



Annual report and accounts 2014



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MILLENNIUM & COPTHORNE
HOTELS plc

A black and white photograph of a city street at night. The street is illuminated by streetlights, and several buildings are visible in the background. A car is parked on the right side of the street. The image is grainy and has a high-contrast, almost posterized appearance.

Millennium & Copthorne Hotels plc Annual Report 2004

Our company



KNICKERBOCKER



MILLENNIUM & COPTHORNE
HOTELS plc

Who we are

We are a global hospitality management and real estate group, with 120 hotels in 79 business and leisure destinations in Asia, Australasia, Europe, the Middle East and North America

Our strategy

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

How we make money

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

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

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

02 Overview

Asia

The Group began serving visitors to Japan for the first time in December 2014 when the 329-room Millennium Mitsui Garden Hotel Tokyo opened in Ginza, the premier shopping and entertainment district in the Japanese capital.



Grand Hyatt Taipei

Hotel MyStays Asakusabashi

Our development was well timed, with acquisition of the land and construction of the luxury property commencing before Tokyo was named as host city for the 2020 Olympics. The Group further strengthened its presence in Tokyo when CDL Hospitality Trusts ("CDLHT") acquired two budget hotels at the end of the year which are operated under the MyStays brand.

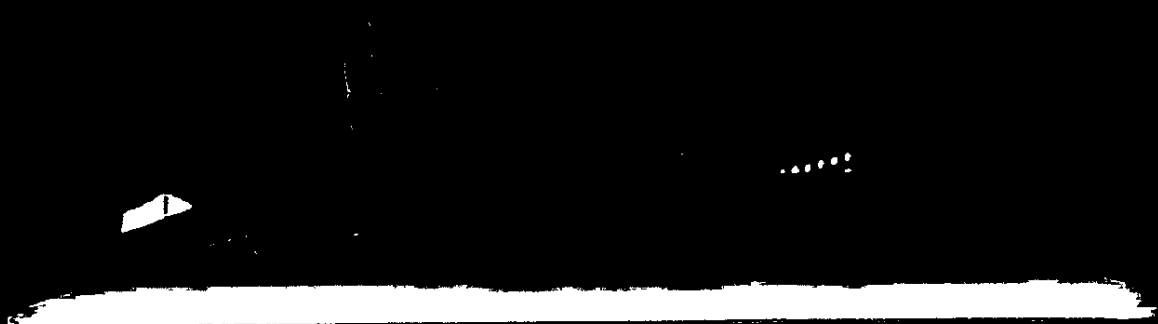
Elsewhere in the region, the £61m renovation of our largest Asian hotel, the 853-room Grand Hyatt Taipei will complete in 2015 when we will also be putting the finishing touches to the refurbishment of the Millennium Seoul Hilton.



Grand Hyatt Taipei

Millennium Mitsui Garden Hotel

03



Millennium Mitsui Garden Hotel
Tokyo



Millennium Mitsui Garden Hotel Tokyo

04 Overview

Europe

Overlooking the River Thames and close to the ever-fashionable Kings Road, the 158-suite The Chelsea Harbour Hotel became the Group's sixth owned or leased property in London in March 2014. In October 2014, the Group also acquired its first hotel in Italy, Grand Hotel Palace Rome. This luxury 87-room property is on the famous Via Veneto.

Both acquisitions are luxurious, recently refurbished five-star hotels, situated in two of the world's top travel destinations. They offer high standards of service and comfort to our guests, whilst fitting efficiently within the Group's existing regional management infrastructure.



Grand Hotel Palace Rome



The Chelsea Harbour Hotel



The Group acquired the Novotel New York Times Square in June 2014. The recently refurbished four-star hotel offers 480 rooms in the heart of the city's theatre district and fits well with the Group's existing portfolio in the city: ONE UN New York on the East River, Millenium Hilton in the financial district and Millennium Broadway, which includes Premier Hotel New York, near Times Square.

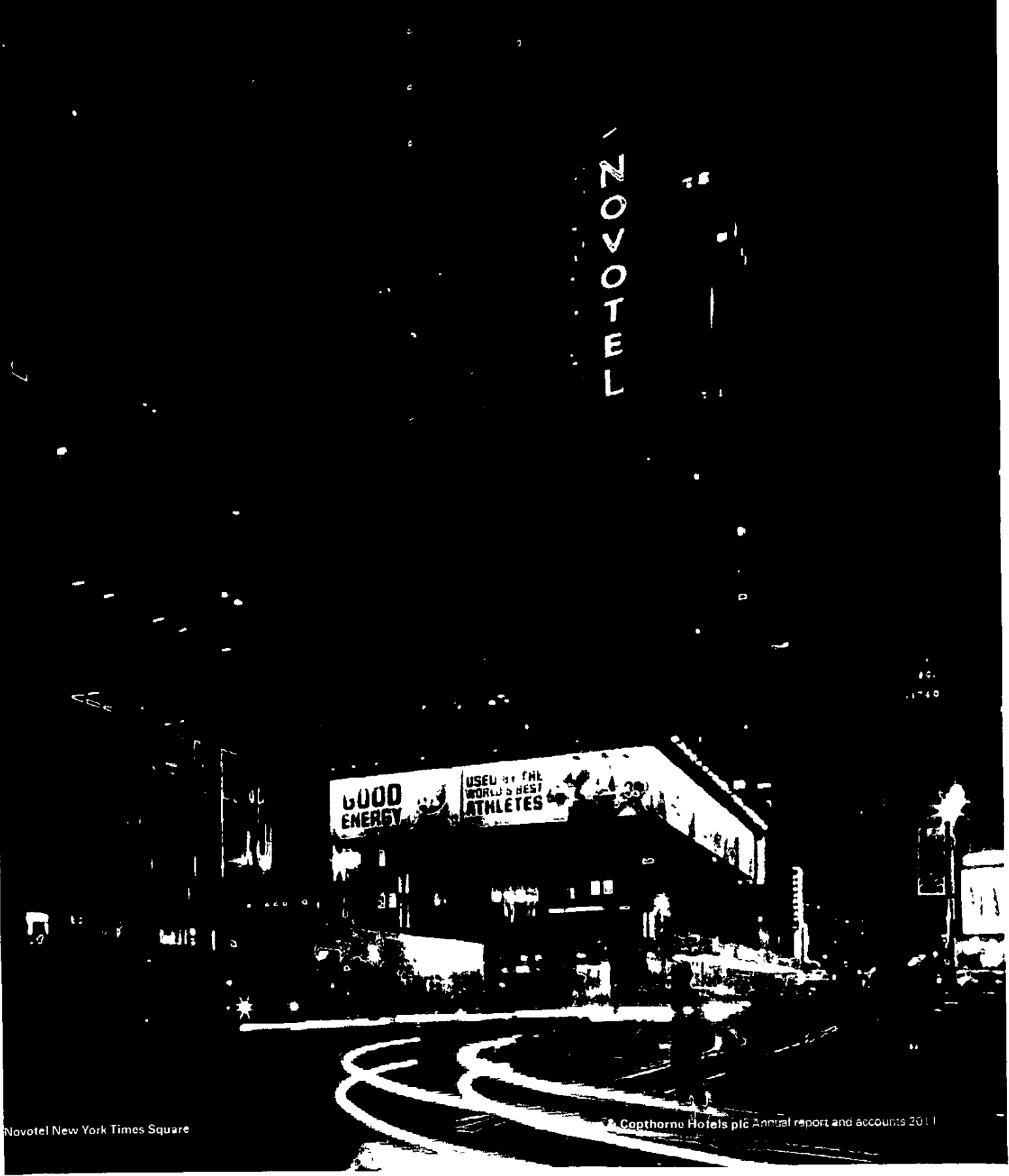


Millennium Harvest House Boulder

The Group is refurbishing a number of its regional US properties including The McCormick Scottsdale and Millennium Harvest House Boulder in 2014



The McCormick Scottsdale

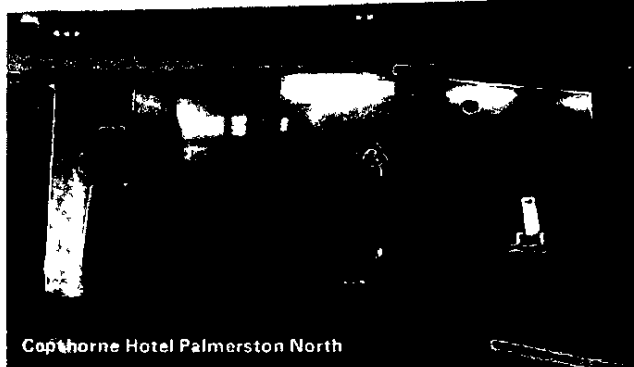


08 Overview

Australasia

Copthorne Hotel Palmerston North delivered RevPAR growth after its extensive refurbishment and rebranding in 2014.

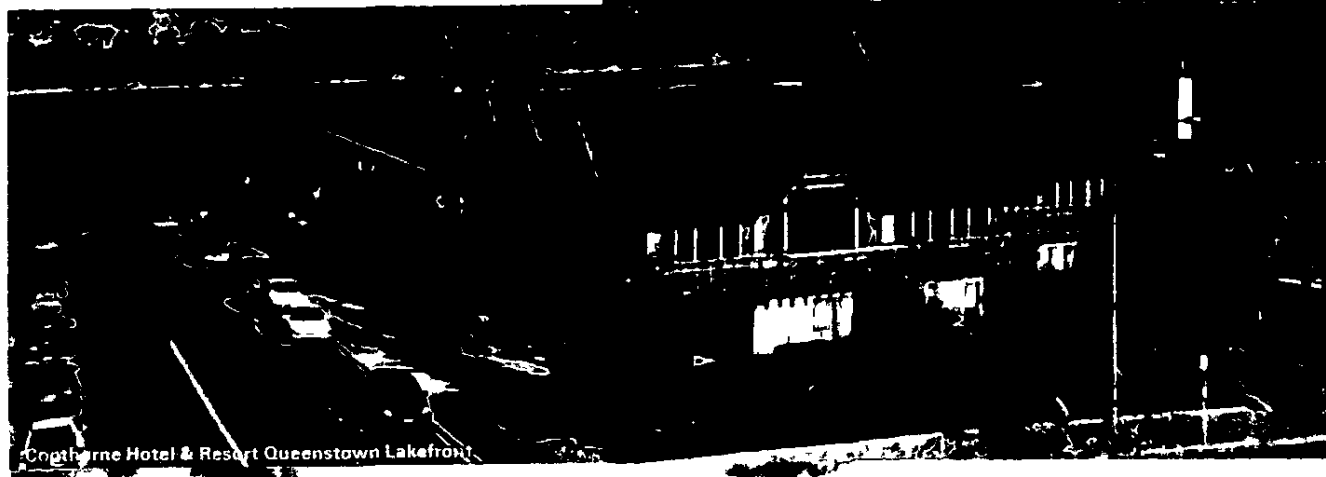
The hotel attracts new and previously held business, mainly in the corporate sector



Our three hotels in Queenstown were also refurbished during 2014. We expect these improvements will contribute to the continuing growth in the region.



Copthorne Hotel & Apartments Queenstown Lakeview



Copthorne Hotel & Resort Queenstown Lakefront



10 Overview

How we performed

"The Group continues to build strong foundations for further growth through a carefully executed asset management strategy. Results from this in 2014 included the completion of the guest room refurbishment at the Grand Hyatt Taipei, the acquisition of new properties in London, New York and Rome, as well as the opening of a newly constructed hotel in Tokyo's Ginza district. Our results in 2013 were boosted significantly by the recognition of revenue and profit on the Glyndebourne development. Our hotel trading results were positive, despite revenue and profit being adversely affected by the strength of the pound sterling, especially during the earlier part of the financial year."

Kwek Leng Beng

Chairman

Financial highlights

RevPAR
(£)

+2.8%

2014/15 vs

ARR
(£)

+0.2%

2014/15 vs 2013/14

Occupancy
(%)

+1.9pts

2014/15 vs



Revenue

Group revenue fell by 22.4% to £826m (2013 £1,064m) – a decrease of £238m. The lower figure was mainly due to the previous year's recognition of revenues totalling £274m from the Glyndebourne development.

Hotel Revenue

Hotel revenue increased by 2.6% to £750m (2013 £731m), despite the negative impact of foreign exchange movements and helped by acquisitions as well as stronger overall hotel performance.

Group RevPAR

Group RevPAR increased by 2.8% to £71.55 (2013 £69.58), driven by increased occupancy and slightly higher average room rate. RevPAR rose in all of the Group's regions with the exception of Singapore.

Profit before tax

Profit before tax reduced by 36.3% to £188m (2013 £295m). As with Group revenue, this was driven primarily by recognition in 2013 of Glyndebourne profits totalling £139m (2014 £5m). There was a £21m impairment charge in 2013 which did not recur in 2014.

Net asset value

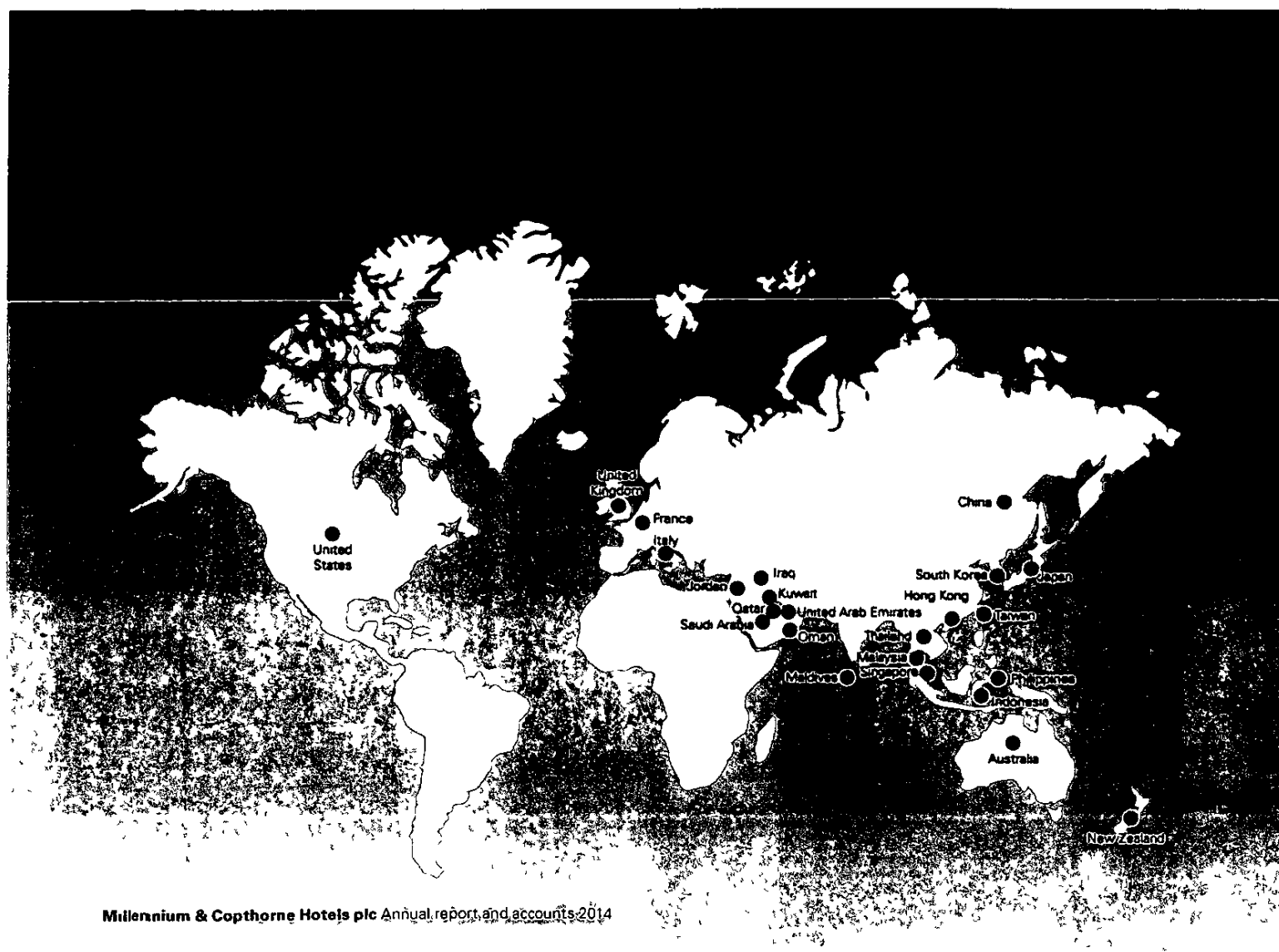
Net asset value increased by 2.1% to £2,735m (2013 £2,679m).



