MILLENNIUM & COPTHORNE HOTELS plc

Millennium & Copthorne Hotels plc
Annual Report & Accounts 2016

LENG'S COLLECTION | MILLENNIUM COLLECTION | COPTHORNE COLLECTION

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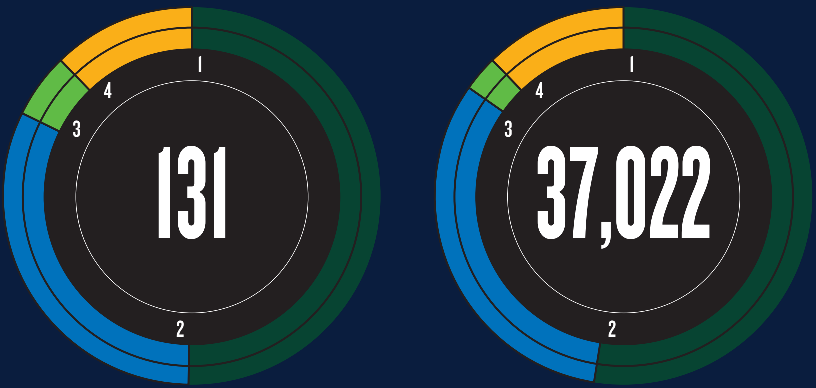
CREATING LONG-TERM VALUE IN A CHANGING HOSPITALITY WORLD

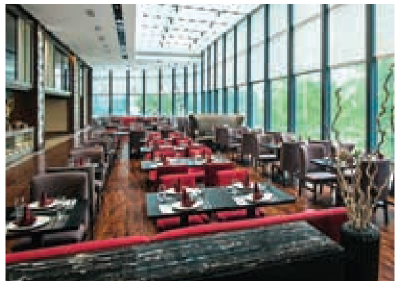
Our vision is to be the leading global hospitality real estate ownership group for key gateway cities with effective, in-built and unique asset management skills.

INVENTORY: GROUP



	HOTELS			ROOM COUNT		
	2016	2015	+/-	**2016**	2015	+/-
ANALYSED BY OWNERSHIP TYPE:						
1. OWNED OR LEASED	**66**	65	1	**19,534**	18,984	550
2. MANAGED	**42**	37	5	**11,924**	10,212	1,712
3. FRANCHISED	**7**	8	(1)	**1,091**	1,206	(115)
4. INVESTMENT	**16**	16	–	**4,473**	4,316	157
TOTAL	**131**	126	5	**37,022**	34,718	2,304

For more information online at:
millenniumhotels.com



OUR HOTEL COLLECTIONS

LENG'S COLLECTION

Unique hotels with powerfully distinct personalities – from historic properties to trendy urban escapes. The Leng's Collection hotels represent the legacy of our founders, the Leng generation of the Kwek family. Brands in the Leng's Collection include: The Bailey's Hotel London, The Chelsea Harbour Hotel, Grand Hotel Palace Rome, M Hotels, Studio M Hotels and M Social.

MILLENNIUM COLLECTION

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

COPTHORNE COLLECTION

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

STRATEGIC REPORT

M SOCIAL SINGAPORE

For more information online at:
millenniumhotels.com

Strategic Report

Chairman's statement
Kwek Leng Beng

"Our trading performance in 2016 declined with Group RevPAR* in constant currency falling in each quarter of the year. Pressure on revenue and profit was intense in all of our key gateway cities. In London, leisure business in the first quarter was impacted by the November 2015 Paris terror attacks and in the second half of the year trading was affected by reduced corporate business. New York results were affected by significant under-performance at Millennium Broadway as well as the refurbishment of ONE UN's east tower, which is now complete. In Singapore there was an overall increase in visitor numbers but a reduction in the average length of visitor stay. Our rate strategy was not suited to Singapore market conditions. This resulted in less corporate business, compounding the effect of the recent increase in available hotel rooms and further reducing average room rates and occupancy. However, New Zealand performed very well.

In constant currency Group pre-tax profit dropped by 12.9%. The significant depreciation in Sterling resulted in reported profit before tax (both before and after net revaluation deficit and impairment losses) remaining flat.

The Group is taking steps to increase revenue and profit across the estate, particularly in New York and Singapore. This includes an ongoing restructuring of our sales function and strategy, and continuing improvement of our e-commerce capability."

During 2016, the global hospitality industry was affected by the increased supply of rooms in major cities, concern over terrorist attacks in Europe and increased competition from non-traditional lodging options. This was against a backdrop of considerable political change and volatility in many parts of the world.

In constant currency, total revenue was flat compared to last year. Hotel revenue fell by £19m and this was offset by higher revenue from the property division of £16m and increase in REIT revenue of £3m. Pre-tax profit for the Group decreased by 12.9%. Most of this reduction came from hotels in gateway cities, where average room rates are under continuing pressure as a result of significant growth in the number of available hotel rooms.

Property revenue increased by 60.0% to £56m (2015: £35m), mainly because of increased land sales in New Zealand and a higher contribution from Millennium Mitsui Garden Hotel Tokyo.

The Group's share of profit from joint ventures and associates increased by £9m to £26m (2015: £17m). The increase was principally due to a gain recognised by First Sponsor Group Limited ("FSGL") on the dilution of its interest in a project based in Dongguan, China.

Group RevPAR for 2016 increased by 6.6% to £76.71 (2015: £71.98). In constant currency, RevPAR fell by 2.3%.

Total revenue in reported currency for 2016 grew by £79m or 9.3% to £926m (2015: £847m). In constant currency, revenue was flat indicating that exchange translation contributed £79m to total reported revenue. The fall in the value of sterling against major currencies during the year following the 23 June 2016 referendum had a significant impact on Group's results.

Hotel revenue in constant currency declined by 2.3% to £814m in 2016 as a result of lower contributions from the Group's hotels in New York and Singapore.

The Group recognised £44m (2015: £43m) of net revaluation deficit and impairment losses of which £27m relates to properties held by CDL Hospitality Trusts and the balance primarily to several Group properties located in New York and Rest of Europe.

Reported profit before tax for the year decreased slightly by 0.9% to £108m (2015: £109m). In constant currency, pre-tax profit dropped by 12.9% or £16m.

The Board recommends a final ordinary dividend of 5.66p per share (2015: 4.34p) 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 (2015: 2.08p), the total ordinary dividend for 2016 is 7.74p per share (2015: 6.42p) representing a cover of approximately 3 times which is in line with the Group's dividend policy.

Subject to approval by shareholders at the Annual General Meeting to be held on 5 May 2017, the final dividend will be paid on 12 May 2017 to shareholders on the register on 17 March 2017.

As previously announced, Daniel Desbaillets joined the Board on 14 September 2016 and Aloysius Lee, Group Chief Executive Officer, will leave the Group at the end of February 2017. A search for his successor is underway. In the meantime, Tan Kian Seng, Group Chief of Staff, will with effect from 1 March 2017 be appointed as interim Chief Executive Officer, currently a non-Board position.

Alexander Waugh and Nicholas George, who have been Independent Non-Executive Directors of the Company since June 2009, notified the Company of their intention not to stand for re-election at the Company's upcoming Annual General Meeting to be held on 5 May 2017 and to retire from the Board at that time. Mr George presently serves as Senior Independent Director and Mr Waugh chairs the Company's Remuneration Committee. We also welcome Howard Wu as an Independent Non-Executive Director on 17 February 2017, as part of the Board's efforts to expand its information technology data security and e-commerce experience.

In the first 31 days of trading in 2017 Group RevPAR increased by 4.5%. London, which had a very poor comparative quarter in 2016 was up by 19.5%. New York was up by 8.9% and Australasia was up by 12.3%. RevPAR for Singapore fell by 5.2%.

Kwek Leng Beng
Chairman

16 February 2017

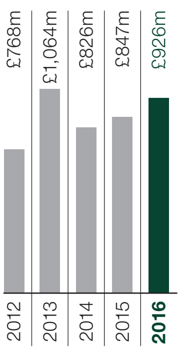
* Revenue per available room ("RevPAR").

> The Group is taking steps to increase revenue and profit across the estate, particularly in New York and Singapore. This includes an ongoing restructuring of our sales function and strategy, and continuing improvement of our e-commerce capability.

REVENUE

£926m

+9.3%



RevPAR

£76.71

2015: £78.49
-2.3%

PBT

£108m

2015: £109m
-0.9%

PBT#

£152m

2015: £152m
+0%

#Excluding revaluation gain/deficit and impairment losses.

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Business review and strategy

Business Model	The Group's hospitality real estate ownership model enables investors to participate in long-term asset value growth as well as hotel earnings. The model is de-centralised with relatively low central overheads, the core aim being to ensure that a high proportion of hotel revenues flow directly to the Group's bottom line. In some markets, where real estate ownership is sub-optimal for fiscal or other reasons, the Group may operate hotels under management contract or enter into franchise agreements.
Strategy	The core strategic objective of the Group is to provide long-term, improving returns on shareholders' capital, whilst growing the business through asset acquisition and prudent investment in the existing asset portfolio. The Board and executive management are focused on capital allocation, promoting growth, controlling costs and fostering efficient operating procedures. The Group is investing in its people, brands and technology with the aim of providing a high quality, cost-efficient guest experience to its customers.
Strategy in action	The Group is taking appropriate steps to maintain or increase market share and preserve profitability across the portfolio. These include the continuing development of the Group's e-commerce platform and ongoing refurbishment of Group properties. 2016 was the first full year of operation for the Group's newly branded hotel "collections" – Millennium, Copthorne and Leng's – under the Millennium Hotels and Resorts umbrella. These brands, which help to differentiate the customer offering according to our guests' type and taste, have been well received by customers although it is too early to detect a material impact on trading results. Management remains vigilant on cost control. In many destinations, and in common with other hospitality providers, labour and other costs are increasing, both as a result of inflationary pressure and Government intervention in some labour markets.

Hotel operations

Hotel revenue increased by 6.4% to £814m (2015: £765m) mainly because of favourable foreign exchange movements. In constant currency, hotel revenue fell by £19m or 2.3% due to weaker performance in London, New York and Singapore.

Revenue per available room (RevPAR) increased by 6.6% to £76.71 in 2016, but decreased by 2.3% in constant currency. Both like-for-like[1] RevPAR and hotel revenue for the year fell by 1.9%.

Hotel gross operating margin was lower at 31.6% (2015: 34.1%).

Developments

The Group received building permit approval for the Yangdong development project in Seoul on 25 January 2017.

Additional required certification processes are underway and are expected to complete by the middle of this year before construction work starts. The main contract tender process is planned to complete at the same time.

Having received final planning approval in December 2016 for a 263-room hotel and a 250-unit residential apartment block on the Group's 35,717m^2 mixed use freehold landsite at Sunnyvale, California, the Group is reviewing the project cost and specification. The Group may modify certain aspects of the development, which is anticipated to take about 18 months to complete after commencement.

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

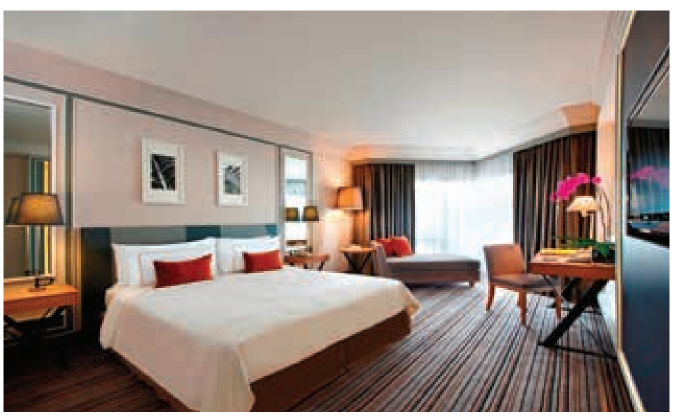
Hotel refurbishments

The Group is continuing to review the scope and cost of refurbishment at Millennium Hotel London Mayfair. Work on the hotel is now planned to commence later this year. To minimise the impact on London occupancy, there will be a gap of at least 12 months before Millennium Hotel London Knightsbridge undertakes smaller scale refurbishment work.

Refurbishment of guest rooms in the east tower of ONE UN New York was completed in early September 2016 and the tower was re-opened in time for the UN General Assembly. The Group spent US$32m (£24m) on this project in 2016.

Work on the main lobby and food and beverage outlets at the main entrance level of the Grand Copthorne Waterfront Hotel Singapore was substantially completed in May 2016 with the affected outlets re-opening for business shortly afterwards. The remaining work on the refurbishment of function rooms at level two started in September 2016 and completed in December 2016.

Grand Copthorne Waterfront Hotel Singapore



Grand Millennium Kuala Lumpur

ONE UN New York

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

Business review and strategy
continued

Soft refurbishment of all guestrooms at M Hotel Singapore, from level 12 to level 28 is complete, with the last phase completed in December 2016.

Soft refurbishment of guestrooms at Grand Millennium Kuala Lumpur, from level 9 to level 19, was completed at the beginning of the 4th quarter of 2016, with the last phase at level 9 and level 10 returned to inventory in mid-October. The remaining guestrooms to be refurbished are at level 7 and level 8, work on which will take place in the middle of this year during the lower season.

Copthorne Hotel Auckland Harbourcity is scheduled to re-open on completion of work in the second quarter of 2017. The hotel was closed in July 2015 for a refurbishment programme estimated to cost NZ$40m (£22m) and will be rebranded M Social Auckland.

Acquisition
In February 2017 a subsidiary of the Group acquired the tenant's interest in the lease on the penthouse floor of the Novotel New York Times Square for a gross purchase price of US$6m. The lease has a term ending in 2080. The Group acquired the hotel, subject to the penthouse lease, in June 2014.

Disposals
The Group has in place a number of contractual arrangements with the developer of Birmingham's Paradise Circus redevelopment scheme. Pursuant to this scheme, under an agreed process, the developer has a right to acquire the existing site of the Copthorne Hotel Birmingham and the Group has both an option to sell the existing site to the developer and an option to acquire an alternative site in the redevelopment area for the construction of a new hotel. The Group continues to consider these options in discussion with the developer.

As previously reported, in September 2015 the Group received notice of an application from Network Rail Infrastructure Limited ("Network Rail") for an order to temporarily close and possess the Millennium Hotel Glasgow, and to permanently take a portion of the hotel, in connection with the redevelopment of Glasgow's Queen Street Station. The Group objected to various components of the application and a public inquiry was held in May and June 2016. This resulted in the removal of the power to temporarily close and possess the main part of the hotel. In February 2017, the Scottish Ministers stated their intention to approve the draft order, including the power to permanently take a portion of the hotel, subject to some modifications. Following the taking of the land, the Group will be entitled to compensation, which will either be negotiated or settled at the Lands Tribunal.

The Group is currently considering its options, such as appealing the decision, whilst maintaining a commercial dialogue with Network Rail.

On 31 December 2016, the Group sold its 51% equity interest in Millennium & Copthorne Middle East Holdings Limited ("MCMEHL") to the other existing shareholder. MCMEHL, supported by the Group, will continue to trade under the same name with rights to operate and manage the existing portfolio and to develop future business under the Group's brand names, in the Middle East, Africa and Indian regions.

Other Group operations
Joint ventures and associates contributed £26m to profit in 2016 (2015: £17m). The Group has an effective interest of 36% in FSGL, which is listed on the Singapore Exchange and reports its results independently.


Bar (artist impression)

M Social Auckland

Key performance indicators

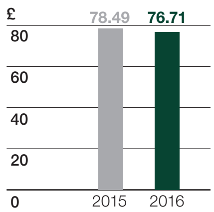
We use a set of carefully selected key performance indicators ("KPIs") to monitor our success in executing our strategy set out on page 6. These KPIs are used to measure the Group's progress year-on-year against those strategic priorities, and are set out below:

Strategic priority | **KPIs (in constant currency)**

Growth

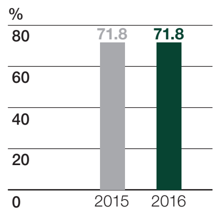
To achieve profitable growth for our hospitality business. These are shown at constant rates of exchange.

Revenue per Available Room



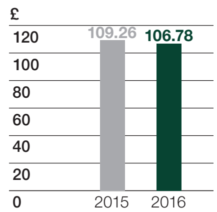
Average room rate multiplied by occupancy percentage.

Occupancy



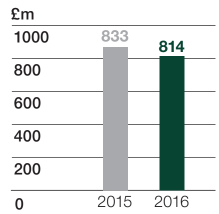
Percentage of rooms available for sale that were actually sold to our guests.

Average room rate



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

Hotel revenue

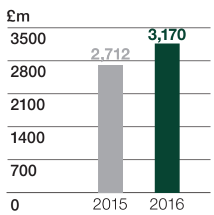


Including room sales, food and beverage sales and meetings and events.

Capital allocation

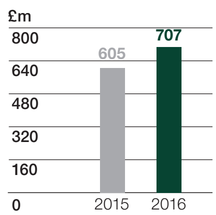
To ensure appropriate use of the Group's capital so that long-term return on investment for the shareholders is maximised, through a rigorous asset management programme, selective acquisitions, and an appropriate use of equity investments.

Net Asset Value



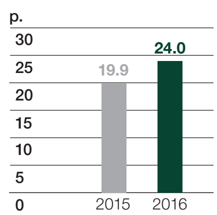
Total assets less total liabilities.

Net debt



Total borrowings less total cash.

Basic earnings per share

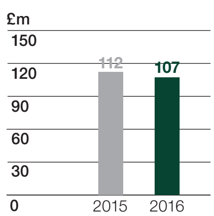


Profit for the year attributable to equity holders of the parent divided by weighted average number of shares in issue.

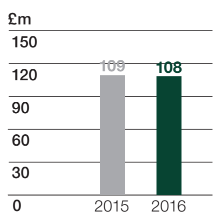
Cost Control

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, the investment community and are used by the Group for internal performance analysis. The Group monitors Net Asset Value to better reflect the property ownership nature of the Group. Given the decentralised model of the Group, regional management focuses on operational KPIs as well as the above. These include customer feedback, hotel gross operating profit and staff retention. General Managers report their operating KPIs to Regional Managers on a regular basis with comparison numbers for the local competitive set of each hotel. The hotel performance numbers are then consolidated into regional and Groupwide figures.

Financial performance

For the full year to 31 December 2016, total revenue increased by 9.3% to £926m (2015: £847m) mainly due to favourable foreign currency movements as a result of the weak pound against major currencies and higher property revenue. The Group's reported revenue benefitted from a positive foreign exchange impact of £79m during the year. Total revenue in constant currency was flat compared to last year.

Financial performance

On a constant currency basis, hotel revenue fell by 2.3% to £814m principally due to poor trading by the Group's hotels in New York and Singapore. During the year, ONE UN New York remained in a loss position due to refurbishment of the east tower. Performance by the Group's hotels in Singapore continued to be weak with decreases in both room rates and occupancy.

Reported profit before tax fell slightly by 0.9% to £108m (2015: £109m). During the year, a total of £44m (2015: £43m) of net revaluation deficit and impairment losses were charged to the income statement. They relate primarily to properties held by the REIT of £27m (2015: net revaluation gain £3m) and several hotels in New York and Rest of Europe.

		Reported Currency			Constant Currency		
	FY 2016	FY 2015	Change		FY 2015	Change	
	£m	£m	£m	%	£m	£m	%
Hotel	**814**	765	49	6.4	833	(19)	(2.3)
Property	**56**	35	21	60.0	40	16	40.0
REIT	**56**	47	9	19.1	53	3	5.7
Total Revenue	**926**	847	79	9.3	926	–	–

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

After removing the effects of the impairment losses and revaluation gains, the Group's reported profit before tax remained flat at £152m (2015: £152m).

Basic earnings per share increased by 20.6% to 24.0p (2015: 19.9p).

Foreign exchange translation

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

The table set out in Note 22 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 75.

Financial Position and Resources

	2016 £m	2015 £m	Change £m
Property, plant and equipment and lease premium prepayment	**3,345**	2,858	487
Investment properties	**534**	506	28
Investment in joint ventures and associates	**320**	255	65
Non-current assets	**4,199**	3,619	580
Current assets excluding cash	**195**	163	32
Provisions and other liabilities excluding borrowings	**(297)**	(255)	(42)
Net debt	**(707)**	(605)	(102)
Deferred tax liabilities	**(220)**	(210)	(10)
Net assets	**3,170**	2,712	458
Equity attributable to equity holders of the parent	**2,668**	2,276	392
Non-controlling interests	**502**	436	66
Total equity	**3,170**	2,712	458

Non-current assets

The Group states land and buildings at depreciated deemed cost, being their UK GAAP carrying value, including revaluations as at 1 January 2004, together with additions thereafter less subsequent depreciation or provision for impairment. External professional open market valuations took place at the end of 2016 for all investment properties and those property assets identified as having impairment risks.

Non-current assets increased by 16.0% compared to last year, principally due to the additions to property, plant and equipment as a result of hotel refurbishment of £100m (2015: £85m), exchange gains of £574m (2015: £nil) offset by net revaluation deficit & impairment loss of £40m (2015: £43m).

Financial position

Group interest cover ratio for the year ended 31 December 2016 (excluding share of results of joint ventures and associates, and other operating income and expense) is 6 times (2015: 8 times).

At 31 December 2016, the Group had £337m cash and £546m 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 86% of fixed assets and investment properties. At 31 December 2016, total borrowing amounted to £1,044m of which £72m was drawn under £94m of secured bank facilities.

At 31 December 2016, the Group had net debt of £707m (Dec 2015: net debt £605m). Excluding CDL Hospitality Trusts (“CDLHT”), the net debt was £232m (Dec 2015: net debt £201m).

Future funding

Of the Group’s total facilities of £1,641m, £434m matures within 12 months. Excluding CDLHT, the Group’s total facilities was £899m of which £266m matures within the next 12 months. Plans for refinancing of the facilities are underway.

Treasury risk management

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

REGIONAL PERFORMANCE
ASIA

Asia RevPAR for 2016 fell by 4.0% to £68.21 contributed by lower room rate and occupancy. Overall performance for the Rest of Asia was helped by completion of the refurbishment of Millennium Seoul Hilton, where visitor numbers also recovered following the successful containment of the Middle East Respiratory Syndrome outbreak in 2015.

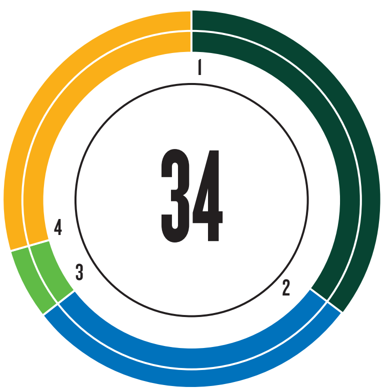
Singapore

Singapore RevPAR performance, on the other hand, fell for each quarter of the year, with increased competition and a decline in the Group's corporate business. In 2016, RevPAR decreased by 10.1% with all five Singapore hotels showing RevPAR declines. Weak demand from the corporate sector and new room supply continued to have a significant impact on hotel performance, with average room rate falling by 7.1% and occupancy down by 2.9% points.

Rest of Asia

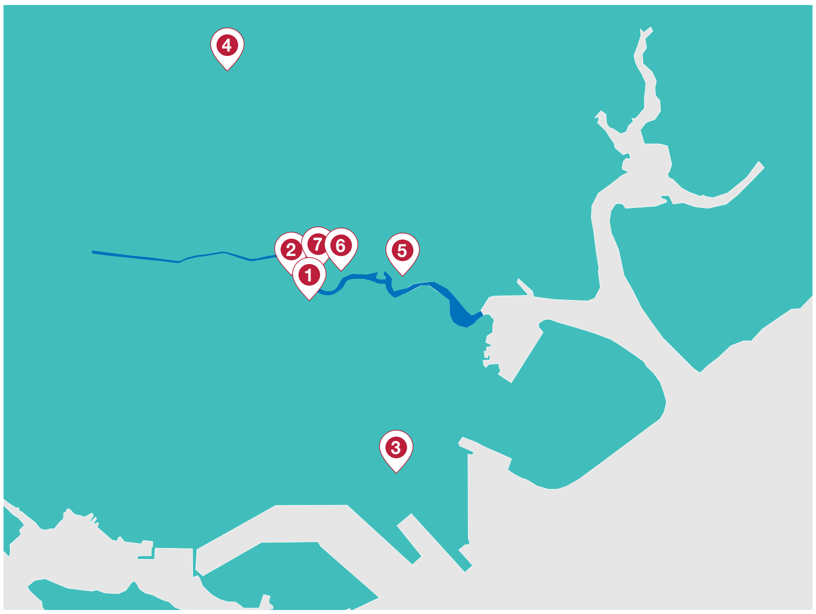
In Rest of Asia, RevPAR grew by 1.9% attributable to newly refurbished guest rooms at Millennium Seoul Hilton and Grand Hyatt Taipei.

INVENTORY: ASIA



	HOTELS			ROOM COUNT		
	2016	2015	CHANGE	**2016**	2015	CHANGE
1. OWNED OR LEASED	**12**	12	–	**5,979**	5,977	2
2. MANAGED	**10**	9	1	**3,152**	2,862	290
3. FRANCHISED	**2**	2	–	**780**	780	–
4. INVESTMENT	**10**	9	1	**3,136**	2,527	609
TOTAL	**34**	32	2	**13,047**	12,146	901

	2016	2015	CHANGE
ASIA			
HOTEL REVENUE (£M)	**290**	299	(3.0)%
REVPAR (£)	**68.21**	71.03	(4.0)%
OCCUPANCY (%)	**72.7**	73.2	(0.5)
ARR (£)	**93.81**	97.00	(3.3)%
SINGAPORE			
HOTEL REVENUE (£M)	**127**	136	(6.6)%
REVPAR (£)	**80.21**	89.26	(10.1)%
OCCUPANCY (%)	**84.2**	87.1	(2.9)
ARR (£)	**95.22**	102.48	(7.1)%
REST OF ASIA			
HOTEL REVENUE (£M)	**163**	163	–
REVPAR (£)	**60.63**	59.52	1.9%
OCCUPANCY (%)	**65.4**	64.5	0.9
ARR (£)	**92.66**	92.32	0.4%



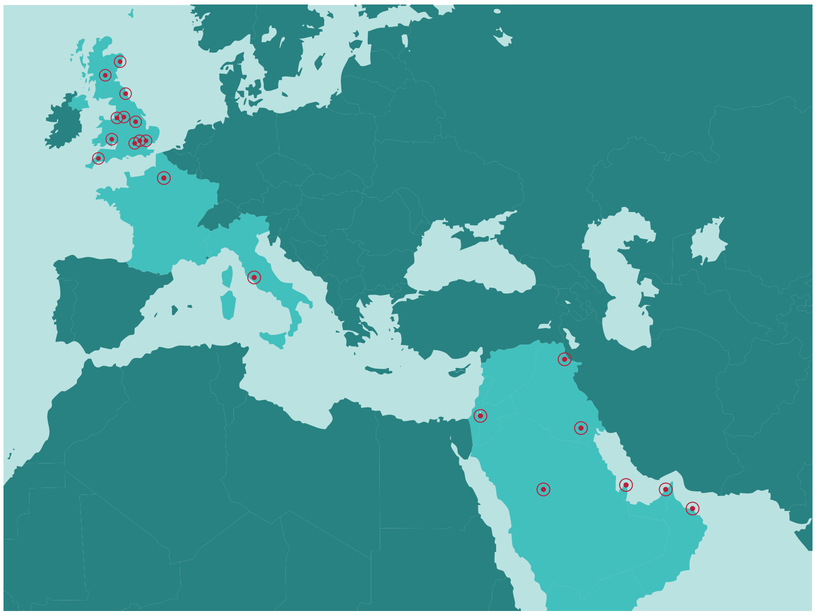
M SOCIAL SINGAPORE

SINGAPORE

1. Copthorne King's Hotel Singapore
2. Grand Copthorne Waterfront Hotel Singapore
3. M Hotel Singapore
4. Orchard Hotel Singapore
5. Novotel Singapore Clarke Quay
6. Studio M Hotel Singapore
7. M Social Singapore

ORCHARD HOTEL SINGAPORE

REGIONAL PERFORMANCE
EUROPE



Europe RevPAR for 2016 decreased by 2.0%. Lower average room rate of 2.7% was partially offset by an increase in occupancy rate of 0.6% points. Slower performance in Europe was consistent through the year, with RevPAR falling in each quarter except for Q4 2016. This was a result of the continuing impact of terror attacks in Paris and Brussels during the first half of the year, which prompted tour cancellations by a significant number of Asian travel accounts. The UK's referendum on EU membership caused a spike in London leisure sector visitors taking advantage of the weak pound during the third quarter. However this was offset by a noticeable slowdown in corporate travel bookings.

