properties		3	(27)
– Millennium Mitsui Garden Hotel Tokyo		9	8
– Biltmore Court & Tower		(3)	3
– Tanglin Shopping Centre		–	(4)
Impairment of property, plant & equipment	(b)	(38)	(24)
		(29)	(44)
Gain on insurance claim	(c)	–	2
Reversal of impairment of loan (repayment of loan)	(d)	12	–
		(17)	(42)

(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. Further details on these valuations are provided in Note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(b) Impairment of property, plant & equipment

The Directors undertook their annual review of the carrying value of hotels and property assets for indication of impairment and where appropriate, external valuations were also obtained. As a result of this review, the total impairment charge for the year ended 31 December 2017 was £38m consisting of £11m in New York, £6m in Rest of US, £4m in Rest of Europe and £13m in Rest of Asia. Also included is £4m of goodwill impaired in relation to the acquisition by CDLHT of The Lowry Hotel in Manchester in 2017. For 2016, a total impairment charge of £24m was recognised in relation to £15m in New York, £5m in Rest of Europe, £2m in Rest of Asia and £2m for Regional US. Further information is given in Note 12.

(c) Gain on insurance claim

In May 2016, a settlement was reached with the insurers in relation to Millennium Hotel Christchurch which was one of the hotels affected by the 2011 New Zealand earthquake. A gain of £2m in respect of material damage claim relating to fixtures, fittings and equipment was recognised by the Group in the first half of 2016. The lease for this property has expired and this 2016 settlement is the last insurance claim relating to the Christchurch earthquake damage.

(d) Reversal of impairment of loan (repayment of loan)

On 31 July 2017, the Group disposed of its 50% interest in Fena in exchange for a token sum and repayment of the shareholder loan, which had been impaired in earlier years. The Group re-instated the loan on its balance sheet as at 30 June 2017 with an income of £12m recognised in the income statement. This amount was settled during the year.

8 Personnel expenses

	2017 £m	2016 £m
Wages and salaries	305	277
Compulsory social security contributions	51	49
Contributions to defined contribution schemes	16	14
Defined benefit pension (gain)/cost – recorded in the statement of comprehensive income	(4)	10
Defined benefit pension cost – recorded in the income statement	2	2
Equity-settled share-based payment transactions	–	–
	370	352

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

	2017 Number	2016 Number
Hotel operating staff	9,020	8,397
Management/administration	1,439	1,481
Sales and marketing	461	468
Repairs and maintenance	682	650
	11,602	10,996

Directors' remuneration

	2017 £m	2016 £m
Remuneration	1	2
Received by the Directors under:		
– long-term incentive schemes	–	–
– Pensions	–	–
	1	2

9 Net finance expense

	2017 £m	2016 £m
Interest income	5	3
Interest receivable from joint ventures and associates	–	1
Foreign exchange gain	6	3
Finance income	11	7
Interest expense	(26)	(23)
Foreign exchange loss	(5)	(9)
Finance expense	(31)	(32)
Net finance expense	(20)	(25)

10 Income tax expense

	2017 £m	2016 £m
Current tax		
Corporation tax charge for the year	38	30
Release of tax provision during the year	(17)	–
Adjustment in respect of prior years	1	–
Total current tax expense	22	30
Deferred tax (Note 26)		
Origination and reversal of timing differences	(14)	(2)
Effect of change in tax rate on opening deferred taxes	(1)	(3)
Benefits of tax losses recognised	(18)	(15)
Underprovision in respect of prior years	(1)	–
Total deferred tax credit	(34)	(20)
Total income tax (credit)/charge in the consolidated income statement	(12)	10
UK	5	8
Overseas	(17)	2
Total income tax (credit)/charge in the consolidated income statement	(12)	10

For the year ended 31 December 2017, the Group has a tax charge of £5m (2016: £10m) excluding the tax relating to joint ventures and associates. Together with the release of a total of £17m provision in relation to exposures in Singapore that were finalised in 2017, the Group recorded a tax credit of £12m.

The effective tax rate relating to the tax charge of £5m before the release of provision is 4.2% (2016: 12.2%). 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 US; and
- Tax adjustments in respect of previous years.

Excluding the impact of the items noted above, the Group's underlying effective tax rate is 9.2% (2016: 15.4%).

The US enacted a corporate tax reform in December 2017. The future reduction in the US corporate income tax rate has reduced the carrying values of both deferred tax assets and liabilities resulting in an immaterial net impact to the current year results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2017, a charge of £7m (2016: £3m) 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

	2017 £m	2016 £m
Profit before income tax in consolidated income statement	147	108
Less share of profits of joint ventures and associates	(22)	(26)
Profit on ordinary activities excluding share of joint ventures and associates	125	82
Income tax on ordinary activities at the standard rate of UK tax of 19.25% (2016: 20.00%)	24	16
Tax exempt income	(23)	(11)
Non-deductible expenses	(2)	5
Use of brought forward previously unrecognised tax losses	2	(1)
Other effect of tax rates in foreign jurisdictions	3	3
Effect of change in tax rate on opening deferred taxes	(1)	(3)
Other adjustments to tax charge in respect of prior years	2	1
Release of tax provision during the year	(17)	–
Income tax (credit)/expense per consolidated income statement	(12)	10

11 Earnings per share

Earnings per share are calculated using the following information:

	2017	2016
(a) Basic		
Profit for the year attributable to holders of the parent (£m)	124	78
Weighted average number of shares in issue (m)	325	325
Basic earnings per share (pence)	38.1p	24.0p
(b) Diluted		
Profit for the year attributable to holders of the parent (£m)	124	78
Weighted average number of shares in issue (m)	325	325
Potentially dilutive share options under the Group's share option schemes (m)	–	–
Weighted average number of shares in issue (diluted) (m)	325	325
Diluted earnings per share (pence)	38.1p	24.0p

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
Cost					
Balance at 1 January 2016	2,847	42	258	289	3,436
Additions – Others	4	57	12	26	99
Adjustments	(7)	–	–	–	(7)
Transfers from investment properties	49	–	11	–	60
Transfers	2	(12)	2	8	–
Disposals	(1)	–	(1)	(3)	(5)
Written off	–	–	–	(16)	(16)
Foreign exchange adjustments	405	10	59	64	538
Balance at 31 December 2016	3,299	97	341	368	4,105
Balance at 1 January 2017	3,299	97	341	368	4,105
Additions – Others	14	6	15	18	53
Adjustments	–	(2)	–	–	(2)
Acquisition through business combination	47	–	2	3	52
Transfers	43	(59)	4	12	–
Disposals	–	–	(1)	(1)	(2)
Written off	–	(2)	–	(9)	(11)
Foreign exchange adjustments	(106)	(4)	(12)	(10)	(132)
Balance at 31 December 2017	3,297	36	349	381	4,063
Accumulated depreciation and impairment losses					
Balance at 1 January 2016	378	1	92	201	672
Charge for the year	25	–	13	32	70
Impairment	26	–	2	–	28
Disposals	–	–	(1)	(3)	(4)
Written off	–	–	(1)	(15)	(16)
Foreign exchange adjustments	57	–	17	43	117
Balance at 31 December 2016	486	1	122	258	867
Balance at 1 January 2017	486	1	122	258	867
Charge for the year	22	–	15	35	72
Impairment	31	–	3	–	34
Disposals	–	–	–	(1)	(1)
Written off	–	–	–	(9)	(9)
Foreign exchange adjustments	(19)	–	(5)	(5)	(29)
Balance at 31 December 2017	520	1	135	278	934
Carrying amounts					
At 31 December 2017	2,777	35	214	103	3,129
At 31 December 2016	2,813	96	219	110	3,238

The carrying value of property, plant and equipment held under finance leases at 31 December 2017 was £nil (2016: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 derived with the reference to fair value through creation of discount cash flow models. Under this methodology, the fair value measurement reflects current market expectations about the third party efficient operator is future cash flows, discounted to their present value. The underlying basis for the impairment model involves each hotel's projected cash flow for the financial year ending 31 December 2018, 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. 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 2017, the Group recorded an impairment charge of £34m consisting of £11m in New York, £13m in Rest of Asia, £6m for Rest of US and £4m in Rest of Europe. For 2016, a total impairment charge of £28m (including the impairment of a REIT property of £4m) was recognised in relation to £15m in New York, £5m in Rest of Europe, £2m in Rest of Asia and £2m for Regional US. Further information is given in Note 12.

Circumstances and events that led to the impairment are disclosed in the Financial Performance review on page 11.

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 6% to 12% in the US, 8% to 12% in Europe and 10% in Asia.

Occupancy rate – The occupancy growth rates ranged from 2% to 13% in the US, 1% to 17% in Europe and 3% to 9% in Asia.

Average room rate – The average room rate growth ranged from 2% to 6% in the US, 1% to 25% in Europe and 1% to 12% in Asia.

Terminal rate – These rates ranged from 7% to 10% in the US, 6% to 9% in Europe and 4% to 8% in Asia.

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.

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 £669m (2016: £645m). The net book value of land and buildings held under short leases was £105m (2016: £109m), in respect of which depreciation of £3m (2016: £2m) was charged during the year.

No interest was capitalised within land and buildings during the year (2016: £nil). The cumulative capitalised interest within land and buildings is £5m (2016: £5m).

e Pledged assets

At year-end, the net book value of assets pledged as collateral for secured loans was £458m (2016: £526m). The security for the loans is by way of charges on the properties of the Group companies concerned.

f Business combination

On 4 May 2017, the HBT Group acquired 100% of the shares and voting interests in The Lowry Hotel Ltd (“LHL”) (the “UK Acquisition”) for a total consideration of £53m. The HBT Group acquired LHL which owns The Lowry Hotel in Manchester (the “UK Property”). The UK Acquisition is expected to benefit the holders of Stapled Securities by broadening the Stapled Group’s earnings base and will also have the benefit of improving the geographical diversification of the Stapled Group’s portfolio. The acquisition was accounted for as a business combination as the HBT Group had acquired various operational processes, together with the UK Property.

From the date of acquisition to 31 December 2017, LHL contributed revenue of £9m and net profit before tax of £1m to the HBT Group’s results. If the acquisition had occurred on 1 January 2017, the HBT Trustee-Manager estimates that the HBT Group’s revenue would have been £38m and the HBT Group’s net profit before tax for the year would have been £4m. In determining these amounts, HBT Trustee-Manager 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 2017.

Identifiable assets acquired 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	52
Trade and other receivables	2
Cash at bank	2
Trade and other payables	(3)
Shareholder’s loan	(22)
Deferred tax liabilities	(4)
Total identifiable net assets	27

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	Market comparison technique and discounted cash flow technique: The market comparison technique involves the analysis of comparable sales of similar assets and adjusting the sale prices to that reflective of the UK Property. The discounted cash flow method involves forecasting the UK Property’s income stream for 10 years and discounting the income stream at 8.25%.

