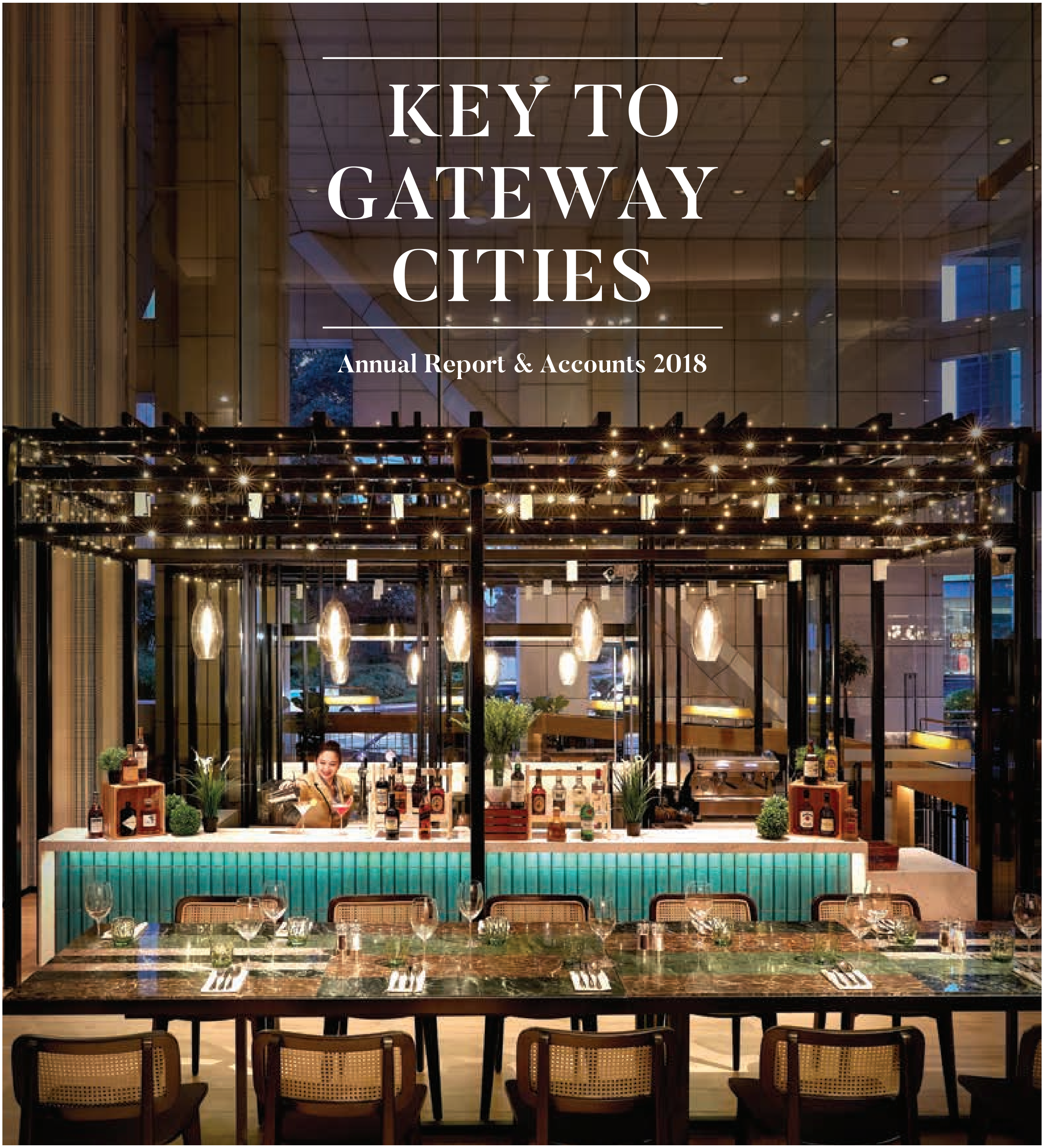
MILLENNIUM & COPTHORNE HOTELS plc

KEY TO GATEWAY CITIES

Annual Report & Accounts 2018



LENG'S COLLECTION | MILLENNIUM COLLECTION | M COLLECTION | COPTHORNE COLLECTION

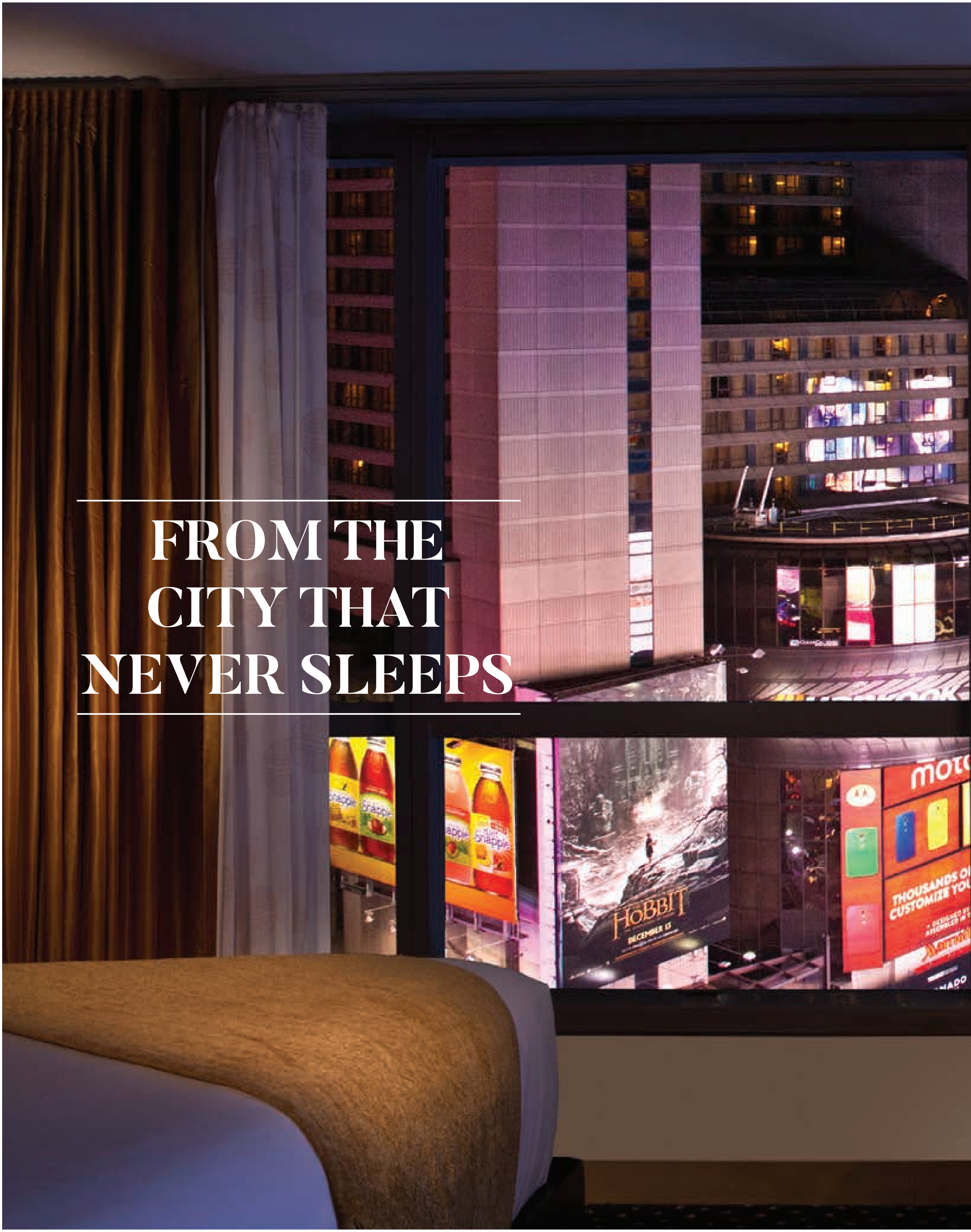
Cover: The Orchard Cafe, a prime establishment at Orchard Hotel Singapore. With a legacy rooted in heritage-inspired cuisine, the cafe has become a favourite dining destination for many. As part of the Group's enhancement initiatives, The Orchard Cafe has been transformed into a modern dining paradise.

MILLENNIUM & COPTHORNE

We hold the key to the best hospitality experience globally.

At Millennium & Copthorne Hotels, we believe that experience is key. Building on our collective expertise and experience across 139 hotels in 79 locations around the world, we have come a long way since our inception to create a unique brand of hospitality that guests have grown to love and enjoy. For us, the key to the best experiences starts with having the right experience to deliver the best.

FROM THE CITY THAT NEVER SLEEPS



MILLENNIUM BROADWAY, NEW YORK TIMES SQUARE

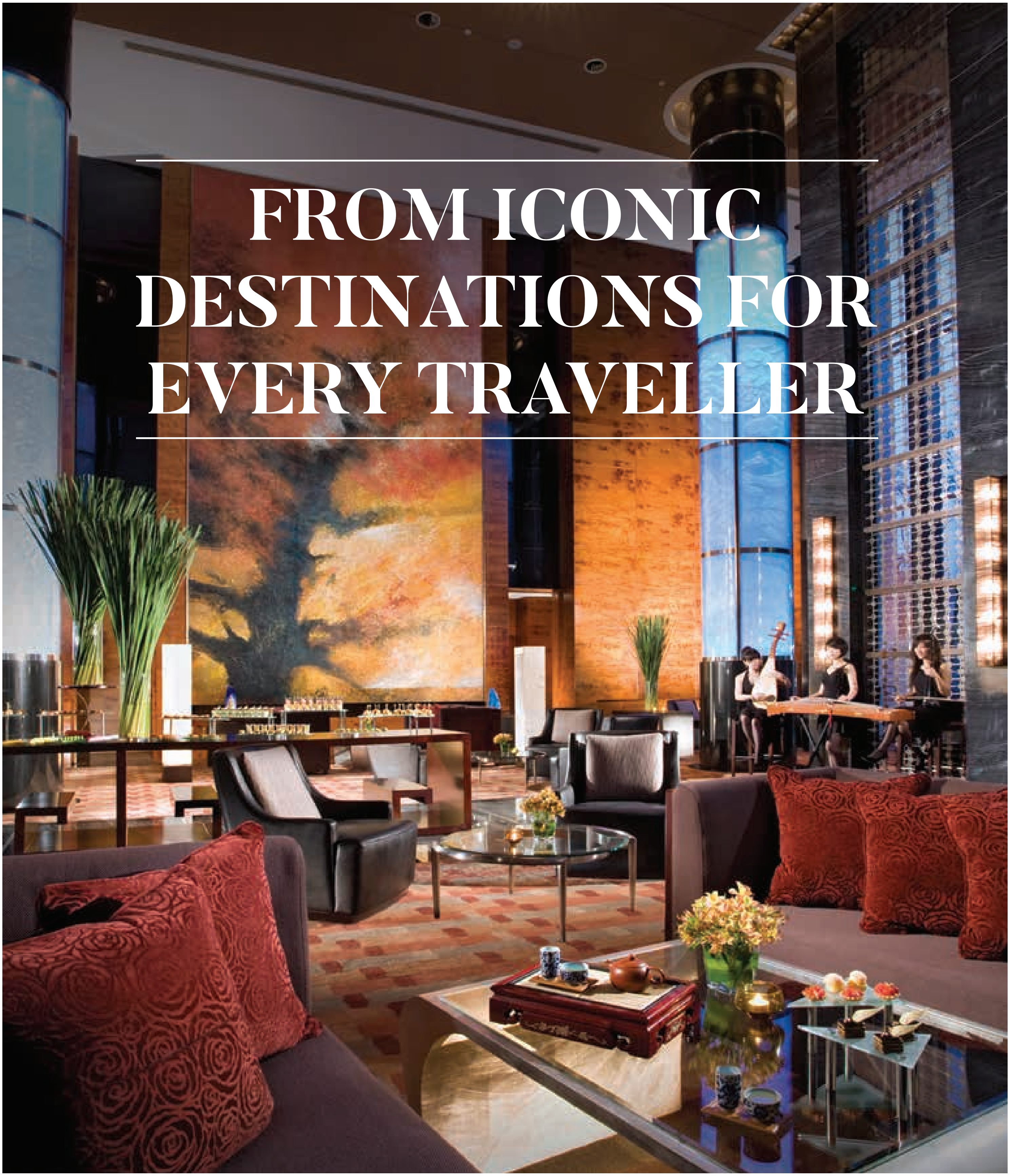
Set against a spectacular New York City backdrop, Millennium Broadway offers breathtaking views of the Chrysler Building, Empire State Building and glittering light show that defines Times Square. With spacious and tasteful rooms filled with thoughtful amenities, guests can look forward to experiencing the vibrant city life in more ways than one.

TO THE CAPITAL OF PASSION

GRAND HOTEL PALACE, ROME

The Grand Hotel Palace is definitive of Italy's finest in every way. Designed by Marcello Piacentini in the 1920's and subsequently refurbished by Italian architect Italo Rota, this splendid boutique hotel is an architectural masterpiece that is truly the essence of Dolce Vita – the sweet life.

FROM ICONIC DESTINATIONS FOR EVERY TRAVELLER

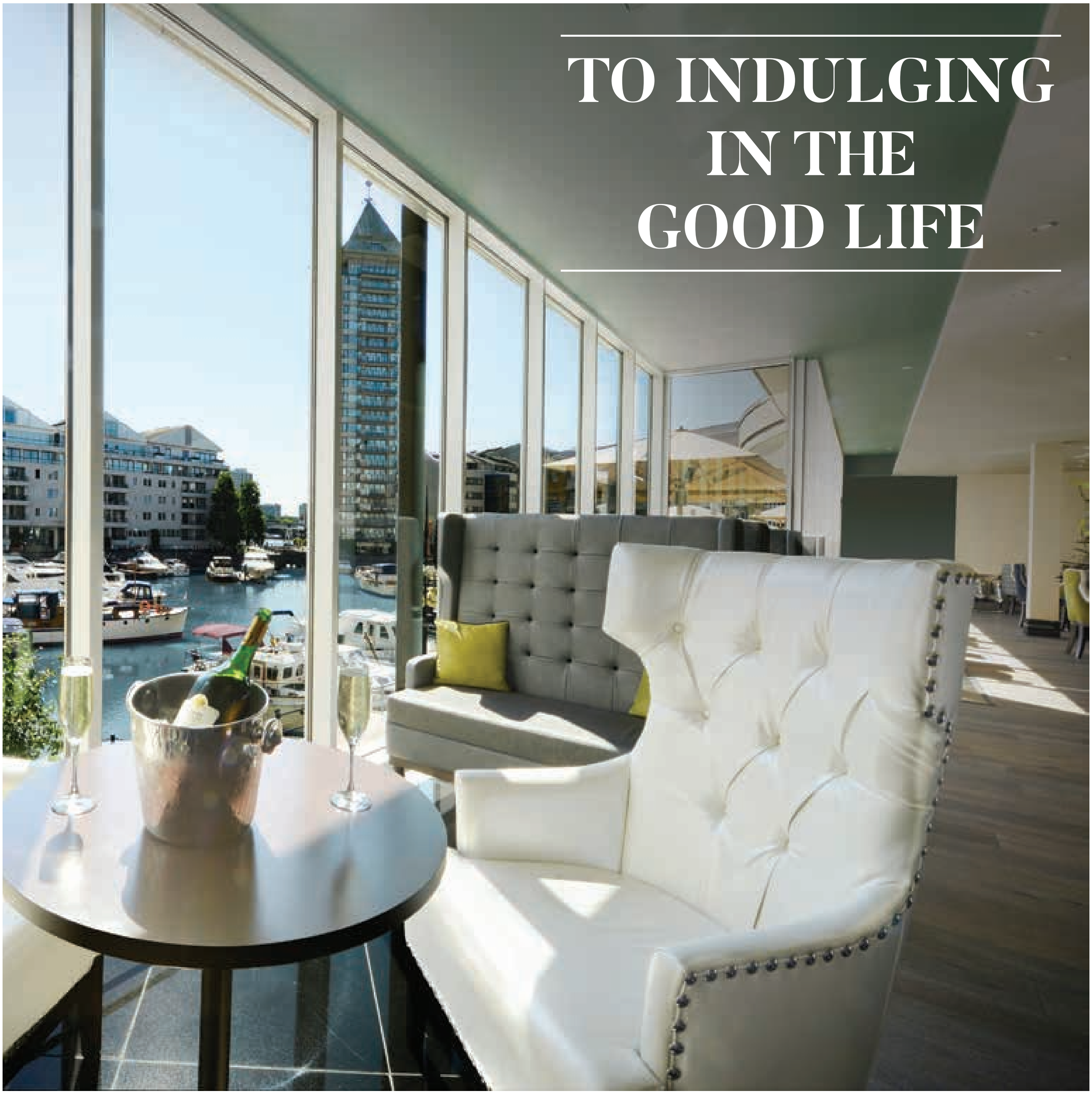


GRAND MILLENNIUM BEIJING, CHINA

Grand Millennium Beijing features a blend of heritage luxury and contemporary living, where the opulence of China's rich history is complemented by the practical ease of modern comforts. The hotel's prime location in the business district of China's capital connects guests to worlds of fashion, culture, entertainment and art, making it the ideal destination for any traveller.

THE CHELSEA HARBOUR HOTEL, LONDON

With breathtaking views over the Chelsea Harbour Marina and River Thames, The Chelsea Harbour Hotel is the perfect place for a perfect stay. Guests can discover the best of both worlds, from the tranquility of riverside living to enjoying the high life at some of London's most exciting attractions a stone's throw away.



TO INDULGING IN THE GOOD LIFE


FROM SIPPING
YOUR FAVOURITE
COCKTAIL

HARD DAYS NIGHT HOTEL, LIVERPOOL

As one of the world's only Beatles-inspired hotels, the magnificent Hard Days Night Hotel offers guests a truly unique experience in the heart of a lively city. Situated in Liverpool's 'Beatles Quarter', the hotel's luxurious accommodations are elegantly furnished with the Fab Four's artwork, specially commissioned by renowned artist, Shannon. Beyond the legacy, the hotel's central location connects guests to a variety of leisure and dining hotspots poised to delight guests from all walks of life.

TO RECHARGING YOUR BODY AFTER A HARD DAY'S NIGHT

THE BILTMORE, MAYFAIR, LONDON

The Biltmore is an iconic property with a rich legacy. The building was first designed by architect Richard Seifert in the 1960's. Since then, the hotel has undergone renovations to refresh its look. Despite changes in appearance, one thing remains the same – the touch of luxury that permeates every aspect of the hotel. From furnishings and amenities to service and experience, guests can always expect nothing but the best.

MILLENNIUM

Key to your home

& COPTHORNE
away from home.

OUR HOTEL COLLECTIONS

MILLENNIUM COLLECTION

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


GRAND MILLENNIUM AUCKLAND, NEW ZEALAND


M SOCIAL, SINGAPORE

M COLLECTION

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

LENG'S COLLECTION

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


HARD DAYS NIGHT HOTEL, LIVERPOOL


COPTHORNE AL-JAHRA HOTEL & RESORT, KUWAIT

COPTHORNE COLLECTION

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

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THE BAILEY'S HOTEL LONDON

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MILLENNIUM HOTEL NEW PLYMOUTH WATERFRONT, NEW ZEALAND

CHAIRMAN'S STATEMENT

KWEK LENG BENG
Chairman

"2019 will be another challenging year for the Group, with significant capital projects underway and several large hotels earmarked for major renovations. These investments will be carefully managed and phased to deliver the right returns to shareholders and underline the Group's intention to maintain strict control of costs throughout the business."

The hospitality industry faced a range of geo-political and global economic headwinds in 2018, many of which look set to continue in the current year, including US/China trade relations, Brexit and increasing minimum wage levels in many jurisdictions.

The Board's priority is to evaluate and develop new and innovative strategic plans to meet the challenges facing our fast-changing operating environment. The shortage of talent—from rank and file to senior management—is intensifying with many new hotels being built around the world, not to mention the growth of Airbnb and serviced apartments. Any hospitality business that wants to progress will need to evolve and embrace these changes to stay relevant and profitable in the immediate and medium term. Restoring profitability in our New York hotels also remains at the top of the Board's objectives.

Meanwhile, we continue to invest in and reposition our hotels. We look forward to our Mayfair hotel being rebranded and opened as The Biltmore, Mayfair in the second quarter of this year. This is the first opening under Hilton's new LXR Hotels & Resorts collection in Europe. This also will mark the Group's debut in the London five-star deluxe market and it is our aim to fast track our lost earnings growth at this hotel after it re-opens.

During 2018, the Group continued to make progress in its hotel refurbishment programme including the Mayfair hotel in London, the Orchard Hotel in Singapore and smaller scale refurbishment work in other properties to improve its product offerings and maintain competitiveness.

The refurbishment work of the Mayfair hotel in London started during the fourth quarter of 2017 on a phased basis with partial closures of guest rooms. The property was then fully closed in July 2018 to facilitate on-going refurbishment work to re-position it as the Group's luxury flagship hotel when it re-opens in Q2 this year. Total cost is estimated to be around £50m.

The Mayfair hotel has been one of the Group's biggest revenue and profit contributors. The closure of the hotel resulted in an estimated £20m reduction in revenue and £12m reduction in operating profit during the financial year ended 31 December 2018 with the Group continuing to incur certain fixed costs such as payroll and property related expenditure at the hotel.

In Singapore, refurbishment work on the Orchard Hotel commenced in Q4 2018 and is expected to complete by Q2 this year. This upgrading of the property is estimated to cost around S$20m (£11m). The hotel will remain operational during the refurbishment period with phased room closures that are not expected to have a material revenue impact.

Concerns about Brexit have affected the Group's UK hotels especially in London, where the hotels started to face difficulties in recruiting EU workers which currently comprise more than half of the London workforce. The minimum wage increase that came into force in 2018 has further added pressures to the Group's increasing labour costs.

The Group's New York hotels generated £159m during 2018 which is about 18% of total hotel revenue. However, the region remained loss-making due to its inflexible operating cost structure arising mainly from the employment of trade union staff.

By comparison, the Group's hotels in New Zealand generated £85m of revenue with an operating profit of £36m. This region continued to benefit from the high visitor numbers to the country, as well as the re-opening of M Social Auckland in the last quarter of 2017 and the acquisition of Millennium New Plymouth in February 2018.

The European and Asian regions contributed £177m and £307m of hotel revenue respectively in 2018 or 55% of the Group's hotel revenue. The combined operating profit from these two regions in 2018 was £99m or 77% of the Group's total hotel operating profit.

Reported total revenue for the year decreased by £11m or 1.1% to £997m (2017: £1,008m). Reported hotel revenue fell by £13m or 1.5% to £867m (2017: £880m).

REIT revenue fell by £1m or 1.5% to £65m (2017: £66m). Property revenue of £65m was higher by £3m or 4.8% (2017: £62m).

MANAGEMENT CHANGES

The departure of three Directors – Jennifer Fox, Sue Farr and Gervase MacGregor – in the latter half of the year created an opportunity to re-examine the composition of the Group's Board and its committee. On the recommendation of the Nominations Committee, His Excellency Shaukat Aziz was appointed Chair of the Remuneration Committee in November 2018, having served as a member of the Committee since 16 June 2009, and Christian de Charnacé was appointed as a member of the Audit & Risk, Remuneration and Nominations Committees, respectively during 2018.

As previously reported, the Board is conducting a search for a permanent Group Chief Executive Officer and new independent Non-Executive Directors. With regards to the search for a permanent Group Chief Executive Officer, we remain open to either hiring an external candidate or promoting talent from within the Group. Following the departure of Ms Fox, Kian Seng Tan was appointed interim Group Chief Executive Officer on 28 September 2018.

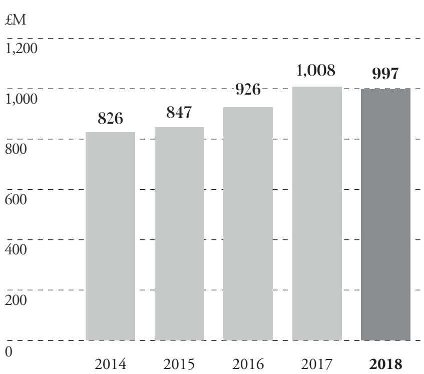
DIVIDENDS

The Board recommends a final ordinary dividend of 2.15p per share (2017: 4.42p) 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 (2017: 2.08p), the total ordinary dividend for 2018 is 4.23p per share (2017: 6.50p).

Subject to approval by shareholders at the Annual General Meeting to be held on 10 May 2019, the final dividend will be paid on 17 May 2019 to shareholders on the register on 15 March 2019.

Revenue

£997M -1.1%



RevPAR*

£81.57 +0.7%

2017: £80.97

* 2017 figure shown in constant currency

PBT

£106M -27.9%

2017: £147M

BUSINESS REVIEW AND STRATEGY

BUSINESS MODEL

The Group has a flexible and robust business model that generates profit predominately through its portfolio of owned and managed hospitality assets. These assets are diversified by brand, market, geography and customer offering according to what we judge to be the most appropriate means of optimising their earnings. We aim to hold our assets for the long term, especially those in key gateway cities.

We employ complementary business models in certain circumstances. For example, we may engage third party operators on a selective basis to manage our brand assets that we own. We also may operate through a licensing model, through joint ventures or through arrangements where we manage hotels on behalf of other third party owners.

We regard the flexibility of our business models as an essential strength in a varied and rapidly changing global hospitality market.

STRATEGY

Our strategy is to maximise returns on shareholders' capital through the ownership and operation of hospitality assets in key gateway cities and other prime locations across the world that naturally attract large numbers of business and leisure travellers. Underpinning this strategy are the twin aims of operational excellence and prudent asset management. We seek to increase returns through quality service and efficient operations—by developing our people, processes and technology—as well as through investment in the material fabric of our hotel estate. We also look to grow the business through asset acquisition in strategic locations.

Orchard Grand Ballroom, Orchard Hotel Singapore

HOTEL OPERATIONS

In constant currency, hotel revenue increased by £5m or 0.6%. Reported hotel revenue in 2018 fell by £13m with the impact from a stronger pound sterling against the Group's main trading currencies. The increase of £5m in hotel revenue in 2018 was due principally to higher contributions from Millennium Hilton New York ONE UN Plaza and M Social Auckland in New Zealand; offset partially by the loss of revenues from the closure of the Mayfair hotel in London.

Group RevPAR increased by 0.7% in constant currency. Hotel gross operating margin was lower at 30.5% (2017: 32.2%).

DEVELOPMENTS

The Sunnyvale California project comprises the construction of a 263-room hotel and a 250-unit residential apartment block on 35,717m^2 mixed use freehold landsite. The ground-breaking ceremony was held on 16 October 2018 and the project is scheduled to complete in Q1 2021. The construction cost is estimated at US$180m (£142m). The hotel will be built first and the plan is to brand it as M Social to fit with the expected guest profile. The Group hopes to capitalise from the location of this project as Sunnyvale is the headquarters of many technology companies and is part of California's high-tech area of Silicon Valley.

In South Korea, the Group plans to construct a 300-room hotel and a 250-unit serviced apartment complex on Yangdong development land, situated adjacent to Millennium Seoul Hilton. It will take about three years to complete from the expected commencement date in the middle of 2020. Architecture and engineering designs are being amended with the exact construction cost dependent on the final agreed design but anticipated to be in the region of KRW130b (£91m).

HOTEL REFURBISHMENTS

As noted above, on-going refurbishment work at the Mayfair hotel in London, which started in November 2017, is on track to complete in Q2 2019. The hotel will be re-opened as a 5-star deluxe property as LXR Hotels & Resorts' first UK property, following an agreement between Hilton and the Group.

The hotel is situated in a prime Mayfair location on Grosvenor Square and will be renamed "The Biltmore, Mayfair – LXR Hotels & Resorts". The hotel is designed by Goddard Littlefair and will have 257 luxurious guest rooms plus 51 designer suites. The hotel will have a large 500m^2 ballroom with capacity of up to 700 guests, and several other smaller function rooms. Current work also includes the provision of new restaurants, an all year round alfresco terrace, a cocktail bar and a large gymtech fitness suite.

Refurbishment work is also progressing well in the Orchard Hotel in Singapore. The first phase including refurbishment of the lobby and food & beverage outlets was completed at the end of last year. Refurbishment is being undertaken on a phased basis. Work has recently started on guest rooms, the ballroom and meeting spaces and is expected to complete in the middle of this year.

ACQUISITIONS

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

On 27 November 2018, CDL Hospitality Trusts ("CDLHT") acquired 95.0% of the shares and voting interest in Event Hospitality Group III B.V., which wholly owns Event Hospitality Group III Italy SRL, sole shareholder of NKS Hospitality III for a purchase consideration of €33m (£29m). NKS Hospitality III SRL is the legal owner of "Hotel Cerretani Florence, MGallery by Sofitel" and the fixtures, furniture and equipment therein.

DISPOSALS

On 11 January 2018, CDLHT completed the divestment of two hotels in Australia, the Mercure Brisbane and Ibis Brisbane for A$77m (£45m) to an independent third party.

As previously reported, in December 2013 the Group entered into various commercial arrangements with Birmingham City Council and the developer of Birmingham's Paradise Circus redevelopment scheme, now known as Paradise Birmingham, as a result of a compulsory purchase order by Birmingham City Council that covered the Copthorne Hotel Birmingham and other properties in its vicinity. Those arrangements include options that provide for the sale of the existing hotel to the developer as well as the Group's acquisition of an alternate site in the scheme for the development of a new 250-room hotel. In December 2018, the Group exercised its option to acquire that alternative site and continues to engage with the developer regarding the project.

With regard to the compulsory purchase order impacting the Millennium Hotel Glasgow, pursuant to which Network Rail Infrastructure Limited ("Network Rail") acquired and demolished the 1970s-built, 51-room extension of the hotel as part of the redevelopment of Queen Street Station, negotiations are ongoing with Network Rail regarding the level of compensation payable to the Group in connection with the taking. If the parties are unable to agree a value, the matter will be settled at the Lands Tribunal. Meanwhile, the Group continues to consider its options with respect to the refurbishment and repositioning of the existing hotel.

OTHER GROUP OPERATIONS

Joint ventures and associates contributed £29m to profit in 2018 (2017: £22m). The Group has an effective interest of 36% in First Sponsor Group Limited ("FSGL"), which is listed on the Singapore Exchange and reports its results publicly.

In April 2018, the Group subscribed for its full entitlement of FSGL's rights issue of new Perpetual Convertible Capital Securities ("PCCS") for a total cost of S$58m (£32m) and the PCCS were allotted on 19 April 2018.

On 14 February 2019, the Group provided an irrevocable undertaking to take up its full entitlement of FSGL's proposed rights issue of new PCCS for a total cost of S$53m (£30m). As part of the capital funding proposal, 1 new free warrant will be issued for every 1 new PCCS subscribed for; in addition, 1 new bonus warrant will be issued for every 10 existing ordinary shares held in FSGL. Also, as part of the proposal additional funds would be required within the next five years should the Group choose to exercise its rights in respect of the new warrants and this will amount to S$90m (£52m) if all warrants are exercised.

On 24 January 2019, FSGL acquired a bare shell 65-room hotel located in Milan, Italy for a total consideration of approximately €11m (£10m).

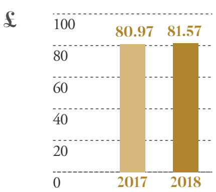
KEY PERFORMANCE INDICATORS

We use a set of carefully selected key performance indicators ("KPIs") to monitor our success in executing our strategy set out on page 20. These KPIs are used to measure the Group's progress year-on-year against those strategic priorities, and are set out below:

GROWTH

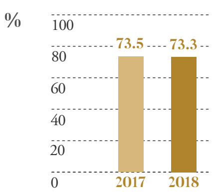
To achieve profitable growth and improved asset returns for our hospitality business. These are shown at constant rates of exchange.

Revenue per Available Room*



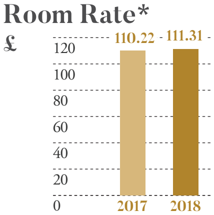
Average room rate multiplied by occupancy percentage.

Occupancy



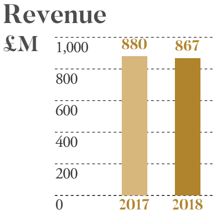
Percentage of rooms available for sale that were actually sold to our guests.

Average Room Rate*



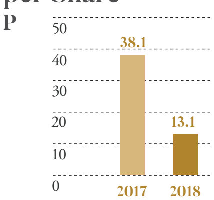
Revenue from room sales, divided by the number of room nights sold.

Hotel Revenue



Including room, food & beverage and meetings & event sales.

Basic Earnings per Share



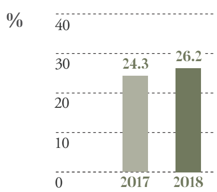
Profit for the year attributable to equity holders of the parent divided by the weighted average number of shares in issue.

*2017 figures shown in constant currency

FINANCIAL LEVERAGE

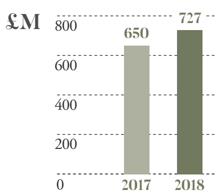
To ensure a sound financial base in order to provide a solid platform for the development and growth of the Group.

Gearing



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

Net Debt

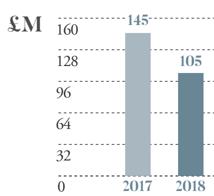


Total borrowings less total cash. Refer to Note 21 for further details.

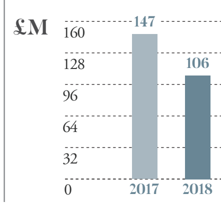
COST CONTROL

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

Operating Profit



Profit before Tax



The Group believes that the KPIs provide useful and necessary information on underlying trends to shareholders and the investment community and are used by the Group for internal performance analysis. Given the decentralised model of the Group, regional management focuses on operational KPIs. These include customer feedback, hotel gross operating profit and staff retention. General Managers report their operating KPIs to Regional Managers on a regular basis with comparison numbers for the local competitive set of each hotel. The hotel performance numbers are then consolidated into regional and Group-wide figures.

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE – FULL YEAR OVERVIEW

REVENUE

		REPORTED CURRENCY			CONSTANT CURRENCY		
			CHANGE			CHANGE	
	2018 £M	2017 £M	£M	%	2017 £M	£M	%
Hotel	**867**	880	(13)	(1.5)	862	5	0.6
Property	**65**	62	3	4.8	59	6	10.2
REIT	**65**	66	(1)	(1.5)	66	(1)	(1.5)
Total Revenue	**997**	1,008	(11)	(1.1)	987	10	1.0

For the full year to 31 December 2018, hotel revenue in constant currency increased by 0.6% as compared to 2017. The Group recorded full year contributions from Millennium Hilton New York ONE UN Plaza (rebranded in August 2017) and M Social Auckland (re-opened in October 2017) in 2018. These higher hotel revenues were offset by lower revenue at the Mayfair hotel which was closed for refurbishment in July 2018. The slight increase in hotel revenue is consistent with the increase of 2.4% in like-for-like Group RevPAR.

Property revenues were also higher in 2018 as compared to 2017. Total property revenue increased by £6m or 10.2% to £65m (2017: £59m) due principally to higher sales of residential sections in New Zealand of £3m and the sale of two units of apartments in Australia of £2m.

Reported total revenue fell by 1.1% for the full year to 31 December 2018 reflecting a stronger pound sterling against the Group's main trading currencies.

Profit

Reported profit before tax for the full year to 31 December 2018 fell by £41m or 27.9% to £106m (2017: £147m).

During the year, a total of £36m (2017: £29m) of net revaluation and impairment losses were charged to the income statement. The impairment losses are a result of the Group's impairment testing whereby the carrying amount of the Group'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.

Pre-tax profit for 2018 also includes a gain of £3m from CDLHT's disposal of two Australian hotels. For the same period during 2017, pre-tax profit included a net credit from the reversal of loan impairment of £12m.

After removing the effects of net revaluation and impairment losses, the Group's reported profit before tax is £142m (2017: £176m).

Last year's profit was also impacted by the release of £3m accruals no longer required in relation to the Glyndebourne project which was completed in 2013.

Finance cost was higher by £8m in 2018.

Taxation

The Group recorded a tax charge of £13m for the year ended 31 December 2018. Last year, a total tax provision of £17m in relation to exposures in Singapore which were not required, were released and this gave rise to a tax credit of £12m.

Earnings per Share ("EPS")

Basic EPS decreased by 66% to 13.1p (2017: 38.1p).

FINANCIAL PERFORMANCE
CONTINUED

FOREIGN EXCHANGE TRANSLATION

The Company publishes its Group financial statements in pound sterling. However, the majority of the Company's subsidiaries, joint ventures and associates report their revenue, costs, assets and liabilities in currencies other than pound sterling. The Company translates the revenue, costs, assets and liabilities of those subsidiaries, joint ventures and associates into pound sterling and this translation of other currencies into pound 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 22c to the financial statements sets out the pound sterling exchange rates of the other principal currencies in the Group. Pound sterling strengthened compared to other major currencies during the financial year, the impact of which is reflected in the translation reserve on page 108.

FINANCIAL POSITION AND RESOURCES

	2018 £M	2017 £M	CHANGE £M
Property, plant and equipment and lease premium prepayment	**3,256**	3,232	24
Investment properties	**668**	577	91
Investment in joint ventures and associates	**358**	324	34
Other financial assets	**43**	–	43
Non-current assets	**4,325**	4,133	192
Current assets excluding cash	**224**	228	(4)
Provisions and other liabilities excluding borrowings	**(287)**	(274)	(13)
Net debt	**(727)**	(650)	(77)
Deferred tax liabilities	**(172)**	(188)	16
Net assets	**3,363**	3,249	114
Equity attributable to equity holders of the parent	**2,770**	2,676	94
Non-controlling interests	**593**	573	20
Total equity	**3,363**	3,249	114

NON-CURRENT ASSETS

The Group states property, plant and equipment at cost, less depreciation or provision for impairment. Investment properties are held at fair value. External professional open market valuations took place at the end of 2018 for all investment properties and those property assets identified as having impairment risks.

Non-current assets increased slightly by 4.6% compared to 2017, principally due to the impact of exchange translation on property, plant and equipment.

FINANCIAL POSITION

Group interest cover ratio for the year ended 31 December 2018 (excluding share of results of joint ventures and associates, and other operating income and expense) is 5 times (2017: 8 times).

At 31 December 2018, the Group had £375m cash and £539m of undrawn and committed facilities available comprising revolving credit facilities which provide the Group with financial flexibility. Most of the facilities are unsecured with unencumbered assets representing 88% (2017: 88%) of fixed assets and investment properties. At 31 December 2018, gross borrowing amounted to £1,102m of which £198m was drawn under £219m of secured bank facilities.

At 31 December 2018, the Group had net debt of £727m (Dec 2017: net debt £650m). Excluding CDLHT, the net debt was £226m (Dec 2017: net debt £186m).

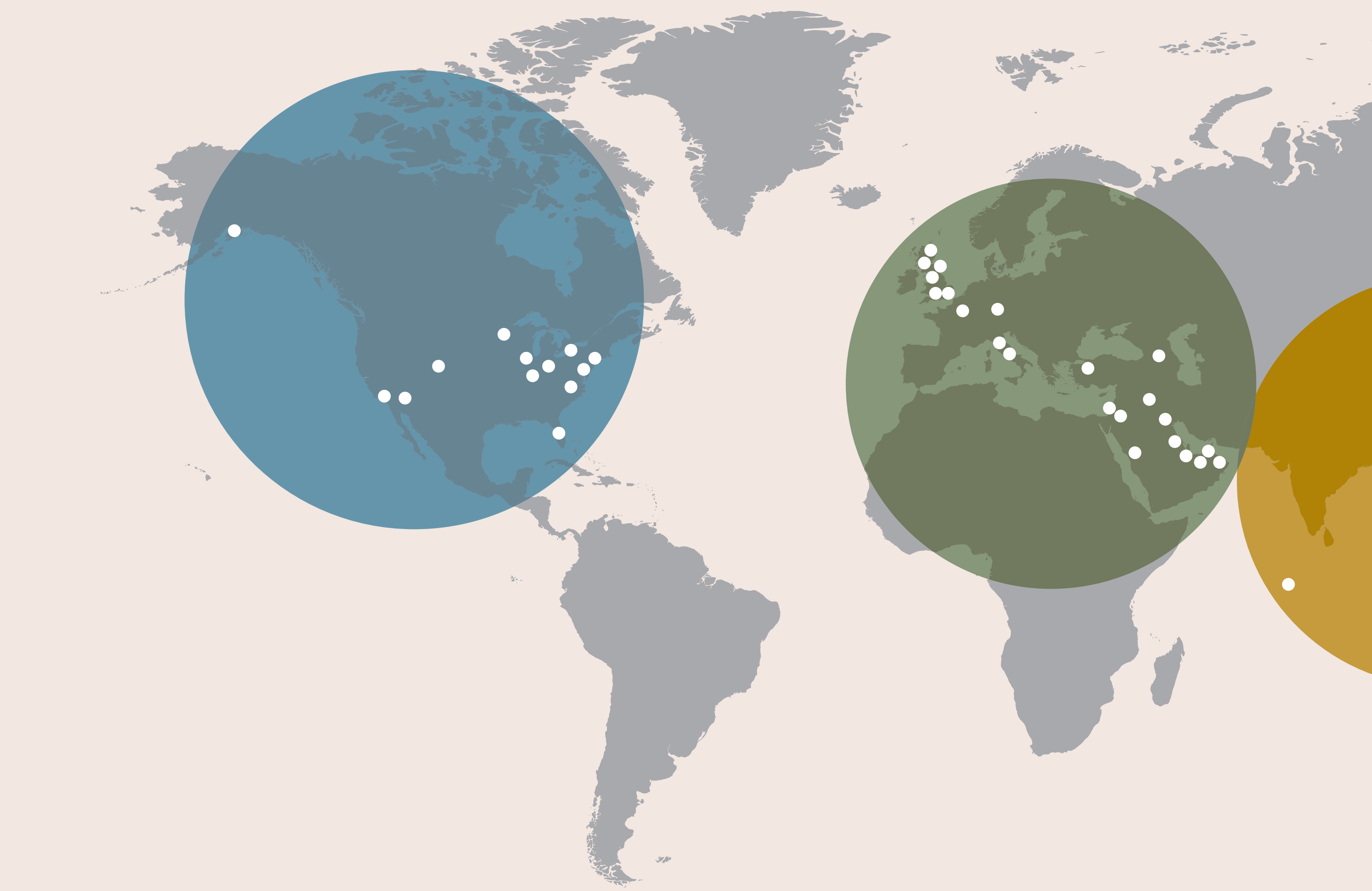
FUTURE FUNDING

Of the Group's total facilities of £1,815m, £705m matures within 12 months. Excluding CDLHT, the Group's total facilities were £994m of which £170m matures within the next 12 months. Plans for refinancing of the facilities are underway.