London

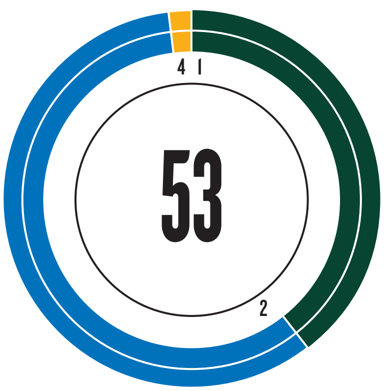
London RevPAR for 2016 fell by 1.4%. All London hotels registered RevPAR declines with the exception of The Bailey's Hotel London where the comparative year was adversely affected by its refurbishment in 2015. Excluding The Bailey's Hotel London, RevPAR for London dropped by 5.0%.

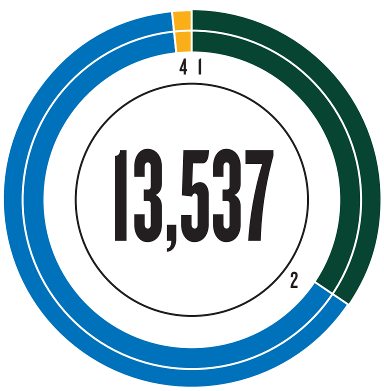
Rest of Europe

RevPAR for the rest of Europe fell by 1.6%. Copthorne Hotel Aberdeen had a double digit RevPAR decrease reflecting the fall in energy prices and the consequential impact on room bookings from the oil and gas sector.

	2016	2015	CHANGE
EUROPE			
HOTEL REVENUE (£M)	**197**	201	(2.0)%
REVPAR (£)	**80.24**	81.84	(2.0)%
OCCUPANCY (%)	**77.1**	76.5	0.6
ARR (£)	**104.04**	106.93	(2.7)%
LONDON			
HOTEL REVENUE (£M)	**121**	124	(2.4)%
REVPAR (£)	**107.18**	108.68	(1.4)%
OCCUPANCY (%)	**81.9**	80.2	1.7
ARR (£)	**130.83**	135.51	(3.5)%
REST OF EUROPE			
HOTEL REVENUE (£M)	**76**	77	(1.3)%
REVPAR (£)	**52.61**	53.47	(1.6)%
OCCUPANCY (%)	**72.2**	72.7	(0.5)
ARR (£)	**72.86**	73.58	(1.0)%

INVENTORY: EUROPE (includes Middle East)





	HOTELS			ROOM COUNT		
	2016	2015	CHANGE	**2016**	2015	CHANGE
1. OWNED OR LEASED	**21**	21	–	**4,680**	4,680	–
2. MANAGED	**31**	26	5	**8,659**	7,090	1,569
3. FRANCHISED	–	–	–	–	–	–
4. INVESTMENT	**1**	1	–	**198**	198	–
TOTAL	**53**	48	5	**13,537**	11,968	1,569

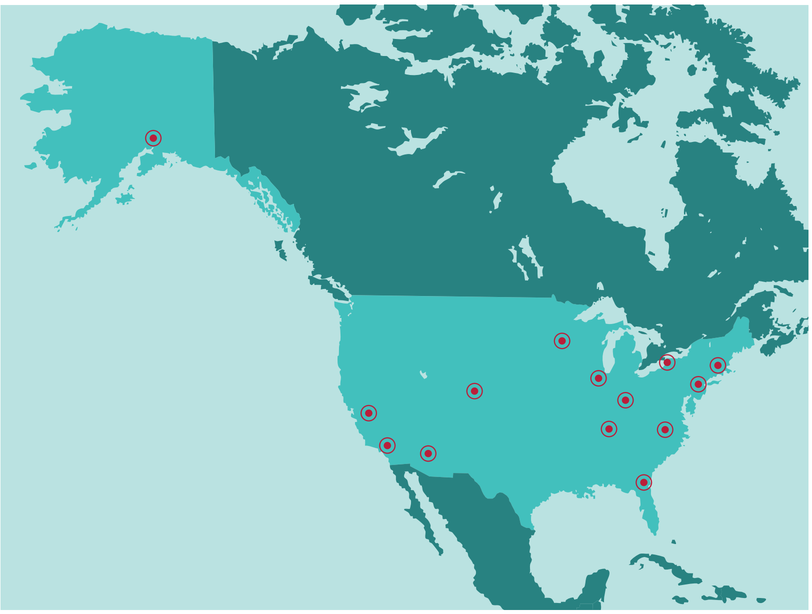
THE BAILEY'S HOTEL LONDON

LONDON

1. Copthorne Tara Hotel London Kensington
2. Millennium Gloucester Hotel London Kensington
3. Millennium Hotel London Knightsbridge
4. Millennium Hotel London Mayfair
5. Millennium & Copthorne Hotels at Chelsea Football Club
6. The Bailey's Hotel London
7. The Chelsea Harbour Hotel

THE CHELSEA HARBOUR HOTEL

REGIONAL PERFORMANCE
UNITED STATES



RevPAR for the US region during 2016 decreased by 4.2% to £86.52 with growth in the newly refurbished regional US hotels being offset by slower performance in the New York properties.

New York

New York RevPAR fell by 9.9% as a result of a 4.2% point fall in occupancy and a 5.0% fall in average room rate. This was driven by an increase in the city's hotel room inventory, the impact from the refurbishment of the east tower of ONE UN New York and the conversion to theatre space of food & beverage and conference areas at Millennium Broadway Hotel New York. Excluding the impact of refurbishment at ONE UN New York, US and New York RevPAR fell by 1.3% and 5.7% respectively.

Regional US

RevPAR for the regional US estate increased by 4.0% to £57.49 reflecting improved revenue performance at the recently refurbished hotels.

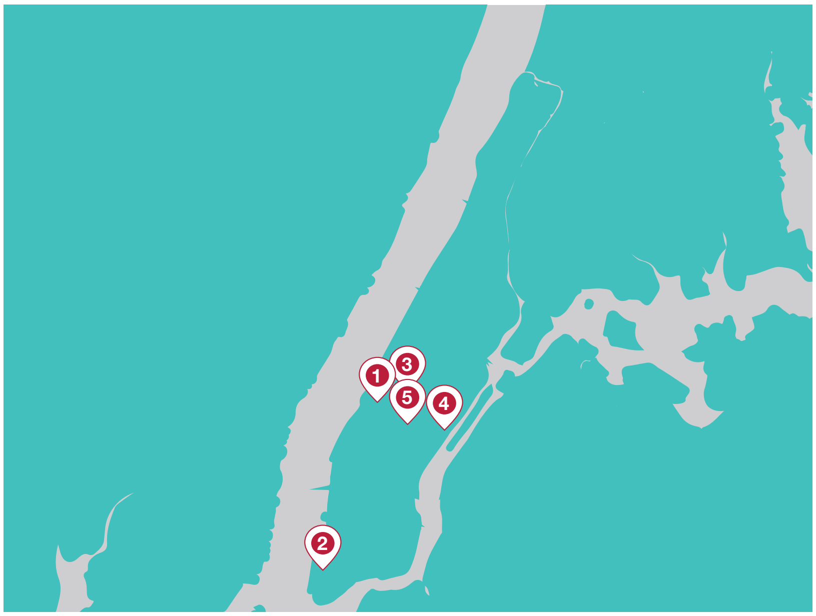
INVENTORY: UNITED STATES

19

6,797

	HOTELS			ROOM COUNT		
	2016	2015	CHANGE	**2016**	2015	CHANGE
1. OWNED OR LEASED	**19**	19	–	**6,797**	6,701	96
2. MANAGED	–	–	–	–	–	–
3. FRANCHISED	–	–	–	–	–	–
4. INVESTMENT	–	–	–	–	–	–
TOTAL	**19**	19	–	**6,797**	6,701	96

	2016	2015	CHANGE
UNITED STATES			
HOTEL REVENUE (£M)	**272**	289	(5.9)%
REVPAR (£)	**86.52**	90.31	(4.2)%
OCCUPANCY (%)	**65.0**	66.1	(1.1)
ARR (£)	**133.18**	136.60	(2.5)%
NEW YORK			
HOTEL REVENUE (£M)	**136**	156	(12.8)%
REVPAR (£)	**145.64**	161.57	(9.9)%
OCCUPANCY (%)	**77.9**	82.1	(4.2)
ARR (£)	**186.85**	196.69	(5.0)%
REGIONAL US			
HOTEL REVENUE (£M)	**136**	133	2.3%
REVPAR (£)	**57.49**	55.30	4.0%
OCCUPANCY (%)	**58.6**	58.2	0.4
ARR (£)	**98.12**	94.96	3.3%



HUDSON THEATRE AT MILLENNIUM BROADWAY HOTEL NEW YORK

NEW YORK

1. Millennium Broadway Hotel New York
2. Millennium Hilton
3. Novotel New York Times Square
4. ONE UN New York
5. The Premier Hotel New York

ONE UN NEW YORK

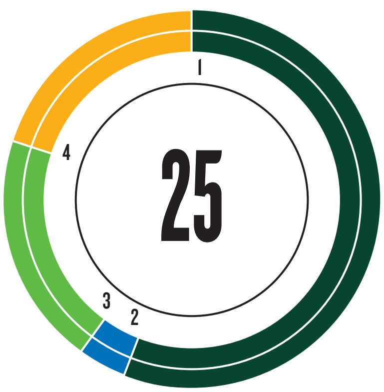
REGIONAL PERFORMANCE
AUSTRALASIA

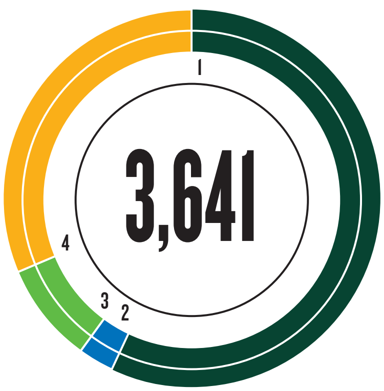
The Group's New Zealand estate was a consistently strong performer through the year in RevPAR terms, with strong increases in room rate and occupancy for each quarter of the year, driven by increasing international visitor arrivals. Australasia RevPAR grew by 20.9% in 2016 driven by the growth in New Zealand international tourism. Average room rate and occupancy increased by 14.7% and 4.2% points respectively. High demand was experienced in the Auckland, Rotorua and Queenstown areas with spill-over to destinations such as Te Anau and Greymouth.

Copthorne Hotel & Resort Queenstown Lakefront continued to perform well in its first full year of trading following its refurbishment in November 2015.

As previously announced, the Group assumed the lease of Rendezvous Grand Hotel Auckland with effect from 7 September 2016. The hotel, the largest in New Zealand with a total of 452 guestrooms, is owned by the REIT and is the Group's first Grand Millennium hotel in New Zealand.

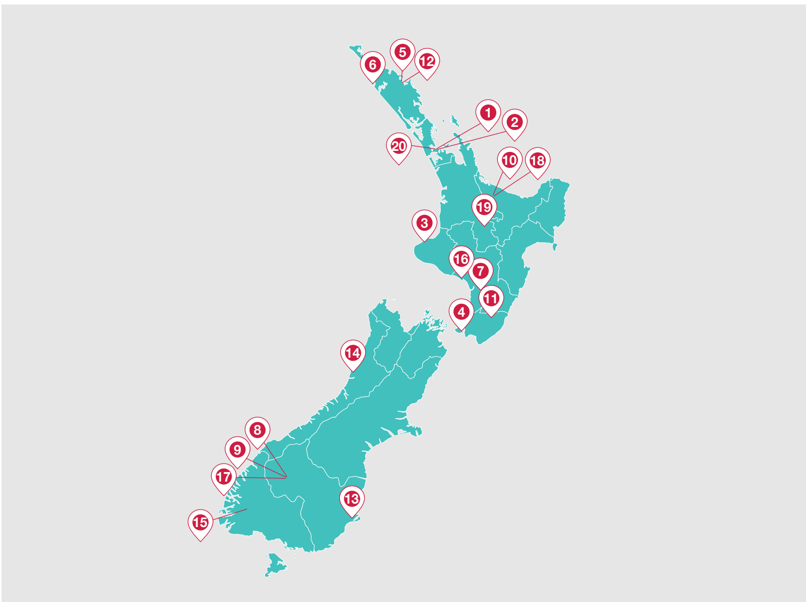
INVENTORY: AUSTRALASIA





	HOTELS			ROOM COUNT		
	2016	2015	CHANGE	**2016**	2015	CHANGE
1. OWNED OR LEASED	**14**	13	1	**2,078**	1,626	452
2. MANAGED	**1**	2	(1)	**113**	260	(147)
3. FRANCHISED	**5**	6	(1)	**311**	426	(115)
4. INVESTMENT	**5**	6	(1)	**1,139**	1,591	(452)
TOTAL	**25**	27	(2)	**3,641**	3,903	(262)

	2016	2015	CHANGE
NEW ZEALAND			
HOTEL REVENUE (£M)	**55**	44	25.0%
REVPAR (£)	**58.40**	48.32	20.9%
OCCUPANCY (%)	**81.3**	77.1	4.2
ARR (£)	**71.84**	62.64	14.7%




GRAND MILLENNIUM AUCKLAND

NEW ZEALAND

1. Copthorne Hotel Auckland City
2. Copthorne Hotel Auckland Harbourcity (closed for refurbishment)
3. Copthorne Hotel Grand Central New Plymouth
4. Copthorne Hotel Wellington Oriental Bay
5. Copthorne Hotel & Resort Bay of Islands
6. Copthorne Hotel & Resort Hokianga
7. Copthorne Hotel Palmerston North
8. Copthorne Hotel & Resort Queenstown Lakefront
9. Copthorne Hotel & Apartments Queenstown Lakeview
10. Copthorne Hotel Rotorua
11. Copthorne Hotel & Resort Solway Park Wairarapa
12. Kingsgate Hotel Autolodge Paihia
13. Kingsgate Hotel Dunedin
14. Kingsgate Hotel Greymouth
15. Kingsgate Hotel Te Anau
16. Kingsgate Hotel The Avenue Wanganui
17. Millennium Hotel Queenstown
18. Millennium Hotel Rotorua
19. Millennium Hotel & Resort Manuels Taupo
20. Grand Millennium Auckland


COPTHORNE HOTEL & RESORT BAY OF ISLANDS

CORPORATE RESPONSIBILITY

As an international hotel business operating in over 20 countries, we remain committed to supporting, protecting and contributing to the environment and communities in which we operate.

Corporate responsibility is considered in all aspects of our business to ensure that customers, colleagues, the environment, local communities and all our stakeholders understand and benefit from what we do. We work hard to train and develop our colleagues and as such, they provide a valuable contribution to the industry. 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 ending 31 December 2016 and highlights actions we have taken to enhance our sustainability efforts.

Governance

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

In this financial year we have received no material fines or penalties associated with non-compliance to any law relating to the environment, human rights violations, labour standards, anti-corruption or tax.

Furthermore, no donations were made by the Group for political purposes during the year (2015: £nil). Further information is provided in our 'Caring for our colleagues' section below.

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

Board Responsibility

The Board is responsible for the Group's corporate responsibility with the Group Chief Executive Officer taking the lead. To support 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 relevant languages where appropriate. A list of these policies can be found on our website at https://www.millenniumhotels.com/en/investors/policies/

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 for wider society. We also expect our suppliers and business partners to align to the standards set out within the Code. Further guidance in specific areas is provided through related global and regional policies and guidance, such as our Anti-Bribery and Business Hospitality and Gifts policies, of which the Board has oversight. As mentioned, these policies are translated into other languages where appropriate such as Spanish in the US and Chinese.

To further embed and raise awareness of key operational risks, a global online compliance training platform was launched in 2016, initially focusing on anti-bribery training, including money laundering and embezzlement. Our aim is to expand this online training to include competition law and data protection.

We have developed a group-wide Anti-Bribery and Anti-Corruption Compliance Guide which is available to all employees. This guide highlights key risks relevant to M&C, such as risks associated with corporate hospitality and gifts and with 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 whistleblower mechanisms and procedures for risk assessments for operations or potential business associates or counterparties.

In the reporting year, we are unaware of any staff being disciplined or dismissed due to non-compliance with our Anti-Bribery Policy.

We are committed to respecting the human rights of our colleagues and others that we engage with 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 including freedom of association and collective bargaining.

The Group has also adopted a formal slavery and human trafficking statement which is available at https://www.millenniumhotels.com/en/supply-chain-transparency-statement/

Caring for our colleagues

Talent Development

We recognise the need to be able to attract, develop and retain employees with the potential, skills and experience necessary for the continued development of our business. This is achieved by providing a healthy, safe, fair and happy working environment.

Diversity

Our employment policies not only comply with all relevant legislation, but ensure that all areas of our business embrace diversity and creates 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.

A number of our hotels also help young people from disadvantaged backgrounds into work by providing employment skills training and vocational opportunities, for example our US hotels introduced paid internships for young people in Alaska and also has in place a training programme called Training Today which helps supervisors to encourage and support diversity in their work environment.

Our human resources procedures outline how we conduct risk assessments for new hotels and existing operations associated with a range of labour standards and human rights issues, including diversity and discrimination.

More information on equal opportunity can be found in the Directors' Report of our Annual Report & Accounts.

Learning and Development

All staff are encouraged to gain industry relevant qualifications where appropriate, both to strengthen the business through a well-trained and engaged workforce and to support personal career development.

We believe that communication with our employees is a priority and we actively seek opportunities to engage with them. This can be through staff outings and shared work experiences which help to promote team building and create a better understanding of the Company.

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

For the year ended to 31 December 2016, the Group employed an average of 10,996 people worldwide in over 20 countries (2015: 10,870).

Employees by gender	Male	Female
Directors	8	1
Senior managers[1]	211	119
Other employees	5,674	4,983

Note:
1 This excludes 34 subsidiary directors who were external non-independent/independent appointments of which 26 were male and 8 female.

Corporate responsibility
continued

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

	2016 Number	2015 Number
Hotel operating staff	**8,397**	8,399
Management/administration	**1,481**	1,385
Sales and marketing	**468**	466
Repairs and maintenance	**650**	620
	10,996	10,870

A safe working environment
We strive to provide and maintain a safe environment for all employees, customers and other visitors to our premises. 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 hazards, assess risks and implement appropriate controls to reduce occupational injuries, accidents and fatalities.

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

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

Management continues the process of rolling out the system across the remaining 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 statutory/mandatory activities, inspections and creation of audit trails.

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

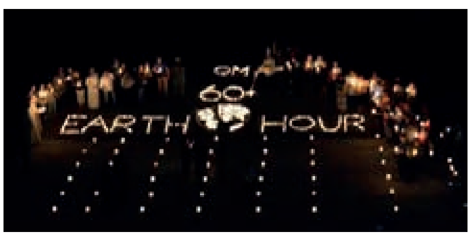
Environmental Impact
Energy use
Energy consumption is the most significant environmental impact of our business and we continue to drive operational efficiency and investment in energy efficient plant and equipment in our hotels.

For instance as a result of the UK Energy Savings Opportunity Scheme (ESOS) undertaken in 2015, the recommendations identified from hotel audits were implemented across a number of our UK hotels. These include the ongoing LED replacement programme, upgrade of boiler equipment at our Copthorne Gatwick and Effingham Park hotels, the replacement of 35 chillers across various sites and the installation of more energy efficient motors and pumps.

Our energy consumption is shown below:

2016		2015	
Absolute (kWh)	Per room (kWh)	Absolute (kWh)	Per room (kWh)
692,363,841	23,643	685,644,268	23,862

We also participate in various energy saving initiatives. For example, globally, a number of our hotels joined millions of people worldwide in observing Earth Hour 2016 by switching off unnecessary lights for an hour to raise awareness of global warming and climate change.



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

In the reporting year, 26% of our hotels across the Group were covered by an Environmental Management System.

Recognitions
Our UK business is also proud to have achieved Carbon Trust Standard certification for its environmental efforts in achieving a 10.9% reduction in its carbon emissions over a two-year period and for showing improvements to internal governance, management and sustainability practices.

In recognition of adopting sustainable practices, a number of our hotels in Singapore received Green Mark awards, an initiative set up by the Building and Construction Authority 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 to effectively manage its climate change risks through mitigation and adaptation, we were able to significantly improve on last year's score and were shortlisted by the CDP for achieving the best improvement in climate change score. We hope to continue to build upon this success over the coming year.

Greenhouse Gas Reporting

Details of our total carbon footprint for the period 1 October 2015 to 30 September 2016 is summarised in the table below. The base year was set as 2010 which was the first year the Group reported greenhouse gas emissions. For this reporting period our carbon footprint was 362,071 tonnes. 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, Carbon Credentials, in accordance with ISO 14064-3. A copy of the Verification Statement can be found at http://www.millenniumhotels.com/en/investors/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.

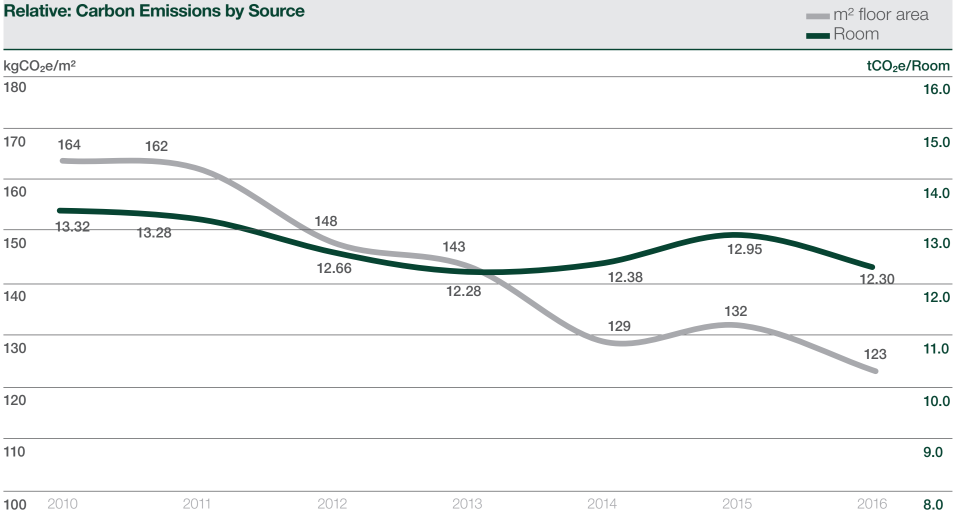
	Global tonnes of CO_2e		
	2016	2015	2010 Base year
Scope 1[1]	**58,783**	60,524	73,309
Scope 2[2]	**274,498**	282,765	235,916
Carbon intensity (tonnes of CO2e/ room. Includes scope one, two and three emission but not travel)	**12.30**	12.95	13.32
Scope 3[3]	**28,790**	31,814	19,214
No. of rooms	**29,284**	28,734	24,658
Total gross emissions	**362,071**[4]	375,103[4,5]	328,439

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

In the reporting period, absolute emissions have decreased by 3% despite the opening of several new hotels. Emissions per unit floor area have decreased by 25% since the 2010 base year and emissions per room have decreased by 8% since 2010.

Going forward, we plan to align our emission reporting period with our financial reporting year i.e.1 January to 31 December. For the reporting period 1 January 2016 to 31 December 2016, our carbon footprint was 360,403 tonnes.

Relative: Carbon Emissions by Source



Building on the success of reducing our carbon footprint since 2010, we have set a target to reduce our absolute Scope 1 and 2 operational carbon emissions from energy use and refrigerant losses by 10% by 2020, based on a 2015 baseline year.

Waste and resource use

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

Our London hotels 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.

Other waste reduction activities implemented across our hotels include collecting useful items for donation, such as a number of our hotels in Asia participated in "Clean the World Volunteer Day" which supports the recycling of soap bars and helps to promote hygiene education.

Waste data:
Our hotels have reduced the volume of waste sent to landfill by 10% since 2015 on an absolute basis and by 12% on a per room basis.

2016		2015	
Absolute (tonnes to landfill)	Per room (tonnes to landfill)	Absolute (tonnes to landfill)	Per room (tonnes to landfill)
14,386	**0.49**	15,979	0.56

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.

Corporate responsibility
continued

Based on the World Resources Institute's analysis of future water stress, we identified that 28% 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:

2016		2015	
Absolute (m^3 consumed)	Per room (m^3 consumed)	Absolute (m^3 consumed)	Per room (m^3 consumed)
6,092,639	**208**	6,099,614	212

Our water consumption data has been independently verified.

Pollution
Our colleagues are encouraged to contribute their time and effort to voluntarily participate in both international and local clean-up activities. These activities encourage and inspire our teams and local people to truly make a difference within their community by collecting and removing rubbish from local parks, local beaches, rivers and streets, promoting recycling and awareness on climate change issues.

Volunteers from the **Grand Millennium Dubai Hotel** participated enthusiastically in the 'Clean Up UAE' 2016 campaign, organised by Emirates Environmental Group (EEG). The countrywide initiative attracts more than 125,000 people from all over the UAE who give their time and energy to remove tonnes of waste from various areas.

Similarly, the Heritage Hotel Manila, Philippines joined Philippine Coast Guard Auxiliary Squadron 116th in a coastal cleanup removing litter and debris from the Manila Bay Coastline.

Sourcing responsibly
As a global hotel company that purchases food and beverage, linens, amenities, beds and energy, sourcing is a complex and often decentralised process. Our suppliers extend beyond 20 countries and span multiple industries, legal contexts and infrastructure 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 while 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 who 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, hospital patients and people with disabilities.