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Group at a glance

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



Hotel and room count analysed by ownership type

13

As at 31 December 2014

Inventory

Group	Hotels			Room Count		
	2014	2013	Change	2014	2013	Change
Owned or leased	64	62	2	19,044	18,434	610
Managed	31	28	3	8,780	7,984	796
Franchised	10	11	(1)	1,427	1,564	(137)
Investment	15	13	2	4,116	3,751	365
Total	120	114	6	33,367	31,733	1,634

Asia	Hotels			Room Count		
	2014	2013	Change	2014	2013	Change
Owned or leased	12	12	-	5,972	5,508	464
Managed	9	7	2	2,870	2,381	489
Franchised	2	2	-	780	780	-
Investment	9	6	3	2,525	1,941	584
Total	32	27	5	12,147	10,610	1,537

Europe (includes Middle East)	Hotels			Room Count		
	2014	2013	Change	2014	2013	Change
Owned or leased	20	19	1	4,571	4,548	23
Managed	21	20	1	5,763	5,456	307
Franchised	-	-	-	-	-	-
Investment	-	-	-	-	-	-
Total	41	39	2	10,334	10,004	330

United States	Hotels			Room Count		
	2014	2013	Change	2014	2013	Change
Owned or leased	19	18	1	6,701	6,477	224
Managed	-	-	-	-	-	-
Franchised	-	-	-	-	-	-
Investment	-	1	(1)	-	219	(219)
Total	19	19	-	6,701	6,696	5

Australasia	Hotels			Room Count		
	2014	2013	Change	2014	2013	Change
Owned or leased	13	13	-	1,800	1,901	(101)
Managed	1	1	-	147	147	-
Franchised	8	9	(1)	647	784	(137)
Investment	6	6	-	1,591	1,591	-
Total	28	29	(1)	4,185	4,423	(238)

14 Overview

Asia

32

Number
of hotels

12,147

Number
of rooms

283

Hotel revenue
(£m)

1,337

Hotel operating
net assets (£m)

Europe

41

Number
of hotels

10,334

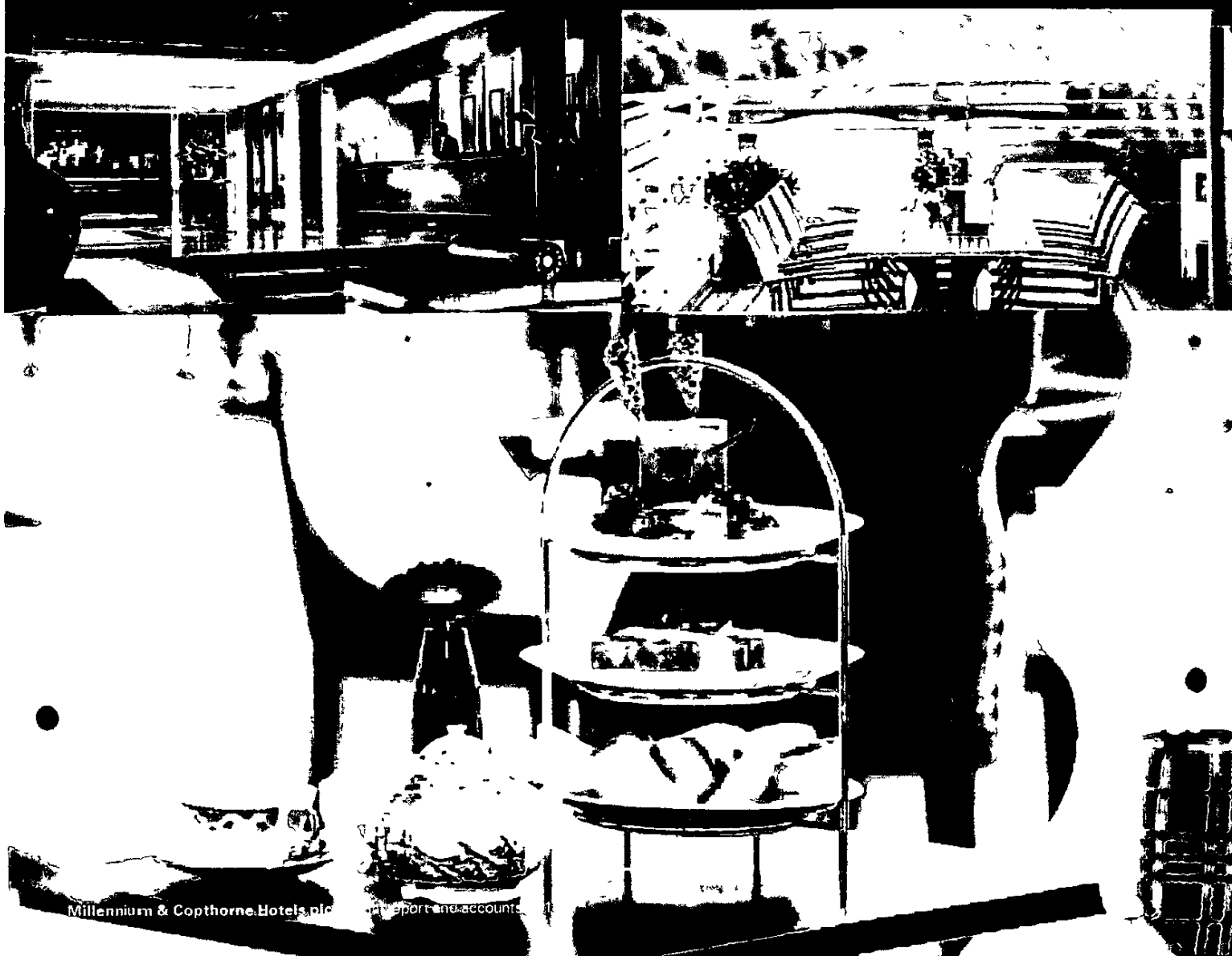
Number
of rooms

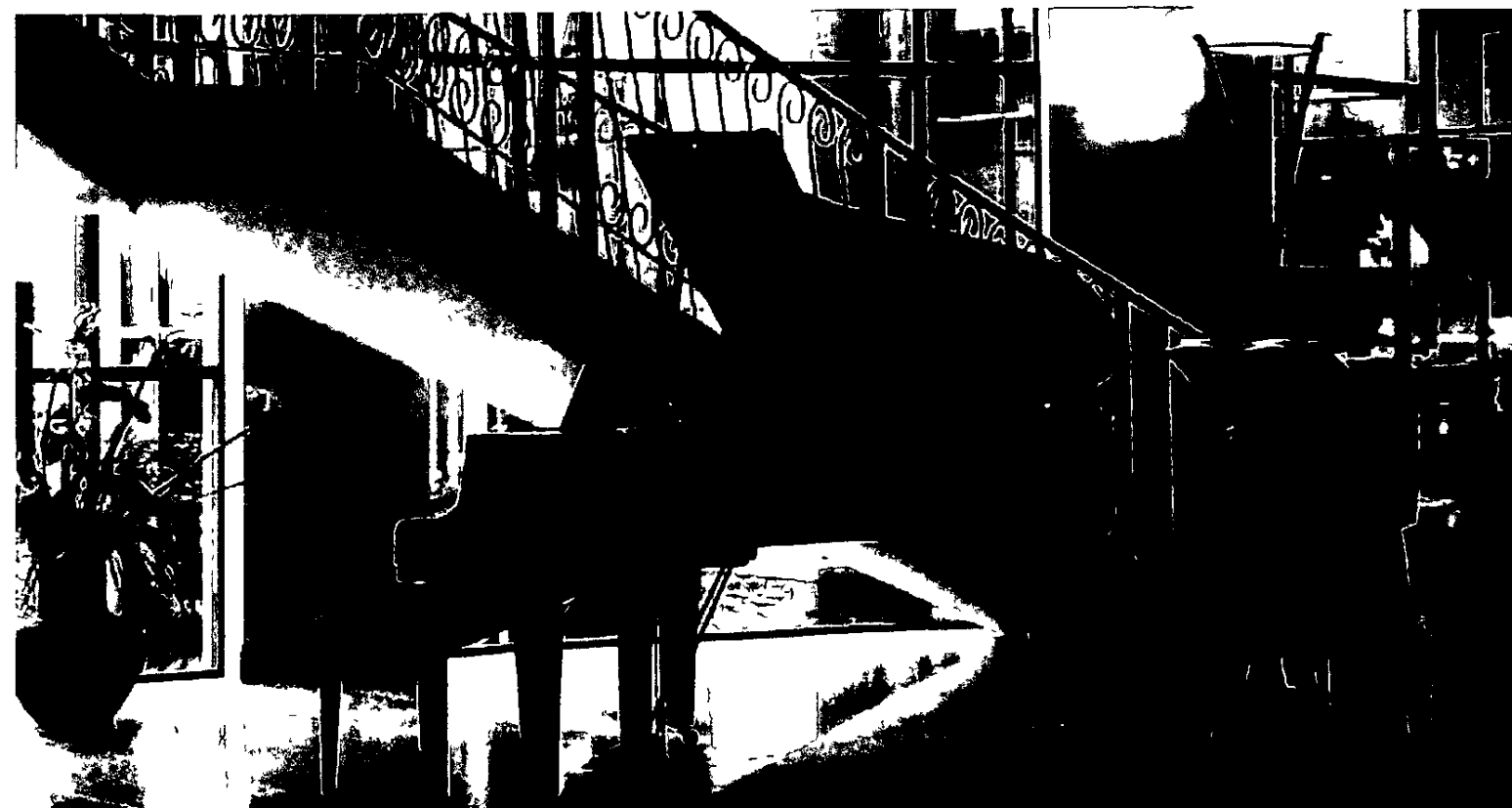
196

Hotel revenue
(£m)

691

Hotel operating
net assets (£m)





United States

19

Number
of hotels

6,701

Number
of rooms

229

Hotel revenue
(£m)

765

Hotel operating
net assets (£m)

Australasia

28

Number
of hotels

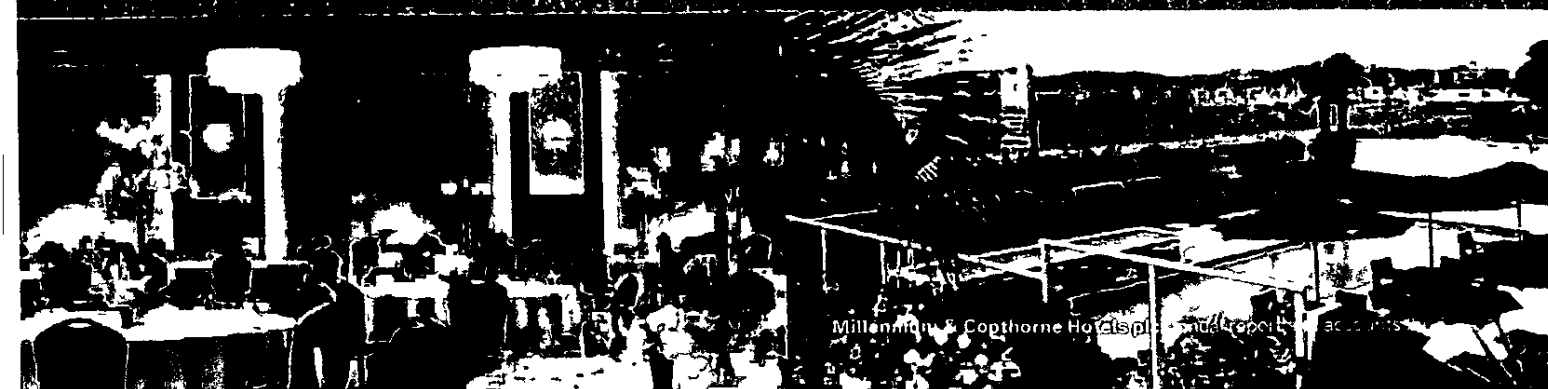
4,185

Number
of rooms

42

Hotel revenue
(£m)

299

Hotel operating
net assets (£m)

Millennium & Copthorne Hotels plc Annual Report 2005

Chairman's statement



Underlying performance was positive, with hotel revenue up by 2.6% at £750m (2013: £731m) and hotel operating profit up by 5.7% at £168m (2013: £159m), mainly reflecting the positive impacts of acquisitions and hotel refurbishments.

Group profit before tax was 36.3% lower in 2014 at £188m (2013: £295m). Revenue was down by 22.4% to £826m (2013: £1,064m). The falls were largely due to the previous year's recognition of results from the sale of Glyndebourne condominiums in Singapore, which yielded a revenue and profit of £274m and £139m respectively in 2013.

Reported results were adversely affected during the early part of the year by the translation effect of the strong pound sterling, our reporting currency.

RevPAR increased by 2.8% to £71.55, or by 6.9% in constant currency. The improvement in performance was driven mainly by acquisitions and the impact of our refurbishment programme, especially at Millennium Hotel Minneapolis and Grand Hyatt Taipei. Closure of the poorly performing Millennium Hotel St Louis in January 2014 also helped to improve RevPAR.

The increase in hotel revenue was

driven mainly by improved RevPAR and acquisitions. The Group's refurbishment programme also benefited hotel revenue through a net increase in the number of room nights available for sale from existing hotels compared to 2013, as well as through higher average room rates.

Closure of the Millennium Hotel St Louis reduced revenue by £4m. Revenue was reduced by the strength of our reporting currency, the pound sterling. In constant currency, hotel revenue increased by 6.7% (2013: £703m).

Management continues to focus on control of costs. The Group's consolidated hotel gross operating margin for the year rose to 36.0% (2013: 35.0%).