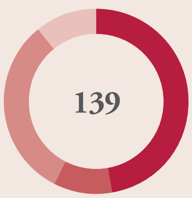
TREASURY RISK MANAGEMENT

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 activities are presented to the Board on a regular basis.

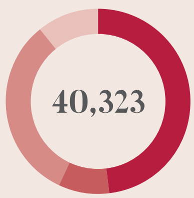
OUR GLOBAL REACH

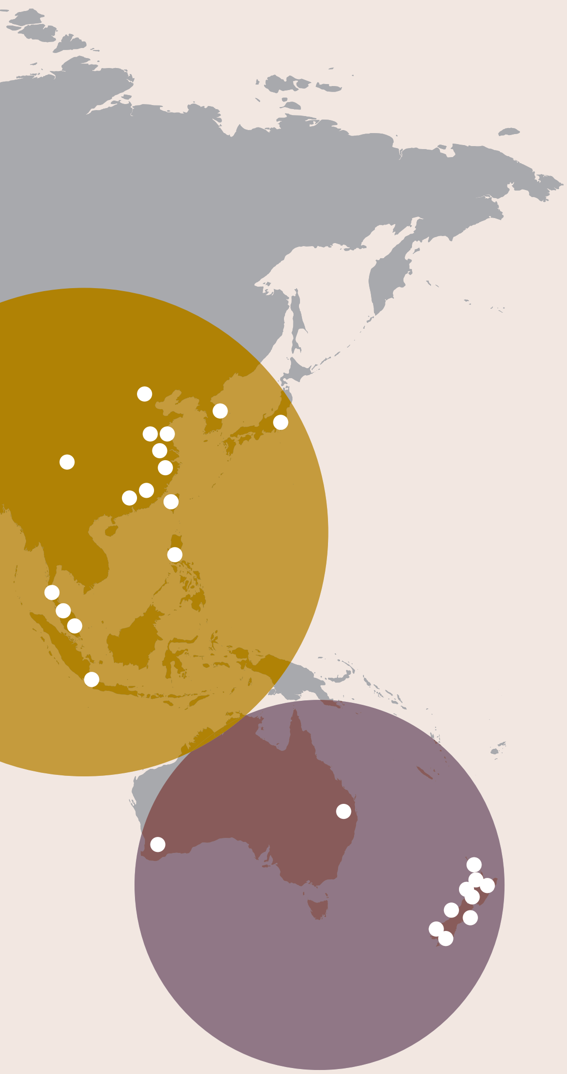


GROUP INVENTORY AS AT 31 DECEMBER 2018



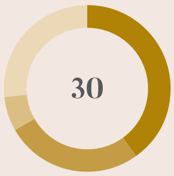
	Hotels			Room count		
	2018	2017	Change	**2018**	2017	Change
Owned or leased	**66**	66	–	**19,437**	19,672	(235)
Managed	**14**	15	(1)	**3,537**	4,098	(561)
Franchised	**44**	38	6	**13,062**	10,982	2,080
Investment	**15**	17	(2)	**4,287**	4,650	(363)
Total	**139**	136	3	**40,323**	39,402	921





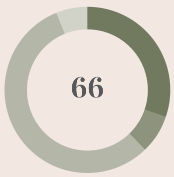
REGIONAL INVENTORY AS AT 31 DECEMBER 2018

Asia

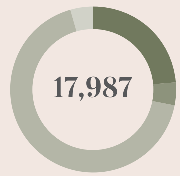


	Hotels			Room count		
	2018	2017	Change	**2018**	2017	Change
Owned or leased	**12**	12	–	**5,979**	5,981	(2)
Managed	**8**	9	(1)	**2,620**	3,134	(514)
Franchised	**2**	2	–	**644**	325	319
Investment	**8**	9	(1)	**2,774**	2,811	(37)
Total	**30**	32	(2)	**12,017**	12,251	(234)

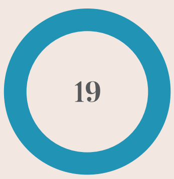
Europe



	Hotels			Room count		
	2018	2017	Change	**2018**	2017	Change
Owned or leased	**20**	21	(1)	**4,290**	4,626	(336)
Managed	**5**	5	–	**804**	851	(47)
Franchised	**37**	31	6	**12,107**	10,346	1,761
Investment	**4**	3	1	**786**	700	86
Total	**66**	60	6	**17,987**	16,523	1,464

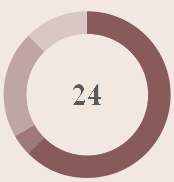


United States



	Hotels			Room count		
	2018	2017	Change	**2018**	2017	Change
Owned or leased	**19**	19	–	**6,797**	6,797	–
Managed	**–**	–	–	**–**	–	–
Franchised	**–**	–	–	**–**	–	–
Investment	**–**	–	–	**–**	–	–
Total	**19**	19	–	**6,797**	6,797	–

Australasia

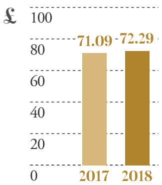


	Hotels			Room count		
	2018	2017	Change	**2018**	2017	Change
Owned or leased	**15**	14	1	**2,371**	2,268	103
Managed	**1**	1	–	**113**	113	–
Franchised	**5**	5	–	**311**	311	–
Investment	**3**	5	(2)	**727**	1,139	(412)
Total	**24**	25	(1)	**3,522**	3,831	(309)

REGIONAL PERFORMANCE

ASIA

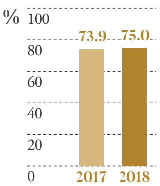
RevPAR



TOTAL ASIA*	2018	2017	CHANGE
RevPAR(£)	72.29	71.09	1.7%
Occupancy(%)	75.0	73.9	1.1
Average Room Rate(£)	96.42	96.25	0.2%

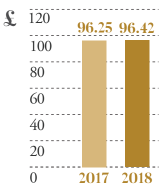
* Graphs represent total Asia performance.

Occupancy



SINGAPORE			
RevPAR(£)	83.56	83.06	0.6%
Occupancy(%)	85.9	85.6	0.3
Average Room Rate(£)	97.26	97.01	0.3%

ARR



REST OF ASIA			
RevPAR(£)	65.17	63.53	2.6%
Occupancy(%)	68.1	66.4	1.7
Average Room Rate(£)	95.74	95.64	0.1%


Orchard Hotel Singapore

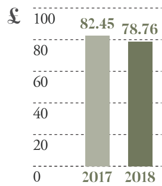
Asia RevPAR for the year ended 31 December 2018 increased by 1.7% to £72.29 (2017: £71.09) driven by increases in both occupancy and average room rates of 1.1% points and 0.2% respectively.

Singapore RevPAR increased slightly by 0.6%, reflecting 0.3% points increase in occupancy and a 0.3% increase in average room rate. All the hotels show RevPAR growth except Orchard Hotel Singapore which experienced weaker demand from the corporate sector.

Rest of Asia saw an improvement in performance with higher RevPAR of 2.6% contributed mainly by the Group's hotels in Taipei and Beijing..

EUROPE

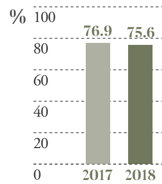
RevPAR



TOTAL EUROPE*	2018	2017	CHANGE
RevPAR(£)	78.76	82.45	(4.5)%
Occupancy(%)	75.6	76.9	(1.3)
Average Room Rate(£)	104.22	107.27	(2.8)%

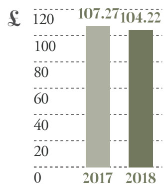
* Graphs represent total Europe performance.

Occupancy



LONDON			
RevPAR(£)	101.89	109.98	(7.4)%
Occupancy(%)	80.1	83.0	(2.9)
Average Room Rate(£)	127.22	132.47	(4.0)%

ARR



REST OF EUROPE			
RevPAR(£)	56.18	53.85	4.3%
Occupancy(%)	71.2	70.5	0.7
Average Room Rate(£)	78.94	76.43	3.3%


THE BILTMORE, MAYFAIR, LONDON

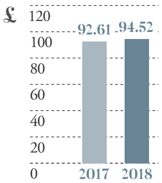
Europe RevPAR for the year ended 31 December 2018 fell by 4.5% with decreases in both occupancy and average room rate of 1.3% points and 2.8% respectively. London RevPAR also fell with a drop of 7.4%. Occupancy and average room rate were down by 2.9% points and 4.0% respectively.

The Mayfair hotel which was fully closed for refurbishment from July 2018 was the main contributor to the drop in London RevPAR. Like-for-like London RevPAR excluding the Mayfair hotel for 2018 increased by 3.3% with a slight increase in occupancy of 0.3% points and higher average room rate of 2.9%.

RevPAR for Rest of Europe increased by 4.3% with occupancy up by 0.7% points and average room rate up by 3.3%.

UNITED STATES

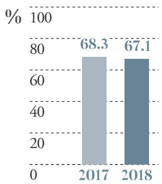
RevPAR



TOTAL US*	2018	2017	CHANGE
RevPAR(£)	94.52	92.61	2.1%
Occupancy(%)	67.1	68.3	(1.2)
Average Room Rate(£)	140.96	135.57	4.0%

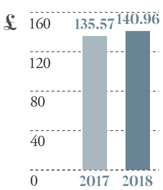
* Graphs represent total US performance.

Occupancy



NEW YORK			
RevPAR(£)	165.49	159.37	3.8%
Occupancy(%)	86.3	85.3	1.0
Average Room Rate(£)	191.78	186.77	2.7%

ARR



REGIONAL US			
RevPAR(£)	59.61	59.84	(0.4)%
Occupancy(%)	57.6	60.0	(2.4)
Average Room Rate(£)	103.51	99.81	3.7%


MILLENNIUM BILTMORE, LOS ANGELES

US RevPAR for the year ended 31 December 2018 increased by 2.1% to £94.52 (2017: £92.61). Average room rate for US increased by 4.0% offset partially by decrease in occupancy of 1.2% points.

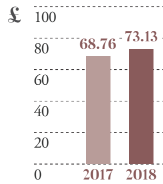
New York RevPAR increased by 3.8% due principally to increases in both occupancy and average room rate of 1.0% points and 2.7% respectively. The growth in RevPAR is mainly driven by higher contribution from Millennium Hilton New York ONE UN Plaza which was re-opened in September 2016 after refurbishment and later re-branded in August 2017.

Excluding Millennium Hilton New York ONE UN Plaza, US RevPAR for 2018 was up slightly by 0.2% and New York RevPAR up by 0.6% as compared to last year.

RevPAR for Regional US decreased by 0.4% to £59.61 (2017: £59.84). The results are mixed with half the hotel portfolio showing increases and the other half, decreases in RevPAR.

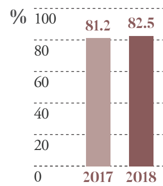
AUSTRALASIA

RevPAR



TOTAL AUSTRALASIA	2018	2017	CHANGE
RevPAR(£)	73.13	68.76	6.4%
Occupancy(%)	82.5	81.2	1.3
Average Room Rate(£)	88.61	84.71	4.6%

Occupancy



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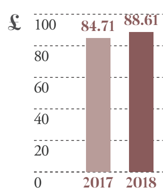


MILLENNIUM NEW PLYMOUTH WATERFRONT, NEW ZEALAND

Reported RevPAR for Australasia in 2018 increased by 6.4% helped by the inclusion of two new hotels. M Social Auckland which was re-opened in October 2017 contributed for the full year in 2018. Millennium New Plymouth was acquired in February 2018. Excluding M Social Auckland and Millennium New Plymouth, like-for-like Australasia RevPAR grew by 3.1% in 2018.

The tourism market continued to grow during 2018. International visitor arrivals grew by 3.1% for the first ten months of 2018. However, competition is increasing both from new inventory and non-traditional supply.

CORPORATE RESPONSIBILITY

As an international hotel business operating in so many distinctive countries and cultures, we remain committed to delivering service excellence and to operating our hotels in a responsible and sustainable way.

We understand the importance of the role we can play in making a difference to our stakeholders, through initiatives that promote a sustainable environment, now and in the future, by being a preferred employer of choice and by supporting the local communities in which we operate with our charitable and other activities.

We made strides on all of these fronts in 2018 and this work was made possible due to the hard work and dedication of our colleagues across the globe. This report describes some of the progress made over the course of the year.

GOVERNANCE

Board responsibility

The Board of Directors of the Company has overall responsibility for the Group's corporate responsibility initiatives, with the Interim Group Chief Executive Officer taking the lead from a management perspective. Underpinning our commitment to sustainability, the Board supports a number of policies and procedures, collectively referred to as "Responsible Hospitality," which are designed to recognise and manage the Group's wider impact on the environment and the communities in which we operate. These policies are reviewed regularly and are updated as necessary. They are also translated into multiple languages where appropriate. Key policies can be found at https://investors.millenniumhotels.com/corporate-governance/policies.

Compliance

Within our operations, we are fully committed to meeting our legal and regulatory compliance obligations. We strive to adhere not only to the letter of the law, but also the spirit of the law.

In 2018 we did not receive any material fines or penalties associated with non-compliance with any laws relating to the environment, human rights violations, labour standards, anti-bribery or taxation.

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

No donations were made by the Group for political purposes during the year (2017: £nil).

To raise awareness of key operational risks and ensure we meet our compliance requirements, our global online compliance training platform continues to deliver training on anti-bribery, anti-money laundering in certain jurisdictions and competition law. In 2018 further training was provided on modern slavery and the new EU General Data Protection Regulation.

Anti-bribery and anti-corruption

The Group's anti-bribery policy has been developed in line with the requirements of the UK Bribery Act 2010 and is routinely reviewed, with the last update having taken place in April 2016. A risk assessment is conducted to identify those categories of employees who require training on bribery and corruption, including colleagues in higher-risk functions such as procurement and sales. The Group also maintains a confidential hotline and e-mail account that allows employees to report concerns about illegal or unethical behaviour directly to a group function, generally the Company Secretariat or Internal Audit team. Such reports are made free from reprisal.

A Group-wide anti-bribery compliance guide sits behind our anti-bribery policy and is also made available to all employees. This guide identifies key operational activities and countries where corruption is perceived to be a high risk and sets out a number of procedures for managing these risks, including procedures for conducting due diligence on business associates and counterparties, operational risk assessments and escalation mechanisms.

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

Ethical operations

Beyond our legal and regulatory compliance obligations, 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 of Ethics") sets out the minimum standards we expect from all employees in their dealings with colleagues, customers, suppliers and other stakeholders to ensure that our business is conducted responsibly. We also expect our suppliers and business partners to follow the standards set out within our Code of Ethics and other related policies including, for instance, our Anti-Bribery and Business Hospitality and Gifts policies, over which the Board has oversight. As mentioned, these policies are translated into other languages where appropriate, including Spanish and Simplified Chinese.

Throughout our operations globally, we respect the human rights of our colleagues and others, including customers, suppliers and business partners. We have in place a human rights policy that reflects our commitment to certain fundamental principles, which are aligned with those of the International Labour Organisation and the UN Guiding Principles on Business and Human Rights and include freedom of association and collective bargaining.

In accordance with the requirements of the Modern Slavery Act 2015, the Company regularly undertakes a review of its supply chain. Last year we proposed a number of improvements to our compliance framework as outlined in our formal slavery and human trafficking statement, which is available at https://investors.millenniumhotels.com/corporate-responsibility/supply-chain-transparency-statement. For instance, in the UK we implemented regular training exercises with law enforcement agencies to better train our hotel teams to spot the risks of modern slavery and human trafficking. In addition, our standard contracts have, where relevant, been updated to include provisions regarding compliance with the Group's human rights policy. Our European supplier intake forms include questions about the policies and procedures our suppliers have in place to prevent slavery and human trafficking, and we take their answers into account when selecting reputable suppliers. This area remains a priority for the Board and we will look to make further improvements to our processes in 2019.

OUR PEOPLE

As a service business, it is our people, and their attitudes and skills, which set us apart from our competitors. We are committed to developing all of our colleagues, identifying and nurturing future leaders, and enabling everyone within the business to perform to their true potential.

Learning and development

We ensure that our colleagues around the world are suitably skilled and qualified to meet the operational needs of the business. The Group recognises that successful hospitality businesses must deliver excellent service and we are committed to developing, supporting and retaining the right staff to provide this. Our aim is to offer opportunities for them to develop and grow through effective succession planning processes.

Our hotels also help young people who are interested in the industry, including those from disadvantaged backgrounds, by providing employment skills training and vocational opportunities. For example, our North American and European regions have introduced internship and apprenticeship programmes within various functions, often in partnership with local universities and training providers. In Singapore, a talent development initiative was launched in collaboration with the Singapore government. Often advanced certificates or professional or specialist diplomas will be awarded to the participants upon completion.

In order to fulfil our commitment to developing, supporting and retaining our employees, we are developing mechanisms to help us learn more about the needs of and communicate with our workforce. We recognise the important role communication has in fostering good working relationships and we seek to inform employees about matters relating to their employment, the organisation more widely and the business in general. At the same time, we actively seek feedback and ideas from our people in order to improve our operations and, where appropriate, provide forums to allow employees to voice their views.

As part of these efforts, a formal workforce advisory panel framework is being implemented within the Group in line with the requirements under the revised version of the UK Corporate Governance Code that took effect on 1 January 2019. Further information relating to this framework can be found in the Directors' Remuneration Report on page 87 and will be reported on in more detail in the Company's 2019 annual report and accounts and beyond.

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

Diversity and equal opportunities

We believe that having a diverse workforce brings different perspectives, backgrounds and ways of thinking to our business and allows us to better understand and interact with our guests. That is why we launched, on a global basis, a new diversity and inclusion policy in 2018, in order to cultivate a more inclusive work environment that embraces the engagement and development of a diverse workforce. We are committed to treating all employees fairly and offering equal opportunities in all aspects of employment and advancement regardless 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. More details of our diversity and inclusion initiatives can be found in the Corporate Governance Statement starting on page 57 and in the Nominations Committee Report on page 88.

As at 31 December 2018, the Group employed 11,504 people worldwide operating in over 26 countries (2017: 11,602).

CORPORATE RESPONSIBILITY
CONTINUED

DIRECTORS AND EMPLOYEES BY GENDER	MALE	FEMALE
Directors	7	0
Senior managers[1]	187	105
Other employees	5,932	5,280

1 This is based on the participants in the Group's 2018 bonus pool and excludes 36 subsidiary Directors who were external appointments, of which 29 were male and 7 female.

The number of employees employed by the Group (excluding the Company's Directors) at the end of the year, analysed by category, was as follows:

	2018 NUMBERS	2017 NUMBERS
Hotel operating staff	**8,853**	9,020
Management/administration	**1,478**	1,439
Sales and marketing	**492**	461
Repairs and maintenance	**681**	682
	11,504	11,602

A safe working environment

The health, safety and welfare of our employees, guests and all those who visit the Group's hotels and offices, as well as those who carry out work on behalf of the Group is of paramount importance to us. Indeed, this is a principal risk that is overseen by the Company's Audit & Risk Committee. Policies, procedures and training programmes are in place to ensure compliance with relevant health and safety legislation and enhanced risk assessment, management and monitoring measures are being developed and rolled out, with the overriding goal of making our sites safer and ready to deal with emergencies as they arise.

In the UK region, for example, we have put in place policies and procedures that are certified to OHSAS 18001 (externally audited by the British Standards Institution). Management continues the process of transitioning from OHSAS 18001 to the new standard ISO 45001 and aims to roll out the ISO 45001 occupational health and safety management system across the whole of the UK portfolio. These efforts are supported by compliance management software, resulting in tighter control of mandatory activities, inspections and the creation of audit trails.

We continuously work to improve our proactive and reactive risk management plans, in conjunction with local and national law enforcement authorities as necessary. We strive to regularly test and audit the plans from time to time to ensure that they remain robust and fit for purpose.

For added assurance, quarterly reports covering health and safety matters are presented to the Audit & Risk Committee. These provide updates on incidents, changes in relevant legal requirements and other health and safety matters in all of our operating regions.

PRESERVING OUR ENVIRONMENT

We recognise that as a global hospitality company, we have a responsibility to help protect and preserve our environment. The industry in general consumes a significant amount of energy and produces a significant amount of emissions globally and as more and more people travel, the need for action will increase. In light of this trend, over recent years we have sought to minimise our impact by actively focusing on reducing energy and water consumption in particular.

In 2018, we prepared and circulated a sustainability questionnaire to each of our owned and operated hotels around the world in order to determine the current state of our sustainability efforts. We found that many hotels were pro-actively engaging with their communities and implementing innovative practices to help reduce our impact on the environment. We then compiled the data, assembled the best practices and developed best practice, practical guidelines which could be implemented by our hotels, on a voluntary basis, depending on local conditions and legal requirements. These guidelines, which are part of our "Responsible Hospitality" regime, will help to unify the Group's approach to sustainability practices and will provide us with a means to better track the initiatives being undertaken by our hotels and how successful they are. We expect this work to grow over time as initiatives are tested and refined.

Energy efficiency

Energy efficiency is a key component of our sustainability strategy. Each of the Group's operating regions work to identify energy savings opportunities through operational efficiencies, upgrading plant and equipment and other initiatives. In 2018, our hotels continued to focus on retrofitting LED lighting and upgrading HVAC systems, where appropriate, which will help to improve the electricity efficiency of our estate. Also, a number of our hotels implemented an environmental management system that is aligned with the requirements of ISO 14001, which requires each hotel to have in place a framework to identify and mitigate its environmental impact, as well as processes for identifying relevant environmental legislation and ensuring compliance.

Our data set for the Group's 2018 greenhouse gas reporting included 75 owned and operated hotels over which we had access to data for the reporting period.[1] Energy consumption by these primarily consisted of electricity from grid, natural gas, diesel, purchased steam and chilled water. The Group's overall energy consumption for the year decreased by 3%, on an absolute basis, compared to 2017, mainly due to the 2018 data set containing a lower number of operating hotels as a result of refurbishment projects. At the same time, the Group's 2018 energy intensity, which measures the energy consumed per hotel room, remained consistent with 2017, increasing by 1%.

In 2018, carbon equivalent emissions associated with our energy use decreased by 5% and the carbon intensity per room decreased by 1% as compared with the previous reporting year. This decrease largely resulted from the Group purchasing electricity from suppliers with a higher percentage of renewable energy in many countries with respect to electricity provided by the grid. Whilst shifting to the use of cleaner energy may not result in decreased total energy consumption, it does help the Group to reduce its carbon emissions.

The 2018 energy consumption of our owned and operated hotels is shown below.

2018		2017	
ABSOLUTE (KWH)	PER ROOM (KWH)	ABSOLUTE (KWH)	PER ROOM (KWH)
492,783,538	**22,358**	507,724,416	22,195

Greenhouse gas reporting

The Group's greenhouse gas reporting covers the period from 1 October 2017 to 30 September 2018, similar to previous years. This period has been chosen to allow sufficient time to gather and review emissions data ahead of the year-end and to ensure that verification of the data is completed in advance of the reporting deadlines.

Last year we reported that we had successfully achieved our target of reducing our absolute Scope 1 and 2 operational carbon emissions from energy use and refrigerant losses by an aggregate amount of 10% based on a 2015 baseline year over the period between 2015 and 2017. This target was set in 2016 and we met it ahead of schedule. As a result of this encouraging start, over the course of 2018 we worked with an external sustainability consultant, EcoAct (formerly Carbon Clear), to set a new long-term target, a Science-Based Target ("SBT"), to reduce the Group's carbon emissions. SBTs are greenhouse gas reduction goals aligned with the latest science on minimising climate impact. We submitted our proposed target to the Science Based Target initiative, the organisation in charge of validating SBTs, in January 2019 and hope to receive a response in the second quarter of the year.

The Group's 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 Energy Services Limited, in accordance with ISO 14064-3: 2006 Standard. A copy of the verification statement can be found at https://investors.millenniumhotels.com/corporate-responsibility.

To calculate our emissions, we followed the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard methodology ("GHG Protocol") and the operational control approach to determine the properties to be included within the data set. Franchise hotels and investment hotels that were managed by third party operators were not included. In line with the latest guidance provided by the GHG Protocol with regard to Scope 2 accounting, this year we also included market-based emissions as well as location-based emissions in order to provide a clearer picture of the nature of our electricity consumption. Deriving emission factors from contractual instruments, market-based calculations allows the Group to account for the real nature and consequent carbon intensity of the electricity purchased. It should be noted that for the purpose of year-over-year comparisons, location-based emissions will continue to be used, as these provide a more accurate reflection of the emission changes associated with the Company's internal energy efficiency initiatives.

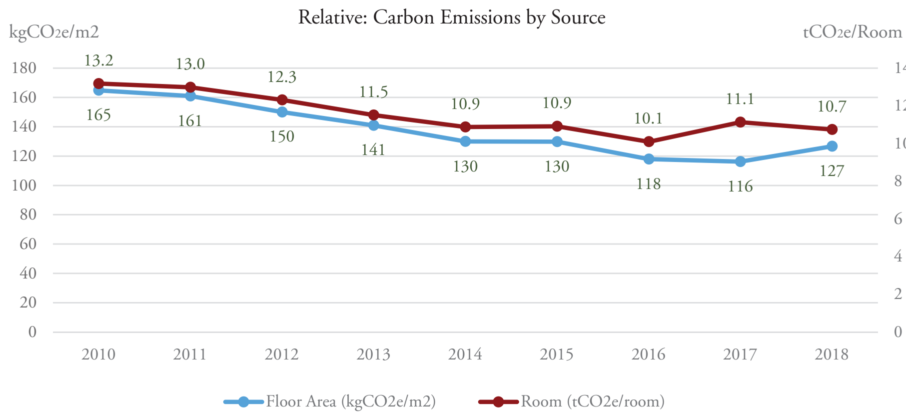
Details of our total carbon footprint are summarised in the table below:

	GLOBAL TONNES OF CO_2E	
	2018	2017
Scope 1[1]	**48,218**	50,024
Scope 2 Location-Based[2]	**140,018**	144,190
Scope 2 Market-Based[3]	**135,809**	147,267
Carbon intensity (tonnes of CO_2e/room. Includes scope one, two and three emissions)	**10.75**	11.13
Scope 3[4]	**48,649**[5]	60,358[5]
No. of rooms	**22,041**	22,876
Total gross emissions (Location-Based)	**236,885**	254,572
Total gross emissions (Market-Based)	**232,676**	257,649

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 Scope 2 market-based emissions reflect emissions from electricity that the Group has purposefully chosen.
4 Other indirect emissions that are a consequence of the Group's activities, but which occur at sources that are not owned or controlled by us and which are not classed as Scope 2 emissions.
5 Includes emissions associated with water use, energy consumed by third party laundry, waste, business travel and well-to-tank and transmission and distribution.

[1] Excludes franchise hotels and investment hotels that were managed by third party operators.

CORPORATE RESPONSIBILITY
CONTINUED



During the reporting period, absolute location-based emissions decreased by 7% compared to the same period last year, mainly due to a decrease in the number of hotels within the data set, greater energy efficiency as a result of a series of initiatives implemented at site level and a widespread decrease in the carbon intensity of the electricity grids in the countries in which we operate. Consequently, emissions per room also decreased by 3%, to 10.75 tonnes of CO_2e/room.

Waste

The amount of waste being sent to landfills is an increasing concern in the hospitality industry. We have been implementing waste minimization initiatives across the Group, including recycling paper, metal, plastics, cardboard, glass bottles, cooking oil, printer cartridges, wet amenities, soap, wine corks; food waste donation and composting; and the donation of used items, such as furniture, fabric and electronic equipment. We also strive to reduce organic waste and other consumables as appropriate.

The Group's London hotels continued to work closely with their UK waste contractor to improve recycle facilities in the back of house areas and conference rooms. For example, glass bottles for drinking water are now provided in the guest rooms and function rooms, thereby eliminating the use of plastics. By introducing this system, we have reduced our annual plastic waste and the carbon emissions associated with the production, transportation and recycling of plastic water bottles.

We are also driving change through our goal of eliminating single-use plastics. This initiative currently is being rolled out at our Singapore hotels and they are expected to achieve this by mid-2019. We anticipate that the rest of our owned and/or operated hotels will follow this practice, which in turn will allow us to improve resource efficiency across all of our properties.

The Group set out to improve the quality of its waste volume reporting in 2018. As a result, the reported volume of waste generated by the hotels within the data set increased by 32% on an absolute basis and by 37% on a per-room basis, largely due to better reporting of our waste. Where data on recycling was not available for the period, we have assumed that all such waste was brought to a landfill in order to account for the highest possible impact. Whilst this has resulted in an increase in the amount of waste defined as 'landfilled,' it also provides a clean baseline from which we will be able to track our progress in waste reduction going forward. For example, in 2019 our UK region will be performing an audit with a third party supplier to review its waste management contract across the UK. The audit will determine waste streamlines such as who collects, how often and where the waste goes. The aim of the audit will be to receive advice on areas such as segregation of waste, preventing production of waste in the first place and helping hotels to be better prepared to efficiently and responsibly dispose of the waste that is generated each day.

2018		2017	
ABSOLUTE (TONNES TO LANDFILL)	**PER ROOM (TONNES TO LANDFILL)**	ABSOLUTE (TONNES TO LANDFILL)	PER ROOM (TONNES TO LANDFILL)
13,351	**0.61**	10,436	0.46

Water use

The availability of clean, accessible water is essential to the services we provide and critical to the health and economic vitality of the communities in which we operate. We also recognise that our hotels are water intensive, particularly where we operate spa facilities. As such, we take water conservation seriously.

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

Based on the World Resources Institute's analysis of future water stress, we have identified that 8% of the Group's current operations are located in Singapore, a country which is set to be facing extremely high water stress by 2040 (World Resources Institute 2015). Additionally, two of our hotels operate in regions set to undergo the greatest drop in water security between 2020 and 2040.

To reduce our water footprint, we continued to execute a series of water conservation strategies throughout 2018, including investing in water efficient technologies, process improvements and reusing and recycling water. This work targeted kitchens, laundry areas, gardens, spas and heating and cooling systems and is ongoing. We also continued to retrofit motion sensors and low flow fixtures in common areas, back of house areas and guestrooms.

Central to our water conservation plan is to increase the amount of water that we can recycle and reuse, using alternative methods to provide cooling to our chiller systems whilst maintaining high system efficiency. This is best implemented at the design stage or in conjunction with major system or property renovations. For example, the Millennium Buffalo hotel in New York installed a rain monitor on its irrigation system to prevent automatic irrigation from happening during rain. Our Grand Hyatt Taipei uses recycled treated grey water from the pool and feeds it into the cooling waters. At the Copthorne Hotel and Resort Bay of Islands in New Zealand, ground water and water collected from the greenhouse roof are used for irrigating the landscaping and vegetable gardens at the hotel. The Millennium Hotel Chengdu in China has implemented a water conservation plan and carries out water balance tests to ensure there are no leakages in the pipe network.

Water consumption data is as follows:

2018[1]		2017	
ABSOLUTE (M^3 CONSUMED)	PER ROOM (M^3 CONSUMED)	ABSOLUTE (M^3 CONSUMED)	PER ROOM (M^3 CONSUMED)
4,445,746	**202**	4,582,223	200

1 Water consumption data was collected from 75 hotels that were owned or operated by the Group and has been independently verified by Carbon Credentials Energy Services Limited.

AWARDS

Since 2011, M&C has reported to the CDP (formerly known as the Carbon Disclosure Project), an independent non-profit organisation that analyses and rates the environmental performance of participating companies. CDP data is used by various stakeholders, including by investors when making ethical investment decisions. In 2018, the Company successfully maintained its prestigious "A-" leadership rating, which places the Group among the ambitious companies that are taking meaningful measures to reduce emissions and is a clear indicator of the Group's advanced sustainability efforts.

In further recognition of the Group's sustainability practices, a number of our hotels in Singapore maintain Green Mark awards, an initiative set up by the Building and Construction Authority (BCA) of Singapore to encourage environmentally friendly buildings. Three of the hotels have attained the BCA Green Mark Platinum Award, the highest tier for Green Mark Awards.

RESPONSIBLE SOURCING

Another key area where we can make a difference is with our supply chain. With all procurement decisions, whilst it is important that our hotels are able to purchase the goods and services they need to operate effectively at the right price, we also must ensure that robust due diligence is performed on our suppliers so that we can understand and address any social or environmental issues.

We work closely with our local and international suppliers to ensure that their products and services meet the demands of our operations and the expectations of our guests and other stakeholders. Moreover, we expect our suppliers to demonstrate effective management of energy use, greenhouse gas emissions, water use, waste, pollution, resource use and biodiversity. We also question whether suppliers have appropriate corporate governance arrangements in place to operate in an ethical and sustainable manner, whilst encouraging diversity and equal opportunities throughout their business.

Our selection process for suppliers is stringent and we request and review information on their reduction of packaging, environmental policies and sustainable transport plans prior to contracts being signed. Within our Europe region, we have established processes to assess all new suppliers based on their environmental, labour, anti-bribery and human rights practices. The system provides transparency and allows us to employ a strict audit and review process. It also allows us to manage our suppliers centrally and it increases our visibility over their product sourcing and transportation.

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 and ethical sourcing, we have implemented a number of initiatives, including our commitment to eliminate the use of caged eggs from our UK supply chain by 2020 and the use of wall-mounted dispensers in bathrooms to replace small plastic amenity bottles at various hotels globally.

CORPORATE RESPONSIBILITY
CONTINUED

SUPPORTING OUR COMMUNITIES

We care about our neighbourhoods and making a positive contribution to our local communities and the people who work and live there. We do this through fundraising activities and community engagement, often donating not only needed goods and money, but volunteering our time as well.

Below are some of the initiatives with which our colleagues were engaged during the year, in order to help build brighter futures for their communities.

Grand Copthorne Waterfront, Singapore

On 15 March 2018, over 10 hotel staff took time off their busy work schedules to bring warmth and laughter to residents at the Red Cross Home for the Disabled in Singapore. Staff paired up with residents one-to-one for an art therapy session, called 'Dancing Colours, Bridging Love,' where they created paintings and bonded with the residents.

Copthorne Hotel Newcastle, UK

The Copthorne Hotel Newcastle continued to support the Henry Dancer Days charity, which supports children and youths with primary bone cancer, disbursing grants to families to help with expenses such as transport costs or costs associated with accessibility renovations. Since 2014 hotel colleagues have raised over £10,000 for the charity through a combination of various initiatives and festive raffles.

The Copthorne Newcastle team, with General Manager Mr Ken Ellington (in blue tie), presenting the cheque to Henry Dancer Days Charity Founder and Manager Ms Jane Nattrass. The hotel has cumulatively raised £10,000 for the charity since 2014.

The Red Cross Home for the Disabled is a residential home for people with multiple disabilities serving over 100 adult and child residents.

Staff from Grand Copthorne Waterfront with the residents from Red Cross Home for the Disabled and their finished masterpieces.

The Lakefront Anchorage, USA

On 12 May 2018, hundreds of Alaskans arrived at The Lakefront Anchorage to walk the 4.2-mile (6.76km) loop around Lake Hood, the world's largest and busiest seaplane base. The walk was for Anchorage's edition of the national fundraiser, 'Walk MS,' for people affected by multiple sclerosis.

The hotel was proud to be an official community sponsor for the fifth year in a row and provided the venue for the event, which saw over 350 attendees. Employees actively participated in the walk and raised close to US$1,000 for the important cause. A total of over US$52,000 was raised for the event.

In appreciation of the hotel's continued efforts to support and raise awareness for the cause, the National Multiple Sclerosis Society Greater Northwest Chapter presented The Lakefront Anchorage with an award recognising their extraordinary partnership.

The Lakefront Anchorage Director of Sales and Marketing Ms Brandi Cooper and General Manager Mr Greg Beltz at the fundraising walk's finish line at the entrance of the hotel.

The "**cake walkers**": (L-R) Copthorne Palmerston North Front Office Receptionist Ms Zara Murrihy; Ava, daughter of Executive Chef Mr Jono Mawley; and Food & Beverage Duty Manager Ms Nikki Walker.

Copthorne Palmerston North, New Zealand

The Copthorne Palmerston North took part in the Kind Hearts Movement Charity Cake Auction for the first time in July 2018. The bake-off saw thirty-two businesses and organisations in the Manawatu district in New Zealand create innovative cakes and parade them in a "cake walk" for an auction. The members of the hotel team, who were proud to have achieved a second-place standing, helped the charity raise NZ$410 from the auction of the cake. The goal of the organisation is to inspire a kinder world through acts of unconditional kindness.

We must continue to balance our commercial priorities against our responsibilities to the environment and our communities. Our colleagues around the world continue to instil pride by demonstrating their commitment to doing the right thing. Looking ahead, we will continue to step-up our corporate responsibility efforts with the knowledge that this is a long-term pledge that will help to keep us on the path to creating a more sustainable and responsible future.

OUR RISKS

Being faced with financial and operating risks is an inherent part of conducting business in a challenging and fluid business environment. Many of our principal risks will be the same risks faced by similar businesses in the hospitality industry.

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

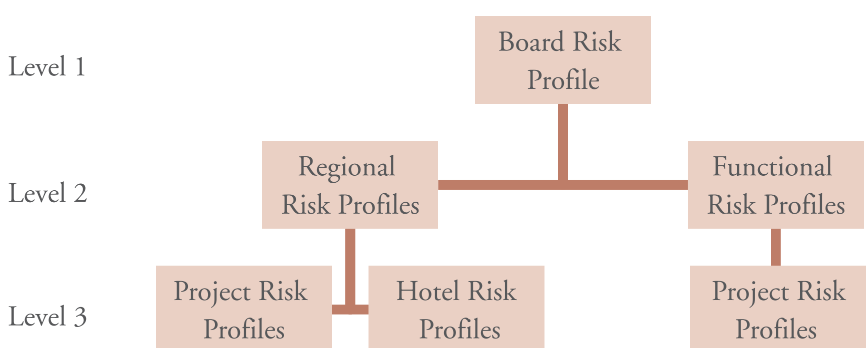
MANAGEMENT OF RISK

The Group's risk management framework has been developed to align with the best practice risk management standard ISO 31000. The framework consists of a group risk management process for standardized assessment, reporting and monitoring of risks to ensure a robust and consistent standard in line with the Group's risk appetite. Under the Group's risk management framework, there are three levels of risks. Level 1 risks represent the principal risks that are monitored closely at Board level. Level 2 risks are those within the areas of responsibility of the regional and functional heads. Finally, Level 3 risks encompass hotel-level and project-specific risks.

The Board have established a clear organizational structure for the management of these risks in the Group, with well-defined roles and responsibilities. The Board retains overall responsibility and accountability for the effectiveness of the risk management framework and internal control systems. In 2018, upon review of the structure of the Board's committees, the Board decided to amalgamate the duties of the Risk Committee and Audit Committee given the commonalities of their remits and recognizing the progress made towards establishing a robust risk management framework within the Group, and the new Audit & Risk Committee commenced operation in May 2018. Supporting the Audit & Risk Committee, the Group Management Risk Committee has accountability for ensuring effective risk management at the operational level in line with the Board-approved risk appetite limits. The Group Management Risk Committee is comprised of the principal risk owners, including regional operational heads and functional heads, and is led by the Group Chief Executive Officer.