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

Millennium Hotel Cincinnati, USA helped to raise awareness of bullying in schools by hosting a luncheon for a group of students from two local public schools. Games and activities were played to help foster positive interaction and promote harmony and tolerance among the children. The hotel also provided books for them to choose for their summer reading.

In another community outreach activity, **JW Marriott Hong Kong** took part in the annual Youth Outreach Flag Day to raise funds to support the Youth Employment Start-up Programme which provides young people with basic working skills and the Crisis Residential Centre which offers counselling sessions for those who encounter personal crisis or domestic violence. The hotel also supports the All-night Outreaching Team operation, an organisation which aims to search for youths who are unwilling to go home and stay out late by arranging regular midnight duty-tours.

The Heritage Hotel Manila, Philippines arranged for 30 runners to participate in the Million Volunteer Run held on 6 February 2016. The run is organised by the Philippine Red Cross to raise funds to purchase ambulances, earthquake rescue trucks, food trucks, shelters and other lifesaving vehicles and equipment.

Millennium Hotel Durham, USA spent a day volunteering with Habitat for Humanity to build two homes in Durham. This initiative is one of many community service initiatives the hotel has planned for this year.

Habitat for Humanity is a global non-profit Christian housing organisation with a mission to eliminate poverty housing worldwide by building simple, decent houses with the help of the homeowner families themselves and volunteers.

The McCormick Scottsdale, USA banded together as a team to help support and give back to the community. Their recent undertaking was a clothing drive for the Salvation Army. The team was able to donate 453.6kg of clothing to the worthy organisation.

Other community projects undertaken by the hotel include sponsoring a Red Cross Blood Drive and assisting a therapy dogs organisation to renovate their office and puppy facility.

Millennium Hotel Sirih Jakarta, Indonesia, via the Jakarta Rotary Club, donated towels, blankets, bath mats and clothes to flash flood victims in Garut, a town in the west province of Indonesia.

The Group's operations in London donated gifts for sick children and older patients for the Bart's Charity "Send a Smile with Santa" campaign.

Copthorne King's Hotel, Singapore held a post Chinese New Year (CNY) Hi-Tea session for about 110 elderly residents at a home for the aged in March 2016. The elderly residents were given CNY Red Packets and entertained with a singing session by the hotel. Kitchen staff also prepared a sumptuous buffet spread for the event.

Millennium Residences Beijing – Organised an "Annual Autumn Outing" for all staff in September of which a total of 150 staff participated.

The General Manager of our **Millennium Corniche Hotel, Abu Dhabi**, Mr Nemo Acimovic, encourages increased engagement amongst management and his employees.

He recently held a breakfast session where all management and staff shared a cooking experience. This commitment to staff wellbeing leads to positive attitudes and motivation between management and staff which in turn reflects positively on guests through exceptional service, making them want to return to the hotel again.

Millennium Hotel London Mayfair Executive Chef, Paul Danabie, an active member of the Royal Academy of Culinary Arts, raised £5,000 in donations from the generosity of guests for the Academy's "Adopt a School" programme.

Although we have made healthy strides within our responsible hospitality programme, we recognise that we still have much to improve. We are working to set targets and action plans for a cleaner and greener future. Our colleagues continue to make us proud and we look forward to continuing this journey in creating a more socially and responsible business together.

Our risks

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

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

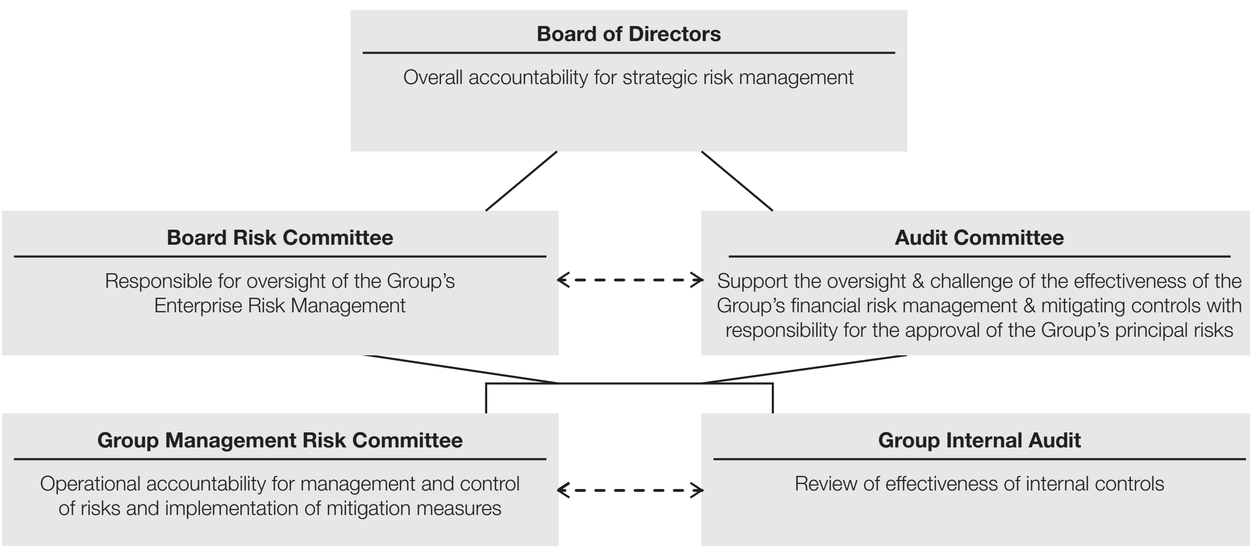
The order in which risks are presented below is not indicative of the relative potential impact on the Group. The risks may, to varying degrees, impact the Group's revenues, profits, net assets, financial and other resources and reputation. It is often difficult for management to assess with accuracy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

Management of risk
In general, the geographical spread of the Group provides a natural hedge against many of the principal risks identified on the following pages. During the year, the Board promoted and renewed its focus on risk management through the restructuring of its oversight and management of risk with the formation of a dedicated Board Risk Committee. A new dedicated group management risk committee also was established with the regional operational heads and functional heads as members and led by the Group Chief Executive Officer, with assistance from the Internal Audit function as shown in the diagram below. To support this new structure, recruitment is underway for a Group Risk Manager who will take the lead on the Group's programme of workshops to review in detail and update risk registers where necessary and follow up and support management in measuring and addressing the identified risks through appropriate mitigation plans to ensure each risk falls within the Group's risk appetite.

Day-to-day management of the Group's risks is, and continue to be, owned by the relevant management team. A member of the executive management team is assigned responsibility for devising risk treatment plans to eliminate, minimise or transfer the relevant risks for which they are responsible, and they undertake regular reviews of the risk register and progress with risk management plans.

The Board Risk Committee met three times during 2016 and focused on embedding the new structure, the recruitment of the new Group Risk Manager and updating the Group's risk management framework, shown below.

The Board retains overall responsibility for risk management and for ensuring that the Group's risks are managed appropriately.



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

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

The top down review led by the Board Risk Committee, supported by management, 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 for the three financial years ending 31 December 2019.

Such evaluation also includes sensitivity analysis based on a significant decline in hotel profit due to a combination of the principal risks, as set out on pages 28 to 30, materialising for a sustained period or failing to renew debt facilities maturing in the period as they fall due.

Review period
The Directors have assessed the viability of the Group over a variety of periods. Whilst the Directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved, the period over which the Directors consider it possible to form a reasonable expectation as to the Group's longer-term viability, is the three year period to 31 December 2019. This three-year period has been selected for several reasons.

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

VIABILITY STATEMENT

- In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This assessment involved a review of the prospects of the Group over the three year period to 31 December 2019 taking into account the Group's strategy and the Group's principal risks and how these are managed over this time period, as detailed above.

- The Directors believe the three year period to be appropriate for the reasons stated above. The three year plan review is supported by regular Board briefings provided by management and the discussion of any new initiatives undertaken by the Board in its normal course of business.

- Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities, as they fall due, over the period to 31 December 2019.

Our risks
continued

Principal Risks and Uncertainties

	Risk and Potential Impact	Mitigating Activities	Risk trend year on year
Reputation and brand protection			
Quality of service delivery and product	Consistent delivery of service and product quality is vitally important to creating and maintaining brand loyalty and value perception and influencing consumer preference. Lack of investment in the Group's assets or the removal of a significant number of rooms from inventory in order to complete needed refurbishment programmes could have a significant impact on those factors and therefore on the revenues that hotels are able to achieve. As supply increases, particularly in our key gateway cities, business may be lost to newer hotels and/or rates may have to be reduced to remain competitive. In addition, management of third-party owned hotels under management agreements, particularly in the Middle East and China regions, and the use of joint ventures in the Middle East and other markets gives rise to the risk of non-performance on the part of the hotel owners and joint venture partners, and the ability of the relevant hotels to deliver service and product quality to Group brand and operating standards, especially when the strategic objectives of those parties are not fully aligned with those of the Group	• 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, 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	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. 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.	• In 2015 the Group allocated its hotels and brands into distinct collections and updated its brand and marketing standards to enhance and clarify its brand portfolio. • 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.	
Increasing competition			
	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. 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.	• The Group's flexible financial control and revenue management systems help it to control costs and achieve better yields in volatile trading conditions. • 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 in the process of being upgraded to help improve brand recognition and drive more bookings through the Group's own, less costly distribution channels.	

	Risk and Potential Impact	Mitigating Activities	Risk trend year on year
Talent management and succession			
	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. Failure of the Group to properly plan for the succession of key management roles may cause operational disruption, potentially delaying the execution of the Group's strategies and increasing costs and inefficiencies.	• 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 2016 the Group, implemented changes to its below Board level executive compensation to enhance employee engagement and performance.	↑
Financial			
	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. 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.	• 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.	↑
Compliance and corporate responsibility			
Legal and regulatory compliance	The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements, including competition law, anti-bribery and corruption and data privacy compliance regimes. Non-compliance with such regulations, which differ by jurisdiction and are an area of increasing focus by regulators, could result in fines and/or other damages, including reputational damage, being incurred, particularly in the event a data breach should occur. 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. 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.	• 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. • 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. • 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.	↑
Health and safety and social responsibility	The Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage. Furthermore, as a significant property owner and operator of hotels in multiple jurisdictions, the Group must do more than simply comply with local regulations. We must act in a responsible way towards our stakeholders and the communities in which our hotels operate.	• The Group has established and maintains health and safety and environmental management systems which it seeks to align with the requirements of ISO 14001 and OHSAS 18001. By using these standards the Group is committed to working to the highest standards of health and safety and to an internationally accredited system. • 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.	↔

Our risks
continued

	Risk and Potential Impact	Mitigating Activities	Risk trend year on year
Vulnerability to cyber attacks or fraud			
	Increasing reliance on online distribution channels and transactions over the internet and the aggregation and storage of guest and other information electronically, both on company-controlled servers and networks and in cloud-based environments, present heightened risks of attacks affecting the operation of those systems and networks and/or a potential loss or misuse of confidential or proprietary information. The occurrence of cyber risks could disrupt business, the ability of the Group to take or fulfil bookings or lead to reputational and monetary damages, litigation or regulatory fines. In addition, various aspects of the Group's operations are required to achieve compliance with the payment card industry data security standards ("PCI-DSS"), and failure to do so could result in penalties and/or withdrawal of credit card payment facilities.	• Periodically the Group engages external consultancy firms to conduct security and penetration testing services in relation to the Group's websites and implements enhancements where necessary. Also, as part of the Group's PCI-DSS compliance activities, all regions conduct additional internal and external penetration testing annually as required. • The Company has in place, and regularly reviews, cyber insurance coverage to protect against certain cyber risks. • 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 that need to be up-and-running, and tests are conducted on select mission-critical systems annually to verify their recoverability offsite. • Information technology policies and procedures have been updated to reflect implementation of the latest PCI-DSS compliance standards.	↑
Natural, geopolitical and economic events			
	Sustained levels of occupancy and the Group's ability to optimise room rates and profitability can be adversely affected by various external events that may reduce travel or increase the Group's operating costs. Such events, which often are beyond the control of management, may be localised to a particular community, city or country or they may have a wider international impact. Examples of such events include severe weather conditions and natural disasters, acts of terrorism, war or perceived risk of armed conflict, epidemics, nationalisation of assets or restrictions on the repatriation of funds, increased travel costs, industrial action and political and/or social unrest. Notably the UK referendum on EU membership and 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 and are monitoring political and macro-economic developments closely. Appropriate insurance coverage may not be available in the market in some instances or coverage may not be available on commercially viable terms.	• The Group has in place disaster recovery, crisis response and business continuity plans 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 and implements ownership structures, internal controls and other steps to minimise these exposures to the greatest extent possible. • The Group's flexible financial and revenue management systems help it to control costs and achieve better yields in volatile trading conditions. • 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. • The wide geographic spread of the Group's properties is a natural hedge against the impact of natural, geopolitical and economic events.	↑

Approval of Strategic Report

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

Aloysius Lee
Group Chief Executive Officer

16 February 2017

HARD DAYS NIGHT HOTEL LIVERPOOL

GOVERNANCE

For more information online at:
millenniumhotels.com

THE CHELSEA HARBOUR HOTEL

Governance

Board of Directors
as at 31 December 2016

1

1 Kwek Leng Beng[N]
Chairman of the Board and Chairman of the Nominations Committee
Kwek Leng Beng has been the Chairman of Millennium & Copthorne Hotels plc since its incorporation. He is also the executive chairman of City Developments Limited and chairman and managing director of Hong Leong Finance Limited. He is currently the non-executive chairman of Hong Leong Asia Limited but will be stepping down as its chairman and as a director at its upcoming annual general meeting in April 2017. 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 an honorary doctorate in Business Administration in Hospitality from Johnson & Wales University in the US and an honorary doctorate from Oxford Brookes University in the UK. He also serves as a member of the INSEAD East Asia Council.

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

2

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

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

3

3 Nicholas George[ANRRc]
Senior Independent Director
Nicholas George was appointed to the Board in June 2009. A chartered accountant by profession, Mr George sits on the board of G. K. Goh Holdings Limited a company listed in Singapore and Henderson Far East Income Limited which is listed on the London Stock Exchange. He also sits on the boards of euNetworks Group Limited and Nutmeg Savings and Investments Limited.

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

4

4 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 Chief Strategy Officer and Head, Asset Management.

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.

5

5 Kwek Leng Peck[NRc]
Non-Executive Director and Chairman of the Risk Committee
Kwek Leng Peck was appointed to the Board in February 1995, prior to the flotation of the Company on the London Stock Exchange. He holds directorships on most of the listed companies within the Hong Leong Group of companies in Singapore, including City Developments Limited, Hong Leong Finance Limited and China Yuchai International Limited. He also serves as an executive director for Hong Leong Asia Limited and is the non-executive chairman of Tasek Corporation Berhad.

Committee membership:

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

6

6 His Excellency Shaukat Aziz[NR]

Independent Non-Executive Director

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

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

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

7

7 Daniel Desbaillets

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"). He resigned as from September 2016. 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.

8

8 Susan Farr[ANR]

Independent Non-Executive Director

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 and Dolphin Capital Investors Limited. 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.

9

9 Gervase MacGregor[ARRc]

Independent Non-Executive Director and Chairman of the Audit Committee

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

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 with investigations and disputes in the sector.

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

10

10 Alexander Waugh[ANR]

Independent Non-Executive Director and Chairman of the Remuneration Committee

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

Directors' report

Introduction

The Directors submit their report for the financial year ended 31 December 2016.

This report includes information required to be disclosed under the Companies Act 2006 (the "Act"), the UK Corporate Governance Code (the "Code"), the Disclosure and Transparency Rules and the Listing Rules. Certain information required to be included in this report is set out in other sections of the Annual Report, which are cross-referenced and incorporated herein. In particular, the Corporate Governance Statement on pages 40 to 44 and the Directors' remuneration report on pages 48 to 64 form part of this report.

Disclosure	Section	Pages
Viability statement	Strategic Report	27
Future developments	Strategic Report	7
Greenhouse gas emissions	Corporate Responsibility	23
Financial instruments	Note 22 to the financial statements	108
Internal controls	Corporate Governance Statement	46
Charitable activities	Corporate Responsibility	25
Policy on payment for loss of office	Directors' Remuneration Report	54
Changes to share capital	Note 29 to the financial statements	126
Going concern disclosure	Note 3 to the financial statements	90

Strategic Report

This report is found on pages 4 to 30, and certain information required to be disclosed in this report has been included within the Strategic Report as noted above. The strategic report prepared by the Directors 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 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 2016 – including identification of the Chairman, Senior Independent Director, the other Directors who are considered by the Board to be independent and the chairs of the Board's standing committees – are shown on pages 34 to 35.

Except for Daniel Desbaillets who was appointed as an Independent Non-Executive Director with effect from 14 September 2016, all Directors served on the Board during the entire year.

Director shareholding

Details of the Directors' shareholdings at the year-end are shown on page 59. No changes to these shareholdings have occurred between 31 December 2016 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 current members of the Board, with the exception of Alexander Waugh, Aloysius Lee and Nicholas George, will retire and seek election or re-election at this year's annual general meeting. Howard Wu who will join the Board on 17 February will also retire and seek election. 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 2016 are set out on pages 74 to 138.

An interim dividend for the year ended 31 December 2016 of 2.08p per share was paid on 30 September 2016. The Directors are recommending a final dividend of 5.66p per share (2015: 4.34p), which, if approved at the annual general meeting in May 2017, will be paid on 12 May 2017 to shareholders on the register on 17 March 2017.

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 (2015: £nil). The Company operates a politically neutral policy with regard to political donations and expenditure. See the Corporate Responsibility review on page 20 for details of the Company's non-political charitable activities.

Financial instruments

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

Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions can be found in the Corporate Responsibility review on pages 22 to 24.

Employee involvement and disabled persons

We value highly the rich ethnic and cultural diversity of our people. The Group operates in over 20 countries and employs over 10,500 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, regional intranet sites and other communications. Likewise, the Group seeks to consult with employees on a regular basis so that their views can be taken into account. The Group operates an HM Revenue & Customs approved Save as You Earn Scheme in the UK, a long term incentive plan, executive share plan and deferred share bonus plan for certain levels of executives globally. The primary aims of these plans are to incentivise and engage our employees and align their interests with the Group's performance. Further details on employee benefits are set out in Note 23 to the consolidated financial statements.

Future developments
The Group's strategy and business model including proposed future developments can be found in the Strategic Report on pages 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 continue to adopt a going concern basis in preparing the financial statements of the Company and Group. Information on the going concern assessment is included on page 90, within Note 3 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 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 2016 consisted of 324,735,565 fully paid ordinary shares of 30 pence each. The shares are traded on the Main Market of the London Stock Exchange. During 2016, 5,264 new shares were issued under employee share plans. Further details of the changes to the ordinary issued share capital during the year are shown in Note 29 to the Company's financial statements.

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

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

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

Employee share schemes
The Company has in place a discretionary employee benefit trust ("EBT"), the Millennium & Copthorne Hotels plc Employee Benefit Trust 2006, which is funded by loans or gifts in order to acquire shares for the potential benefit of employees. Details of shares held by the EBT at 31 December 2016 are set out on page 127. During 2016, 3,514 shares were allocated from the EBT in respect of share schemes for employees. The trustee of the EBT has the power to exercise all voting rights in relation to the Company's shares held within the EBT, but abstains from voting.

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

Directors' report
continued

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

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

At the Company's annual general meeting in May 2016 and in accordance with the Company's Articles of Association, the Directors were authorised to allot new shares pursuant to Section 551 of the Act up to a total nominal amount of £32,473,243 and to disapply the pre-emption provisions contained in the Act in order to allot shares for cash up to a nominal value of £4,870,986. In addition, the Directors were authorised to make market purchases of up to 10% of the Company's issued share capital. All of these authorities remained in effect as at 31 December 2016 and shareholders will be asked to renew them at the annual general meeting in 2017.

The Co-Operation Agreement between the Company and City Developments Limited ("CDL"), the Company's controlling Shareholder, contains a provision that requires the Company to use all reasonable endeavours to ensure that any issue of voting securities for cash (other than pursuant to an employee or executive share option scheme) which takes place while the Company is on the Official List of the London Stock Exchange, is carried out in a manner that provides CDL with an opportunity to acquire additional ordinary shares at the time of such proposed issue for cash in such amounts as are necessary to enable it to maintain its voting rights in the Company at the same percentage level as is held immediately prior to such issue. These pre-emption rights are put to a vote of shareholders each year and most recently were approved at the Company's annual general meeting in May 2016.

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

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

Directors' indemnities
The Articles of Association of the Company permit it to indemnify the Directors of the Company or any Group company against liabilities incurred by them in relation to or in connection with their duties, powers or office, to the extent permitted by law. The Company has provided each of its Directors with a qualifying third-party indemnity, as defined in section 234 of the Act. In addition, the Company has provided qualifying pension scheme indemnities to the directors of Millennium & Copthorne Pension Trustee Limited, which acts as trustee of the Group's UK pension plan, and qualifying third-party indemnities to the directors of its European subsidiary companies. The indemnities do not apply in the event the relevant Director is proved to have committed a criminal offence or otherwise where indemnification is prohibited by law. These indemnities remain in force as at the date of this report.

In 2016, the Company purchased and maintained Directors' and Officers' liability insurance, which coverage has been renewed for the current year.

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

Annual general meeting
The 2017 annual general meeting will be held at the Millennium Hotel London Knightsbridge, 17 Sloane St, Knightsbridge, London SW1X 9NU on 5 May 2017 at 10.00am. The Chairman's letter and the Notice of Meeting along with this report, with notes explaining the business to be transacted at the meeting, will be sent to shareholders.

At the meeting, resolutions will be proposed to, among other things, declare a final dividend, to receive the Annual Report and Accounts, to approve the Directors' remuneration report, to re-elect all current Directors with the exception of Alexander Waugh, Aloysius Lee and Nicholas George and also elect Howard Wu, to re-appoint KPMG LLP as auditors, and to authorise the Directors to approve their fees. Howard Wu's biography will be available on the website with effect from 17 February 2017 and included in the Notice of Meeting. 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 are, 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 2017 annual general meeting.

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

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

Approval of Directors' report
The Directors' Report and Corporate Governance Statement were approved by the Board on 16 February 2017.

By order of the Board

Jonathon Grech
Company Secretary

16 February 2017

Significant shareholder	# of ordinary shares	Notified Interest (%)	Nature of holding
City Developments Limited	210,854,593	64.9	Indirect holding through various subsidiaries
International Value Advisers, LLC	19,490,496	6.0	Investment advisor
Aberdeen Asset Managers Limited	16,057,259	4.9	Discretionary investment manager on behalf of multiple managed portfolios

Corporate governance statement

Dear Shareholders,

While the Board has determined that the Company has complied with the provisions of the UK Corporate Governance Code in 2016, as noted in this report, an effective governance regime must go beyond an annual compliance assessment. One size does not fit all and good governance is a work in progress that must evolve as the business evolves; it must be practical and tailored to the needs of each business.

It is along these lines that the Group's governance structure was enhanced during the year to help the Company better cope in a difficult trading environment, as outlined in my Chairman's statement on page 4, and further develop its platform for future growth. They key governance changes made in 2016—many of which, it is worth noting, were recommendations from our annual Board evaluation completed during 2016 and the previous year—are outlined below.

We continued to streamline Board meetings so that the meetings we do have are more effective and relevant. As part of this process, we implemented small improvements in some instances, such as the launch of electronic Board portal software, while other enhancements were more significant. For example, we reduced the overall number of meetings held during the year and the Board is reviewing its schedule of Board reserved matters. The primary objective of these initiatives is to allow the Directors to focus more on strategic matters—such as the Company's management structure, business models, strategic plan and threats to the Company and industry—and less on granular operational items.

We increased the participation by senior executive team members in Board meetings to give the Directors greater exposure to those who influence and shape our business and the new members of the senior management team. Also, several Directors visited the Group's operations in China, Singapore, Europe and the U.S. over the year to gain a better understanding of operations on the ground.

We formed a new Risk Committee of the Board with effect from 1 April 2016 to help the Group establish a stronger risk management framework. That Committee currently is chaired by Mr Kwek Leng Peck and its other members include Aloysius Lee, Nicholas George, Gervase MacGregor and Kwek Eik Sheng.

As announced in August 2016, following a recommendation from our Board evaluation, we appointed a new Director, Daniel Desbaillets, to the Board with effect from 14 September 2016 in an effort to increase the hospitality experience on the Board. With a background in hotels spanning over 40 years, we are pleased that Daniel has joined us and look forward to his continuing contribution in 2017 and beyond.

Further to the retirement of Aloysius Lee at the end of February 2017 and Alexander Waugh and Nicholas George not seeking re-election at the 2017 AGM, the Nominations Committee has been reviewing CEO and Board succession and further details can be found in the Nominations Committee report on page 65.

In light of this activity, I would like to take a moment to thank the Directors for their time and their commitment to helping the Group to grow while effectively managing its risks. Achieving a balance between these two objectives is not easy.

In 2017 I will work with the Board to ensure that we continue to focus on the challenges we face, both internal and external, and that the Board and Group have the proper mix of talent and resources to allow it to execute its strategy and develop the business over the coming years.

Kwek Leng Beng
Chairman

16 February 2017

Compliance with the UK Corporate Governance Code
Millennium & Copthorne Hotels plc ("M&C" or the "Company") is the holding company of the Millennium Hotels & Resorts group of companies (the "Group"). M&C is a premium listed company with equity shares trading on the Main Market of the London Stock Exchange and therefore the Company is subject to the UK Corporate Governance Code (the "Code"). The Code sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders. This year the Board has assessed the Group's compliance in 2016 against the version of the Code which was last amended by the Financial Reporting Council in April 2016, a copy of which is available at www.frc.org.uk, and the Board has determined that the Company has complied with the provisions of the Code.

This statement forms a part of the Directors' Report. The Strategic Report on pages 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 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 26. The Company Secretary acts as secretary to all standing committees of the Board.

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

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

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

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

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

The respective responsibilities of the Chairman and Group Chief Executive Officer are set out below and have been approved by the Board again this year. The Board currently is comprised of ten directors including the Chairman, one Executive Director, 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 meets up to ten times a year. The actual number of regularly scheduled Board and Committee meetings attended by each Director during the year is shown below next to the maximum number of such meetings that each Director could have attended during the year. In addition to regularly scheduled meetings, the Board, Remuneration Committee and Nominations Committee each held one ad hoc meeting during the year, while the Audit Committee held two. Risk Committee meetings were scheduled as needed.

	Board	Audit Committee	Remuneration Committee	Nominations Committee	Risk Committee
Kwek Leng Beng	7 (7)	–	–	2 (2)	–
Aloysius Lee Tse Sang	7 (7)	–	–	–	3 (3)
Shaukat Aziz	6 (7)	–	4 (4)	2 (2)	–
Daniel Desbaillets[1]	3 (3)	–	–	–	–
Susan Farr[2]	6 (7)	4 (4)	3 (4)	1 (2)	–
Nicholas George	7 (7)	5 (5)	3 (4)	2 (2)	3 (3)
Gervase MacGregor	7 (7)	5 (5)	2 (4)	–	2 (3)
Kwek Leng Peck	6 (7)	–	–	2 (2)	2 (3)
Kwek Eik Sheng	7 (7)	–	–	–	3 (3)
Alexander Waugh	7 (7)	5 (5)	4 (4)	2 (2)	–

1 Daniel Desbaillets was appointed to the Board with effect from 14 September 2016.
2 Susan Farr was appointed to the Audit Committee with effect from 1 April 2016.