Goodwill

Goodwill arising from the UK Acquisition has been recognised as follows:

	£m
Total Consideration transferred	53
Fair value of identifiable net assets	(27)
Shareholders’ loan assumed	(22)
Goodwill	4
Impairment loss on goodwill	(4)
	–

The HBT Group has undertaken an impairment assessment of the goodwill arising from the UK Acquisition. The recoverable amount was estimated using the fair value less costs to sell approach, taking into consideration the fair value of the underlying property based on the valuation techniques and assumptions described in the table above (Level 3 fair value). Based on this assessment, the goodwill was fully impaired. The impairment loss was recognised in “Other operating expense” in the consolidated income statement. Refer to Note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Consideration transferred

	£m
Cash paid	53
Effect of the acquisition of LHL on cash flows:	
Total consideration for 100% equity interest acquired	53
Add: Acquisition-related costs	1
Less: Cash at bank of subsidiary acquired	(2)
Less: Acquisition-related costs not yet paid	–
Net cash outflow on acquisition ¹	52

¹ Included in cash flows from investing activities.

Acquisition-related costs

The HBT Group incurred a one-off transaction cost of £1m comprising of legal and due diligence costs. These costs have been included in the consolidated income statement.

13 Lease premium prepayment

	2017 £m
Cost	
Balance at 1 January 2017	129
Foreign exchange adjustments	(3)
Balance at 31 December 2017	126
Amortisation	
Balance at 1 January 2017	20
Charge for the year	3
Foreign exchange adjustments	(2)
Balance at 31 December 2017	21
Carrying amount at 31 December 2017	105
Analysed between:	
Amount due after more than one year included in non-current assets	103
Amount due within one year included in current assets	2
	105

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 2016	499	7	506
Transfers	(60)	–	(60)
Additions	2	–	2
Adjustment to fair value	(12)	–	(12)
Foreign exchange adjustment	96	2	98
Balance at 31 December 2016	525	9	534
Balance at 1 January 2017	525	9	534
Transfer to current asset held for sale	(41)	–	(41)
Additions	2	–	2
Acquisition of property	94	–	94
Adjustment to fair value	9	–	9
Foreign exchange adjustment	(21)	–	(21)
Balance at 31 December 2017	568	9	577

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 2017 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.

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	Edmund Tie & Company (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	CBRE Pte Ltd
CDLHT – Australia properties	Jones Lang LaSalle Property Consultants Pte Ltd
CDLHT – Maldives property	CBRE Pte Ltd
CDLHT – Germany property	CBRE Pte Ltd

Based on these valuations together with such considerations as the Directors consider appropriate, Millennium Mitsui Garden Hotel Tokyo and Biltmore Court & Tower recorded a revaluation gain of £9m (2016: revaluation gain £8m) and a revaluation deficit of £3m (2016: revaluation gain £3m) respectively. Tanglin Shopping Centre recorded an immaterial revaluation deficit (2016: revaluation deficit £4m). In addition, the REIT properties recorded a net revaluation surplus of £3m (2016: revaluation deficit of £27m). All the other investment properties recorded no change and no impairment was identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Fair value hierarchy

The fair value measurement for investment properties not under construction of £568m (2016: £525m) 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.	Tanglin Shopping Centre Open market values for other properties.	The estimated fair value would increase/ (decrease) if:
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.	Biltmore Court & Tower Discount rate of between 8% to 10.5% and capitalisation rate of 7.5% to 9%.	Expected market rental growth were higher/(lower); and
Investment properties held by the REIT were valued using the discounted cash flow, capitalisation or comparison techniques.	Millennium Mitsui Garden Hotel Tokyo Discount rate of 4.1% and capitalisation rate of 4.3%.	Risk adjusted discount rate was lower/ (higher), capitalisation rate was higher/ (lower) and terminal yield was lower/ (higher).
	CDLHT investment properties Discount rate of between 6% and 10%, capitalisation rate of 5% to 8% and terminal yield of 5% to 8%.	

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

Acquisition of property

On 14 July 2017, the H-REIT Group acquired 94.9% of the shares and voting interests in NKS Hospitality I B.V. ("NKS") and Munich Furniture B.V. ("FurnitureCo") (collectively, the "German Acquisition") for a total consideration of €101m (£89m). The H-REIT Group acquired NKS and FurnitureCo which own Pullman Hotel Munich (the "German Hotel") and its office and retail components (collectively, the "German Property"). The acquisition was accounted for as an acquisition of assets.

Identifiable assets acquired and liabilities assumed

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

	€m	£m
Investment property	107	94
Deferred tax assets	–	–
Trade and other receivables	–	–
Cash at bank	3	3
Trade and other payables	–	–
Borrowings	(45)	(40)
Total identifiable net assets	65	55
Less: Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	(3)	(3)
Identifiable net assets acquired	62	52

Consideration transferred

	€m	£m
Cash paid	101	89
Effect of the acquisition of NKS and FurnitureCo on cash flows:		
Total consideration for 94.9% equity interest acquired	59	52
Add: Borrowings assumed	43	38
Add: Acquisition-related costs	3	3
Less: Cash at bank of subsidiaries acquired	(3)	(3)
Less: Consideration not yet paid	(2)	(2)
Net cash outflow on acquisition ¹	100	88

¹ Included in cash flows from investing activities.

15 Investments in joint ventures and associates

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

	Principal place of business	Fair value of ownership interest £m	Effective Group interest	
			2017	2016
Joint ventures				
New Unity Holdings Limited ("New Unity")	Hong Kong	–	50%	50%
Fena Estate Company Limited ("Fena")	Thailand	–	–	50%
Ferguson Hotel Management Limited	Hong Kong	–	50%	50%
Associate				
First Sponsor Group Limited ("First Sponsor")	People's Republic of China	166	36%	36%
Prestons Road Limited	New Zealand	–	13%	–
CDL Hotels Japan Pte. Ltd.	Singapore	–	40%	40%

The Group has 50% in New Unity which operates the Group's hotel business in Hong Kong. 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.

On 31 July 2017 the Group, via its subsidiary company, City Hotels Pte Ltd., disposed of its 50% interest in Fena Estate Co. Ltd. in exchange for a token payment. Fena is the owner of Pullman Bangkok Grande Sukhumvit (formerly "Grand Millennium Sukhumvit Bangkok"). There was no carrying book value on the Group's balance sheet for this investment, which had been impaired in previous years. In conjunction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

with the transaction, there was repayment of a shareholder's loan which had also been fully impaired. The Group re-instated the loan on its balance sheet during the year and an income of £12m was recognised in the income statement. This amount was settled during the year.

	Joint ventures	Associates	Total £m
Share of net assets/cost			
Balance at 1 January 2016	89	166	255
Share of profit for the year	4	22	26
Dividends received	–	(2)	(2)
Foreign exchange adjustments	20	21	41
Balance at 31 December 2016	113	207	320
Balance at 1 January 2017	113	207	320
Share of profit for the year	5	17	22
Dividends received	–	(2)	(2)
Foreign exchange adjustments	(10)	(6)	(16)
Balance at 31 December 2017	108	216	324

The following is summarised financial information for First Sponsor and New Unity based on their respective financial statements prepared in accordance with IFRS. These are considered to be the most significant investments in joint ventures and associates.

	First Sponsor		New Unity	
	2017 £m	2016 £m	2017 £m	2016 £m
Non-current assets	508	262	340	414
Current assets	667	749	94	108
Non-current liabilities	(356)	(200)	(124)	(206)
Current liabilities	(211)	(230)	(29)	(28)
Total assets less total liabilities	608	581	281	288
Less: Non-controlling interest	(4)	(3)	(66)	(62)
Net assets (100%)	604	578	215	226
Group's share	216	207	108	113
Revenue				
	216	101	128	118
Operating profit	63	52	25	24
Interest income	5	11	(2)	(1)
Income tax expense	(16)	(2)	(4)	(5)
Profit for the year	52	61	19	18
Non-controlling interests	(3)	(1)	(10)	(9)
Profit for the year after non-controlling interests	49	60	9	9
Other comprehensive income	(12)	(27)	–	–
Profit and total comprehensive income (100%)	37	33	9	9
Group's share of profit and total comprehensive income	13	12	5	4
Dividends received by the Group	2	2	–	–

At 31 December 2017, the Group's share of the total capital commitments of joint ventures and associates amounted to £18m (2016: £15m).

At 31 December 2017, the Group's joint ventures and associates had no contingent liabilities (2016: £nil).

16 Other financial assets

There are no financial assets as at 31 December 2017 (2016: £nil).

17 Inventories

	2017 £m	2016 £m
Consumables	4	5

18 Development properties

	2017 £m	2016 £m
Development properties comprise:		
Development land for resale		
– New Zealand landbank	66	66
Development properties		
– Zenith Residences	27	27
	93	93

19 Trade and other receivables

	2017 £m	2016 £m
Trade receivables	41	39
Other receivables	19	27
Prepayments and accrued income	28	29
	88	95

Trade receivables are shown net of an impairment allowance of £3m (2016: £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

	2017 £m	2016 £m
Cash at bank and in hand	209	223
Short-term deposits	205	194
Cash pool overdrafts	(60)	(80)
Cash and cash equivalents on the statement of financial position	354	337
Overdrafts included in borrowings	–	–
Cash and cash equivalents shown in the cash flow statement	354	337

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

As at 31 December 2017, £1m (2016: £nil) of the cash balance was restricted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21 Interest-bearing loans, bonds and borrowings

	2017 £m	2016 £m
Included within non-current liabilities:		
Bank loans	553	628
Bonds payable	238	323
	791	951
Included within current liabilities:		
Bank loans and overdrafts	146	93
Bonds payable	67	–
	213	93

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.