To support this structure, a Global Director of Compliance and Risk Management has been appointed to work with the Group Management Risk Committee and the business to help strengthen and further embed the Group's regulatory compliance and enterprise risk management framework. A third-party risk management consultancy also continues to assist the Group in embedding risk management within the business. As risks continue to evolve and grow in complexity, so too do our risk management processes, ensuring continual improvement, and growth in the organisation's risk maturity. Work on these initiatives will continue over the course of 2019.

RISK FRAMEWORK



RISK GOVERNANCE STRUCTURE

OUR RISKS CONTINUED

PRINCIPAL RISKS

In the following table we have identified the key risks that are regarded as the most relevant for the Group. The principal risks should be viewed as the risks that we see as being material to our business's performance and prospects at this time.

The following pages provide a description of each risk and how it could impact the business, a summary of controls and mitigating activities being undertaken and the 'trend' for the risk. This trend represents the forward-looking view of the net risk exposure for each risk, taking into account changes in the external risk environment and the Group's internal mitigation activities.

DISCLOSURE REGARDING BREXIT

The Group does not consider the UK leaving the European Union a principal risk. The Group has taken steps to mitigate risks within our control and will continue to monitor developments and review our position. A 'Brexit Steering Group' has been established and contingency plans are in place to deal with any challenges that may arise post-Brexit.

The order in which risks are presented below is not indicative of the relative potential impact to the Group. The risks may, to varying degrees, impact the Group's revenues, profits, net assets, operations, guests, employees, partners and/or reputation.

Not all potential risks are listed below; some risks that we are managing and monitoring in the business are excluded because the Board considers that they are not material to the Group's long-term strategy, performance or viability. In general, the diversity and geographical spread of the Group's assets provide natural hedges against many of the principal risks identified below and our processes aim to provide reasonable, not absolute, assurance that the principal risks that are significant to our business have been identified and addressed. Additionally, there may be risks that are not reasonably foreseeable as at the date of this report.

Risk	Potential Impact	Mitigation Activities	Trend
Competition, trading and market factors	The hotel industry operates within an inherently cyclical sector, where competition, both online and offline, is increasing. The growth of room supply, without corresponding increases in demand, may lead to downward pressure on rates, which in turn could negatively impact the Group's performance. The hospitality industry also is seeing a degree of consolidation in pursuit of scale and the benefits associated with it. In addition, trading can be directly affected by localised events—such as natural catastrophes, country or regional geo-political matters—as well as global, macro-economic trends impacting travel and hotel stays. Finally, the Group operates in numerous jurisdictions and trades in various international currencies, but reports its financial results in pound sterling. Fluctuations in currency exchange rates and interest rates may be either accretive or dilutive to the Group's reported trading results and net asset value. The 2016 referendum vote in the UK to leave the European Union, for instance, resulted in a sustained devaluation of the pound sterling. Unhedged interest rate exposures pose a risk too. Rising interest rates may result in increased borrowing costs and impact the Group's profits.	• The diverse nature of the Group's portfolio, both geographically and in respect of its breadth of brands, provides a natural hedge against various external risks. The Group has a concentration of hotels in key gateway cities such as London, Singapore and New York to benefit from corporate and leisure travel. As a niche owner-operator, the Group keeps a close watch on local events and developments to align its investment and marketing spend to target relevant customer segments and adapt to changing hospitality trends. • 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 & Risk 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 and fixed-rate lending facilities are used from time to time to manage interest rate risks.	↑
Investment and asset management	The Group's hotels require investment, typically in cycles of minor and major refurbishments, to maintain their competitiveness. Refurbishment projects invariably impact on revenues, particularly when major renovations require the hotel to be closed for extended periods. Also, refurbishment projects or other capital projects may overrun on time and costs or may not deliver the expected returns on investment. The size of investment and appropriate allocation of limited resources across a diverse portfolio are also key considerations. The ability of the Group to make the right investment decisions at the right time, and devote appropriate resources to its investment programme, is crucial to enabling long-term, profitable growth.	• The Group continues to develop property specific refurbishment plans, which focus on the capital expenditure requirements of each property in terms of regular maintenance and product enhancement to help ensure the products remain competitive. These plans generally are developed by the hotel management teams and reviewed and approved at the Group level. • Refurbishment projects are generally phased in order to minimise the impact on revenues. Where it is justified, a decision to fully close and reopen a hotel after renovation can be taken, in order to help reposition the hotel, for instance. • With regard to large-scale capital projects, such as the Sunnyvale, California mixed-use development, the Yangdong development in Seoul and the refurbishment of the former Millennium hotel in Mayfair, London, dedicated project managers and cost consultants are engaged to help oversee the projects and track spending against approved budgets. A Senior Vice President of Technical Services was appointed in September 2018 to help improve global oversight over, and monitoring of, large projects.	→

OUR RISKS
CONTINUED

Risk	Potential Impact	Mitigation Activities	Trend
Brand equity and customer loyalty	Brand equity and customer loyalty influence consumer choice and are created by understanding customer needs, clear and consistent communication and consistently delivering products and services that meet those customer needs. Further, the Group's ability to protect its intellectual property rights in its brands is fundamental to delivering on these endeavours. Competition is fierce, and the Group's scale and marketing expenditure cannot match those of larger competitors. Generally, the Group operates properties which it owns and therefore is able to exercise control over the service and product quality of those hotels. In addition, management of hotels involving third-party or joint-venture relationships in certain markets gives rise to the risk of non-performance by those parties, affecting the ability of the relevant hotels to deliver service and product quality consistent with the Group brand and operating standards. Failure to create brand equity and customer loyalty could affect the pace of future revenue growth as well as the pricing power, image and reputation of the Group.	• The Group has in place brand standards that are designed to maintain a level of product consistency based on the brand collection to which a particular hotel belongs whilst allowing flexibility in order to maintain the personality of the property. The brand standards capture the key messaging behind each of the Group's brands. • To raise the profile of our brands and to help build brand equity, marketing campaigns are highly targeted and often leverage strategic partnerships. In 2018, the Group launched the M Collection and promoted the Leng's Collection. It also signed a sponsorship agreement with the Chelsea Football Club and redesigned its loyalty programme for launch in 2019. • Investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trademark registrations, enforcement of intellectual property rights, domain name protection and enforcement of management agreements. The Group utilises third party online brand monitoring and protection agencies to assist with the Group's enforcement activities.	➡
Health, safety and security	The health, safety and security of guests, visitors and employees is a fundamental expectation and there is a breadth of regulatory requirements across different jurisdictions relating to health and safety matters. Failure to implement and maintain sufficient controls regarding health and safety issues could result in serious injury or loss of life, lead to regulatory investigations and expose the Group to significant claims, sanctions or fines, both civil and criminal, as well as reputational damage. Whilst health and safety matters often are local to a particular venue or location, security concerns can be affected by global geopolitical events.	• The Group has health, safety and environmental management systems in place, which include policies, procedures, testing, self and third-party audits, training and reporting. Where possible, these seek to align with the requirements of best practice accredited systems (e.g., OHSAS 18001). By following these standards, the Group strives to work to the highest standards of health and safety. • Following the tragic event at Grenfell Tower in London, in June 2017, related to flammable cladding, the Group assessed its portfolio globally, testing and confirming that such cladding is not used at any of the Group's owned and managed properties. • Management seeks to identify emerging risks at the earliest opportunity to ensure clear roles and responsibilities, internal controls and other steps to minimize these exposures to the greatest extent possible.	➡

Risk	Potential Impact	Mitigation Activities	Trend
Talent management and succession	Hospitality is a people business. The Group's brands and ability to deliver consistent service quality are dependent on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude. Generally in the industry, frontline employees are prone to higher levels of turnover. Also, with the growth in room supply, demand and consumer choice globally, it becomes increasingly important for operators to be able to find and retain senior leaders who inspire and motivate staff. Failure of the Group to properly plan for the recruitment and succession of key management roles may impact service quality, consistency and/or delay the execution of the Group's strategies. Not unique to the Group, a considerable proportion of hotel staff in the UK, and particularly in London, originate from European Union countries. The ability of the Group to retain appropriate staff, as well as the cost of doing so, may be impacted depending on if and how the UK exits the European Union.	• The Group has strong regional and local management structures threaded together with a common commitment towards ensuring a rewarding and empowering work environment. This is supported by performance management and recognition systems, compensation and benefits programmes, e.g., bonus plans, service reward programmes, share plans, and internal and external training and development programmes. • The Group strives to provide internal talent with opportunities for development and advancement as a matter of priority. • The Nominations Committee and wider Board are tasked with ensuring proper succession plans are in place for key members of the senior management team. • The Group is keeping on top of the developments relating to the UK's potential exit from the European Union as they unfold and management are continuing to review the potential impact of the developments. A 'Brexit Steering Group' has been established to ensure the Group considers material risks and to develop appropriate mitigation strategies. This allows the Group to remain nimble and ready to respond to different issues and scenarios.	
Revenue channel optimisation and cost of sale	Keeping abreast of digital transformation and online competition is critical given the growing proportion of the Group's hotel rooms being booked online. Online travel agencies ("OTA") tend to have higher commission rates compared to traditional travel agents and are taking an increasing share of bookings across the sector. Over time, consumers may develop loyalties to the OTAs rather than to the Group's brands. These trends may impact the rising cost of sale ultimately affecting profitability. Other costs related to metasearch engines and tools that help direct online traffic towards our own websites are increasing. On the supply side, sharing economy platforms, such as Airbnb, may expand their market share and compete with more traditional business and leisure accommodations.	• 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. In 2018, the Group restructured its sales organisation and developed a global sales account management tool to focus on growing corporate business in particular. • Fundamental to the Group's distribution strategy is growing brand recognition and loyalty along with increasing direct channel bookings. In 2018, the Group continued to enhance its brand website and it will be launching a revamped loyalty programme in the first quarter of 2019. • The Group is aggressively managing its portfolio of distribution channel partners, including established OTAs and new, niche or local players, to optimise revenue, gain access to new customers and minimise commission costs.	

OUR RISKS
CONTINUED

Risk	Potential Impact	Mitigation Activities	Trend
Information security, vulnerability to cyber-attacks and PCI-DSS compliance	Increasing reliance on online distribution channels and transactions over the internet and mobile applications, 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 a cyber security event or loss of data 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 security standards ("PCI-DSS"), and failure to do so could result in penalties and/or withdrawal of credit card payment facilities.	• The Group's regional Information Technology ("IT") teams conduct periodic security and penetration testing, often using external consultants, and any recommendations or enhancements are implemented where necessary. • Software systems are regularly updated to allow for the latest security updates and patches to be installed. • Information technology policies and procedures have been updated to reflect implementation of the latest PCI-DSS compliance standards. • The Group has in place, and regularly reviews, cyber insurance coverage to protect against certain cyber risks.	↑
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 areas 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. An area of particular regulatory focus in 2018, for example, was in relation to the implementation of the new EU General Data Protection Regulation ("GDPR"). In addition, the Group has contractual relationships in place with various counterparties, including customers, suppliers, employees and other parties, and provides goods and services to customers. As such, a breakdown in any of these relationships could lead to disputes and ultimately litigation, which in turn could give rise to reputational damages, management distraction and/or the Company having to incur significant costs or damages, particularly where claims are not insured or are not fully insured. 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 regulatory changes in the jurisdictions in which it operates in order to identify its 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, anticorruption and bribery, gifts and hospitality and charitable donations, among others. • The Group undertook a comprehensive project to ensure compliance with the GDPR, including data mapping, updating policies and procedures and implementing additional controls and training. • 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. • A dedicated Global Director of Compliance and Risk Management has been hired to enhance the Group's compliance and risk management regime.	↑

Viability risk assessment
Risk reviews led by the Group Management Risk Committee and overseen by the Audit & Risk Committee identify and evaluate the Group's principal risks in the context of its operating environment, business objectives and enterprise risk management controls that are in place.

One element of this pertains to the assessment of the cash flow of the Group over a three-year period for a viability risk assessment, taking into account projected cashflows available from operations and lending facilities versus the estimated investment and working capital requirements over the period.

Review period
For purposes of the Group's viability risk assessment, the Directors once again selected a three-year review period ending 31 December 2021, although they have no reason to believe that the Group will not be viable over a longer period. This three-year period was determined to be a reasonable assessment period for several reasons:

- First, the three-year period is in line with the Group's rolling strategic and financial plans, which are reviewed by the Board on an annual basis;
- Second, many of the Group's revolving credit lines have three-year terms;
- Third, the landscape of online competition has been changing rapidly, as previously reported, and is likely to continue to change further in the foreseeable future, and 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 2021, considering the Group's strategy and the Group's principal risks and how these are managed over this period, as detailed on pages 40 to 44.

The Directors believe the three-year period is appropriate for the reasons stated above. The three-year strategic and financial plans are supplemented by regular Board briefings provided by management and the discussion of any significant new initiatives, trends, transactions or other matters that may impact the Group or its 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 2021.

Approval of Strategic Report
The Strategic Report comprises the following sections: Chairman's statement, Business review and strategy, Key performance indicators, Financial performance and regional performances, Corporate responsibility and Our risks sections. The Strategic Report was approved by the Board and has been signed on its behalf by:

Kwek Leng Beng
Chairman of the Board

14 February 2019

GOVERNANCE

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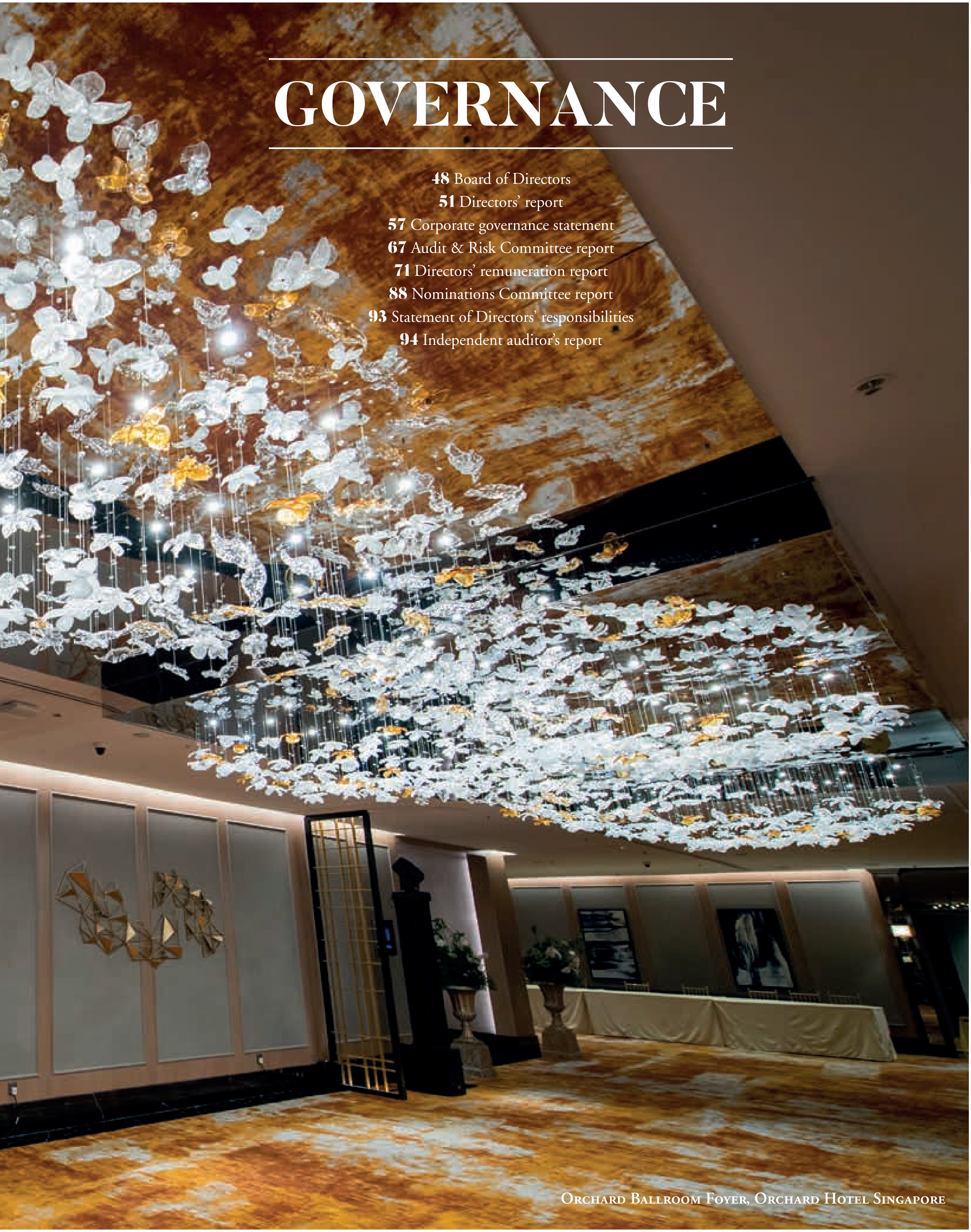


Orchard Ballroom Foyer, Orchard Hotel Singapore

BOARD OF DIRECTORS

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 also was the Non-Executive Chairman of Hong Leong Asia Limited until its Annual General Meeting in April 2017, when he stepped down as its Chairman and as a Director.

Mr Kwek holds an honorary doctorate in Business Administration in Hospitality from Johnson & Wales University in the US, and has an honorary doctorate from Oxford Brookes University in the UK.

Mr Kwek 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 has companies traded on 6 of the world's stock markets. Mr Kwek's enterprise employs over 40,000 employees across a range of businesses in Asia-Pacific, the Middle East, Europe, and North America.

HIS EXCELLENCY SHAUKAT AZIZ (N)(R)

Senior Independent Director and Chair of the Remuneration Committee

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 gained a MBA degree from the Institute of Business Administration, University of Karachi. An internship at Citibank marked the beginning of a 30 year career in global finance, encompassing roles globally. As Executive Vice President, he held several senior management positions in Citibank, including Head of Institutional Banking for Central Eastern Europe, the Middle East and Africa, and later for Asia Pacific, followed by Chief Executive of their global wealth management business. A renowned public speaker on economic and geopolitical affairs, Mr Aziz is a member of several boards and advisory boards of various commercial and non-profit entities around the world.

KWEK LENG PECK (N)
Non-Executive Director

Kwek Leng Peck was appointed to the Board in February 1995, prior to the flotation of the Company on the London Stock Exchange. He holds directorships in 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 Non-Executive Chairman of Tasek Corporation Berhad.

KWEK EIK SHENG
Non-Executive Director

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

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

MARTIN LEITCH (A)(N)
Independent Non-Executive Director and Chair of the Audit & Risk Committee

Martin Leitch was appointed to the Board in May 2017. Mr Leitch is an international finance executive with significant experience in both publicly quoted and private equity owned groups. He is a Chartered Accountant and has since 2013 provided finance, strategy, corporate finance and other services to a number of international businesses, including Volac International and Constantia Flexibles. Before that he was Chief Financial Officer at Innovia Films, Quest International and Antalis Group. He began his corporate career at Pepsi-Cola International in 1993, having worked for Price Waterhouse in both the UK and US between 1979 and 1993.

BOARD OF DIRECTORS
CONTINUED

CHRISTIAN DE CHARNACÉ (N)(R)(A)
Independent Non-Executive Director

DANIEL DESBAILLETS (A)(R)
Independent Non-Executive Director

Christian de Charnacé was appointed to the Board in August 2017. He has over 40 years of global experience in merchant, corporate and institutional banking. Most recently he was CEO, Investment Banking Asia Pacific, for BNP Paribas based in Hong Kong. He has since 1980 led various divisions of the bank working in Singapore, Hong Kong, Seoul, Los Angeles, Taipei, Tokyo, Paris and London. Mr de Charnacé has been involved in numerous capital markets, financing and advisory transactions for clients throughout Asia, the US and Europe, and has considerable experience in advising listed companies. He began his banking career at Bank of America, working in its Multinational Division. He also serves as a Non-Executive Director of Golden Agri-Resources Ltd and an Independent President Commissioner on the Board of BNP Paribas Sekuritas Indonesia.

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

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

A – Member of the Audit & Risk Committee
R – Member of the Remuneration Committee
N – Member of the Nominations Committee

DIRECTORS REPORT

INTRODUCTION

The Directors present their annual report of the business and the Group, together with the financial statements and auditor's report, for the year ended 31 December 2018.

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

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

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

DISCLOSURE	SECTION	PAGE
Directors' emoluments	Directors Remuneration Report	71
Long Term Incentive schemes	Details of the Group's employee share schemes are set out in Note 23 of the consolidated financial statements and also on pages 80 and 82 of the Directors' annual report on remuneration. Details of the shares held by the Millennium & Copthorne Hotels plc Employee Benefit Trust can be found In the Directors' Report on page 53 and in Note 30 of the Consolidated Financial Statements on page 167	
Interest capitalised by the Group	Note 12 of the consolidated financial statements	135
Parent participation in a placing by a listed subsidiary	None	
Contract of significance with a director or controlling shareholder	None	
Provision of services by a controlling shareholder	Note 33 of the consolidated financial statements	169
Non-preemptive issues of equity for cash	None	
Non-preemptive issues of equity for cash in relation to major subsidiary undertakings	None	
Agreements with the controlling shareholder	Corporate governance statement	64
Employee involvement and policies	Corporate responsibility	31 and 32
Greenhouse gas emissions	Corporate responsibility	From page 32

COMPANY STATUS

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

STRATEGIC REPORT

This report is prepared by the Directors and is found on pages 18 to 45. The Strategic Report is required by the Act to provide a fair review of the Company's business, together with a description of the principal risks and uncertainties facing the Company. It includes an analysis of the development and performance of the Company's business during the year and the position of its business at the end of the year, as well as 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 2018 are shown on pages 48 to 50. Three Directors, including Jennifer Fox, Sue Farr and Gervase MacGregor, served as Directors of the Company for a portion of the year, but stepped down on 27 September 2018, 31 October 2018 and 1 December 2018, respectively.

DIRECTORS' SHAREHOLDINGS

Details of the Directors' shareholdings at 31 December 2018 are shown on page 82. No change to these shareholdings has occurred between 31 December 2018 and the date of this report.

DIRECTORS REPORT
CONTINUED

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

A Director may be removed by the Company in certain circumstances as set out in the Company's Articles of Association or the Director's appointment letter, including by an ordinary resolution of the Company, upon termination of the Director's appointment letter by the Company or 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 2018 are set out on pages 104 to 185.

An interim dividend for the year ended 31 December 2018 of 2.08p per share was paid on 28 September 2018. The Directors are recommending a final dividend of 2.15p per share (2017: 4.42p), which, if approved at the Company's Annual General Meeting on 10 May 2019, will be paid on 17 May 2019 to shareholders on the register on 15 March 2019.

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 (2017: £nil). The Company operates a politically neutral policy with regard to any political donations and expenditure it may elect to make. See the Corporate Responsibility Report on page 36 for details of the Company's non-political charitable activities.

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

GREENHOUSE GAS EMISSIONS
All disclosures concerning the Group's greenhouse gas emissions can be found in the Corporate Responsibility Report from page 32.

EMPLOYEE INVOLVEMENT AND DISABLED PERSONS
We value highly the rich ethnic and cultural diversity of our people. The Group operates in over 26 countries and employed 11,504 employees worldwide during the year. We are an equal opportunities employer and our objective is to ensure that no employee or other worker or job applicant receives less favourable treatment, directly or indirectly, on the grounds of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation.

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

The Group values the engagement of its employees and endeavours to keep employees informed about matters of concern to them and the performance of the Company, whether through management presentations, global and regional intranet sites and other communications. Likewise, the Group seeks to consult with employees through various means and on a regular basis so that their views can be taken into account. The Group currently operates an HM Revenue & Customs compliant Save as You Earn Scheme, an all-employee share plan for employees in the UK, and Long Term Incentive Plan, Executive Share Plan and Deferred Share Bonus Plan for certain levels of executives globally. The primary objectives of these plans are to incentivise and engage our employees and align their interests with the Group's performance. Further details of the Group's employee benefits are set out in Note 23 to the Company's consolidated financial statements.

During 2018, the Board received detailed reports in relation to the new UK Corporate Governance Code (the "New Code") that became effective on 1 January 2019. The New Code has expanded the roles of the Remuneration Committee and the Nominations Committee; in particular, the Remuneration Committee has been developing proposals with regard to the wider workforce. The Remuneration Committee, in conjunction with senior management and PricewaterhouseCoopers, developed a formal framework that will allow the Board to understand the views of and engage with the workforce. This has involved the establishment of a workforce advisory panel. Further details relating to the workforce advisory panel and work undertaken by the Remuneration Committee to address some of the New Code requirements, is detailed in the Directors Remuneration Report and will be further elaborated in the company's 2019 Annual Report and Accounts.

FUTURE DEVELOPMENTS
A discussion of the likely future developments in the business of the Group can be found in the Strategic Report on page 18.

RESEARCH AND DEVELOPMENT

Whilst we continue to review ways to improve our service and product offerings, and regularly invest in our people and assets, 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 BASIS OF ACCOUNTING

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, which for this purpose is a period of at least 12 months from the date of approval of the Company's financial statements. Accordingly, they continue to consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements of the Group. Further details on this assessment are included on page 112, within Note 2.1 to the Group financial statements.

AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

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

SIGNIFICANT AGREEMENTS

There are no significant agreements to which the Company is a party that take effect, are altered or terminate upon a change of control of the Company following a takeover bid. However, as mentioned in the "Payment for loss of office" section in this Directors' Report, the Company's share plans include change of control provisions.

SHARE CAPITAL AND RELATED MATTERS

The Company's issued share capital at 31 December 2018 consisted of 324,791,486 fully paid ordinary shares of 30 pence each. The shares are traded on the Main Market of the London Stock Exchange. During 2018, 30,731 new shares were issued under employee share plans. Further details of the changes to the Company's ordinary issued share capital during the year are shown in Note 29 to the Company's financial statements.

RIGHTS ATTACHED TO SHARES

Rights and obligations attached to the Company's ordinary shares are set out in the Company's Articles of Association, a copy of which can be obtained from Companies House or from the Company's investor relations website at https://investors.millenniumhotels.com/corporate-governance/policies.

With regard to the Company's ordinary shares:

- each ordinary share of the Company ranks equally in all respects:
- the voting rights associated with the Company's ordinary shares are not restricted and there are no restrictions on the transfer of the shares or the voting rights attached to them aside from certain restrictions that may from time to time be imposed by applicable laws or regulations, such as insider dealing laws. Pursuant to the Company's share dealing policies, the Company's Directors and certain other categories of employees, such as persons discharging managerial responsibility, are required to seek approval to deal in the Company's shares during various restricted periods;
- the Directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of the Company's shares or on the voting rights attached to them; and
- none of the Company's shares carries special rights with regard to control of the Company.

EMPLOYEE SHARE SCHEMES

The Company has in place a discretionary Employee Benefit Trust known as the Millennium & Copthorne Hotels plc Employee Benefit Trust 2006 (the "EBT"), which is funded by the Company and was established to acquire shares in the Company for the benefit of employees participating in the Company's share-based incentive schemes. Details of shares held by the EBT at 31 December 2018 are set out on page 167. During 2018, 22,365 shares were released from the EBT in respect of share schemes for employees. The trustee of the EBT, currently First Names (NTC) Trustees Limited, has the power to exercise all voting rights in relation to the Company's shares held within the EBT, but generally abstains from voting.

PAYMENT FOR LOSS OF OFFICE

The Company does not have an agreement with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover bid. However, all of the Company's employee share plans contain provisions relating to a change of control pursuant to a general offer, scheme of arrangement or similar event. On such a change of control, options and awards granted to employees under the Company's share plans may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time. Further details about payments to be made to Directors for loss of office can be found in the Directors' Remuneration Report on page 81.

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.

DIRECTORS REPORT
CONTINUED

CONTROLLING SHAREHOLDER INDEPENDENCE DISCLOSURE

As of the date of this report, City Developments Limited ("CDL") is the controlling shareholder of the Company. As required under LR 9.2.2ADR, the Company and CDL have entered into the Amended and Restated Co-Operation Agreement dated 14 November 2014 (the "Co-Operation Agreement"), which is intended to ensure that the Company's controlling shareholder complies with the independence provisions set out in the Listing Rules.

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

The Co-Operation Agreement will continue in operation as long as the Company's shares are listed on the premium segment of the Official List of the London Stock Exchange and will terminate should CDL cease to be a 'controlling shareholder' as defined in the Listing Rules.

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

The Co-Operation Agreement allows CDL to appoint up to five Directors to the Board. As at the date of this report, CDL has appointed three Directors.

ALLOTMENT OF SHARES

Under the Act, Directors may only allot shares or grant rights to subscribe for, or convert any security into, shares if authorised to do so by shareholders at the Company's Annual General Meeting. At the Company's 2018 Annual General Meeting, shareholders approved resolutions authorising the Company to:

- allot shares up to an aggregate nominal value of £32,476,608 (representing one-third of the Company's issued share capital as at 28 March 2018);
- allot shares up to an aggregate nominal value of £64,953,216 (representing two-thirds of the Company's issued share capital as at 28 March 2018) in connection with an offer by way of a rights issue (i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary;
- disapply pre-emption rights for cash issues of shares in respect of ordinary shares with a nominal value of up to £4,871,491 (representing approximately 5% of the Company's issued share capital as at 28 March 2018); and
- disapply pre-emption rights for cash issues of shares in respect of ordinary shares with a nominal value of up to an additional £4,871,491 (representing approximately 5% of the Company's issued share capital as at 28 March 2018) for purpose of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment, in line with the Statement of Principles on Disapplying Pre-Emption Rights most recently published by The Pre-Emption Group.

The authority conferred on the Directors under these resolutions will expire at the conclusion of the Company's next Annual General Meeting or 30 June 2019, whichever is earlier. At the Company's 2019 Annual General Meeting shareholders will be asked to renew these authorities. Further details of these resolutions and other resolutions are contained in the 2019 notice of Annual General Meeting.

The Co-Operation Agreement 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 2018.

PURCHASE OF OWN SHARES

The Company was authorised by shareholders at its 2018 Annual General Meeting to purchase its own shares on the market within certain limits. In the period since the 2018 Annual General Meeting, the Company has not exercised this authority. The Board will seek shareholder approval at the 2019 Annual General Meeting to renew this authority to make market purchases of the Company's shares.

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 a covered person 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 2018, the Company purchased and maintained Directors' and Officers' liability insurance coverage, which is intended to be renewed again in 2019. No claim was made under any such indemnity or insurance policy during the year.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting will be held at the Millennium Hotel London Knightsbridge, 17 Sloane St, Knightsbridge, London SW1X 9NU on 10 May 2019 at 10.00 a.m. The Notice of Meeting, which will contain notes explaining the business to be transacted at the meeting, will be sent to shareholders under a covering letter from the Chairman of the Company's Board, together with a copy of the Company 2018 annual report and accounts, at least 21 clear days in advance.

At the meeting, the Chairman of the Board will present a review of the Group's business first and a poll will be conducted for all resolutions being put forward to shareholders. Resolutions will be proposed to, among other things, declare a final dividend, to receive the annual report and accounts, to approve the Directors' remuneration report, to re-elect all Directors, to re-appoint KPMG LLP as the auditor and to authorise the Directors to approve their fees. In addition, shareholders will be asked to renew authorities referred to above. Following the meeting, the voting results for each resolution will be published.

ENGAGEMENT WITH SHAREHOLDERS

The Board recognises and values the importance of maintaining an effective investor relations and communication programme. The Board is proactive in obtaining an understanding of shareholder views on a number of key matters affecting the Group and receives formal investor feedback regularly.

In 2018, the Group's shareholders engagement activities included:

- formal investor presentations in respect of the Group's 2017 preliminary results and 2018 interim results;
- various meetings or conversations between the Company's management team, including the Group Chief Executive Officer, Chief Financial Officer, Company Secretary and other members of the team from time to time, and the Company's major shareholders during the year; and
- various meetings or conversations between the Directors, including the Chairman of the Board, the Senior Independent Director and other Directors, and the Company's institutional shareholders so that the Board could gain a first-hand understanding of investor concerns.

In addition, the Company's Annual General Meeting provides all shareholders with the opportunity to ask questions on matters put forth as resolutions and to further develop their understanding of the business.

At the Company's 2018 Annual General Meeting the company received significant votes opposing the election or re-election of the independent Non-Executive Directors. The Board is always mindful of shareholder concerns and has engaged regularly with shareholders during the year to understand their concerns in respect of these resolutions this as well as other matters.

His Excellency Shaukat Aziz, the Company's Senior Independent Director, is available to all shareholders if they have concerns that communication through the normal channels has failed to resolve.

Our website, https://investors.millenniumhotels.com, contains up-to-date information for our shareholders and other interested parties, including copies of previous annual reports and accounts, shareholder circulars and presentations, share price information and information on shareholder services.

ESSENTIAL CONTRACTS

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

RE-APPOINTMENT OF THE AUDITOR

KPMG LLP has expressed their willingness to be reappointed as auditor of the Company. Upon the recommendation of the Audit & Risk Committee, resolutions to reappoint them as auditor and to authorise the Directors to determine their remuneration will be proposed at the Company's 2019 Annual General Meeting.

DIRECTORS REPORT
CONTINUED

SIGNIFICANT HOLDINGS

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

SIGNIFICANT SHAREHOLDER	# OF ORDINARY SHARES	NOTIFIED INTEREST (%)	NATURE OF HOLDING
City Developments Limited	211,749,487	65.2	Indirect holding through various subsidiaries
International Value Advisers, LLC	21,127,368	6.51	Investment advisor
Goldman Sachs Securities (Nominees) Ltd. JNE Master Fund LP	20,093,139	6.19	Discretionary investment manager on behalf of multiple managed portfolios*
Standard Life Aberdeen plc	13,707,249	4.22	Discretionary investment manager on behalf of multiple managed portfolios

*On 3 January 2019 the Company was informed that the people subject to the notification obligation were MSD Capital, L.P. , MSD Capital Management, LLC, JNE Partners LLP and Jonathan Esfandi.

CORPORATE GOVERNANCE STATEMENT

In compliance with DTR 7.2.1R, the disclosures required by DTR 7.2.2R to 7.2.7R are set out in this Directors' Report and in the Corporate Governance Statement on pages 57 to 66, which together with the Directors' Statement of Responsibilities are incorporated by reference into this report.

STATEMENT OF THE DIRECTORS AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

In accordance with Section 418 of the Act, each Director who held office at the date of approval of 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
- he or she has taken all the steps that he or she ought to have taken as a director 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 14 February 2019.

By order of the Board

Jonathon Grech
Group General Counsel and Company Secretary

14 February 2019

CORPORATE GOVERNANCE STATEMENT

Dear Shareholders,

On behalf of the Board I present the Company's Corporate Governance Statement for the financial year ended 31 December 2018. In this statement, we describe our governance arrangements, how the Board and its Committees operate and how the Directors discharged their duties during the course of the year.

As we enter 2019, it is important that we have a highly engaged Board; one that is knowledgeable and cognisant of the challenges faced by our industry and our business and one that can support and challenge the executive team, and is well equipped to oversee the development of the Company, whilst maintaining appropriate and practical levels of governance, financial controls and risk management.

BOARD CHANGES

The Nominations Committee reviewed the structure of the Board's committees during the year and the Board decided to amalgamate the duties of the Risk Committee and Audit Committee and form the Audit & Risk Committee with effect from May 2018. This was done in light of the commonalities of their remits and the establishment within the Group of a robust risk management framework. The amalgamation of the committees streamlines our Board's resources and facilitates a holistic oversight of the Group's business, financial, operational, regulatory, compliance and risk management matters.

In addition, the departure of three Directors—Jennifer Fox, Sue Farr and Gervase MacGregor—in the latter half of the year created an opportunity for us to re-examine the composition of our Board and where deemed appropriate adjust the membership of our Board and its Committees. On the recommendation of the Nominations Committee, His Excellency Shaukat Aziz was appointed as Chair of the Remuneration Committee in November 2018, having served as a member of the Committee since 16 June 2009, and Christian de Charnacé was appointed as a member of the Audit & Risk, Remuneration and Nominations Committees, during the year.

As reported, we are in the process of conducting a search for a permanent Group Chief Executive Officer and new independent Non-Executive Directors. This is a top priority for the Nominations Committee, and, with regard to the search for a permanent Group Chief Executive Officer, we remain open to either hiring an external candidate or promoting talent from within the Company. We will cast the net as wide as necessary to ensure we find the right candidates and that the Board members have the appropriate mix of skills, diversity and experience, aligned with the Group's strategies. These new appointments will require time, careful deliberation and engagement by our Directors. More detail on these efforts is provided in the Nominations Committee Report.

CHANGES TO THE UK CORPORATE GOVERNANCE CODE

In July 2018, the Financial Reporting Council issued a revised version of the UK Corporate Governance Code (the "New Code"), which is effective for financial years beginning on or after 1 January 2019. Therefore, the Company will be required to report on the application of the New Code starting with the Company's 2019 annual report and accounts. In anticipation of the New Code becoming effective, the Board and its Committees received regular updates and reports on the New Code and developments in corporate governance during the course of 2018. The Directors have noted these changes and have considered the Group's approach to addressing them within an enhanced governance regime. We look forward to reporting on this work in due course.

BOARD PRIORITIES

In 2018, the business landscape remained challenging in light of the geopolitical events and regulatory changes experienced around the world. These included the possible withdrawal of the UK from the European Union ("Brexit") and the uncertainty surrounding that process; global trade tensions, particularly between the US and China; the impact of terrorism, especially in certain key gateway cities, such as London and Paris; and increasing minimum wages in many jurisdictions. The hospitality sector also continued to face headwinds due to disruptive innovation and change within the industry, with margins impacted by the rapid growth of online travel agencies and intensifying competition from large-scale, asset-light hotel management chains. The Group's financial performance continued to be impacted in the near term as a result of the full closure of the Millennium Mayfair Hotel for refurbishment, as reported earlier; weaker operating performance in Europe as well as the level of capital expenditure required to invest in our hotel estate. Against this backdrop, the Board and management team spent a considerable amount of time discussing these matters and their impact on the business.

The Board is cognisant that in addition to meeting its fiduciary duties and corporate governance requirements, one of the Board's key priorities is to focus on developing and implementing strategies to help the Group navigate through these headwinds. In particular, the Board must find solutions to turn around loss-making hotels and improve the Group's performance. This will help to accelerate growth and increase shareholder value. The Board remains diligent, watchful of the evolving landscape within the industry, and we understand the need to act nimbly and pragmatically in order to navigate this new landscape. As part of this, we may at times consider affiliating with larger international hotel chains to manage certain assets where we believe doing so will be accretive to their value. I believe that our entrepreneurial and innovative culture will help the Company become more resilient and tackle these challenges in 2019 and beyond.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

The following is a list of the key priorities the Board has identified for 2019.

Governance

- Succession planning for the Board and Committee membership
- The development and implementation of new policies and processes to enhance the Group's corporate governance regime in line with the requirements under the New Code
- The dedication of more time to reviewing and setting the high-level strategy and priorities for the Group

Operations

- Increased capital investment to transform and reposition the Group's hotel estate
- Service and product innovation through, among other things, further investment into and enhancement of the Company's website, e-commerce capabilities, loyalty programmes and its digital strategy overall, with a particular focus on business-to-business initiatives
- A focus on tighter cost control

People

- Succession planning for the Group Chief Executive Officer role and other members of senior management
- Flattening the management structure generally to make the team more efficient and agile

SUCCESSION PLANNING

Succession planning at the Board and senior management levels is essential to help minimise instability and ensure an appropriate level of talent and resources are available to execute on the Group's strategy.

The Nominations Committee, together with the wider Board, has taken time to consider the role of the Group Chief Executive Officer. Mr Tan Kian Seng, who first joined the Company as Group Chief of Staff and interim President of Asia in October 2016, resumed the role of interim Group Chief Executive Officer effective, 28 September 2018 and has proven to be a safe pair of hands and provides stability to the Group as we work to fill the skills gaps in our regional and functional leadership teams. Whilst the Board believes that the appointment of a permanent Chief Executive Officer is vitally important for the Group, the Board will take time to consider and search carefully for the next Group Chief Executive Officer.

DIVERSITY AND INCLUSION

We believe that it is important to have diversity in the boardroom and we recognise the benefits and different perspectives that diversity in all of its forms–including diversity of age, gender, of ethnic origin, and cultural and educational backgrounds–can bring to Board deliberations.

The Board continues to be mindful of the recommendations made by Lord Davies and his "Women on Boards" report, which initially stated that companies should strive to achieve at least 25% female representation on the Boards of FTSE 350 listed companies, and the subsequent Hampton-Alexander Review conducted by Sir Philip Hampton and the late Dame Helen Alexander, which challenges FTSE 350 companies to achieve a target of one-third of Board positions to be held by women by 2020.

Whilst the Board remains of the opinion that appointments to the Board should be based on merit, the benefits of diversity will be considered as part of the Board's succession planning and review of the composition of the Board and its committees. We acknowledge that more work will be required if we are to achieve the aspirational targets set out by Lord Davies and, more recently, the Hampton-Alexander Review and we are working towards these goals as a top priority.