In light of the Group's performance last year, the Board is recommending a final ordinary dividend of 11.51p per share (2013: 11.51p). Together with the interim ordinary dividend of 2.08p per share (2013: 2.08p), the total ordinary dividend for 2014 is

13.59p per share (2013: 13.59p). A special dividend of 9.15p per share was declared with the 2013 results, reflecting recognition of profits from the Glyndebourne development in Singapore. The Directors have determined that a special dividend would not be appropriate in respect of 2014 profit. Subject to approval by shareholders at the Annual General Meeting to be held on 7 May 2015, the final dividend will be paid on 15 May 2015 to shareholders on the register on 20 March 2015.

I would like to welcome Aloysius Lee Tse Sang who joined the Group as Group CEO designate on 1 February 2015 and will take full control on 1 March 2015. He joined the Group from South Beach Consortium Pte Ltd in Singapore and has extensive experience within the real estate and hospitality industries. Mr Lee succeeds Wong Hong Ren, who will step down as the Group CEO and from the Board on 28 February 2015. Mr Wong will be available as a consultant to the Group for 12 months from 1 March 2015.

On behalf of the Board, I would like to thank Mr Wong for his dedication to the Group, his work as Group CEO and his contribution as a Director for many years, during which time he has been instrumental in developing and executing key elements of Group strategy. I wish him well for the future.

Gervase MacGregor was appointed as an independent Non-Executive Director of the Company on 11 December 2014. Mr MacGregor is a chartered accountant and a partner with the professional services firm, BDO LLP, where he is Head of International Advisory, Risk and Quality Services.

Ian Batey and Sean Collins resigned as independent Non-Executive Directors on 20 February 2014 and 11 December 2014 respectively. Mr MacGregor succeeded Mr Collins as Chairman of the Audit & Risk Committee, whilst Nicholas George succeeded Mr Collins as Senior Independent Director.

In 2015, the Group will continue to focus on ownership and management of hospitality real estate assets, and will commit significant capital to the refurbishment of key gateway city and other properties, further strengthening the business. The Group's strong financial position

enables it to continue seeking out attractive acquisition opportunities. The Group is well positioned to generate further improvement in operating performance in 2015, subject to ongoing concern about the sustainability of economic recovery and other factors affecting the world travel and hospitality markets.

In the first 31 days of trading in 2015, Group RevPAR increased by 6.9%, with Europe up by 9.1%, the United States up by 13.1%, Australasia up by 13.0% and Asia down by 1.6%.

Kwek Leng Beng
Chairman

9 February 2015





Strategic report

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Business review and strategy

The Group's strategy and business model worked well in a challenging economic environment during 2014. Whilst recoveries in the US and UK economies were reflected in stronger hospitality markets, in most of continental Europe and many parts of Asia, conditions were less favourable. By maintaining firm cost control at the hotel and corporate levels, and calibrating pricing to local and regional market conditions, the Group overcame these challenges to deliver positive trading results for the year.

Business model

The Group's hospitality real estate ownership model enables investors to participate in long-term asset value growth as well as hotel earnings. The model is de-centralised with relatively low central overheads, the core aim being to ensure that a high proportion of hotel revenues flow directly through to the Group's bottom line.

In some markets, where real estate ownership is sub-optimal

for fiscal or other reasons, the Group may operate hotels under management contract

Strategy

The core strategic objective of the Group is to provide long-term improving returns on shareholders' capital, whilst growing the business through asset acquisition and prudent investment in the existing asset portfolio. The Group is also

investing in its people, its brands and its technology in order to provide high quality, cost-efficient service to its customers and good financial returns to its shareholders

We take a four-pronged approach to executing our strategy, focused on capital allocation, promoting growth, controlling costs and fostering efficient operating procedures

Operating performance

RevPAR increased by 2.8% to £71.55, or by 6.9% in constant currency. The improvement in performance was driven mainly by acquisitions and the impact of our refurbishment programme, especially at Millennium Hotel Minneapolis and Grand Hyatt Taipei. Closure of the poorly performing Millennium Hotel St Louis in January 2014 also helped to improve RevPAR.

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Management continues to focus on cost control. The Group's hotel gross operating margin for the year rose to 36.0% (2013: 35.0%).

As well as economic conditions, the hotel trading environment is becoming increasingly influenced by changing distribution technology

The Group invested in its e-commerce capabilities, introducing a new central reservation system during 2014. We also deployed a new customer relationship management ("CRM") system in Europe to manage our interactions with current and future customers, whilst automating certain critical customer-facing areas such as marketing, sales and customer service. The CRM system will be introduced to other regions during 2015.

Acquisitions

The Group remained on alert for acquisition opportunities throughout 2014. In general, prices demanded by owners of hotel assets remained

higher than justified by hotel operating performance. Despite this overall trend, the Group succeeded in acquiring three value-adding properties during the year.

- On 25 March 2014, the Group completed its purchase of the long leasehold interest in a 5-star, all-suite hotel located within London's Chelsea Harbour district for £65m. Situated in a prestigious and improving riverside location, the property – now renamed as The Chelsea Harbour Hotel – offers 154 suites and 4 penthouses.

The three acquisitions added £32m to revenue and £6m to operating profit in 2014. Proportionately greater contributions are anticipated in 2015, which will be their first full year of ownership by the Group.

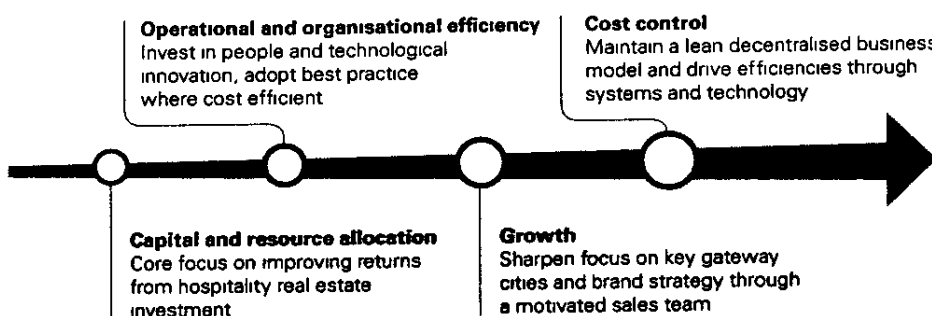
In addition, CDLHT acquired two hotels in Tokyo during December 2014, which will be managed under the MyStays brand.

The Group opened three hotels under management contract during 2014. In total the Group has 31 management contracts, most of

The Group co-owns the freehold and leasehold interests in the property through a joint-venture with CDL.

In December 2014, Urban Environmental Improvement ("UEI") approval was granted for the Group's land in Seoul, South Korea to be used for lodging facilities. There was also UEI approval of the floor area ratio, footprint ratio and building height for a proposed hotel and serviced apartment construction project under consideration by the Group.

The Group is considering its options with regard to its freehold interest in Millennium Hotel St Louis, which closed in January 2014. The property occupies a 17,033m² site in the city. The Group is also considering its options with respect to its freehold interest in a 35,717m² mixed use landsite at Sunnyvale, California.



- On 12 June 2014, the Group completed its acquisition of the 480-room 4-star Novotel New York Times Square, for which it paid \$274m (£161m). The property is situated at a location that is consistently voted amongst the world's most important tourist destinations. It will continue to be managed by Accor under the Novotel brand.
- On 9 October 2014, the Group completed the purchase of its first hotel in Italy, for €66m (£51m). This is a 5-star, 87-room property, located on Rome's Via Veneto and the hotel is now renamed as Grand Hotel Palace Rome.

which are in the Middle East and China. The Group had 120 hotels in 79 locations at 31 December 2014. This was a net increase of six properties compared to 31 December 2013.

Development

Construction and fitting out of the Group's first hotel in Japan was completed towards the end of the year, with the official opening on 17 December 2014. The new luxury hotel has 329 rooms and is located in Tokyo's fashionable Ginza district. Mitsui Fudosan Co., Ltd. operates the hotel as the Millennium Mitsui Garden Hotel Tokyo under a fixed-term lease and licensing arrangement.

22 Strategic report

Business review and strategy – continued

Refurbishment

In addition to acquisitions and new development, the Group regards prudent investment in the existing hotel portfolio as a means to improve return on capital. Such investment decisions are made with the utmost care, avoiding excessive disruption to current trading. Investment is also dependent on local planning constraints and permissions, which can delay individual projects.

In addition to standard maintenance expenditure across the estate, the Group invested £42m in existing properties during 2014. Most of this expenditure was accounted for by the continuing refurbishment of Grand Hyatt Taipei which, with 853 rooms, is the Group's largest hotel in Asia. The remaining work on the common parts of the property will conclude during 2015.

A smaller refurbishment project was completed during the summer at the Group's 125-room hotel in Arizona. On 1 October 2014, the former Millennium Resort and Villas Scottsdale was re-opened as The McCormick Scottsdale after a three-month closure over the normally quiet summer months. It is too early to assess the trading impact of the renovation.

Refurbishment of all 100 rooms in the main tower of Millennium Harvest House Boulder was completed in May 2014.

Refurbishment projects are in process at Millennium Bailey's Hotel London Kensington, Millennium Hotel Buffalo, Millennium Alaskan Hotel Anchorage and Millennium

Biltmore Hotel Los Angeles. A number of significant refurbishment projects affecting other Group properties are being planned.

Asset disposals

The Group did not renew its lease on the loss making Copthorne Hotel Hannover, which expired at the end of 2014.

In March 2014, the UK Secretary of State confirmed the compulsory purchase order for Birmingham's Paradise Circus Redevelopment scheme, which includes the Copthorne Hotel Birmingham. As previously announced, the Group has entered into an agreement with the developer of the scheme, granting the Group a number of options including construction of a new hotel and/or the sale of the existing site.

The Group is also in discussion with appropriate authorities in Scotland regarding the impact of the redevelopment of the local area on the Millennium Hotel Glasgow.

Joint ventures and associates

Joint ventures and associates contributed £10m to profit in 2014 (2013: £14m).

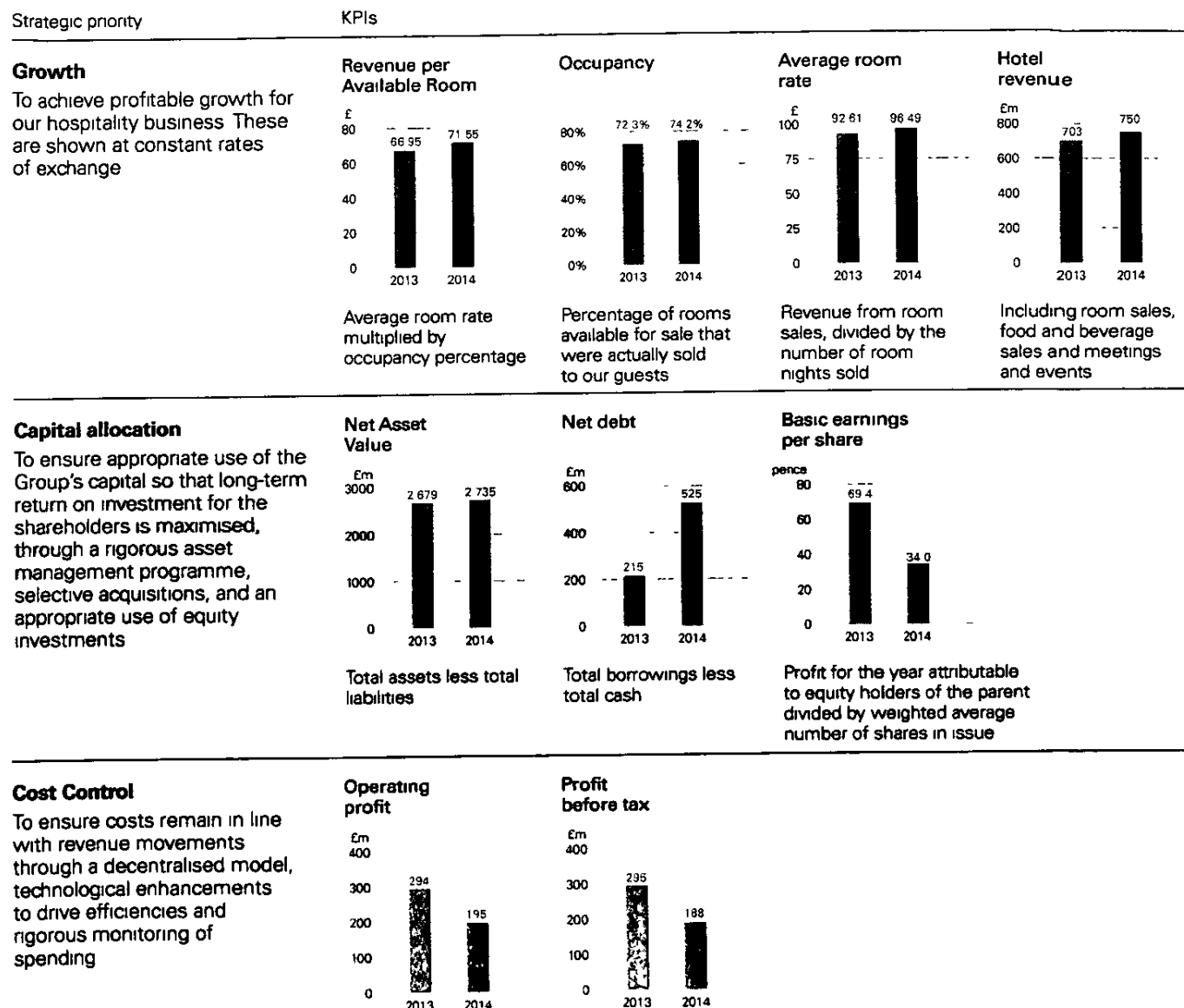
First Sponsor Group Limited ("First Sponsor") was listed on the Singapore Exchange on 22 July 2014. The Group has an effective interest of 36% in First Sponsor, which now reports its results publicly. First Sponsor will continue to be an important part of the Group strategy for growing its presence in China, through managing hotels that are developed and owned by First Sponsor in the course of its work as

an international mixed use real estate developer. At 31 December 2014, the Group managed one property owned by First Sponsor – the 196-room M Hotel Chengdu. The 610-room Millennium Waterfront Chengdu Hotel is scheduled to open in Chengdu's Wenjiang district in 2017. More properties are at the planning stage.

In 2014 the Group consolidated the performance of CDLHT in accordance with IFRS 10 Consolidated Financial Statements. Previously it was equity accounted under Joint Ventures and Associates. CDLHT is listed on the Singapore Exchange and reports its results and activities separately.

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.



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

Group, Regional Managers focus on operational KPIs as well as the above. These include customer feedback, hotel gross operating profit and staff retention. General Managers report their operating KPIs to Regional Managers on a regular basis with comparison numbers for the local competitive set of each hotel. The hotel

performance numbers are then consolidated into regional and Groupwide figures.

24 Strategic report

Financial performance

For the full year to 31 December 2014, total revenue decreased by 22.4% to £826m (2013 £1,064m) principally due to the recognition of Glyndebourne revenue in 2013

Full year overview

Operating profit decreased by 33.7% to £195m (2013 £294m). The decrease was due to £139m of operating profit being recognised in relation to the Glyndebourne project in 2013 (2014 £5m). When Glyndebourne is stripped out, the Group's operating profit increased by 22.6%. This was helped by the £27m of net revaluation gains on the Group's investment properties, particularly the new Ginza hotel and by the £21m impairment charge in 2013 which did not recur in 2014.