Corporate governance statement
continued

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

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

There have been no 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:

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

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

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

On appointment, each independent Non-Executive Director receives a letter of appointment setting out the terms of their appointment, fees to be paid and matters such as confidentiality of information, potential conflicts of interest and share dealing restrictions. Such letters of appointment are subject to termination by either party giving one month's notice. Appointment and any subsequent 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.

Pursuant to Listing Rule 13.8.17 and 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. With regard to Daniel Desbaillets' appointment to the Board in September 2016, the Directors were satisfied that notwithstanding his previous directorships with CDL Hospitality Trusts ("CDLHT"), Mr Desbaillets met the independence requirements based on the following factors, among others:

- the ownership structure and composition of the Board of CDLHT, and the fact that Mr Desbaillets had resigned from his directorships with CDLHT;
- Mr Desbaillets' deep hospitality experience and external business interests, which would allow him to make reasoned judgements; and
- the lack of other relationships or arrangements between Mr Desbaillets and the controlling shareholder of the Company and its connected parties.

In addition, the Board conducted its regular independence review in December 2016 and determined that there was no change to the independent status of the five other 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 the Executive Director being present, to discuss the performance of senior management, the Board and other matters of importance.

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

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

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

Evaluation process
An independent, externally-facilitated Board evaluation was once again conducted by Lintstock Limited. This year the evaluation was a continuation of the first part of the evaluation that was completed in the fourth quarter of 2015, pursuant to which the Directors and Company Secretary completed on-line questionnaires. In the second part of the evaluation, conducted over the first half of 2016, the Lintstock team held individual one-on-one interviews with each Director—except for Daniel Desbaillets, who had not yet joined the Board—and the Company Secretary. The evaluation process focused on the following key themes:

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

As the Risk Committee was newly formed in April 2016, the evaluation did not assess the workings of that committee.

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

A comprehensive report, prepared by Lintstock based on feedback received, was then reviewed by the Board. During the course of the year, several changes were implemented based on that feedback as noted in the Chairman's statement to this report.

Lintstock Limited has no other significant connection with the Group.

Internal control and risk management system in relation to preparation of consolidated accounts
The Board is responsible for the Group's internal control and risk management systems, including oversight over the processes and procedures which are in place in connection with the preparation of the Group's consolidated accounts. In establishing these systems, the Directors have considered the nature of the Group's business, the principal risks to which the business is exposed, the likelihood of such risks occurring, their potential impact and the costs of protecting against such risks. However, such systems are designed to manage or mitigate these principal risks, rather than eliminate them, and can only provide reasonable and not absolute assurance against material misstatement. The Group's principal risk factors and mitigating activities are described on pages 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 detail 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

Corporate governance statement
continued

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 Risk Committee, and the executive management team. The heads of the Company's operating regions and global functions carry out regular reviews to ensure appropriate actions are implemented to meet the Group's objectives and manage its principal risks appropriately.

Assurance
- The effectiveness of the internal control and risk management systems is reviewed by an internal audit function and, where appropriate, by the Group's external auditor and/or external consultants, who report to management and to the Audit Committee. As part of that process, the internal audit department produces individual reports, which are issued to appropriate senior management, who are accountable to rectify any deficiencies and implement any recommendations. These reports are summarised and distributed, as appropriate, to the Audit 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 3 May 2016, a Risk Committee was formed with its own chairman and members. An overview of our risk management and principal risks can be found on pages 26 to 30.

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

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

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

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

Our role
The Committee's terms of reference are available from the Group's website at www.millenniumhotels.com/corporate/ investors.html.

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 needed.

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

The Committee performs a detailed review of the content of the annual and half-yearly press releases 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 2016 focused on the following areas of significance:

- reviewed the Group's hotel performance with reference to RevPAR and hotel revenue;
- 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 tax arrangements including transfer pricing;
- 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.

Impairment of hotel assets
Note 12 to the consolidated financial statements states that the carrying amount of assets as at 31 December 2016 is £3,238m (2015: £2,764m). 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.

Audit Committee report
continued

Annual chairman's statement continued

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

Classification of an asset as investment property requires judgement, and is determined by reference to future intentions and the Group's business model. The total carrying amount of investment properties as at 31 December 2016 is £534m (2015: £506m) as shown in Note 14 to the consolidated financial statements.

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

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

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

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

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

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

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 prior year 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. 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 EU. The Committee’s advanced approval is required for all non-audit services to be rendered by KPMG if the fee exceeds £30,000 per assignment.

During the year ended 31 December 2016, KPMG’s audit fee amounted to £2m and KPMG’s non-audit fees were £1m in total.

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

Gervase MacGregor
Chairman of the Audit Committee

16 February 2017

Directors' remuneration report

Annual chairman's statement

Dear Shareholders,

2016 remained relatively quiet in terms of the Group's remuneration. During the year, the Committee conducted a detailed review of its Directors' Remuneration Policy which was approved by shareholders in May 2014 and, as required by legislation, is set to expire at our May 2017 AGM.

Proposed Amendments to the Directors' Remuneration Policy
This Remuneration Report contains details of the proposed Remuneration Policy to be submitted to a binding shareholder vote at the forthcoming 2017 AGM. The review conducted by the Committee took into account shareholder feedback, evolving market best practice and our desire to align measures and targets with the Company's strategic goals. As a result, the Committee concluded that the Policy approved at the 2014 AGM remains broadly appropriate, and is proposing only minor changes to the Policy for the next three-year period.

The key proposed changes and amendments to the revised policy are as follows:

- A maximum limit on executive director base salaries and benefits.
- Increased flexibility to align LTIP measures and targets with the Company's long-term financial and strategic goals at the start of each cycle. A minimum weighting of 50% will be retained on earnings per share growth.
- A higher shareholding requirement for Executive Directors of 200% of salary.
- Clarification of the malus and clawback provisions in the Company's incentive schemes.
- Clarification of the Company's position on non-executive director fees and external and subsidiary director appointments.
- Removed the ability in exceptional cases to pay in lieu of pension a cash contribution up to 30%.

The Committee believes that the proposed Policy is in the best interests of the Company and its shareholders. We engaged with our largest shareholders on the proposed changes in January 2017.

Other matters considered by the Committee in 2016
The following summarises the significant matters considered by the Committee in respect of the 2016 financial year.

Retirement of the Group Chief Executive Officer
As announced by the Company on 24 August 2016, Aloysius Lee, our Group Chief Executive Officer, notified the Board of his intention to retire in the first quarter of 2017, and the Board subsequently agreed with Mr Lee a retirement date of 28 February 2017. On behalf of the Committee, I'd like to thank Aloysius for his service to the Group over his two-year tenure and wish him the best in his future endeavours. We look forward to working with the Nominations Committee and wider Board on the recruitment of Mr Lee's successor and his or her remuneration arrangements.

2016 Annual Bonus for the Group Chief Executive Officer
The Committee reviewed Mr Lee's performance during 2016 and adjudicated an award of £110,461 for his 2016 annual bonus (2015: £127,122), which represents 14.73% of his maximum cash bonus opportunity. This amount reflects the Committee's assessment of the performance of the Group and the achievements of Mr Lee over the course of the year. Details of the calculation can be found on page 57 of this report.

Developments under the Company's Share Schemes
- The Committee reviewed the Company's achievement of the performance measures for the 2014 awards granted under the 2006 LTIP, including total shareholder return as assessed against the FTSE 250 (excluding investment trusts) and a hospitality peer group, growth in the Company's net asset value and cumulative earnings per share growth for the three-year period ended 31 December 2016. The Committee determined that the Company did not meet the required minimum thresholds and accordingly awards will lapse in full.
- As the 2006 LTIP and 2006 Sharesave Plan both expired in May 2016, revised plans were submitted for approval and approved by shareholders at the Company's 2016 AGM. As previously indicated, the revised plans did not include material amendments, as the Committee believed they continued to be effective and reflected best practice. Under the 2016 LTIP the Committee now has discretion to apply an additional two-year post-vesting holding period, in addition to the standard three-year performance period. We sought feedback on the new plans from our largest shareholders before the AGM and no significant concerns were raised. Details of the revised plans can be found in the notice of the 2016 AGM.

I would also like to thank the members for their contributions to the Committee's work over the past year, which is very much appreciated.

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 and we trust that you will support the policies and practices outlined in this report.

Yours faithfully,

Alexander Waugh
Chairman of the Remuneration Committee

16 February 2017

Committee governance

Membership

Alexander Waugh chairs the Remuneration Committee (the "Committee") and the other members include Shaukat Aziz, Susan Farr, Nicholas George and Gervase MacGregor. All Committee members served throughout the full year. The Committee held four scheduled meetings in 2016 and one ad hoc meeting. Attendance of the regularly scheduled meetings is shown on page 41. The Chairman of the Board and the Group Chief Executive Officer are invited to attend meetings as appropriate, but they are excluded when their own performance or remuneration are being discussed.

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

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

Our role

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

In addition, the Committee is authorised to:

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

The Committee's terms of reference are available at www.millenniumhotels.com/corporate/investors.html.

Directors' remuneration report
continued

Directors' remuneration policy

The Company's current Directors' remuneration policy was approved by shareholders at the Company's annual general meeting (AGM) held on 1 May 2014, and will expire at the AGM to be held on Friday, 5 May 2017.

The revised Directors' remuneration policy (which is proposed to take effect from 5 May 2017 for a period of up to three years, subject to shareholder approval at the 2017 AGM) is set out below.

During the year under review, the Committee conducted a detailed review of the remuneration policy in the context of its alignment with the Company's strategic aims, shareholder feedback, and institutional investor best practice. The Committee concluded that the policy approved at the 2014 AGM remains appropriate, and is therefore proposing only minor changes to the Policy for the next three-year period. As before, the Committee retains discretion to make non-significant changes to the remuneration policy without reverting to shareholders.

Policy for Executive Directors
It is proposed the following policy will apply to all Executive Directors (presently the Group Chief Executive Officer is the only Executive Director).

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	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. 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. Larger increases also may be considered appropriate if a Director initially had been appointed to the Board on a below-market salary. The Committee will provide the rationale for any increase in excess of those for the wider workforce in the relevant year's Annual Report on Remuneration. It is expected that the annual base salary for Executive Directors will be inclusive of director fees, but not reimbursable expenses, payable in respect of directorships of subsidiary companies that may be held by the Executive Director.

Annual bonus	
Purpose and link to strategy	Executive Directors are eligible to participate in an annual bonus scheme to: • 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	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. 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. 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. The bonus plan includes clawback and malus provisions. See note 1 on page 52.[1]

Maximum	The level of bonus opportunity for Executive Directors is:

	Group Chief Executive Officer's Bonus as a % of base salary	Other Executive Director's Bonus as a % of base salary
Threshold	0%	0%
Target	75%	50%
Maximum	150%	100%

The maximum value of a deferred bonus share award is the value of the cash bonus that would otherwise have been paid.

Performance[2]	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. 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. Further details will be disclosed in the relevant Annual Report on Remuneration.

Directors' remuneration report
continued

Directors' remuneration policy continued

Long-Term Incentive Plan	
Purpose and link to strategy	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. 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.
Operation	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. The Plan includes clawback and malus provisions, see note below for details[1]
Maximum	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.
Performance	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. 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. Further details on LTIP awards, including the measures selected, their weightings and the performance targets set, will be disclosed in the relevant Annual Report on Remuneration.
Pension	
Purpose and link to strategy	The provision of retirement benefits supports the Company in attracting and retaining executives and promoting long-term retirement planning.
Operation	A defined cash contribution may be made into either a Company sponsored pension plan or a private pension plan or as cash in lieu of pension.
Maximum	up to 20% of base salary.
Other benefits	
Purpose and link to strategy	Allows the Company to recruit and retain appropriate executive talent through the provision of cost effective benefits consistent with market practice. 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.
Operation	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. 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.
Maximum	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. 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.

1 Clawback and malus provisions are included in the Group's reward schemes to provide a means for the Company to correct any share award or bonus that may have incorrectly or unjustly been granted and/or paid under any of the reward schemes. This may be through the adjustment of any share award, unvested long-term incentive award, annual bonus, or future annual bonus, prior to vesting/payment (malus) or the return of any money or shares previously paid or granted (clawback).
Current examples of when these provisions could be applied include, without limitation: (i) where the Company is found to have materially misstated its financial results; (ii) where the assessment of any condition imposed on an award is found to have been based on an error or on inaccurate or misleading information or assumptions; or (iii) if any other circumstances arise which the Committee considers to justify the operation of the clawback/malus provisions (e.g. gross misconduct of a participant – as determined by the Committee – or a participant by act, or omission, contributes to serious reputational damage to the Company). The Committee retains discretion to modify the terms and conditions of the clawback and malus provisions.

Shareholding requirements
Within five years of being appointed to the Board, Executive Directors are required to build up, and retain, ordinary shares in the Company equivalent in value to 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.

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

- unvested performance share awards;
- SAYE options;
- unvested deferred bonus shares; and
- any notional accrued dividend equivalent shares with vesting subject to future performance.

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.

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

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.

All Non-Executive Director fees are paid in cash.

Remuneration on recruitment
Reward packages for new Executive Directors will be consistent with the policy set out on pages 50 to 53, which describes each component of remuneration for the Executive Directors of the Company. Fixed remuneration elements would be paid only from the date of employment and any bonus will be pro-rated to reflect the proportion of 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.

Directors' remuneration report
continued

Directors' remuneration policy continued

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.

Directors service agreements and letters of appointment

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

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

Name	Date of contract	Notice period / Unexpired term
Chairman		
Kwek Leng Beng	–	Nominee of controlling shareholder
Executive Director		
Aloysius Lee Tse Sang	10 December 2014*	12 months' written notice given by either party
Independent Non-Executive Directors		Rolling letters of appointment terminable by either party on one month's notice
Shaukat Aziz	16 June 2009	
Daniel Desbaillets	11 August 2016**	
Susan Farr	12 December 2013	
Nicholas George	16 June 2009	
Gervase MacGregor	11 December 2014	
Alexander Waugh	16 June 2009	
Other Non-Executive Directors		Nominees of controlling shareholder
Kwek Eik Sheng	–	
Kwek Leng Peck	–	

* The commencement date was 1 February 2015 and the effective date of Mr Lee's appointment to the Board was 1 March 2015. Mr Lee will be stepping down from the Board on 28 February 2017.
** The commencement date of Mr Desbaillets' appointment to the Board was 14 September 2016.

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

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.

Subsidiary and outside board appointments

If an Executive Director wishes to take on an external non-executive appointment, the Company's policy is to support an Executive Director with that appointment provided that there is no conflict of interest and the role does not interfere with the executive's commitment or duties. They may retain any fees paid and generally the number of external non-executive appointments should be restricted to one such appointment.

For subsidiary directorships, the Committee retains the discretion to allow any Director to retain any fees paid for those appointments, subject to the limits set out in the Executive Director policy above.

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 on page 55.

Incentive schemes

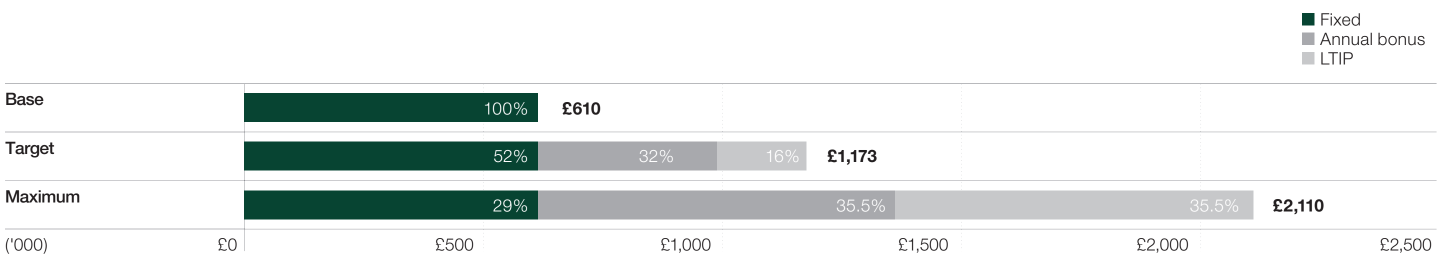
The rules of the incentive schemes currently provide that:

	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.

Pay Scenarios

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



Assumptions:
Base – The 'Base' scenario reflects fixed remuneration, including basic salary, pension and benefits, which are the only elements of the Group Chief Executive Officer's package not linked to performance.
Target – The 'Target' scenario reflects the fixed remuneration elements as set out above, plus a target bonus payout of 50% of maximum and LTIP threshold vesting at 25% of the maximum award.
Maximum – The 'Maximum' scenario reflects fixed remuneration, plus full payout of all incentives.
No share price growth has been assumed in any scenario.

Consideration of employment conditions in the Group

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

Shareholder views

When determining remuneration, the Committee takes into account the views of its key shareholders and investor representative bodies and is committed to undertaking consultation before committing to significant changes in aspects of remuneration. Large shareholders were consulted prior to submitting the 2016 LTIP rules for approval at the Company's 2016 AGM, and also on the policy set out in this report (which will be put to a binding shareholder vote at the 2017 AGM).

Legacy matters

If approved by shareholders at the 2017 Annual General Meeting, this remuneration policy will apply from the date of that meeting. However, any legacy awards and other commitments, including those made prior to the adoption of this policy, may still be paid notwithstanding that they have only been incorporated by reference and not been fully described in this Directors' remuneration policy report. Such payments will be described in the relevant Annual report on remuneration.

Directors’ remuneration report
continued

Annual report on remuneration

Audited Information

Single total figure of remuneration for each Director in 2016
The total remuneration for each person who served as a Director of the Company during 2016 is set out in the table below.

	Remuneration (£ '000)											
	Salary and fees[1]		All taxable benefits		Annual bonus		LTIP awards		Pension contributions[2]		Total	
Director	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Chairman												
Kwek Leng Beng[3]	271	268	–	–	–	–	–	–	–	–	271	268
Executive Directors												
Aloysius Lee[4]	500	458	12	11	110	127	–	–	100	92	722	688
Non-Executive Directors												
Shaukat Aziz	57	57	–	–	–	–	–	–	–	–	57	57
Daniel Desbaillets[5]	15	–	–	–	–	–	–	–	–	–	15	–
Susan Farr	61	57	–	–	–	–	–	–	–	–	61	57
Nicholas George	74	72	–	–	–	–	–	–	–	–	74	72
Kwek Eik Sheng[6]	54	52	–	–	–	–	–	–	–	–	54	52
Kwek Leng Peck[6]	66	59	–	–	–	–	–	–	–	–	66	59
Gervase MacGregor	72	68	–	–	–	–	–	–	–	–	72	68
Alexander Waugh	72	72	–	–	–	–	–	–	–	–	72	72
Past Directors												
Wong Hong Ren[7]	108	663	–	7	–	9	–[8]	–	–	22	108	701
Total	1,350	1,826	12	18	110	136	–	–	100	114	1,572	2,094

Notes:
1. Salaries and fees are shown inclusive of sums receivable by the Directors from the Company and any of its subsidiary undertakings.
2. Aloysius Lee received his pension contributions as a cash allowance equal to 20% of his basic salary.
3. In addition to his basic fee, Kwek Leng Beng received £21,225 in director fees from subsidiary companies.
4. Aloysius Lee is the highest paid Director. His biography on page 34 reports the directorships and positions he holds in other publicly-traded Group subsidiaries and associate companies.
5. Daniel Desbaillets joined the Board as a Non-Executive Director on 14 September 2016.
6. In addition to their basic fee, Kwek Leng Peck and Kwek Eik Sheng received £7,686 and £2,128 respectively in director fees from subsidiary companies.
7. As reported last year, Wong Hong Ren stepped down as Group Chief Executive Officer and a Director as of 28 February 2015. Until that time, his benefits comprised a motor vehicle and driver, medical, personal accident and travel insurance. As indicated in this report and in line with previous disclosures, he was paid his basic salary in monthly instalments through February 2016 and accrued holiday pay of £12,500 in accordance with his service agreement.
8. The 175,834 shares awarded to Mr Wong on 4 April 2014 under the Long Term Incentive Plan, will lapse on 4 April 2017 since the minimum performance conditions for this award, which were measured over the three years ended on 31 December 2016, were not achieved and therefore have been valued at nil.

2016 annual bonus for Executive Directors
The annual performance bonus for the only Executive Director who served in 2016, Aloysius Lee, was divided into two components including financial performance measures, which represented 60% of the bonus opportunity, and personal key performance indicators, which combined represented 40% of the bonus opportunity.

The following describes how the annual bonuses for Aloysius Lee was calculated for the year ended 31 December 2016, including a summary of the Committee's assessment of his personal objectives. The Committee considers that the specific financial target figures remain commercially sensitive given their close alignment with the Company's strategic plans. Additionally, the Committee continues to be of the view that disclosing the targets could put the Company at a disadvantage to some of its competitors, which are not subject to similar reporting requirements. However, as with last year, the Committee commits to disclose such targets when the Committee determines that they are no longer commercially sensitive, such disclosure to be within the next two years in any event. As such, set out below are the targets set for 2016.

Financial Performance Objectives representing 60% of the opportunity

Financial Performance Measure	Target	Minimum and Maximum Thresholds	Weighting	Achievement
Group Revenue	Not disclosed	No payout below threshold of 95% of budget, rising on a straight line basis to maximum payout for 105% of budget or more	10%	7.73%
Group Profit Before Tax	Not disclosed	No payout below threshold of 92% of budget, rising on a straight line basis to maximum payout for 108% of budget or more	50%	nil%

Personal Objectives representing 40% of the opportunity.

Personal Key Performance Indicator		Weighting
Aloysius Lee	Objectives concerning the development of the senior executive management team	10%
	US business development and performance objectives	15%
	Group growth, capital and asset management objectives	10%
	Room rate and room occupancy growth objectives	5%
	Total	40%

The Committee assessed that Mr Lee achieved 7% out of the 40% of his bonus opportunity related to his personal key performance indicators (KPIs) due to his achievements against the objectives agreed by the Committee. The Committee recognised Mr Lee's efforts to implement some cohesion and strength to the senior management team and structure and raise brand awareness and perception to Chinese outbound travellers. Also the business has seen improvement in performance in the US region outside of New York.

Accordingly, after taking into account the Company's achievement of the financial performance objectives and Mr Lee's achievement of his personal objectives, Mr Lee received a total bonus of £110,461 which constitutes the full bonus payable with respect to his 2016 annual bonus.

Reporting on 2014 annual bonus targets

As we indicated in our 2014 Annual Report and Accounts, the following describes the financial performance targets applicable to the annual bonus for Wong Hong Ren for the year ended 31 December 2014. These were not disclosed in the 2014 Annual Report and Accounts due to their commercial sensitivity.

2014 Financial Performance Measure	Target	Minimum and Maximum Thresholds	Weighting	Achievement
Group Revenue	Min – £812.9m Max – £898.5m	No payout below threshold of 95% of budget, rising on a straight line basis to maximum payout for 105% of budget or more	15%	£826.5m (2% payout)
Group Profit Before Tax	Min – £152.6m Max – £179.2m	No payout below threshold of 92% of budget, rising on a straight line basis to maximum payout for 108% of budget or more	55%	£173.4m* (43% payout)*

* The 2014 Group profit before tax was calculated using consolidated figures including CDL Hospitality Trusts ("CDLHT") and only 20% of the revaluation gain recognised that year was taken into account, but the gains affecting CDLHT were excluded.

Directors' remuneration report
continued

Annual report on remuneration continued

Scheme interests awarded in 2014
Performance share awards made under the Long-Term Incentive Plan ("LTIP") in 2014 were subject to performance conditions comprising both earnings per share ("EPS") and Net Asset Value ("NAV") plus dividend growth, and relative total shareholder return ("TSR") performance over the three-year period ending 31 December 2016.

These awards were due to vest on the third anniversary of the awards being made, with 50% vesting on a straight line basis in the event the Company's cumulative EPS exceeded 104 pence at the end of the performance period, up to a maximum threshold of 132 pence. A further 20% was to vest on a straight line basis in the event the Company's NAV plus dividend growth exceeded 6% per year during the performance period, up to a maximum threshold of 13% growth per year. The remaining 30% would vest if the Company's TSR performance over the relevant period meets or exceeds the median TSR performance of a comparator group comprising those companies within the FTSE 250 index, excluding investment trusts, and the median TSR performance of a comparator group comprising those companies within the selected peer group[1] over the period. The TSR performance element, split equally between the two comparator groups, was to vest on a straight line basis between the index, as a minimum threshold, and a maximum threshold of 9% growth per annum for each comparator group.

Based on the Company's EPS, NAV plus dividend growth and relative TSR performance for the three years ended 31 December 2016, the Committee has determined that the LTIP awards made on 4 April 2014 will lapse in full on 4 April 2017.

Scheme interests awarded during 2016
The only Director to be awarded performance shares under the Company's LTIP during 2016 was Aloysius Lee. The award was made on 29 March 2016 and, subject to achievement of the relevant performance measures and LTIP rules, will vest on 29 March 2019. Details of the award and the performance measures and targets attaching to this 2016 LTIP award are provided in the tables below. None of the Directors participated in any other share-based incentive plans during the year.

Aloysius Lee	
Date of award	29 March 2016
Awards made during the year	185,643
Market price of shares used to calculate award[1]	£4.0400
Basis of award	150% of salary
Face value of award on date of grant (£ '000)	£750
% vesting at threshold performance	25%
Performance measures and targets	See following table
Performance period end date	31 December 2018
Vesting date	29 March 2019
Market price at the vesting date	–
Monetary value of vested award	–

Note:
1. The number of shares awarded was calculated using the 5 day average middle market share price ending on 24 March 2016, one business day prior to the date of grant.

1 The names of the companies forming the peer group are shown in the 2014 Annual Report and Accounts.

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

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

Notes:
1. Vesting levels between threshold and maximum will be assessed on a straight-line basis.
2. The FTSE 250 comparator group excludes investment trusts.
3. The peer group comprises Accor, Banyan Tree Holdings, Belmond, Choice Hotels International, Hongkong & Shanghai Hotels, Hotel Properties, Hyatt Hotels, InterContinental Hotels Group, Mandarin Oriental, Marriott International, Melia Hotels International, NH Hotels, Overseas Union Enterprise, Rezidor, Shanghai Jin Jiang International, Shangri-La Asia, Starwood Hotels & Resorts*, Whitbread and Wyndham Worldwide.

*Merged with Marriott International on 23 September 2016

Payments made to past directors
Except as disclosed elsewhere in this report, no payments to past Directors were made during 2016. As set out above, the LTIP award made in 2014 to, and held by, Wong Hong Ren will lapse in full on 4 April 2017.

Payments for loss of office
There were no payments for loss of office made during the year. The termination arrangements agreed with Aloysius Lee are set out in the '*Implementation of Remuneration Policy in 2017*' section below. All sums paid to him, or which are to be paid to him, in respect of 2016 are included in the single total figure of remuneration table.