It should be noted that Sue Farr had served on the Board from December 2013 until her tenure ended in October 2018, when she stepped down. The Nominations Committee is already in the process of identifying a successor; however, the recruitment process cannot be rushed. We will require time and must follow due process in order to identify a suitable candidate. We affirm our commitment to improving gender diversity on our Board and across our Group more generally.

Biographies of the members of our Board of Directors can be found on pages 48 to 50. The strength of the Board lies in its diversity, with our Directors having a wide range of backgrounds and experience from across different industries. In some instances, Board members may have similar professional backgrounds, but have different skill sets, which can add value to the operation of the Board. The Nominations Committee regularly keeps under review the composition of the Board to ensure that it remains best placed to ensure the success of the business and deliver on our stakeholders' interests.

CULTURE AND VALUES

Our corporate culture and values define who we are, what we stand for and how we do business, and are integral to the success of the Group. The Board helps to establish the culture and identify the values that guide it. We remain committed to upholding the highest ethical standards, operating under the principle that the tone at the top sets the standards for the rest of the business. From a practical perspective, the senior management team is responsible for "living" the culture and values on a day-to-day basis, and for clearly articulating these to colleagues globally. As part of the New Code, we welcome the renewed focus on culture and values and have already started work around examining the way they shape our behaviours and whether our policies and practices are aligned with them. We recognise that there is room for improvement in cultivating a corporate culture that is cohesive, collaborative and collective and is focused on helping the Company to achieve its corporate goals and even surpassing them. As our industry continues to face challenges, we need to nurture an innovative culture which will have a positive impact for our business.

SHAREHOLDER ENGAGEMENT

During the year under review, some of my fellow Directors and I met with several of our major shareholders to discuss our business, corporate governance and other matters. The Board found these meetings very useful as they helped to inform us about the concerns of our institutional shareholders and allowed us to have a constructive dialogue with them. In particular, as previously reported, significant time was spent speaking to shareholders about their views of the 620-pence offer by Agapier Investments Limited, a company wholly-owned by our controlling shareholder, City Developments Limited, for the entire issued and to be issued ordinary share capital of the Company not already held by City Developments Limited and its subsidiaries, which was announced on 9 October 2017 and which subsequently lapsed on 26 January 2018. Agapier Investments Limited secured acceptances from 47.14% of the minority shareholders, marginally falling short of the 50% threshold required for the bid to become unconditional.

BOARD EVALUATION

This year's Board evaluation was conducted by the Company Secretariat team, with support from Linstock Limited, through tailored and targeted questionnaires and conversations with the Directors, with the aim of drawing out the significant issues concerning the operation of the Board and its committees and identifying areas for improvement. Further information relating to the Board evaluation process and a summary of its key findings can be found on page 64 of this Corporate Governance Statement.

I am pleased to report that the Board has determined that the Company has complied with the provisions of the UK Corporate Governance Code in 2018, as further detailed in this Corporate Governance Statement.

I would like to thank our Directors for their diligent efforts over the course of the year and look forward to their continued contributions and leveraging their connections and expertise to help grow the business. The following pages provides greater detail and insight into the work carried out by the Board on your behalf.

As we embark upon 2019, we are cognisant of the persistent headwinds that lie ahead. We shall remain focused on our strategic initiatives, and we shall ensure that we as a Board can work with speed and agility to make difficult and timely decisions to drive our business performance.

Kwek Leng Beng
Chairman

14 February 2019

CORPORATE GOVERNANCE STATEMENT CONTINUED

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

Millennium & Copthorne Hotels plc ("M&C" or the "Company") is the holding company of the Millennium Hotels & Resorts group of companies (the "Group"). M&C is a premium listed company with equity shares traded on the Main Market of the London Stock Exchange and therefore the Company is subject to the UK Corporate Governance Code (the "Code"). The Company has applied the main principles of the April 2016 edition of the Code, a copy of which is available at www.frc.org.uk., for the year ended 31 December 2018. It is the Board's view that the Company has complied with all of the provisions of the Code. The Strategic Report on pages 18 to 45 provides information about the Group's strategy and business model, its financial and operating performance during the year and the outlook for its business, the principal risks and uncertainties which it faces, and its corporate responsibility initiatives.

THE ROLE OF THE BOARD AND ITS COMMITTEES

The Board provides leadership to the Group. It sets the Group's strategy and oversees implementation of that strategy, ensuring that acceptable risks are taken and mitigated where possible. The Board ensures that adequate resources are in place in order to deliver long-term value to shareholders and benefits to the wider communities in which the Group operates. The Board's overriding duties are to run the Company as stewards for the Company's stakeholders, with good governance, strong values and a safety-driven and ethical culture.

The activities of our Audit & Risk, Remuneration and Nominations Committees are set out in the reports of each committee, which reports are deemed to be part of this report. Details of the Group's principal risks can be found in the "Our risks" section of the Strategic Report on pages 40 to 44. The Company Secretary acts as secretary to all standing committees of the Board.

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

- Long term objectives and commercial strategy;
- Oversight over the Group's operations and internal controls;
- Annual operating and capital expenditure budgets;
- Extension of the Group's activities into new business or geographic areas;
- Changes relating to the Group's capital structure, corporate structure and listing status;
- The half-yearly report, interim management statements and any preliminary announcement of the final results;
- The Annual Report and Accounts, including the corporate governance statement and Directors' remuneration report;
- Dividend policy, declaration of the interim dividend and recommendation of the final dividend;
- Significant changes in accounting policies or practices;
- The Group's treasury policies;
- Capital expenditure above £5m and material contracts and leases;
- Significant contracts of the Company, or any subsidiary, not in the ordinary course of business;
- The disposal of any significant assets, whether a single transaction or series of related transactions;
- Any acquisition of land, property, or any addition of a hotel into the portfolio by acquisition or by means of a management contract;
- Major investments, including the acquisition or disposal of interests of more than five per cent of the voting shares of any company or the making of any takeover offer;
- Marketing campaigns or sponsorships where expenditure exceeds £500,000;
- Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting;
- Approval of all circulars, prospectuses and listing particulars;
- Changes to the structure, size and composition of the board, following recommendations from the Nominations Committee;
- Appointments to the board, following recommendations by the Nominations Committee;
- Membership and chairmanship of Board committees;
- Appointment, re-appointment and removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit & Risk Committee;
- Determining the remuneration policy for the directors, company secretary and other senior executives;
- The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval;
- Determining the independence of directors;
- Review of the Group's overall corporate governance arrangements;
- The making of any political donation;
- Prosecution, defence or settlement of significant litigation;
- Major changes to the rules of the group's pension schemes; and
- Changes to the schedule of matters reserved for board decisions.

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

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

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

The respective responsibilities of the Chairman and Group Chief Executive Officer are set out below and have been approved by the Board.[1]

BOARD AND COMMITTEE ATTENDANCE

The Board generally has up to six regularly scheduled meetings per year and convenes ad hoc meetings as necessary. The actual number of regularly scheduled Board and committee meetings attended by each Director during the year is shown below next to the maximum number of such meetings that each Director could have attended during the year.

	BOARD	AUDIT & RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATIONS COMMITTEE	RISK COMMITTEE
Kwek Leng Beng	6 (6)	–	–	3 (3)	–
Shaukat Aziz[1]	6 (6)	–	5 (6)	3 (3)	–
Christian de Charnacé[2]	6 (6)	4 (4)	1 (1)	1 (1)	–
Daniel Desbaillets	6 (6)	5 (5)	6 (6)	–	2 (2)
Susan Farr[3]	3 (4)	–	4 (5)	1 (1)	–
Martin Leitch	6 (6)	5 (5)	–	3 (3)	–
Gervase MacGregor[4]	1 (5)	3 (4)	–	–	2 (2)
Kwek Leng Peck[5]	5 (6)	–	–	3 (3)	–
Kwek Eik Sheng	6 (6)	–	–	–	2 (2)
Jennifer Fox	1 (1)	–	–	–	–

1 His Excellency Shaukat Aziz was unable to attend one Remuneration Committee meeting owing to a conflicting appointment.
2 Christian de Charnacé was appointed as a member of the Audit & Risk Committee on 23 March 2018 and the Nominations and Remuneration Committees on 2 November 2018.
3 Sue Farr was unable to attend one board meeting and one Remuneration Committee meeting owing to personal reasons. Sue Farr stepped down from the Board effective on 31 October 2018.
4 Gervase MacGregor was unable to attend four Board meetings owing to prior commitments and one Audit & Risk Committee meetings generally owing to a prior appointment. Gervase MacGregor resigned from the Board on 1 December 2018.
5 Kwek Leng Peck was unable to attend one Board meeting owing to a conflicting appointment.
6 The Risk Committee was merged into the Audit Committee at the conclusion of the Company's Annual General Meeting held in May 2018.

In addition to the regularly scheduled meetings shown above, the Board held two ad hoc meetings, the Audit & Risk Committee held one ad hoc meeting, and the Remuneration Committee held four ad hoc meetings. Attendance at those meetings is not reported. The Risk Committee held one ad hoc meeting before the duties of the Risk Committee were amalgamated with the Audit Committee.

BOARD MEMBERSHIP

At the date of this Report, the Board is comprised of seven directors, including the Chairman, four 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 and will each seek re-election by shareholders at the forthcoming Annual General Meeting. The Directors possess a variety of skills and have a mix of regional and global experience, as can be seen from the biographical details of the Directors set out on pages 48 to 50.

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

CORPORATE GOVERNANCE STATEMENT
CONTINUED

DIVISION OF RESPONSIBILITIES

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

The Chairman

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

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

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:

- evaluate and develop for approval by the Board the strategic plan, as necessary, and the 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 set by the board, and assess the Group's performance and progress in meeting them;
- promote the growth of the Group;
- develop the management team and establish for approval by the Nominations Committee and the Board a succession plan for key management appointments;
- ensure an appropriate system of internal controls and risk management framework are embedded within the business;
- take into account the Chairman's assessments of his performance from time to time;
- be responsible for the day-to-day management of the Group's business and affairs and ensure that significant issues that arise are resolved in an efficient and timely manner; and
- lead the management team to improve performance in every division.

Senior Independent Director

His duties are to:

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

NON-EXECUTIVE DIRECTORS

The independent Non-Executive Directors are responsible for helping to develop the Company's strategy and providing rigorous, objective and constructive challenge to create accountability and drive performance. Among them, the current independent Non-Executive Directors have the appropriate balance of skills, experience, knowledge and independent judgement gained through varied backgrounds and experiences, within the business world.

The responsibilities of the independent Non-Executive Directors include:

- helping management to develop the Company's strategic objectives by drawing on their own business and commercial experience and challenging assumptions;
- scrutinising management's performance in delivering against the strategy;
- satisfying themselves on the integrity of financial information and ensuring that the Group's risk and control systems are robust; and
- determining appropriate levels of remuneration and reviewing succession planning for Executive Directors and members of the senior management team, as appropriate;

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

- the time required to undertake the responsibilities of his or her role;
- unquestioned honesty and integrity;
- an ability to provide strategic and pragmatic thought to the relevant matters;
- an ability to manage and consider materiality and risk tolerance as key considerations in decision-making; and
- an understanding of the business of the Group and the risk environment in which it operates, including the potential for internal and external events to impact on health and safety, environmental, reputational, regulatory, market and financial matters.

THE INDEPENDENT NON-EXECUTIVE DIRECTORS

In accordance with the Code it is the Company's policy that at least half of the Board comprises of independent Non-Executive Directors. The independent Non-Executive Directors have wide ranging international experience at senior levels in areas of finance, accounting, hospitality, investment banking and international affairs. They bring strong, independent judgement to the deliberations of the Board, particularly in respect of the Group's corporate governance regime.

On appointment, each independent Non-Executive Director receives a letter of appointment setting out the terms of his or her appointment, the fees to be paid and provisions relating to 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. The appointment and any subsequent reappointment of a Non-Executive Director are subject at all times to the Articles of Association of the Company and any necessary shareholder approval or ratification.

Based on the principles outlined in provision B.1.1 of the Code, the Board regularly assesses the independence of each of the Company's Non-Executive Directors, taking into account whether the Non-Executive Director is independent in character and judgement, and whether there are any relationships or circumstances that are likely to affect, or could appear to affect, their judgement. Since the Chairman of the Board, Kwek Leng Beng, Kwek Leng Peck and Kwek Eik Sheng are appointees of the controlling shareholder, City Developments Limited, they are not considered to be independent for the purposes of Code provision B.1.1.

In June 2018 His Excellency Shaukat Aziz reached his ninth anniversary on the Board. The Code provides that more than nine years of service on a Board is a factor that weighs against a director's independence and that the Board should state its reasons if it determines that a director is independent notwithstanding the director having served for more than nine years. In accordance with the Code, the Nominations Committee and the Board assessed the independence of Mr Aziz during the second half of the year and determined that, despite his tenure, he remained independent in character and judgement since (among other things): (i) he continued to make thoughtful and valuable contributions to the deliberations of the Board; (ii) he continued to challenge management and other members of the Board as appropriate; (iii) he was not beholden to the Company for remuneration other than his annual director fee; and (iv) none of the other factors weighing against independence were present in terms of Mr Aziz's relationships with the Company, its directors and/or shareholders. The Board also determined that it would be helpful for Mr Aziz to remain as a director given his global experience and the fact that his presence would help to provide continuity to the Board.

In addition to the robust assessment of Mr Aziz's independence, the Board conducted its regular annual independence review in December 2018 and determined that there had not been a change to the independent status of all of the other independent Non-Executive Directors. Their diverse business backgrounds, skills and experience, the Directors concluded, enable all of them to continue to bring independent judgement to bear on issues of strategy, performance, resources, key appointments, standards of conduct and other matters presented to the Board.

At least once during the year the Chairman and Independent Non-Executive Directors met, without management being present, to discuss the performance of senior management, the Board and other matters of importance. This meeting took place in December 2018.

DIVERSITY AND INCLUSION

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

The Board meets the recommendation, set out in the Report into the Ethnic Diversity of UK Boards published in October 2017 by Sir John Parker and the Parker Review Committee, that at least one person on the Board is from an ethnic minority. Our senior management team represents 7 different nationalities across the globe, embodying our corporate diversity and inclusion policy. We seek to recruit the best talent possible for any role and we strive to achieve a well-balanced representation of backgrounds, nationalities, cultures, gender, skills and experiences, at all levels across the Group.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

DIRECTOR TRAINING AND INFORMATION
All Directors have access to the advice of the Company Secretary, who is responsible for ensuring that proper 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 and their duties as directors. 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.

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

The Company has in place a formal related party transaction policy and the Audit & Risk Committee is responsible for reviewing related party transactions on behalf of the Board. During the year no new material contracts or transactions between the Company or a subsidiary of the Company and CDL or any other subsidiary of the CDL were entered into except as disclosed in Note 33 on page 169 herein.

Pursuant to LR 9.8.4R(14)(c), the Board confirms that in respect of the 2018 financial year:

(i) the Amended and Restated Co-Operation Agreement with CDL was in place during the year as required under LR 9.2.2ADR(1);

(ii) the Company complied with the independence undertakings set out in LR 6.5.4R during the year as required in LR 9.2.2ADR(1); and

(iii) so far as Board is aware, the independence undertakings in LR 6.5.4R have been complied with during the year by CDL and its associates;

EVALUATION PROCESS
The effectiveness of the Board is of paramount importance to the overall success of the Group and the Company undertakes a formal and rigorous annual review of the Board and its committees. The Board evaluation is an important part of the Company's corporate governance framework and both the process and outcome are taken seriously by the Board.

Pursuant to the UK Corporate Governance Code the Company conducted a board evaluation in respect of the Board performance during 2018. This evaluation was led by the Company Secretariat team and was facilitated by Linstock Limited. Linstock Limited had no other connection with the Company save for the provision of insider list software.

The evaluation consisted of targeted questionnaires, which were circulated by Linstock and focused on key themes relating to the effective functioning of the Board and its committees. A report with anonymous feedback and recommendations was then produced and distributed to the Board and these results were discussed by the Directors at the Company's Board meeting in February 2019. As part of the exercise, an evaluation of the Chairman was completed by the Non-Executive Directors and individual performance reviews were submitted by the Directors as well as performance reviews of each committee.

The principal areas for improvement arising from the survey results included the development of further opportunities for Directors to meet and hear from management, a greater focus on key strategic initiatives and challenges facing the hospitality industry; increased awareness of employee and customer views and the Group's regional markets; and succession planning at the Board and senior management levels. The

Company Secretariat team will work with the Board's Chairman and other Directors to help enhance the operation of the Board and its committees in these areas.

SUMMARY OF BOARD'S WORK DURING THE YEAR

During 2018, the Board considered all relevant matters within its remit, with a particular focus on the following issues:

- strategy and resource allocation;
- finance and treasury;
- risk assessment and mitigation;
- stakeholder engagement;
- governance and compliance;
- assurance, risk and internal audit; and
- succession planning.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO PREPARATION OF CONSOLIDATED ACCOUNTS

The Board is responsible for the Group's internal control and risk management systems, including oversight over the processes and procedures that are in place in connection with the preparation of the Group's consolidated accounts. In establishing these systems, the Directors have considered the nature of the Group's business, the principal risks to which the business is exposed, the likelihood of such risks occurring, their potential impact and the costs and resources associated with mitigating or protecting against such risks. In most instances such systems are designed to manage these principal risks, rather than eliminate them. As such, they can provide only a reasonable, and not absolute, assurance against them. The Group's principal risk factors and mitigating activities are described on pages 40 to 44.

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

Strategy

- The Group's strategic direction is reviewed by the Board, generally on an annual basis. Often as part of that process, a dedicated Board strategy session is held with the Group Chief Executive Officer and other senior management as appropriate. Further details about the Group's business model and strategy can be found on page 20.
- 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, management's progress in developing, refining and executing the Group's strategy.
- The Board reviews, at least quarterly, the Group's performance and how it tracks against the annual budget.

Internal controls

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

Risk management

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

Operation

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

Assurance

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

CORPORATE GOVERNANCE STATEMENT
CONTINUED

COMMUNICATIONS WITH SHAREHOLDERS

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

- Presentations are made after the announcement of the Group's final and half-yearly results. During these presentations, analysts have the opportunity to ask questions of the Group Chief Executive Officer and Chairman of the Board.
- Management meets with institutional shareholders on an ongoing basis to review the Group's performance, business model and objectives. In addition, the Senior Independent Director often conducts meetings with a range of major shareholders during the year; other Non-Executive Directors have the opportunity to attend such meetings. Significant feedback expressed by shareholders during those meetings is then provided to the Board in a timely manner.
- As part of the Company's regular investor relations activities, the Group Chief Executive Officer, the Company Secretary and senior finance personnel are available to answer queries raised by analysts and institutional investors from time to time.
- The Group's website provides regular updates for investors and contains all announcements made by the Group.
- At the Annual General Meeting, all shareholders have the opportunity to question the Chairman and other Directors, including the Chairs of the Audit & Risk, Remuneration, and Nominations Committees. The Company prepares individual resolutions on each substantially separate issue to be put to shareholders and does not combine resolutions together inappropriately, and the Annual Report and Accounts is laid before the shareholders at the Annual General Meeting. Notice of the Annual General Meeting and related papers are sent to shareholders at least 21 working days prior to the date of the meeting, and the Company encourages all shareholders to make positive use of the opportunity to communicate with the Board. A schedule of the proxy votes cast at the meeting is then made available on the Company's website after the conclusion of the meeting.

AUDIT & RISK COMMITTEE REPORT

ANNUAL CHAIRMAN'S STATEMENT

Dear Shareholders,

As Chairman of the Audit & Risk Committee (the "Committee"), I am pleased to present the Committee's report for the year ended 31 December 2018. The following pages provide an insight into how the Committee discharged its responsibilities during the year and the key topics that it considered in doing so. I will also share some of the details from the executive updates presented to the Committee from across the business.

OUR OBJECTIVES

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

OUR MEMBERS

The Board believes that amongst the members of the Committee who are Martin Leitch Chair, Daniel Desbaillets and Christian de Charnacé they have suitable broad commercial knowledge and significant business experience.

The Interim Group Chief Executive Officer, Chief Financial Officer, senior finance managers, Company Secretary and Head of Internal Audit, although not members of the Committee, also attend the meetings, as 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 Company Board meetings. The Chairman of the Committee reports to the Board as part of a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of their work.

OUR ROLE

The Committee's terms of reference are available from the Group's website at https://investors.millenniumhotels.com/corporate-governance/board-committees

The Audit & Risk Committee holds regular, structured meetings and consults with senior management. The Committee frequently requests that senior operational and functional heads attend meetings in order to update the Committee with events in the business. Occasionally external business consultants were also invited to attend the meetings to present specific projects. These meetings provide the Committee an opportunity to understand the projects and assess management's decisions.

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

FINANCIAL REPORTING

The Committee plays a key role in overseeing the integrity of the Group's financial statements, including any formal announcements relating to financial performance, and considering significant financial reporting issues, judgements and estimates.

The Committee reviewed the content and message of results and the announcements, annual report and accounts, as well as trading updates. Draft reports are reviewed by the Committee Chairman and the Committee as a whole prior to formal consideration by the Board. Any issues which were deemed to be significant were discussed by the Committee members and other attendees, including management, external and internal auditors.

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.

AUDIT & RISK COMMITTEE REPORT
CONTINUED

The significant issues considered by the Committee in relation to the financial statements during the year ended 31 December 2018, and the actions taken to address these issues, are set out below:

- **Hotel trading performance**. The Committee reviewed the Group's hotel performance with reference to average room rate, occupancy and operating cost. Revenue per available room ('RevPAR') of each hotel was used as performance measurement to compare one hotel with another within the Group, and also with other hotels within the competitive set. The Group's performance was monitored against the previous year's results and budget.
- **Capital expenditure and project funding**. The Committee reviews capital expenditure of the Group and monitors the performance of newly refurbished hotels. The Committee reviewed the Group's cash position taking into account its future commitments on new capital projects such as the Sunnyvale California project and Yangdong development in Seoul with a combined funding requirement of around £233m.
- **Going concern statement**. The Committee reviewed management's analysis supporting the going concern basis of preparation of the Group's financial statements. This included consideration of forecast cash flows, availability of committed debt facilities and expected covenant headroom. As a result of the assessment undertaken, the Committee satisfied itself that the going concern basis of preparation remained appropriate.
- **Viability statement**. The Committee considered whether management's assessment adequately reflected the Group's risk appetite and principal risks as disclosed on pages 40 to 44; whether the period covered by the statement was reasonable given the strategy of the Group and the regions in which it operates; and whether the assumptions and sensitivities identified, and stress-tested, represented severe but plausible scenarios in the context of solvency and liquidity. The Committee concurred with management's assessment and recommended the viability statement to the Board.
- **Revenue recognition**. The Committee and the external auditor considered the appropriateness of the accounting treatment applied by management in relation to revenue recognition. In particular, the Committee considered the treatment of 'IFRS 15 Revenue from Contracts with Customers' which was effective from the start of the Group's financial year ended 31 December 2018. The Committee concurred with management's conclusion that there is no material impact to revenue.
- **Valuation and classification of investment properties and impairment of hotel assets**. The Committee and the external auditor considered the appropriateness of the accounting treatment applied by management in relation to revenue recognition. Further details on the assessment in this area is covered separately hereinafter.

IMPAIRMENT OF HOTEL ASSETS

Note 12 to the consolidated financial statements states that the carrying amount of property, plant and equipment as at 31 December 2018 is £3,153m (2017: £3,129m). Operating hotel assets are valued at historic cost (or otherwise as permitted by the transitional provisions of IFRS 1) and are reviewed annually to consider whether these values have been impaired. 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 Committee examined management's recommendations in respect of the valuation of the Group's hotel and property portfolio. The Committee also analysed the reports of significant properties and challenged the assumptions made where it thought fit. This is in particular to the valuation of assets located in New York. The Committee was satisfied with the valuation process and agreed that:

- the selection of assets 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 auditor;
- material judgemental assumptions that were used in the valuations were within reasonable parameters; and
- conclusions have been appropriately drawn.

VALUATION AND CLASSIFICATION OF INVESTMENT PROPERTIES

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

Classification of an asset as investment property requires judgement; and is determined by reference to future intentions and the Group's business model. The total carrying amount of investment properties as at 31 December 2018 is £668m (2017: £577m) as shown in Note 14 to the consolidated financial statements.

The Committee reviews the valuation obtained from external valuers bi-annually, which includes the assessment of net cash to be generated from the properties, valuation assumptions and availability of comparable market evidence. The Committee was satisfied with the valuation process and the reasonableness of the valuation provided by the external valuers. The Committee also agreed with the external auditor on the relevant valuation disclosures to be included in the annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

During the year, the Group had in place systems of internal controls and risk management and the Board has delegated to the Committee responsibility for overseeing the effectiveness of these systems. In particular, the Committee has oversight over the activities of the Group Management Risk Committee, the Group internal audit function and the external auditor.

At the full and half year, the Committee reviewed the Group's principal risks, including those that would threaten its business model, future performance, solvency or liquidity, and considered how risk exposures had changed during the period as well as any new risks that had arisen. As part of this process, the Committee also reviewed the status of key risk indicators throughout the year against the risk appetite set, focusing on any which were outside optimal ranges. Risks associated with Brexit also were discussed and contingency plans were identified and, where possible, implemented.

The system of internal controls is audited by the Group's Internal Audit function (and commented on by the external auditor from time to time), and it encompasses all controls including those relating to financial reporting processes, operational and compliance controls and those relating to risk management processes.

Based on the work conducted by the Committee in reviewing the effectiveness of its systems of internal controls and risk management, whilst matters were raised and considered by the Committee over the course of the year, the Committee is satisfied that the Group's risk management and internal control systems were adequate and effective to address in all material respects the financial, operational and compliance risks in light of the nature of the business and scale and diversity of the Group's operations. This review covered the period from the date of the Company's last annual report and accounts up to the date of approval of this annual report and accounts.

With regard to CDL Hospitality Trusts (a Singaporean listed hospitality trust in which the Group has a 37% interest but which is consolidated within the Group's results under IFRS 10) and Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited (both of which are separately listed on the New Zealand Stock Exchange), the Committee notes that these subsidiaries provide assurances on the effectiveness and adequacy of their internal control frameworks in their annual reports, that they operate under stringent requirements of their respective stock exchanges and have their own governance regimes. These assurances form the basis on which the Committee has concluded that the businesses have effective internal control and risk management systems in place.

EXTERNAL AUDITOR PROCESS

There has been regular partner rotation, and Jonathan Downer took over from Steve Masters after completion of the 2015 audit in February 2016. The Committee is satisfied that KPMG continues to possess the skills and experience required to fulfil its duties effectively and efficiently.

The Committee is responsible for recommending the appointment, reappointment and removal of the external auditor. A resolution to re-appoint KPMG as the Group's external auditor will be proposed at the Company's forthcoming Annual General Meeting.

Consideration is given each year to an audit tender process as KPMG LLP has been the Group's auditor since the listing of the Company on the London Stock Exchange in 1996. Under the current transitional rules, the latest year in which KPMG would be able to undertake an audit of the Company is to 31 December 2022.

NON-AUDIT SERVICES

In order to ensure the continued independence and objectivity of the Group's external auditor, the Group has strict policies regarding the provision of non-audit services rendered by the external auditor. The Committee's approval is required in advance for the provision of non-audit services if the fee exceeds £30,000 for an individual assignment. The Committee reviews non-audit fees regularly. The Group's external auditor is prohibited from providing any service that would conflict with their statutory responsibilities or which would otherwise compromise their objectivity or independence.

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

From the beginning of 2019 or at the earliest practical date, KPMG will cease to offer non-audit services to entities of the Group outside the EU. Arrangement is currently made to appoint another advisors for these regions.

During the year ended 31 December 2018, KPMG's audit fee amounted to £3m (2017: £3m) and KPMG's non-audit fees were £1m (2017: £1m).

AUDIT & RISK COMMITTEE REPORT
CONTINUED

EFFECTIVENESS OF THE AUDIT & RISK COMMITTEE

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

The Committee's performance is reviewed annually through a facilitated evaluation conducted by Lintstock Limited, the results of which showed that the Committee was effective. During the year, the Committee has also undertaken the following:

- Discussed changes in accounting policies and initial work indicated that the impact on the Group's financial statements due to IFRS 16;
- Monitor the progress of major capital expenditure work such as the £50m refurbishment at the Mayfair hotel;
- Reviewed the schedule of Board reserved matters;
- Discussed quarterly reports relating to health and safety, litigation, treasury and tax.

Martin Leitch
Chair of the Audit & Risk Committee

14 February 2019

DIRECTORS' REMUNERATION REPORT

ANNUAL CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the Director's Remuneration Report for the year ended 31 December 2018. This is my first report to shareholders since I was appointed as chair of the Remuneration Committee in November 2018. I would like to thank my predecessor, Sue Farr, for her contribution and leadership of the Committee during her tenure.

As usual, the Directors' Remuneration Report is split into two sections: the first is our Remuneration Policy, which was last approved by shareholders at the Company's Annual General Meeting in May 2017, and the second is our annual report on remuneration, which includes this letter and is subject to an advisory vote at the Company's 2019 Annual General Meeting to be held on 10 May 2019.

REVIEW OF 2018

During the year, Jennifer Fox was appointed as the Company's Group Chief Executive Officer and as a Director of the Company. She served in that capacity until 27 September 2018 at which point her employment with the Group ceased after she and the Board mutually agreed it would be best for her to step down. In addition to her contractual entitlements, the Committee considered carefully whether any payments should be made under the Group's variable pay arrangements. The Committee agreed that it would be fair and equitable to pay Ms Fox a pro-rata bonus payment of £234,375 for the period that she was employed, taking into consideration her efforts and achievements during that time. Full details are included in the body of the report.

Aside from Ms Fox's remuneration arrangements, the primary focus of the Committee this past year was to consider the changes to the UK Corporate Governance Code that will take effect from 1 January 2019. Given the expansion of the Committee's remit under the new version of the Corporate Governance Code, we wanted to take care to consider the new requirements and how they will impact our work as a Committee.

Other key matters considered by the Committee during the year include:

- Considering a new diversity and inclusion policy that was rolled-out across the Group;
- Discussing the results of our first gender pay gap report and how we can improve the position over time;
- Determining the outcome of the performance conditions of the Long Term Incentive Plan ("LTIP") awards granted on 3 August 2015;
- Reviewing the structure of awards under the Company's Executive Share Plan, which applies to the most senior members of the executive management team, and determining the level of the awards made during the year;
- The onboarding of the Committee's remuneration consultant, PricewaterhouseCoopers ("PwC"), which was engaged from 1 December 2017; and
- Reviewing the Committee's own performance and its terms of reference.

Several principles guide the deliberations of the Committee. Fundamentally, our work is about finding a balance: ensuring that remuneration structures are designed in a way that incentivises the team to look after the medium-to-long term interests of stakeholders when executing the Company's strategy while allowing for sufficient flexibility for us to recruit the best people to deliver on that strategy. Like many multinational companies, we source talent globally in an increasingly competitive marketplace, so a "one-size-fits-all" approach to remuneration is not well suited for our business. At the same time, we remain cognizant of best practice in the UK and the expectations of our institutional shareholders in terms of compensating our executive team, as well as the need to have in place fair employment and remuneration practices across the wider workforce. One change implemented over the course of the year, for instance, was to require a two-year post-vesting holding period for any LTIP awards made in the future. This will be reflected in the next version of our Remuneration Policy.

LONG TERM INCENTIVE PLAN AWARDS

In connection with Ms Fox's departure in September 2018, the Committee agreed that her LTIP award lapsed effective as of the date she ceased to be employed by the Group. No other awards were made under the LTIP during the year and the only outstanding LTIP award was the award made to Aloysius Lee, the former Group Chief Executive Officer, in March 2016. After reviewing the Company's achievement against the relevant performance conditions for that award, the Committee determined that the Company had met a portion of one of the performance conditions and that as a result 4,401 shares will vest in March 2019.

GENDER PAY GAP

This was the first year the Group published its gender pay gap report. As required by legislation, this information is based on snapshot of data as at 5 April 2017 and further information relating to this can be found at https://investors.millenniumhotels.com/corporate-responsibility.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Our gender pay gap report, prepared for our operating subsidiary that manages two of our London properties, reflects an industry-wide structural phenomenon where we have more men in senior, higher-paid roles than women rather than unequal pay for similar jobs. We are committed to achieving better gender balance across all positions in the Company and this remains a key priority for the Group in 2019. Accordingly, we will continue to measure our gender pay regularly to ensure that what we are doing is having the desired effect, and if not, what we can do differently.

LOOKING AHEAD

In 2019, the Committee will continue to oversee the implementation of the new standards under the revised UK Corporate Governance Code, review whether our Remuneration Policy, which we intend to put forth for re-approval by shareholders at our 2020 Annual General Meeting, remains fit for purpose and recommend appropriate changes to the policy following that review, and we stand ready to consider any future Executive Director appointments that may be made during the year.

CHANGES IN COMMITTEE MEMBERSHIP

As previously noted, Sue Farr, the former chair of the Committee, resigned from the Board on 31 October 2018, and on the recommendation of the Nominations Committee, the Board approved not only my appointment as chair of the Committee, but also the appointment of Christian de Charnacé as a member of the Committee, in each case with effect from 2 November 2018. We welcome Christian to the Committee and look forward to his participation in 2019.

We will continue to strive to apply best practice when it comes to our remuneration policies and practices and listen carefully to feedback from our shareholders. We therefore hope that you show your support for our approach to remuneration by voting for the Directors Remuneration Report at our 2019 Annual General Meeting.

Yours faithfully,

His Excellency Shaukat Aziz
Chair of the Remuneration Committee

14 February 2019

COMMITTEE GOVERNANCE

The composition of the Remuneration Committee, as at the date of this report, comprises of His Excellency Shaukat Aziz, who was appointed to the Committee in June 2009 and now acts as its chair, Daniel Desbaillets and Christian de Charnacé, all of whom are independent Non-Executive Directors. There were six scheduled meetings in 2018 and four ad hoc meetings. Attendance at the regularly scheduled meetings is shown in the Corporate Governance Statement on page 61.

The Chairman of the Board, interim Group Chief Executive Officer and Chief Financial Officer are invited to attend Committee meetings as appropriate. The Committee considers their views when reviewing the remuneration of Executive Directors and other senior executives; however, no Directors are involved in the consideration of their own remuneration. The Company Secretary acts as secretary to the Committee and an appointed remuneration consultant is in place to support the work of the Committee. Further information regarding the Committee's adviser can be found on page 85 of this report.

No member of the Committee has any personal financial interest in the matters to be decided by the Committee or involvement in the day-to-day management of the business of the Group.

ROLE

The Committee has delegated authority from the Board to determine, in consultation with the Chairman of the Board and Interim Group Chief Executive Officer as appropriate, the remuneration policies and individual remuneration arrangements for the Chairman of the Board, Executive Directors, the Company Secretary and the 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 schemes;
- oversee major changes to employee benefit structures throughout the Group;
- ensure that performance related elements of remuneration form a significant proportion of the total remuneration of Executive Directors and are designed to align their interests with those of shareholders;
- consider whether the Executive Directors should be eligible for annual bonuses and benefits under long-term incentive schemes;
- provide packages needed to attract, retain and motivate Executive Directors of the quality required;
- approve the terms and duration of any service agreement to be entered into with an Executive Director;
- consider the compensation commitments payable to Executive Directors under their service agreements or otherwise in the event of early termination; and
- select and appoint consultants engaged to advise the Committee.

The Committee's terms of reference are available at https://investors.millenniumhotels.com/corporate-governance/board-committees and recently have been updated to take into account the expansion of the Committee's remit under the revised version of the UK Corporate Governance Code that has applied to the Company since 1 January 2019. In particular, the key new areas of responsibility under the revised Code will be for the Committee to:

- Ensure that remuneration policies and practices are designed to support strategy and promote long-term sustainable success of the Group;
- Ensure that executive remuneration is aligned to the Company's purpose and values, and is clearly linked to the successful delivery of the Company's long-term strategy;
- Determine the remuneration of senior management, in addition to Board members
- Ensure that executive pension contributions are in line with those available to the rest of the workforce; and
- Provide enhanced reporting in the Company's annual report and accounts.

DIRECTORS' REMUNERATION REPORT
CONTINUED

SUMMARY OF THE REMUNERATION POLICY

The Directors' Remuneration Policy (the "Policy") was approved by shareholders at the Company's Annual General Meeting on 5 May 2017 (94.63% of votes cast being in favour). There are no proposals to amend the Directors' Remuneration Policy at the upcoming Annual General Meeting to be held on 10 May 2019.

A summary of the policy is included for reference to assist with the understanding of the contents of this report. The full policy is detailed in our 2016 Annual Report and Accounts, which can be found https://investors.millenniumhotels.com/financial/annual-reports

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

Base Salary	
Purpose and link to strategy	Salaries are a key component of the reward package in attracting, motivating and retaining executives who are instrumental in driving and growing the business and delivering the Company's strategic goals.
Operation	Salaries in the Group are based on the value of the individual, the level of responsibility, experience and market conditions. Salaries are reviewed at least annually but are not necessarily increased. The Committee may award salary increases at other times of the year if it considers such an award to be appropriate. In reviewing salaries, account is taken of market conditions, significant changes in role, pay and conditions elsewhere in the Group, inflation and budgets.
Maximum	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.
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.
Maximum	The level of bonus opportunity for Executive Directors is: **Group Chief Executive Officer:** • Threshold: 0% of base salary • Target: 75% of base salary • Maximum: 150% of base salary **Other Executive Directors:** • Threshold: 0% of base salary • Target: 50% of base salary • Maximum: 100% of base salary
Performance	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.
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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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.
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.

Shareholding requirement	
Overview	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 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 by 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.

REMUNERATION ON RECRUITMENT

Reward packages for new Executive Directors will be consistent with the approved Remuneration Policy. Fixed remuneration elements would be paid only from the date of employment and any bonus will be pro-rated to reflect the proportion of the year employed. The maximum level of variable remuneration is as stated in the policy table above.

If, consequent to joining the Group, a new director forfeits elements of variable reward linked to their previous employment, the Committee reserves the right to make compensatory awards up to the maximum amount of the individual's actual or estimated loss. Any such awards would be made taking into account the performance conditions and time horizon of the forfeited awards. In the event that an internal candidate is appointed as an Executive Director, any contractual obligation in respect of a previous role will be honoured even if it is inconsistent with this policy at the time the obligation is fulfilled.

DIRECTORS' REMUNERATION REPORT
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.

TERMINATION PAYMENTS

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

	GOOD LEAVERS	OTHER LEAVERS	CHANGE OF CONTROL	DISCRETION
Performance Shares	Performance conditions applied taking into account the foreshortened performance period. A time pro rata reduction is then applied.	Award lapses	Performance conditions applied taking into account the foreshortened performance period. A time pro rata reduction is then applied.	To disapply the pro rata vesting, or decide that the award will vest on the normal vesting date.
Annual Bonus	Performance conditions applied taking into account the foreshortened performance period. A time pro rata reduction is then applied.	No bonus payable	Performance conditions applied taking into account the foreshortened performance period. A time pro rata reduction is then applied.	To disapply pro rata reduction and maintain original sum.
Deferred Bonus Shares	Vest in full	Award lapses	Vest in full	To determine the number of shares that vest, up to the value of the applicable bonus.

Reasons for "good leaver" status include death, ill health, retirement with the approval of the Company, a office or employment being with either a company which ceases to be a Group Member or relating to a business or part of a business which is transferred to a person who is not a Group Member or any other reason determined by the committee.

ANNUAL REPORT ON REMUNERATION

AUDITED INFORMATION

Single total figure of remuneration for each Director in 2018

The total remuneration for each person who served as a Director of the Company during 2018 is set out in the table below:

	REMUNERATION (£ '000)											
	SALARY AND FEES[1]		ALL TAXABLE BENEFITS		ANNUAL BONUS		LTIP AWARDS		PENSION CONTRIBUTIONS		TOTAL	
DIRECTOR	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Chairman												
Kwek Leng Beng[2]	272	272	–	–	–	–	–	–	–	–	272	272
Executive Director												
Jennifer Fox[3]	187	–	6	–	–	–	–	–	36	–	229	–
Aloysius Lee	–	–	–	–	–	–	–	–	–	8	–	8
Non-Executive Directors												
Shaukat Aziz[4]	69	64	–	–	–	–	–	–	–	–	69	64
Christian de Charnacé[4, 5]	55	19	–	–	–	–	–	–	–	–	55	19
Daniel Desbaillets[6]	61	58	–	–	–	–	–	–	–	–	61	58
Martin Leitch	67	39	–	–	–	–	–	–	–	–	67	39
Kwek Eik Sheng[6, 7]	54	56	–	–	–	–	–	–	–	–	54	56
Kwek Leng Peck[7]	60	63	–	–	–	–	–	–	–	–	60	63
Past Non-Executive Directors												
Susan Farr[8]	56	65									56	65
Gervase MacGregor[6, 9]	53	69	–	–	–	–	–	–	–	–	53	69
Total	934	705	6	–	–	–	–	–	36	8	976	713

Notes:
1. Salaries and fees are shown inclusive of sums receivable by the Directors from the Company and any of its subsidiary undertakings.
2. In addition to his basic fee, Kwek Leng Beng received £21,565 in director fees from subsidiary companies. Chairman Kwek was the highest paid Director as at 31 December 2018. His biography on page 48 reports the directorships and positions he holds in other publicly-traded Group subsidiaries and associate companies.
3. Jennifer Fox was appointed as Group Chief Executive Officer and a Director on 19 June 2018 and stepped down on 27 September 2018. Details of payments made to Ms Fox for loss of office, including a portion representing a pro-rata bonus payment, are set out in the "Payments for loss of office" section of this report.
4. Shaukat Aziz was appointed as chair of the Remuneration Committee on 2 November 2018 and Christian de Charnacé joined the Remuneration Committee and the Nominations Committee on that date.
5. Christian de Charnacé was appointed to the Audit & Risk Committee as from 23 March 2018.
6. Gervase MacGregor, Daniel Desbaillets and Kwek Eik Sheng relinquished their roles on the Risk Committee as from 4 May 2018, when the remits of the Risk Committee and Audit Committee were amalgamated with the formation of the Audit & Risk Committee.
7. In addition to their basic fee, Kwek Leng Peck and Kwek Eik Sheng received £7,725, and £3,337 respectively in director fees from subsidiary companies.
8. Sue Farr resigned from the Board on 31 October 2018.
9. Gervase MacGregor resigned from the Board on 1 December 2018.