Profit from joint ventures and associates in the year decreased to £10m (2013 £14m) due to lower contributions from First Sponsor.

Basic earnings per share decreased by 51.0% to 34.0p (2013 69.4p).

Foreign exchange translation

Currency (£)	As at 31 December		Average for the 12 months	
	2014	2013	2014	2013
US dollar	1,556	1,647	1,645	1,569
Singapore dollar	2,059	2,088	2,087	1,963
New Taiwan dollar	49,419	49,450	49,938	46,634
New Zealand dollar	2,001	2,013	1,990	1,917
Malaysian ringgit	5,442	5,419	5,391	4,953
Korean won	1,708,55	1,735,49	1,727,98	1,713,18
Chinese renminbi	9,684	9,999	10,138	9,648
Euro	1,278	1,197	1,240	1,179
Japanese yen	187,334	172,545	173,950	152,194

The Company publishes its Group financial statements in sterling. However, the majority of the Company's subsidiaries, joint ventures and associates report their revenue, costs, assets and liabilities in currencies other than sterling. The Company translates the revenue, costs, assets and liabilities of those subsidiaries, joint ventures and associates into sterling and this translation of other currencies into sterling could materially affect the amount of these items in the

Group's financial statements, even if their values have not changed in their original currencies. The above table sets out the sterling exchange rates of the other principal currencies in the Group. Sterling strengthened appreciably compared to major currencies during the early months of the year and later it retraced its gains against a stronger US dollar but strengthened further against the Euro and the Japanese yen, the effect of which can be seen in the translation reserve on page 77.

Financial position and resources

	2014 £m	Restated 2013 £m	Change £m
Property, plant and equipment and lease premium prepayment	2,851	2,457	394
Investment properties	479	414	65
Investment in joint ventures and associates	235	203	32
Other financial assets	5	5	-
Non-current assets	3,570	3,079	491
Current assets excluding cash	182	259	(77)
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	(271)	(236)	(35)
Net debt	(525)	(215)	(310)
Deferred tax liabilities	(221)	(208)	(13)
Net assets	2,735	2,679	56
Equity attributable to equity holders of the parent	2,263	2,176	87
Non-controlling interests	472	503	(31)
Total equity	2,735	2,679	56

Non-current assets

Non-current assets have increased year-on-year, principally due to the acquisition of the five new hotels and the completion of the Tokyo hotel.

The Group states land and buildings, apart from investment properties, at depreciated deemed cost, being their UK GAAP carrying value, including revaluations as at 1 January 2004, together with additions thereafter less subsequent depreciation and provision for impairment

External professional open market valuations took place at the end of 2014 for all investment properties and those property assets identified as having impairment risks. This resulted in a revaluation surplus of £29m (2013: £21m) and a revaluation deficit of £2m (2013: £2m) relating to the Group's investment properties being recorded in the accounts for 2014. No impairment charge was made for the Group's hotels during the year ended 31 December 2014 (2013: £21m).

Financial structure

Group interest cover ratio for the year ended 31 December 2014 (excluding

share of results of joint ventures and associates and other operating income and expense) is 10 times (2013: 23 times)

At 31 December 2014, the Group had £392m cash and £255m 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 90.7% of fixed assets and investment properties. At 31 December 2014, total borrowing amounted to £917m of which £70m was drawn under £90m of secured bank facilities.

Future funding

Of the Group's total facilities of £1,188m, £575m matures within 12 months comprising £29m unsecured bonds, £196m committed revolving credit facilities, £45m uncommitted facilities and overdrafts subject to annual renewal, £303m unsecured term loans and £2m secured term loans. Plans for refinancing the maturing facilities are under way.

Treasury risk management

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

2014 changes in accounting policy and presentation

IFRS 10 Consolidated Financial Statements replaced the requirements of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. It introduces new criteria to determine whether entities in which the Group has an interest should be consolidated. It was first effective for the Group's 2014 accounts, and the implementation of IFRS 10 resulted in the Group consolidating CDLHT which was previously treated as an associate undertaking and not consolidated. The comparatives for 2013 have been restated accordingly. More detail is given in Note 2.2 to the consolidated financial statements.

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Regional performance – Asia

The Group had 32 hotels in Asia at the close of 2014 (2013: 27), 21 of which were owned, leased or investment properties (2013: 18) including the 11 hotels (2013: 9) owned by CDLHT. RevPAR for these hotels fell by 0.4% to £70.62 (2013: £70.89). Hotel revenue of £283m (2013: £274m) increased by a higher margin (3.3%) as a result of rooms being returned to inventory at Grand Hyatt Taipei and increased contributions from meetings and events. There was also a small additional contribution to revenue as a result of the Group adding two management contract hotels to inventory in the region in the first quarter of 2014.

↓ 0.4%

RevPAR

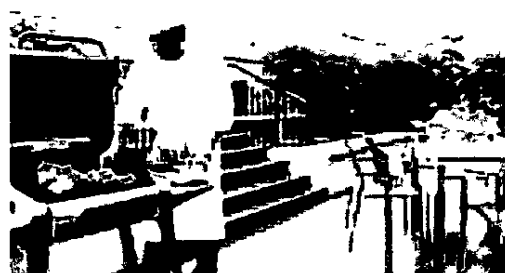
£70.62
(2013: £70.89)

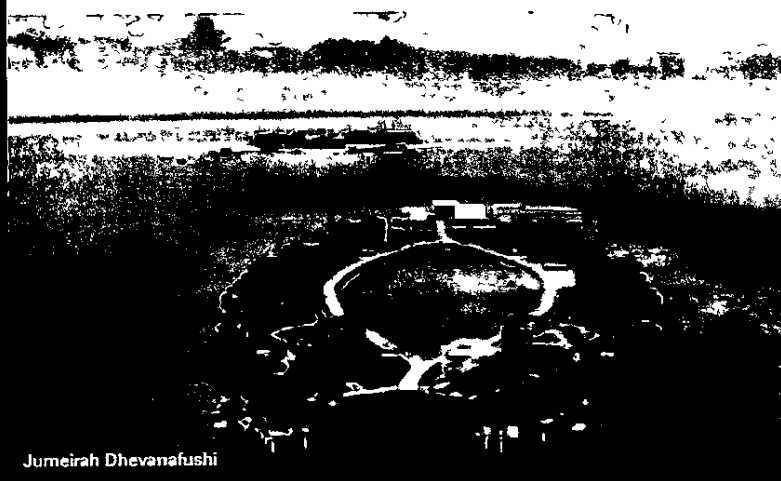
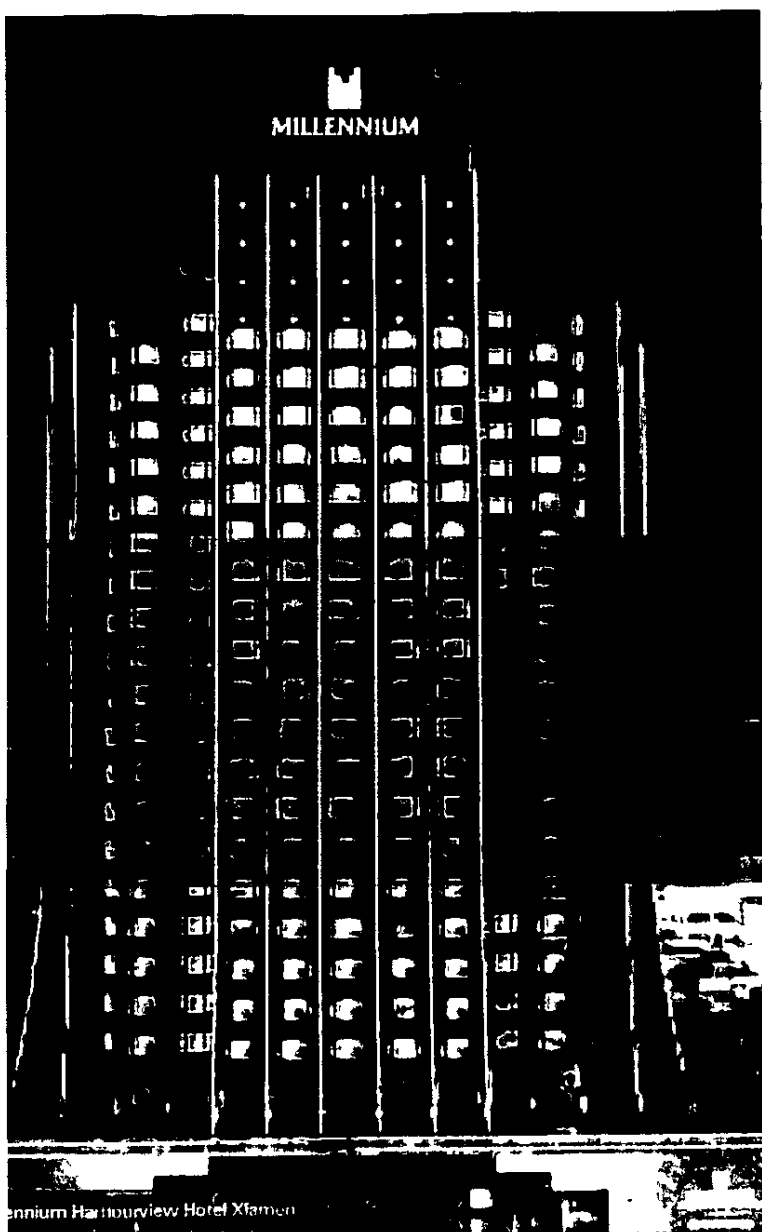
	2014	2013	Change
Asia			
Hotel Revenue (£m)	283	274	3.3%
RevPAR (£)	70.62	70.89	(0.4)%
Occupancy (%)	78.1	76.9	1.2pts
ARR (£)	90.45	92.18	(1.9)%

Singapore			
Hotel revenue (£m)	131	131	–
RevPAR (£)	86.88	88.64	(2.0)%
Occupancy (%)	88.3	86.4	1.9pts
ARR (£)	98.40	102.61	(4.1)%

Rest of Asia			
Hotel revenue (£m)	152	143	6.3%
RevPAR (£)	59.64	58.37	2.2%
Occupancy (%)	71.2	70.2	1.0pts
ARR (£)	83.78	83.13	0.8%

* Performance review for the regions from pages 26 to 33 is based on calculations in constant currency whereby 31 December 2013 average room rates, RevPAR and hotel revenue have been translated at average exchange rates for the year ended 31 December 2014.





Jumeirah Dhevanafushi

pressure on average room rate with the result that the Group's Singapore RevPAR fell by 2.0% for the year. However, the Group's occupancy-led strategy, together with higher receipts from meetings and events, kept hotel revenue flat compared to the previous year.

Rest of Asia

The main factor supporting revenue growth in Rest of Asia was the re-opening of rooms closed for refurbishment at the Grand Hyatt Taipei. Work on the common parts of the hotel is scheduled to complete in 2015. Elsewhere, RevPAR performance was relatively flat, except for The Heritage Hotel Manila where RevPAR fell by 11.7% following the closure of the casino, which had been operated by a third party.

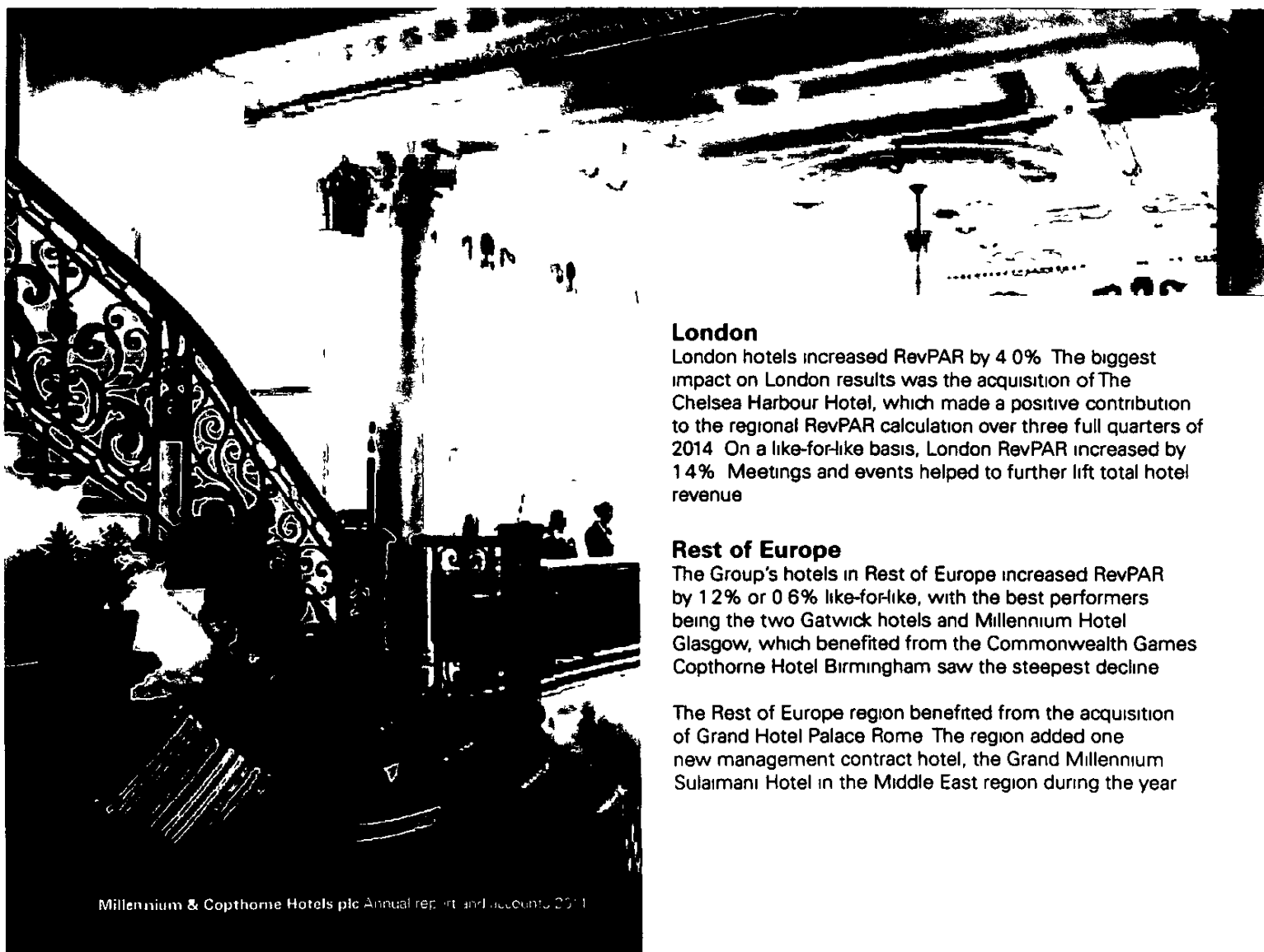
Millennium Mitsui Garden Hotel Tokyo which is held as an investment property, opened in mid-December 2014 and did not make a material contribution to the year's results. The Group further strengthened its presence in Tokyo when CDLHT acquired two budget hotels at the end of the year. These hotels are operated under the MyStays brand. The Group added two management contract hotels in Asia during the year: Copthorne Hotel Cameron Highlands in Malaysia and the Group's first resort destination in China, Millennium Resort Hangzhou.