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

	Carrying value	
	2017 £m	2016 £m
Cash at bank and in hand (see Note 20)	209	223
Short-term deposits (see Note 20)	205	194
Trade receivables (see Note 19)	41	39
Other receivables (see Note 19)	19	27
	474	483

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying value	
	2017 £m	2016 £m
New York	7	6
Regional US	4	4
Rest of Europe	7	7
Singapore	7	8
Rest of Asia	11	8
Australasia	5	6
	41	39

The ageing of trade receivables at the reporting date was:

	Gross receivable		Impairment allowance		Carrying value	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Not past due	27	21	–	–	27	21
Past due 0 – 30 days	10	10	–	–	10	10
Past due 31 – 60 days	3	3	–	–	3	3
Past due 61 – 90 days	1	3	–	–	1	3
More than 90 days	3	4	(3)	(2)	–	2
	44	41	(3)	(2)	41	39

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017 £m	2016 £m
Balance at 1 January	2	2
Impairment recognised	1	–
Balance at 31 December	3	2

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	Contractual maturities of financial assets 2017				
	Total £m	6 months or less £m	6 months - 1 year £m	1 - 5 years £m	More than 5 years £m
Financial Assets					
Fixed Rate					
Sterling	–	–	–	–	–
US dollar	13	13	–	–	–
Korean Won	6	6	–	–	–
Singapore dollar	90	90	–	–	–
New Taiwan dollar	18	18	–	–	–
Australian dollar	5	5	–	–	–
New Zealand dollar	65	65	–	–	–
Malaysian Ringgit	18	18	–	–	–
Euro	1	1	–	–	–
Chinese Renminbi	17	17	–	–	–
Others	1	1	–	–	–
Non-Interest Bearing					
Sterling	29	29	–	–	–
US dollar	32	32	–	–	–
Singapore dollar	18	18	–	–	–
New Taiwan dollar	1	1	–	–	–
Malaysian Ringgit	1	1	–	–	–
Euro	17	17	–	–	–
Japanese Yen	14	14	–	–	–
Others	13	13	–	–	–
Interest Bearing Cash Pool deposits					
Singapore dollar	53	53	–	–	–
Japanese Yen	2	2	–	–	–
Total cash and other financial assets	414	414	–	–	–
Interest Bearing Cash Pool Overdrafts					
Sterling	(24)	(24)	–	–	–
Hong Kong dollar	(22)	(22)	–	–	–
Non-Interest Bearing Cash Pool Overdrafts					
Sterling	(14)	(14)	–	–	–
Total overdrafts (Note 20)	(60)	(60)	–	–	–
	354	354	–	–	–
Represented by:					
Cash and cash equivalents (Note 20)	354				
	354				

Contractual maturities of financial assets 2016

	Total £m	6 months or less £m	6 months - 1 year £m	1 - 5 years £m	More than 5 years £m
Financial Assets					
Fixed Rate					
Sterling	24	24	–	–	–
US dollar	24	24	–	–	–
Korean Won	5	5	–	–	–
Singapore dollar	87	87	–	–	–
New Taiwan dollar	12	12	–	–	–
Australian dollar	4	4	–	–	–
New Zealand dollar	55	55	–	–	–
Malaysian Ringgit	15	15	–	–	–
Euro	3	3	–	–	–
Chinese Renminbi	17	17	–	–	–
Non-Interest Bearing					
Sterling	21	21	–	–	–
US dollar	22	22	–	–	–
Singapore dollar	21	21	–	–	–
Malaysian Ringgit	1	1	–	–	–
Euro	14	14	–	–	–
Japanese Yen	11	11	–	–	–
Others	11	11	–	–	–
Interest Bearing Cash Pool deposits					
Singapore dollar	70	70	–	–	–
Total cash and other financial assets					
	417	417	–	–	–
Interest Bearing Cash Pool Overdrafts					
Sterling	(33)	(33)	–	–	–
Euro	(6)	(6)	–	–	–
Hong Kong dollar	(28)	(28)	–	–	–
Non-Interest Bearing Cash Pool Overdrafts					
Sterling	(13)	(13)	–	–	–
Total overdrafts (Note 20)					
	(80)	(80)	–	–	–
	337	337	–	–	–
Represented by:					
Cash and cash equivalents (Note 20)	337				
	337				

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(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 2017	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
Floating rate financial liabilities							
Secured loans	65	68	3	3	62	–	–
Unsecured loans	423	449	29	84	51	285	–
Secured bonds	39	39	–	–	–	39	–
Unsecured bonds	149	159	2	2	77	78	–
Overdraft	–	–	–	–	–	–	–
Fixed rate financial liabilities							
Unsecured loans	210	221	39	2	91	89	–
Unsecured bonds	67	68	1	67	–	–	–
Secured bonds	51	51	–	–	–	51	–
Trade and other payables							
Trade payables	27	27	27	–	–	–	–
Other creditors	61	61	61	–	–	–	–
Non-current liabilities							
Other non-current liabilities	13	13	–	–	–	2	11
	1,105	1,156	162	158	281	544	11

31 December 2016	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
Floating rate financial liabilities							
Secured loans	72	78	6	2	4	66	–
Unsecured loans	387	399	26	62	151	160	–
Secured bonds	19	25	1	1	2	21	–
Unsecured bonds	163	170	1	1	2	166	–
Fixed rate financial liabilities							
Unsecured loans	261	279	3	3	66	207	–
Unsecured bonds	67	68	–	–	68	–	–
Secured bonds	75	80	1	1	1	77	–
Trade and other payables							
Trade payables	35	35	35	–	–	–	–
Other creditors	59	59	53	6	–	–	–
Non-current liabilities							
Other non-current liabilities	14	14	–	–	–	3	11
	1,152	1,207	126	76	294	700	11

Undrawn committed borrowing facilities

At 31 December 2017, the Group had £556m (2016: £546m) 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.

	2017 £m	2016 £m
Expiring in one year or less	295	209
Expiring after more than one year but not more than two years	69	153
Expiring after more than two years but not more than five years	192	184
Expiring after more than five years	–	–
Total undrawn committed borrowing facilities	556	546
Total undrawn uncommitted borrowing facilities	43	51
Total undrawn borrowing facilities	599	597

Security

Included within the Group's total bank loans and overdrafts of £703m (2016: £721m), £65m (2016: £72m) are secured loans and overdrafts. Total bonds and notes payable of £216m (2016: £230m) are unsecured.

Loans, bonds and notes are secured on land and buildings with a carrying value of £458m (2016: £526m) and an assignment of insurance proceeds in respect of insurances over the mortgaged properties.

Of the Group's total facilities of £1,603m, £599m matures within 12 months comprising £nil unsecured bonds and notes, £188m committed revolving credit facilities, £38m uncommitted facilities and overdrafts subject to annual renewal, £370m 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.

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Net investment hedging

The Group has US\$163m (2016: US\$162m) US dollar loans and overdrafts and €7m (2016: €61m) Euro loans and overdrafts designated as hedges of corresponding respective proportions of its net investment in foreign operations whose functional currencies are US dollars and Euros. 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 2017 was £128m (2016: £188m).

An analysis of borrowings by currency and their fair values as at 31 December is given below:

	31 December 2017		31 December 2016	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Sterling	120	120	66	66
Singapore dollar	211	211	240	240
Australia dollar	–	–	55	55
US dollar	432	432	415	415
New Zealand dollar	35	35	37	37
Chinese renminbi	30	30	34	34
Japanese yen	111	111	117	117
New Taiwan dollar	4	4	11	11
Korean Won	24	24	23	23
Euro	37	37	46	46
	1,004	1,004	1,044	1,044

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. However during the year there was an immaterial amount (2016: £nil) recognised in the consolidated income statement that arose from hedges of net investments in foreign operations that were considered to be ineffective.

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 2017.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2017	2016	2017	2016
US dollar	1.290	1.355	1.339	1.228
Singapore dollar	1.782	1.879	1.796	1.781
New Taiwan dollar	39.338	43.700	40.083	39.679
New Zealand dollar	1.814	1.952	1.896	1.772
Malaysian ringgit	5.544	5.640	5.473	5.503
Korean won	1,455.88	1,576.43	1,438.03	1,486.48
Chinese renminbi	8.722	9.008	8.779	8.537
Euro	1.143	1.231	1.127	1.174
Japanese yen	144.878	147.961	151.569	144.311

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 2017 (31 December 2016: 10%) would have increased/(decreased) equity and profit before tax by the amounts shown below:

	31 December 2017		31 December 2016	
	Equity £m	Profit before tax £m	Equity £m	Profit before tax £m
US dollar	33	4	38	1
Australian dollar	(8)	(1)	(3)	–
Singapore dollar	5	(4)	5	1
New Taiwan dollar	–	(1)	–	1
New Zealand dollar	(1)	(4)	(6)	3
Euro	3	–	9	–
Chinese renminbi	(4)	(2)	(4)	–
Hong Kong dollar	–	(1)	–	1
Japanese Yen	2	(2)	2	1
Thai Baht	–	(1)	–	–
	30	(12)	41	8

A 10% weakening of sterling against the above currencies at 31 December 2017 (31 December 2016: 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 2017 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 2017		31 December 2016	
	1% increase £m	1% decrease £m	1% increase £m	1% decrease £m
Variable rate financial assets	2	(2)	2	(2)
Variable rate financial liabilities	(10)	10	(11)	11
Cash flow sensitivity (net)	(8)	8	(9)	9

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(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.

	2017 Book value £m	2017 Fair value £m	2016 Book value £m	2016 Fair value £m
Financial assets				
Cash and cash equivalents				
Cash at bank and in hand	209	209	223	223
Short-term deposits	205	205	194	194
Cash pool overdrafts	(60)	(60)	(80)	(80)
Loans and receivables				
Trade receivables	41	41	39	39
Other receivables	19	19	29	29
	414	414	405	405
Financial liabilities				
Overdrafts and borrowings	(1,004)	(1,004)	(1,044)	(1,044)
Trade payables	(27)	(27)	(35)	(35)
Other creditors	(61)	(61)	(59)	(59)
Other non-current liabilities	(13)	(13)	(14)	(14)
	(1,105)	(1,105)	(1,152)	(1,152)

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.

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.

Fair value hierarchy

As at 31 December 2017, 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

During the year ended 31 December 2017 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 45.0% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 45.0% 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 45.0% 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 2017 was 32.6% (2016: 36.8%) 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 2017 and 2016.

Except for the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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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 2017 and this has been updated on an approximate basis to 31 December 2017. The contributions of the Group during the year were 24% (2016: 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.

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 2017. 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 2017. The contributions of the Group were 6% (2016: 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:

	2017 UK	2017 South Korea	2017 Taiwan	2016 UK	2016 South Korea	2016 Taiwan
Inflation rate	3.5%	3.0%	–	3.5%	3.0%	–
Discount rate	2.5%	3.0%	1.0%	2.7%	2.8%	1.0%
Rate of salary increase	4.0%	3.0%	3.0%	4.0%	4.0%	3.0%
Rate of pension increases	3.5%	–	–	3.5%	–	–
Rate of revaluation	2.5%	–	–	2.5%	–	–
Annual expected return on plan assets	2.5%	3.0%	1.0%	2.7%	2.8%	1.0%

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.