DIRECTORS' REMUNERATION REPORT
CONTINUED

SHARE INTERESTS AWARDED IN 2018

In June 2018, Jennifer Fox, the only Executive Director who was a member of the Board during the year, was awarded 178,299 conditional shares of the Company under the Company's LTIP. The table below sets out the terms of the award. The Remuneration Committee agreed that this award would not accrue dividends during the performance period. Vesting of this award in full required achievement of certain performance conditions over the three-year performance period. This LTIP award was also subject to a two-year post-vesting holding period.

GRANTEE	DATE OF GRANT	SHARES OVER WHICH AWARDS GRANTED	MARKET PRICE AT DATE OF AWARD[1]	EXERCISE PRICE	FACE VALUE[2]	PERFORMANCE PERIOD	EXERCISE /VESTING PERIOD
Jennifer Fox	27 June 2018	178,299 nil cost performance shares	£5.258	n/a	£937,496	1 January 2018 – 31 December 2020	27 June 2023

Notes:
1. The market price on the date of the award is the average of the mid-market closing price of the Company's ordinary shares on the five dealing days immediately preceding 27 June 2018.
2. The face value of shares under option for Jennifer Fox is calculated as the number of shares multiplied by the market price at the date of the award.

In line with the Company's Remuneration Policy, vesting of Ms Fox's award was dependent on the achievement of certain targets which were cumulative earnings per share ("EPS"), annualised growth of the Company's revenue per available room, or RevPAR, measured on a like-for-like and constant currency basis and relative total shareholder return ("TSR") over the three-year performance period. The weighting and targets that were applicable to each condition are set out in the following table.

PERFORMANCE CONDITION	WEIGHTING	TARGET RANGE THRESHOLD (25% VESTING)	TARGET RANGE MAXIMUM (100% VESTING)
Cumulative EPS	60%	100p	120p
Annualised RevPAR growth	20%	1.5%	3.0%
Relative TSR compared to the companies in the FTSE 250, excluding investment trusts	20%	Median	Upper quartile

On 27 September 2018 Jennifer Fox ceased to be an Executive Director and Group Chief Executive Officer of the Company and the Remuneration Committee exercised their discretion that her LTIP award over 178,299 conditional shares would lapse in full effective from that date.

SCHEME INTERESTS AWARDED IN 2016

In 2016, Mr Aloysius Lee, the then Group Chief Executive Officer, was the only Director to be awarded performance shares under the Company's LTIP that year. An award of 185,643 shares was made to him on 29 March 2016 and, subject to the achievement of the following performance conditions, was due to vest on the third anniversary of the award, 29 March 2019.

The performance conditions applicable to Mr Lee's 2016 LTIP award included cumulative earnings per share ("EPS"), net asset value ("NAV") plus dividend growth, and relative total shareholder return ("TSR") over the three-year period ended 31 December 2018. The weighting and targets that were applicable to each condition are summarised in the table below.

PERFORMANCE CONDITION	WEIGHTING	TARGET RANGE THRESHOLD (25% VESTING)	TARGET RANGE MAXIMUM (100% VESTING)
Cumulative EPS	60%	95p	115p
NAV plus dividend growth	20%	5% p.a.	11% p.a.
Relative TSR compared to the companies in the FTSE 250, excluding investment trusts	10%	In line with the index	Outperform index by 9% p.a.
Relative TSR compared to a peer group[1]	10%	Median	Outperform median by 9% p.a.

Notes:
1. 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.

The Committee conducted an assessment of these performance conditions and determined that the Company partially had met 38.5% of the “NAV plus dividend growth” condition after achieving an average annual growth rate of 6.1% for this metric over the performance period. Based on the scheme rules for the LTIP, Mr Lee’s relevant service for the purpose of time pro-rating this result is from the date of grant, 29 March 2016, to the date of his retirement, 28 February 2017, relative to the three-year vesting period. Therefore, his award should be pro-rated by 30.8% to reflect the proportion of the performance period for which Mr Lee served as a Director (calculated on a days basis), resulting in 4,401 shares vesting on 29 March 2019.

No shares were awarded to any Executive Directors in 2017.

PAYMENTS MADE TO PAST DIRECTORS

Wong Hong Ren retired as a Director and the Group Chief Executive Officer on 28 February 2015, but continued to serve as a director of certain subsidiaries of the Company, primarily M&C REIT Management Limited and M&C Business Trust Management Limited (until 12 February 2018 in each case), managers of the trusts that comprise CDL Hospitality Trusts. As previously disclosed, as part of Mr Wong’s retirement arrangements, he renounced any fees payable to him in relation to those directorships for the period between 1 March 2015 and 29 February 2016, but Mr Wong was entitled to retain any subsidiary directorship fees earned in respect of any period after February 2016. As such, he was paid fees totalling S$7,658 for serving as a Non-Executive Chairman of, and as a member of the Nominations and Remuneration Committees of, the Boards of M&C REIT Management Limited and M&C Business Trust Management Limited for the period from 1 January 2018 through 12 February 2018. No other payments were made to past Directors during the year.

PAYMENTS FOR LOSS OF OFFICE

Jennifer Fox stepped down as Group Chief Executive Officer and an Executive Director on 27 September 2018. Upon the termination of her employment and in accordance with the terms of her service agreement with the Company, Ms Fox received contractual termination payments of £625,000 (representing 12 months of her annual base salary), £125,000 in lieu of her annual pension contribution and £20,000 for her annual car allowance. She also received £10,000 for reimbursement of legal fees in connection with her review of her exit arrangements, £18,029 for accrued but unused annual leave and she will remain under the Company’s private health insurance until 30 September 2019.

In determining the terms of her departure, the Committee considered carefully whether any payments should be made under the Company’s variable pay arrangements. The Committee agreed, in the aggregate, that it would be fair and equitable:

- for the LTIP award made to Ms Fox in June 2018 to lapse in full on her ceasing to be employed with the Group; and
- to pay Ms Fox a small pro-rata bonus payment of £234,375 for the period that she was employed, taking into consideration her efforts and achievements during that time.

This pro-rata bonus payment represents around 90% of her maximum pro-rata entitlement. Of these amounts, £192,501 was deferred and paid in three equal instalments of £64,167 each in November 2018, December 2018 and January 2019.

DIRECTORS' REMUNERATION REPORT CONTINUED

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

The interests of the Directors who served during 2018, and their persons closely associated, in the ordinary shares of the Company were as follows:

	NUMBER OF ORDINARY SHARES OWNED OUTRIGHT[2]		NUMBER OF SCHEME INTERESTS			
DIRECTOR	HOLDING ON 31 DECEMBER 2018	HOLDING ON 1 JANUARY 2018	LTIP AWARDS WHICH ARE NOT SUBJECT TO PERFORMANCE CONDITIONS AT 31 DECEMBER 2018	LTIP AWARDS WHICH ARE SUBJECT TO FUTURE PERFORMANCE CONDITIONS AT 31 DECEMBER 2018	TOTAL INTERESTS AS AT 31 DECEMBER 2018	VALUE OF ORDINARY SHARES OWNED OUTRIGHT AS A PERCENTAGE OF SALARY
Chairman						
Kwek Leng Beng[1]	–	–	–	–	–	N/A
Past Executive Director						
Jennifer Fox[2]	–	–	–	–	–	N/A
Non-Executive Directors						
Shaukat Aziz	–	–	–	–	–	N/A
Christian de Charnacé	–	–	–	–	–	N/A
Daniel Desbaillets	–	–	–	–	–	N/A
Kwek Eik Sheng[1]	–	–	–	–	–	N/A
Martin Leitch	–	–	–	–	–	N/A
Kwek Leng Peck[1]	–	–	–	–	–	N/A
Past Non-Executive Directors						
Susan Farr	–	–	–	–	–	N/A
Gervase MacGregor	–	–	–	–	–	N/A

Notes:
1. 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.
2. In June 2018 Ms Fox was awarded 178,299 conditional shares of the Company under the LTIP; however, these shares lapsed in full in September 2018 upon cessation of Ms Fox's employment with the Group.

There have been no changes to the Directors' interests between 31 December 2018 and the date of this report.

SHAREHOLDING REQUIREMENTS

As set out in the Company's Remuneration Policy, within five years of being appointed to the Board, Executive Directors are required to build up, and retain, ordinary shares in the Company equivalent in value to 200% of their base annual salary. Since Jennifer Fox was the only Executive Director who served during the year and she stepped down from her position in September 2018, none of the Directors who served during 2018 were required to comply with these requirements.

UNAUDITED INFORMATION
IMPLEMENTATION OF THE REMUNERATION POLICY IN 2019

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in 2019.

Remuneration of any Executive Directors to be appointed in 2019

The Committee expects that any recruitment benefits or compensation and the salary, bonus and share scheme arrangements, and pension and other benefits to be provided to any new Executive Director appointed during 2019 will be in line with the Directors' Remuneration Policy last approved by the Company's shareholders, as disclosed in the 2016 Annual Report and Accounts.

In the event a new Executive Director is to be appointed in 2019, the Committee, mindful of the guidance set out in the Investment Association Principles of Remuneration and the requirements of the revised version of the UK Corporate Governance Code that took effect as of 1 January 2019, the Committee has agreed to apply a two-year post-vesting holding period to any awards under the Company's LTIP so that, in total, the performance and holding period for any such award will cover a period of at least five years. In addition, the Committee anticipates working with its remuneration advisor to develop a more tailored and fit-for-purpose remuneration package for any permanent Group Chief Executive Officer or other Executive Director to be appointed during the year.

Non-Executive Director fees

Payments to Non-Executive Directors will be in accordance with the current Directors' Remuneration Policy. Non-Executive Directors therefore will continue to receive a basic fee for Board membership and separate annual fees for their service as a member and, to the extent applicable, the Chair of a Board committee. The Senior Independent Director will be paid an additional fee, currently of £10,000 per year, to serve in such capacity. Details of the current additional committee and chair fees are set out in the table below and no changes are being proposed for 2019:

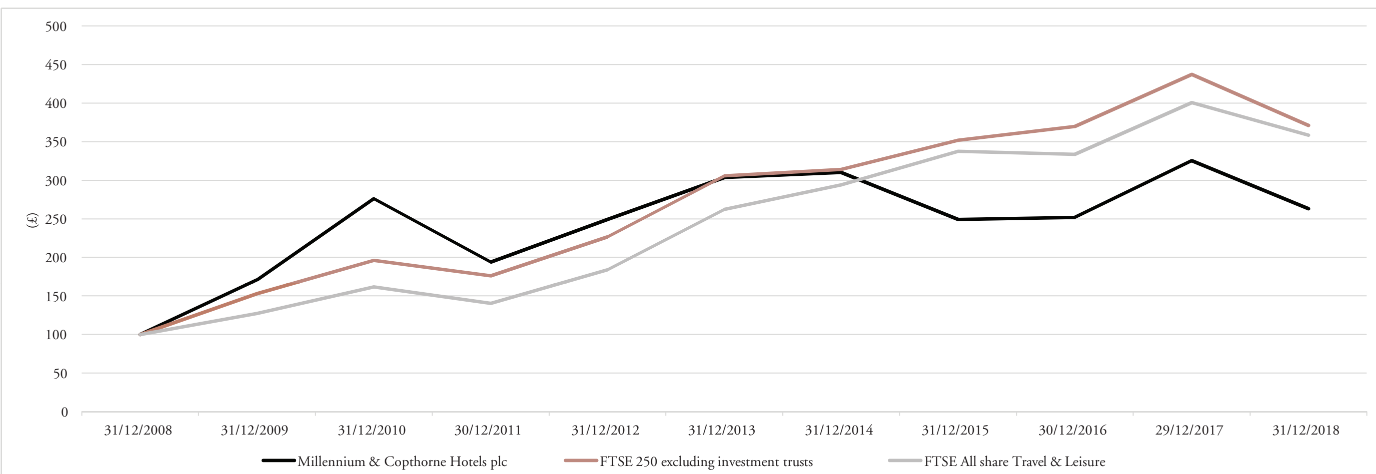
COMMITTEE	ANNUAL FEE FOR MEMBERSHIP OF A COMMITTEE	ADDITIONAL ANNUAL CHAIR FEE
Audit & Risk Committee	£5,000	£10,000
Remuneration Committee	£5,000	£10,000
Nominations Committee	£2,000	–

The Chairman of the Board will receive a set fee determined by the Committee from time to time. The total annual fee for the Chairman is £250,000 and this will remain the same in 2019. The Chairman also may continue to receive additional fees for serving as a director of certain subsidiary companies.

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 versus comparator indexes over the past ten years. As the Company is a constituent of both the FTSE 250 and the FTSE All Share 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.



DIRECTORS' REMUNERATION REPORT
CONTINUED

The remuneration history of the Group Chief Executive Officer over the same period is as follows:

	REMUNERATION HISTORY OF THE GROUP CHIEF EXECUTIVE OFFICER								
	2010	2011[1]	2012	2013	2014	2015[2]	2016[3]	2017[4]	2018[5]
Total remuneration (£'000)	1,243	4,404	1,495	2,287	1,429	1,389	832	51	229
Annual bonus (as a percentage of maximum opportunity)	100%	63%	37%	67%	62%	19%	15%	N/A	N/A
LTIP vesting rates (as a percentage of maximum opportunity)	0%	100%	100%	50%	0%	0%	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 the final two months of payments under Mr Wong Hen Ren's service contract.
4. Aloysius Lee's pay, allowances and pension contributions ceased on 31 January 2017. Remuneration for Mr Tan Kian Seng interim Chief Executive Officer has not been included as he did not serve as an executive director during the year.
5. Jennifer Fox's pay, allowances and pension contributions were for the period of her employment during the year, which commenced on 19 June 2018 and ended on 27 September 2018.

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 2017 and 2018 for the Group Chief Executive Officer and employees within the Group's bonus pool.

	% INCREASE/(DECREASE) FROM 2017 TO 2018[1]		
	BASIC SALARY	BENEFITS	BONUS
Group Chief Executive Officer[2]	(70.0)	(0.3)	(100.0)
Employees	(10.0)	(19.0)	14.0

1. All percentages are based on converting relevant local currencies into pounds sterling using the average rates for the respective year.
2 The percentage change figures are based on average employee base pay, benefits and bonus amounts for each 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 number of colleagues employed by the Group in 2018 was 11,504 (2017: 11,602).

	2017 £M	2018 £M	% INCREASE/ (DECREASE)
Employee remuneration costs	370	374	1.1
Dividends distributed	25	21	(16.0)

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 2017 Directors' Remuneration Report, which resolutions were passed at the Company's Annual General Meetings held on 5 May 2017 and 4 May 2018, respectively. The Directors were pleased with the support received from shareholders.

RESOLUTION	VOTES FOR*	% OF VOTE	VOTES AGAINST	% OF VOTE	VOTES WITHHELD
Approve the Directors' Remuneration Policy	296,111,136	94.63%	16,813,616	5.37%	5,707
Approve the Directors' Remuneration Report for the year ended 31 December 2017	303,034,683	96.98%	9,437,101	3.02%	442,454

* includes discretionary votes

Consideration by the Committee members of matters relating to Directors' remuneration
The Committee is authorised by the Board to appoint external advisers to support it in its efforts. Following a tender process in 2017, PwC were selected as the Committee's new remuneration adviser, with effect from 1 December 2017, and attended most of the Committee meetings in 2018.

PwC advises the Committee directly on matters within the Committee's terms of reference to the extent the Committee chooses to consult PwC on these matters. Its scope of work includes attending Committee meetings; updating the Committee on developments in the market and trends in remuneration best practices and governance; reviewing this report; carrying out total remuneration benchmarking for Executive Directors; arrangements concerning the on-boarding of Executive Directors, carrying out IFRS 2 valuations for the Company in relation to the Company's share schemes; providing regular TSR monitoring reports and independently validating the Company's annual LTIP vesting calculations. PwC was paid £63,912.50 in respect of such services provided in 2018.

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

In 2018, PwC also acted as the primary tax advisor to the Group in the EU and provided tax consulting services to the Group in other regions upon request. In 2019, PwC will be the Group's primary tax advisor on a global basis. Aside from these services, PwC did not provide other significant services to the Group over the course of the year and currently is not engaged to provide any services in 2019, other than the tax consulting services, for which PwC has implemented confidentiality barriers between their tax consulting and remuneration advisory teams to help ensure that their remuneration advice remains independent.

The Committee reviewed the potential for conflicts of interest in connection with PwC's advice and the Committee is comfortable that the PwC engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair the independence of their judgment. In addition, as a founder member of the Remuneration Consultants Group, PwC operates under the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. Finally, as a member firm of the Institute of Chartered Accountants in England and Wales ("ICAEW"), PwC complies with the ICAEW's ethical guidelines. As a result, PwC operates under rigorous independence, compliance and quality assurance regimes. For the reasons outlined above, the Committee has determined that the advice provided by PwC is objective and independent.

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

During her tenure as Group Chief Executive Officer and a Director of the Company, Jennifer Fox also served as a Director of Village Roadshow Limited, which for the relevant period of her employment was listed on the Australian Securities Exchange.

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors service agreements and letters of appointment

It is the Company's policy for Executive Directors to have service contracts that provide for a notice period for termination of up to 12 months.

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

NAME	DATE OF CONTRACT	NOTICE PERIOD / UNEXPIRED TERM
Chairman		
Kwek Leng Beng	Appointed since listing Terms of appointment refreshed on 15 February 2017	Nominee of controlling shareholder
Independent Non-Executive Directors		
Shaukat Aziz	16 June 2009	Rolling letters of appointment terminable by either party on one month's notice
Daniel Desbaillets	11 August 2016[1]	
Martin Leitch	22 May 2017	
Christian de Charnacé	16 August 2017	
Other Non-Executive Directors		
Kwek Eik Sheng	13 May 2011	Nominees of controlling shareholder
Kwek Leng Peck	Appointed since listing Terms of appointment refreshed on 15 February 2017	

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

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

CONSIDERATION OF SHAREHOLDER VIEWS

We are committed to maintaining good communications with investors. The Committee considers that its Annual General Meeting provides a good opportunity to meet with investors and consider their feedback. In addition, the Committee seeks to engage directly with major shareholders and their representative bodies should it consider any material changes to the Company's Remuneration Policy.

REVISED UK CORPORATE GOVERNANCE CODE

During the course of the year, the Committee received detailed reports concerning changes arising from the revised version of the UK Corporate Governance that took effect on 1 January 2019. In terms of the Committee's remit, key changes include expanded responsibilities for setting the remuneration arrangements for senior management, reviewing remuneration policies and practices applicable to the wider workforce of the Group and ensuring that they are designed to support the Company's strategy and long-term success and ensuring that executive remuneration is aligned to the Company's purpose and values, to name but a few.

Expanding on some of these requirements further, with regard to the requirement that the Committee set the remuneration arrangements for senior management, the Committee has developed and approved a senior management remuneration policy that applies to all Senior Vice President level employees as this level of employee generally reports into the Group Chief Executive Officer. The policy, which includes maximum salary, bonus and share scheme elements, is designed to provide a framework within which remuneration packages for senior managers can be negotiated without requiring Committee approval, as long as the terms are within the parameters of the policy and any deviations from this policy and the final terms of any new appointments are approved by the Committee.

The Committee also assisted the full Board, in conjunction with senior management and PwC, in developing a formal framework that will allow the Board to better understand the views of and engage with the workforce. This involves the establishment of a workforce advisory panel structure and assignment of a Director to help oversee the operation of this panel. Whilst mechanisms were in place to engage with colleagues, this new structure will formalise the process to a greater extent.

THE GROUP'S SHARE SCHEMES

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

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

In 2018, ESP awards were made on 4 December 2018 to 9 senior executives, over a total of 65,649 shares.

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

In December 2018 awards were made to 43 employees over 57,358 shares and vest as to 25% after one year, 25% after two years and the final 50% after three years, subject to continued employment and the rules of the scheme.

Satisfaction of performance share awards

Performance share awards are made for nil consideration and are satisfied either by the issue of new shares or through market purchases of shares. Currently the company has in place an employee benefit trust known as the Millennium & Copthorne Hotels plc Employee Benefit Trust 2006 (the "EBT"), which was established to acquire shares to satisfy performance share awards that may vest from time to time. As at 31 December 2018, the EBT held 2,483 unallocated shares (2017: 3,437 unallocated shares), representing approximately 0.0007% 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 other 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% of the Company's issued share capital for all employee share plans and 5% in respect of executive share plans in any 10 year rolling period. The Company monitors dilution levels on a regular basis and the Committee reviews these at least once a year.

Share price

The market price of an ordinary share of the Company as at 31 December 2018 was 467.5 pence and the range during the year was 580.0 pence per share to 459.0 pence per share.

The Directors confirm that there exist no other obligations that might give rise to, or impact on, remuneration payments or payments for loss of office which are not disclosed elsewhere in this report and 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 14 February 2019.

On behalf of the Board

His Excellency Shaukat Aziz
Chair of the Remuneration Committee

14 February 2019

NOMINATIONS COMMITTEE REPORT

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the Company's Nominations Committee Report for 2018. This report provides a summary of the Committee's responsibilities and its activities throughout the year.

During the year, the primary areas of focus for the Committee were Board and committee composition, reviewing the role profiles for new Director appointments, and succession planning for the independent Non-Executive Director and Group Chief Executive Officer roles.

The progress made in these areas is outlined below. As Chairman of the Committee, I take an active role in overseeing the progress made towards appointments to the Board and senior management team, and ensuring that the Group has appropriate talent to be able to deliver on the strategy of the Group.

GROUP CHIEF EXECUTIVE OFFICER SUCCESSION

With Mr Tan Kian Seng in place as interim Group Chief Executive Officer at the start of the year, the Committee was tasked with finding someone to fill that role on a permanent basis. After conducting a search during the first quarter of the year, the Committee recommended, and the Board approved, the appointment of Jennifer Fox as Group Chief Executive Officer and a Director of the Company. She joined in June 2018 and, as reported previously, the Board and Ms Fox subsequently mutually agreed that it would be best for her to step down, which she did on 27 September 2018. At that point, Mr Tan, resumed the interim Group Chief Executive Officer role. Since then, the Committee has been examining the role profile and assessing the optimal characteristics, skills and background which candidates should possess and a search for a successor was commenced. Whilst the Board believes that the appointment of a permanent Group Chief Executive Officer is vitally important, the Board is prepared to take its time in order to find the right candidate.

BOARD AND COMMITTEE COMPOSITION

In my introduction to the Corporate Governance Statement, I refer to the importance to the business of having an engaged Board, with the appropriate mix of skills, diversity and experience, that offers both support and robust challenge to our senior management team. These principles were firmly in mind as the Committee reviewed the composition of the Board and its committees throughout the year.

First, in March 2018, the Committee reviewed the structure of the Board's committees and, bearing in mind the progress made in developing the Group's risk management framework, decided that it would be appropriate to once again combine the Audit Committee and Risk Committee, to form the Audit & Risk Committee. The Committee also decided in March 2018 that Christian de Charnacé should be appointed as a member of the to-be-formed Audit & Risk Committee given his investment banking background and the fact that he had not yet been appointed to a Board committee. These changes were approved by the Board and took effect in May 2018, immediately following the Company's Annual General Meeting.

Second, as part of the Committee's remit to regularly review of the composition of the Board and its committees, the Committee considers the tenure of existing Directors and whether a Director's length of service has in any way impacted his or her ability to remain independent in character and judgement and perform his or her duties. The Board generally believes that Non-Executive Directors should stay for a significant period of time, with the appointment of new directors adding diverse perspectives and skills. It is important we ensure that the Board has continuity and on occasion we may determine that it is in the Company's best interests for a Non-Executive Director to stay beyond a nine-year term. Accordingly, when His Excellency Shaukat Aziz reached his ninth anniversary on the Board in June 2018, the Committee, in accordance with the UK Corporate Governance Code, conducted an independence assessment and concluded that Mr Aziz remained independent in character and judgement for the reasons set out in the Corporate Governance Statement on page 63.

Third, with Sue Farr and Gervase MacGregor resigning from the Board in the latter half of 2018, after having served nearly five and four years, respectively, we made some further changes to the composition of the Board's committees. Mr Aziz was appointed as chair of the Remuneration Committee. Given his experience and knowledge of the Company and since he had been a member of the Remuneration Committee since 16 June 2009, the Committee considered that his appointment as chair of the Remuneration Committee would help bring continuity to the role. In addition, Christian de Charnacé was appointed as a member of both the Nominations Committee and Remuneration Committee. All of these changes were effective from 2 November 2018, and a search for at least one new independent Non-Executive Director was commenced and is ongoing.

With the changes made during the year and in light of the Board being comprised of a majority of independent Non-Executive Directors, the Board considers the current composition of the Board and its committees to be adequate for the time being. That said, the Committee will continue to progress the searches for a permanent Group Chief Executive Officer and one or more new independent Non-Executive Directors as matters of priority and will provide further updates on the progress of these searches as appropriate.

DIVERSITY

The Board continues to support the aspirational targets set by the Lord Davies report "Women on Boards" and those set in the Hampton-Alexander Review and acknowledges that the Board currently is not reflective of the value that we place on diversity and inclusion within our business. We recognise the need to take corrective action following the departures of Ms Fox and Ms Farr and will, over the coming years, seek to redress the current imbalance in the representation of women on the Board.

The Board is also mindful of the recommendations made by Sir John Parker, in his Report into the Ethnic Diversity of UK Boards published in October 2017, to increase the ethnic and cultural diversity of the boards of FTSE 350 companies. With regard to the recommendations in that report, the Board is pleased to confirm that four Directors, representing over half of the Board, are considered to have ethnic minority backgrounds.

As part of the Group's continuing effort to address gender and ethnic diversity more broadly within the business, a new diversity and inclusion policy was adopted and rolled out across the Group during the course of the year. That policy, which involves the education of employees on the benefits of diversity in the workforce and includes procedures that will allow the Board to monitor progress, reinforces the Group's commitment to promoting an inclusive work environment, one in which every member of its workforce feels valued and respected. Our commitment extends to embracing diversity in all its forms—including but not limited to, age, gender, ethnicity, abilities, sexual orientation and religious beliefs—with the objective of having a workforce that is representative of the communities in which we operate. We also encourage our franchised hotels, where we do not employ personnel directly, to follow the same guiding principles as set out in the Group's diversity and inclusion policy. As a multinational company with a diverse set of stakeholders, the Board and our colleagues across the Group must be sensitive to different cultures, lifestyles and preferences.

2018 ANNUAL GENERAL MEETING

The Nominations Committee was mindful of shareholder concerns received at the Company's 2018 Annual General Meeting, reflected in part by the significant votes received from independent shareholders opposing the election or re-election of the independent non-executive Directors. In order to better understand those concerns, as well as others, various Board members engaged with shareholders throughout the year and these issues were discussed at several Board meetings.

FUTURE PRIORITIES

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

- Continue the process of recruiting and appointing a permanent Group Chief Executive Officer and at least one new independent Non-Executive Director;
- Continue to review the balance of skills, diversity and experience of the Company's Directors to determine if any further changes or appointments are needed to ensure the Board has the talent necessary to help the Group deliver its strategic objectives;
- Consider the requirements under the revised version of the UK Corporate Governance Code ("New Code"), that will apply to the Group in respect of its 2019 financial year and beyond, and ensure appropriate plans are in place to address the expanded role of the Nominations Committee under the revised version of the Code;
- Identify ways to improve the effectiveness of the Board and its committees; and
- Continue to review succession plans for key management roles across the Group.

Kwek Leng Beng
Chairman of the Nominations Committee

14 February 2019

NOMINATIONS COMMITTEE REPORT
CONTINUED

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

MEMBERSHIP AND MEETINGS
The Committee is comprised of a majority of independent Non-Executive Directors. During the year the following Directors were members of the Committee.

- Kwek Leng Beng (Chairman)
- Kwek Leng Peck
- His Excellency Shaukat Aziz
- Susan Farr[1]
- Martin Leitch
- Christian de Charnacé[2]

1. Susan Farr Stepped down from the Board on 31 October 2018.
2. Christian de Charnacé was appointed as a member of the Committee effective from 2 November 2018.

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

The Committee met three times during the year.

BOARD APPOINTMENTS
Part of the remit of the Committee is to ensure that the Board has the right balance of skills, experience, independence and knowledge to enable it to discharge its duties effectively. In order to fulfil this remit, the Committee may conduct searches to fill certain roles from time to time and recommend new appointments for such roles.

During 2018, the Committee spent considerable time conducting a search for a permanent Group Chief Executive Officer, a role that would sit on the Board. The process started with the Committee reviewing the requirements of, and preparing a new job specification for, the role. The Committee then conducted a search, based on that job specification, through internal resources and this is how Jennifer Fox was identified. The Committee members and other members of the Board interviewed Ms Fox and referencing was conducted. Her appointment was recommended to and approved by the Board and her employment began in June 2018. After she stepped down in September 2018, the Committee recommended that Tan Kian Seng resume his role as interim Group Chief Executive Officer, and the Board fully supported this recommendation. Since then the Committee has, once again, refreshed the job specification for the role and resumed its search for a permanent Group Chief Executive Officer.

Also, following the departures of Sue Farr and Gervase MacGregor in the third quarter of 2018, the Committee agreed on the appropriate profile for a new independent Non-Executive Director and commenced its search for one or more new appointments. That search is ongoing and the Committee remains open to using an external search agency to facilitate the process, as well as utilising the Directors' own contacts and networks. However, in 2018 the Group did not utilise an external search agency for any of the open Board positions.

The searches for a permanent Group Chief Executive Officer and at least one new independent Non-Executive Director will be as broad as necessary to ensure that the right candidates are identified and that the composition of the Board and its committees remains appropriate. New Director appointments will be announced in due course.

INDUCTION

On appointment to the Board, each Director undergoes a comprehensive induction programme as appropriate. The programme is tailored to each Director's individual needs, but is intended to provide an in introduction to the Group's business, challenges and risks. Newly appointed Directors also receive an overview of their duties, the corporate governance landscape applicable to listed companies in the UK and Board processes and policies. This process was followed with regard to the appointment of Jennifer Fox.

NOMINATIONS COMMITTEE PERFORMANCE REVIEW

As part of the Board's annual performance review, an assessment of the Committee's performance in 2018 was completed in January 2019. The results of the performance assessment were discussed and presented at the Board meeting held during February 2018 and the key finding of the evaluation, in respect of the Committee, was that the Committee was considered to be effective and remains independent in nature.

During the year, the Committee received regular updates on developments in corporate governance reform. The Committee was provided with detailed reports on the revised UK Corporate Governance Code issued by the Financial Reporting Council and proposals for the Group's approach to the changes. As the revised UK Corporate Governance Code does not apply until accounting years beginning on or after 1 January 2019 the Group is not required to report on the application of the Code until then. We will therefore report on what changes, if any, to the Group's governance regime will be required as a result of the revised Code in the Company's 2019 annual report and accounts and beyond.

TIME COMMITMENT

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

NOMINATIONS COMMITTEE REPORT
CONTINUED

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 and make recommendations to the Board regarding any changes;
- 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 commitments required of Non-Executive Directors;
- in consultation with the chairs of the Board's 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;
- make recommendations to the Board on the independence of Non-Executive Directors;
- assess the appointment of any Director to an executive or other office within the Group; and
- review the Committee's terms of reference from time to time.

DIVERSITY

The Board takes diversity seriously and this forms part of the Board and Committee deliberations when considering new appointments to the Board. The Board's diversity policy is based on four principles, set out below, that support the Board's commitment to achieving diversity:

- The Board will not impose quotas regarding diversity, although it will remain committed to achieving diversity in the composition of the Board;
- The Committee will on a regular basis consider and make recommendations, if applicable, to the Board on its diversity objectives;
- In reviewing the composition of the Board, the Committee will consider the balance of skills, experience, independence and knowledge of the Board members; and
- In identifying suitable candidates for appointment, the Committee will assess objective criteria with due regard to the benefits of diversity on the Board.

TERMS OF REFERENCE

The Committee's terms of reference are available at: www.investors.millenniumhotels.com/. They were updated in 2018 to reflect changes arising under the New Code.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

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

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

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

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

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

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

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

On behalf of the Board

Kwek Leng Beng
Chairman

14 February 2019

KPMG

Independent auditor's report

to the members of Millennium & Copthorne Hotels plc

1. Our opinion is unmodified

We have audited the financial statements of Millennium & Copthorne Hotels plc ("the Company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 2.2 of the Group financial statements and note B of the Company financial statements.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 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.

Basis for opinion

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

We were first appointed as auditor by the company before 1994 prior to the company becoming a public interest entity. For the period ended 31 December 2018, the total uninterrupted engagement period is for 22 financial years whilst the company was a public-interest entity. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non- audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole		£6.0m (2017:£7.0m) 4.2% (2017: 4.0%) of normalised profit before tax
Coverage		97% (2017: 95%) of group profit before tax
Key audit matters		**vs 2017**
New risk	The impact of uncertainties due to the UK exiting the European Union on our audit	▲
Recurring risks	Valuation of hotel assets	◀▶
	Classification and valuation of investment properties	◀▶
	Recoverability of parent company's investment	◀▶

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

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

	The risk	Our response
The impact of uncertainties due to the UK existing the European Union on our audit *Refer to page 69 (Audit & Risk Committee Report).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of hotel assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see going concern section below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement 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. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge:** we considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. **Sensitivity analysis:** when addressing valuation of hotel assets and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. **Assessing transparency:** as well as assessing individual disclosures as part of our procedures on valuation of hotel assets, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under valuation of hotel assets, we found the resulting estimates and related disclosures to be acceptable. We also found the assessments and disclosures in relation to going concern to be acceptable. No audit should, however, be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Valuation of Hotel Assets (£3,153m; 2017: £3,129m) *Refer to page 68 (Audit & Risk Committee Report), page 114 (accounting policy) and page 133 (financial disclosures).*	**Subjective valuation** The Group's hotel assets are subject to an annual review to assess whether or not they may be impaired. The Group first identifies the hotel assets where there is an indication of impairment. These assets are then subjected to detailed impairment review referenced to either current external valuations or internal trading updates derived from the most recently available external valuation. Certain hotel assets were considered at risk of impairment due to being subject to impairment in previous years (and therefore any decline in performance may result in a further impairment being recorded) or because the Group has experienced a difficult trading environment in 2018, particularly in the US and certain parts of Asia. External valuations are generally performed on a third party operator basis. This assesses the value of the hotel on the same basis that an 'efficient operator' market participant would and therefore assesses the net cash flows that an efficient operator believes it could achieve. This analysis is subjective due to the inherent uncertainty involved in determining appropriate assumptions such as expected free cash flows and future market growth, terminal rate and discount rates. therefore, the review and challenge of these assumptions is one of the key judgmental areas that our audit is concentrated on.	**Assessing valuers' credentials:** we assessed the independence, professional qualifications, competence and experience of the external valuers used by the Group. **Test of details:** we challenged the Group's assessment of the properties at risk by reference to relevant impairment indicators using our understanding of the asset's performance in relation to previous forecasts and the market performance and assessing the quantum of available headroom from previous valuations. **Methodology choice:** using our valuation specialists, we challenged the appropriateness of the valuers' reports by assessing whether their valuations were in accordance with the RICS Valuation professional Standards 'the red book' and relevant accounting standards. **Benchmarking assumptions:** we challenged the key assumptions used in external valuations performed during the year, in particular forecast free cash flows and future market growth, terminal and discount rates, by comparing them to externally derived data, internal budgets and source data, where applicable. Our valuation specialists assisted in the evaluation of the most subjective and complex assumptions and analyses. **Our sector experience:** for those properties at risk of impairment but that were not externally valued during the year, we assessed the trading results of the properties and whether this provided evidence of any significant changes in the key assumptions applied in the most recent external valuation. This included comparing the current performance of the assets to the forecasts made in the last external valuation and assessing unusual trends in updated cash flows against source data, where applicable. Our valuation specialists assisted in the evaluation of the most subjective and complex assumptions and analyses. **Sensitivity analysis:** we performed sensitivity analysis on the key assumptions noted above for the most subjective and complex valuations to assess the range of possible alternative outcomes and used these to challenge the appropriateness of the valuation conclusions. **Assessing transparency:** we considered the appropriateness of the Group's disclosures about the impairment test and the sensitivity of the outcome of the impairment assessment to changes in key assumptions. **Our results** We found the resulting estimate of the recoverable amount of the hotel assets to be acceptable (2017: acceptable).

	The risk	Our response
Classification and valuation of investment properties (£650m; 2017: £568m) *Refer to page 68 (Audit & Risk Committee Report), page 116 (accounting policy) and page 136 (financial disclosures).*	**Subjective valuation** Investment property is one of the Group's largest asset categories and the models applied to determine the fair value of investment properties are complex and sensitive to assumptions around rental rates and future market growth, terminal rate and discount rates. During the year, the Group made a material acquisition of a property. Classification of an asset as investment property requires judgement, and is determined by reference to the Group's future intentions and business model.	**Assessing valuers' credentials:** we assessed the independence, professional qualifications, competence and experience of the external valuers used by the Group. **Methodology choice:** using our valuation specialists, we challenged the appropriateness of the valuer's reports by assessing whether their valuations were in accordance with the RICS Valuation professional Standards 'the red book' and relevant accounting standards. **Benchmarking assumptions:** we challenged the key assumptions used in the valuations, in particular rental rates and future market growth, terminal rate and discount rates by comparing them to externally derived data, internal budgets and source data, where applicable. Our valuation specialists assisted in the evaluation of the more subjective and complex assumptions and analyses. **Our sector experience:** we assessed the appropriateness of the classification of new investment properties by understanding the business models and management's intentions, corroborated with inspection of contracts and agreements. **Assessing transparency:** we assessed whether the Group's disclosures properly reflected the risks inherent in the calculations and met the requirements of relevant accounting standards. **Our results** We found the valuation of investment properties to be acceptable (2017: acceptable).
Recoverability of parent company's investments (£1,988m; 2017: £1,970m) *Refer to page 183 (accounting policy) and page 181 (financial disclosures).*	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 96% (2017: 97%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	**Tests of detail:** we compared the carrying amount of 100% of investments to the relevant subsidiaries' consolidated trial balances to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount. **Assessing subsidiary audits:** we assessed the work performed by the subsidiary audit teams on all of those subsidiaries and considered the results of that work, on those subsidiaries' profits and net assets. **Our results:** We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2017 acceptable).

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 £6.0m (2017: £7.0m), determined with reference to a benchmark of group profit before tax normalised to exclude impairment on hotel assets and revaluation adjustments on investment properties as disclosed in note 12 and 14, of which it represents 4.2% (2017: 4.0%). These items are excluded due to their volatility.

Materiality for the parent company financial statements as a whole was set at £5.7m (2017: 6.7m). This is lower than the materiality we would otherwise have determined by reference to net assets, and represents 0.41% of the company's net assets (2017: 0.48%).

We agreed to report to the Audit & Risk Committee any corrected or uncorrected identified misstatements exceeding £0.3m (2017: £0.35m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

Of the Group's 6 (2017: 6) components, we subjected 4 (2017: 4) to full scope audits for Group's audit purposes. These components are: the parent company, UK, US and Asia – excluding Beijing.