Singapore

Singapore visitor arrivals fell by 3.4% in the 11 months ended 30 November 2014. This was led by lower visitor numbers from China which fell by 26% compared to the same period in 2013, although month-on-month comparisons turned positive in October and November. There was also an estimated 3.3% increase in the number of Singapore hotel rooms compared to the previous year. Increasing supply and falling demand put

Regional performance – Europe

At the end of 2014 the Group had 41 hotels in Europe (2013: 39), including the Middle East where we have 17 hotels operating under management contracts (2013: 16). Four hotels in the United Kingdom – Copthorne Hotel Sheffield, Millennium Madjeski Hotel Reading and two Millennium & Copthorne Hotels at Chelsea Football Club – are also under management contracts. Of the remaining 20 hotels, two were acquired during the year. The Chelsea Harbour Hotel and Grand Hotel Palace Rome. The Group decided not to renew its lease on Copthorne Hotel Hannover in Germany, which expired on 31 December 2014. RevPAR for the Group's owned and leased hotels increased by 4.0% compared to 2013 as a result of higher average room rates.



London

London hotels increased RevPAR by 4.0%. The biggest impact on London results was the acquisition of The Chelsea Harbour Hotel, which made a positive contribution to the regional RevPAR calculation over three full quarters of 2014. On a like-for-like basis, London RevPAR increased by 1.4%. Meetings and events helped to further lift total hotel revenue.

Rest of Europe

The Group's hotels in Rest of Europe increased RevPAR by 1.2% or 0.6% like-for-like, with the best performers being the two Gatwick hotels and Millennium Hotel Glasgow, which benefited from the Commonwealth Games. Copthorne Hotel Birmingham saw the steepest decline.

The Rest of Europe region benefited from the acquisition of Grand Hotel Palace Rome. The region added one new management contract hotel, the Grand Millennium Sulaimani Hotel in the Middle East region during the year.



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	2014	2013	Change
Europe			
Hotel Revenue (£m)	196	180	8.9%
RevPAR (£)	79.97	76.86	4.0%
Occupancy (%)	77.4	77.8	(0.4)pts
ARR (£)	103.38	98.78	4.7%

London			
Hotel Revenue (£m)	125	111	12.6%
RevPAR (£)	112.47	108.19	4.0%
Occupancy (%)	85.7	85.4	0.3pts
ARR (£)	131.23	126.73	3.6%

Rest of Europe			
Hotel Revenue (£m)	71	69	2.9%
RevPAR (£)	47.78	47.20	1.2%
Occupancy (%)	69.1	70.7	(1.6)pts
ARR (£)	69.16	66.80	3.5%

⬆ 4.0%

RevPAR

£79.97
(2013: £76.86)



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Regional performance – United States

The US was the Group's strongest performing region in 2014, helped by the Novotel New York Times Square acquisition, as well as recent refurbishments and the improving national economy. The Group owned 19 hotels in the US at 31 December 2014 (2013: 19), including the Novotel New York Times Square acquired in June 2014 and the Millennium Hotel St Louis, which was closed in January 2014.



Regional US

Revenue for the Group's regional US estate was in line with 2013, despite a RevPAR gain of 8.4% for the year. This reflected the closure of Millennium Hotel St Louis in January 2014. Excluding this property, RevPAR grew 73% and hotel revenue by 4.6% in the region. The recently refurbished Millennium Hotel Minneapolis was the biggest single contributor to growth with high double digit RevPAR growth compared to 2013. The majority of the regional US hotels delivered RevPAR gains, led by significant increases at Millennium Bostonian Hotel Boston, Millennium Biltmore Hotel Los Angeles and Millennium Maxwell House Hotel Nashville. RevPAR declined at Millennium Knickerbocker Hotel Chicago, Millennium Hotel Cincinnati and Millennium Hotel Buffalo.

New York

Like-for-like RevPAR for New York grew by 19% compared to 2013 with hotels showing an aggregate RevPAR gain of 70%. Acquisition of the Novotel New York Times Square in June 2014 had a significant positive impact on revenue and RevPAR.



↑ 13.8%

RevPAR

£74.44

(2013: £65.40)

	2014	2013	Change
United States			
Hotel Revenue (£m)	229	208	10.1%
RevPAR (£)	74.44	65.40	13.8%
Occupancy (%)	68.5	65.9	2.6pts
ARR (£)	108.70	99.28	9.5%

New York			
Hotel Revenue (£m)	123	102	20.6%
RevPAR (£)	141.30	132.10	7.0%
Occupancy (%)	88.7	84.3	2.4pts
ARR (£)	162.93	156.70	4.0%

Regional US			
Hotel Revenue (£m)	108	106	-
RevPAR (£)	44.19	40.76	8.4%
Occupancy (%)	60.2	59.1	1.1pts
ARR (£)	73.37	69.01	6.3%

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Regional performance – Australasia

The Group has 28 hotels in Australasia, of which 13 are owned or leased in New Zealand and nine are franchised or under management contract. The six remaining hotels are held as investments by CDLHT and are not included in the Group's RevPAR calculations.



	2014	2013	Change
New Zealand			
Hotel Revenue (£m)	42	41	2.4%
RevPAR (£)	42.10	37.06	13.6%
Occupancy (%)	73.7	67.5	6.2pts
ARR (£)	57.09	54.89	4.0%

↑ 13.6%

RevPAR

£42.10

(2013: £37.06)





Australasia

RevPAR increased by 13.6% in 2014. Property refurbishment, together with increased overseas visitor numbers helped to increase average room rate and occupancy in most locations. The hotels in Auckland and Queenstown in particular performed well.

Hotel revenue does not fully reflect improved RevPAR performance due to the cessation in the first quarter of 2014 of business interruption insurance receipts relating to the three Christchurch hotels damaged in the 2011 earthquake. Excluding this factor, hotel revenues increased by 6.6% compared to 2013.

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Corporate social responsibility

The Group takes pride in creating a great customer experience whilst operating sustainably

We aim to meet the needs of our guests whilst maintaining high standards in every aspect of our business, from human rights to environmental and social sustainability

To demonstrate our commitment to corporate social responsibility, the Board has adopted a number of policies, collectively referred to as Responsible Hospitality, which are designed to recognise the Group's wider impact on the communities in which we operate. The Board recognises the need to review these policies regularly and to communicate to stakeholders on progress made

Our people

As part of our strategic emphasis on operational and organisational efficiency, the Board recognises that the Group's growth and future success depends on the effectiveness of employees in all areas of the business, from the Board and senior management to new trainees. It therefore places great emphasis on promoting the development of Group human resources policies that will

- attract and retain talented individuals,
- facilitate satisfying and rewarding career paths, with effective leadership development and coherent succession planning, and
- build a strong performance culture through clear objective-setting at all levels

As a global business with a global customer base, the Group sees strong competitive advantage in creating a diverse and inclusive working environment, with truly global perspectives

We engage with employees through a range of ways that aim to keep them updated with the entire business. This helps to promote team building, as well as the ability of staff to anticipate and deliver customer needs

All staff are encouraged to gain industry-relevant qualifications where appropriate, both to strengthen the business through a well-trained and engaged workforce and to support personal career development. During 2014, we continued to build on our "Outstanding Service Excellence" programme, which promotes the Group's aim to delight its guests and customers, wherever and whenever they are served by us

For the year to 31 December 2014, the Group employed an average of 10,257 people worldwide in over 20 countries (2013: 10,353)

Employees by gender	Male	Female
Directors	8	1
Senior managers	174	69
Other employees	5,970	4,035

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

	2014 Number	2013 Number
Hotel operating staff	7,954	8,009
Management/ administration	1,253	1,306
Sales and marketing	464	438
Repairs and maintenance	586	600
	10,257	10,353

A healthy workplace

Promoting good health, safety and security for our customers, colleagues and subcontractors is paramount and effective measures are in place at our properties to support this aim

Our health, safety and security functions ensure compliance with statutory requirements through continuous development of relevant policies and procedures across the Group

We aim to ensure that our staff are trained in fire emergency procedures, high level security threat scenarios and emergency evacuations, which assist in creating a safe working environment for both guests and employees

Reports covering health and safety matters are presented quarterly to the Board. These include statistics on accidents, incidents and progress in fulfilling targets linked to continuous improvement and in promoting wider awareness of related issues

Caring for the environment

Climate change has a major impact on the travel and hospitality industry. We want to grow responsibly which means proportionately reducing our energy, carbon and resource impacts. We are committed to doing this by seeking new ways to reduce and manage emissions across our hotel estate and through identifying and implementing sustainable and responsible cost efficient measures

This year, 16 of our UK hotels participated in an Energy Excellence programme to deliver

a reduction in energy consumption over a 12 month period. The programme focused on raising awareness and implementation of simple energy saving measures which contributed towards a 5.6% reduction in electricity consumption and a 4.6% reduction in gas consumption when compared to a "business-as-usual" scenario

Our UK business was also successful in retaining the Carbon Trust Standard in recognition of its achievements in carbon reduction and further demonstrates its commitment to making future reductions

Other energy saving initiatives adopted across the estate include the installation of more energy efficient equipment and lighting, changes to operating procedures and maintenance programmes and continuous staff engagement in energy saving habits

When we started measuring our carbon footprint in 2010 we established that the vast majority of our direct emissions come from three sources: electricity usage, distribution fuels and refrigerant gases

Details of our total carbon footprint are summarised below. The base year was set as 2010 being the first year the Group reported greenhouse gas emissions. This year our carbon footprint was 349,442 tonnes

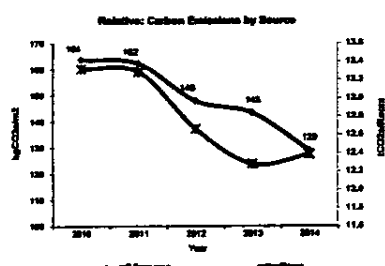
	Global tonnes of CO ₂ e		
	2014	2013	2010 Base year
Scope 1 ¹	59,200	58,386	73,309
Scope 2 ²	262,918	246,753	235,916
Carbon intensity (tonnes of CO ₂ e/rooms. Includes scope one, two and three emissions but not travel)	12.38	12.28	13.32
Scope 3 ³	27,323	26,677	19,214
No. of rooms	27,925	26,706	24,658
Total gross emissions	349,442*	331,817*	328,439

Notes

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

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

Absolute emissions for the year have increased due to the opening of a number of new hotels. However, if newly opened hotels were to be excluded, overall group emissions would show a decrease compared to 2013. Relative emissions (i.e. emissions per room or per unit floor area) have decreased since 2010. Emissions per unit floor area have decreased by 21% and emissions per room have decreased by 7%.



We recognise that our efforts to reduce our environmental impact need to go wider than our carbon footprint. They also need to cover other resources we rely on, ensuring we use them as efficiently as possible. Beyond the clear environmental benefits, the better management of resources will increase our resilience to risk, help secure the supply of our products and even provide opportunities to save money.

We are committed to seeing that all our hotel operations are run in an environmentally sound manner and that existing operations continue to reduce their environmental impacts. We look to ensure that all employees understand they can make a significant contribution to the Group being an environmentally friendly and green aware company.

Reducing our waste

In the US, Europe and Asia our hotels are converting incandescent light bulbs to LED and compact fluorescent bulbs. As well as

reducing carbon emissions, benefits will include longer bulb life and rebates from electricity suppliers in the US.

In 2014, our US properties have worked with a national food distributor to reduce the number of deliveries each week from 5 to 3 for each property. This reduction in deliveries will result in fewer trucks on the road, thus reducing overall emissions. M&C are partnering with companies such as Spring Back USA to implement a mattress recycling program to eliminate used mattresses going to landfill. The 2015 goal will be to recycle 1,000 mattresses.

Our New Zealand hotels are proud to participate in the Qualmark (New Zealand Tourism official quality Assurance Organisation) Green process where the hotels undertake initiatives to mitigate energy, water and waste usage, contribute to community conservation activities and monitor resources used. Five hotels have achieved the "Envirogold" standard where they 'exceed the highest level of environmental and social responsibilities and represent strong leadership and advocacy'.

We introduced a segregation of waste programme to the London hotels starting at the Millennium Gloucester Hotel and Millennium Bailey's Hotel in September 2014. The first phase will allow 430 tonnes of waste to be composted and a further 450 tonnes to be converted into electricity - with the aim of zero waste being transferred to landfill.

Our focus includes using suppliers with a demonstrable commitment to sustainable production methods. For example, our main fresh produce supplier in the UK is fully compliant with the London Low Emission Zone Scheme and is also testing electric vehicles that are completely emissions free. Our main UK fish and seafood supplier aims to reduce fleet emissions by 10% by 2016 and have processes in place to reduce food miles and energy consumption on their vehicles through local sourcing methods and energy saving initiatives.

Supporting our community

As owners and operators of hotels, we can make a big difference to the future of the communities in which our hotels are based, by providing employment directly and indirectly, as well as supporting educational programmes and other initiatives.

We encourage our hotels to be involved in their local communities and community projects. Our people devote their time and hotels provide facilities and resources. During the year, our people across the globe have been involved in a wide range of events and activities for charities supporting children,

health and wellbeing, the environment, the elderly and infirm, and education. Below are some examples of community activities around the Group in 2014.

Our Copthorne Hotel Auckland Harbour City employees continued their commitment to the Motutapu Restoration Trust, a conservation organisation of Motutapu Island, to save endangered kiwis, New Zealand's iconic flightless bird. Volunteers spent many hours enhancing the island sanctuary by restoring natural habitats, eradicating pests and ensuring the kiwis are given every chance to breed, self-sustain and thrive on the island.

Millennium Resort Mussanah employees donated their time by volunteering to clean up the Mussanah Beach and marina areas adjacent to the resort. Armed with shovels, rakes and garbage bags, the group of volunteers removed 800 kilograms of litter as well as household items to ensure visitors and local people can enjoy the unspoiled beaches once again.

Three million baht (£56,000) was raised by staff at Grand Millennium Sukhumvit Bangkok at its Black Mountain Charity Golf & Gourmet Dinner. All proceeds will go towards the Bangkok Post Foundation to support education for underprivileged students from primary to university levels in 32 provinces across Thailand.

The Millennium Alaskan Hotel Anchorage hosted a winter clothing drive for Covenant House, a youth homeless shelter. Staff speak weekly at Covenant House's job skills training class. This year the hotel hired eight interns from the homeless youth community that have since turned into full-time jobs. Every month the female managers make dinner or arrange an evening activity for Passage House, the single mother's home/division of Covenant House. When the Passage House had to close down due to necessary repairs, the hotel opened its doors to the staff, young women and children for the length of time they were displaced.