Statement of directors' shareholdings and share interests
The interests of the Directors who served during 2016, and their connected persons, in the ordinary shares of Millennium & Copthorne Hotels plc were as follows:

	Number of ordinary shares owned outright[2]		Number of scheme interests			
Director	Holding on 31 December 2016	Holding on 1 January 2016	LTIP awards which are not subject to performance conditions at 31 December 2016	LTIP awards which are subject to future performance conditions at 31 December 2016	Total interests as at 31 December 2016	Value of ordinary shares owned outright as a percentage of salary[1]
Chairman						
Kwek Leng Beng[2]	–	–	–	–	–	N/A
Executive Directors						
Aloysius Lee[3]	–	–	–	320,051	320,051	0%
Non-Executive Directors						
Shaukat Aziz	–	–	–	–	–	N/A
Daniel Desbaillets	–	–	–	–	–	N/A
Susan Farr	–	–	–	–	–	N/A
Nicholas George	12,500	12,500	–	–	12,500	N/A
Kwek Eik Sheng[3]	–	–	–	–	–	N/A
Kwek Leng Peck[3]	–	–	–	–	–	N/A
Gervase MacGregor	–	–	–	–	–	N/A
Alexander Waugh	–	–	–	–	–	N/A

Notes:
1. For the purposes of determining Executive Director shareholdings as a percentage of salary, the individual's salary and the share price as at 31 December 2016 were used.
2. 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.
3. LTIP interests comprise the 134,408 shares granted to Aloysius Lee pursuant to the 2015 LTIP award, details of which can be found in the 2015 Annual Report and Accounts, and 185,643 shares relating to the LTIP award made during 2016, details of which can be found above. In addition to shares or scheme interests in the Company, Mr Lee due to his appointment as a director of the following subsidiaries of the Company, holds 1 share in each such subsidiary: Grand Plaza Hotel Corporation, Rogo Realty Corporation and Harbour Land Corporation. These shares were transferred from Wong Hong Ren.

Directors' remuneration report
continued

Annual report on remuneration continued

Director shareholding requirements are as disclosed earlier in this report, on page 53. As Mr Lee was appointed as an Executive Director with effect from 1 March 2015, he was not required to have met the requirements by 31 December 2016.

There have been no changes to the Directors' interests between 31 December 2016 and the date of this report.

Unaudited Information

Implementation of Remuneration Policy in 2017
This section provides an overview of how the Committee is proposing to implement our Remuneration Policy in 2017.

Retirement of the Group Chief Executive Officer
Given the impending retirement of Aloysius Lee in early 2017, his basic salary will remain unchanged at £500,000 per annum. No annual bonus will be payable for 2017 and no performance share award made to him under the LTIP.

Mr Lee's pay and allowances due under his service agreement will cease on 31 January 2017, and he will retire from the Board and as Group Chief Executive Officer, as previously announced, at the end of 28 February 2017. He will retain the performance shares awards made to him under the LTIP in 2015 and 2016 in accordance with the rules of the LTIP for a 'good leaver' by virtue of his forthcoming retirement with the consent of the Company. The Committee has determined that the vesting of the awards will not be accelerated and will vest on their normal vesting date subject to the relevant agreed performance conditions, time pro-rating and the rules of the scheme.

Remuneration of Executive Directors to be appointed in 2017
The basic salary of any other Executive Director appointed to the Board during the year will be agreed by the Committee at the appropriate time, in conjunction with any appointment, and be aligned with the Company's Remuneration policy.

The financial performance measures indicated below will apply to their annual bonus whilst such Director's personal objectives will be agreed by the Committee at the appropriate time.

The Committee believes that the specific financial targets are commercially sensitive given their alignment with the Company's operating budget and strategic plans for 2017, and that consequently it is not appropriate to disclose them in this report. The Committee will consider the extent such targets and objectives will be disclosed in the 2017 Annual Report on Remuneration after the conclusion of the year.

Financial Performance Measures	Weighting
Group Revenue	10%
Underlying Group Profit Before Tax	50%
Total	**60%**

Personal Key Performance Objectives	Weighting
To be agreed with any new Executive Director	40%
Total	**40%**

2017 Long Term Incentive Plan award
The maximum value of any LTIP awards granted during the year will remain at 150% of basic salary for a Group Chief Executive Officer and 100% of basic salary for any other Executive Director, subject to any recruitment considerations. The Committee has reviewed the current LTIP structure and as such has proposed changes to the Remuneration Policy. These changes are set out in Remuneration Policy contained within this Directors' remuneration report. Subject to the Policy being approved by shareholders at the 2017 Annual General Meeting, the performance conditions attaching to any future award will be reviewed on the appointment of a new Executive Director and aligned with this new Policy. The performance targets will reflect the Group's three-year forecast, be based on its strategy and business plan over the coming years, and be appropriately stretching when compared to other FTSE companies.

The vesting period and any additional holding period will be determined at the date of grant.

Pension and benefits
As in 2016, Aloysius Lee will receive a cash pension contribution worth 20% of his basic salary in 2017, up to the end of January 2017. He also will continue to receive a standard package of other benefits consistent with those received in 2016 for this period.

The pension and benefits for any other Executive Director appointed during the year will be determined at that time and in compliance with the approved Remuneration policy.

Non-Executive Director fees
The basic fee for the Non-Executive Directors will continue to be £50,000 per annum in 2017. Non-Executive Directors also will continue to receive separate annual fees for their service as a member and, to the extent applicable, the chair of a Board committee, and the Senior Independent Director, will be paid an additional fee of £10,000 per annum to serve in such capacity. Details of the additional committee fees are set out in the table below.

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

The annual fee for the Chairman of the Board, including the basic fee paid to Non-Executive Directors, will remain unchanged at £250,000 for 2017. Also, the Chairman will continue to receive fees for serving as a director of certain subsidiary companies.

Directors' remuneration report
continued

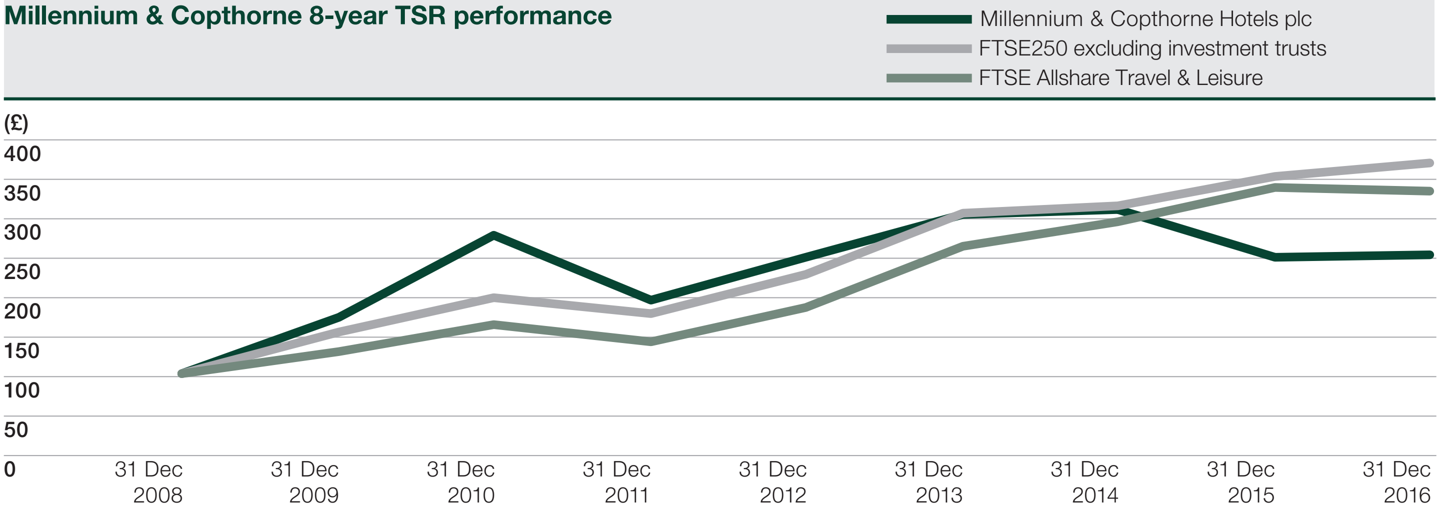
Annual report on remuneration continued

Additional disclosures

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

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

Millennium & Copthorne 8-year TSR performance



Value of £100 invested on 31 December 2008

Remuneration history of the Group Chief Executive Officer	2010	2011[1]	2012	2013	2014	2015[2]	**2016[3]**
Total remuneration (£'000)	1,243	4,404	1,495	2,287	1,429	1,389	**832**
Annual bonus (as a percentage of maximum opportunity)	100%	63%	37%	67%	62%	19%	**15%**
LTIP vesting rates (as a percentage of maximum opportunity)	0%	100%	100%	50%	0%	0%	**0%**

Notes:
1. 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.
2. 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.
3. Includes final two months of payments under his service contract.

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 2015 and 2016 for the Group Chief Executive Officer and employees within the Group's bonus pool.

	% Change from 2015 to 2016[1]		
	Basic Salary	Benefits	Bonus
Group Chief Executive Officer[2]	–	–	(13)
Employees	2	4	(37)[3]

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 2015 and 2016. The salary and benefits paid to Mr Lee in 2015 have been trued up to equate to a full year.
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 2016 was 10,996 (2015: 10,870).

	2015 (£m)	**2016 (£m)**	Change (%)
Employee remuneration costs	351	**352**	–
Dividends distributed	44	**21**	(52)

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 2015 Directors' remuneration report, which resolutions were put to shareholders at the Company's Annual General Meetings held on 1 May 2014 and 5 May 2016, respectively, 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	% of vote
Approve the Directors' Remuneration Policy	281,458,849	99.09%	2,573,555	0.91%	10,619,954	3.60%
Approve the Directors' Remuneration Report for the year ended 31 December 2015	308,118,428	98.75%	3,914,366	1.25%	538,829	0.17%

* includes discretionary votes

This Directors' remuneration report will be put to an advisory vote of the shareholders at the Company's Annual General Meeting to be held on 5 May 2017. Changes to the Remuneration policy are being proposed and in line with best practice and as required by the regulations, the Remuneration policy, as contained within this Directors' remuneration report, also will be submitted to shareholders for approval at that Annual General Meeting.

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

The Committee is authorised by the Board to appoint external advisers if it considers such an appointment to be beneficial. In 2012 the Committee conducted a tender process and selected Kepler Associates as the Committee's remuneration adviser. Kepler Associates, who are now known as Kepler, a brand of Mercer, continued to act in that capacity during 2016, where over the course of the year, consultants from Kepler attended most of the Committee's meetings and provided advice on a range of topics, including remuneration trends and best practices and the design of the performance share incentive plans.

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

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

Kepler generally charges on an hourly basis. The aggregate amount of fees paid to Kepler during 2016 was £30,100 (2015: £62,000).

During 2017, the Committee intends to conduct a tender process for the advisory service it receives. The tender will include Kepler and a select group of alternative advisers and the Committee will report on the result of that process in the 2017 Annual Report and Accounts.

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

Directors' remuneration report
continued

Annual report on remuneration continued

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

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 2016, the EBT held 2,244 unallocated shares (2015: 5,758 shares), representing approximately 0.00069% of the Company's issued share capital as at the same date. Executive Directors who participate in the LTIP, together with other employees of the Group who participate in the LTIP and other performance share schemes, are potential beneficiaries of the EBT and, as such, are deemed to be interested in any shares held.

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

Share price
The market price of a Millennium & Copthorne Hotels plc ordinary share at 31 December 2016 was 460.4 pence and the range during the year was 366.4 pence to 483.1 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 16 February 2017.

On behalf of the Board

Alexander Waugh
Chairman of the Remuneration Committee

16 February 2017

Nominations Committee report

Chairman's Statement

Dear Shareholders,

I am pleased to report that the Board experienced a stable year in 2016 and welcomed the addition of Daniel Desbaillets in September 2016. While the Committee formally met three times during the year, I believe it is beneficial for the full Board to participate in discussions on significant Committee matters and therefore I allocated time during several regular Board meetings for such discussions. The primary matters considered over the year focused on Board and committee composition and organisational structure and senior management succession. The following summarises the activities undertaken by the Committee in 2016 and the Board changes that occurred during the year.

Activities undertaken in 2016

Board and committee composition

With regard to the composition of the Board and its committees, we took into account feedback from our 2015 and 2016 Board evaluations and looked to strengthen the hospitality experience on the Board and the Group's risk management profile. This resulted in a few key actions.

First, a search was conducted for a new Director with deep hospitality experience. Following that search, Daniel Desbaillets was appointed as an independent non-executive director in September 2016. An external search agency was not used for this appointment as the skills and experience sought narrowed the pool of potential candidates and Daniel Desbaillets was one of the candidates known to some of the Board by virtue of his directorship 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"). Daniel has held senior positions with InterContinental Hotels Group, Hilton and Shangri-La since starting in the industry in 1973, and most recently served as an independent non-executive director on the boards of CDLHT.

Second, upon the recommendation of the Audit Committee, a separate Risk Committee was formed in April 2016 and the Committee reviewed the initial membership for that committee together with the membership of the other committees of the Board. As a result and upon the recommendation of the Committee, Kwek Leng Peck, Kwek Eik Sheng, Nicholas George, Aloysius Lee and Gervase MacGregor were appointed to the newly formed Risk Committee, with Mr Kwek Leng Peck serving as its chairman. Susan Farr was appointed to the Audit Committee from 1 April 2016, after having attended and positively contributed to several Audit Committee meetings prior to her appointment.

Organisational structure and senior management succession

With regard to organisational structure, the Committee and broader Board identified the need to further develop the Group's asset management, branding and marketing teams. Several key hires and promotions were made during the year, or are being contemplated, in order to up-weight the Company's capabilities in those important areas. To assist with the execution of the Company's strategy and review its processes and procedures, a Chief of Staff joined us in October 2016, Tan Kian Seng. Mr Tan has subsequently been appointed as interim Chief Executive Officer, currently a non-Board position, while the Committee carries a full and detailed review of the skills and experience required to lead the Group and deliver its strategic goals.

The Committee also reviewed the succession plans for the below-Board-level senior management team. As a result, a new Group Chief Financial Officer, Kok-Kee Chong, joined in July 2016. Mr Chong has a wealth of experience having worked in international accounting firms and leading global financial institutions for 30 years, most recently as the Chief Operating Officer at JP Morgan First Capital Securities and Chief Administration Officer at JP Morgan Chase Bank in Beijing.

Also, in light of the challenging conditions in Asia and the United States, particularly in Singapore and New York, the skills and experience necessary to help turn around those regions was reviewed and new appointments were made, or are in process, to help refocus the business and drive growth in those markets.

Changes to the Board

In August 2016 Aloysius Lee notified the Board of his intention to retire as Group Chief Executive Officer and a Director of the Company and the Board agreed that he will step down effective as at the end of February 2017. As stated above, the Committee and the Board are reviewing the optimal profile for Mr Lee's successor and a search is underway.

Daniel Desbaillets was appointed as an independent non-executive director of the Board with effect from 14 September 2016 to strengthen the hospitality skills of the Board. In addition, Howard Wu will join the Board on 17 February 2017 to further expand the Board's information technology, data security and e-commerce experience.

Alexander Waugh and Nicholas George will retire from the Board at the conclusion of the 2017 AGM and the Committee will be reviewing the composition of the Board and Committees in the meantime. Further details will be available in due course.

Appointment procedure

There is a formal procedure for the appointment of new Board Directors. As part of that procedure, Committee members interview suitable candidates who are proposed, either by existing Board members, senior executives or by an external search firm or contacts, and extensive referencing is undertaken on each candidate. Careful consideration is given to ensure proposed appointees have sufficient time available to devote to the role and that the balance of skills, knowledge and experience on the Board is maintained. When the Committee has found a suitable candidate, a proposal is made to the Board, which has retained the responsibility to approve all such appointments.

Future priorities

The Company, like its competitors, must adapt in order to grow in the current environment. The Nominations Committee and Board continue to keep the talent within the Board and senior executive team under review and will look to further enhance the human resources and organisational structure of the Group in 2017.

Kwek Leng Beng

Chairman of the Nominations Committee

16 February 2017

Nominations Committee report
continued

Committee Governance

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

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

- Review the structure, size and composition of the Board, including the skills, knowledge, experience and diversity of the Directors;
- consider succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company and the skills and expertise needed;
- identify and nominate for approval by the Board candidates to fill Board vacancies when they arise;
- keep under review the leadership needs of the organisation, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- review the time required from Non-Executive Directors;
- in consultation with the Chairmen of the Board committees, review and if appropriate recommend changes to the composition of the committees;
- consider the re-appointment of Non-Executive Directors at the conclusion of their specified terms of office, giving due regard to their performance and ability to continue to contribute to the Board; and
- assess the appointment of any Director to an executive or other office.

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

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

The Committee did not utilise any external advisors or agencies during 2016. 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. For the Group financial statements, these are required to be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards including FRS 101 Reduced Disclosure Framework.

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

On behalf of the Board

Aloysius Lee Tse Sang
Group Chief Executive Officer

16 February 2017

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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Millennium & Copthorne Hotels Plc for the year ended 31 December 2016 set out on pages 74 to 142. 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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

We summarise below the risks of material misstatement unchanged from prior year that had the greatest effect on our audit (in decreasing order of audit significance), our key audit procedures to address those risks and our findings based on those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These procedures were undertaken in the context of, and solely for the purpose of, our statutory audit opinion on the financial statements as a whole and consequently the results of these procedures are incidental to that opinion. We do not express discrete opinions on separate elements of the financial statements.

Valuation of hotel assets – 2016 - £3,238m (2015 - £2,764m) – Risk vs 2015 - no change

Refer to page 45 (Audit Committee Report), Note 2.3 (Summary of significant accounting policies), Note 3 (Accounting estimates and judgments, and Note 12 (Financial Disclosures).

- **The risk:** The Group has significant hotel assets which are carried at cost and are subject to an annual review to assess whether or not they may be impaired. The Group applies a two-step process in assessing their hotel assets for possible impairment. The first step is to identify those properties at risk, i.e. those where there is an indication of impairment. Those hotels highlighted as being at risk following this analysis are then subjected to a detailed impairment review which, for 2016, were all made with reference to external valuations. Certain hotel assets were considered at risk of impairment due to being subject to impairment in previous years (and therefore any decline in performance compared to the projections used to determine the previous impairment may result in a further impairment being recorded) and because the Group has experienced a difficult trading environment in 2016, particularly in the US and Asia, where some of the Group's largest hotel properties operate.

  The estimated recoverable amount of an asset is generally determined by forecasting and discounting future cash flows. This analysis is subjective due to the inherent uncertainty involved in determining appropriate assumptions such as discount rates, growth rates, occupancy rates, revenue per available room and terminal values. Therefore, the review and challenge of these assumptions is one of the key judgmental areas that our audit is concentrated on.

- **Our response:** Our procedures included challenging the directors' initial risk assessment process by which properties were selected for further assessment of their recoverable amount. This included comparison of actual asset performance to previous forecasts and to the market performance and assessing the quantum of available headroom. For those properties selected for a detailed impairment review, we used our own valuation specialists to assist us in evaluating the assumptions and methodologies used by the external valuers. In particular, these included forecasted cash flows as well as discount rates and terminal multipliers. We compared the valuation assumptions used to externally derived data as well as our own assessments in relation to key inputs such as projected economic and market growth, occupancy and room rates, cost forecasts, discount rates and terminal multipliers. We considered the appropriateness of the Group's disclosures about the impairments and the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

- **Our findings:** We found the Group has a robust, structured and comprehensive process for appropriately identifying hotel assets with impairment indicators. We found that the methodologies used by the external valuers were appropriate. As a result of our work we found the assumptions used and the resulting estimates to be slightly optimistic although the quantum of impairment recognised in 2016 continued to be appropriate. We found that the disclosures proportionately describe the inherent degree of subjectivity in the estimates and the potential impact on future periods of revisions to these estimates.

Classification and valuation of investment properties 2016 - £534m, (2015 - £506m) – Risk vs 2015 - no change

Refer to page 46 (Audit Committee Report), Note 2.3 (Summary of significant accounting policies), Note 3 (Accounting estimates and judgments), and Note 14 (Financial Disclosures).

- **The risk:** Classification of an asset as investment property (rather than as Property, Plant & Equipment) requires judgment, and is determined by reference to the Group's future intentions and business model. As discussed in note 2.3, this classification results in a different accounting treatment because Property, Plant and Equipment is recorded at depreciated cost whereas investment properties are carried at fair value. The models applied to determine the fair value of investment properties are complex and sensitive to assumptions around occupancy, rental rates and future market growth. 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.

- **Our response:** The classification assessment is most relevant upon acquisition of a new property or when there is a significant change in the manner in which the currently owned properties are managed. In these situations, our procedures included making enquiries of the senior members of the finance team and Directors, inspecting internal business plans, and considering key terms of external contracts and agreements. For the purposes of the valuation assessment, we analysed the appropriateness of the valuation methodology applied, and considered whether it is in line with accounting requirements and business practice. We challenged the key assumptions used in determining fair value. This included a comparison of forecast rental rates, market growth, occupancy rates, and real estate sales prices with externally derived data and internal budgets. We also performed our own assessment of other key inputs such as discount rates and terminal multipliers. Our valuation specialists assisted in the evaluation of the more subjective and complex assumptions and analyses. Finally, we assessed whether the Group's disclosures properly reflected the risks inherent in the calculations and met the requirements of relevant accounting standards.

- **Our findings:** We found the Group's key assumptions and the valuation methodology applied to be appropriate, and the quantum of the revaluation adjustments recorded were balanced. We found that the disclosures proportionately describe the inherent degree of subjectivity in the estimates and the potential impact on future periods of revisions to these estimates. We found the classification conclusions reached by the group in relation to these properties continued to be appropriate.

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 (2015: £7.5m), determined with reference to a benchmark of group profit before tax normalised to exclude this year's impairments and revaluation adjustments on investment properties as disclosed in Note 7, of which it represents 5% (2015: 5%). These Items are excluded due to their volatility and for those items excluded from the normalised PBT the component teams perform procedures on items relating to their components. The group audit team perform procedures on the remaining excluded items.

We reported to the Audit & Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of £350,000, in addition to other audit misstatements below that threshold that we believed warranted reporting on qualitative grounds.

The Group's principal operations are in the United Kingdom, Asia and the US which represent over 91% of Group revenue (2015: 94%), 92% Group profit before tax (2015: 94%) and 93% of Group total assets (2015: 92%). All of these operations are scoped in for a full scope audit to component materiality for the Group audit purposes. Although not financially significant, in agreement with the Audit Committee, reviews of financial information including inquiry were also performed on two entities in Middle East and China by component auditors simultaneously with the audit of the Group and its financially significant operations.

The remaining 5% of total group revenue, 7% of group profit before tax and 4% of total group assets is represented by four other overseas operations, none of which individually represented more than 2% of any of total group revenue, group profit before tax or total group assets. For these remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these operations.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.2 million to £4.5 million (2015: £0.2 million to £5.0 million) having regard to the mix of size and risk profile of the Group across the components. The work on the five reporting components was performed by component auditors.

The Group audit team visited three component locations in the UK, US and Asia. 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 audit team was then performed by the component auditor.

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;[1] and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

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

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

	Number of components	Group Revenue %	Group profit before tax %	Group total assets %
Audits for group reporting purposes	Three (Asia, US, UK)	91.0%	92.0%	93.0%
Reviews of financial information (including enquiry)	Two (Middle East and China)	4.0%	1.0%	3.0%
Total		**95.0%**	**93.0%**	**96.0%**

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

5 We have nothing to report on the disclosures of principal risks
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of Risks on pages 26 to 30, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the 1 years to 3; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

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

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

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

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 27 and 37, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 40 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities
As explained more fully in the Directors' Responsibilities Statement set out on page 66, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014b, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

Chartered Accountants

15 Canada Square
London
E14 5GL

16 February 2017

M SOCIAL SINGAPORE

FINANCIAL STATEMENTS

For more information online at:
millenniumhotels.com

GRAND MILLENNIUM AUCKLAND

Financial Statements

Consolidated income statement

For the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Revenue	5	**926**	847
Cost of sales		**(395)**	(350)
Gross profit		**531**	497
Administrative expenses	6	**(382)**	(342)
Other operating income	7	**13**	41
Other operating expense	7	**(55)**	(84)
Operating profit		**107**	112
Share of profit of joint ventures and associates	15	**26**	17
Finance income		**7**	5
Finance expense		**(32)**	(25)
Net finance expense	9	**(25)**	(20)
Profit before tax	5	**108**	109
Income tax expense	10	**(10)**	(12)
Profit for the year		**98**	97
Attributable to:			
Equity holders of the parent		**78**	65
Non-controlling interests		**20**	32
		98	97
Basic earnings per share (pence)	11	**24.0p**	19.9p
Diluted earnings per share (pence)	11	**24.0p**	19.8p

The financial results above derive from continuing activities.