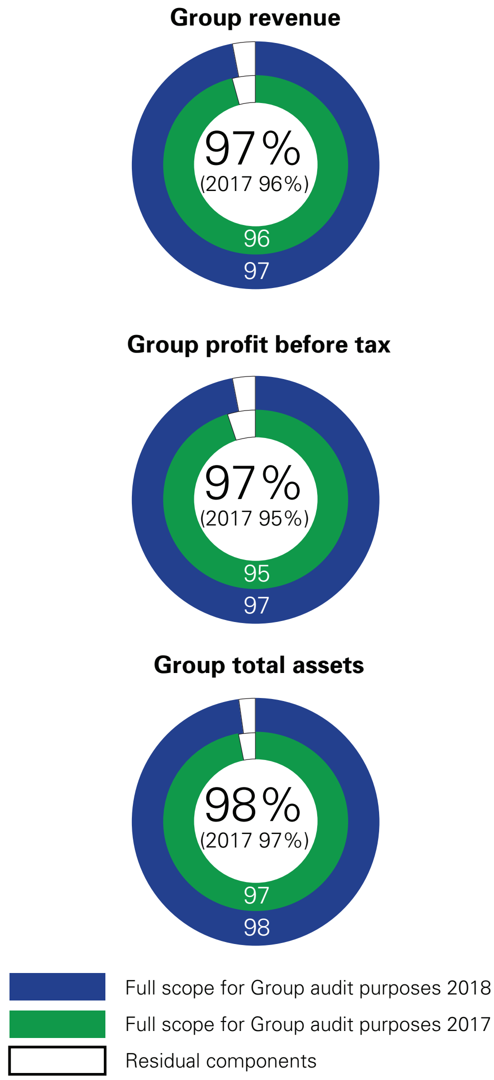
The remaining 3% of total Group revenue, 3% of Group total profits and losses that made up profit before tax and 2% of total Group assets is represented by 2 components (Europe and Beijing). For these remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

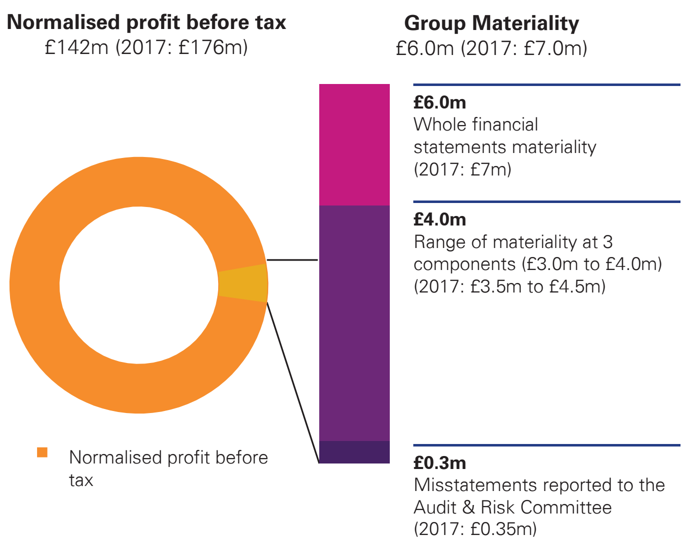
The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group audit team approved the component materialities, which ranged from £3.0m to £5.7m (2016: £3.5m to £6.7m) having regard to the mix of size and risk profile of the Group across the components.

The work on 2 of the 4 components (2017: 2 of the 4 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group audit team. The Group audit team performed procedures on the items excluded from normalised group profit before tax.

In 2018, the Group audit team visited both of the two component locations subject to full-scope audit (2017: 2) to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail and any further work required by the Group audit team was then performed by the component auditor.





4. We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

— we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group's and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

— the related statement under the Listing Rules set out on page 51 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

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

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

Strategic report and Directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the Strategic report and the Directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

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

Disclosures of principal risks and longer-term viability

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

— the Directors' confirmation within the Viability statement on page 45 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

— the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

— the Directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

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

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

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 51, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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

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

Chartered Accountants

15 Canada Square
London,
E14 5GL

14 February 2019

GRAND MILLENNIUM, KUALA LUMPUR

FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	NOTES	2018 £M	2017 £M
Revenue	5	**997**	1,008
Cost of sales		**(436)**	(431)
Gross profit		**561**	577
Administrative expenses	6	**(423)**	(415)
Other operating income	7	**30**	30
Other operating expense	7	**(63)**	(47)
Operating profit		**105**	145
Share of profit of joint ventures and associates	15	**29**	22
Finance income		**9**	11
Finance expense		**(37)**	(31)
Net finance expense	9	**(28)**	(20)
Profit before tax	5	**106**	147
Income tax (expense)/credit	10	**(13)**	12
Profit for the year		**93**	159
Attributable to:			
Equity holders of the parent		**43**	124
Non-controlling interests		**50**	35
		93	159
Basic earnings per share (pence)	11	**13.1p**	38.1p
Diluted earnings per share (pence)	11	**13.1p**	38.1p

The financial results above derive from continuing activities.

The notes on pages 111 to 180 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTE	2018 £M	2017 £M
Profit for the year		**93**	159
Other comprehensive income/(expense):			
Items that are not reclassified subsequently to income statement:			
Remeasurement of defined benefit plan actuarial net gains, net of tax	23	**4**	4
Net change in fair value of equity investment		**5**	–
		9	4
Items that may be reclassified subsequently to income statement:			
Foreign currency translation differences – foreign operations		**72**	(102)
Foreign currency translation differences – equity accounted investees		**9**	(16)
Net (loss)/gain on hedge of net investments in foreign operations		**(3)**	12
		78	(106)
Other comprehensive income/(expense) for the year, net of tax		**87**	(102)
Total comprehensive income for the year, net of tax		**180**	57
Total comprehensive income attributable to:			
Equity holders of the parent		**112**	22
Non-controlling interests		**68**	35
Total comprehensive income for the year, net of tax		**180**	57

The notes on pages 111 to 180 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 £M	2017 £M
Non-current assets			
Property, plant and equipment	12	**3,153**	3,129
Lease premium prepayment	13	**103**	103
Investment properties	14	**668**	577
Investment in joint ventures and associates	15	**358**	324
Other financial assets	16	**43**	–
		4,325	4,133
Current assets			
Inventories	17	**5**	4
Development properties	18	**115**	93
Lease premium prepayment	13	**2**	2
Trade and other receivables	19	**102**	88
Cash and cash equivalents	20	**375**	354
		599	541
Assets held for sale	36	**–**	41
		599	582
Total assets		**4,924**	4,715
Non-current liabilities			
Interest-bearing loans, bonds and borrowings	21	**(789)**	(791)
Employee benefits	23	**(14)**	(19)
Provisions	24	**(9)**	(9)
Other non-current liabilities	25	**(15)**	(13)
Deferred tax liabilities	26	**(172)**	(188)
		(999)	(1,020)
Current liabilities			
Interest-bearing loans, bonds and borrowings	21	**(313)**	(213)
Trade and other payables	27	**(220)**	(208)
Provisions	24	**(2)**	(2)
Income taxes payable		**(27)**	(23)
		(562)	(446)
Total liabilities		**(1,561)**	(1,466)
Net assets		**3,363**	3,249

The notes on pages 111 to 180 are an integral part of these consolidated financial statements.

	NOTES	**2018 £M**	2017 £M
Equity			
Issued share capital	29	**97**	97
Share premium		**843**	843
Translation reserve	30	**491**	431
Treasury share reserve	30	**(4)**	(4)
Fair value reserve	30	**5**	–
Retained earnings		**1,338**	1,309
Total equity attributable to equity holders of the parent		**2,770**	2,676
Non-controlling interests		**593**	573
Total equity		**3,363**	3,249

These financial statements were approved by the Board of Directors on 14 February 2019 and were signed on its behalf by:

Kwek Leng Beng
Chairman

Registered No: 3004377

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	SHARE CAPITAL £M	SHARE PREMIUM £M	TRANSLATION RESERVE £M	TREASURY SHARE RESERVE £M	FAIR VALUE RESERVE £M	RETAINED EARNINGS £M	TOTAL EXCLUDING NON-CONTROLLING INTERESTS £M	NON-CONTROLLING INTERESTS £M	TOTAL EQUITY £M
Balance at 1 January 2018	**97**	**843**	**431**	**(4)**	**–**	**1,309**	**2,676**	**573**	**3,249**
Profit	–	–	–	–	–	43	43	50	93
Other comprehensive income	–	–	60	–	5	4	69	18	87
Total comprehensive income	–	–	60	–	5	47	112	68	180
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends – equity holders	–	–	–	–	–	(21)	(21)	–	(21)
Dividends – non-controlling interests	–	–	–	–	–	–	–	(43)	(43)
Changes in ownership interests									
Change in interests in subsidiaries without loss of control	–	–	–	–	–	3	3	(3)	–
Return of capital to non-controlling interests	–	–	–	–	–	–	–	(2)	(2)
Total transactions with owners	–	–	–	–	–	(18)	(18)	(48)	(66)
Balance at 31 December 2018	**97**	**843**	**491**	**(4)**	**5**	**1,338**	**2,770**	**593**	**3,363**
Balance at 1 January 2017	**97**	**843**	**537**	**(4)**	**–**	**1,195**	**2,668**	**502**	**3,170**
Profit	–	–	–	–	–	124	124	35	159
Other comprehensive (expense)/income	–	–	(106)	–	–	4	(102)	–	(102)
Total comprehensive (expense)/income	–	–	(106)	–	–	128	22	35	57
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends – equity holders	–	–	–	–	–	(25)	(25)	–	(25)
Dividends – non-controlling interests	–	–	–	–	–	–	–	(40)	(40)
Changes in ownership interests									
Change in interests in subsidiaries without loss of control	–	–	–	–	–	11	11	(11)	–
Rights issue by subsidiary with NCI	–	–	–	–	–	–	–	89	89
Return of capital to non-controlling interests	–	–	–	–	–	–	–	(2)	(2)
Total transactions with owners	–	–	–	–	–	(14)	(14)	36	22
Balance at 31 December 2017	**97**	**843**	**431**	**(4)**	**–**	**1,309**	**2,676**	**573**	**3,249**

The notes on pages 111 to 180 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 £M	2017 £M
Cash flows from operating activities			
Profit for the year		**93**	159
Adjustments for:			
Depreciation and amortisation	12, 13	**69**	75
Share of profit of joint ventures and associates	15	**(29)**	(22)
Other operating income	7	**(30)**	(30)
Other operating expense	7	**63**	47
Finance income	9	**(9)**	(11)
Finance expense	9	**37**	31
Income tax expense/(credit)	10	**13**	(12)
Operating profit before changes in working capital and provisions		**207**	237
Movement in inventories, trade and other receivables		**(15)**	9
Movement in development properties		**(22)**	(4)
Movement in trade and other payables		**7**	(13)
Movement in provisions and employee benefits		**–**	1
Cash generated from operations		**177**	230
Interest paid		**(24)**	(21)
Interest received		**5**	4
Income tax paid		**(31)**	(33)
Net cash generated from operating activities		**127**	180
Cash flows from investing activities			
Dividends received from joint ventures and associates		**4**	2
Proceeds from settlement of shareholder's loan		**–**	12
Proceeds from sale of investment properties		**45**	–
Acquisition of subsidiary, net of cash acquired		**–**	(52)
Acquisition of property, plant and equipment, lease premium prepayment and investment properties		**(109)**	(142)
Subscription of Perpetual Convertible Capital Securities of associate		**(32)**	–
Net cash used in investing activities		**(92)**	(180)
Balance carried forward		**35**	–

The notes on pages 111 to 180 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
CONTINUED

	NOTES	2018 £M	2017 £M
Balance brought forward		**35**	–
Cash flows from financing activities			
Repayment of borrowings		**(145)**	(306)
Drawdown of borrowings		**189**	309
Dividends paid to non-controlling interests		**(43)**	(40)
Return of capital to non-controlling interests		**(2)**	(2)
Dividends paid to equity holders of the parent	28	**(21)**	(25)
Proceeds from issue of share capital		**–**	89
Net cash generated from/(used in) financing activities		**(22)**	25
Net increase in cash and cash equivalents		**13**	25
Cash and cash equivalents at beginning of the year		**354**	337
Effect of exchange rate fluctuations on cash held		**8**	(8)
Cash and cash equivalents at end of the year		**375**	354
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the consolidated statement of financial position		**375**	354
Bank overdrafts included in borrowings		**–**	–
Cash and cash equivalents for consolidated statement of cash flows	20	**375**	354

The notes on pages 111 to 180 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 2018 were authorised for issue in accordance with a resolution of the Directors on 14 February 2019.

2.1 BASIS OF PREPARATION

The consolidated financial statements are prepared on the historical cost basis except for investment properties, derivative financial instruments and equity investments at fair value through other comprehensive income ("FVOCI") 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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 page 18 to 45. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report – Financial performance on pages 23 to 25 and in the key performance indicators on page 22. 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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 cash-generating units 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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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

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

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

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

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

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

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

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

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

(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.

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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, 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 these assets, the cumulative loss – measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement.

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

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

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

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

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

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

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

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

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

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

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

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

N Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

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

(iv) Share-based payment transactions
The share-based incentive schemes allow the Group's employees to acquire shares of Millennium & Copthorne Hotels plc.

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

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

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

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

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

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

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

P Revenue and its recognition
Revenue comprises:

- Income from the ownership and operation of hotels – recognised at the point at which the accommodation and related services are provided;
- Management fees – earned from hotels managed by the Group, usually under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability; recognised when earned on an accrual basis under the terms of the contract;

- Franchise fees – received in connection with licensing of the Group's brand names, usually under long-term contracts with the hotel owner. The Group charges franchise royalty fees as a percentage of room revenue; recognised when earned on an accrual basis under the terms of the agreement;
- Income from property rental – recognised on a straight-line basis over the lease term, lease incentives granted are recognised as an integral part of the total rental income; and
- Development property sales – recognised when the transfer of control of the property has 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 either equity instruments at FVOCI or fair value through profit and loss ("FVTPL") 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.

V New accounting standards adopted in the current year

(i) IFRS 9 Financial Instruments: Recognition and Measurement

The Group has adopted IFRS 9 effective from the start of the Group's current financial year. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as follows by the Group:

- Changes to hedge accounting policies have been applied prospectively;
- All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships;
- The expected credit loss model was applied; and
- Comparative periods have not been restated as the Group assessed the impact of the standard on the accounts to be immaterial.

(ii) IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 effective from the start of the Group's current financial year using the modified retrospective approach. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as they are satisfied. The Group assessed the impact of the standard on its revenue streams and concluded that there is no material impact to revenue.

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.

3.1 JUDGEMENTS

The key judgements are:

Classification of investment properties

The Group holds a number of investment properties and accounts for such properties in accordance with the accounting policy set out in Note 2.2H. The Group owns assets which are leased to external third parties with lease rentals and related charges varying according to the agreement involved. The Group accounts for such assets in its financial statements in accordance with the accounting policy set out in Note 2.2H.

Where the indicators are such that on balance the Group is shown to be a passive investor, the relevant property is accounted for in accordance with IAS 40 and the Group accounts for the fair value change through the income statement as other operating income or expense. Indicators considered include (1) party that has the power to make the significant operating and financing decisions regarding the operations of the property in a management contract, (2) calculation of the lessor's return, (3) lessor's power of intervention under the management contract, and (4) duration of the contract.

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

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

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

Business combination

For each acquisition, the Group has to make a judgement whether to account the transaction as an asset purchase or a business combination, which results in a different accounting treatment. In particular, under business combination accounting, goodwill and additional intangible assets may arise and the valuation of acquired assets is complex. In addition, transaction costs can be capitalised in an asset acquisition, but have to be charged through the income statement for a business combination. The classification of each acquisition and related accounting is highly judgemental. Details of acquisitions undertaken by the Group during the year, including the specific judgements, are set out in Notes 12 and 14.

Land leases classification

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

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

3.2 ESTIMATES

The key estimates are:

Impairment of tangible assets

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

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

- In January 2016, the IASB issued 'IFRS 16 Leases'. The standard is effective for annual periods beginning on or after 1 January 2019 and was endorsed by the European Union in November 2017. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the period of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is currently in the process of collating information from various regions as part of assessing the impact the standard will have on the Group's financial statements. As at the date of the publication of these financial statements, it is not practicable to quantify this impact.

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
- 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.

Segment results

	2018								
	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	159	139	106	71	130	177	85	–	867
Property operations	–	5	–	–	3	9	48	–	65
REIT[4]	–	–	–	31	16	13	5	–	65
Total revenue	**159**	**144**	**106**	**102**	**149**	**199**	**138**	**–**	**997**
Hotel gross operating profit	**25**	**27**	**43**	**16**	**51**	**60**	**42**	**–**	**264**
Hotel fixed charges[1]	(33)	(25)	(23)	(11)	(4)	(33)	(6)	–	(135)
Hotel operating profit/(loss)	**(8)**	**2**	**20**	**5**	**47**	**27**	**36**	**–**	**129**
Property operating profit	–	2	–	–	2	8	25	–	37
REIT operating profit/(loss)	–	–	–	11	(2)	1	5	–	15
Central costs	–	–	–	–	–	–	–	(43)	(43)
Other operating income[2]	–	–	–	–	3	5	–	–	8
Other operating expense[2]	(31)	(19)	–	(3)	–	(6)	–	–	(59)
Other operating income – REIT[2]	–	–	–	10	9	–	3	–	22
Other operating expense – REIT[2]	–	–	–	–	–	(4)	–	–	(4)
Operating profit/(loss)	**(39)**	**(15)**	**20**	**23**	**59**	**31**	**69**	**(43)**	**105**
Share of joint ventures and associates profit	–	–	–	13	–	16	–	–	29
Add: Depreciation and amortisation	9	12	6	4	13	20	3	2	69
Add: Net revaluation gain/deficit & impairment	31	19	–	(7)	(12)	5	–	–	36
EBITDA[3]	**1**	**16**	**26**	**33**	**60**	**72**	**72**	**(41)**	**239**
Less: Depreciation, amortisation, net revaluation gain/deficit & impairment									(105)
Net finance expense									(28)
Profit before tax									**106**

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	2017								
	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	156	144	122	70	132	176	80	–	880
Property operations	–	5	–	–	3	9	45	–	62
REIT[4]	–	–	–	23	16	19	8	–	66
Total revenue	**156**	**149**	**122**	**93**	**151**	**204**	**133**	**–**	**1,008**
Hotel gross operating profit	**23**	**31**	**60**	**16**	**54**	**60**	**39**	**–**	**283**
Hotel fixed charges[1]	(33)	(26)	(23)	(10)	(4)	(35)	(6)	–	(137)
Hotel operating profit/(loss)	**(10)**	**5**	**37**	**6**	**50**	**25**	**33**	**–**	**146**
Property operating profit	–	–	–	–	5	8	24	–	37
REIT operating profit/(loss)	–	–	–	5	(3)	5	7	–	14
Central costs	–	–	–	–	–	–	–	(35)	(35)
Other operating income[2]	–	–	–	–	–	21	–	–	21
Other operating expense[2]	(11)	(8)	–	(4)	–	(8)	–	–	(31)
Other operating income – REIT[2]	–	–	–	–	–	–	9	–	9
Other operating expense – REIT[2]	–	–	–	(5)	–	(11)	–	–	(16)
Operating profit/(loss)	**(21)**	**(3)**	**37**	**2**	**52**	**40**	**73**	**(35)**	**145**
Share of joint ventures and associates profit	–	–	–	3	–	19	–	–	22
Add: Depreciation and amortisation	9	13	6	6	13	22	3	3	75
Add: Net revaluation gain/ deficit & impairment	11	8	–	9	–	10	(9)	–	29
EBITDA[3]	**(1)**	**18**	**43**	**20**	**65**	**91**	**67**	**(32)**	**271**
Less: Depreciation, amortisation, net revaluation gain/deficit & impairment									(104)
Net finance expense									(20)
Profit before tax									**147**

1 Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.
2 See Note 7 for details of other operating income and expense.
3 EBITDA is earnings before interest, tax, depreciation and amortisation.
4 CDLHT operates the REIT business.

Segmental assets and liabilities

	2018							
	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	614	309	514	228	24	659	188	2,536
REIT operating assets	–	–	–	258	626	130	155	1,169
Hotel operating liabilities	(31)	(48)	(13)	(34)	(25)	(66)	(11)	(228)
REIT operating liabilities	–	–	–	(7)	(7)	(7)	(3)	(24)
Investment in joint ventures and associates	–	–	–	1	–	161	–	162
Total hotel operating net assets	**583**	**261**	**501**	**446**	**618**	**877**	**329**	**3,615**
Property operating assets	–	48	–	39	89	195	115	486
Property operating liabilities	–	(1)	–	–	(2)	(3)	(2)	(8)
Investment in joint ventures and associates	–	–	–	36	–	160	–	196
Total property operating net assets	**–**	**47**	**–**	**75**	**87**	**352**	**113**	**674**
Deferred tax liabilities								(172)
Income taxes payable								(27)
Net debt								(727)
Net assets								**3,363**

	2017							
	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	613	320	496	232	21	670	181	2,533
REIT operating assets	–	–	–	207	598	117	194	1,116
Hotel operating liabilities	(29)	(39)	(13)	(36)	(23)	(68)	(10)	(218)
REIT operating liabilities	–	–	–	(8)	(8)	(3)	(6)	(25)
Investment in joint ventures and associates	–	–	–	–	–	152	–	152
Total hotel operating net assets	**584**	**281**	**483**	**395**	**588**	**868**	**359**	**3,558**
Property operating assets	–	36	–	–	84	176	92	388
Property operating liabilities	–	(1)	–	–	(2)	(3)	(2)	(8)
Investment in joint ventures and associates	–	–	–	31	–	141	–	172
Total property operating net assets	**–**	**35**	**–**	**31**	**82**	**314**	**90**	**552**
Deferred tax liabilities								(188)
Income taxes payable								(23)
Net debt								(650)
Net assets								**3,249**

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Geographic information

	2018 £M	2017 £M
Revenue from external customers		
United States	**303**	305
United Kingdom	**183**	195
Singapore	**149**	151
New Zealand	**129**	123
Taiwan	**73**	73
South Korea	**48**	47
China	**26**	26
Malaysia	**14**	14
France	**13**	12
Australia	**9**	10
Maldives	**7**	14
Philippines	**6**	6
Italy	**6**	6
Indonesia	**5**	5
Other	**26**	21
Total revenue per consolidated income statement	**997**	1,008

The revenue information above is based on the location of the business. The £997m (2017: £1,008m) revenue is constituted of £867m (2017: £880m) of hotel revenue, £65m (2017: £62m) of property operations revenue and £65m (2017: £66m) of REIT revenue. The property operations revenue comprises £48m (2017: £45m) from New Zealand, £3m (2017: £3m) from Singapore and £14m (2017: £14m) from other countries.

	2018 £M	2017 £M
Non-current assets		
United States	**938**	943
United Kingdom	**756**	740
Singapore	**728**	692
China	**290**	278
Taiwan	**276**	277
New Zealand	**238**	231
Japan	**235**	212
South Korea	**191**	199
Hong Kong	**121**	108
Germany	**106**	94
Australia	**85**	89
Maldives	**84**	75
Italy	**83**	43
Netherlands	**73**	31
Malaysia	**66**	64
France	**36**	37
Indonesia	**12**	12
Philippines	**7**	8
Total non-current assets per consolidated statement of financial position	**4,325**	4,133

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

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6 ADMINISTRATIVE EXPENSES
The following items are included within administrative expenses:

	2018 £M	2017 £M
Included in administrative expenses is the auditor's remuneration, for audit and non-audit services as follows:		
Auditor's remuneration		
Statutory audit services:		
– Annual audit of the Company and consolidated financial statements	**1**	1
– Audit of subsidiary companies	**2**	2
	3	3
Non-audit related services:		
– Tax advisory	**1**	1
Total	**4**	4

	2018 £M	2017 £M
Repairs and maintenance	**54**	51
Depreciation	**66**	72
Lease premium amortisation	**3**	3
Rental paid/payable under operating leases		
– land and buildings	**4**	1
– plant and machinery	**3**	7

7 OTHER OPERATING INCOME AND EXPENSE

	NOTES	2018 £M	2017 £M
Revaluation gain/(deficit) of investment properties	(a)		
– REIT properties		**16**	3
– Millennium Mitsui Garden Hotel Tokyo		**5**	9
– Biltmore Court & Tower		**(1)**	(3)
– Tanglin Shopping Centre		**3**	–
Impairment of property, plant & equipment	(b)	**(59)**	(38)
		(36)	(29)
Reversal of impairment of loan (repayment of loan)	(c)	**–**	12
Gain on disposal of investment properties	(d)	**3**	–
		(33)	(17)

(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 of property, plant & equipment

The Directors undertook their annual review of the carrying value of hotels and property assets for indication of impairment and where appropriate, external valuations were also obtained. As a result of this review, the total impairment charge for the year ended 31 December 2018 was £59m consisting of £31m in New York, £19m in Regional US, £3m in Rest of Europe and £6m in Rest of Asia. For 2017, a total impairment charge of £38m was recognised in relation to £11m in New York, £4m in Rest of Europe, £13m in Rest of Asia and £6m for Regional US. Also included in 2017 was £4m of goodwill impaired in relation to the acquisition by CDLHT of The Lowry Hotel in Manchester. Further information is given in Note 12.

(c) Reversal of impairment of loan (repayment of loan)

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

(d) Gain on disposal of investment properties

On 11 January 2018, CDLHT completed the divestment of two hotels in Australia, the Mercure Brisbane and Ibis Brisbane for A$77m (£45m) and a gain of £3m was recognised by the Group.

8 PERSONNEL EXPENSES

	2018 £M	2017 £M
Wages and salaries	**309**	305
Compulsory social security contributions	**49**	51
Contributions to defined contribution schemes	**19**	16
Defined benefit pension (gain)/cost – recorded in the statement of comprehensive income	**(5)**	(4)
Defined benefit pension cost – recorded in the income statement	**2**	2
	374	370

The number of employees employed by the Group as at year end analysed by category was as follows:

	2018 NUMBER	2017 NUMBER
Hotel operating staff	**8,853**	9,020
Management/administration	**1,478**	1,439
Sales and marketing	**492**	461
Repairs and maintenance	**681**	682
	11,504	11,602

Directors' remuneration

	2018 £M	2017 £M
Remuneration	**1**	1
Received by the Directors under:		
– Long-term incentive schemes	**–**	–
– Pensions	**–**	–
	1	1

9 NET FINANCE EXPENSE

	2018 £M	2017 £M
Interest income	**5**	5
Foreign exchange gain	**4**	6
Finance income	**9**	11
Interest expense	**(28)**	(26)
Foreign exchange loss	**(9)**	(5)
Finance expense	**(37)**	(31)
Net finance expense	**(28)**	(20)

10 INCOME TAX EXPENSE

	2018 £M	2017 £M
Current tax		
Corporation tax charge for the year	**34**	38
Release of tax provision during the year	**–**	(17)
Adjustment in respect of prior years	**1**	1
Total current tax expense	**35**	22
Deferred tax (Note 26)		
Origination and reversal of timing differences	**(14)**	(14)
Effect of change in tax rate on opening deferred taxes	**–**	(1)
Benefits of tax losses recognised	**(9)**	(18)
(Over)/under provision in respect of prior years	**1**	(1)
Total deferred tax credit	**(22)**	(34)
Total income tax charge/(credit) in the consolidated income statement	**13**	(12)
UK	**2**	5
Overseas	**11**	(17)
Total income tax charge/(credit) in the consolidated income statement	**13**	(12)

For the year ended 31 December 2018, the Group has a tax charge of £13m (2017: £5m) excluding the tax relating to joint ventures and associates. In 2017, a £17m provision in relation to exposures in Singapore were finalised which resulted in a total tax credit of £12m.

The effective tax rate relating to the tax charge of £13m is 16.9% (2017: 4.2% before the release of provision). The effective tax rate has been affected by a number of factors which include the following items:

- Increased irrecoverable withholding taxes;
- Reduction in non-taxable income;
- One off reduction in tax rates applied to brought forward net deferred tax liabilities in the US not repeated in current year; and
- Tax adjustments in respect of previous years.

Excluding the impact of the items noted above, the Group's underlying effective tax rate is 20.4% (2017: 9.2%).

For the year ended 31 December 2018, a charge of £7m (2017: £7m) relating to joint ventures and associates is included in the profit before tax.

Adjustments in respect of settlement of prior years' tax liabilities

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

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Income tax reconciliation

	2018 £M	2017 £M
Profit before income tax in consolidated income statement	**106**	147
Less share of profits of joint ventures and associates	**(29)**	(22)
Profit on ordinary activities excluding share of joint ventures and associates	**77**	125
Income tax on ordinary activities at the standard rate of UK tax of 19.00% (2017: 19.25%)	**15**	24
Tax exempt income	**(22)**	(23)
Non-deductible expenses	**10**	(2)
Unrecognised tax losses arising during the year	**3**	2
Other effect of tax rates in foreign jurisdictions	**5**	3
Effect of change in tax rate on opening deferred taxes	**–**	(1)
Other adjustments to tax charge in respect of prior years	**2**	2
Release of tax provision during the year	**–**	(17)
Income tax expense/(credit) per consolidated income statement	**13**	(12)

11 EARNINGS PER SHARE

Earnings per share are calculated using the following information:

	2018	2017
(a) Basic		
Profit for the year attributable to holders of the parent (£m)	**43**	124
Weighted average number of shares in issue (m)	**325**	325
Basic earnings per share (pence)	**13.1p**	38.1p
(b) Diluted		
Profit for the year attributable to holders of the parent (£m)	**43**	124
Weighted average number of shares in issue (m)	**325**	325
Potentially dilutive share options under the Group's share option schemes (m)	**–**	–
Weighted average number of shares in issue (diluted) (m)	**325**	325
Diluted earnings per share (pence)	**13.1p**	38.1p

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 2017	3,299	97	341	368	4,105
Additions – Others	14	6	15	18	53
Adjustments	–	(2)	–	–	(2)
Acquisition through business combination	47	–	2	3	52
Transfers	43	(59)	4	12	–
Disposals	–	–	(1)	(1)	(2)
Written off	–	(2)	–	(9)	(11)
Foreign exchange adjustments	(106)	(4)	(12)	(10)	(132)
Balance at 31 December 2017	3,297	36	349	381	4,063
Balance at 1 January 2018	3,297	36	349	381	4,063
Additions – Acquisitions	5	–	–	1	6
Additions – Others	2	43	10	15	70
Reclassification between asset categories	3	(6)	–	3	–
Transfer to investment properties	–	(3)	–	–	(3)
Disposals	–	–	–	(2)	(2)
Written off	(1)	–	(3)	(4)	(8)
Foreign exchange adjustments	82	2	12	12	108
Balance at 31 December 2018	**3,388**	**72**	**368**	**406**	**4,234**
Accumulated depreciation and impairment losses					
Balance at 1 January 2017	486	1	122	258	867
Charge for the year	22	–	15	35	72
Impairment	31	–	3	–	34
Disposals	–	–	–	(1)	(1)
Written off	–	–	–	(9)	(9)
Foreign exchange adjustments	(19)	–	(5)	(5)	(29)
Balance at 31 December 2017	520	1	135	278	934
Balance at 1 January 2018	520	1	135	278	934
Charge for the year	19	–	14	33	66
Impairment	58	–	1	–	59
Disposals	–	–	–	(2)	(2)
Written off	–	–	(2)	(4)	(6)
Foreign exchange adjustments	16	–	5	9	30
Balance at 31 December 2018	**613**	**1**	**153**	**314**	**1,081**
Carrying amounts					
At 31 December 2018	**2,775**	**71**	**215**	**92**	**3,153**
At 31 December 2017	2,777	35	214	103	3,129

The carrying value of property, plant and equipment held under finance leases at 31 December 2018 was £nil (2017: £nil).

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a Impairment
Property, plant and equipment are reviewed for impairment based on each cash generating unit ("CGU"). The CGUs are individual hotels. The carrying value of individual hotels was compared to the recoverable amount of the hotels, which was derived with the reference to fair value through creation of discount cash flow models. Under this methodology, the fair value measurement reflects current market expectations about the third party efficient operator's is future cash flows, discounted to their present value. The underlying basis for the impairment model involves each hotel's projected cash flow for the financial year ending 31 December 2019, extrapolated to incorporate individual assumptions in respect of revenue growth (principally factoring in room rate and occupancy growth) and major expense lines. The future cash flows are based on assumptions about competitive growth rates for hotels in that area, as well as internal business plans. These plans and forecasts include management's most recent view of trading prospects for the hotel in the relevant market. Where appropriate, the Directors sought guidance on value from a registered independent appraiser with an appropriately recognised professional qualification and recent experience in the location and category of the hotel being valued.

On the basis of external valuations in 2018, the Group recorded an impairment charge of £59m consisting of £31m in New York, £6m in Rest of Asia, £19m for Regional US and £3m in Rest of Europe. For 2017, a total impairment charge of £34m was recognised in relation to £11m in New York, £4m in Rest of Europe, £13m in Rest of Asia and £6m for Regional US. Further information is given in Note 12.

Circumstances and events that led to impairment are largely due to the performance of the hotels. The fair values assumed through the impairment assessment are considered to fall within level 3 of the fair value hierarchy. Refer to Note 22d for more detail.

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

Pre-tax discount rate – The discount rate is based on the country in which the hotel is located and is adjusted for risks associated with the hotel. Discount rates ranged from 6.5% to 13% in the US, 10% in Europe and 8% to 9% in Asia.

Occupancy rate – The occupancy growth rates ranged up to 9.5% in the US, up to 4.3% in Europe and up to 9.0% in Asia.

Average room rate – The average room rate growth ranged from 3% to 4% in the US, 4% in Europe and 2% to 2.5% in Asia.

Terminal rate – These rates ranged from 5% to 11% in the US, 6.5% in Europe and 6% to 7% in Asia.

The forecasts cover a five to ten year period, and cash flows beyond this period are extrapolated using a growth rate ranging between 1.5% and 2.5%, which is based upon the expected trading growth for each hotel and inflation in the country.

c Sensitivities
The Group's impairment review is sensitive to changes in key assumptions used, most notably the discount and terminal rates. Based on the Group's sensitivity analysis performed on properties in New York (which represents 53% of the total impairment recognised), assuming that all other variables were to remain constant, the increase/(decrease) in the Group's total impairment recognised would be as follows:

	£M
Terminal rate decreased by 0.25%	(8)
Terminal rate increased by 0.25%	8
Discount rate decreased by 0.25%	(5)
Discount rate increased by 0.25%	5

d Land and buildings

Land and buildings includes long leasehold building assets with a book value of £681m (2017: £669m). The net book value of land and buildings held under short leases was £105m (2017: £105m), in respect of which depreciation of £3m (2017: £3m) was charged during the year.

No interest was capitalised within land and buildings during the year (2017: £nil). The cumulative capitalised interest within land and buildings is £5m (2017: £5m).

e Pledged assets

At year-end, the net book value of assets pledged as collateral for secured loans was £477m (2017: £458m). The security for the loans is by way of charges on the properties of the Group companies concerned.

13 LEASE PREMIUM PREPAYMENT

	2018 £M
Cost	
Balance at 1 January 2018	**126**
Foreign exchange adjustments	**3**
Balance at 31 December 2018	**129**
Amortisation	
Balance at 1 January 2018	**21**
Charge for the year	**3**
Foreign exchange adjustments	**–**
Balance at 31 December 2018	**24**
Carrying amount at 31 December 2018	**105**
Analysed between:	
Amount due after more than one year included in non-current assets	**103**
Amount due within one year included in current assets	**2**
	105

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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 site at Sunnyvale.

Movements in the year analysed as:

	COMPLETED INVESTMENT PROPERTIES £M	INVESTMENT PROPERTIES UNDER CONSTRUCTION £M	TOTAL £M
Balance at 1 January 2017	525	9	534
Transfer to current asset held for sale	(41)	–	(41)
Additions	2	–	2
Acquisition of property	94	–	94
Adjustment to fair value	9	–	9
Foreign exchange adjustment	(21)	–	(21)
Balance at 31 December 2017	**568**	**9**	**577**
Balance at 1 January 2018	568	9	577
Transfer from property, plant and equipment	–	3	3
Additions	–	6	6
Acquisition of property	38	–	38
Adjustment to fair value	22	–	22
Foreign exchange adjustment	22	–	22
Balance at 31 December 2018	**650**	**18**	**668**

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.

Consistent with the prior year, only the land site at Sunnyvale, California, is classified as investment properties under construction 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	Knight Frank Pte Ltd
CDLHT – Australia	CBRE Pte Ltd
CDLHT – Maldives	CBRE Pte Ltd
CDLHT – Germany	CBRE Pte Ltd
CDLHT – Italy	HVS Global Hospitality Services

Based on these valuations together with such considerations as the Directors consider appropriate, Millennium Mitsui Garden Hotel Tokyo, Biltmore Court & Tower and Tanglin Shopping Centre recorded a revaluation gain of £5m (2017: revaluation gain £9m), a revaluation deficit of £1m (2017: revaluation deficit £3m) and a revaluation gain of £3m (2017: immaterial revaluation deficit) respectively. In addition, the REIT properties recorded a net revaluation gain of £16m (2017: net 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 £650m (2017: £568m) has been categorised as a Level 3 fair value based on inputs to the valuation technique used.

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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 7% to 11% and capitalisation rate of 7.5% to 9%. **Millennium Mitsui Garden Hotel Tokyo** Discount rate of 3.8% and capitalisation rate of 4.0%. **CDLHT investment properties** Discount rate of between 6% and 10%, capitalisation rate of 5% to 8% and terminal yield of 4% to 8%.	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.

Acquisition of property

On 27 November 2018, the H-REIT Group acquired 95.0% of the shares and voting interest in Event Hospitality Group III B.V., which wholly-owns Event Hospitality Group III Italy SRL, sole shareholder of NKS Hospitality III (collectively, the “Italy Acquisition”) for a total consideration of €33m (£29m). NKS Hospitality III SRL is the legal owner of Hotel Cerretani Florence, MGallery by Sofitel and the fixtures, furniture and equipment therein (collectively, the “Italy Property”). The acquisition was accounted for as an acquisition of assets.

Identifiable assets acquired and liabilities assumed

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

	€M	£M
Investment property	**43**	**38**
Trade and other receivables	**1**	**1**
Cash at bank	**3**	**3**
Current liabilities	**(1)**	**(1)**
Borrowings	**(11)**	**(10)**
Total identifiable net assets	**35**	**31**
Less: Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	**(2)**	**(2)**
Identifiable net assets acquired	**33**	**29**

Consideration transferred

	€M	£M
Total consideration for 95.0% equity interest acquired	**33**	**29**
Add: Acquisition related costs	**2**	**2**
Less: Cash at bank of subsidiaries acquired	**(3)**	**(3)**
Less: Acquisition related costs not yet paid	**(2)**	**(2)**
Net cash outflow on acquisition[1]	**30**	**26**

1 Included in cash flows from investing activities.

Acquisition of property

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

Identifiable assets acquired and liabilities assumed

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

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

Consideration transferred

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

1 Included in cash flows from investing activities.

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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 2018	EFFECTIVE GROUP INTEREST 2017
Joint ventures				
New Unity Holdings Limited ("New Unity")	Hong Kong	–	**50%**	50%
Fergurson Hotel Management Limited	Hong Kong	–	**50%**	50%
Associate				
First Sponsor Group Limited ("First Sponsor")	People's Republic of China	170	**36%**	36%
Prestons Road Limited	New Zealand	–	**17%**	17%
CDL Hotels Japan Pte. Ltd.	Singapore	–	**40%**	40%

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

	JOINT VENTURES £M	ASSOCIATES £M	TOTAL £M
Share of net assets/cost			
Balance at 1 January 2017	113	207	320
Share of profit for the year	5	17	22
Dividends received	–	(2)	(2)
Foreign exchange adjustments	(10)	(6)	(16)
Balance at 31 December 2017	108	216	324
Balance at 1 January 2018	**108**	**216**	**324**
Share of profit for the year	**7**	**22**	**29**
Dividends received	**–**	**(4)**	**(4)**
Foreign exchange adjustments	**6**	**3**	**9**
Balance at 31 December 2018	**121**	**237**	**358**

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

	FIRST SPONSOR		NEW UNITY	
	2018 £M	2017 £M	**2018 £M**	2017 £M
Non-current assets	**749**	508	**361**	340
Current assets	**621**	667	**101**	94
Non-current liabilities	**(476)**	(356)	**(104)**	(124)
Current liabilities	**(224)**	(211)	**(38)**	(29)
Total assets less total liabilities	**670**	608	**320**	281
Less: Non-controlling interest	**(7)**	(4)	**(79)**	(66)
Net assets (100%)	**663**	604	**241**	215
Group's share	**237**	216	**121**	108
Revenue	**154**	216	**134**	128
Operating profit	**76**	63	**28**	25
Interest income/(expense)	**4**	5	**(2)**	(2)
Income tax expense	**(15)**	(16)	**(4)**	(4)
Profit for the year	**65**	52	**22**	19
Non-controlling interests	**(3)**	(3)	**(9)**	(10)
Profit for the year after non-controlling interests	**62**	49	**13**	9
Other comprehensive income	**(13)**	(12)	**–**	–
Profit and total comprehensive income (100%)	**49**	37	**13**	9
Group's share of profit and total comprehensive income	**18**	13	**7**	5
Dividends received by the Group	**4**	2	**–**	–

At 31 December 2018, the Group's share of the total capital commitments of joint ventures and associates amounted to £15m (2017: £18m). At 31 December 2018, the Group's joint ventures and associates had no contingent liabilities (2017: £nil).