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			
	2017 Increase £m	2017 Decrease £m	2016 Increase £m	2016 Decrease £m
Discount rate (1% movement)	(14)	14	(11)	11
Rate of salary increase (1% movement)	2	(2)	2	(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:

	2017 UK £m	2017 South Korea £m	2017 Taiwan £m	2017 Other £m	2017 Total £m	2016 UK £m	2016 South Korea £m	2016 Taiwan £m	2016 Other £m	2016 Total £m
Present value of funded obligations	74	5	11	2	92	75	5	11	2	93
Fair value of plan assets	(63)	(5)	(5)	–	(73)	(60)	(5)	(5)	–	(70)
Plan deficit	11	–	6	2	19	15	–	6	2	23

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Changes in the present value of defined benefit obligations are as follows:

	2017 UK £m	2017 South Korea £m	2017 Taiwan £m	2017 Other £m	2017 Total £m	2016 UK £m	2016 South Korea £m	2016 Taiwan £m	2016 Other £m	2016 Total £m
Balance at 1 January	75	5	11	2	93	61	4	9	1	75
Current service cost	–	–	–	–	–	1	–	–	–	1
Interest cost	2	–	–	–	2	2	–	1	–	3
Benefits paid, death in service insurance premiums and expenses	(2)	(1)	(1)	–	(4)	(2)	(1)	(1)	–	(4)
Remeasurement losses/ (gains) arising from:										
– Financial assumptions	1	–	–	–	–	14	–	1	–	15
– Demographic assumptions	–	–	–	–	1	–	–	–	–	–
– Experience adjustment	(2)	–	–	–	(2)	–	–	–	–	–
Foreign exchange adjustments	–	1	1	–	2	(1)	2	1	1	3
Balance at 31 December	74	5	11	2	92	75	5	11	2	93

Changes in the fair value of plan assets are as follows:

	2017 UK £m	2017 South Korea £m	2017 Taiwan £m	2017 Total £m	2016 UK £m	2016 South Korea £m	2016 Taiwan £m	2016 Total £m
Balance at 1 January	60	5	5	70	55	4	3	62
Interest income	2	–	–	2	2	–	–	2
Group contributions	–	1	1	2	–	1	2	3
Benefits paid	(2)	(1)	(1)	(4)	(2)	(1)	(1)	(4)
Remeasurement gains arising from:								
– Return on plan assets excluding interest income	3	–	–	3	5	–	–	5
Foreign exchange adjustments	–	–	–	–	–	1	1	2
Balance at 31 December	63	5	5	73	60	5	5	70
Actual return on plan assets	5	–	–	5	7	–	–	7

The fair values of plan assets in each category are as follows:

	2017 UK £m	2017 South Korea £m	2017 Taiwan £m	2017 Total £m	2016 UK £m	2016 South Korea £m	2016 Taiwan £m	2016 Total £m
Equities	22	–	–	22	9	–	–	9
Bonds	4	5	–	9	1	4	–	5
Cash and cash equivalents	37	–	5	42	50	1	5	56
	63	5	5	73	60	5	5	70

The expense recognised in the income statement is as follows:

	2017 UK £m	2017 South Korea £m	2017 Taiwan £m	2017 Other £m	2017 Total £m	2016 UK £m	2016 South Korea £m	2016 Taiwan £m	2016 Other £m	2016 Total £m
Current service cost	–	1	–	–	1	1	–	–	–	1
Interest cost	2	–	–	–	2	2	–	1	–	3
Interest income	(2)	–	–	–	(2)	(2)	–	–	–	(2)
	–	1	–	–	1	1	–	1	–	2

Total cost is recognised within the following items in the income statement:

	2017 £m	2016 £m
Cost of sales	–	1
Administrative expenses	1	1
	1	2

The gains or losses recognised in the consolidated statement of comprehensive income are as follows:

	2017 UK £m	2017 South Korea £m	2017 Taiwan £m	2017 Other £m	2017 Total £m	2016 UK £m	2016 South Korea £m	2016 Taiwan £m	2016 Other £m	2016 Total £m
Actual return less expected return on plan assets	3	–	–	–	3	5	–	–	–	5
Remeasurement (losses)/ gains arising from										
– Financial assumptions	(1)	–	–	–	(1)	(14)	–	(1)	–	(15)
– Demographic assumptions	–	–	–	–	–	–	–	–	–	–
– Experience adjustment	2	–	–	–	2	–	–	–	–	–
Defined benefit plan remeasurement gains/ (losses)	4	–	–	–	4	(9)	–	(1)	–	(10)

	2017 £m	2016 £m
Actuarial losses recognised directly in equity are as follows:		
Cumulative as at 1 January	27	17
Remeasurement (gains)/losses recognised during the year	(4)	10
Cumulative as at 31 December	23	27

The life expectancies underlying the value of the accrued liabilities for the UK Plan, based on retirement age of 65, are as follows:

	2017 Years	2016 Years
Males	24	25
Females	26	27

The weighted-average duration of the defined benefit obligations as at 31 December 2017 was 25 years (2016: 26). The Group expects £1m in contributions to be paid to the defined benefit plans in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2.2N(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 £nil (2016: £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 ("LTIP")

Performance Share Awards under this scheme are awarded to Executive Directors and senior management of the Group.

Date of Awards	Awards outstanding as at 1 Jan 2017	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 2017	Credited to share capital £m	Credited to share premium £m	Vesting date
04.04.2014	450,688	-	-	(450,688)	-	-	-	-	04.04.2017
03.08.2015	232,086	-	-	(12,724)	-	219,362	-	-	03.08.2018
10.09.2015	11,867	-	-	-	-	11,867	-	-	10.09.2018
29.03.2016	185,643	-	-	-	-	185,643	-	-	29.03.2019
	880,284	-	-	(463,412)	-	416,872	-	-	

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

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

Date of Awards	Exercise Price per share £	Awards outstanding as at 1 Jan 2017	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 2017	Credited to share capital £m	Credited to share premium £m	Exercise period
19.04.2011	4.1800	1,284	-	-	-	(1,284)	-	-	-	01.08.2016-31.01.2017
19.04.2012	3.8800	5,178	-	(5,178)	-	-	-	-	-	01.08.2017-31.01.2018
19.04.2013	4.4800	26,533	-	(1,446)	(25,087)	-	-	-	-	01.08.2016-31.01.2017
19.04.2013	4.4800	2,677	-	-	-	-	2,677	-	-	01.08.2018-31.01.2019
06.05.2014	4.4600	35,053	-	(12,907)	(6,415)	-	15,731	-	-	01.08.2017-31.01.2018
06.05.2014	4.4600	3,631	-	-	(2,690)	-	941	-	-	01.08.2019-31.01.2020
14.04.2015	4.6900	30,410	-	-	(689)	-	29,721	-	-	01.08.2018-31.01.2019
14.04.2015	4.6900	6,649	-	-	(1,278)	-	5,371	-	-	01.08.2020-31.01.2021
12.04.2016	3.3000	122,311	-	(1,969)	(13,625)	-	106,717	-	-	01.08.2019-31.01.2020
12.04.2016	3.3000	4,545	-	-	(3,636)	-	909	-	-	01.08.2021-31.01.2022
11.04.2017	3.6600	-	46,550	-	(2,752)	-	43,798	-	-	01.08.2020-31.01.2021
11.04.2017	3.6600	-	11,226	-	(8,359)	-	2,867	-	-	01.08.2022-31.01.2023
		238,271	57,776	(21,500)	(64,531)	(1,284)	208,732	-	-	

The weighted average share price at the dates of exercise of share options in the year was £5.59 (2016: £4.26).

The options outstanding at the year-end have an exercise price in the range of £3.30 to £4.69 (2016: £3.30 to £4.69) and a weighted average contractual life of 2.07 years (2016: 2.40 years).

(iii) Annual Bonus Plan (“ABP”)

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

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

The fair values for the deferred share awards were determined using the market price of the shares at the date of grant. The share price for deferred share awards granted in 2017 was £4.62 (2016: weighted average share price of £4.39).

Date of Awards	Awards outstanding as at 1 Jan 2017	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 2017	Credited to Share Capital £m	Credited to Share Premium £m	Vesting dates
08.09.2015	56,352	–	–	(10,278)	–	46,074	–	–	08.09.2018
06.11.2015	4,325	–	–	–	–	4,325	–	–	06.11.2018
13.05.2016	60,939	–	(13,030)	(12,005)	–	35,904	–	–	13.05.2017/8/9
12.08.2016	2,377	–	(595)	–	–	1,782	–	–	12.08.2017/8/9
09.11.2016	977	–	(245)	–	–	732	–	–	09.11.2017/8/9
14.06.2017	–	55,750	–	(8,772)	–	46,978	–	–	14.06.2018/9/20
	124,970	55,750	(13,870)	(31,055)	–	135,795	–	–	

(iv) Executive Share Plan (“ESP”)

The ESP was approved by the Company on 18 February 2016 to replace participation in the LTIP by senior executive management. These awards will vest over a three year period (25% after years one and two, 50% after three years), subject to the rules of the ESP.

The fair values for the awards were determined using the market price of the shares at the date of grant. The share price for awards granted in 2017 was £4.65 (2016: £4.13).

Date of Awards	Awards outstanding as at 1 Jan 2017	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 2017	Credited to share capital £m	Credited to share premium £m	Vesting dates
29.03.2016	37,572	–	(8,158)	(4,950)	–	24,464	–	–	29.03.2017/8/9
15.08.2017	–	56,838	–	–	–	56,838	–	–	15.08.2018/9/20
	37,572	56,838	(8,158)	(4,950)	–	81,302	–	–	

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Awards/options granted

The following awards/options were granted in the current and comparative years:

2017 Awards	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							
Executive Share Plan	15.08.2017	–	14,210	4.65	–	4.57	1.00	–	1.7%	–
Executive Share Plan	15.08.2017	–	14,210	4.65	–	4.50	2.00	–	1.7%	–
Executive Share Plan	15.08.2017	–	28,418	4.65	–	4.42	3.00	–	1.7%	–
Sharesave Scheme (3 year)	11.04.2017	–	46,550	4.47	3.66	1.05	3.31	26.0%	1.7%	0.2%
Sharesave Scheme (5 year)	11.04.2017	–	11,226	4.47	3.66	1.09	5.31	24.0%	1.7%	0.4%
Deferred Share Awards	14.06.2017	–	55,750	4.62	–	4.62	3.00	–	1.7%	–

2016 Awards	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	29.03.2016	111,386	–	4.13	–	3.94	3.00	–	1.6%	–
LTIP – TSR (FTSE 250)	29.03.2016	18,564	–	4.13	–	1.14	2.63	22.6%	1.6%	0.5%
LTIP – TSR (hotels)	29.03.2016	18,564	–	4.13	–	1.41	2.63	15.5% to 52.4%	1.6%	0.5%
LTIP – NAV	29.03.2016	37,129	–	4.13	–	3.94	3.00	–	1.6%	–
Executive Share Plan	29.03.2016	–	15,781	4.13	–	4.07	1.00	–	1.6%	–
Executive Share Plan	29.03.2016	–	15,781	4.13	–	4.00	2.00	–	1.6%	–
Executive Share Plan	29.03.2016	–	31,562	4.13	–	3.94	3.00	–	1.6%	–
Sharesave Scheme (3 year)	12.04.2016	–	125,036	4.26	3.30	1.08	3.55	22.1%	1.5%	0.6%
Sharesave Scheme (5 year)	12.04.2016	–	4,545	4.26	3.30	1.21	5.55	23.1%	1.5%	0.9%
Deferred Share Awards	13.05.2016	–	76,798	4.40	–	4.40	3.00	–	–	–
Deferred Share Awards	12.08.2016	–	2,377	4.21	–	4.21	3.00	–	–	–
Deferred Share Awards	09.11.2016	–	977	4.40	–	4.40	3.00	–	–	–

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

24 Provisions

	Legal £m	Beijing indemnity £m	Total £m
Balance at 1 January 2017	1	10	11
Recognised during the year	1	–	1
Foreign exchange adjustments	–	(1)	(1)
Balance at 31 December 2017	2	9	11
Analysed as:			
Non-current provision	–	9	9
Current provision	2	–	2
Total provision	2	9	11

Provision for legal fees as at 31 December 2017 of £2m (2016: £1m) relates to disputes in several hotels. The Beijing indemnity of £9m (2016: £10m) 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.