The notes on pages 81 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Note	**2016 £m**	2015 £m
Profit for the year		**98**	97
Other comprehensive expense, net of tax:			
Items that are not reclassified subsequently to income statement:			
Remeasurement of defined benefit plan actuarial net losses	23	**(8)**	(2)
		(8)	(2)
Items that may be reclassified subsequently to income statement:			
Foreign currency translation differences – foreign operations		**422**	(19)
Foreign currency translation differences – equity accounted investees		**41**	4
Net loss on hedge of net investments in foreign losses		**(33)**	(9)
		430	(24)
Other comprehensive income/(expense) for the year, net of tax		**422**	(26)
Total comprehensive income for the year, net of tax		**520**	71
Total comprehensive income attributable to:			
Equity holders of the parent		**411**	49
Non-controlling interests		**109**	22
Total comprehensive income for the year, net of tax		**520**	71

The notes on pages 81 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2016

	Notes	2016 £m	2015 £m
Non-current assets			
Property, plant and equipment	12	**3,238**	2,764
Lease premium prepayment	13	**107**	94
Investment properties	14	**534**	506
Investment in joint ventures and associates	15	**320**	255
		4,199	3,619
Current assets			
Inventories	17	**5**	4
Development properties	18	**93**	81
Lease premium prepayment	13	**2**	2
Trade and other receivables	19	**95**	76
Cash and cash equivalents	20	**337**	238
		532	401
Total assets		**4,731**	4,020
Non-current liabilities			
Interest-bearing loans, bonds and borrowings	21	**(951)**	(665)
Employee benefits	23	**(23)**	(13)
Provisions	24	**(10)**	(8)
Other non-current liabilities	25	**(14)**	(12)
Deferred tax liabilities	26	**(220)**	(210)
		(1,218)	(908)
Current liabilities			
Interest-bearing loans, bonds and borrowings	21	**(93)**	(178)
Trade and other payables	27	**(214)**	(187)
Provisions	24	**(1)**	(2)
Income taxes payable		**(35)**	(33)
		(343)	(400)
Total liabilities		**(1,561)**	(1,308)
Net assets		**3,170**	2,712

The notes on pages 81 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of financial position continued

As at 31 December 2016

	Notes	2016 £m	2015 £m
Equity			
Issued share capital	29	**97**	97
Share premium		**843**	843
Translation reserve	30	**537**	196
Treasury share reserve	30	**(4)**	(4)
Retained earnings		**1,195**	1,144
Total equity attributable to equity holders of the parent		**2,668**	2,276
Non-controlling interests		**502**	436
Total equity		**3,170**	2,712

These financial statements were approved by the Board of Directors on 16 February 2017 and were signed on its behalf by:

Kwek Leng Beng
Chairman

Aloysius Lee Tse Sang
Group Chief Executive Officer

Registered No: 3004377

Consolidated statement of changes in equity

For the year ended 31 December 2016

	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 2016	**97**	**843**	**196**	**(4)**	**1,144**	**2,276**	**436**	**2,712**
Profit	–	–	–	–	78	78	20	98
Other comprehensive income	–	–	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**
Balance at 1 January 2015	**97**	**843**	**210**	**(4)**	**1,117**	**2,263**	**472**	**2,735**
Profit	–	–	–	–	65	65	32	97
Other comprehensive expense	–	–	(14)	–	(2)	(16)	(10)	(26)
Total comprehensive income/(expense)	–	–	(14)	–	63	49	22	71
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends – equity holders	–	–	–	–	(44)	(44)	–	(44)
Dividends – non-controlling interests	–	–	–	–	–	–	(35)	(35)
Share-based payment transactions (net of tax)	–	–	–	–	2	2	–	2
Changes in ownership interests								
Change of interests in subsidiaries without loss of control	–	–	–	–	6	6	(23)	(17)
Total transactions with owners	–	–	–	–	(36)	(36)	(58)	(94)
Balance at 31 December 2015	**97**	**843**	**196**	**(4)**	**1,144**	**2,276**	**436**	**2,712**

The notes on pages 81 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2016

	Notes	**2016 £m**	2015 £m
Cash flows from operating activities			
Profit for the year		**98**	97
Adjustments for:			
Depreciation and amortisation	12, 13	**73**	61
Share of profit of joint ventures and associates	15	**(26)**	(17)
Other operating income	7	**(13)**	(41)
Other operating expense	7	**55**	84
Equity settled share-based transactions		**–**	2
Finance income	9	**(7)**	(5)
Finance expense	9	**32**	25
Income tax expense	10	**10**	12
Operating profit before changes in working capital and provisions		**222**	218
Movement in inventories, trade and other receivables		**(20)**	28
Movement in development properties		**4**	(14)
Movement in trade and other payables		**15**	(4)
Movement in provisions and employee benefits		**(1)**	(8)
Cash generated from operations		**220**	220
Interest paid		**(21)**	(20)
Interest received		**4**	4
Income tax paid		**(33)**	(27)
Net cash generated from operating activities		**170**	177
Cash flows from investing activities			
Dividends received from joint ventures and associates		**2**	1
Proceeds from insurance claim		**2**	–
Proceeds from sale of investment		**–**	4
Acquisition of subsidiary, net of cash acquired		**–**	(61)
Acquisition of property, plant and equipment, lease premium prepayment and investment properties		**(100)**	(85)
Net cash used in investing activities		**(96)**	(141)
Balance carried forward		**74**	36

The notes on pages 81 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows continued

For the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Balance brought forward		**74**	36
Cash flows from financing activities			
Repayment of borrowings		**(339)**	(724)
Drawdown of borrowings		**377**	646
Dividends paid to non-controlling interests		**(35)**	(35)
Return of capital to non-controlling interests		**(4)**	–
Acquisition of non-controlling interests		**(2)**	(17)
Dividends paid to equity holders of the parent	28	**(21)**	(44)
Net cash used in financing activities		**(24)**	(174)
Net increase/(decrease) in cash and cash equivalents		**50**	(138)
Cash and cash equivalents at beginning of the year		**238**	388
Effect of exchange rate fluctuations on cash held		**49**	(12)
Cash and cash equivalents at end of the year		**337**	238
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the consolidated statement of financial position		**337**	238
Bank overdrafts included in borrowings		**–**	–
Cash and cash equivalents for consolidated statement of cash flows	20	**337**	238

The notes on pages 81 to 138 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 2016 were authorised for issue in accordance with a resolution of the Directors on 16 February 2017.

2.1 Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Interests in equity-accounted investees

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

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

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

(iii) Transactions eliminated on consolidation

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

2.2 Changes in accounting policies and disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the consolidated financial statements
continued

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

(i) Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS
The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The Group did not entered into such transactions during the year and thus this amendment did not impact the Group's financial statements.

(ii) Annual Improvements to IFRSs – 2012-2014 Cycle
This cycle of improvements contains amendments to the following four standards:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* – Changes in method for disposal

- *IFRS 7 Financial Instruments: Disclosures*
  - 'Continuing involvement' for servicing contracts
  - Offsetting disclosures in condensed interim financial statements

- *IAS 19 Employee Benefits* – Discount rate in a regional market sharing the same currency

- *IAS 34 Interim Financial Reporting* – Disclosure of information 'elsewhere in the interim financial report'

The Group has applied these improvements during the year.

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

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

Notes to the consolidated financial statements
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(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.

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.

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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'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.

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;

Notes to the consolidated financial statements
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- 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. Key estimates and judgements have been made in the following areas, of which the most significant are listed first:

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

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

Investment properties
The Group holds a number of investment properties and accounts for such properties in accordance with the accounting policy set out in Note 2.3H. The Group owns 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 2.3H.

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

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

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

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

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

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 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, Note 22 of the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources and plans for refinancing maturing facilities are under way.

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

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

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

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

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

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

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

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

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

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

4 New standards and interpretations not yet adopted

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

International Accounting Standards (IAS/IFRS/IFRIC)	Effective date
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments: Classification and measurement	1 January 2018
IFRS 16 Leases	1 January 2019

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

5 Operating segment information

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

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

Geographical segments

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

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

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

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

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

Notes to the consolidated financial statements
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Segment results

	2016								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel	136	136	121	76	127	163	55	–	814
Property operations	–	4	–	–	3	9	40	–	56
REIT	–	–	–	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	(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
EBITDA [3]	**(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**

	2015								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel	138	118	124	75	122	148	40	–	765
Property operations	–	3	–	–	2	7	23	–	35
REIT	–	–	–	3	12	20	12	–	47
Total revenue	**138**	**121**	**124**	**78**	**136**	**175**	**75**	**–**	**847**
Hotel gross operating profit	**33**	**25**	**63**	**20**	**54**	**49**	**17**	**–**	**261**
Hotel fixed charges [1]	(27)	(18)	(20)	(10)	(3)	(33)	(6)	–	(117)
Hotel operating profit	6	7	43	10	51	16	11	–	144
Property operating profit/(loss)	–	(1)	–	–	1	6	11	–	17
REIT operating profit/(loss)	–	–	–	(1)	(3)	7	12	–	15
Central costs	–	–	–	–	–	–	–	(21)	(21)
Other operating income [2]	–	–	–	–	–	32	–	–	32
Other operating expense [2]	(23)	(1)	–	(15)	(1)	(37)	(1)	–	(78)
Other operating income – REIT [2]	–	–	–	–	1	–	8	–	9
Other operating expense – REIT [2]	–	–	–	–	–	(4)	(2)	–	(6)
Operating profit/(loss)	**(17)**	**5**	**43**	**(6)**	**49**	**20**	**39**	**(21)**	**112**
Share of joint ventures and associates profit	–	–	–	1	–	16	–	–	17
Add: Depreciation and amortisation	7	9	6	4	11	21	2	1	61
Add: Net revaluation deficit & impairment	23	1	–	15	–	9	(5)	–	43
EBITDA [3]	**13**	**15**	**49**	**14**	**60**	**66**	**36**	**(20)**	**233**
Less: Depreciation, amortisation, net revaluation deficit & impairment									(104)
Net finance expense									(20)
Profit before tax									109

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.

Notes to the consolidated financial statements
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Segmental assets and liabilities

	2016							
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
Hotel operating assets	674	365	502	235	21	691	187	2,675
REIT operating assets	–	–	–	61	606	139	195	1,001
Hotel operating liabilities	(33)	(47)	(14)	(34)	(21)	(69)	(11)	(229)
REIT operating liabilities	–	–	–	(2)	(9)	(2)	(8)	(21)
Investment in joint ventures and associates	–	–	–	–	–	159	–	159
Total hotel operating net assets	**641**	**318**	**488**	**260**	**597**	**918**	**363**	**3,585**
Property operating assets	–	43	–	–	85	176	94	398
Property operating liabilities	–	(1)	–	–	(5)	(3)	(3)	(12)
Investment in joint ventures and associates	–	–	–	20	–	141	–	161
Total property operating net assets	**–**	**42**	**–**	**20**	**80**	**314**	**91**	**547**
Deferred tax liabilities								(220)
Income taxes payable								(35)
Net debt								(707)
Net assets								**3,170**

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

Geographic information

	2016 £m	2015 £m
Revenue from external customers		
United States	**276**	259
United Kingdom	**183**	175
Singapore	**144**	136
New Zealand	**98**	66
Taiwan	**62**	55
South Korea	**47**	40
China	**25**	24
Maldives	**14**	15
Malaysia	**15**	14
France	**11**	12
Australia	**9**	9
Philippines	**6**	6
Italy	**6**	5
Indonesia	**5**	5
Other	**25**	26
Total revenue per consolidated income statement	**926**	847

The revenue information above is based on the location of the business. The £926m (2015: £847m) revenue is constituted of £814m (2015: £765m) of hotel revenue, £56m (2015: £35m) of property operations revenue and £56m (2015: £47m) of REIT revenue. The property operations revenue comprises £40m (2015: £23m) from New Zealand, £3m (2015: £2m) from Singapore and £13m (2015: £10m) from other countries.

	2016 £m	2015 £m
Non-current assets		
United States	**1,053**	849
United Kingdom	**699**	693
Singapore	**702**	610
Taiwan	**286**	238
China	**286**	257
New Zealand	**242**	185
South Korea	**199**	176
Japan	**215**	166
Australia	**122**	101
Maldives	**94**	90
Hong Kong	**113**	89
Malaysia	**64**	55
Italy	**42**	52
France	**36**	34
Philippines	**12**	12
Indonesia	**13**	11
Netherlands	**20**	–
Others	**1**	1
Total non-current assets per consolidated statement of financial position	**4,199**	3,619

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

Notes to the consolidated financial statements
continued

6 Administrative expenses
The following items are included within administrative expenses:

	2016 £m	2015 £m
Included in administrative expenses is the auditor's remuneration, for audit and non-audit services as follows:		
Auditor's remuneration		
Statutory audit services:		
– Annual audit of the Company and consolidated financial statements	**1**	1
– Audit of subsidiary companies	**1**	1
	2	2
Non-audit related services:		
– Tax advisory	**1**	1
Total	**3**	3

	2016 £m	2015 £m
Repairs and maintenance	**45**	41
Depreciation	**70**	59
Lease premium amortisation	**3**	2
Rental paid/payable under operating leases		
– land and buildings	**1**	1
– plant and machinery	**5**	4

7 Other operating income and expense

	Notes	2016 £m	2015 £m
Revaluation gain/(deficit) of investment properties	(a)		
– REIT properties *(Note 1)*		**(27)**	3
– Millennium Mitsui Garden Hotel Tokyo		**8**	32
– Biltmore Court & Tower		**3**	(1)
– Tanglin Shopping Center		**(4)**	(1)
Impairment of property, plant & equipment	(b)	**(24)**	(76)
		(44)	(43)
Gain on insurance claim	(c)	**2**	–
		(42)	(43)

Note 1: Including impairment loss relating to a REIT property classified as property, plant & equipment of £4m (2015: £1m).

(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.

(b) Impairment
The Directors undertook their annual review of the carrying value of hotels and property assets for indication of impairment and where appropriate, external valuations were also obtained. As a result of this review, the total impairment charge for the year ended 31 December 2016 was £24m consisting of £15m in New York, £5m in Rest of Europe, £2m in Rest of Asia and £2m for Regional US. For 2015, a total impairment charge of £76m was recognised in relation to £23m in New York, £15m in Rest of Europe, £37m in Rest of Asia and £1m for New Zealand. 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.

8 Personnel expenses

	2016 £m	2015 £m
Wages and salaries	**277**	291
Compulsory social security contributions	**49**	42
Contributions to defined contribution schemes	**14**	12
Defined benefit pension cost/(gain) – recorded in the statement of comprehensive income	**10**	2
Defined benefit pension cost – recorded in the income statement	**2**	2
Equity-settled share-based payment transactions	**–**	2
	352	351

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

	2016 Number	2015 Number
Hotel operating staff	**8,397**	8,399
Management/administration	**1,481**	1,385
Sales and marketing	**468**	466
Repairs and maintenance	**650**	620
	10,996	10,870

Directors' remuneration

	2016 £m	2015 £m
Remuneration	**2**	2
Received by the Directors under:		
– long-term incentive schemes	**–**	–
– Pensions	**–**	–
	2	2

9 Net finance expense

	2016 £m	2015 £m
Interest income	**3**	3
Interest receivable from joint ventures and associates	**1**	1
Foreign exchange gain	**3**	1
Finance income	**7**	5
Interest expense	**(23)**	(20)
Foreign exchange loss	**(9)**	(5)
Finance expense	**(32)**	(25)
Net finance expense	**(25)**	(20)

Notes to the consolidated financial statements
continued

10 Income tax expense

	2016 £m	2015 £m
Current tax		
Corporation tax charge for the year	**30**	26
Adjustment in respect of prior years	**–**	–
Total current tax expense	**30**	26
Deferred tax (Note 26)		
Origination and reversal of timing differences	**(2)**	(9)
Effect of change in tax rate on opening deferred taxes	**(3)**	2
Benefits of tax losses recognised	**(15)**	(5)
Over provision in respect of prior years	**–**	(2)
Total deferred tax credit	**(20)**	(14)
Total income tax charge in the consolidated income statement	**10**	12
UK	**8**	7
Overseas	**2**	5
Total income tax charge in the consolidated income statement	**10**	12

For the year ended 31 December 2016, the Group recorded a tax expense of £10m (2015: £12m) excluding the tax relating to joint ventures and associates, giving rise to an effective tax rate of 12.2% (2015: 12.9%). The effective tax rate has been affected by a number of factors which include the following items:

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

Excluding the impact of the items noted above, the Group's underlying effective tax rate is 15.4% (2015: 18.4%).

For the year ended 31 December 2016, a charge of £3m (2015: £6m) relating to joint ventures and associates is included in the profit before tax.

With regard to the UK, a reduction to 17% in the rate applicable from 1 April 2020 was substantively enacted during the year. This has reduced the deferred tax liability as at 31 December 2016.

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

	2016 £m	2015 £m
Profit before income tax in consolidated income statement	**108**	109
Less share of profits of joint ventures and associates	**(26)**	(17)
Profit on ordinary activities excluding share of joint ventures and associates	**82**	92
Income tax on ordinary activities at the standard rate of UK tax of 20.00% (2015: 20.25%)	**16**	19
Tax exempt income	**(11)**	(21)
Non-deductible expenses	**5**	11
Use of brought forward previously unrecognised tax losses	**(1)**	–
Other effect of tax rates in foreign jurisdictions	**3**	3
Effect of change in tax rate on opening deferred taxes	**(3)**	(2)
Other adjustments to tax charge in respect of prior years	**1**	2
Income tax expense per consolidated income statement	**10**	12

11 Earnings per share

Earnings per share are calculated using the following information:

	2016	2015
(a) Basic		
Profit for the year attributable to holders of the parent (£m)	**78**	65
Weighted average number of shares in issue (m)	**325**	325
Basic earnings per share (pence)	**24.0p**	19.9p
(b) Diluted		
Profit for the year attributable to holders of the parent (£m)	**78**	65
Weighted average number of shares in issue (m)	**325**	325
Potentially dilutive share options under the Group's share option schemes	**–**	1
Weighted average number of shares in issue (diluted) (m)	**325**	326
Diluted earnings per share (pence)	**24.0p**	19.8p

Notes to the consolidated financial statements
continued

12 Property, plant and equipment

	Land and buildings £m	Capital work in progress £m	Plant and machinery £m	Fixtures, fittings and equipment and vehicles £m	Total £m
Cost					
Balance at 1 January 2015	2,773	24	249	261	3,307
Additions – Acquisitions	66	–	–	9	75
Additions – Others	7	29	15	20	71
Transfers	–	(10)	2	8	–
Disposals	(2)	–	(1)	(3)	(6)
Written off	(1)	–	(4)	(5)	(10)
Foreign exchange adjustments	4	(1)	(3)	(1)	(1)
Balance at 31 December 2015	2,847	42	258	289	3,436
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**
Accumulated depreciation and impairment losses					
Balance at 1 January 2015	286	1	83	184	554
Charge for the year	17	–	15	27	59
Impairment	76	–	–	–	76
Disposals	(2)		(1)	(2)	(5)
Written off	–	–	(4)	(4)	(8)
Foreign exchange adjustments	1	–	(1)	(4)	(4)
Balance at 31 December 2015	378	1	92	201	672
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**
Carrying amounts					
At 31 December 2016	**2,813**	**96**	**219**	**110**	**3,238**
At 31 December 2015	2,469	41	166	88	2,764

The carrying value of property, plant and equipment held under finance leases at 31 December 2016 was £nil (2015: £nil).

a Impairment
Property, plant and equipment are reviewed for impairment based on each cash generating unit ("CGU"). The CGUs are individual hotels. The carrying value of individual hotels was compared to the recoverable amount of the hotels, which was predominantly based on value-in-use. For 2016, where indicators of impairment were present, the Group estimated value-in-use through creation of discounted cash flow models, based on future trading performance expected by management. The underlying basis for the impairment model involves each hotel's projected cash flow for the financial year ending 31 December 2017, extrapolated to incorporate individual assumptions in respect of revenue growth (principally factoring in room rate and occupancy growth) and major expense lines. The future cash flows are based on assumptions about competitive growth rates for hotels in that area, as well as internal business plans. These plans and forecasts include management's most recent view of trading prospects for the hotel in the relevant market. The forecasts cover a five to ten year period, and cash flows beyond this period are extrapolated using a growth rate ranging between 2% and 3%, which is based upon the expected trading growth for each hotel and inflation in the country. Where appropriate, the Directors sought guidance on value from a registered independent appraiser with an appropriately recognised professional qualification and recent experience in the location and category of the hotel being valued.

On the basis of external valuations in 2016, the Group recorded an impairment charge of £28m (including the impairment of a REIT property of £4m) consisting of £15m in relation to a New York hotel, £2m for a hotel in Regional US, £5m for three hotels in Rest of Europe and £6m for two hotels in Rest of Asia. For 2015, a total impairment charge of £76m was recognised in relation to £23m in relation to a New York hotel, £15m for three hotels in Rest of Europe, £37m for two hotels in Rest of Asia and £1m for a hotel in New Zealand. This reflected the challenging trading conditions in those regions.

Circumstances and events that led to the impairment are disclosed in the Financial Performance review on page 10.

b Key assumptions used by the external appraisers
The key assumptions used were as follows:

Pre-tax discount rate – The discount rate is based on the country in which the hotel is located and is adjusted for risks associated with the hotel. Discount rates ranged from 8% to 12% in the US, 7% to 11% in Europe and 8% to 9% in Asia.

Occupancy rate – The occupancy growth rates ranged from 0% to 7% in the US, 0% to 8% in Europe and 0% to 3% in Asia.

Average room rate – The average room rate growth ranged from 0% to 5% in the US, 0% to 9% in Europe and 0% to 8% in Asia.

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

d Land and buildings
Land and buildings includes long leasehold building assets with a book value of £645m (2015: £606m). The net book value of land and buildings held under short leases was £109m (2015: £96m), in respect of which depreciation of £2m (2015: £2m) was charged during the year.

No interest was capitalised within land and buildings during the year (2015: £nil). The cumulative capitalised interest within land and buildings is £5m (2015: £5m).

e Pledged assets
At year-end, the net book value of assets pledged as collateral for secured loans was £526m (2015: £263m). The security for the loans is by way of charges on the properties of the Group companies concerned.

Notes to the consolidated financial statements
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f Business combination

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

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

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

Acquisition-related costs

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

Identifiable assets and liabilities assumed

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

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

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 valuation model considers quoted market prices for similar items when they are available. The Discounted cash flow valuation model is based upon a ten year forecast of the Property's potential trading performance, having built into the calculations any capital expenditure required for the hotel together with a Fixtures, Fittings & Equipment Reserve, based upon an appropriate percentage of the forecast turnover.

g Other acquisitions
Other acquisition in 2015

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

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

13 Lease premium prepayment

	2016 £m
Cost	
Balance at 1 January 2016	**111**
Foreign exchange adjustments	**18**
Balance at 31 December 2016	**129**
Amortisation	
Balance at 1 January 2016	**15**
Charge for the year	**3**
Foreign exchange adjustments	**2**
Balance at 31 December 2016	**20**
Carrying amount	**109**
Analysed between:	
Amount due after more than one year included in non-current assets	**107**
Amount due within one year included in current assets	**2**
	109

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 2015	473	6	479
Disposals	(1)	–	(1)
Adjustment to fair value	33	–	33
Foreign exchange adjustment	(6)	1	(5)
Balance at 31 December 2015	**499**	**7**	**506**
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**

Notes to the consolidated financial statements
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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 2016 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	Jones Lang LaSalle Property Consultants 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 uplift in value of £8m (2015: revaluation gain £32m) and £3m (2015: revaluation deficit £1m) respectively. Tanglin Shopping Centre Court recorded a revaluation loss of £4m (2015: revaluation loss £1m). In addition, the REIT properties recorded a net revaluation loss of £27m (2015: revaluation gain of £3m). All the other investment properties recorded no change and no impairment was identified.

Fair value hierarchy

The fair value measurement for investment properties not under construction of £525m (2015: £499m) 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. Biltmore Court & Tower and Millennium Mitsui Garden Hotel Tokyo were valued using a discounted cash flow technique based on expected rental income and discount rate appropriate for the property. Investment properties held by the REIT were valued using the discounted cash flow, capitalisation or comparison techniques.	**Tanglin Shopping Centre** Open market values for other properties. **Biltmore Court & Tower** Discount rate of between 8% to 10% and capitalisation rate of 7% to 9%. **Millennium Mitsui Garden Hotel Tokyo** Discount rate of between 4% and 5% and capitalisation rate of 4% to 5%. **CDLHT investment properties** Discount rate of between 10% and 13%, capitalisation rate of 5% to 8% and terminal yield of 7% to 9%.	The estimated fair value would increase/ (decrease) if: Expected market rental growth were higher/(lower); and Risk adjusted discount rate was lower/ (higher), capitalisation rate was higher/ (lower) and terminal yield was lower/ (higher).

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

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 2016	Effective Group interest 2015
Joint ventures				
New Unity Holdings Limited ("New Unity")	Hong Kong	–	**50%**	50%
Fena Estate Company Limited ("Fena")	Thailand	–	**50%**	50%
Associate				
First Sponsor Group Limited ("First Sponsor")	People's Republic of China	159	**36%**	36%

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

	Joint ventures	Associates	Total £m
Share of net assets/cost			
Balance at 1 January 2015	79	156	235
Share of profit for the year	6	11	17
Foreign exchange adjustments	4	–	4
Other movements	–	(1)	(1)
Balance at 31 December 2015	89	166	255
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**

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

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

	First Sponsor		New Unity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Non-current assets	**262**	347	**414**	325
Current assets	**749**	512	**108**	53
Non-current liabilities	**(200)**	(131)	**(206)**	(107)
Current liabilities	**(230)**	(260)	**(28)**	(23)
Total assets less total liabilities	**581**	468	**288**	248
Less: Non-controlling interest	**(3)**	(2)	**(62)**	(71)
Net assets (100%)	**578**	466	**226**	177
Group's share	**207**	167	**113**	89
Revenue	**101**	102	**118**	106
Operating profit	**52**	43	**24**	24
Interest income	**11**	–	**(1)**	–
Income tax expense	**(2)**	(11)	**(5)**	(4)
Profit for the year	**61**	32	**18**	20
Non-controlling interests	**(1)**	–	**(9)**	(9)
Profit for the year after non-controlling interests	**60**	32	**9**	11
Other comprehensive income	**(27)**	10	**–**	–
Profit and total comprehensive income (100%)	**33**	42	**9**	11
Group's share of profit and total comprehensive income	**12**	15	**4**	6
Dividends received by the Group	**2**	–	**–**	–

At 31 December 2016, the Group's share of the total capital commitments of joint ventures and associates amounted to £15m (2015: £27m). At 31 December 2016, the Group's joint ventures and associates had no contingent liabilities (2015: £nil).

16 Other financial assets
There are no financial assets as at 31 December 2016 (2015: £nil).

17 Inventories

	2016 £m	2015 £m
Consumables	**5**	4

18 Development properties

	2016 £m	2015 £m
Development properties comprise:		
Development land for resale		
– New Zealand landbank	**66**	58
Development properties		
– Zenith Residences	**27**	23
	93	81

19 Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**39**	35
Other receivables	**27**	23
Prepayments and accrued income	**29**	18
	95	76

Trade receivables are shown net of an impairment allowance of £2m (2015: £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

	2016 £m	2015 £m
Cash at bank and in hand	**223**	235
Short-term deposits	**194**	118
Cash pool overdrafts	**(80)**	(115)
Cash and cash equivalents on the statement of financial position	**337**	238
Overdrafts included in borrowings	**–**	–
Cash and cash equivalents shown in the cash flow statement	**337**	238

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

As at 31 December 2016, £nil (2015: £5m) of the cash balance was restricted. Previously, this forms part of the consideration for the acquisition of a hotel in Rome in 2014 and was released upon settlement with the previous owner in 2016.