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16 OTHER FINANCIAL ASSETS

	2018 £M	2017 £M
Equity investment at FVOCI	**39**	–
Derivative financial assets	**2**	–
Deposits receivable	**2**	–
	43	–

17 INVENTORIES

	2018 £M	2017 £M
Consumables	**5**	4

18 DEVELOPMENT PROPERTIES

	2018 £M	2017 £M
Development properties comprise:		
Development land for resale		
– New Zealand residential sections	**90**	66
Development properties		
– Zenith Residences	**25**	27
	115	93

19 TRADE AND OTHER RECEIVABLES

	2018 £M	2017 £M
Trade receivables	**45**	41
Other receivables	**27**	19
Prepayments and accrued income	**29**	28
Trade receivables due from holding and associate companies	**1**	–
	102	88

Trade receivables are shown net of an impairment allowance of £4m (2017: £3m) 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

	2018 £M	2017 £M
Cash at bank and in hand	**228**	209
Short-term deposits	**225**	205
Cash pool overdrafts	**(78)**	(60)
Cash and cash equivalents on the statement of financial position	**375**	354
Overdrafts included in borrowings	**–**	–
Cash and cash equivalents shown in the cash flow statement	**375**	354

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in Note 22. As at 31 December 2018, £1m (2017: £1m) of the cash balance was restricted

21 INTEREST-BEARING LOANS, BONDS AND BORROWINGS

	2018 £M	2017 £M
Included within non-current liabilities:		
Bank loans	**614**	553
Bonds payable	**175**	238
	789	791
Included within current liabilities:		
Bank loans and overdrafts	**234**	146
Bonds payable	**79**	67
	313	213

Net debt of £727m (2017: £650m) is the total of the interest-bearing loans, bonds and borrowings of £1,102 (2017: £1,004m) less cash and cash equivalents of £375m (2017: £354m). Further details in respect of financial liabilities are given in Note 22.

22 FINANCIAL INSTRUMENTS

Overview

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

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

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

(a) Credit risk

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

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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	
	2018 £M	2017 £M
Cash at bank and in hand (see Note 20)	**228**	209
Short-term deposits (see Note 20)	**225**	205
Cash pool overdrafts (see Note 20)	**(78)**	(60)
Trade receivables (see Note 19)	**45**	41
Other receivables (see Note 19)	**27**	19
Equity investment at FVOCI (see Note 16)	**39**	–
Deposits receivable (see Note 16)	**2**	–
Trade receivables due from holding and associate companies (see Note 19)	**1**	–
	489	414

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

	CARRYING VALUE	
	2018 £M	2017 £M
New York	**7**	7
Regional US	**4**	4
Rest of Europe	**10**	7
Singapore	**7**	7
Rest of Asia	**10**	11
Australasia	**7**	5
	45	41

The ageing of trade receivables at the reporting date was:

	GROSS RECEIVABLE		IMPAIRMENT ALLOWANCE		CARRYING VALUE	
	2018 £M	2017 £M	**2018 £M**	2017 £M	**2018 £M**	2017 £M
Not past due	**28**	27	**–**	–	**28**	27
Past due 0 – 30 days	**11**	10	**–**	–	**11**	10
Past due 31 – 60 days	**3**	3	**–**	–	**3**	3
Past due 61 – 90 days	**1**	1	**–**	–	**1**	1
More than 90 days	**6**	3	**(4)**	(3)	**2**	–
	49	44	**(4)**	(3)	**45**	41

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

	2018 £M	2017 £M
Balance at 1 January	**3**	2
Impairment recognised	**2**	1
Bad debts written off	**(1)**	–
Balance at 31 December	**4**	3

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	TOTAL £M	CONTRACTUAL MATURITIES OF FINANCIAL ASSETS 2018 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	4	4	–	–	–
Korean Won	8	8	–	–	–
Singapore dollar	108	69	–	39	–
New Taiwan dollar	24	22	–	–	2
Australian dollar	38	38	–	–	–
New Zealand dollar	62	62	–	–	–
Malaysian Ringgit	21	21	–	–	–
Euro	2	–	–	2	–
Chinese Renminbi	20	20	–	–	–
Non-Interest Bearing					
Sterling	9	9	–	–	–
US dollar	34	34	–	–	–
Singapore dollar	29	29	–	–	–
Australian dollar	5	5	–	–	–
New Zealand dollar	5	5	–	–	–
Malaysian Ringgit	1	1	–	–	–
Euro	22	22	–	–	–
Japanese Yen	17	17	–	–	–
Others	4	4	–	–	–
Interest Bearing Cash Pool deposits					
Singapore dollar	53	53	–	–	–
Non-Interest Bearing Cash Pool deposits					
Sterling	30	30	–	–	–
Total cash and other financial assets	496	453	–	41	2
Interest Bearing Cash Pool Overdrafts					
Sterling	(24)	(24)	–	–	–
Hong Kong dollar	(19)	(19)	–	–	–
Non-Interest Bearing Cash Pool Overdrafts					
Sterling	(28)	(28)	–	–	–
Euro	(7)	(7)	–	–	–
Total overdrafts (Note 20)	(78)	(78)	–	–	–
	418	375	–	41	2
Represented by:					
Cash and cash equivalents (Note 20)	375				
Financial assets (Note 16)	43				
	418				

	TOTAL £M	CONTRACTUAL MATURITIES OF FINANCIAL ASSETS 2017 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	13	13	–	–	–
Korean Won	6	6	–	–	–
Singapore dollar	90	90	–	–	–
New Taiwan dollar	18	18	–	–	–
Australian dollar	5	5	–	–	–
New Zealand dollar	65	65	–	–	–
Malaysian Ringgit	18	18	–	–	–
Euro	1	1	–	–	–
Chinese Renminbi	17	17	–	–	–
Others	1	1	–	–	–
Non-Interest Bearing					
Sterling	29	29	–	–	–
US dollar	32	32	–	–	–
Singapore dollar	18	18	–	–	–
New Taiwan dollar	1	1	–	–	–
Malaysian Ringgit	1	1	–	–	–
Euro	17	17	–	–	–
Japanese Yen	14	14	–	–	–
Others	13	13	–	–	–
Interest Bearing Cash Pool deposits					
Singapore dollar	53	53	–	–	–
Japanese Yen	2	2	–	–	–
Total cash and other financial assets	414	414	–	–	–
Interest Bearing Cash Pool Overdrafts					
Sterling	(24)	(24)	–	–	–
Hong Kong dollar	(22)	(22)	–	–	–
Non-Interest Bearing Cash Pool Overdrafts					
Sterling	(14)	(14)	–	–	–
Total overdrafts (Note 20)	(60)	(60)	–	–	–
	354	354	–	–	–
Represented by:					
Cash and cash equivalents (Note 20)	354				
	354				

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(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments using the interest rates prevailing as at the reporting date.

31 DECEMBER 2018	CARRYING AMOUNT £M	CONTRACTUAL CASH FLOWS £M	CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES 6 MONTHS OR LESS £M	6–12 MONTHS £M	1–2 YEARS £M	2–5 YEARS £M	MORE THAN 5 YEARS £M
Floating rate financial liabilities							
Secured loans	61	64	28	–	1	35	–
Unsecured loans	451	475	52	75	157	191	–
Secured bonds	20	20	–	–	20	–	–
Unsecured bonds	157	167	3	80	3	81	–
Fixed rate financial liabilities							
Unsecured loans	296	321	4	95	29	193	–
Secured loans	40	44	–	–	1	2	41
Secured bonds	77	78	–	–	78	–	–
Trade and other payables							
Trade payables	32	32	32	–	–	–	–
Other creditors	53	53	53	–	–	–	–
Non-current liabilities							
Other non-current liabilities	15	15	–	–	2	3	10
	1,202	1,269	172	250	291	505	51

31 DECEMBER 2017	CARRYING AMOUNT £M	CONTRACTUAL CASH FLOWS £M	CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES 6 MONTHS OR LESS £M	6-12 MONTHS £M	1-2 YEARS £M	2-5 YEARS £M	MORE THAN 5 YEARS £M
Floating rate financial liabilities							
Secured loans	65	68	3	3	62	–	–
Unsecured loans	423	449	29	84	51	285	–
Secured bonds	39	39	–	–	–	39	–
Unsecured bonds	149	159	2	2	77	78	–
Fixed rate financial liabilities							
Unsecured loans	210	221	39	2	91	89	–
Unsecured bonds	67	68	1	67	–	–	–
Secured bonds	51	51	–	–	–	51	–
Trade and other payables							
Trade payables	27	27	27	–	–	–	–
Other creditors	61	61	61	–	–	–	–
Non-current liabilities							
Other non-current liabilities	13	13	–	–	–	2	11
	1,105	1,156	162	158	281	544	11

Undrawn committed borrowing facilities

At 31 December 2018, the Group had £539m (2017: £556m) 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.

	2018 £M	2017 £M
Expiring in one year or less	**223**	295
Expiring after more than one year but not more than two years	**165**	69
Expiring after more than two years but not more than five years	**151**	192
Expiring after more than five years	**–**	–
Total undrawn committed borrowing facilities	**539**	556
Total undrawn uncommitted borrowing facilities	**173**	43
Total undrawn borrowing facilities	**712**	599

Security

Included within the Group’s total bank loans and overdrafts of £849m (2017: £703m) are £100m (2017: £65m) of secured loans and overdrafts. Total bonds and notes payable of £254m (2017: £216m) consist of £157m unsecured

Loans, bonds and notes are secured on land and buildings with a carrying value of £477m (2017: £458m) and an assignment of insurance proceeds in respect of insurances over the mortgaged properties.

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Of the Group's total facilities of £1,815m, £705m matures within 12 months comprising £79m unsecured bonds and notes, £97m committed revolving credit facilities, £194m uncommitted facilities and overdrafts subject to annual renewal, £308m unsecured term loans and £27m 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$161m (2017: US$163m) US dollar loans and €7m (2017: €7m) Euro loans designated as hedges of corresponding respective proportions of its net investment in foreign operations whose functional currencies are US dollars and Euros. The risk being hedged is the foreign currency exposure on the carrying amount of the net assets of the foreign operation upon consolidation. The fair value of the hedging instruments as at 31 December 2018 was £133m (2017: £128m).

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

	31 DECEMBER 2018		31 DECEMBER 2017	
	BOOK VALUE £M	**FAIR VALUE £M**	BOOK VALUE £M	FAIR VALUE £M
Sterling	**146**	**146**	120	120
Singapore dollar	**223**	**223**	211	211
US dollar	**468**	**468**	432	432
New Zealand dollar	**34**	**34**	35	35
Chinese renminbi	**27**	**27**	30	30
Japanese yen	**120**	**120**	111	111
New Taiwan dollar	**–**	**–**	4	4
Korean Won	**14**	**14**	24	24
Euro	**70**	**70**	37	37
	1,102	**1,102**	1,004	1,004

Exchange differences arising on foreign currency loans during each accounting period are recognised as a component of equity, to the extent that the hedge is effective. The foreign exchange exposure arising on the Group's net investment in its subsidiaries is expected to be highly effective in offsetting the exposure arising on the Group's foreign currency borrowings. However during the year a £2m credit (2017: immaterial amount) was recognised in the consolidated income statement that arose from hedges of net investments in foreign operations that were considered to be ineffective.

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

Hedging of transaction exposure is undertaken with approved counterparties and within designated limits, using spot or short-term forward contracts to buy or sell the currency concerned, once the timing and the underlying amount of exposure have been determined. Foreign exchange derivatives may also be used to hedge specific transaction exposure where appropriate.

The following significant exchange rates applied during the year:

	AVERAGE RATE		CLOSING RATE	
	2018	2017	**2018**	2017
US dollar	**1.334**	1.290	**1.270**	1.339
Singapore dollar	**1.799**	1.782	**1.741**	1.796
New Taiwan dollar	**40.237**	39.338	**39.152**	40.083
New Zealand dollar	**1.927**	1.814	**1.885**	1.896
Malaysian ringgit	**5.390**	5.544	**5.306**	5.473
Korean won	**1,465.85**	1,455.88	**1,428.30**	1,438.03
Chinese renminbi	**8.825**	8.722	**8.736**	8.779
Euro	**1.129**	1.143	**1.115**	1.127
Japanese yen	**147.426**	144.878	**140.298**	151.569

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 2018 (31 December 2017: 10%) would have increased/(decreased) equity and profit before tax by the amounts shown below:

	31 DECEMBER 2018		31 DECEMBER 2017	
	EQUITY £M	PROFIT BEFORE TAX £M	EQUITY £M	PROFIT BEFORE TAX £M
US dollar	**28**	**7**	33	4
Australian dollar	**(8)**	**(1)**	(8)	(1)
Singapore dollar	**6**	**(4)**	5	(4)
New Taiwan dollar	**–**	**(1)**	–	(1)
New Zealand dollar	**–**	**(5)**	(1)	(4)
Euro	**4**	**(2)**	3	–
Chinese renminbi	**(4)**	**(1)**	(4)	(2)
Hong Kong dollar	**–**	**–**	–	(1)
Japanese Yen	**2**	**(2)**	2	(2)
Thai Baht	**–**	**–**	–	(1)
	28	**(9)**	30	(12)

A 10% weakening of sterling against the above currencies at 31 December 2018 (31 December 2017: 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 2018 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 2018		31 DECEMBER 2017	
	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**	(10)	10
Cash flow sensitivity (net)	**(9)**	**9**	(8)	8

(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.

	2018 BOOK VALUE £M	2018 FAIR VALUE £M	2017 BOOK VALUE £M	2017 FAIR VALUE £M
Financial assets				
Cash and cash equivalents				
Cash at bank and in hand	**228**	**228**	209	209
Short-term deposits	**225**	**225**	205	205
Cash pool overdrafts	**(78)**	**(78)**	(60)	(60)
Loans and receivables				
Trade receivables	**45**	**45**	41	41
Trade receivables due from holding and associate companies	**1**	**1**	–	–
Other receivables	**27**	**27**	19	19
Other financial assets				
Equity investment at FVOCI	**39**	**39**	–	–
Deposits receivable	**2**	**2**	–	–
	489	**489**	414	414
Financial liabilities				
Overdrafts and borrowings	**(1,102)**	**(1,102)**	(1,004)	(1,004)
Trade payables	**(32)**	**(32)**	(27)	(27)
Other creditors	**(53)**	**(53)**	(61)	(61)
Other non-current liabilities	**(15)**	**(15)**	(13)	(13)
	(1,202)	**(1,202)**	(1,105)	(1,105)

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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 2018, 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

The table below provides a hierarchy analysis of financial instruments carried at fair value:

	2018				2017			
	LEVEL 1 £M	LEVEL 2 £M	LEVEL 3 £M	TOTAL £M	LEVEL 1 £M	LEVEL 2 £M	LEVEL 3 £M	TOTAL £M
Equity investment at FVOCI	**–**	**39**	**–**	**39**	–	–	–	–
Currency derivative assets	**–**	**2**	**–**	**2**	–	–	–	–
Assets	**–**	**41**	**–**	**41**	–	–	–	–
Interest rate derivative liabilities	**–**	**1**	**–**	**1**	–	1	–	1
Liabilities	**–**	**1**	**–**	**1**	–	1	–	1

During the year ended 31 December 2018 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measures.

Capital management

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

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

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

H-REIT is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the Code on Collective Investment Schemes ("CIS Code") issued by Monetary Authority of Singapore. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 45.0% of its Deposited Property (up to a maximum of 60.0%) if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 45.0% of its Deposited Property.

For this financial year, H-REIT has a credit rating of BBB- from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2018 was 34.2% (2017: 32.6%) 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 2018 and 2017.

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

23 EMPLOYEE BENEFITS

Pension arrangements

The Group operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. The most significant funds are described below.

United Kingdom

The pension arrangements in the United Kingdom operate under the 'Millennium & Copthorne Pension Plan', which was set up in 1993. The plan operates a funded defined benefit arrangement together with a defined contribution plan, both with different categories of membership. The defined benefit section of the plan was closed to new entrants in 2001 and at the same time rights to a Guaranteed Minimum Pension ("GMPs") under the defined contribution scheme also ceased. The plan entitles a retired employee to receive an annual pension payment.

The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2017 and this has been updated on an approximate basis to 31 December 2018. The contributions of the Group during the year were 11% (2017: 24%) of pensionable salary.

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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 2018. 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 2018. The contributions of the Group were no less than 6% (2017: 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:

	2018 UK	2018 SOUTH KOREA	2018 TAIWAN	2017 UK	2017 SOUTH KOREA	2017 TAIWAN
Inflation rate	**3.5%**	**2.0%**	**–**	3.5%	3.0%	–
Discount rate	**2.9%**	**2.5%**	**1.0%**	2.5%	3.0%	1.0%
Rate of salary increase	**4.0%**	**3.0%**	**3.0%**	4.0%	3.0%	3.0%
Rate of pension increases	**3.3%**	**–**	**–**	3.5%	–	–
Rate of revaluation	**2.5%**	**–**	**–**	2.5%	–	–

The methodology for computing the discount rate has changed during 2018 from the spot method to the yield range method.

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			
	2018 INCREASE £M	**2018 DECREASE £M**	2017 INCREASE £M	2017 DECREASE £M
Discount rate (1% movement)	**(12)**	**14**	(14)	14
Rate of salary increase (1% movement)	**1**	**(1)**	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:

	2018 UK £M	**2018 SOUTH KOREA £M**	**2018 TAIWAN £M**	**2018 OTHER £M**	**2018 TOTAL £M**	2017 UK £M	2017 SOUTH KOREA £M	2017 TAIWAN £M	2017 OTHER £M	2017 TOTAL £M
Present value of funded obligations	**66**	**4**	**10**	**2**	**82**	74	5	11	2	92
Fair value of plan assets	**(58)**	**(4)**	**(6)**	**–**	**(68)**	(63)	(5)	(5)	–	(73)
Plan deficit	**8**	**–**	**4**	**2**	**14**	11	–	6	2	19

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

	2018 UK £M	**2018 SOUTH KOREA £M**	**2018 TAIWAN £M**	**2018 OTHER £M**	**2018 TOTAL £M**	2017 UK £M	2017 SOUTH KOREA £M	2017 TAIWAN £M	2017 OTHER £M	2017 TOTAL £M
Balance at 1 January	**74**	**5**	**11**	**2**	**92**	75	5	11	2	93
Past service cost	**1**	**–**	**–**	**–**	**1**	–	–	–	–	–
Interest cost	**2**	**–**	**–**	**–**	**2**	2	–	–	–	2
Benefits paid, death in service insurance premiums and expenses	**(2)**	**(1)**	**(1)**	**–**	**(4)**	(2)	(1)	(1)	–	(4)
Remeasurement losses/ (gains) arising from:										
– Financial assumptions	**(9)**	**–**	**–**	**–**	**(9)**	1	–	–	–	–
– Demographic assumptions	**–**	**–**	**–**	**–**	**–**	–	–	–	–	1
– Experience adjustment	**–**	**–**	**–**	**–**	**–**	(2)	–	–	–	(2)
Foreign exchange adjustments	**–**	**–**	**–**	**–**	**–**	–	1	1	–	2
Balance at 31 December	**66**	**4**	**10**	**2**	**82**	74	5	11	2	92

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

	2018 UK £M	2018 SOUTH KOREA £M	2018 TAIWAN £M	2018 TOTAL £M	2017 UK £M	2017 SOUTH KOREA £M	2017 TAIWAN £M	2017 TOTAL £M
Balance at 1 January	**63**	**5**	**5**	**73**	60	5	5	70
Interest income	**2**	**–**	**–**	**2**	2	–	–	2
Group contributions	**–**	**–**	**2**	**2**	–	1	1	2
Benefits paid	**(2)**	**(1)**	**(1)**	**(4)**	(2)	(1)	(1)	(4)
Remeasurement gains arising from:								
– Return/(loss) on plan assets excluding interest income	**(5)**	**–**	**–**	**(5)**	3	–	–	3
Balance at 31 December	**58**	**4**	**6**	**68**	63	5	5	73
Actual return/(loss) on plan assets	**(3)**	**–**	**–**	**(3)**	5	–	–	5

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

	2018 UK £M	2018 SOUTH KOREA £M	2018 TAIWAN £M	2018 TOTAL £M	2017 UK £M	2017 SOUTH KOREA £M	2017 TAIWAN £M	2017 TOTAL £M
Quoted equities	**19**	**–**	**–**	**19**	22	–	–	22
Bonds	**4**	**4**	**–**	**8**	4	5	–	9
Property	**1**	**–**	**–**	**1**	–	–	–	–
Cash and cash equivalents	**34**	**–**	**6**	**40**	37	–	5	42
	58	**4**	**6**	**68**	63	5	5	73

The Group values plan assets in accordance with IAS 19 as follows:

- Quoted equities listed on recognised stock exchanges are valued at closing bid prices;
- Bonds are measured using pricing models making assumptions for credit risk, market risk and market yield curves; and
- Properties are valued on the basis of the open market value.

The expense recognised in the income statement is as follows:

	2018 UK £M	2018 SOUTH KOREA £M	2018 TAIWAN £M	2018 OTHER £M	2018 TOTAL £M	2017 UK £M	2017 SOUTH KOREA £M	2017 TAIWAN £M	2017 OTHER £M	2017 TOTAL £M
Current service cost	**–**	**–**	**–**	**–**	**–**	–	1	–	–	1
Past service cost *	**1**	**–**	**–**	**–**	**1**	–	–	–	–	–
Interest cost	**2**	**–**	**–**	**–**	**2**	2	–	–	–	2
Interest income	**(2)**	**–**	**–**	**–**	**(2)**	(2)	–	–	–	(2)
	1	**–**	**–**	**–**	**1**	–	1	–	–	1

* The English High Court ruling in Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with GMPs accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The estimated GMP equalisation impact for the UK scheme is an increase of 1.83% of the total value of scheme liabilities on the IAS19 basis as at 31 December 2018, or £1m.

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

	2018 £M	2017 £M
Administrative expenses	**1**	1

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

	2018 UK £M	2018 SOUTH KOREA £M	2018 TAIWAN £M	2018 OTHER £M	2018 TOTAL £M	2017 UK £M	2017 SOUTH KOREA £M	2017 TAIWAN £M	2017 OTHER £M	2017 TOTAL £M
Actual return less expected return on plan assets	**(5)**	**–**	**–**	**–**	**(5)**	3	–	–	–	3
Remeasurement (losses)/ gains arising from										
– Financial assumptions	**9**	**–**	**–**	**–**	**9**	(1)	–	–	–	(1)
– Experience adjustment	**–**	**–**	**–**	**–**	**–**	2	–	–	–	2
Defined benefit plan remeasurement gains/(losses)	**4**	**–**	**–**	**–**	**4**	4	–	–	–	4

Actuarial losses recognised directly in equity are as follows:

	2018 £M	2017 £M
Cumulative as at 1 January	**23**	27
Remeasurement gains recognised during the year	**(4)**	(4)
Cumulative as at 31 December	**19**	23

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

	2018 YEARS	2017 YEARS
Males	**22**	24
Females	**24**	26

The weighted-average duration of the defined benefit obligations as at 31 December 2018 was 18 years (2017: 25). The Group expects £2m in contributions to be paid to the defined benefit plans in 2019.

The Group monitors the deficit of the fund and believes any risk associated with the deficit is mitigated by the Group's strong balance sheet position.

Share-based payments

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

In accordance with the Group's accounting policy 2.2N(iv) on share-based payment transactions, the fair value of share options and long-term incentive awards is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the share options and long-term incentive awards.

The charge to the income statement for the year was £nil (2017: £nil).

The Group has applied IFRS 2 to its active employee share-based payment arrangements from 1 January 2005 except for arrangements granted before 7 November 2002.

(i) Millennium & Copthorne Hotels plc 2006 Long-Term Incentive Plan ("LTIP")

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

DATE OF AWARDS	AWARDS OUTSTANDING AS AT 1 JAN 2018	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 2018	CREDITED TO SHARE CAPITAL £M	CREDITED TO SHARE PREMIUM £M	VESTING DATE
03.08.2015	219,362	–	–	(182,601)	–	**36,761**	–	–	03.08.2018
10.09.2015	11,867	–	–	(11,867)	–	**–**	–	–	10.09.2018
29.03.2016	185,643	–	–	(148,515)	–	**37,128**	–	–	29.03.2019
27.06.2018	–	178,299	–	(178,299)	–	**–**	–	–	27.06.2021
	416,872	178,299	–	(521,282)	–	**73,889**	–	–	

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

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

DATE OF AWARDS	EXERCISE PRICE PER SHARE £	AWARDS OUTSTANDING AS AT 1 JAN 2018	AWARDS AWARDED DURING THE YEAR	AWARDS VESTED DURING THE YEAR	AWARDS FORFEITED DURING THE YEAR	**AWARDS OUTSTANDING AS AT 31 DEC 2018**	CREDITED TO SHARE CAPITAL £M	CREDITED TO SHARE PREMIUM £M	EXERCISE PERIOD
19.04.2013	4.480	2,677	–	(669)	–	**2,008**	–	–	01.08.2018–31.01.2019
06.05.2014	4.460	15,731	–	(5,325)	(10,406)	**–**	–	–	01.08.2017–31.01.2018
06.05.2014	4.460	941	–	–	–	**941**	–	–	01.08.2019–31.01.2020
14.04.2015	4.690	29,721	–	(24,737)	(3,528)	**1,456**	–	–	01.08.2018–31.01.2019
14.04.2015	4.690	5,371	–	–	(639)	**4,732**	–	–	01.08.2020–31.01.2021
12.04.2016	3.300	106,717	–	–	(5,343)	**101,374**	–	–	01.08.2019–31.01.2020
12.04.2016	3.300	909	–	–	–	**909**	–	–	01.08.2021–31.01.2022
11.04.2017	3.660	43,798	–	–	(6,094)	**37,704**	–	–	01.08.2020–31.01.2021
11.04.2017	3.660	2,867	–	–	(409)	**2,458**	–	–	01.08.2022–31.01.2023
05.06.2018	4.360	–	57,582	–	(1,402)	**56,180**	–	–	01.08.2021–31.01.2022
05.06.2018	4.360	–	1,582	–	–	**1,582**	–	–	01.08.2023–31.01.2024
		208,732	59,164	(30,731)	(27,821)	**209,344**	–	–	

The weighted average share price at the dates of exercise of share options in the year was £4.60 (2017: £5.59).

The options outstanding at the year-end have an exercise price in the range of £3.30 to £4.69 (2017: £3.30 to £4.69) and a weighted average contractual life of 1.88 years (2017: 2.07 years).

(iii) Annual Bonus Plan ("ABP")

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

- 2015 awards, at the end of three years; and
- 2016, 2017 and 2018 awards, 25% after years one and two and 50% after three years.

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The fair values for the deferred share awards were determined using the market price of the shares at the date of grant. The share price for deferred share awards granted in 2018 was £4.68 (2017: £4.62).

DATE OF AWARDS	AWARDS OUTSTANDING AS AT 1 JAN 2018	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 2018**	CREDITED TO SHARE CAPITAL £M	CREDITED TO SHARE PREMIUM £M	VESTING DATES
08.09.2015	46,074	–	(33,905)	(10,639)	–	**1,530**	–	–	08.09.2018
06.11.2015	4,325	–	(4,325)	–	–	**–**	–	–	06.11.2018
13.05.2016	35,904	–	(8,855)	(10,040)	–	**17,009**	–	–	13.05.2017/8/9
12.08.2016	1,782	–	(594)	–	–	**1,188**	–	–	12.08.2017/8/9
09.11.2016	732	–	(244)	–	–	**488**	–	–	09.11.2017/8/9
14.06.2017	46,978	–	(9,493)	(10,363)	–	**27,122**	–	–	14.06.2018/9/20
14.12.2018	–	57,358	–	–	–	**57,358**	–	–	14.12.2019/20/21
	135,795	57,358	(57,416)	(31,042)	–	**104,695**	–	–	

(iv) Executive Share Plan ("ESP")

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

The fair values for the awards were determined using the market price of the shares at the date of grant. The share price for awards granted in 2018 was £4.66 (2017: £4.65).

DATE OF AWARDS	AWARDS OUTSTANDING AS AT 1 JAN 2018	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 2018**	CREDITED TO SHARE CAPITAL £M	CREDITED TO SHARE PREMIUM £M	VESTING DATES
29.03.2016	24,464	–	(8,154)	–	–	**16,310**	–	–	29.03.2017/8/9
15.08.2017	56,838	–	(14,211)	–	–	**42,627**	–	–	15.08.2018/9/20
04.12.2018	–	65,649	–	–	–	**65,649**	–	–	04.12.2019/20/21
	81,302	65,649	(22,365)	–	–	**124,586**	–	–	

Awards/options granted

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

2018 AWARDS	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
Executive Share Plan	04.12.2018	–	16,412	4.66	–	4.60	1.00	–	1.39%	–
Executive Share Plan	04.12.2018	–	16,412	4.66	–	4.53	2.00	–	1.39%	–
Executive Share Plan	04.12.2018	–	32,825	4.66	–	4.47	3.00	–	1.39%	–
Sharesave Scheme (3 year)	05.06.2018	–	57,582	5.32	4.36	1.35	3.16	26.0%	1.22%	0.75%
Sharesave Scheme (5 year)	05.06.2018	–	1,582	5.32	4.36	1.54	5.16	26.0%	1.22%	0.97%
Deferred Share Awards	14.12.2018	–	14,340	4.68	–	4.61	1.00	–	1.39%	–
Deferred Share Awards	14.12.2018	–	14,340	4.68	–	4,55	2.00	–	1.39%	–
Deferred Share Awards	14.12.2018	–	28,678	4.68	–	4.48	3.00	–	1.39%	–

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

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

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24 PROVISIONS

	LEGAL £M	BEIJING INDEMNITY £M	TOTAL £M
Balance at 1 January 2018	2	9	11
Recognised during the year	–	–	–
Foreign exchange adjustments	–	–	–
Balance at 31 December 2018	**2**	**9**	**11**
Analysed as:			
Non-current provision	–	9	9
Current provision	2	–	2
Total provision	**2**	**9**	**11**

Provision for legal fees as at 31 December 2018 of £2m (2017: £2m) relates to disputes in several hotels. The Beijing indemnity of £9m (2017: £9m) relate to the tax indemnity to the former shareholders of Grand Millennium Hotel Beijing in which the Group acquired an additional 40% interest in 2010.

25 OTHER NON-CURRENT LIABILITIES

	2018 £M	2017 £M
Other liabilities	**15**	13

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 2018 £M	CHANGE IN TAX RATE £M	OTHER ADJUSTMENT TO OPENING PROVISION £M	CURRENT YEAR MOVEMENT £M	ACQUISITION OF SUBSIDIARY £M	CHARGED TO RESERVES £M	EXCHANGE ON TRANSLATION £M	**AT 31 DECEMBER 2018 £M**
Deferred tax liabilities								
Property assets[1]	239	–	–	(14)	–	–	9	**234**
	239	–	–	(14)	–	–	9	**234**
Deferred tax assets								
Tax losses	(48)	–	2	(9)	–	–	(3)	**(58)**
Employee benefits[2]	(4)	–	4	–	–	1	(1)	**–**
Others	1	–	(4)	(1)	–	–	–	**(4)**
	(51)	–	2	(10)	–	1	(4)	**(62)**
Net deferred tax liabilities	188	–	2	(24)	–	1	5	**172**

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.

	2018 £M	2017 £M
Deductible temporary differences	**–**	1
Tax losses	**3**	2
Adjustments due to:		
– Tax losses in respect of prior year	**18**	15
	21	18

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:

	2018 £M	2017 £M
Expiry dates:		
– within 1 to 5 years	**25**	14
– after 5 years	**8**	6
– no expiry date	**81**	76
	114	96

At 31 December 2018, a deferred tax liability of £8m (2017: £13m) relating to undistributed reserves of overseas subsidiaries and joint ventures of £1,000m (2017: £1,000m) 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

	2018 £M	2017 £M
Trade payables	**32**	27
Other creditors including taxation and social security:		
– Social security and other taxes	**13**	12
– Value added tax and similar sales taxes	**12**	13
– Other creditors	**26**	31
Accruals	**111**	100
Deferred income	**24**	20
Rental and other deposits	**2**	5
	220	208

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

28 DIVIDENDS

	2018 PENCE	2017 PENCE	2018 £M	2017 £M
Final ordinary dividend paid	**4.42**	5.66	**14**	18
Interim ordinary dividend paid	**2.08**	2.08	**7**	7
Total dividends paid	**6.50**	7.74	**21**	25

Subsequent to 31 December 2018, the Directors declared the following final dividends, which have not been provided for:

	2018 PENCE	2017 PENCE	2018 £M	2017 £M
Final ordinary dividend	**2.15**	4.42	**7**	14

All dividends paid during 2018 and 2017 were in cash.

29 SHARE CAPITAL

	NUMBER OF 30P SHARES ALLOTTED, CALLED UP AND FULLY PAID
Balance at 1 January 2018	324,760,755
Issue of ordinary shares on exercise of share options	30,731
Balance at 31 December 2018	**324,791,486**

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 209,344 ordinary shares remain outstanding under the Sharesave Scheme and are exercisable between now and 31 January 2024 at exercise prices between £3.30 and £4.69. Awards made under the LTIP of 73,889 ordinary shares and ESP of 124,586 ordinary shares remain unvested and may potentially vest between now and 29 March 2019 for awards under the LTIP and between now and 4 December 2021 for awards under the ESP. Lastly, 104,695 options under the ABP may potentially vest between now and 14 December 2021.

During the year Millennium & Copthorne Hotels plc issued invitations to UK employees under the Sharesave Scheme to enter into a three-year savings contract or a five-year savings contract with an option to purchase shares at an option price of £4.36 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 2,483 shares at 31 December 2018 (2017: 3,437) to satisfy the vesting of awards. During the year 21,411 shares (2017: 23,221) were purchased by the trust at a weighted average cost of £5.27 per share. At 31 December 2018, the cost of shares held by the trust was £12,837 (2017: £16,575), whilst the market value of these shares at 31 December 2018 was £11,608 (2017: £20,106). Shares purchased by the trust are treated as treasury shares which are deducted from equity and excluded from the calculations of earnings per share.

Fair value reserve

The fair value reserve includes the cumulative change in the fair value of equity investments at FVOCI.

31 FINANCIAL COMMITMENTS

	2018 £M	2017 £M
(a) Capital commitments at the end of the financial year which are contracted but not provided for	**94**	70

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:

	2018 £M	2017 £M
– less than one year	**15**	12
– between one and five years	**45**	38
– more than five years	**198**	167
	258	217

(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:

	2018 £M	2017 £M
– less than one year	**38**	35
– between one and five years	**98**	105
– more than five years	**122**	93
	258	233

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 2018, £51m (2017: £50m) was recognised as rental income in the income statement and £3m (2017: £2m) in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment properties.

32 CONTINGENCIES AND SUBSEQUENT EVENTS

In the course of its operations the Group is routinely exposed to potential liabilities for claims made by employees and contractual or tortious claims made by third parties. No material losses are anticipated from such exposures. There were no contingent liabilities or guarantees other than those arising in the ordinary course of business and on these no material losses are anticipated. The Group has insurance cover up to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of its operations. Otherwise the Group generally carries its own risk. The Group believes that the accruals and provisions carried on the balance sheet are sufficient to cover these risks.

Other than the above transactions, there are no events subsequent to the balance sheet date which require adjustments to or disclosure within these consolidated financial statements except for those stated below:

- On 14 February 2019, the Group provided an irrevocable undertaking to take up its full entitlement of FSGL's proposed rights issue of new PCCS for a total cost of S$53m (£30m). As part of the capital funding proposal, 1 new free warrant will be issued for every 1 new PCCS subscribed for; in addition, 1 new bonus warrant will be issued for every 10 existing ordinary shares held in FSGL. Also, as part of the proposal additional funds would be required within the next five years should the Group choose to exercise its rights in respect of the new warrants and this will amount to S$90m (£52m) if all warrants are exercised; and
- On 24 January 2019, FSGL acquired a bare shell 65-room hotel located in Milan, Italy for a total consideration of approximately €11m (£10m).

33 RELATED PARTIES

Identity of related parties

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. All transactions with related parties were entered into in the normal course of business and at arm's length.

The Group has a related party relationship with its joint ventures, associates and with its Directors and executive officers.

Transactions with ultimate holding company and other related companies

The Group has a related party relationship with certain subsidiaries of Hong Leong Investment Holdings Pte. Ltd ("Hong Leong") which is the ultimate holding and controlling company of Millennium & Copthorne Hotels plc and holds 65.2% (2017: 65.2%) of the Company's shares via CDL, the intermediate holding company of the Group. During the year ended 31 December 2018, 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 2018, £2m (2017: £4m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL and its other subsidiaries were £3m (2017: £3m) which included rentals paid for the Grand Shanghai restaurant and King's Centre; property management fees for Tanglin Shopping Centre; charges for car parking, leasing commission and professional services.