25 Other non-current liabilities

	2017 £m	2016 £m
Other liabilities	13	14

26 Deferred taxation

Movements in deferred tax liabilities and assets (prior to offsetting balances) during the year are as follows:

	At 1 January 2017 £m	Charged/(credited) to income statement					Exchange on translation £m	At 31 December 2017 £m
		Change in tax rate £m	Other adjustment to opening provision £m	Current year movement £m	Acquisition of subsidiary £m	Charged to reserves £m		
Deferred tax liabilities								
Property assets ¹	283	(18)	(2)	(15)	5	–	(14)	239
	283	(18)	(2)	(15)	5	–	(14)	239
Deferred tax assets								
Tax losses	(54)	17	(3)	(18)	(1)	–	11	(48)
Employee benefits ²	(6)	1	–	–	–	1	–	(4)
Others	(3)	(1)	5	–	–	–	–	1
	(63)	17	2	(18)	(1)	1	11	(51)
Net deferred tax liabilities	220	(1)	–	(33)	4	1	(3)	188

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 £m	2016 £m
Deductible temporary differences	1	1
Tax losses	2	–
Adjustments due to:		
– Deductible temporary differences in respect of prior year	–	1
– Tax losses in respect of prior year	15	14
	18	15

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:

	2017 £m	2016 £m
Expiry dates:		
– within 1 to 5 years	14	8
– after 5 years	6	2
– no expiry date	76	67
	96	77

At 31 December 2017, a deferred tax liability of £13m (2016: £12m) relating to undistributed reserves of overseas subsidiaries and joint ventures of £1,000m (2016: £958m) 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

	2017 £m	2016 £m
Trade payables	27	35
Other creditors including taxation and social security:		
– Social security and other taxes	12	12
– Value added tax and similar sales taxes	13	13
– Other creditors	31	29
Accruals	100	101
Deferred income	20	19
Rental and other deposits	5	5
	208	214

The Group's exposure to currency and liquidity risks related to trade and other payables are disclosed in Note 22.

28 Dividends

	2017 pence	2016 pence	2017 £m	2016 £m
Final ordinary dividend paid	5.66	4.34	18	14
Interim ordinary dividend paid	2.08	2.08	7	7
Total dividends paid	7.74	6.42	25	21

Subsequent to 31 December 2017, the Directors declared the following final dividends, which have not been provided for:

	2017 pence	2016 pence	2017 £m	2016 £m
Final ordinary dividend	4.42	5.66	14	18

All dividends paid during 2017 and 2016 were in cash.

29 Share capital

	Number of 30p shares allotted, called up and fully paid
Balance at 1 January 2017	324,735,565
Issue of ordinary shares on exercise of share options	25,190
Balance at 31 December 2017	324,760,755

All of the share capital is equity share capital. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

At the year end, options over 208,732 ordinary shares remain outstanding under the Sharesave Scheme and are exercisable between now and 31 January 2023 at exercise prices between £3.30 and £4.69. Awards made under the LTIP of 416,872 ordinary shares and ESP of 81,302 ordinary shares remain unvested and may potentially vest between 3 August 2018 and 29 March 2019 for awards under the LTIP and between now and 15 August 2020 for awards under the ESP. Lastly, 135,795 options under the ABP may potentially vest between 8 September 2018 and 14 June 2020.

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 £3.66 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 3,437 shares at 31 December 2017 (2016: 4,345) to satisfy the vesting of awards under the LTIP. During the year 23,221 shares (2016: nil shares) were purchased by the trust at £4.68 per share. At 31 December 2017, the cost of shares held by the trust was £16,575 (2016: £25,017), whilst the market value of these shares at 31 December 2017 was £20,106 (2016: £20,004). Shares purchased by the trust are treated as treasury shares which are deducted from equity and excluded from the calculations of earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 Financial commitments

	2017 £m	2016 £m
(a) Capital commitments at the end of the financial year which are contracted but not provided for	70	37

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:

	2017 £m	2016 £m
– less than one year	12	12
– between one and five years	38	37
– more than five years	167	171
	217	220

(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:

	2017 £m	2016 £m
– less than one year	35	35
– between one and five years	105	108
– more than five years	93	59
	233	202

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 2017, £50m (2016: £47m) was recognised as rental income in the income statement and £2m (2016: £2m) 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 except for those stated below:

- On 11 January 2018, CDLHT completed the divestment of two hotels in Australia, the Mercure Brisbane and Ibis Brisbane for A\$77m (£45m) to an independent third party.
- On 11 January 2018, a partnership comprised of a subsidiary of FSGL together with subsidiaries of CDL and another substantial shareholder of FSGL acquired a 300-room hotel currently operated by a tenant as the "Le Meridien Frankfurt" situated in Frankfurt for €79m (£70m), excluding certain transaction related expenses.

3. On 1 February 2018, FSGL together with four other co-investors acquired all the issued shares of Hotelmaatschappij Rotterdam B.V which owns the 254-room Hilton Rotterdam Hotel in the Netherlands for €51m (£45m). Following the completion of the transaction, FSGL owns 24.7% interest in the target company.
4. On 1 February 2018, the Group acquired the 42-room The Waterfront Hotel in New Plymouth, New Zealand, for a purchase consideration of NZ\$11m (£6m).
5. On 7 February 2018, the Group has provided an irrevocable undertaking to take up its full entitlement of FSGL's proposed rights issue of new perpetual convertible capital securities for a total cost of S\$58m (£32m) and a proportion of the excess rights not subscribed by other shareholders for a cost of up to S\$31m (£17m).

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.

Transactions with ultimate holding company and other related companies

The Group has a related party relationship with certain subsidiaries of Hong Leong Investment Holdings Pte. Ltd ("Hong Leong") which is the ultimate holding and controlling company of Millennium & Copthorne Hotels plc and holds 65.2% (2016: 64.9%) of the Company's shares via CDL, the intermediate holding company of the Group. During the year ended 31 December 2017, 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 2017, £4m (2016: £4m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL and its other subsidiaries were £3m (2016: £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.

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% (2016: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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:

	2017 £m	2016 £m
Short-term employee benefits	6	6
Share-based payment	–	–
	6	6
Directors	1	1
Executives	5	5
	6	6

34 Related undertakings

The full list of the Company's related undertakings as at 31 December 2017 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	1345 28th Street, Boulder, CO 80302	Holding Company
Aircoa GP Corporation	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership
Aircoa, LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Holding Company
All Seasons Hotels & Resorts Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Dormant
Anchorage-Lakefront Limited Partnership	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel owner
Archyield Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
ATOS Holdings GmbH	100%	Direct subsidiary	Austria	Schulhof 6/1st fl., 1010 Vienna, Austria	Investment holding
Aurora Inn Operating Partnership L.P.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership
Avon Wynfield Inn, Ltd.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership
Avon Wynfield LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	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 Corp.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Liquor licence holder
Birkenhead Holdings Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
Birkenhead Investments Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Property Investment & Management

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Bostonian Hotel Limited Partnership	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel owner
Buffalo Operating Partnership L.P.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership
Buffalo RHM Operating LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel owner
CDL (New York) LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel owner
CDL (NYL) Limited	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	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 ¹	37%	Associated undertakings	Republic of Singapore	See note below ¹	See note below ¹
CDL Hotels (Chelsea) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
CDL Hotels (Korea) Ltd.	100%	Indirect subsidiary	Republic of Korea	Jung-gu Sowolro 50, Seoul, South 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
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 1010, 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	1345 28th Street, Boulder, CO 80302	Hotel investment holding company
CDL Investments New Zealand Limited	50%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	investment and property management company
CDL Land New Zealand Limited	50%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Property investment and development
CDL West 45th Street LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel owner
Chicago Hotel Holdings, Inc.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership

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Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Cincinnati S.I. Co.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	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 operator
Context Securities Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, 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
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	1345 28th Street, Boulder, CO 80302	Hotel ownership

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
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
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	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	1345 28th Street, Boulder, CO 80302	Arizona condominium management
Gateway Holdings Corporation I	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Holding company
Gateway Hotel Holdings, Inc.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership
Gateway Regal Holdings LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel owner and operator
Grand Plaza Hotel Corporation	66%	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	41%	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	84%	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 Uglund 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	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company

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Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Hospitality Holdings Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding company
Hospitality Leases Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Lessee company
Hospitality Services Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, 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.	76%	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	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, 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.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
Kingsgate Hotel Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Dormant
Kingsgate Hotels and Resorts Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Franchise holder (Kingsgate)
Kingsgate Hotels Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Dormant
Kingsgate International Corporation Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Investment holding
Kingsgate Investments Pty. Ltd.	76%	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	1345 28th Street, Boulder, CO 80302	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

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
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	1345 28th Street, Boulder, CO 80302	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 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	1345 28th Street, Boulder, CO 80302	Holding company
M&C Crescent Corporation	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Investment holding
M&C Crescent Interests, LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Property owner
M&C Finance (I) 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	1345 28th Street, Boulder, CO 80302	Property investment
M&C Holdings, LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	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	1345 28th Street, Boulder, CO 80302	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
M&C Hotels Holdings USA Limited	100%	Direct subsidiary	Cayman Islands	PO Box 309 Uglund 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	USA	1345 28th Street, Boulder, CO 80302	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	1345 28th Street, Boulder, CO 80302	Hotel owner
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	1345 28th Street, Boulder, CO 80302	Hotel ownership
MHM, Inc.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel management
Millennium Bostonian, Inc.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	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	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Name-holding
Millennium & Copthorne Hotels Management (Shanghai) Limited	100%	Indirect subsidiary	People's Republic of China	#1205, No. 511 Wei Hoi Road, Shanghai 200041, P.R. China	Hotel management

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Millennium & Copthorne Hotels New Zealand Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel investment holding company
Millennium & Copthorne Hotels Pty. Ltd.	76%	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 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	2 Allée du Verger, 95700 Roissy, 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	Holding company
Millennium Hotels Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Millennium Hotels Palace Management S.r.l.	100%	Indirect subsidiary	Italy	Via Vittoria Veneto, n. 70, Roma 00187, Italy	Hotel operator
Millennium Hotels Property S.r.l.	100%	Indirect subsidiary	Italy	Via Vittoria Veneto, n. 70, Roma 00187, Italy	Property owner
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
Millennium Opera Paris SAS	100%	Indirect subsidiary	France	12 Boulevard Haussmann, 75009 Paris, France	Hotel operator
New Unity Holdings Ltd. ²	50%	Associated undertakings	BVI	PO Box 146 Road Town, Tortola, British Virgin Islands	Investment holding
New York Sign LLC	50%	Associated undertakings	USA	1345 28th Street, Boulder, CO 80302	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	1345 28th Street, Boulder, CO 80302	Holding company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Prestons Road Limited	13%	Indirect Associate	New Zealand	167 Main North Road, Christchurch 8140, New Zealand	Service provider
PT Millennium Hotels & Resorts	100%	Indirect subsidiary	Indonesia	Jalan Fachrudin 3, Jakarta 10250, Indonesia	Management services
PT. Millennium Sirih Jakarta Hotel	100%	Indirect subsidiary	Indonesia	Jalan Fachrudin 3, Jakarta 10250, Indonesia	Hotel owner
QINZ (Anzac Avenue) Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel owner
QINZ Holdings (New Zealand) Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company
Quantum Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company
Regal Grand Holdings Corporation I	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Holding company
Regal Harvest House LP	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership
Regal Hotel Management Inc.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	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	Dormant
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	1345 28th Street, Boulder, CO 80302	Hotel owner
RHI Boston Holdings Corporation I	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Holding company
RHI Boston Holdings Corporation II	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Holding company
RHM Aurora LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership
RHM Holdings Corporation I	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Holding company
RHM Management LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership
RHM Ranch LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel owner
RHM Wynfield LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership
RHM-88, LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel owner and operator
Richfield Holdings Corporation I	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Holding company
Richfield Holdings Corporation II	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Holding company

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Richfield Holdings, Inc	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Holding company
Rogo Investments Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding
Rogo Realty Corporation	24%	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	1345 28th Street, Boulder, CO 80302	Liquor license holder
St. Louis Operating, Inc.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Dormant
Sunnyvale Partners, Ltd.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	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	1345 28th Street, Boulder, CO 80302	Hotel owner and operator
WHB Biltmore LLC	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel owner and operator
WHB Corporation	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Holding company
Wynfield GP Corporation	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Hotel ownership
Wynfield One, Ltd.	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	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 and New Unity Holdings Limited in accordance with IFRS10 and concluded that it does not have control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2017. This exemption is taken in accordance with Companies Act s479A.