21 Interest-bearing loans, bonds and borrowings

	2016 £m	2015 £m
Included within non-current liabilities:		
Bank loans	**628**	466
Bonds payable	**323**	199
	951	665
Included within current liabilities:		
Bank loans and overdrafts	**93**	104
Bonds payable	**–**	74
	93	178

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

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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	
	2016 £m	2015 £m
Cash at bank and in hand (see Note 20)	**223**	235
Short-term deposits (see Note 20)	**194**	118
Trade receivables (see Note 19)	**39**	35
Other receivables (see Note 19)	**27**	23
	483	411

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

	Carrying value	
	2016 £m	2015 £m
New York	**6**	5
Regional US	**4**	3
Rest of Europe	**7**	7
Singapore	**8**	7
Rest of Asia	**8**	10
Australasia	**6**	3
	39	35

The ageing of trade receivables at the reporting date was:

	Gross receivable		Impairment allowance		Carrying value	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Not past due	**21**	22	**–**	–	**21**	22
Past due 0 – 30 days	**10**	4	**–**	–	**10**	4
Past due 31 – 60 days	**3**	3	**–**	–	**3**	3
Past due 61 – 90 days	**3**	2	**–**	–	**3**	2
More than 90 days	**4**	6	**(2)**	(2)	**2**	4
	41	37	**(2)**	(2)	**39**	35

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

	2016 £m	2015 £m
Balance at 1 January	2	2
Impairment released	–	–
Balance at 31 December	2	2

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	Total £m	Contractual maturities of financial assets 2016 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				

	Total £m	Contractual maturities of financial assets 2015 6 months or less £m	6 months - 1 year £m	1 - 5 years £m	More than 5 years £m
Financial Assets					
Fixed Rate					
US dollar	14	14	–	–	–
Korean Won	2	2	–	–	–
Singapore dollar	37	37	–	–	–
New Taiwan dollar	8	8	–	–	–
Australian dollar	7	7	–	–	–
New Zealand dollar	36	36	–	–	–
Malaysian Ringgit	11	11	–	–	–
Euro	11	11	–	–	–
Chinese Renminbi	15	15	–	–	–
Non Interest Bearing					
Sterling	39	39	–	–	–
US dollar	36	36	–	–	–
Singapore dollar	21	21	–	–	–
Malaysian Ringgit	1	1	–	–	–
Euro	4	4	–	–	–
Japanese	12	12	–	–	–
Other	8	8	–	–	–
Interest Bearing Cash Pool deposits					
Singapore dollar	91	91	–	–	–
Total cash and other financial assets	353	353	–	–	–
Interest Bearing Cash Pool Overdrafts					
Sterling	(33)	(33)	–	–	–
Euro	(5)	(5)	–	–	–
Japanese Yen	(13)	(13)	–	–	–
Hong Kong dollar	(28)	(28)	–	–	–
Non Interest Bearing Cash Pool Overdrafts					
Sterling	(28)	(28)	–	–	–
Japanese Yen	(8)	(8)	–	–	–
Total overdrafts (Note 20)	(115)	(115)	–	–	–
	238	238	–	–	–
Represented by:					
Cash and cash equivalents (Note 20)	238				
	238				

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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.

			Contractual maturities of financial liabilities				
31 December 2016	Carrying amount £m	Contractual cash flows £m	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

			Contractual maturities of financial liabilities				
31 December 2015	Carrying amount £m	Contractual cash flows £m	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	67	74	3	3	38	30	–
Unsecured loans	313	322	22	83	64	153	–
Secured bonds	16	16	–	–	–	16	–
Unsecured bonds	140	144	35	40	1	68	–
Fixed rate financial liabilities							
Secured bonds	60	61	–	–	–	61	–
Unsecured loans	190	213	3	3	6	201	–
Unsecured bonds	57	60	–	1	1	58	–
Trade and other payables							
Trade payables	22	22	20	2	–	–	–
Other creditors	31	31	31	–	–	–	–
Non-current liabilities							
Other non-current liabilities	12	12	–	–	–	3	9
	908	955	114	132	110	590	9

Undrawn committed borrowing facilities
At 31 December 2016, the Group had £546m (2015: £406m) 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.

	2016 £m	2015 3m
Expiring in one year or less	**209**	128
Expiring after more than one year but not more than two years	**153**	112
Expiring after more than two years but not more than five years	**184**	166
Expiring after more than five years	**–**	–
Total undrawn committed borrowing facilities	**546**	406

Security
Included within the Group's total bank loans and overdrafts of £721m (2015: £570m) are £72m (2015: £67m) of secured loans and overdrafts. Total bonds and notes payable of £230m (2015: £197m) are unsecured.

Loans, bonds and notes are secured on land and buildings with a carrying value of £526m (2015: £263m) and an assignment of insurance proceeds in respect of insurances over the mortgaged properties.

Of the Group's total facilities of £1,641m, £434m matures within 12 months comprising £nil unsecured bonds and notes, £191m committed revolving credit facilities, £48m uncommitted facilities and overdrafts subject to annual renewal, £192m unsecured term loans and £3m secured term loans. Plans for refinancing the facilities are underway.

(c) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The primary objectives of the treasury function are to provide secure and competitively priced funding for the activities of the Group and to identify and manage financial risks, including exposure to movements in interest and foreign exchange rates arising from those activities. If appropriate, the Group uses financial instruments and derivatives to manage these risks, as set out below.

(i) Foreign currency risk
The Group is exposed to foreign currency risk on revenue, purchases, borrowings and cash deposits denominated in currencies other than the functional currencies of the respective Group entities. The currencies giving rise to this risk are primarily US dollars, Singapore dollars, New Zealand dollars, New Taiwan dollars, Korean won, Chinese renminbi, Japanese yen and Euro.

The Group's principal policy, wherever possible, is to maintain a natural hedge whereby liabilities are matched with assets denominated in the same currency. Foreign currency investment exposure is also minimised by borrowing in the currency of the investment.

To mitigate foreign currency translation exposure, an appropriate proportion of net assets are designated as hedged against corresponding financial liabilities in the same currency.

Net investment hedging
The Group has US$162m (2015: US$167m) US dollar loans and overdrafts, €61m (2015: €61m) Euro loans and overdrafts, and JPYnil (2015: JPY3,704m) Japanese yen overdrafts designated as hedges of corresponding respective proportions of its net investment in foreign operations whose functional currencies are US dollars, Euros and Japanese yen. The risk being hedged is the foreign currency exposure on the carrying amount of the net assets of the foreign operation upon consolidation. The fair value of the hedging instruments as at 31 December 2016 was £188m (2015: £178m).

There was no ineffectiveness recognised in the consolidated income statement that arose from hedges of net investments in foreign operations.

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

	31 December 2016		31 December 2015	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Sterling	**66**	**66**	64	64
Singapore dollar	**240**	**240**	199	199
Australia dollar	**55**	**55**	46	46
US dollar	**415**	**415**	303	303
New Zealand dollar	**37**	**37**	34	34
Chinese renminbi	**34**	**34**	33	33
Japanese yen	**117**	**117**	94	94
New Taiwan dollar	**11**	**11**	10	10
Korean Won	**23**	**23**	20	20
Euro	**46**	**46**	40	40
	1,044	**1,044**	843	843

Exchange differences arising on foreign currency loans during each accounting period are recognised as a component of equity, to the extent that the hedge is effective. The foreign exchange exposure arising on the Group's net investment in its subsidiaries is expected to be highly effective in offsetting the exposure arising on the Group's foreign currency borrowings.

Foreign currency transaction exposure is primarily managed through funding of purchases from operating income streams arising in the same currency.

Hedging of transaction exposure is undertaken with approved counterparties and within designated limits, using spot or short-term forward contracts to buy or sell the currency concerned, once the timing and the underlying amount of exposure have been determined. Foreign exchange derivatives may also be used to hedge specific transaction exposure where appropriate. There are no foreign exchange derivatives in place at 31 December 2016.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2016	2015	**2016**	2015
US dollar	**1.355**	1.532	**1.228**	1.490
Singapore dollar	**1.879**	2.101	**1.781**	2.103
New Taiwan dollar	**43.700**	48.623	**39.679**	48.923
New Zealand dollar	**1.952**	2.176	**1.772**	2.167
Malaysian ringgit	**5.640**	5.934	**5.503**	6.403
Korean won	**1,576.43**	1,730.23	**1,486.48**	1,742.09
Chinese renminbi	**9.008**	9.640	**8.537**	9.668
Euro	**1.231**	1.375	**1.174**	1.358
Japanese yen	**147.961**	185.880	**144.311**	179.411

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 2016 (31 December 2015: 10%) would have increased/(decreased) equity and profit before tax by the amounts shown below:

	31 December 2016		31 December 2015	
	Equity £m	**Profit before tax £m**	Equity £m	Profit before tax £m
US dollar	**38**	**1**	28	1
Australian dollar	**(3)**	**–**	(2)	–
Singapore dollar	**5**	**1**	4	(5)
New Taiwan dollar	**–**	**1**	–	1
New Zealand dollar	**(6)**	**3**	(5)	(2)
Euro	**9**	**–**	8	1
Chinese renminbi	**(4)**	**–**	(3)	–
Hong Kong dollar	**–**	**1**	–	(1)
Japanese Yen	**2**	**1**	3	(3)
Philippines peso	**–**	**–**	–	2
Other	**–**	**–**	–	(1)
	41	**8**	33	(7)

A 10% weakening of sterling against the above currencies at 31 December 2016 (31 December 2015: 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 2016 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 2016		31 December 2015	
	1% increase £m	**1% decrease £m**	1% increase £m	1% decrease £m
Variable rate financial assets	**2**	**(2)**	2	(2)
Variable rate financial liabilities	**(11)**	**11**	(9)	9
Cash flow sensitivity (net)	**(9)**	**9**	(7)	7

(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.

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	2016 Book value £m	2016 Fair value £m	2015 Book value £m	2015 Fair value £m
Financial assets				
Cash and cash equivalents				
Cash at bank and in hand	**223**	**223**	235	235
Short-term deposits	**194**	**194**	118	118
Cash pool overdrafts	**(80)**	**(80)**	(115)	(115)
Loans and receivables				
Trade receivables	**39**	**39**	35	35
Other receivables	**29**	**29**	41	41
	405	**405**	314	314
Financial liabilities				
Overdrafts and borrowings	**(1,044)**	**(1,044)**	(843)	(843)
Trade payables	**(35)**	**(35)**	(22)	(22)
Other creditors	**(59)**	**(59)**	(31)	(31)
Other non-current liabilities	**(14)**	**(14)**	(12)	(12)
	(1,152)	**(1,152)**	(908)	(908)

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 2016, the Group held certain financial instruments measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value	2016 £m	Level 1 £m	Level 2 £m	Level 3 £m
Investment properties	525	–	–	525
	525	**–**	**–**	**525**

Assets measured at fair value	2015 £m	Level 1 £m	Level 2 £m	Level 3 £m
Investment properties	499	–	–	499
	499	**–**	**–**	**499**

During the year ended 31 December 2016 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measures.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective for managing its capital is to ensure that Group entities will be able to continue as a going concern while maximising the return to shareholders, as well as sustaining the future development of its business. In order to maintain or adjust the capital structure, the Group may alter the total amount of dividends paid to shareholders, return capital to shareholders, issue new shares, draw down additional debt or reduce debt.

The Group's capital structure consists of debt, which includes the loans and borrowings disclosed in Note 21, cash and cash equivalents disclosed in Note 20 and the equity attributable to the parent, comprising share capital, reserves and retained earnings, as disclosed in the consolidated statement of changes in equity. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

One of the Group's subsidiaries, CDLHT which is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT") and CDL Hospitality Business Trust ("HBT"), a business trust, is required to maintain certain minimum base capital and financial resources.

H-REIT is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the Code on Collective Investment Schemes ("CIS Code") issued by Monetary Authority of Singapore. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 35.0% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 35.0% of its Deposited Property (up to a maximum of 60.0%) if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35.0% of its Deposited Property.

For this financial year, H-REIT has a credit rating of BBB- from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2016 was 36.8% (2015: 36.4%) 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 2016 and 2015.

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 2014 and this has been updated on an approximate basis to 31 December 2016. The contributions of the Group during the year were 24% (2015: 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 2016. 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 2016. The contributions of the Group were 6% (2015: 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:

	2016 UK	**2016 South Korea**	**2016 Taiwan**	2015 UK	2015 South Korea	2015 Taiwan
Inflation rate	**3.5%**	**3.0%**	**–**	3.2%	3.0%	–
Discount rate	**2.7%**	**2.8%**	**1.0%**	3.6%	2.8%	1.6%
Rate of salary increase	**4.0%**	**4.0%**	**3.0%**	3.7%	4.0%	3.0%
Rate of pension increases	**3.5%**	**–**	**–**	3.2%	–	–
Rate of revaluation	**2.5%**	**–**	**–**	2.2%	–	–
Annual expected return on plan assets	**2.7%**	**2.8%**	**1.0%**	3.6%	2.8%	1.6%

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			
	2016 Increase £m	**2016 Decrease £m**	2015 Increase £m	2015 Decrease £m
Discount rate (1% movement)	**(11)**	**11**	(11)	14
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:

	2016 UK £m	**2016 South Korea £m**	**2016 Taiwan £m**	**2016 Other £m**	**2016 Total £m**	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Other £m	2015 Total £m
Present value of funded obligations	**75**	**5**	**11**	**2**	**93**	61	4	9	1	75
Fair value of plan assets	**(60)**	**(5)**	**(5)**	**–**	**(70)**	(55)	(4)	(3)	–	(62)
Plan deficit	**15**	**–**	**6**	**2**	**23**	6	–	6	1	13

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

	2016 UK £m	**2016 South Korea £m**	**2016 Taiwan £m**	**2016 Other £m**	**2016 Total £m**	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Other £m	2015 Total £m
Balance at 1 January	**61**	**4**	**9**	**1**	**75**	60	7	8	1	76
Current service cost	**1**	**–**	**–**	**–**	**1**	1	1	–	–	2
Interest cost	**2**	**–**	**1**	**–**	**3**	2	–	–	–	2
Benefits paid, death in service insurance premiums and expenses	**(2)**	**(1)**	**(1)**	**–**	**(4)**	(2)	(1)	1	–	(2)
Remeasurement losses/ (gains) arising from:										
– Financial assumptions	**14**	**–**	**1**	**–**	**15**	1	(1)	–	–	–
– Demographic assumptions	**–**	**–**	**–**	**–**	**–**	(1)	–	–	–	(1)
Foreign exchange adjustments	**(1)**	**2**	**1**	**1**	**3**	–	(2)	–	–	(2)
Balance at 31 December	**75**	**5**	**11**	**2**	**93**	61	4	9	1	75

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

	2016 UK £m	2016 South Korea £m	2016 Taiwan £m	2016 Total £m	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Total £m
Balance at 1 January	**55**	**4**	**3**	**62**	54	3	4	61
Interest income	**2**	**–**	**–**	**2**	2	–	–	2
Group contributions	**-**	**1**	**2**	**3**	4	–	-	4
Benefits paid	**(2)**	**(1)**	**(1)**	**(4)**	(4)	–	1	(3)
Remeasurement gains arising from:								
– Return on plan assets excluding interest income	**5**	**–**	**–**	**5**	(1)	–	–	(1)
Foreign exchange adjustments	**–**	**1**	**1**	**2**	–	1	(2)	(1)
Balance at 31 December	**60**	**5**	**5**	**70**	55	4	3	62
Actual return on plan assets	**7**	**–**	**–**	**7**	1	–	–	1

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

	2016 UK £m	2016 South Korea £m	2016 Taiwan £m	2016 Total £m	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Total £m
Equities	**9**	**–**	**–**	**9**	8	–	–	8
Bonds	**1**	**4**	**–**	**5**	1	4	–	5
Cash and cash equivalents	**50**	**1**	**5**	**56**	46	_	3	49
	60	**5**	**5**	**70**	55	4	3	62

The expense recognised in the income statement is as follows:

	2016 UK £m	2016 South Korea £m	2016 Taiwan £m	2016 Other £m	2016 Total £m	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Other £m	2015 Total £m
Current service cost	**1**	**–**	**–**	**–**	**1**	1	1	–	–	2
Interest cost	**2**	**–**	**1**	**–**	**3**	2	–	–	–	2
Interest income	**(2)**	**–**	**–**	**–**	**(2)**	(2)	–	–	–	(2)
	1	**–**	**1**	**–**	**2**	1	1	–	–	2

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

	2016 £m	2015 £m
Cost of sales	**1**	1
Administrative expenses	**1**	1
	2	2

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

	2016 UK £m	2016 South Korea £m	2016 Taiwan £m	2016 Other £m	2016 Total £m	2015 UK £m	2015 South Korea £m	2015 Taiwan £m	2015 Other £m	2015 Total £m
Actual return less expected return on plan assets	**5**	**–**	**–**	**–**	**5**	(1)	–	–	–	(1)
Remeasurement (losses)/ gains arising from										
– Financial assumptions	**(14)**	**–**	**(1)**	**–**	**(15)**	(2)	1	–	–	(1)
– Demographic assumptions		**–**	**–**	**–**	**–**	–	–	–	–	–
Defined benefit plan remeasurement gains/ (losses)	**(9)**	**–**	**(1)**	**–**	**(10)**	(3)	1	–	–	(2)

Actuarial losses recognised directly in equity are as follows:	2016 £m	2015 £m
Cumulative as at 1 January	**17**	15
Remeasurement losses recognised during the year	**10**	2
Cumulative as at 31 December	**27**	17

Mortality rates used reflect an industry wide recognition that life expectancy has increased. The life expectancies underlying the value of the accrued liabilities for the UK Plan, based on retirement age of 65, are as follows:

	2016 Years	2015 Years
Males	**25**	24
Females	**27**	27

The weighted-average duration of the defined benefit obligations as at 31 December 2016 was 26 years (2015: 26). The Group expects £1m in contributions to be paid to the defined benefit plans in 2017.

Share-based payments

The Group operates a number of share option schemes, a majority being designed to link remuneration to the future performance of the Group. Details of these schemes are given in the Remuneration Committee report.

In accordance with the Group's accounting policy 2.3N(iv) on share-based payment transactions, the fair value of share options and long-term incentive awards is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the share options and long-term incentive awards.

The charge to the income statement for the year was £nil (2015: £2m).

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.

Notes to the consolidated financial statements
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(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 award	Awards outstanding as at 1 Jan 2016	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 2016**	Credited to share capital £m	Credited to share premium £m	Vesting date
11.09.2013	362,965	–	–	(362,965)	–	**–**	–	–	11.09.2016
21.11.2013	21,055	–	–	(21,055)	–	**–**	–	–	21.11.2016
04.04.2014	525,785	–	–	(75,097)	–	**450,688**	–	–	04.04.2017
03.08.2015	251,122	–	–	(19,036)	–	**232,086**	–	–	03.08.2018
10.09.2015	11,867	–	–	–	–	**11,867**	–	–	10.09.2018
29.03.2016	–	111,386	–	–	–	**111,386**	–	–	29.03.2019
29.03.2016	–	18,564	–	–	–	**18,564**	–	–	29.03.2019
29.03.2016	–	18,564	–	–	–	**18,564**	–	–	29.03.2019
29.03.2016	–	37,129	–	–	–	**37,129**	–	–	29.03.2019
	1,172,794	185,643	–	(478,153)	–	**880,284**	–	–	

(ii) Millennium & Copthorne Hotels plc 2006 Sharesave Scheme
Share options under this scheme are granted to UK based employees.

Date of award	Exercise Price per share £	Awards outstanding as at 1 Jan 2016	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 2016**	Credited to share capital £m	Credited to share premium £m	Exercise period
19.04.2011	4.1800	7,040	–	(4,397)	(1,328)	(31)	**1,284**	–	–	01.08.2016–31.01.2017
19.04.2012	3.8800	2,503	–	(2,132)	(371)	–	**–**	–	–	01.08.2015–31.01.2016
19.04.2012	3.8800	9,816	–	(618)	(4,020)	–	**5,178**	–	–	01.08.2017–31.01.2018
19.04.2013	4.4800	35,686	–	(1,807)	(7,346)	–	**26,533**	–	–	01.08.2016–31.01.2017
19.04.2013	4.4800	3,346	–	–	(669)	–	**2,677**	–	–	01.08.2018–31.01.2019
06.05.2014	4.4600	63,108	–	–	(28,055)	–	**35,053**	–	–	01.08.2017–31.01.2018
06.05.2014	4.4600	6,321	–	–	(2,690)	–	**3,631**	–	–	01.08.2019–31.01.2020
14.04.2015	4.6900	58,885	–	–	(28,475)	–	**30,410**	–	–	01.08.2018–31.01.2019
14.04.2015	4.6900	6,649	–	–	–	–	**6,649**	–	–	01.08.2020–31.01.2021
12.04.2016	3.3000	–	125,036	–	(2,725)	–	**122,311**	–	–	01.08.2019–31.01.2020
12.04.2016	3.3000	–	4,545	–	–	–	**4,545**	–	–	01.08.2021–31.01.2022
		193,354	129,581	(8,954)	(75,679)	(31)	**238,271**	–	–	

The weighted average share price at the dates of exercise of share options in the year was £4.26 (2015: £5.54).

The options outstanding at the year-end have an exercise price in the range of £3.30 to £4.69 (2015: £3.30 to £4.69) and a weighted average contractual life of 2.4 years (2015: 1.6 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 at the end of three years (for the 2016 awards 25% after years one and two, 50% after three years) if they continue to be employed by the group.

The fair values for the deferred share awards were determined using the market price of the shares at the date of grant. The weighted average share price for deferred share awards granted in 2016 was £4.39 (2015: £5.51).

2016 Awards	Awards outstanding as at 1 Jan 2016	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 2016	Credited to Share Capital £m	Credited to Share Premium £m	Vesting dates
08.09.2015	76,868	–	(1,480)	(19,036)	–	**56,352**	–	–	08.09.2018
06.11.2015	4,325	–	–	–	–	**4,325**	–	–	06.11.2018
13.05.2016	–	76,798	(2,034)	(13,825)	–	**60,939**	–	–	13.05.2017/8/9
12.08.2016	–	2,377	–	–	–	**2,377**	–	–	12.08.2017/8/9
09.11.2016	–	977	–	–	–	**977**	–	–	09.11.2017/8/9
	81,193	80,152	(3,514)	(32,861)	–	**124,970**	–	–	

(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. This is the first award under the ESP. 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 of £4.13.

2016 awards	Awards outstanding as at 1 Jan 2016	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 2016	Credited to share capital £m	Credited to share premium £m	Vesting dates
29.03.2016	–	63,124	–	(25,552)	–	**37,572**	–	–	29.03.2017/8/9

Awards/options granted

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

2016 Awards/options	Date of grant	Awards/options granted: Directors	Awards/options granted: Non-Directors	Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk-free interest rates
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	3.00	–	1.6%	–
Executive Share Plan	29.03.2016	–	15,781	4.13	–	4.00	3.00	–	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	–	–	–

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2015 Awards/options	Date of grant	Awards/options granted: Directors	Awards/options granted: Non-Directors	Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk-free interest rates
LTIP – EPS	03.08.2015	80,645	70,028	5.55	–	5.16	3.00	–	2.5%	–
LTIP – EPS	10.09.2015	–	7,120	5.53	–	5.13	3.00	–	2.5%	–
LTIP – TSR (FTSE 250)	03.08.2015	13,441	11,671	5.55	–	1.22	2.28	19.5%	2.5%	0.8%
LTIP – TSR (FTSE 250)	10.09.2015	–	1,187	5.53	–	1.36	2.18	19.6%	2.5%	0.7%
LTIP – TSR (hotels)	03.08.2015	13,441	11,671	5.55	–	2.28	2.28	17.7% to 49.8%	2.5%	0.8%
LTIP – TSR (hotels)	10.09.2015	–	1,187	5.53	–	2.83	2.18	17.6% to 52.5%	2.5%	0.7%
LTIP – NAV	03.08.2015	26,882	23,343	5.55	–	5.16	3.00	–	2.5%	–
LTIP – NAV	10.09.2015	–	2,373	5.53	–	5.13	3.00	–	2.5%	–
Sharesave Scheme (3 year)	14.04.2015	–	68,243	5.75	4.69	1.21	3.55	21.7%	2.4%	0.8%
Sharesave Scheme (5 year)	14.04.2015	–	6,649	5.75	4.69	1.45	5.55	25.2%	2.4%	1.1%
Deferred Share Awards	08.09.2015	–	78,442	5.55	–	5.55	3.00	–	–	–
Deferred Share Awards	06.11.2015	–	4,325	4.76	–	4.76	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 2016	2	8	10
Released/utilised	(1)	–	(1)
Foreign exchange adjustments	–	2	2
Balance at 31 December 2016	**1**	**10**	**11**
Analysed as:			
Non-current provision	–	10	10
Current provision	1	–	1
Total provision	**1**	**10**	**11**

Provision for legal fees as at 31 December 2016 of £1m (2015: £2m) relates to disputes in several hotels. The Beijing indemnity of £10m (2015: £8m) relate to the tax indemnity to the former shareholders of Grand Millennium Hotel Beijing in which the Group acquired an additional 40% interest in 2010. During the year, a £1m legal provision has been released upon settlement in US.

25 Other non-current liabilities

	2016 £m	2015 £m
Other liabilities	**14**	12

26 Deferred taxation

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

		Charged/(credited) to income statement					
	At 1 January 2016 £m	Change in tax rate £m	Other adjustment to opening provision £m	Current year movement £m	Charged to reserves £m	Exchange on translation £m	**At 31 December 2016 £m**
Deferred tax liabilities							
Property assets[1]	**243**	(3)	1	(5)	–	47	**283**
	243	(3)	1	(5)	–	47	**283**
Deferred tax assets							
Tax losses	**(25)**	–	–	(15)	–	(14)	**(54)**
Employee benefits[2]	**(4)**	–	–	–	(2)	–	**(6)**
Others	**(4)**	–	–	2	–	(1)	**(3)**
	(33)	–	–	(13)	(2)	(15)	**(63)**
Net deferred tax liabilities	**210**	(3)	1	(18)	(2)	32	**220**

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.

	2016 £m	2015 £m
Deductible temporary differences	**1**	–
Adjustments due to:		
– Deductible temporary differences in respect of prior year	**1**	–
– Tax losses in respect of prior year	**14**	13
	15	13

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:

	2016 £m	2015 £m
Expiry dates:		
– within 1 to 5 years	**8**	6
– after 5 years	**2**	4
– no expiry date	**67**	59
	77	69

At 31 December 2016, a deferred tax liability of £12m (2015: £9m) relating to undistributed reserves of overseas subsidiaries and joint ventures of £958m (2015: £662m) 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.

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27 Trade and other payables

	2016 £m	2015 £m
Trade payables	**35**	22
Other creditors including taxation and social security:		
– Social security and other taxes	**12**	9
– Value added tax and similar sales taxes	**13**	12
– Other creditors	**29**	31
Accruals	**101**	90
Deferred income	**19**	19
Rental and other deposits	**5**	4
	214	187

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

28 Dividends

	2016 pence	2015 pence	2016 £m	2015 £m
Final ordinary dividend paid	**4.34**	11.51	**14**	37
Interim ordinary dividend paid	**2.08**	2.08	**7**	7
Total dividends paid	**6.42**	13.59	**21**	44

Subsequent to 31 December 2016, the Directors declared the following final dividends, which have not been provided for:

	2016 pence	2015 pence	2016 £m	2015 £m
Final ordinary dividend	**5.66**	4.34	**18**	14

All dividends paid during 2016 and 2015 were in cash.

29 Share capital

	Number of 30p shares allotted, called up and fully paid
Balance at 1 January 2016	324,730,301
Issue of ordinary shares on exercise of share options	5,264
Balance at 31 December 2016	**324,735,565**

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 238,271 ordinary shares remain outstanding under the Sharesave Scheme and are exercisable between now and 31 January 2022 at exercise prices between £3.30 and £4.69. In addition, awards made under the LTIP up to 880,284 ordinary shares remain unvested and may potentially vest between 4 April 2017 and 29 March 2019. Lastly, 124,970 options under the Annual Bonus Plan may potentially vest between 8 September 2018 and 9 November 2019.

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 £3.30 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 4,345 shares at 31 December 2016 (2015: 5,758) to satisfy the vesting of awards under the LTIP. During the year no shares (2015: nil shares) were purchased by the trust. At 31 December 2016, the cost of shares held by the trust was £25,017 (2015: £33,153), whilst the market value of these shares at 31 December 2016 was £20,004 (2015: £26,683). Shares purchased by the trust are treated as treasury shares which are deducted from equity and excluded from the calculations of earnings per share.