Staff at Copthorne Hotel Sheffield have again partnered with Aviva to provide food and beverage donations for their staff manning the phones during the Save the Children telethons. The hotel is also actively partnering with Sheffield United Community Foundation throughout this season with their student education days and school education outreach programme.

In 2015, we will examine ways in which similar initiatives can be rolled out across the hotel estate.

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Our risks

Like any other business, we are subject to a number of risks and uncertainties, which are influenced by both internal and external factors, often outside our control. In this section, we describe the principal risks that could have a material effect on the Group's business activities.

Risk factors

We provide information on the nature of the risk, actions taken to mitigate risk exposure and an indication of whether the type of risk is increasing, reducing or remains largely unchanged. Not all potential risks are listed below. Some risks are excluded because the Board considers them not material to the Group as a whole. Our processes aim to provide reasonable, not absolute, assurance that the risks significant to our business have been identified and addressed. Additionally, there may be risks that are not reasonably foreseeable at the date of this report for the Group to assess fully their potential impact on the business. The order in which risks are presented below is not indicative of the relative potential impact on the Group. The potential effect of these risks may be material to the Group's business by having an impact on revenues, profits, net assets and financial and other resources. Such risks also have the potential to impact on the Group's reputation. It is often difficult to assess with accuracy the likely impact of an event on reputation, as any damage often may be disproportionate to the event's actual financial impact. In general, the geographical spread of the Group provides a natural hedge against many of the principal risks identified on the following pages.

Management of risk

Our risk management activity is directed by the Executive Management Committee, led by the Group Chief Executive Officer, and is monitored by the Head of Risk and Internal Audit. Risk registers are compiled, and periodically updated, which map the nature of the risks relative to their likelihood of occurrence and severity and associated trends. Individual management committee members are assigned responsibility for devising risk treatment plans to eliminate, minimise or transfer risks. The Group Chief Executive Officer and members of the Executive Management Committee undertake regular reviews of the risk register and progress with risk management plans. The Board has overall responsibility for the risk management process and for ensuring that the Group's risks are managed appropriately and, either directly or through the Audit & Risk Committee, reviews the effectiveness of the Group's risk management processes and other internal controls. The Head of Risk and Internal Audit provides the Audit & Risk Committee with a quarterly update of risk management activity and the risk register.

	Risk and potential impact	Mitigating activities	Status
Events that adversely impact domestic or international travel	Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localised to a particular country, region or could have a wider international perspective, especially where a large airport, for example, is a major hub for worldwide travel. Reduced demand will impact on revenues and operational profitability.	<p>The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.</p> <p>The wide geographical spread (countries, cities) is a natural hedge.</p>	Stable
Political and economic developments	Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risks include changes in the political and/or regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets.	<p>Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short.</p> <p>Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimise these exposures to the greatest extent possible.</p> <p>The wide geographical spread of our hotels is a natural hedge.</p>	Increasing - Middle East / Asia
The hotel industry supply and demand cycle	The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance.	The Group has management systems in place designed to create flexibility in the operating cost base so as to optimise operating profits in volatile trading conditions, such as the profit protection plans initiated during previous market downturns.	Stable
Quality of product	We compete based on a number of factors, including quality and consistency of product. Lack of investment in the furnishings and plant could have a significant impact on the revenues that the hotels could earn. As supply increases, particularly in our key gateway cities, business may be lost to newer hotels, or rates may have to be cut to remain competitive.	At property level, we have regular and scheduled preventive maintenance programs. At Group level, asset enhancements are undertaken periodically. Technological advancements and system upgrades are an ongoing process. The Group's stated objective is to reinvest one-third of its EBITDA.	Increasing
Increasing dependence on online travel agents (OTAs)	<p>Our hotel rooms are booked through a number of distribution channels, one of which is OTAs, which tend to have higher commission rates than more traditional distribution channels, and are taking an increasing share of bookings across the sector.</p> <p>This may impact our profitability. In addition, over time, consumers may develop loyalties to the OTAs rather than to our brand.</p>	The Group continues to refresh its marketing strategy, including investment in e-commerce, relationship management, reservation systems and loyalty offering. A new state of the art Internet Booking Engine ('IBE') was implemented in 2014 providing a strong platform for future enhancements.	Increasing

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Our risks continued

	Risk and potential impact	Mitigating activities	Status
Human resources	Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude	<p>The Group has appropriate systems for recruitment, reward and compensation and performance management. Labour relations are actively managed on a regional and local basis.</p> <p>The development of people and having good succession planning processes is a key part of the Group's HR strategy.</p> <p>The Group has a strong service culture supported by recognition systems, compensation and benefits arrangements, training and development programmes.</p>	Stable
Management agreements	An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focusing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward.	The Group has developed a management team in the Middle East region that has the necessary skills and resources to pursue this element of the Group's strategy. A structured process for acquiring new contracts has been implemented and a priority is to ensure that the critical roles are filled and operational management is integrated into the Group system.	Stable
Joint ventures and subsidiaries with minority shareholders	The Group has entered into a number of joint ventures in certain markets and is therefore subject to the risk of non-performance on the part of the partners, especially when the strategic objectives of the partners are not fully aligned.	For these joint ventures, the Group has appointed representatives who are assigned responsibility to manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.	Stable
Treasury risk	<p>The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value.</p> <p>Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. Credit risk arises from the risk of financial loss if a financial counterparty fails to meet its contractual obligations in respect of its deposits or short term investments.</p>	<p>Foreign currency transactions exposure is primarily managed through funding of purchases from operating income streams arising in the same currency. Interest rate hedges 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.</p> <p>The Group actively monitors the need and timing of such hedges. Investments in short-term instruments are with counterparties approved by the Board taking into account the counterparty's credit rating and a maximum limit as to the amount that may be deposited.</p>	Stable
Tax risk	<p>The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences on the Group's profits.</p> <p>Similarly the Group's interpretation and application of various tax laws may be challenged. Tax authorities in many jurisdictions are increasing their focus on corporate tax affairs in order to maximise tax receipts.</p>	The Group seeks to minimise tax risk by ensuring that appropriate accounting systems, processes and internal controls are in place for accuracy of computation and timely payment of taxes. A co-operative approach is undertaken in respect of provision of information to tax authorities during tax audits and investigations, and external tax advisors are engaged in each tax jurisdiction where necessary to advise on such matters, and to give guidance on the implementation of any changes in tax legislation. Full review of tax implications is carried out prior to undertaking any transactions involving new activities or structural changes, and external tax planning advice is obtained where appropriate. The Board and Audit & Risk Committee receive regular updates on tax management issues.	Stable

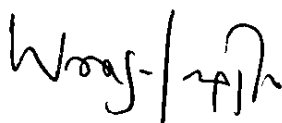
	Risk and potential impact	Mitigating activities	Status
Compliance and litigation	<p>The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements, including competition law, anti-bribery and corruption and data privacy compliance regimes</p> <p>In addition, the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or as a result of providing services to customers. In certain countries where the Group operates, particularly in emerging markets, local practices and the legal environment may be such that it is sometimes difficult for the Group to enforce its legal rights</p>	<p>The Group continues to monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance and training programmes. The Group has processes in place to manage the risks associated with its various contractual relationships, from execution through to termination, and insured and uninsured litigation. In addition, the Group has comprehensive policies for ethics and business conduct, anti-corruption and bribery, gifts and hospitality and charitable donations</p>	Stable
Safety, health and environment	<p>As a significant property owner and operator of hotels in multiple jurisdictions, the Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage</p>	<p>In addition to the Group's corporate social responsibility initiatives, the Group has established and maintains health and safety and environmental management systems that are aligned with the requirements of ISO 14001 and OHSAS 18001. By working to British standards, the Group is committed to working to the highest standards of health and safety and to an internationally accredited system</p>	Stable
Intellectual property rights and brands	<p>Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The trend towards managing third-party properties, primarily in the Middle East region increases the risk that product quality may not be delivered in accordance with the Group's standards. This may increase the Group's exposure to litigation, increase risks to reputation, reduce revenues and become an inhibiting factor on ongoing development</p>	<p>Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration, enforcement of intellectual property rights and domain name protection. Management seeks to ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery</p>	Increasing
Property ownership	<p>The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires ongoing investment in the form of preventative maintenance, refurbishment, significant capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located</p>	<p>The Group continues to develop property specific asset management plans which focus on the capital requirements of each property in terms of regular maintenance and product enhancement. The Group has rigorous management systems to monitor major capital projects to ensure they are properly managed and delivered on time and within budgeted parameters</p>	Stable

40 Strategic report

Our risks continued

	Risk and potential impact	Mitigating activities	Status
Insurance	Not all risks are insured, either because the cover is not available in the market or the cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the market's underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.	The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile and, relative to the cost of cover available in the market place. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers' security ratings.	Stable
Information Technology systems and infrastructure	In order to maintain its competitiveness within the market place the Group will need to ensure its IT systems deliver the necessary trading platforms and provide management with accurate and timely information.	Investments in the ever changing field of technology have the inherent risk of redundancy and impairment. As such, the Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Further investment is made to remove legacy technology to ensure robust, secure and compliant technology systems and services are delivered. Crisis management and disaster recovery plans are in place for critical systems. Management reviews IT requirements and risks to prioritise implementation of changes and improvements.	Stable
Data privacy & protection and fraud	<p>The Group has an obligation to keep secure personal information about its customers, employees and other stakeholders. Non-compliance with data privacy and protection regulations, which differ by jurisdiction and are an area of increasing focus by regulators, could result in fines and/or other damages, including reputational damage, being incurred, particularly in the event a data breach should occur.</p> <p>Additionally, a significant proportion of the Group's operating revenue is received from customers through credit card transactions and the payment card industry requires the Group to comply with payment card industry data security standards (PCI-DSS) as a condition of credit card merchant agreements.</p> <p>Failure to comply with these regulatory and contractual requirements and standards could result in penalties and withdrawal of credit card payment facilities.</p>	The Group regularly reviews and refreshes its policies, procedures and operating controls to ensure continued compliance with global data privacy and protection regulations. Training is updated and provided to all relevant staff on an ongoing basis.	Increasing

By order of the Board
Wong Hong Ren
 Group Chief Executive Officer



9 February 2015

Governance

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42 Governance

Board of Directors



Kwek Leng Beng^N

Chairman and Chairman of the Nominations Committee

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

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

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



Wong Hong Ren

Group Chief Executive Officer

Wong Hong Ren initially joined the Board as a Non-Executive Director on the flotation of the Company in 1996. He has been an Executive Director since April 2001 and was appointed Group Chief Executive Officer in June 2011. Mr Wong is chairman of Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited, both of which are listed on New Zealand's stock exchange. He is also the non-executive chairman of M&C REIT Management Limited which manages CDL Hospitality Real Estate Investment Trust, which is part of the Singapore-listed CDL Hospitality Trusts, and First Sponsor Group Limited. Mr Wong serves as president and chairman of the board of Grand Plaza Hotel Corporation which is listed in the Philippines.



His Excellency Shaukat Aziz^{MR}

Independent Non-Executive Director

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

After graduating from Gordon College, Rawalpindi in 1967, Mr Aziz 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.



Susan Farr^{MR}

Independent Non-Executive Director

Susan Farr was appointed to the Board in December 2013. She is Director, Strategic and Business Development and a member of the executive committee of Chime Communications plc. She also serves as a non-executive director of British American Tobacco plc, Dairy Crest plc and Accsys Technologies PLC. A specialist in business development and marketing, Ms Farr has previously held a number of senior management positions at Vauxhall Motors, the BBC and Thames Television. She is also a former chair of The Marketing Society and the Marketing Group of Great Britain.



Nicholas George^{MR}

Senior Independent Director

Nicholas George was appointed to the Board in June 2009. A chartered accountant by profession, Mr George is chairman of Nutmeg Savings and Investments and is a director of LGT Capital Partners (UK) Limited. He is also chairman of euNetworks Limited and is a member on the board of GK Goh Holdings Limited; both companies are listed on the Singapore Stock Exchange. In addition, Mr George is a director of Aberdeen New Dawn Investment Trust plc, which is listed on the London Stock Exchange.

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

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

Kwek Eik Sheng was appointed to the Board in May 2011. He has been with the Hong Leong Group of companies in Singapore since 2006, before joining City Developments Limited in 2009, where he is currently 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.

**Kwek Leng Peck^N****Non-Executive Director**

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

**Gervase MacGregor^A****Independent Non-Executive Director and Chairman of the Audit & Risk Committee**

Gervase MacGregor was appointed to the Board in December 2014. He has been a partner in BDO LLP since 1991, where he is currently the head of international advisory, risk and quality services, specialising in forensic investigations and expert witness services. Prior to joining BDO LLP, Mr MacGregor worked as a petroleum geologist in the North Sea, Australia and West Africa. He has experience in the hospitality sector over the last 25 years, first as an auditor of international five star hotels and more recently in investigations and disputes in the sector.

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

**Alexander Waugh^{A&R}****Independent Non-Executive Director and Chairman of the Remuneration Committee**

Alexander Waugh was appointed to the Board in June 2009. Mr Waugh has commercial experience in event management, the media industry and is the founder of a successful publishing business. He was also founding director and chairman of Xebros Management Limited, a digital media company.

Mr Waugh is also a world renowned author, literary critic and composer. He is Honorary President of the Shakespeare Authorship Coalition and Senior Visiting Fellow at the University of Leicester.

Committee membership.

A – Audit & Risk Committee

N – Nominations Committee

R – Remuneration Committee

44 Governance

Directors' Report

Directors' Report

The Directors submit their report for the financial year ended 31 December 2014 describing how the Company operates, who the members of the Board are and what the Board does. In addition, the Corporate Governance Report on pages 47 to 50 and the Remuneration Committee Report on pages 55 to 68 form part of this report.

Strategic Report

The Companies Act 2006 (the "Act") requires the Company to present a fair review of the business and the Group during the financial year. The Strategic Report can be found on pages 20 to 40.

Board of Directors

Biographical details of the Directors holding office at the year-end, including identification of the Chairman, Senior Independent Director, the Chairmen of the Board's standing committees and other Directors considered by the Board to be independent, having taken into consideration the factors set out in the UK Corporate Governance Code (the "Code") provision B 1.1, are shown on pages 42 to 43.

The following changes were made to the Board of Directors during the year:

- Ian Batey resigned as an independent Non-Executive Director on 20 February 2014,
- Sean Collins resigned as the Senior Independent Director on 11 December 2014, and
- Gervase MacGregor was appointed an independent Non-Executive Director on 11 December 2014.

Nicholas George became the Senior Independent Director on 11 December 2014 following Sean Collins' departure.

In November 2014, we announced that Wong Hong Ren would be stepping down as Group Chief Executive Officer on 28 February 2015 and that Aloysius Lee Tse Sang will replace him.

Details of the share interests of the Directors at the year end are shown on page 68. No changes to these interests occurred between 31 December 2014 and the date of this report.

Re-election of Directors

The Code provides for all directors of FTSE companies to stand for election or re-election by shareholders every year. Accordingly, all members of the Board will retire and seek election or re-election at this year's annual general meeting.

Results and dividends

The results for the year ended 31 December 2014 are set out on pages 76 to 140.