Archyfield Limited (1747079)	M&C (CB) Limited (3846711)
CDL Hotels (Chelsea) Limited (2845022)	M&C (CD) Limited (3846704)
CDL Hotels (U.K.) Limited (2729520)	M&C Finance (I) Limited (6783896)
Copthorne Hotel (Birmingham) Limited (1816493)	M&C Hotels Holdings Limited (4407581)
Copthorne Hotel (Cardiff) Limited (2411296)	M&C Management Holdings Limited (5832248)
Copthorne Hotel (Effingham Park) Limited (1423861)	M&C New York Finance (UK) Limited (9060415)
Copthorne Hotel (Gatwick) Limited (994968)	M&C NZ Limited (5159722)
Copthorne Hotel (Manchester) Limited (1855800)	M&C Singapore Finance (UK) Limited (8391052)
Copthorne Hotel (Merry Hill) Construction Limited (2649367)	M&C Singapore Holdings (UK) Limited (8382985)
Copthorne Hotel (Merry Hill) Limited (2590620)	Millennium & Copthorne (Austrian Holdings) Limited (3757378)
Copthorne Hotel (Plymouth) Limited (3253120)	Millennium & Copthorne (Jersey Holdings) Limited (5846574)
Copthorne Hotel (Slough) Limited (2300992)	Millennium & Copthorne Pension Trustee Limited (6662791)
Copthorne (Nominees) Limited (2574042)	Millennium & Copthorne Share Trustees Limited (3320990)
Diplomat Hotel Holding Limited (1927463)	Millennium Hotel Holdings EMEA Limited (4592877)
Hotel Liverpool Limited (9636541)	Millennium Hotels Limited (3141048)
Hotel Liverpool Management Limited (9638688)	Millennium Hotels Europe Holdings Limited (8844747)
London Britannia Hotel Limited (744379)	Millennium Hotels London Limited (3691885)
London Tara Hotel Limited (1005559)	Millennium Hotels (West London) Limited (8599282)
M&C Asia Finance (UK) Limited (8391037)	Millennium Hotels (West London) Management Limited (8891908)
M&C Asia Holdings (UK) Limited (8382946)	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	
			2017	2016
Millennium & Copthorne Hotels New Zealand Limited (“MCHNZ”)	New Zealand	Hotel investment holding company	24%	25%
CDL Hospitality Trusts (“CDLHT”)	Singapore	Real estate investment trust	63%	63%

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	
	2017 £m	2016 £m	2017 £m	2016 £m
Revenue	103	88	115	96
Profit after tax	30	26	72	26
Profit attributable to NCI	7	5	46	16
Other comprehensive income	37	33	4	10
Total comprehensive income	67	59	76	36
Total comprehensive income attributable to NCI	8	5	48	23
Current assets	93	80	106	61
Non-current assets	344	286	1,487	1,362
Current liabilities	(15)	(19)	(185)	(20)
Non-current liabilities	(72)	(64)	(381)	(535)
Net assets	350	283	1,027	868
Net assets attributable to NCI	39	32	647	546
Cash inflow from operating activities	29	36	78	71
Cash outflow from investing activities	(10)	(29)	(151)	(10)
Cash (outflow)/inflow from financing activities	(10)	(6)	81	(56)
Net increase in cash and cash equivalents	9	1	8	5
Dividends paid to NCI during the year ¹	2	1	38	33

¹ Included in cash flows from financing activities.

36. Assets held for sale

On 22 December 2017, the H-REIT Group had entered into a sale and purchase agreement to sell Mercure Brisbane and Ibis Brisbane. Accordingly, these investment properties with a total carrying value of A\$71m (£41m) have been classified as assets held for sale in the statement of financial position as at 31 December 2017. The sale of the properties was completed in January 2018 (Note 32).

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment	(E)	2	3
Investments and other financial assets	(F)	1,970	1,979
Deferred tax asset		2	2
		1,974	1,984
Current assets			
Amounts owed by subsidiary undertakings falling due within one year		41	19
Other receivables		6	1
Cash and cash equivalents		11	21
		58	41
Other current liabilities	(G)	(93)	(163)
Net current liabilities		(35)	(122)
Other non-current liabilities	(H)	(540)	(505)
Net assets		1,399	1,357
Equity			
Called up share capital	(I)	97	97
Share premium		843	843
Retained earnings		463	421
Treasury share reserve		(4)	(4)
Total equity		1,399	1,357

These financial statements were approved by the Board of Directors on 28 March 2018 and were signed on its behalf by:

Kwek Leng Beng

Chairman

Registered No: 3004377

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital £m	Share premium £m	Treasury share reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2016	97	843	(4)	398	1,334
Profit	–	–	–	51	51
Other comprehensive expense	–	–	–	(7)	(7)
Total comprehensive income	–	–	–	44	44
Share-based payment transactions (net of tax)	–	–	–	–	–
Dividends	–	–	–	(21)	(21)
Balance at 31 December 2016	97	843	(4)	421	1,357
Balance at 1 January 2017	97	843	(4)	421	1,357
Profit	–	–	–	64	64
Other comprehensive expense	–	–	–	4	4
Total comprehensive income	–	–	–	68	68
Share-based payment transactions (net of tax)	–	–	–	(1)	(1)
Dividends	–	–	–	(25)	(25)
Balance at 31 December 2017	97	843	(4)	463	1,399

The notes on pages 152 to 153 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 2017 were authorised for issue by the board of Directors and signed on its behalf on 28 March 2018. 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.

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.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017. 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 in 2015 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.

The accounting policies adopted for the parent company are otherwise consistent with those used for the Group which are set out on pages 88 to 95.

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 Company is £64m (2016: £51m).

E Property, plant and equipment

	Software £m	Capital work in progress £m	Total £m
Cost at 1 January 2017	3	–	3
Depreciation	(1)	–	(1)
Cost at 31 December 2017	2	–	2

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 2017	1,903	69	7	1,979
Additions	3	–	–	3
Foreign exchange adjustments	(11)	(1)	–	(12)
Cost and net book value at 31 December 2017	1,895	68	7	1,970

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 2017 are listed in Note 34 to the consolidated financial statements.

G Other current liabilities

	2017 £m	2016 £m
Bank loans and overdrafts	64	52
Amounts owed to subsidiary undertakings	23	107
Other payables	3	2
Accruals and deferred income	3	2
	93	163

H Other non-current liabilities

	2017 £m	2016 £m
Bank loans	45	80
Bonds payable	149	163
Amounts owed to subsidiary undertakings	335	247
Net employee defined benefit liabilities	11	15
	540	505

Other non-current liabilities are repayable as follows:-

	2017 £m	2016 £m
Between one and two years	321	81
Between two and five years	219	424
	540	505

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 2017, fees paid/payable by the Company to Hong Leong Management Services, a subsidiary of Hong Leong Investment Holdings Pte. Ltd. amounted to £nil (2016: £nil). At 31 December 2017, £nil (2016: £nil) of fees payable was outstanding.

GROUP FINANCIAL RECORD

	2017 £m	2016 £m	2015 £m	2014 £m	Restated 2013 £m
Income statement					
Revenue	1,008	926	847	826	1,064
Operating profit	147	107	112	195	294
Net finance expense	(20)	(25)	(20)	(17)	(13)
Income tax credit/(expense)	12	(10)	(12)	(37)	(30)
Profit for the year	159	98	97	151	265
Cash flow					
Cash generated from operations	230	220	220	330	204
Statement of financial position					
Property, plant, equipment and lease premium prepayment	3,232	3,345	2,858	2,851	2,457
Investment properties	577	534	506	479	414
Investment and loans in joint ventures and associates	324	320	255	235	203
Loans due from associate	–	–	–	–	–
Other financial assets	–	–	–	5	5
Non-current assets	4,133	4,199	3,619	3,570	3,079
Current assets excluding cash	228	195	163	182	259
Net debt	(650)	(707)	(605)	(525)	(215)
Deferred tax liabilities	(188)	(220)	(210)	(221)	(208)
Provisions and other liabilities	(274)	(297)	(255)	(271)	(236)
Net assets	3,249	3,170	2,712	2,735	2,679
Share capital and share premium	940	940	940	940	940
Reserves	1,736	1,728	1,336	1,323	1,236
Total equity attributable to equity holders	2,676	2,668	2,276	2,263	2,176
Non-controlling interests	573	502	436	472	503
Total equity	3,249	3,170	2,712	2,735	2,679
	2017	2016	2015	2014	2013
Key operating statistics					
Gearing	24%	26%	27%	23%	10%
Earnings per share	38.1p	24.0p	19.9p	34.0p	69.4p
Dividends per share ¹	6.50p	7.74p	6.42p	13.59p	22.74p
Hotel gross operating profit margin	32.2%	31.6%	34.1%	36.0%	35.0%
Occupancy	73.5%	71.8%	71.8%	74.2%	72.3%
Average room rate (£)	£112.68	£106.78	£100.19	£96.49	£96.25
RevPAR (£)	£82.78	£76.71	£71.98	£71.55	£69.58

¹ Dividends per share includes ordinary dividends and special dividends

KEY OPERATING STATISTICS

	Year ended 2017 Reported currency	Year ended 2016 Constant currency	Year ended 2016 Reported currency
Owned or leased hotels*			
Occupancy (%)			
New York	85.3		77.9
Regional US	60.0		58.6
Total US	68.3		65.0
London	83.0		81.9
Rest of Europe	70.5		72.2
Total Europe	76.9		77.1
Singapore	85.6		84.2
Rest of Asia	66.4		65.4
Total Asia	73.9		72.7
Australasia	81.2		81.3
Total Group	73.5		71.8
Average Room Rate (£)			
New York	193.18	196.33	186.85
Regional US	103.23	103.11	98.12
Total US	140.23	139.94	133.18
London	132.47	130.83	130.83
Rest of Europe	76.16	74.55	72.86
Total Europe	107.15	104.83	104.04
Singapore	97.91	100.41	95.22
Rest of Asia	96.93	99.43	92.66
Total Asia	97.37	99.87	93.81
Australasia	90.01	77.31	71.84
Total Group	112.68	111.63	106.78

KEY OPERATING STATISTICS CONTINUED

Owned or leased hotels*	Year ended 2017 Reported currency	Year ended 2016 Constant currency	Year ended 2016 Reported currency
RevPAR (£)			
New York	164.84	153.03	145.64
Regional US	61.90	60.41	57.49
Total US	95.79	90.91	86.52
London	109.98	107.18	107.18
Rest of Europe	53.66	53.83	52.61
Total Europe	82.35	80.85	80.24
Singapore	83.83	84.58	80.21
Rest of Asia	64.39	65.05	60.63
Total Asia	71.91	72.61	68.21
Australasia	73.06	62.84	58.40
Total Group	82.78	80.19	76.71
Gross Operating Profit Margin (%)			
New York	15.1		15.9
Regional US	21.2		20.9
Total US	18.0		18.4
London	49.5		49.8
Rest of Europe	22.2		19.1
Total Europe	39.6		37.8
Singapore	40.5		40.8
Rest of Asia	34.1		34.0
Total Asia	36.9		37.0
Australasia	49.1		46.5
Total Group	32.2		31.6

For comparability, the 31 December 2016 Average Room Rate and RevPAR have been translated at average exchange rates for the year ended 31 December 2017.