31 Financial commitments

	2016 £m	2015 £m
(a) Capital commitments at the end of the financial year which are contracted but not provided for	**37**	44

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:

	2016 £m	2015 £m
– less than one year	**12**	11
– between one and five years	**37**	33
– more than five years	**171**	141
	220	185

(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:

	2016 £m	2015 £m
– less than one year	**35**	30
– between one and five years	**108**	91
– more than five years	**59**	55
	202	176

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 2016, £47m (2015: £42m) was recognised as rental income in the income statement and £2m (2015: £1m) in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment properties.

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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:

In January 2017 a subsidiary of the Group exercised a right of first refusal under a lease of the penthouse floor of the Novotel New York Times Square pursuant to which the subsidiary entered into a sale and purchase agreement to acquire the tenant's interest in the lease for a gross purchase price of US$6m. The lease had a term ending in 2080 and the purchase completed in February 2017. The Group previously acquired the hotel, subject to the penthouse lease, in June 2014.

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 64.9% (2015: 65.3%) of the Company's shares via City Developments Limited ("CDL"), the intermediate holding company of the Group. During the year ended 31 December 2016, 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 2016, £4m (2015: £3m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL and its other subsidiaries were £2m (2015: £2m) which included rentals paid for the Grand Shanghai restaurant and Kings Centre; property management fees for Tanglin Shopping Centre; charges for car parking, leasing commission and professional services.

As at 31 December 2015, City e-Solutions Limited ("CES"), a fellow subsidiary of CDL held 1,152,031 ordinary shares in the Company. CES through its subsidiaries provided consultancy, management and reservation services to M&C for the year ended 31 December 2015 for a total of £1m. In 2016, CES ceased to be a subsidiary of CDL.

Transactions with joint venture
City Hotels Pte. Ltd, a 100% subsidiary of the Group, provided a shareholder loan facility of 550m Thai Baht (£12m) to Fena Estate Company Limited ("Fena"), its 50% owned joint venture. At 31 December 2016 and 2015 all of this facility was fully drawn. The loan attracts interest of 4.5% (2015: 4.5%) per annum. This interest was rolled up into the carrying value of the loan. The total loan outstanding as at 31 December 2016, including rolled up interest, was 779m Thai Baht (£18m) (2015: 754m Thai Baht (£14m)).

The Group provided a further US$2m (£1m) operator loan facility to Fena which was fully drawn down. This loan together with interest charged at 2.2% per annum was fully settled in 2015.

Transactions with key management personnel
The beneficial interest of the Directors and their connected persons in the ordinary shares of the Company was 0.16% (2015: 0.16%).

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers and contributes to a post-employment defined contribution plan depending on the date of commencement of employment. The defined contribution plan does not have a specified pension payable on retirement and benefits are determined by the extent to which the individual's fund can buy an annuity in the market at retirement.

Executive officers also participate in the Group's share option programme, Long-Term Incentive Plan and the Group's Sharesave schemes. The key management personnel compensation is as follows:

	2016 £m	2015 £m
Short-term employee benefits	6	5
Share-based payment	–	2
	6	7
Directors	1	2
Executives	5	5
	6	7

34 Related undertakings

The full list of the Company's related undertakings as at 31 December 2016 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	75%	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 AG	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, Bejing, P.R.China 100020	Hotel owner and operator
Biltmore Place Operations Corporation	100%	Indirect subsidiary	USA	1345 28th Street, Boulder, CO 80302	Liquor licence holder
Birkenhead Holdings Pty. Ltd.	75%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
Birkenhead Investments Pty. Ltd.	75%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Property Investment & Management
Bostonian Hotel Limited Partnership	100%	Indirect subsidiary	USA	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

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Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
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) Limited	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
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	75%	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

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
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
Elite Hotel Management Services Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Hotel management consultancy services
Fena Estate Company Limited[2]	50%	Associated undertakings	Thailand	No. 18/8 FICO Place Building, Floor 10 Sukhumvit 21 Road (Asoke), Klongteuyneur Sub-district, Wattana District, Bangkok, Thailand	Investment holding company
Ferguson Hotel Management Limited	50%	Associated undertakings	Hong Kong	Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong	Investment holding
First 2000 Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
First Sponsor Group Limited	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

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Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
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 Ugland House, Grand Cayman, KY1-1104 Cayman Islands	Investment holding company
Hong Leong International Hotel (Singapore) Pte Ltd	97%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding
Hospitality Group Limited	75%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company
Hospitality Holdings Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding company
Hospitality Leases Limited	75%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Lessee company
Hospitality Services Limited	75%	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.	75%	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	75%	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	75%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
Kingsgate Hotel Pty. Ltd.	75%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Service company
Kingsgate Hotels and Resorts Limited	75%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Franchise holder (Quality)
Kingsgate Hotels Limited	75%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel owner and operator
Kingsgate International Corporation Limited	75%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Investment holding

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Kingsgate Investments Pty. Ltd.	75%	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
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 (1) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Finance company
M&C Holdings (Thailand) Ltd.	100%	Indirect subsidiary	Thailand	75 White Group Tower II, 11th Floor, Soi Rubia, Sukhumvit 42 Road, Kwaeng Phrakanong 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

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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 Ugland House, Grand Cayman, KY1-1104 Cayman Islands	Investment holding
M&C Hotels Japan Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	Investment holding
M&C Hotels Partnership France SNC	100%	Indirect subsidiary	France	12 Boulevard Haussmann, 75009 Paris, France	Investment holding
M&C Hospitality Holdings (Asia) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
M&C Hospitality International Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
M&C Management Holdings Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
M&C REIT Management Limited	100%	Indirect subsidiary	Republic of Singapore	36 Robinson Road #04-01 City House Singapore 068877	REIT investment management services
M&C New York (Times Square), LLC	100%	Indirect subsidiary	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	75%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Name-holding
Millennium & Copthorne Hotels New Zealand Limited	75%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel investment holding company
Millennium & Copthorne Hotels Pty. Ltd.	75%	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	12 Boulevard Haussmann, 75009 Paris, France	Hotel operator

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
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
PT Millennium Hotels & Resorts	100%	Indirect subsidiary	Indonesia	Jalan Fachrudin 3, Jakarta 10250, Indonesia	Management services
PT. Millennium Sirih Jakarta	100%	Indirect subsidiary	Indonesia	Jalan Fachrudin 3, Jakarta 10250, Indonesia	Hotel owner
QINZ (Anzac Avenue) Limited	75%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel owner
QINZ Holdings (New Zealand) Limited	75%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company
Quantum Limited	75%	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 L.P.	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

Notes to the consolidated financial statements
continued

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
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
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
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

Full Name	Shareholding percentage	Type	Country of incorporation	Registered office address	Principal Activities
Zillion Holdings Limited	100%	Indirect subsidiary	Barbados	The Phoenix Centre, George Street, Belleville, St. Michael, Barbados	Investment holding

1 CDL Hospitality Trusts is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT"), a real estate investment trust, and CDL Hospitality Business Trust ("HBT"), a business trust. H-REIT has an investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real-estate related assets in relation to the foregoing. HBT is a business trust which was activated in December 2013. In addition to its function as a master lessee, HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT. The registered office address of M&C REIT Management Limited, Manager of H-REIT and M&C Business Trust Management Limited, Trustee-Manager of HBT is 36 Robinson Road #04-01 City House Singapore 068877.

As disclosed in Note 3 to the consolidated financial statements, the Group has concluded that under IFRS10, it has de facto control over CDL Hospitality Trusts.

2 The Group has assessed the classification of its investments in First Sponsor Group Limited, New Unity Holdings Limited and Fena Estate Company Limited in accordance with IFRS10 and concluded that it does not have control.

Exemption from statutory audit

Listed below are subsidiaries controlled and consolidated by the Group, where the Directors have elected to take the exemption from having an audit of their financial statements for the year ended 31 December 2016. This exemption is taken in accordance with Companies Act s479A.

Archyield Limited (1747079)
CDL Hotels (Chelsea) Limited (2845022)
CDL Hotels (U.K.) Limited (2729520)
Copthorne Hotel (Birmingham) Limited (1816493)
Copthorne Hotel (Cardiff) Limited (2411296)
Copthorne Hotel (Effingham Park) Limited (1423861)
Copthorne Hotel (Gatwick) Limited (994968)
Copthorne Hotel (Manchester) Limited (1855800)
Copthorne Hotel (Merry Hill) Construction Limited (2649367)
Copthorne Hotel (Merry Hill) Limited (2590620)
Copthorne Hotel (Plymouth) Limited (3253120)
Copthorne Hotel (Slough) Limited (2300992)
Copthorne (Nominees) Limited (2574042)
Diplomat Hotel Holding Limited (1927463)
Hotel Liverpool Limited (9636541)
Hotel Liverpool Management Limited (9638688)
London Britannia Hotel Limited (744379)
London Tara Hotel Limited (1005559)
M&C Asia Finance (UK) Limited (8391037)
M&C Asia Holdings (UK) Limited (8382946)
M&C (CB) Limited (3846711)
M&C (CD) Limited (3846704)
M&C Finance (1) Limited (6783896)
M&C Hotels Holdings Limited (4407581)
M&C Management Holdings Limited (5832248)
M&C New York Finance (UK) Limited (9060415)
M&C NZ Limited (5159722)
M&C Singapore Finance (UK) Limited (8391052)
M&C Singapore Holdings (UK) Limited (8382985)
Millennium & Copthorne (Austrian Holdings) Limited (3757378)
Millennium & Copthorne (Jersey Holdings) Limited (5846574)
Millennium & Copthorne Pension Trustee Limited (6662791)
Millennium & Copthorne Share Trustees Limited (3320990)
Millennium Hotel Holdings EMEA Limited (4592877)
Millennium Hotels Limited (3141048)
Millennium Hotels Europe Holdings Limited (8844747)
Millennium Hotels London Limited (3691885)
Millennium Hotels (West London) Limited (8599282)
Millennium Hotels (West London) Management Limited (8891908)
Millennium Hotels & Resorts Services Limited (4601112)

Each company's registered number is shown in brackets after its name.

Notes to the consolidated financial statements
continued

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 2016	Ownership interests held by NCI 2015
Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ")	New Zealand	Hotel investment holding company	**25%**	25%
CDL Hospitality Trusts ("CDLHT")	Singapore	Real estate investment trust	**63%**	64%

The following is summarised financial information for MCHNZ and CDLHT, prepared in accordance with local accounting standards. The information is before inter-company eliminations with other companies in the Group.

	MCHNZ Subgroup		CDLHT Subgroup	
Name	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Revenue	**88**	63	**96**	82
Profit after tax	**26**	13	**26**	28
Profit attributable to NCI	**5**	3	**16**	18
Other comprehensive income	**33**	2	**10**	–
Total comprehensive income	**59**	15	**36**	28
Total comprehensive income attributable to NCI	**5**	3	**23**	18
Current assets	**80**	60	**61**	44
Non-current assets	**286**	212	**1,362**	1,168
Current liabilities	**(19)**	(14)	**(20)**	(120)
Non-current liabilities	**(64)**	(53)	**(535)**	(344)
Net assets	**283**	205	**868**	748
Net assets attributable to NCI	**32**	26	**546**	479
Cash flows from operating activities	**36**	3	**71**	63
Cash flows from investing activities	**(29)**	(8)	**(10)**	(72)
Cash flows from financing activities	**(6)**	1	**(56)**	6
Net increase/(decrease) in cash and cash equivalents	**1**	(4)	**5**	(3)
Dividends paid to NCI during the year[1]	**1**	1	**33**	32

1 Included in cash flows from financing activities.

Company statement of financial position

As at 31 December 2016

	Notes	2016 £m	2015 £m
Non current assets			
Property, plant and equipment	(E)	**3**	3
Investments and other financial assets	(F)	**1,979**	1,903
Deferred tax asset		**2**	2
		1,984	1,908
Current assets			
Amounts owed by subsidiary undertakings falling due within one year		**19**	18
Other receivables		**1**	1
Cash and cash equivalents		**21**	–
		41	19
Other current liabilities	(G)	**(163)**	(202)
Net current liabilities		**(122)**	(183)
Other non current liabilities	(H)	**(505)**	(391)
Net assets		**1,357**	1,334
Equity			
Called up share capital	(I)	**97**	97
Share premium		**843**	843
Retained earnings		**421**	398
Treasury share reserve		**(4)**	(4)
Total equity		**1,357**	1,334

These financial statements were approved by the Board of Directors on 16 February 2017 and were signed on its behalf by:

Kwek Leng Beng
Chairman

Aloysius Lee
Group Chief Executive Officer

Registered No: 3004377

Company statement of changes in equity

For the year ended 31 December 2016

	Share capital £m	Share premium £m	Treasury share reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2015	97	843	(4)	221	1,157
Profit	–	–	–	221	221
Other comprehensive income	–	–	–	(2)	(2)
Total comprehensive income	–	–	–	219	219
Purchase of own shares	–	–	–	2	2
Dividends	–	–	–	(44)	(44)
Balance at 31 December 2015	**97**	**843**	**(4)**	**398**	**1,334**
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**

The notes on pages 141 to 142 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 2016 were authorised for issue by the board of Directors and signed on its behalf on 16 February 2017. 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 2016. 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 82 to 88.

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 £51m (2015: £221m).

E Property, plant and equipment

	Software £m	Capital work in progress £m	Total £m
Cost at 1 January 2016	–	3	3
Transfers	3	(3)	–
Cost at 31 December 2016	**3**	**–**	**3**

Notes to the Company financial statements
continued

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 2016	1,872	24	7	1,903
Reductions	–	–	–	–
Additions	–	52	–	52
Foreign exchange adjustments	31	(7)	–	24
Cost and net book value at 31 December 2016	**1,903**	**69**	**7**	**1,979**

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 2016 are listed in Note 34 to the consolidated financial statements.

G Other current liabilities

	2016 £m	2015 £m
Bank loans and overdrafts	**52**	60
Bonds payable	**–**	34
Amounts owed to subsidiary undertakings	**107**	105
Other payables	**2**	1
Accruals and deferred income	**2**	2
	163	202

H Other non current liabilities

	2016 £m	2015 £m
Bank loans	**80**	71
Bonds payable	**163**	67
Amounts owed to subsidiary undertakings	**247**	247
Net employee defined benefit liabilities	**15**	6
	505	391

Other non current liabilities are repayable as follows:-

	2016 £m	2015 £m
Between one and two years	**81**	–
Between two and five years	**424**	391
	505	391

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 2016, fees paid/payable by the Company to Hong Leong Management Services, a subsidiary of Hong Leong Investment Holdings Pte. Ltd. amounted to £nil (2015: £nil). At 31 December 2016, £nil (2015: £nil) of fees payable was outstanding.

Group financial record

	2016 £m	2015 £m	2014 £m	Restated 2013 £m	2012 £m
Income statement					
Revenue	**926**	847	826	1,064	768
Operating profit	**107**	112	195	294	140
Net finance expense	**(25)**	(20)	(17)	(13)	(6)
Income tax expense	**(10)**	(12)	(37)	(30)	(25)
Profit for the year	**98**	97	151	265	147
Cash flow					
Cash generated from operations	**220**	220	330	204	196
Statement of financial position					
Property, plant, equipment and lease premium prepayment	**3,345**	2,858	2,851	2,457	2,096
Investment properties	**534**	506	479	414	169
Investment and loans in joint ventures and associates	**320**	255	235	203	440
Loans due from associate	**–**	–	–	–	29
Other financial assets	**–**	–	5	5	8
Non-current assets	**4,199**	3,619	3,570	3,079	2,742
Current assets excluding cash	**195**	163	182	259	264
Net cash/(debt)	**(707)**	(605)	(525)	(215)	52
Deferred tax liabilities	**(220)**	(210)	(221)	(208)	(228)
Provisions and other liabilities	**(297)**	(255)	(271)	(236)	(467)
Net assets	**3,170**	2,712	2,735	2,679	2,363
Share capital and share premium	**940**	940	940	940	940
Reserves	**1,728**	1,336	1,323	1,236	1,236
Total equity attributable to equity holders	**2,668**	2,276	2,263	2,176	2,176
Non-controlling interests	**502**	436	472	503	187
Total equity	**3,170**	2,712	2,735	2,679	2,363

	2016	2015	2014	2013	2012
Key operating statistics					
Gearing	**26%**	27%	23%	10%	–
Earnings per share	**24.0p**	19.9p	34.0p	69.4p	42.0p
Dividends per share[1]	**7.74p**	6.42p	13.59p	22.74p	13.59p
Hotel gross operating profit margin	**31.6%**	34.1%	36.0%	35.0%	38.5%
Occupancy	**71.8%**	71.8%	74.2%	72.3%	70.8%
Average room rate (£)	**£106.78**	£100.19	£96.49	£96.25	£95.08
RevPAR (£)	**£76.71**	£71.98	£71.55	£69.58	£67.32

1 Dividends per share includes ordinary dividends and special dividends

Key operating statistics

Owned or leased hotels*	**Year ended 2016 Reported currency**	Year ended 2015 Constant currency	Year ended 2015 Reported currency
Occupancy (%)			
New York	**77.9**		82.1
Regional US	**58.6**		58.2
Total US	**65.0**		66.1
London	**81.9**		80.2
Rest of Europe	**72.2**		72.7
Total Europe	**77.1**		76.5
Singapore	**84.2**		87.1
Rest of Asia	**65.4**		64.5
Total Asia	**72.7**		73.2
Australasia	**81.3**		77.1
Total Group	**71.8**		71.8
Average Room Rate (£)			
New York	**186.85**	196.69	173.99
Regional US	**98.12**	94.96	84.00
Total US	**133.18**	136.60	120.84
London	**130.83**	135.51	135.51
Rest of Europe	**72.86**	73.58	70.96
Total Europe	**104.04**	106.93	105.72
Singapore	**95.22**	102.48	91.67
Rest of Asia	**92.66**	92.32	84.31
Total Asia	**93.81**	97.00	87.70
Australasia	**71.84**	62.64	56.18
Total Group	**106.78**	109.26	100.19

Owned or leased hotels*	**Year ended 2016 Reported currency**	Year ended 2015 Constant currency	Year ended 2015 Reported currency
RevPAR (£)			
New York	**145.64**	161.57	142.92
Regional US	**57.49**	55.30	48.92
Total US	**86.52**	90.31	79.89
London	**107.18**	108.68	108.68
Rest of Europe	**52.61**	53.47	51.56
Total Europe	**80.24**	81.84	80.92
Singapore	**80.21**	89.26	79.85
Rest of Asia	**60.63**	59.52	54.35
Total Asia	**68.21**	71.03	64.23
Australasia	**58.40**	48.32	43.33
Total Group	**76.71**	78.49	71.98
Gross Operating Profit Margin (%)			
New York	**15.9**		23.9
Regional US	**20.9**		21.2
Total US	**18.4**		22.7
London	**49.8**		50.8
Rest of Europe	**19.1**		26.7
Total Europe	**37.8**		41.7
Singapore	**40.8**		44.3
Rest of Asia	**34.0**		33.1
Total Asia	**37.0**		38.1
Australasia	**46.5**		42.5
Total Group	**31.6**		34.1

For comparability, the 31 December 2015 Average Room Rate and RevPAR have been translated at average exchange rates for the year ended 31 December 2016.

*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	567	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
Jumeirah Dhevanafushi 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

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
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 Singapore 81 Anson Road, Singapore	Freehold	2,134	415	37
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, Namdaeumro 5 Ga 652-1	Freehold	1,564	–	100
Pullman Bangkok Grande Sukhumvit Hotel (Owned by Fena Estate Company Limited) Sukhumvit Soi 21, Asoke Road Bangkok, Thailand	30-year term from 02.02.2005 with option to renew for a further term of 30 years	5,052	325	50
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

Major Group properties
continued

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
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 5SR, England	Freehold	7,535	833	100

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
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
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	9,398	116	100
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	100
Millennium Hotel London Mayfair 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
Grand Hotel Palace Rome Via Veneto, 70, Rome, 00187, Italy	Freehold	801	87	100
The Bailey's Hotel London 140 Gloucester Road, London SW7 4QH, England	Freehold	1,923	211	100
The Chelsea Harbour Hotel Chelsea Harbour, London, SW10 0XG, England	Leasehold to year 2112	2,561	157	100

North America

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
The Lakefront Anchorage 4800 Spenard Road, Anchorage, AK 99517, USA	Freehold	20,639	248	100
Millennium Biltmore Hotel Los Angeles 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	11,331	683	100
The Bostonian Boston 26 North Street At Faneuil Hall Marketplace, Boston MA 02109, USA	Freehold	2,769	204	100

Major Group properties
continued

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
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)	36,421	287	100
Millennium Broadway Hotel NewYork 145 West 44th Street, New York, NY 10036, USA	Freehold	1,762	626	100
The Premier Hotel NewYork 133 West 44th Street, New York, NY 10036, USA	Freehold	360	124	100
ONE UN NewYork 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 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

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Maingate Lakeside Resort 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747, USA	Freehold	93,796	475	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	331,121	6	100

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	75
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	75
Copthorne Hotel Auckland City 150 Anzac Avenue Auckland, New Zealand	Perpetual/Leasehold land	2,495	110	75
Copthorne Hotel Auckland Harbourcity (closed for refurbishment) 196-200 Quay Street Auckland, New Zealand	Freehold	2,407	187	75
Copthorne Hotel Palmerston North 110 Fitzherbert Avenue, Palmerston North, New Zealand	Freehold	15,514	89	75
Copthorne Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	35,935	110	75
Copthorne Hotel Wellington Oriental Bay 100 Oriental Parade, Wellington, New Zealand	Freehold	3,904	118	75

Major Group properties
continued

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
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	75
Kingsgate Hotel Greymouth 32 Mawhera Quay, Greymouth, New Zealand	Freehold/Perpetual leasehold land	2,807	98	75
Kingsgate Hotel Te Anau 20 Lakefront Drive, Te Anau, New Zealand	Freehold	8,819	94	75
Mercure & Ibis Brisbane 85-87 North Quay/ 27-35 Turbot Street Brisbane, Queensland, Australia	Interconnected at ground level, situated on one freehold title	3,845	194/218	37
Mercure Perth 10 Irwin Street Perth, Western Australia, Australia	Strata freehold	757	239	37
Millennium Hotel Queenstown Corner Frankton Road & Stanley Street Queenstown, New Zealand	Freehold	7,453	220	75
Millennium Hotel Rotorua Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/Perpetual leasehold land	10,109	227	75
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	6,285	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

Owned by First Sponsor Group Limited, an associate of the Company:			
Chengdu Cityspring North Yizhou Avenue, Gaoxin District, Chengdu, Sichuan Province, the PRC. Comprising 21,875 sq. metres commercial space in the same building as M Hotel Chengdu (level 3-17) and 5,376 sq. metres of commercial and retail spaces.	Leasehold to year 2049	27,251	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
Arena Towers (Holiday Inn/Holiday Inn Express Hotels) Hoogoorddreef 66 and 68, Amsterdam, the Netherlands. A hotel property 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.	Leasehold to year 2051	81,041 (Gross fl area)	36

*Hotel managed by the Millennium & Copthorne Hotels Group.

Millennium & Copthorne hotels worldwide

ASIA

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

Hong Kong
New World Millennium Hong Kong Hotel
JW Marriott Hotel Hong Kong

Indonesia
Millennium Hotel Sirih Jakarta

Japan
Hotel MyStays Asakusabashi
Hotel MyStays Kamata
Millennium Mitsui Garden Hotel Tokyo

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

Maldives
Angsana Velavaru
Jumeirah Dhevanafushi

Philippines
The Heritage Hotel Manila

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

South Korea
Millennium Seoul Hilton

Taiwan
Grand Hyatt Taipei
Millennium Vee Hotel Taichung

Thailand
Pullman Bangkok Grande Sukhumvit
Millennium Resort Patong Phuket

AUSTRALASIA

Australia
Ibis Perth
Mercure & Ibis Brisbane
Mercure Perth
Novotel Brisbane

New Zealand
Copthorne Hotel Auckland City
Copthorne Hotel Auckland Harbourcity
(closed for refurbishment)
Copthorne Hotel Grand Central New Plymouth
Copthorne Hotel Wellington Oriental Bay
Copthorne Hotel & Resort Bay of Islands
Copthorne Hotel & Resort Hokianga
Copthorne Hotel Palmerston North
Copthorne Hotel & Resort Queenstown Lakefront
Copthorne Hotel & Apartments Queenstown Lakeview
Copthorne Hotel Rotorua
Copthorne Hotel & Resort Solway Park Wairarapa
Kingsgate Hotel Autolodge Paihia
Kingsgate Hotel Dunedin
Kingsgate Hotel Greymouth
Kingsgate Hotel Hamilton (franchise ended 11 February 2016)
Kingsgate Hotel Te Anau
Kingsgate Hotel The Avenue Wanganui
Kingsgate Hotel Whangarei (franchise ended 25 January 2016)
Millennium Hotel Queenstown
Millennium Hotel Rotorua
Millennium Hotel & Resort Manuels Taupo
Grand Millennium Auckland

MIDDLE EAST

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

Qatar
Copthorne Hotel Doha
Kingsgate Hotel Doha
Millennium Hotel Doha

Saudi Arabia
Copthorne by Millennium Riyadh
Millennium Taiba Hotel Madinah
Millennium Al Aqeeq Hotel
Millennium Hail Hotel

United Arab Emirates
Copthorne Hotel Dubai
Copthorne Hotel Sharjah
Grand Millennium Dubai
Grand Millennium Al Wahda
Kingsgate Hotel Abu Dhabi
Millennium Airport Hotel Dubai
Millennium Corniche Hotel Abu Dhabi
Millennium Plaza Hotel Dubai
Millennium Hotel Fujairah
Bab Al Qasr Hotel

EUROPE

France
Millennium Hotel Paris Charles de Gaulle
Millennium Hotel Paris Opéra

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

THE AMERICAS

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

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Millennium & Copthorne hotels worldwide
continued

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(Sunday – Thursday)
8:00am – 5:00pm

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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 2016

Number of shares	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
1 – 10,000	619	78.26%	831,641	0.26%
10,001 – 25,000	44	5.56%	690,510	0.21%
25,001 – 50,000	28	3.54%	1,031,471	0.32%
50,001 – 100,000	30	3.79%	2,047,879	0.63%
100,001 – 500,000	40	5.06%	9,185,342	2.83%
500,001 – 1,000,000	5	0.63%	2,891,990	0.89%
1,000,001 – Highest	25	3.16%	308,056,732	94.86%
Total	**791**	**100.00%**	**324,735,565**	**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.

Shareholder information
continued

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.

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Auditor
KPMG LLP

Solicitor
Hogan Lovells International LLP

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

Registrar
Equiniti Limited

Financial calendar

2016 final dividend record date	17 March 2017
First quarter's results announcement	5 May 2017
Annual general meeting	5 May 2017
2016 final dividend payment	12 May 2017
Interim results announcement	4 August 2017
2017 interim dividend record date	18 August 2017
2017 interim dividend payment	29 September 2017
Third quarter's results announcement	1 November 2017

Further Information

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

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