An interim dividend for the year ended 31 December 2014 of 2.08p per share was paid on 3 October 2014. The Directors are recommending a final dividend of 11.51p per share (2013: 11.51p), which, if approved at the annual general meeting, will be paid on 15 May 2015 to shareholders on the register on 20 March 2015. A special dividend of 9.15p per share was also paid in May 2014.

Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions can be found in the Corporate social responsibility review on pages 34 to 35.

Employees

We operate in over 20 countries and value highly the rich ethnic and cultural diversity of our people by nurturing a working environment that recognises, develops and values people with different views, styles and approaches.

Our policy is to provide equality of opportunity for all employees without discrimination and continues to encourage the employment, training and advancement of disabled persons in accordance with their abilities and aptitudes, 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 operates an HM Revenue & Customs approved Save as You Earn Scheme in the UK which aims to align employees' interests within the Group's performance.

Further details on employee benefits are set out in Note 23 to the consolidated financial statements.

Equal opportunities

The Company is an equal opportunities employer. It complies with equal opportunities legislation in the UK. 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, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation, or disability.

Human rights

Our business activities take place globally and therefore the matters affecting our employees are carried out under the jurisdiction of a number of different countries. However, notwithstanding this, we have acted to ensure that each jurisdiction follows the same high standards of human rights for employees. Our new human rights policy also sets out the expectations and requirements we have of our suppliers. You can find our human rights policy at www.millenniumhotels.com/corporate/investors.html.

Risk management

Significant short and long-term risks have been identified and assessed and the Board believes it has received adequate information to ensure that the Company has effective systems in

place for managing the Group's key risks. The Group's significant risk factors are included on pages 36 to 40.

Financial risk management

An indication of the Group's financial risk management objectives in respect of the use of financial instruments and its exposures to credit risk, interest rate risk and foreign currency risk are set out in Note 22 to the consolidated financial statements.

Going concern

Information on the principal risks and uncertainties that the Group faces throughout its global operations are described on pages 36 to 40. The financial position of the Group, its cash flows, liquidity position and debt facilities are described on pages 24 to 25. In addition, Note 22 to the consolidated financial statements sets out the Group's policies and processes for measuring and managing risk from its use of financial instruments in relation to credit risk, liquidity risk and market risk (both currency and interest rate related). Further details of the Group's cash balances and borrowings are included in Notes 20 and 21 to the consolidated financial statements.

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 published by the Financial Reporting Council "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009". 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 applicable to the Company. In addition, management has considered various mitigating actions that

could be taken in the event that market conditions are worse than 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 the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Group and the Company.

Share capital

The following information is given pursuant to Section 992 of the Act:

Details of the changes to the ordinary issued share capital during the year are shown in Note 29. At the date of this report, 324,674,823 ordinary shares of 30p each have been issued, are fully paid up and are listed on the London Stock Exchange.

Rights attaching to shares

Rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, a copy of which can be obtained from Companies House or from the Group's website at www.millenniumhotels.com/corporate/investors.html. The Company's Articles of Association may only be amended by special resolution of the shareholders.

The voting rights attached to the Company's ordinary shares are not restricted and there are no restrictions on the transfer of the Company's shares. None of the Company's shares carry special rights with regard to control of the Company. Neither the Company nor its Directors are aware of any agreements between shareholders that could result in restrictions on the transfer of shares or voting rights.

All of the Company's employee share plans contain provisions relating to a change of control. On 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.

Issue of shares and authority to allot shares

At the Company's annual general meeting in May 2014, the Directors were authorised to allot shares up to a nominal amount of £32,461,818 and to allot such shares up to this nominal amount in connection with a rights issue and otherwise to allot shares for cash on a non pre-emptive basis up to a nominal amount of £4,869,272. In addition, the Company was authorised to make market purchases of up to 10% of the Company's issued share capital. All of these authorities remained in effect as at 31 December 2014 and shareholders will be asked to renew them at the annual general meeting in 2015.

Co-operation agreement with major shareholder

There is in place a co-operation agreement between City Developments Limited ("CDL") and the Company which provides that CDL may appoint up to five Directors to the Board. As at the date of this report, CDL has appointed three Directors. The co-operation agreement was updated in 2014 to take account of the UK Listing Rules amended controlling shareholder provisions. The agreement will continue to be placed before shareholders annually for approval.

In respect of the independence provisions included within the co-operation agreement, the Company confirms that during the year:

- it has complied with such provisions, and
- in so far that it is aware, CDL has complied with such provisions as well.

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Directors' Report continued

Directors' indemnities

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 to the Group's UK pension plan and to the directors of its UK subsidiary companies. These indemnities remain in force as at the date of this report.

The Company purchased and maintained Directors' and Officers' liability insurance throughout 2014, which has been renewed for the current year. Neither the indemnities nor the insurance provide cover in the event that the Director is proved to have acted fraudulently.

Annual General Meeting

The annual general meeting will be held at the Copthorne Tara Hotel London Kensington, Scarsdale Place, Kensington, London W8 5SR on 7 May 2015 at 10.00am. The Chairman's letter and the Notice of Meeting accompany this report, together with notes explaining the business to be transacted at the meeting will be sent to shareholders.

At the meeting, resolutions will be proposed to declare a final dividend, to receive the Annual Report and Financial Statements, approve the Directors' Remuneration Report to elect or re-elect all Directors, and to re-appoint KPMG LLP

as auditors. In addition, shareholders will be asked to renew both the general authority of the Directors to issue shares and to authorise the Directors to issue shares without applying the statutory pre-emption rights. In this regard, the Company will continue to adhere to the provisions in the Pre-emption Group's Statement of Principles.

Donations

The Company operates a politically neutral policy with regard to political donations. No donations were made by the Group for political purposes during the year (2013: £nil).

See page 35 for details of the Company's charitable donations.

Essential contracts

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

Independent auditors

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

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

Each Director who held office at the date of approval of this Directors' report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and all of the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Jonathon Grech
Company Secretary

9 February 2015



Major interests in shares

As at 19 January 2015, the Company had received details of the following material share interests:

Substantial shareholders	%
City Developments Limited	61.19
Aberdeen Asset Management plc	6.73
Schroders plc	5.84
International Value Advisers, LLC	4.77

Corporate Governance Report

Dear Shareholders,

I am pleased to confirm once again that the Company has fully complied with the provisions and applied the main principles of UK Corporate Governance Code, as revised by the Financial Reporting Council in 2012 (the "Code"). The Board remains committed to ensuring that good practice in corporate governance is observed throughout the Group and it therefore continues to be the responsibility of the whole Board. The Board is also committed to maintaining the highest standards of business integrity and professionalism in all its activities.

We continually review developments in corporate governance, both in the UK and internationally. Following the amendments to the UKLA Listing Rules the Company revised its relationship agreement with its parent company, City Developments Limited, to take account of new requirements.

I personally encourage the adoption of emerging practice where it has the potential to enhance and improve our business performance over the long term.

Our Board committees have continued to perform effectively in what has been an extremely busy year for them. They have each faced considerable challenges and, in one way or another, they have

all been involved in the change in Board membership that we have announced. You will find more on the work of the committees in their individual reports.

We have engaged with our shareholders regularly and welcome their feedback on our approach to governance and what they expect from us. An example of this is the clarification issued by the Remuneration Committee in April 2014 regarding the discretionary use of Listing Rule 9.4.2(2) and its use in the recruitment of a new Executive Director. This came about through consideration of guidance from and engagement with investors on their expectations for executive remuneration.

Pages 48 to 50 describe our corporate governance framework in more detail and how governance is applied on a day-to-day basis. I hope you will find this helpful in understanding our commitment to good governance.

Kwek Leng Beng
Chairman

9 February 2015

Compliance

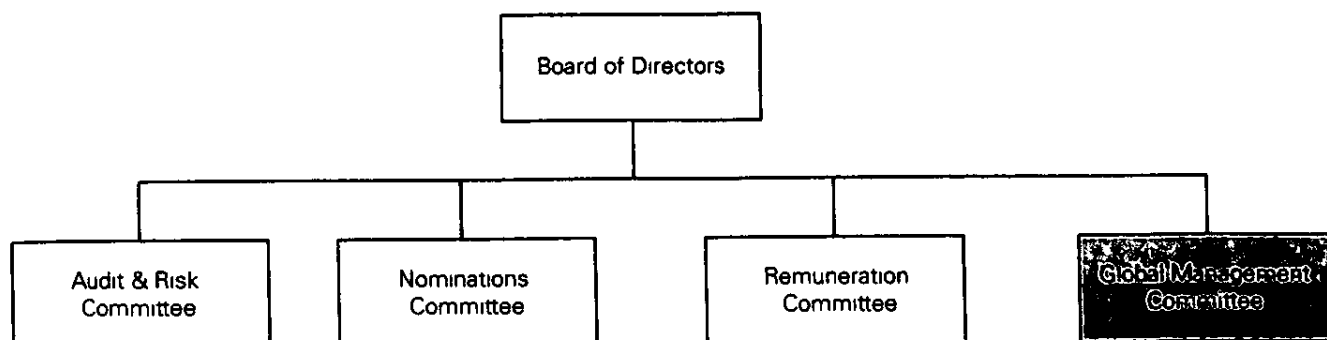
Millennium & Copthorne Hotels plc is the listed holding company for the Millennium & Copthorne Hotels group of companies (the "Group"), its shares are listed on the London Stock Exchange and it is therefore subject to the Code. The Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders, and a copy is available from the Financial Reporting Council at www.frc.org.uk.

The Strategic Report on pages 20 to 40 provides information about the Group's strategy and outlook, its businesses, the financial and operating performance during the year, the principal risks and uncertainties and corporate social responsibility. A description of the Group's business model is included on page 20 as required by provision C.1.2 of the Code.

The role of the Board and its committees

The Board provides leadership to the Group. It sets the strategy and oversees its implementation, ensuring that acceptable risks are taken. It ensures that adequate resources are in place in order to deliver long-term value to shareholders and benefits to the wider community.

Board and Committee Structure



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Corporate Governance Report continued

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

Reserved matters which require Board approval include

Ethics group-wide business policies and practices
Strategy management and long-term plans
Annual budgets
Capital expenditure acquisitions significant property transactions and investments
Major contracts and transactions
Internal control systems corporate governance, compliance and communication

The Global Management Committee 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, maintaining an effective management team and succession planning.

A written statement defining the respective responsibilities of the Chairman and Group Chief Executive Officer has been agreed and approved by the Board.

The Board currently comprises the Chairman, one Executive Director, five independent Non-Executive Directors and two other Non-Executive Directors who, like the Chairman, are appointees of the majority shareholder, City Developments Limited. Each Director is expected to fulfill his duties for the benefit of all shareholders. The Company's Articles of Association contain provisions concerning the appointment and replacement of Directors.

Board and committee attendance

The Board meets up to ten times a year and has a schedule of matters reserved for its attention. Certain matters which are reserved for the Board have been delegated to its standing committees with specific delegated authority.

The scheduled number of Board and Committee meetings held during the year is shown below together with attendance details of each Director. The Board also held one ad hoc meeting in the year.

	Board	Audit & Risk Committee	Nominations Committee	Remuneration Committee
Kwek Leng Beng	8 (8)	–	3 (3)	–
Wong Hong Ren	8 (8)	–	–	–
Shaukat Aziz	7 (8)	–	3 (3)	5 (5)
Sean Collins ¹	8 (8)	6 (6)	3 (3)	5 (5)
Susan Farr	7 (8)	–	3 (3)	5 (5)
Nicholas George	8 (8)	6 (6)	–	5 (5)
Kwek Leng Peck	5 (8)	–	3 (3)	–
Kwek Eik Sheng	8 (8)	–	–	–
Alexander Waugh	8 (8)	6 (6)	3 (3)	5 (5)

¹ Sean Collins stepped down from the Board on 11 December 2014.

² Ian Batay left the Company on 20 February 2014 and did not attend any meetings in 2014.

³ There have been no meetings since Gervase MacGregor was appointed to the Board on 11 December 2014.

The maximum number of scheduled meetings held during the year that each Director could have attended is shown in brackets.

Audit & Risk Committee

During the year, the Board agreed to rename the Audit Committee as the Audit & Risk Committee to highlight the emphasis that this committee has in managing the Group's risk.

The Chairman

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

- formulate and set the strategic direction and organisational structure of the Group, subject to the Board's approval,
- set a clear vision for the Group,

- mentor the Group Chief Executive Officer as and when required,
- balance the interests of management and the Board as well as the needs of shareholders and management,
- act as a liaison between management and the Board as well as between the Company and its shareholders,
- manage communications and information dissemination processes between the Company and its shareholders and work closely with the

Company's public relations team to achieve this objective,

- establish the agenda and manage Board meetings,
- offer advice and tap the collective wisdom and experience of Board members,
- take a proactive role in the appointment of Directors and, following such appointments, oversee the development of individual Directors, and
- develop the top management team, in particular the Group Chief Executive Officer, and establish a succession plan for the Group Chief Executive Officer position.

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

The Group Chief Executive Officer

The Group Chief Executive Officer has ultimate responsibility, reporting to the Board, for the day-to-day running

of the Group. He is responsible for leading the management and the operational activities and performance of the Group, including the effective delivery of the strategy and the business plan, as agreed by the Board, while managing the risks. His duties are to

- receive the strategic vision of the Group from the Board of Directors and to implement such strategic vision, develop the strategic plan, business plan and budget and deliver the same to the satisfaction of the Board,
- lead and act as an advocate for the Global Management Committee,
- oversee the execution of the strategic vision and plans, and assess the Group's performance in meeting them,
- promote the growth of the Group,
- develop the management team and establish a succession plan for key management appointments,
- act on the feedback of the Chairman;
- be responsible for the day-to-day management of the Group's business and affairs and to 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

Role of the independent Non-Executive Directors

The majority of the Board is made up of independent Non-Executive Directors who have wide ranging international experience at senior levels in areas of finance, investment banking, fund management, media, brands and international affairs. They bring strong, independent judgement to the deliberations of the Board, particularly in the areas of strategy, finance and governance.

Nicholas George, as the Senior Independent Director, is available to meet with our institutional shareholders and shareholder representative bodies and to discuss any matters where it would be inappropriate for discussions to be held

with either the Chairman or the Group Chief Executive Officer. He is also a sounding board for the Chairman and is an intermediary for other Board members when necessary.

Independent Non-Executive Directors have rolling contracts and appointments are subject to termination by either party giving one month's notice. Appointment and any subsequent re-appointment is subject at all times to the Articles of Association of the Company and any necessary shareholder ratification.

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

The Board has reviewed 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.

Each independent Non-Executive Director is asked to confirm any relationships based on the principles of UK Listing Rule 13.8.17 and provision B.1.1 of the UK Corporate Governance Code. Following a review of the responses, the Board considers that their diverse business backgrounds, skills and experience enable all of them to continue to bring independent judgement to bear on issues of strategy, performance, resources, key appointments, standards of conduct and other matters presented to the Board and recommends that there is no change to the independent status of the current independent Non-Executive Directors.

Training and information

All Directors have access to the advice of the Company Secretary, who is responsible for ensuring the Board

procedures and applicable rules and regulations are observed. In addition, the Directors are able, if necessary, to take independent professional advice at the Company's expense. There is the opportunity for Non-Executive Directors to meet separately with the Chairman.