*excluding managed, franchised and investment hotels.

MAJOR GROUP PROPERTIES

Asia

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Grand Millennium Beijing 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
New World Millennium Hong Kong Hotel (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
JW Marriott Hotel Hong Kong (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
Millennium Hotel Sirih Jakarta 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	100
Hotel MyStays Asakusabashi 1-5-5, Asakusabashi, Taito-ku, Tokyo 111-0053, Japan	Freehold	564	139	37
Hotel MyStays Kamata 5-46-5, Kamata, Ota-ku, Tokyo 144-0052, Japan	Freehold	497	116	37
Copthorne Orchid Hotel Penang Jalan Tanjung Bungah, 11200 Penang, Malaysia	Freehold	10,329	307	100
Grand Millennium Kuala Lumpur 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	Freehold	7,670	459	100
Angsana Velavaru South Nilandhe Atoll, Republic of Maldives	50-year title commencing from 26. 08.1997	67,717	113	37
Dhevanafushi Maldives Luxury Resort Meradhoo Island, Gaafu Alifu Atoll, Republic of Maldives	50-year lease commencing from 15.06.2006	53,576	37	37
The Heritage Hotel Manila Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines	Fee simple	9,888	450	66
Copthorne King's Hotel Singapore 403 Havelock Road, Singapore	99-year lease commencing from 01.02.1968	5,637	310	37
Grand Copthorne Waterfront Hotel Singapore 392 Havelock Road, Singapore	20 year lease commencing 19.07.2006 and extendable for a further 20 years	10,860	574	37
M Hotel 81 Anson Road, Singapore	Freehold	2,134	415	37

MAJOR GROUP PROPERTIES CONTINUED

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Novotel Singapore Clarke Quay 177A River Valley Road, Singapore	97 years and 30 days leasehold interest commencing from 02.04.1980	12,925	403	37
Orchard Hotel Singapore 442 Orchard Road, Singapore	Freehold	8,588*	656	37
Studio M Hotel Singapore 3 Nanson Road, Singapore	99-year lease commencing from 26.02.2007	2,932	360	37
Millennium Seoul Hilton 50 Sowol-ro, Jung-gu, Seoul, South Korea 100-802	Freehold	18,787	680	100
Land Site in Seoul Located at Chung-gu, Namdaemro 5 Ga 652-1	Freehold	1,564	–	100
Grand Hyatt Taipei 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	84

* Includes Claymore Connect

Europe

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Copthorne Hotel Aberdeen 122 Huntly Street, Aberdeen AB10 1SU, Scotland	Freehold	1,302	87	83
Copthorne Hotel Birmingham Paradise Circus, Birmingham B3 3HJ, England	Freehold	2,188	211	100
Copthorne Hotel Cardiff-Caerdydd Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	26,305	135	100
Copthorne Hotel Effingham Gatwick West Park Road, Copthorne, West Sussex RH10 3EU, England	Freehold	161,878	122	100
Copthorne Hotel London Gatwick Copthorne Way, Copthorne, West Sussex RH10 3PG, England	Freehold	404,694	227	100
Copthorne Hotel Manchester Clippers Quay, Salford Quays, Manchester M50 3SN, England	Leasehold to year 2135	9,800	166	100
Copthorne Hotel Merry Hill-Dudley The Waterfront, Level Street, Brierley Hill, Dudley, West Midlands DY5 1UR, England	Freehold	13,734	138	100

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Copthorne Hotel Newcastle The Close, Quayside, Newcastle upon Tyne NE1 3RT, England	Freehold	9,200	156	96
Copthorne Hotel Plymouth Armada Way, Plymouth PL1 1AR, England	Leasehold to year 2110	1,853	135	100
Copthorne Hotel Slough-Windsor Cippenham Lane, Slough, Berkshire SL1 2YE, England	Freehold	6,880	219	100
Copthorne Tara Hotel London Kensington Scarsdale Place, Kensington, London W8 5SY, England	Freehold	7,535	833	100
Hard Days Night Hotel Liverpool Central Buildings North John Street Liverpool, L2 6RR, England	Leasehold to year 2129	5,275	110	100
Hilton Cambridge City Centre Hotel Grand Arcade 20, Downing St, Cambridge CB2 3DT, England	125-year lease commencing from 25.12.1990 and extendable for a further 50 years	3,600	198	37
The Lowry Hotel 50 Dearmans Place, Salford, Manchester M3 5LH, United Kingdom	150-year lease commencing from 18.03.1997	2,200	165	37
The Bailey's Hotel London 140 Gloucester Road, London SW7 4QH, England	Freehold	1,923	212	100
Millennium Gloucester Hotel London Kensington Harrington Gardens London SW7 4LH, England	Freehold	6,348	610	100
Millennium Hotel Glasgow George Square, Glasgow G2 1DS, Scotland	Leasehold to year 2109	5,926	60	100
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	100
Millennium Hotel London Mayfair 44 Grosvenor Square, Mayfair, London W1K 2HP, England	Leasehold to year 2096	4,260	336	100
Millennium Hotel Paris Opéra 12 Boulevard Haussmann, 75009 Paris, France	Freehold	1,093	163	100
Millennium Hotel Paris Charles de Gaulle Zone Hoteliere, Allée du Verger, 95700 Roissy-en-France, France	Freehold	11,657	239	100

MAJOR GROUP PROPERTIES CONTINUED

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Pullman Munich Theodor-Dombart-Strasse 4, Munich 80805, Germany	Freehold	8,189	337	37
Grand Hotel Palace Rome Via Veneto, 70, Rome, 00187, Italy	Freehold	801	86	100
The Chelsea Harbour Hotel Chelsea Harbour, London, SW10 0XG, England	Leasehold to year 2112	2,561	158	100

North America

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
The Bostonian Boston 26 North Street At Faneuil Hall Marketplace, Boston MA 02109, USA	Freehold	2,769	204	100
The Lakefront Anchorage 4800 Spenard Road, Anchorage, AK 99517, USA	Freehold	14,159	248	100
Millennium Biltmore Hotel Los Angeles 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	11,305	683	100
Millennium Buffalo 2040 Walden Avenue Buffalo, NY 14225, USA	Leasehold to year 2022 (with one 10-year option)	31,726	301	100
Millennium Harvest House Boulder 1345 28th Street Boulder, CO 80302, USA	Freehold	64,019	269	100
Millennium Knickerbocker Hotel Chicago 163 East Walton Place, Chicago, IL 60611, USA	Freehold	2,007	306	100
Millennium Hotel Cincinnati 150 West Fifth Street, Cincinnati, OH 45202, USA	Freehold	6,839	872	100
Millennium Hotel Durham 2800 Campus Walk Avenue, Durham, NC 27705, USA	Freehold	42,814	316	100
Millennium Hotel Minneapolis 1313 Nicollet Mall, Minneapolis, MN 55403, USA	Leasehold to year 2030	4,537	321	100
Millennium Maxwell House Nashville 2025 Rosa L. Parks Boulevard, Nashville TN 37228, USA	Leasehold to year 2030 (with two 10-year options)	17,140	287	100

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Millennium Broadway Hotel New York 145 West 44th Street, New York, NY 10036, USA	Freehold	1,762	626	100
The Premier Hotel New York 133 West 44th Street, New York, NY 10036, USA	Freehold	360	124	100
Millennium Hilton New York ONE UN Plaza 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
Millennium Hotel St Louis (closed) 200 South 4th Street, St Louis, MO 63102, USA	Freehold	17,033	780	100
The McCormick Scottsdale 7401 North Scottsdale Road, Scottsdale, AZ 85208, USA	Leasehold to year 2033 (with two 10-year options)	32,819	125	100
Millennium Hilton New York Downtown 55 Church Street, New York, NY 10007, USA	Freehold	1,680	569	100
Novotel New York Times Square 226 W 52nd Street, New York, NY 10019, USA	Fee simple estate, a leasehold interest, and a leased fee interest	1,977	480	100
Maingate Lakeside Resort 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747, USA	Freehold	93,796	475	100
Novotel Penthouse 1651-65 Broadway, New York, NY 10019, USA	Leasehold to year 2080	307	–	100
Comfort Inn Near Vail Beaver Creek 161 West Beaver Creek Boulevard, Avon, CO 81620, USA	Freehold	11,209	146	100
Pine Lake Trout Club 17021 Chillicothe Road, Chagrin Falls OH 44023, USA	Freehold	331,074	6	100

MAJOR GROUP PROPERTIES CONTINUED

Australasia

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Copthorne Hotel & Apartments Queenstown Lakeview 88 Frankton Road, Queenstown, New Zealand	Freehold/Strata title	4,713	85	76
Copthorne Hotel & Resort Bay of Islands Tau Henare Drive, Paihia, New Zealand	Leasehold land to year 2021 (with a 30-year option)	62,834	180	37
Copthorne Hotel & Resort Queenstown Lakefront Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	18,709	240	76
Copthorne Hotel Auckland City 150 Anzac Avenue Auckland, New Zealand	Perpetual/Leasehold land	2,495	110	76
M Social Auckland 196-200 Quay Street Auckland, New Zealand	Freehold	2,407	190	76
Copthorne Hotel Palmerston North 110 Fitzherbert Avenue, Palmerston North, New Zealand	Freehold	15,514	89	76
Copthorne Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	35,935	110	76
Copthorne Hotel Wellington Oriental Bay 100 Oriental Parade, Wellington, New Zealand	Freehold	3,904	118	76
Ibis Perth 334 Murray Street Perth, Western Australia, Australia	Freehold	1,480	192	37
Kingsgate Hotel Dunedin 10 Smith Street, Dunedin, New Zealand	Freehold	2,193	55	76
Kingsgate Hotel Greymouth 32 Mawhera Quay, Greymouth, New Zealand	Freehold/Perpetual leasehold land	2,807	98	76
Kingsgate Hotel Te Anau 20 Lakefront Drive, Te Anau, New Zealand	Freehold	8,819	94	76
Mercure & Ibis Brisbane 85-87 North Quay/ 27-35 Turbot Street Brisbane, Queensland, Australia	Interconnected at ground level, situated on one freehold title	3,847	194/218	37
Mercure Perth 10 Irwin Street Perth, Western Australia, Australia	Strata freehold	757	239	37