Transactions with key management personnel

The beneficial interest of the Directors and their connected persons in the ordinary shares of the Company was 0.16% (2017: 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:

	2018 £M	2017 £M
Short-term employee benefits	**7**	6
Directors	**1**	1
Executives	**6**	5
	7	6

34 RELATED UNDERTAKINGS

The full list of the Company's related undertakings as at 31 December 2018 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	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding Company
Aircoa GP Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Aircoa, LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding Company
All Seasons Hotels & Resorts Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Dormant
Anchorage-Lakefront Limited Partnership	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
Archyield Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
ATOS Holding GmbH	100%	Direct subsidiary	Austria	Schulhof 6/1st fl , 1010 Vienna, Austria	Investment holding
Aurora Inn Operating Partnership L.P.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Avon Wynfield Inn, Ltd.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Avon Wynfield LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	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 Corp.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Liquor licence holder
Birkenhead Holdings Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
Birkenhead Investments Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Property Investment & Management
Bostonian Hotel Limited Partnership	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
Buffalo Operating Partnership L.P.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Buffalo RHM Operating LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
CDL (New York) LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
CDL (NYL) Limited	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Investment holding
CDL Entertainment & Leisure Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	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]

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
CDL Hotels (Chelsea) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
CDL Hotels (Korea) Ltd.	100%	Indirect subsidiary	Republic of Korea	Jung-gu Sowolro 50, Seoul, South Korea 04637	Hotel owner and operator
CDL Hotels (Labuan) Limited	100%	Indirect subsidiary	Malaysia	Tiara Labuan, Jalan Tanjung Batu, 87000 F.T. Labuan, Malaysia	Hotel owner and operator
CDL Hotels (Malaysia) Sdn. Bhd.	100%	Indirect subsidiary	Malaysia	Level 8, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan	Hotel owner and operator
CDL Hotels (U.K.) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
CDL Hotels Holdings Japan Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment holding
CDL Hotels Holdings New Zealand Limited	100%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Investment holding
CDL Hotels Japan Pte. Ltd.	40%	Associated undertakings	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
CDL Hotels USA, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	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	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
Chicago Hotel Holdings, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Cincinnati S.I. Co.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
City Century Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Restaurateur
City Elite Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Restaurateur
City Hotels Pte Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotel operator
Context Securities Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Investment holding
Copthorne (Nominees) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Copthorne Aberdeen Limited	83%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel management
Copthorne Hotel (Birmingham) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Cardiff) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator
Copthorne Hotel (Effingham Park) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Hotel owner and operator

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FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
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	9 Raffles Place #12-01 Republic Plaza Singapore 048619	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	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Elite Hotel Management Services Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotel management consultancy services
Fergurson 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	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Arizona condominium management
Gateway Holdings Corporation I	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Gateway Hotel Holdings, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Gateway Regal Holdings LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner and operator

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
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	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotel operator
Harrow Entertainment Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Hong Leong Ginza TMK	70%	Indirect subsidiary	Japan	4-1 Nihonbashi 1-chome, Chuo-ku, Tokyo, Japan	Property owner
Hong Leong Hotel Development Limited	86%	Indirect subsidiary	Taiwan	2 Song Shou Road, Xinyi District, Taipei 11051, Taiwan	Hotel owner and operator
Hong Leong Hotels Pte Ltd.	100%	Indirect subsidiary	Cayman Islands	PO Box 309 Ugland House, Grand Cayman, KY1-1104 Cayman Islands	Investment holding company
Hong Leong International Hotel (Singapore) Pte. Ltd.	97%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Hospitality Group Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company and property owner
Hospitality Holdings Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding company
Hospitality Leases Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Lessee company
Hospitality Services Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel operation/ management
Hospitality Ventures Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Hotel Liverpool Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Property letting
Hotel Liverpool Management Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Operating company
Hotelcorp New Zealand Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
International Design Link Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Dormant and in the process of striking off
KIN Holdings Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company
King's Tanglin Shopping Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Property owner

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FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
Kingsgate Holdings Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Holding company
Kingsgate Hotel Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Dormant
Kingsgate Hotels and Resorts Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Franchise holder (Kingsgate)
Kingsgate Hotels Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Dormant
Kingsgate International Corporation Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Investment holding
Kingsgate Investments Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Investment company
Lakeside Operating Partnership L.P.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	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	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	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	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Provision of property fund management services
M&C Colorado Hotel Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
M&C Crescent Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Investment holding
M&C Crescent Interests, LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	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

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
M&C Holdings Delaware Partnership	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Property investment
M&C Holdings, LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	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	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel management services company
M&C Hotel Investments Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	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	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
M&C Hotels Holdings Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
M&C Hotels Holdings USA Limited	100%	Direct subsidiary	Cayman Islands	PO Box 309 Ugland House, Grand Cayman, KY1-1104 Cayman Islands	Investment holding
M&C Hotels Japan Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	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	9 Raffles Place #12-01 Republic Plaza Singapore 048619	REIT investment management services
M&C New York (Times Square), LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	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	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	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
M&C Sponsorship Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Other service activities
McCormick Ranch Operating Partnership L.P.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership

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FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
MHM, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel management
Millennium Bostonian, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Millennium & Copthorne (Austrian Holdings) Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Millennium & Copthorne (Jersey Holdings) Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Holding company
Millennium & Copthorne Hotel Holdings (Hong Kong) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Investment and development of hotels and hotel management
Millennium & Copthorne Hotels (Hong Kong) Limited	100%	Indirect subsidiary	Hong Kong	2803 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Provision of hotel management and consultancy services
Millennium & Copthorne Hotels Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Name-holding
Millennium & Copthorne Hotels Management (Shanghai) Limited	100%	Indirect subsidiary	People's Republic of China	#1205, No. 511 Wei Hoi Road, Shanghai 200041, P.R. China	Hotel management
Millennium & Copthorne Hotels New Zealand Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel investment holding company
Millennium & Copthorne Hotels Pty. Ltd.	76%	Indirect subsidiary	Australia	Suite 7B, Zenith Residences, 82-94 Darlinghurst Road, Potts Point, Sydney 2011, Australia	Name holding
Millennium & Copthorne International Limited	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotels and resorts management
Millennium & Copthorne Pension Trustee Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Pension trust acting on behalf of company trustees
Millennium & Copthorne Share Trustees Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Share trustee company
Millennium CDG Paris SAS	100%	Indirect subsidiary	France	2 Allée du Verger, 95700 Roissy, France	Hotel operator
Millennium Hotel Holdings EMEA Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Millennium Hotels & Resorts Services Limited	100%	Indirect subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Management contract holding company
Millennium Hotels Europe Holdings Limited	100%	Direct subsidiary	United Kingdom	Victoria House, Victoria Road, Horley, Surrey RH6 7AF	Investment holding
Millennium Hotels Italy Holdings S.r.l.	100%	Indirect subsidiary	Italy	Via Vittorio 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 Vittorio Veneto, n. 70, Roma 00187, Italy	Hotel operator
Millennium Hotels Property S.r.l.	100%	Indirect subsidiary	Italy	Via Vittorio 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

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
Millennium Opera Paris SAS	100%	Indirect subsidiary	France	12 Boulevard Haussmann, 75009 Paris, France	Hotel operator
New Unity Holdings Ltd	50%	Associated undertakings	BVI	PO Box 146 Road Town, Tortola, British Virgin Islands	Investment holding
New York Sign LLC	50%	Associated undertakings	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	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	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Park Plaza Hotel Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Prestons Road Limited	17%	Indirect Associate	New Zealand	167 Main North Road, Christchurch 8140, New Zealand	Service provider
PT Millennium Hotels & Resorts	100%	Indirect subsidiary	Indonesia	Jalan Fachrudin 3, Jakarta 10250, Indonesia	Management services
PT. Millennium Sirih Jakarta Hotel	100%	Indirect subsidiary	Indonesia	Jalan Fachrudin 3, Jakarta 10250, Indonesia	Hotel owner
QINZ (Anzac Avenue) Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Hotel owner
QINZ Holdings (New Zealand) Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company
Quantum Limited	76%	Indirect subsidiary	New Zealand	Level 13, 280 Queen Street, Auckland 1010, New Zealand	Holding company
Regal Grand Holdings Corporation I	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Regal Harvest House LP	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Regal Hotel Management Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Republic Hotels & Resorts Limited	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotel operator and investment holding company
Republic Hotels Suzhou Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Dormant and in the process of striking off
Republic Iconic Hotel Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Hotel operator
RHH Operating LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner
RHI Boston Holdings Corporation I	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
RHI Boston Holdings Corporation II	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
RHM Aurora LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
RHM Holdings Corporation I	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
RHM Management LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
RHM Ranch LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

FULL NAME	SHAREHOLDING PERCENTAGE	TYPE	COUNTRY OF INCORPORATION	REGISTERED OFFICE ADDRESS	PRINCIPAL ACTIVITIES
RHM Wynfield LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
RHM-88, LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner and operator
Richfield Holdings Corporation I	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Richfield Holdings Corporation II	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Richfield Holdings, Inc	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Rogo Investments Pte. Ltd.	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	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	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Liquor license holder
St. Louis Operating, Inc.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Dormant
Sunnyvale Partners, Ltd.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	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	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Trimark Hotel Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner and operator
WHB Biltmore LLC	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel owner and operator
WHB Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Wynfield GP Corporation	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Hotel ownership
Wynfield One, Ltd.	100%	Indirect subsidiary	USA	7900 East Union Avenue, Suite 500, Denver, Colorado, 80237	Holding company
Zatrio Pte Ltd	100%	Indirect subsidiary	Republic of Singapore	9 Raffles Place #12-01 Republic Plaza Singapore 048619	Investment holding
Zillion Holdings Limited	100%	Indirect subsidiary	Barbados	The Phoenix Centre, George Street, Belleville, St. Michael, Barbados	Investment holding

1 CDL Hospitality Trusts is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT"), a real estate investment trust, and CDL Hospitality Business Trust ("HBT"), a business trust. H-REIT has an investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real-estate related assets in relation to the foregoing. HBT is a business trust which was activated in December 2013. In addition to its function as a master lessee, HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT. The registered office address of M&C REIT Management Limited, Manager of H-REIT and M&C Business Trust Management Limited, Trustee-Manager of HBT is 9 Raffles Place #12-01 Republic Plaza Singapore 048619. As disclosed in Note 3 to the consolidated financial statements, the Group has concluded that under IFRS10, it has de facto control over CDL Hospitality Trusts.

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

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 2018. 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 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 2018	OWNERSHIP INTERESTS HELD BY NCI 2017
Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ")	New Zealand	Hotel investment holding company	**24%**	24%
CDL Hospitality Trusts ("CDLHT")	Singapore	Real estate investment trust	**63%**	63%

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

	MCHNZ SUBGROUP		CDLHT SUBGROUP	
NAME	**2018 £M**	2017 £M	**2018 £M**	2017 £M
Revenue	**114**	103	**112**	115
Profit after tax	**32**	30	**61**	72
Profit attributable to NCI	**6**	7	**39**	46
Other comprehensive income	**6**	37	**–**	4
Total comprehensive income	**38**	67	**61**	76
Total comprehensive income attributable to NCI	**6**	8	**39**	48
Current assets	**107**	93	**100**	106
Non-current assets	**369**	344	**1,602**	1,487
Current liabilities	**(18)**	(15)	**(174)**	(185)
Non-current liabilities	**(74)**	(72)	**(462)**	(381)
Net assets	**384**	350	**1,066**	1,027
Net assets attributable to NCI	**44**	39	**672**	647
Cash inflow from operating activities	**15**	29	**68**	78
Cash outflow from investing activities	**(17)**	(10)	**(2)**	(151)
Cash (outflow)/inflow from financing activities	**(8)**	(10)	**(40)**	81
Net increase/(decrease) in cash and cash equivalents	**(10)**	9	**26**	8
Dividends paid to NCI during the year[1]	**2**	2	**41**	38

1 Included in cash flows from financing activities.

36. ASSETS HELD FOR SALE
On 22 December 2017, the H-REIT Group had entered into a sale and purchase agreement to sell Mercure Brisbane and Ibis Brisbane. Accordingly, these investment properties with a total carrying value of A$71m (£41m) were classified as assets held for sale in the statement of financial position as at 31 December 2017. The sale of the properties was completed on 11 January 2018 and a gain of £3m was recognised by the Group (Note 7).

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 £M	2017 £M
Non-current assets			
Property, plant and equipment	(E)	**2**	2
Investments and other financial assets	(F)	**1,988**	1,970
Deferred tax asset		**2**	2
		1,992	1,974
Current assets			
Amounts owed by subsidiary undertakings falling due within one year		**41**	41
Other receivables		**15**	6
Cash and cash equivalents		**16**	11
		72	58
Other current liabilities	(G)	**(159)**	(93)
Net current liabilities		**(87)**	(35)
Other non-current liabilities	(H)	**(505)**	(540)
Net assets		**1,400**	1,399
Equity			
Called up share capital	(I)	**97**	97
Share premium		**843**	843
Retained earnings		**464**	463
Treasury share reserve		**(4)**	(4)
Total equity		**1,400**	1,399

These financial statements were approved by the Board of Directors on 14 February 2019 and were signed on its behalf by:

Kwek Leng Beng
Chairman

Registered No: 3004377

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	SHARE CAPITAL £M	SHARE PREMIUM £M	TREASURY SHARE RESERVE £M	RETAINED EARNINGS £M	TOTAL EQUITY £M
Balance at 1 January 2017	97	843	(4)	421	1,357
Profit	–	–	–	64	64
Other comprehensive income	–	–	–	4	4
Total comprehensive income	–	–	–	68	68
Share-based payment transactions (net of tax)	–	–	–	(1)	(1)
Dividends	–	–	–	(25)	(25)
Balance at 31 December 2017	**97**	**843**	**(4)**	**463**	**1,399**
Balance at 1 January 2018	97	843	(4)	463	1,399
Profit	–	–	–	17	17
Other comprehensive income	–	–	–	5	5
Total comprehensive income	–	–	–	22	22
Dividends	–	–	–	(21)	(21)
Balance at 31 December 2018	**97**	**843**	**(4)**	**464**	**1,400**

The notes on pages 183 to 185 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 2018 were authorised for issue by the board of Directors and signed on its behalf on 14 February 2019. 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 2018. 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 112 to 122.

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 £17m (2017: £64m).

E Property, plant and equipment

	SOFTWARE £M	CAPITAL WORK IN PROGRESS £M	TOTAL £M
Cost at 1 January 2018	2	–	2
Depreciation	–	–	–
Cost at 31 December 2018	**2**	**–**	**2**

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 2018	1,895	68	7	1,970
Additions	–	8	–	8
Foreign exchange adjustments	7	3	–	10
Cost and net book value at 31 December 2018	**1,902**	**79**	**7**	**1,988**

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 2018 are listed in Note 34 to the consolidated financial statements.

G Other current liabilities

	2018 £M	2017 £M
Bank loans and overdrafts	**47**	64
Bonds payable	**79**	–
Amounts owed to subsidiary undertakings	**28**	23
Other payables	**4**	3
Accruals and deferred income	**1**	3
	159	93

H Other non-current liabilities

	2018 £M	2017 £M
Bank loans	**83**	45
Bonds payable	**79**	149
Amounts owed to subsidiary undertakings	**335**	335
Net employee defined benefit liabilities	**8**	11
	505	540

Other non-current liabilities are repayable as follows:-

	2018 £M	2017 £M
Between one and two years	**66**	321
Between two and five years	**439**	219
	505	540

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 2018, fees paid/payable by the Company to Hong Leong Management Services, a subsidiary of Hong Leong Investment Holdings Pte. Ltd. amounted to £1m (2017: £nil). At 31 December 2018, £nil (2017: £nil) of fees payable was outstanding.

GROUP FINANCIAL RECORD

For the year ended 31 December 2018

	2018 £M	2017 £M	2016 £M	2015 £M	2014 £M
Income statement					
Revenue	**997**	1,008	926	847	826
Operating profit	**105**	145	107	112	195
Net finance expense	**(28)**	(20)	(25)	(20)	(17)
Income tax (expense)/credit	**(13)**	12	(10)	(12)	(37)
Profit for the year	**93**	159	98	97	151
Cash flow					
Cash generated from operations	**177**	230	220	220	330
Statement of financial position					
Property, plant, equipment and lease premium prepayment	**3,256**	3,232	3,345	2,858	2,851
Investment properties	**668**	577	534	506	479
Investment and loans in joint ventures and associates	**358**	324	320	255	235
Other financial assets	**43**	–	–	–	5
Non-current assets	**4,325**	4,133	4,199	3,619	3,570
Current assets excluding cash	**224**	228	195	163	182
Net debt	**(727)**	(650)	(707)	(605)	(525)
Deferred tax liabilities	**(172)**	(188)	(220)	(210)	(221)
Provisions and other liabilities	**(287)**	(274)	(297)	(255)	(271)
Net assets	**3,363**	3,249	3,170	2,712	2,735
Share capital and share premium	**940**	940	940	940	940
Reserves	**1,830**	1,736	1,728	1,336	1,323
Total equity attributable to equity holders	**2,770**	2,676	2,668	2,276	2,263
Non-controlling interests	**593**	573	502	436	472
Total equity	**3,363**	3,249	3,170	2,712	2,735

	2018	2017	2016	2015	2014
Key operating statistics					
Gearing	**26%**	24%	26%	27%	23%
Earnings per share	**13.1p**	38.1p	24.0p	19.9p	34.0p
Dividends per share[1]	**4.23p**	6.50p	7.74p	6.42p	13.59p
Hotel gross operating profit margin	**30.5%**	32.2%	31.6%	34.1%	36.0%
Occupancy	**73.3%**	73.5%	71.8%	71.8%	74.2%
Average room rate (£)	**£111.31**	£112.68	£106.78	£100.19	£96.49
RevPAR (£)	**£81.57**	£82.78	£76.71	£71.98	£71.55

1 Dividends per share includes ordinary dividends and special dividends.

KEY OPERATING STATISTICS

For the year ended 31 December 2018

OWNED OR LEASED HOTELS*	YEAR ENDED 2018 REPORTED CURRENCY	YEAR ENDED 2017 CONSTANT CURRENCY	YEAR ENDED 2017 REPORTED CURRENCY
Occupancy (%)			
New York	**86.3**		85.3
Regional US	**57.6**		60.0
Total US	**67.1**		68.3
London	**80.1**		83.0
Rest of Europe	**71.2**		70.5
Total Europe	**75.6**		76.9
Singapore	**85.9**		85.6
Rest of Asia	**68.1**		66.4
Total Asia	**75.0**		73.9
Australasia	**82.5**		81.2
Total Group	**73.3**		73.5
Average Room Rate (£)			
New York	**191.78**	186.77	193.18
Regional US	**103.51**	99.81	103.23
Total US	**140.96**	135.57	140.23
London	**127.22**	132.47	132.47
Rest of Europe	**78.94**	76.43	76.16
Total Europe	**104.22**	107.27	107.15
Singapore	**97.26**	97.01	97.91
Rest of Asia	**95.74**	95.64	96.93
Total Asia	**96.42**	96.25	97.37
Australasia	**88.61**	84.71	90.01
Total Group	**111.31**	110.22	112.68

KEY OPERATING STATISTICS CONTINUED

OWNED OR LEASED HOTELS*	YEAR ENDED 2018 REPORTED CURRENCY	YEAR ENDED 2017 CONSTANT CURRENCY	YEAR ENDED 2017 REPORTED CURRENCY
RevPAR (£)			
New York	**165.49**	159.37	164.84
Regional US	**59.61**	59.84	61.90
Total US	**94.52**	92.61	95.79
London	**101.89**	109.98	109.98
Rest of Europe	**56.18**	53.85	53.66
Total Europe	**78.76**	82.45	82.35
Singapore	**83.56**	83.06	83.83
Rest of Asia	**65.17**	63.53	64.39
Total Asia	**72.29**	71.09	71.91
Australasia	**73.13**	68.76	73.06
Total Group	**81.57**	80.97	82.78
Gross Operating Profit Margin (%)			
New York	**15.6**		15.1
Regional US	**19.3**		21.2
Total US	**17.4**		18.0
London	**41.0**		49.5
Rest of Europe	**21.8**		22.2
Total Europe	**33.2**		39.6
Singapore	**39.3**		40.5
Rest of Asia	**34.5**		34.1
Total Asia	**36.5**		36.9
Australasia	**49.0**		49.1
Total Group	**30.5**		32.2

For comparability, the 31 December 2017 Average Room Rate and RevPAR have been translated at average exchange rates for the year ended 31 December 2018.

*excluding managed, franchised and investment hotels.

MAJOR GROUP PROPERTIES

For the year ended 31 December 2018

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	517	70
New World Millennium Hong Kong Hotel (Owned by New Unity Holdings Limited) 72 Mody Road, Tsimshatsui East Kowloon, Hong Kong	75-year term from 28.11.1984 and may be renewable for a further 75 years	2,850	464	50
JW Marriott Hotel Hong Kong (Owned by New Unity Holdings Limited) Pacific Place, 88 Queensway, Hong Kong	75-year term from 18.04.1985 and may be renewable for a further 75 years	10,690 (Part)	602	26
Millennium Hotel Sirih Jakarta Jalan Fachrudin 3, Jakarta 10250, Indonesia	The title is held under a Hak Guna Bangunan (i.e. Right to Build) and a 40-year lease wef 14.04.1984 and 22.01.1986 for approximate site area of 7,137 sq. metres and 212 sq. metres, respectively	7,349	401	100
Hotel MyStays Asakusabashi 1-5-5, Asakusabashi, Taito-ku, Tokyo 111-0053, Japan	Freehold	564	139	37
Hotel MyStays Kamata 5-46-5, Kamata, Ota-ku, Tokyo 144-0052, Japan	Freehold	497	116	37
Copthorne Orchid Hotel Penang Jalan Tanjung Bungah, 11200 Penang, Malaysia	Freehold	10,329	307	100
Grand Millennium Kuala Lumpur 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	Freehold	7,670	459	100
Angsana Velavaru South Nilandhe Atoll, Republic of Maldives	50-year title commencing from 26. 08.1997	67,717	113	37
Dhevanafushi Maldives Luxury Resort Meradhoo Island, Gaafu Alifu Atoll, Republic of Maldives	50-year lease commencing from 15.06.2006	53,576	37	37
The Heritage Hotel Manila Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines	Fee simple	9,888	450	66
Copthorne King's Hotel Singapore 403 Havelock Road, Singapore	99-year lease commencing from 01.02.1968	5,637	310	37
Grand Copthorne Waterfront Hotel Singapore 392 Havelock Road, Singapore	75-year lease commencing from 19.07.2006	10,860	574	37
M Hotel Singapore 81 Anson Road, Singapore	Freehold	2,134	415	37

MAJOR GROUP PROPERTIES
CONTINUED

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Novotel Singapore Clarke Quay 177A River Valley Road, Singapore	97 years and 30 days leasehold interest commencing from 02.04.1980	12,925	403	37
Orchard Hotel Singapore 442 Orchard Road, Singapore	Freehold	8,588*	656	37
Studio M Hotel 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
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	850	84

* Includes Claymore Connect

Europe

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Copthorne Hotel Aberdeen 122 Huntly Street, Aberdeen AB10 1SU, Scotland	Freehold	1,302	87	83
Copthorne Hotel Birmingham Paradise Circus, Birmingham B3 3HJ, England	Freehold	2,188	211	100
Copthorne Hotel Cardiff-Caerdydd Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	26,305	135	100
Copthorne Hotel Effingham Gatwick West Park Road, Copthorne, West Sussex RH10 3EU, England	Freehold	161,878	122	100
Copthorne Hotel London Gatwick Copthorne Way, Copthorne, West Sussex RH10 3PG, England	Freehold	404,694	227	100
Copthorne Hotel Manchester Clippers Quay, Salford Quays, Manchester M50 3SN, England	Leasehold to year 2135	9,800	166	100
Copthorne Hotel Merry Hill-Dudley The Waterfront, Level Street, Brierley Hill, Dudley, West Midlands DY5 1UR, England	Freehold	13,734	138	100

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Copthorne Hotel Newcastle The Close, Quayside, Newcastle upon Tyne NE1 3RT, England	Freehold	9,200	156	96
Copthorne Hotel Plymouth Armada Way, Plymouth PL1 1AR, England	Leasehold to year 2110	1,853	135	100
Copthorne Hotel Slough-Windsor Cippenham Lane, Slough, Berkshire SL1 2YE, England	Freehold	6,880	219	100
Copthorne Tara Hotel London Kensington Scarsdale Place, Kensington, London W8 5SY, England	Freehold	7,535	833	100
Hard Days Night Hotel Liverpool Central Buildings North John Street Liverpool, L2 6RR, England	Leasehold to year 2129	5,275	110	100
Hilton Cambridge City Centre Hotel Grand Arcade 20, Downing St, Cambridge CB2 3DT, England	125-year lease commencing from 25.12.1990 and extendable for a further 50 years	3,600	198	37
The Lowry Hotel 50 Dearmans Place, Salford, Manchester M3 5LH, United Kingdom	150-year lease commencing from 18.03.1997	2,200	165	37
The Bailey's Hotel London 140 Gloucester Road, London SW7 4QH, England	Freehold	1,923	212	100
Millennium Gloucester Hotel London Kensington Harrington Gardens London SW7 4LH, England	Freehold	6,348	610	100
Millennium Hotel Glasgow George Square, Glasgow G2 1DS, Scotland	Leasehold to year 2109	5,926	61	100
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	100
The Biltmore, Mayfair – LXR Hotels & Resorts (previously Millennium Hotel London Mayfair) 44 Grosvenor Square, Mayfair, London W1K 2HP, England	Leasehold to year 2096	4,260	308	100
Millennium Hotel Paris Opéra 12 Boulevard Haussmann, 75009 Paris, France	Freehold	1,093	163	100
Millennium Hotel Paris Charles de Gaulle Zone Hoteliere, Allée du Verger, 95700 Roissy-en-France, France	Freehold	11,657	239	100

MAJOR GROUP PROPERTIES CONTINUED

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Pullman Hotel Munich Theodor-Dombart-Strasse 4, Munich 80805, Germany	Freehold	8,189	337	35
Grand Hotel Palace Rome Via Veneto, 70, Rome, 00187, Italy	Freehold	801	86	100
The Chelsea Harbour Hotel Chelsea Harbour, London, SW10 0XG, England	Leasehold to year 2112	2,561	158	100
Hotel Cerretani Florence, MGallery by Sofitel Via de' Cerretani, 68, 50123 Florence, Italy	Freehold	1,350	86	35

North America

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
The Bostonian Boston 26 North Street At Faneuil Hall Marketplace, Boston MA 02109, USA	Freehold	2,769	204	100
The Lakefront Anchorage 4800 Spenard Road, Anchorage, AK 99517, USA	Freehold	14,159	248	100
Millennium Biltmore Los Angeles 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	11,305	683	100
Millennium Buffalo 2040 Walden Avenue Buffalo, NY 14225, USA	Leasehold to year 2022 (with one 10-year option)	31,726	301	100
Millennium Harvest House Boulder 1345 28th Street Boulder, CO 80302, USA	Freehold	64,019	269	100
Millennium Knickerbocker Hotel Chicago 163 East Walton Place, Chicago, IL 60611, USA	Freehold	2,007	306	100
Millennium Cincinnati 150 West Fifth Street, Cincinnati, OH 45202, USA	Freehold	6,839	872	100
Millennium Durham 2800 Campus Walk Avenue, Durham, NC 27705, USA	Freehold	42,814	316	100
Millennium Minneapolis 1313 Nicollet Mall, Minneapolis, MN 55403, USA	Leasehold to year 2030	4,537	321	100

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Millennium Maxwell House Nashville 2025 Rosa L. Parks Boulevard, Nashville TN 37228, USA	Leasehold to year 2030 (with two 10-year options)	17,140	287	100
Millennium Broadway New York Times Square 145 West 44th Street, New York, NY 10036, USA	Freehold	1,762	626	100
Millennium Premier New York Times Square 133 West 44th Street, New York, NY 10036, USA	Freehold	360	124	100
Millennium Hilton New York ONE UN Plaza 1 UN Plaza, 44th Street at 1st Avenue, New York, NY 10017, USA	East tower freehold/ West tower leasehold to year 2079	4,554	439	100
Millennium Hotel St Louis (closed) 200 South 4th Street, St Louis, MO 63102, USA	Freehold	17,033	780	100
The McCormick Scottsdale 7421 North Scottsdale Road, Scottsdale, AZ 85208, USA	Leasehold to year 2033 (with two 10-year options)	32,819	125	100
Millennium Hilton New York Downtown 55 Church Street, New York, NY 10007, USA	Freehold	1,680	569	100
Novotel New York Times Square 226 W 52nd Street, New York, NY 10019, USA	Fee simple estate, a leasehold interest, and a leased fee interest	1,977	480	100
Maingate Lakeside Resort 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747, USA	Freehold	93,796	475	100
Novotel Penthouse 1651-65 Broadway, New York, NY 10019, USA	Leasehold to year 2080	307	–	100
Comfort Inn Near Vail Beaver Creek 161 West Beaver Creek Boulevard, Avon, CO 81620, USA	Freehold	11,209	146	100
Pine Lake Trout Club 17021 Chillicothe Road, Chagrin Falls OH 44023, USA	Freehold	331,074	6	100

MAJOR GROUP PROPERTIES CONTINUED

Australasia

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Copthorne Hotel & Apartments Queenstown Lakeview 88 Frankton Road, Queenstown, New Zealand	Freehold/Strata title	4,713	85	76
Copthorne Hotel & Resort Bay of Islands Tau Henare Drive, Paihia, New Zealand	Leasehold land to year 2021 (renewal option to May 2087)	62,834	180	37
Copthorne Hotel & Resort Queenstown Lakefront Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	18,709	240	76
Copthorne Hotel Auckland City 150 Anzac Avenue Auckland, New Zealand	Perpetual leasehold land	2,495	110	76
M Social Auckland 196-200 Quay Street Auckland, New Zealand	Freehold	2,407	190	76
Copthorne Hotel Palmerston North 110 Fitzherbert Avenue, Palmerston North, New Zealand	Freehold	15,514	124	76
Copthorne Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	35,935	136	76
Copthorne Hotel Wellington Oriental Bay 100 Oriental Parade, Wellington, New Zealand	Freehold	3,904	118	76
Ibis Perth 334 Murray Street Perth, Western Australia, Australia	Freehold	1,480	192	37
Kingsgate Hotel Dunedin 10 Smith Street, Dunedin, New Zealand	Freehold	2,193	55	76
Kingsgate Hotel Greymouth 32 Mawhera Quay, Greymouth, New Zealand	Freehold/Perpetual leasehold land	2,807	98	76
Kingsgate Hotel Te Anau 20 Lakefront Drive, Te Anau, New Zealand	Freehold	8,819	94	76
Mercure Perth 10 Irwin Street Perth, Western Australia, Australia	Strata freehold	757	239	37

HOTELS	TENURE	APPROXIMATE SITE AREA (SQ. METRES)	NUMBER OF ROOMS	EFFECTIVE GROUP INTEREST (%)
Millennium Hotel Queenstown Corner Frankton Road & Stanley Street Queenstown, New Zealand	Freehold	7,453	220	76
Millennium Hotel Rotorua Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/Perpetual leasehold land	10,109	227	76
Millennium Hotel New Plymouth, Waterfront 1 Egmont St, New Plymouth 4310, New Zealand	Freehold	1,149	42	76
Novotel Brisbane 200 Creek Street Brisbane, Queensland, Australia	Strata volumetric freehold	6,235	296	37
Grand Millennium Auckland 71-87 Mayoral Drive, Auckland, New Zealand	Freehold	5,910	452	37

INVESTMENT PROPERTIES	TENURE	APPROXIMATE LETTABLE STRATA AREA (SQ. METRES)	EFFECTIVE GROUP INTEREST (%)
Tanglin Shopping Centre A shopping-cum-office complex situated at Tanglin Road, Singapore, within the Orchard Road tourist district. The Group owns 83 out of 362 strata-titled units and 325 car park lots.	Freehold	6,029	100
Millennium Mitsui Garden Hotel Tokyo 5-11-1 Ginza, Chuo-Ku, Tokyo 104-0061 329 bedroom hotel.	Freehold/ Leasehold – 30 years from 25 March 2009	1,040/130 (site area)	70
Biltmore Court & Tower Situated at 500/520 South Grand Avenue, Los Angeles, CA 90071. Comprising the Court which has 22,133 square metres Class "B" lettable office space within the Biltmore hotel structure and the Tower which has 12,116 square metres of Class "A" office space.	Freehold	34,249	100
Land site in Sunnyvale City of Sunnyvale, California, USA	Freehold	35,717	100

MAJOR GROUP PROPERTIES CONTINUED

OWNED BY FIRST SPONSOR GROUP LIMITED, AN ASSOCIATE OF THE COMPANY:	TENURE	APPROXIMATE LETTABLE STRATA AREA (SQ. METRES)	EFFECTIVE GROUP INTEREST (%)
Zuiderhof I Jachthavenweg 121, Amsterdam, the Netherlands. Comprising office space , archive space and 111 car park lots.	Perpetual leasehold. Ground rent paid until 2050	12,538	12
Poortgebouw Property 3rd floor up to and including the 9th floor of the Poortgebouw Hoog Catharijne, Catharijne Esplanade 13, 3511WK, Utrecht, the Netherlands Expected to comprise two hotels with 320 hotel rooms in total on completion.	Leasehold to year 2069	11,604	36
Arena Towers (Holiday Inn Amsterdam/Holiday Inn Express Amsterdam Hotels) Hoogoorddreef 66 and 68, Amsterdam, the Netherlands, Comprising 443 hotel rooms and 509 car park lots.	Perpetual leasehold. Ground rent paid until 2053	17,396	36
Crowne Plaza Chengdu Wenjiang Hotel & Holiday Inn Express Chengdu Wenjiang Hotspring Hotel No 619 A/B North Phoenix Street, Wenjiang District, Chengdu, Sichuan Province, the PRC. Comprising 608 hotel rooms and suites, and a hot spring facility.	Leasehold to year 2051	81,041 (Gross fl area)	36

MILLENNIUM & COPTHORNE HOTELS WORLDWIDE

For the year ended 31 December 2018

ASIA

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

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

Indonesia
Millennium Hotel Sirih Jakarta

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

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

Maldives
Angsana Velavaru
Dhevanafushi Maldives Luxury Resort (not open)

Philippines
The Heritage Hotel Manila

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

South Korea
Millennium Seoul Hilton

Taiwan
Grand Hyatt Taipei
Millennium Hotel Taichung

Thailand
Millennium Resort Patong Phuket

AUSTRALASIA

Australia
Ibis Perth
Mercure Perth
Novotel Brisbane

New Zealand
Copthorne Hotel Auckland City
Copthorne Hotel & Apartments Queenstown Lakeview
Copthorne Hotel Grand Central New Plymouth
Copthorne Hotel Palmerston North
Copthorne Hotel & Resort Bay of Islands
Copthorne Hotel & Resort Hokianga
Copthorne Hotel & Resort Queenstown Lakefront
Copthorne Hotel & Resort Solway Park Wairarapa
Copthorne Hotel Rotorua
Copthorne Hotel Wellington Oriental Bay
Grand Millennium Auckland

MILLENNIUM & COPTHORNE HOTELS WORLDWIDE
CONTINUED

Kingsgate Hotel Autolodge Paihia
Kingsgate Hotel Dunedin
Kingsgate Hotel Greymouth
Kingsgate Hotel Te Anau
Kingsgate Hotel The Avenue Wanganui
Millennium Hotel New Plymouth, Waterfront
Millennium Hotel Queenstown
Millennium Hotel Rotorua
Millennium Hotel & Resort Manuels Taupo
M Social Auckland

MIDDLE EAST[1]

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

Jordan
Grand Millennium Amman

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

Oman
Grand Millennium Muscat
Millennium Executive Apartments Muscat
Millennium Resort Salalah
Millennium Resort Mussanah

Palestine
Millennium Palestine Ramallah

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

Saudi Arabia
Copthorne Hotel Riyadh
Makkah Millennium Hotel
Makkah Millennium Towers
M Hotel Makkah by Millennium
M Hotel Makkah Al Aziziyah
Millennium Al Aqeeq Hotel
Millennium Medina Airport
Millennium Hail Hotel Saudi Arabia
Millennium Taiba Hotel

United Arab Emirates
Bab Al Qasr Hotel
Copthorne Hotel Dubai
Copthorne Hotel Sharjah
Grand Millennium Al Wahda
Grand Millennium Business Bay
Grand Millennium Dubai
Kingsgate Hotel Abu Dhabi by Millennium
M Hotel Downtown by Millennium
Millennium Airport Hotel Dubai
Millennium Plaza Hotel Dubai
Studio M Arabia Plaza

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

EUROPE

France
Millennium Hotel Paris Charles de Gaulle
Millennium Hotel Paris Opéra

Germany
Pullman Hotel Munich

Georgia
The Biltmore Hotel Tbilisi

Italy
Grand Hotel Palace Rome
Hotel Cerretani Florence, Mgallery by Sofitel

Turkey
Millennium Istanbul Golden Horn

UK
Copthorne Hotel Aberdeen
Copthorne Hotel Birmingham
Copthorne Hotel Cardiff-Caerdydd
Copthorne Hotel at Chelsea Football Club
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 Hotel at Chelsea Football Club
Millennium Gloucester Hotel London Kensington
Millennium Hotel Glasgow
Millennium Hotel London Knightsbridge
Millennium Madejski Hotel Reading
The Bailey's Hotel London
The Biltmore, Mayfair – LXR Hotels & Resorts
(previously Millennium Hotel London Mayfair)
The Chelsea Harbour Hotel
The Lowry Hotel

THE AMERICAS

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

MILLENNIUM & COPTHORNE HOTELS WORLDWIDE
CONTINUED

CORPORATE OFFICES

Asia
Millennium & Copthorne International Limited
390 Havelock Road
#02-01 King's Centre
Singapore 169662
Tel: + [65] 6664 8888
Fax: + [65] 6732 5435
Email: sales@millenniumhotels.com

Australasia
Millennium & Copthorne Hotels New Zealand Limited
Level 13 280 Queen Street
Auckland 1010
New Zealand
Tel: + [64] (9) 353 5010
Fax: + [64] (9) 309 3244
Email: sales.marketing@millenniumhotels.co.nz

Middle East
Millennium & Copthorne Middle East & Africa
H Hotel Office Tower (3rd floor)
Sheikh Zayed Road
PO Box 119666
Dubai
United Arab Emirates
Tel: + [971] (4) 309 9000
Fax: + [971] (4) 351 0508
cherry.tangpos@millenniumhotels.com

Europe
Millennium & Copthorne Hotels plc
Corporate Headquarters
Scarsdale Place, Kensington
London, W8 5SY, UK
Tel: + [44] (0) 20 7872 2444
Fax: + [44] (0) 20 7872 2460
Email: marketing.eu@millenniumhotels.com

North America
Millennium Hotels and Resorts
7900 East Union Avenue, Suite 500
Denver, Colorado
80237 United States
Tel: + [1] 303 779 2000
Fax: + [1] 303 779 2001
Email: guestcomment@millenniumhotels.com

GLOBAL SALES

Asia
China, Beijing: + [86] 10 6533 0749
China, Chengdu: + [86] 28 8517 2000
China, Guangzhou: + [852] 29218328
China, Shanghai: + [86] 21 6468 8099
Hong Kong: + [852] 2921 8328
Singapore: + [65] 6664 8888
Taipei: + [886] (2) 2729 3299

Australasia
Sydney: + [61] (2) 9358 5080
Auckland: + [64] (9) 353 5010
Wellington: + [64] (4) 382 0770

Europe
France: + [33] (0) 1 4949 1617
Italy: + [39] (0) 6 4201 2198
UK: + [44] (0) 20 7872 2444

North America
New York: +1 212 789 7860

International reservations

Asia
China North: +108 0065 00558 (toll free)
China South: +108 0026 52531 (toll free)
Hong Kong: +800 96 2541
Indonesia: +001 803 65 6541
Malaysia: +1 800 80 1063
Singapore: +65 6735 7575
Taiwan: +008 01 65 15 05 (toll free)
Thailand: +001 800 65 6544 (toll free)

Australasia
Australia: +1 800 124 420
New Zealand: +0 800 808 228

Middle East
UAE: + [971] (4) 309 9000
(Sunday – Thursday)
8:00am – 5:00pm

Europe
When in the following countries, please use this toll free number:
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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 2018

NUMBER OF SHARES	NUMBER OF HOLDERS	PERCENTAGE OF HOLDERS	TOTAL NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED SHARE CAPITAL
1 – 10,000	554	76.63%	675,541	0.21%
10,001 – 25,000	38	5.26%	597,280	0.17%
25,001 – 50,000	35	4.84%	1,194,398	0.37%
50,001 – 100,000	24	3.32%	1,743,506	0.54%
100,001 – 500,000	42	5.81%	9,121,653	2.81%
500,001 – 1,000,000	7	0.97%	5,219,971	1.61%
1,000,001 – Highest	23	3.17%	306,239,137	94.29%
Total	**723**	**100.00%**	**324,791,486**	**100.00%**

Shareholders can find a wealth of information on the Company at www.millenniumhotels.com including:

- regular updates about our business;
- hotel and other property information;
- the ability to book a room at one of our hotels around the world;
- share price information;
- financial results and investor information; and
- our financial calendar which includes dividend payment dates and amounts.

Electronic shareholder communications
Registering for online communication gives shareholders more control of their shareholding. The registration process is via our registrar's secure website www.shareview.co.uk.

Once registered shareholders are able to:

- elect how we communicate with them;
- amend their details;
- amend the way dividends are received; and
- buy or sell shares online.

This does not mean shareholders can no longer receive paper copies of documents. We are able to offer a range of services and tailor communication to meet their needs.

Managing your shares
Please contact our registrar, Equiniti, to manage your shareholding if you wish to:

- register for electronic communications;
- transfer your shares;
- change your registered name or address;
- register a lost share certificate and obtain a replacement;
- consolidate your share holdings;
- manage your dividend payments; and
- notify the death of a shareholder.

You can also manage your shareholding online by registering for Shareview at www.shareview.co.uk. When contacting Equiniti or registering online, you should have your shareholder reference number at hand. This can be found on your share certificate or latest dividend tax voucher.

Contact details for our registrar:

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex
BN99 6DA, United Kingdom

Telephone: 0371 384 2343*
and outside the UK +44 121 415 7047
Textphone: 0371 384 2255*
and outside the UK +44 121 415 7028

* Lines are open from 8.30 am to 5.30 pm, Monday to Friday, UK time.

ShareGift
It may be that you have a small number of shares which would cost you more to sell than they are worth. It is possible to donate these to ShareGift, a registered charity, who provide a free service to enable you to dispose charitably of such shares. More information on this service can be obtained from www.sharegift.org or by calling +44 (0) 207 930 3737.

Be aware of share fraudsters
Shareholders are cautioned to be very wary of any unsolicited advice, offers to buy shares at a discount, sell your shares at a premium or offers of free reports on the Company.

If you do receive such an approach, you are encouraged to take the following steps:

- obtain the full name of the person and organisation and make a record of any other information they give you, for example telephone number, address or web address;
- if the caller persists, simply hang up; and
- report the matter to the Financial Conduct Authority ("FCA") so that they can investigate.

If you suspect that you have been approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

You are advised to deal only with financial services firms that are authorised by the FCA. Check the firm is properly authorised by the FCA before getting involved by visiting www.fca.org.uk/register. If you do deal with an unauthorised firm you will not be eligible to receive payment under the Financial Services Compensation Scheme if anything goes wrong.

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk.

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

Contacts and advisers

Registered office
Victoria House, Victoria Road, Horley, Surrey RH6 7AF,
United Kingdom
Registered in England and Wales No: 3004377

Corporate headquarters
Scarsdale Place, Kensington, London W8 5SY,
United Kingdom

Stockbroker
Credit Suisse International

Auditor
KPMG LLP

Solicitor
Hogan Lovells International LLP

Principal bankers
Bank of America Merrill Lynch
DBS Bank Ltd.
Mizuho Bank, Ltd.
Oversea-Chinese Banking Corporation Limited
Royal Bank of Scotland plc
Sumitomo Mitsui Banking Corporation
MUFG Bank, Ltd.
The Hongkong and Shanghai Banking Corporation Limited

Registrar
Equiniti Limited

FINANCIAL CALENDAR

2018 final dividend record date	15 March 2019
First quarter's results announcement	10 May 2019
Annual General Meeting	10 May 2019
2018 final dividend payment	17 May 2019
Interim results announcement	02 August 2019
2019 interim dividend record date	16 August 2019
2019 interim dividend payment	27 September 2019
Third quarter's results announcement	01 November 2019

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

FURTHER INFORMATION

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

Please email us at:
companysecretary@millenniumhotels.co.uk

or write to:
The Company Secretary
Millennium & Copthorne Hotels plc Scarsdale Place
Kensington
London W8 5SY
United Kingdom

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Millennium & Copthorne Hotels plc
Corporate headquarters:
Scarsdale Place
Kensington
London W8 5SY
United Kingdom

www.millenniumhotels.co.uk

Registered address:
Victoria House
Victoria Road
Horley
Surrey
RH6 7AF

Millennium & Copthorne Hotels plc
Annual Report & Accounts 2018