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Millennium Hotel Queenstown Corner Frankton Road & Stanley Street Queenstown, New Zealand	Freehold	7,453	220	76
Millennium Hotel Rotorua Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/Perpetual leasehold land	10,109	227	76
Novotel Brisbane 200 Creek Street Brisbane, Queensland, Australia	Strata volumetric freehold	6,235	296	37
Grand Millennium Auckland 71-87 Mayoral Drive, Auckland, New Zealand	Freehold	5,910	452	37
Investment Properties	Tenure	Approximate lettable Strata area (sq. metres)	Effective Group interest (%)	
Tanglin Shopping Centre 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.	Freehold	6,029	100	
Millennium Mitsui Garden Hotel Tokyo 5-11-1 Ginza, Chuo-Ku, Tokyo 104-0061 329 bedroom hotel.	Freehold/ Leasehold – 30 years from 25 March 2009	1,040/130 (site area)	70	
Biltmore Court & Tower 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.	Freehold	34,249	100	
Land site in Sunnyvale City of Sunnyvale, California, USA	Freehold	35,717	100	

MAJOR GROUP PROPERTIES CONTINUED

Owned by First Sponsor Group Limited, an associate of the Company:	Tenure	Approximate lettable Strata area (sq. metres)	Effective Group interest (%)
Chengdu Cityspring North Yizhou Avenue, Gaoxin District, Chengdu, Sichuan Province, the PRC. Comprising commercial and retail units.	Leasehold to year 2049	23,362	36
Zuiderhof I Jachthavenweg 121, Amsterdam, the Netherlands. Comprising office space, archive space and 111 car park lots.	Perpetual leasehold. Ground rent paid until 2050	12,538	12
Poortgebouw Hoog Catharijne 3rd floor up to and including the 9th floor of the Poortgebouw Hoog Catharijne, Catharijne Esplanade 13, 3511WK, Utrecht, the Netherlands Expected to comprise two hotels with 320 hotel rooms in total on completion.	Leasehold to year 2069	11,604	36
Arena Towers (Holiday Inn/Holiday Inn Express Hotels) Hoogoorddreef 66 and 68, Amsterdam, the Netherlands, comprising 443 hotel rooms and 509 car park lots.	Perpetual leasehold. Ground rent paid until 2053	17,396	36
M Hotel Chengdu* No. 388, North Yizhou Avenue, Gaoxin District, Chengdu, Sichuan Province, the PRC. Comprising 196 hotel rooms and suites.	Leasehold to year 2049	19,228 (Gross fl area)	36
Crowne Plaza Chengdu Wenjiang & Holiday Inn Express Chengdu Wenjiang Hotspring Hotels No 619 A/B North Phoenix Street, Wenjiang District, Chengdu, Sichuan Province, the PRC. Comprising 608 hotel rooms and suites, and a hot spring facility.	Leasehold to year 2051	81,041 (Gross fl area)	36

*Hotel managed by the Millennium & Copthorne Hotels Group.

MILLENNIUM & COPTHORNE HOTELS WORLDWIDE

ASIA

China

Crowne Plaza & Holiday Inn Express Chengdu Wenjiang Hotspring Hotels
Grand Millennium Beijing
Grand Millennium Shanghai Hongqiao
M Hotel Chengdu
Millennium Harbourview Hotel Xiamen
Millennium Hotel Chengdu
Millennium Hotel Fuqing
Millennium Hotel Wuxi
Millennium Residences @ Beijing Fortune Plaza
Millennium Resort Hangzhou

Hong Kong

JW Marriott Hotel Hong Kong
New World Millennium Hong Kong Hotel

Indonesia

Millennium Hotel Sirih Jakarta

Japan

Hotel MyStays Asakusabashi
Hotel MyStays Kamata
Millennium Mitsui Garden Hotel Tokyo

Malaysia

Copthorne Hotel Cameron Highlands
Copthorne Orchid Hotel Penang
Grand Millennium Kuala Lumpur

Maldives

Angsana Velavaru
Dhevanafushi Maldives Luxury Resort

Philippines

The Heritage Hotel Manila

Singapore

Copthorne King's Hotel Singapore
Grand Copthorne Waterfront Hotel Singapore
M Hotel
M Social Singapore
Novotel Singapore Clarke Quay
Orchard Hotel Singapore
Studio M Hotel Singapore

South Korea

Millennium Seoul Hilton

Taiwan

Grand Hyatt Taipei
Millennium Vee Hotel Taichung

Thailand

Millennium Resort Patong Phuket

AUSTRALASIA

Australia

Ibis Perth
Mercure & Ibis Brisbane
Mercure Perth
Novotel Brisbane

New Zealand

Copthorne Hotel Auckland City
Copthorne Hotel & Apartments Queenstown Lakeview
Copthorne Hotel Grand Central New Plymouth
Copthorne Hotel Palmerston North
Copthorne Hotel & Resort Bay of Islands
Copthorne Hotel & Resort Hokianga
Copthorne Hotel & Resort Queenstown Lakefront
Copthorne Hotel & Resort Solway Park Wairarapa
Copthorne Hotel Rotorua
Copthorne Hotel Wellington Oriental Bay
Grand Millennium Auckland
Kingsgate Hotel Autolodge Paihia
Kingsgate Hotel Dunedin
Kingsgate Hotel Greymouth
Kingsgate Hotel Te Anau
Kingsgate Hotel The Avenue Wanganui
Millennium Hotel Queenstown
Millennium Hotel Rotorua
Millennium Hotel & Resort Manuels Taupo
M Social Hotel Auckland

MIDDLE EAST¹

Iraq

Copthorne Hotel Baranan
Grand Millennium Sulaimani Hotel
Millennium Kurdistan Hotel and Spa

Jordan

Grand Millennium Hotel Amman

Kuwait

Al-Jahra Copthorne Hotel & Resort
Millennium Hotel and Convention Centre Kuwait

Oman

Grand Millennium Muscat
Millennium Executive Apartments Muscat
Millennium Resort Mussanah

Palestine

Millennium Palestine Ramallah

Qatar

Copthorne Hotel Doha
Kingsgate Hotel Doha
Millennium Hotel Doha
Millennium Plaza Doha

¹ As a result of the sale of M&C's joint venture interest in the Group's Middle East operating entity, Millennium & Copthorne Middle East Holdings Limited ("MCMEHL"), to the other shareholder in December 2016, properties that were previously shown as being managed by the Group are now shown as franchised, although as of the date hereof the properties continue to be managed or franchised by MCMEHL, with support from the Group, under a master license and services arrangement.

MILLENNIUM & COPTHORNE CONTINUED HOTELS WORLDWIDE

Saudi Arabia

Copthorne by Millennium Riyadh
Makkah Millennium Hotel
Makkah Millennium Hotel Towers Hotel
M Hotel Makkah
Millennium Al Aqeeq Hotel
Millennium Hail Hotel
Millennium Taiba Hotel Madinah

United Arab Emirates

Bab Al Qasr Hotel
Copthorne Hotel Dubai
Copthorne Hotel Sharjah
Grand Millennium Al Wahda
Grand Millennium Dubai
Kingsgate Hotel Abu Dhabi
M Hotel Downtown by Millennium
Millennium Airport Hotel Dubai
Millennium Hotel Fujairah
Millennium Plaza Hotel Dubai

EUROPE

France

Millennium Hotel Paris Charles de Gaulle
Millennium Hotel Paris Opéra

Germany

Pullman Hotel Munich

Georgia

The Biltmore Hotel Tbilisi

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 & Copthorne Hotels at Chelsea Football Club
Millennium Gloucester Hotel London Kensington
Millennium Hotel Glasgow
Millennium Hotel London Knightsbridge
Millennium Hotel London Mayfair
Millennium Madejski Hotel Reading
The Bailey's Hotel London
The Chelsea Harbour Hotel
The Lowry Hotel

THE AMERICAS

USA

Comfort Inn Near Vail Beaver Creek
Maingate Lakeside Resort
Millennium Biltmore Hotel Los Angeles
Millennium Broadway Hotel New York
Millennium Harvest House Boulder
Millennium Hilton New York Downtown
Millennium Hilton New York ONE UN Plaza
Millennium Hotel Buffalo
Millennium Hotel Cincinnati
Millennium Hotel Durham
Millennium Hotel Minneapolis
Millennium Hotel St Louis (closed)
Millennium Knickerbocker Hotel Chicago
Millennium Maxwell House Hotel Nashville
Novotel New York Times Square
Pine Lake Trout Club
The Bostonian Boston
The Lakefront Anchorage
The McCormick Scottsdale
The Premier Hotel New York

CORPORATE OFFICES

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Singapore: + [65] 6664 8888
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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 9000
(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 2017

Number of shares	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
1 – 10,000	573	77.54%	725,560	0.22%
10,001 – 25,000	43	5.82%	698,942	0.22%
25,001 – 50,000	21	2.84%	703,466	0.22%
50,001 – 100,000	22	2.98%	1,658,035	0.51%
100,001 – 500,000	44	5.95%	10,388,716	3.20%
500,001 – 1,000,000	8	1.08%	5,611,592	1.73%
1,000,001 – Highest	28	3.79%	304,974,444	93.90%
Total	739	100.00%	324,760,755	100.00%

Shareholders can find a wealth of information on the Company at 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.

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. 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 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, 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. 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.

Find out more at www.fca.org.uk/scamsmart.

SHAREHOLDER INFORMATION CONTINUED

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Credit Suisse International

Auditor

KPMG LLP

Solicitor

Hogan Lovells International LLP

Principal bankers

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DBS Bank Ltd.
Mizuho Bank, Ltd.
Oversea-Chinese Banking Corporation Limited
Royal Bank of Scotland plc
Sumitomo Mitsui Banking Corporation
MUFG Bank, Ltd. (formerly The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
The Hongkong and Shanghai Banking Corporation Limited

Registrar

Equiniti Limited

FINANCIAL CALENDAR

2017 final dividend record date	16 March 2018
First quarter's results announcement	4 May 2018
Annual general meeting	4 May 2018
2017 final dividend payment	11 May 2018
Interim results announcement	3 August 2018
Third quarter's results announcement	2 November 2018

Please refer to the Company's website for further updates which can be found at <https://investors.millenniumhotels.com/financial/financial-calendar>.



Further Information

We value feedback and welcome comments and questions you may have regarding this publication.

Please email us at:

companysecretary@millenniumhotels.co.uk

or write to:

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