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. An induction programme is established for any new directors.

The Board has established agreed procedures for managing potential conflicts of interest. These procedures and any potential conflicts authorised in accordance with section 175(4) Companies Act 2006, as permitted by the Company's Articles of Association, are reviewed by the Board at least annually. The Board is satisfied that the procedures for managing potential conflicts remain effective.

Evaluation process

During the year, an independent externally facilitated Board evaluation was conducted by Lintstock Limited, with the Directors completing on-line questionnaires. The evaluation process focused on key themes including

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

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Corporate Governance Report continued

A report was produced identifying a number of priorities to improve performance. The Board discussed the report at the Board meeting in December 2014 and agreed on the following primary actions:

Key areas	Actions
The Board's focus should be more strategic in nature and their meetings should be less operational	<ul style="list-style-type: none"> A structured Board strategy day is to be held in June 2015 The matters reserved for the Board are currently being reviewed
The Board's review of the Company's capital expenditure programme could be improved	<ul style="list-style-type: none"> The implementation of post capital investment reviews
The correct planning of the Group Chief Executive Officer succession and enhancing the senior management structure are priorities	<ul style="list-style-type: none"> A search for a new Group Chief Executive Officer was conducted and Aloysius Lee Tse Sang was selected A tailored induction programme for Aloysius Lee Tse Sang is in progress Aloysius Lee Tse Sang has begun the process of reviewing the Group's management structure in conjunction with the Board
Continued greater interaction between the Board and senior management	<ul style="list-style-type: none"> Increased structured opportunities for management to present to and meet the Board Continued opportunities for Board members to visit the Group's operating regions and local management teams

Lintstock Limited has no other significant connection with the Group

The performance of Executive and Non-Executive Directors is assessed annually by the Chairman. During the year, the Chairman and independent Non-Executive Directors met without the Executive Director in attendance to conduct such assessment. Evaluation of the Chairman is conducted by the independent Non-Executive Directors led by the Senior Independent Director.

Internal control system

The Board is responsible for the Group's system of internal control, including the Group's financial reporting process and the Group's process for preparation of consolidated accounts, and for monitoring its effectiveness. In establishing this system, the Directors have considered the nature of the Group's business, with regard to the risks to which that particular business is exposed, the likelihood of such risks occurring, their potential impact and the costs of protecting against them. However, such a system is designed to manage rather than eliminate the risks and can only provide reasonable and not absolute assurance against material misstatement. The Group's significant risk factors are included on pages 36 to 40.

The Board confirms that, in accordance with the Turnbull guidance, there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. 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 the approval of the Annual Report.

Primary responsibility for the operation of the system of internal controls is delegated to

executive management. The effectiveness of the operation of the internal control system is reviewed by an internal audit function and, where appropriate, by the Group's external auditor and external consultants, who report to management and to the Audit & Risk Committee. In addition, responsibility is delegated to executive management to monitor the effectiveness of the systems of control in managing identified risks as established by the Board. The internal audit department reviews the effectiveness of key internal controls as part of its standard work programme, and individual reports are issued to appropriate senior management. These reports are summarised and distributed, as appropriate, to the Audit & Risk Committee, the Group Chief Executive Officer, senior management and the external auditors. They are subsequently reviewed by the Audit & Risk Committee, which ensures that, where necessary, recommendations on appropriate corrective action are drawn to the attention of the full Board.

The main features of the Group's internal control framework are:

- the Group's strategic direction is regularly reviewed by the Board, which sets business objectives for the Group. Annual plans and performance targets for each region are set by the executive management team and reviewed by the Board on a geographical basis in the light of overall objectives, and
- within the financial and overall objectives for the Group, agreed by the Board, the day-to-day management is delegated to the Group Chief Executive Officer and executive management. The executive management team carries out regular operational reviews with business managers to ensure appropriate pursuit

of the overall objectives and management of the primary risks of the Group.

Communication with shareholders

General presentations are made after the announcement of final and half-yearly results. There is a programme of meetings with institutional shareholders to review the Group's performance and business model and objectives. In addition, the Senior Independent Director has meetings with a range of major shareholders during the year and other Non-Executive Directors also have the opportunity to attend such meetings. Regular feedback is provided to the Board of views expressed by shareholders.

The Group's website provides regular updates for investors and contains all announcements made by the Group.

At general meetings, there is the opportunity for all shareholders to question the Chairman and other Directors (including the Chairs of the Audit & Risk, Remuneration and Nominations Committees). The Company prepares separate resolutions on each substantially separate issue put to shareholders and does not combine resolutions together inappropriately. A schedule of the proxy votes cast is made available on the Company's website at the conclusion of the proceedings and the Annual Report and Financial Statements 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.

Audit & Risk Committee Report

Dear Shareholders,

Following my appointment as an independent Non-Executive Director and Chairman of the Audit & Risk Committee in December 2014, I immediately started familiarising myself with the business, with a specific focus on the risks facing the Company and its internal controls. I have read and considered the minutes and papers from each of the Committee's meetings in 2014 prior to my appointment and discussed relevant matters with our finance function, our Head of Internal Audit, our senior statutory auditor and our brokers. I have also visited the Group's hotels in London and New York and discussed operational matters with local general managers.

During 2015, I intend to meet with key stakeholders and will be working closely with my fellow Committee members, the Head of Internal Audit and our external auditors, KPMG. My aim is that we have a robust review body that assists the Board in monitoring the integrity of the Group's financial reporting and ensuring that sound systems of internal control and risk management are in place.

As a chartered accountant in public practice I am fully aware of the debate over competition and reform in the market for audit services. This has been led by the competition authorities in the UK and the European Union. This continues with the recent EU Audit Directive and the consultation papers issued by DBIS and the FRC.

A key part of this debate is the length of time for which audit firms should provide audit services and the requirements for companies periodically to re-tender the provision of those services.

The Financial Reporting Council's revisions to the UK Corporate Governance Code and its Guidance for Audit Committees were both issued in this context and they provide for the tendering for the external audit contract at least every 10 years.

The Committee has discussed these developments and we have noted the following relevant to our own circumstances:

- KPMG have been the Company's auditors since listing on the London Stock Exchange in 1996,
- there has been no tender since that date,
- 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,
- Steve Masters, the senior statutory auditor will rotate out of that role, having completed his five year cycle following the signing in early 2016 of the 2015 full year results,
- there are no contractual obligations that would restrict the selection of a different auditor or the re-tendering process taking place in the current year should the Committee consider, having regard amongst other things to KPMG's continued effectiveness, and that it would be in the Company's interest to do so,
- the Committee needs to take the lead in any tender process and as chair of the Committee, I require sufficient time to formulate the programme for any tender, and
- other changes in senior management at the Company including the Group Chief Executive Officer and senior finance personnel would make a tender distracting and challenging this year.

Taking all of the above into account the Committee does not believe an effective tender process can be run and completed in the current year, and it is the Committee's intention to not put the external audit contract out to tender before 2016. Initial investigations into the process will begin this Spring. We will continue, however, with the annual review of the performance of the external auditor and act accordingly.

Finally, I would like to record my thanks to Sean Collins for his assistance during the handover in roles and his work leading the Committee throughout the majority of the year.

Gervase MacGregor

Chairman of the Audit & Risk Committee

9 February 2015

Our objectives

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

Our members

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

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

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

Our role

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

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Audit & Risk Committee Report continued

Main activities of the Committee during the year

During the year, the Committee has performed the following

- members of the Committee have visited operations in Singapore, the US and the UK to improve their understanding of the business and assess the management of risks,
- reviewed IT strategy, with particular focus on technology-led improvements,
- monitored tax policy, impairment policy, going concern reports, together with the interim results and full-year annual report and accounts, and
- monitored related party charges between the Group and its majority shareholder

Financial reporting

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

Significant financial statement reporting issues

Following discussion with both management and KPMG LLP, the Committee determined that the key significant financial reporting issues are related to the valuation of hotel assets, classification and valuation of investment properties and IFRS 10 consolidation accounting

Impairment of hotel assets

Note 12 to the consolidated financial statements states that the carrying amount of assets as at 31 December 2014 is £2,753m. The Group continues to engage external valuation experts to assist with the valuation exercise and

impairment review. Financial performance and sensitivity of the valuation models to the other key inputs means that the valuation remains inherently subjective. The property, plant and equipment assets are carried at historical cost, which mitigates the risk of impairment of these assets.

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

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

Valuation & classification of investment properties

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

Classification of an asset as investment property requires judgement, and is determined by reference to future intentions and the Group's business model.

The total carrying amount of investment properties as at 31 December 2014 is £479m as shown in Note 14 to the consolidated financial statements.

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

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

IFRS 10 consolidation accounting

As described in Note 2.2 to the consolidated financial statements, the Group adopted IFRS 10 Consolidated Financial Statements from 1 January 2014. As a result of the adoption of this new accounting standard, the Group consolidated the results of CDLHT which was previously equity accounted for as an associate.

The Committee assessed the relationship between the Group and CDLHT to determine whether, under IFRS 10, the Group should consolidate CDLHT even though it owns less than 50% of its units. That assessment is subjective and involves a review of both the financial and business relationships.

The Committee examined management's recommendations in respect to the adoption of IFRS 10 and agreed that

- there was sufficient justification to support the existence of control by the Group over CDLHT,
- there was agreement from the external auditor with the treatment,
- previous year's balances were reasonably restated, and
- conclusions have been appropriately drawn

Internal controls and risks

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

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

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

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

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

Internal audit

The Committee monitors and reviews the effectiveness of the internal audit function, agrees its annual work plan and reviews whether the function has the proper resources to enable it to satisfactorily complete such work plans. It reviews status reports from Internal Audit

and considers management's response to any major finding, providing support, if necessary, for any follow-up action required and ensures that the function obtains free and unrestricted access to all Group activities, records, property and personnel necessary to fulfil its agreed objectives

The Head of Internal Audit produces a risk based Global Internal Audit work plan of hotel audits and function by region and reports on regional and global patterns that affect the Group as well as specific issues of interest in relation to systems and controls

External audit

During the year, KPMG Audit Plc conducted an orderly wind down of its business and ceased to be the Company's auditor. KPMG LLP was appointed at the annual general meeting in 2014.

Prior to making a recommendation on the appointment of KPMG LLP for shareholders to consider at the annual general meeting the Committee reviewed both their terms of appointment and fees

The Committee reviewed and agreed with the external auditor, KPMG LLP, its annual strategy and plan for the audit prior to the commencement of the work

The plan includes

- a view of the current and future risks of the business,
- the overall strategy and scoping,
- the approach to the significant risks and areas of focus to be addressed in the audit,
- the approach to materiality,
- an explanation of developments in the regulatory landscape, and
- details of matters that need to be discussed with the Committee

The auditors also reported to us the misstatements that they had found in the course of the audit and we have confirmed that the financial statements did not contain any unadjusted material

misstatements

Meetings are also held with the external auditor without the presence of any member of executive management

External audit effectiveness

The Committee places great importance on ensuring there are high standards of quality and effectiveness in the external audit process

The key measures which the Committee focused on are

- the level of challenge to management, particularly on matters of significant judgement,
- appropriate scoping, methodology and cost effectiveness of KPMG LLP's audit process, and
- the appropriate quality and experience of senior audit team members in the Group's operating regions

The Committee measures KPMG LLP's audit quality and effectiveness throughout the year, by means of, but not limited to

- review of strategy and planning for the audit cycle, to ensure relevance to the Group's evolving business,
- review of the quality, relevance and additional value given to the Group by the audit findings,
- monitor the independence of the audit and compliance with the Group's non-audit fee policies,
- feedback from management on the auditors' performance, and
- review of the Financial Reporting Council's Audit Quality Review (AQR) reports for KPMG LLP and other audit firms

Auditor appointment

Given the auditor's continuing objectivity and independence, ongoing performance and the cost effectiveness of the service provided, the Committee has recommended to the Board that the auditor be reappointed for 2015

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Audit & Risk Committee Report continued

Safeguards on non-audit services

The use of KPMG LLP for non-audit services is governed by a Group policy, which sets out clear parameters as to what KPMG LLP are permitted to do, and what level of fees they are permitted to receive

All non-audit fees from KPMG LLP require authority of the Finance department, and all fees over a certain specified threshold require direct authorisation by the Committee

The Committee requires clear efficiencies and value added benefits to the Group to exist for the auditor to be awarded any non-audit services. The Committee receives a schedule of both non-audit fees incurred and forecast non-audit fees yet to be incurred, at every meeting, so that it can closely monitor the fees and type of work being performed

In addition to this, confirmation of independence is sought at every reporting date from KPMG LLP

The majority of non-audit work undertaken by KPMG LLP during the year was for tax and acquisition related services where the Committee concluded that it is more cost effective to utilise their services

The Committee is satisfied that there were safeguards in place to protect the objectivity and independence of the auditor

A copy of the policy on the provision of non-audit services by the auditor is available from the Group's website at www.millenniumhotels.com/corporate.html

Details of the fees for non-audit services are provided in Note 6 to the consolidated financial statements

The Committee has noted recent developments in the regulatory restrictions on non-audit services provided by the Group's external auditor. The Committee will continue to monitor this area closely

Governance and compliance

The Committee carried out its annual review of the Group's ethics and whistleblowing policies and reviewed the process for, and the effectiveness of, our whistleblowing procedures. It was decided that Internal Audit should continue to monitor and action emails and calls which will be reviewed on a regular basis

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 in terms of expertise and use of time. A number of areas of improvement were identified including improved access to regional management. We have agreed the following priorities for 2015

- more engagement with non-financial senior management, both at the corporate and regional levels,
- increased focus on IT risk and technological improvement, and
- assess financial returns for newly-refurbished hotels

Remuneration Committee Report

Dear Shareholders,

2014 has remained an extremely busy year for the Remuneration Committee (the "Committee") as we finalised and gained shareholder approval for our Directors' Remuneration Policy, and approved the remuneration arrangements for our outgoing and incoming Group Chief Executive Officers

The Remuneration Policy was approved at our annual general meeting in May with an extremely positive 99% of shareholder votes cast in favour. In the lead up to the meeting and following feedback from various proxy advisor agencies, the Committee took the opportunity to clarify that the provision of discretion under Listing Rule 9.4.2(2) (referred to on page 60 under the Policy Table) would be used only to compensate a newly-appointed Executive Director for long-term incentive scheme awards forfeited on leaving a previous employer. Any such buyout awards will have a fair value no greater than the awards forfeited. The Policy that exists for current Executive Directors, as set out in the Policy Table, would then apply to the balance of the individual's remuneration package. Other than this point of clarification, the Remuneration Policy remains unchanged and therefore, in line with best practice, will not be put to shareholders for re-approval at the 2015 annual general meeting.

After taking into account the performance of the Company and considering Mr Wong's personal achievements, the Committee has awarded a bonus of £609,364 (2013: £649,838) which represents 62% of the maximum opportunity.

Turning to our Long-Term Incentive Plan, the performance measures of total shareholder return and earnings per share for the three-year period ended on 31 December 2014 did not meet the minimum thresholds required and, therefore, the awards granted in 2012 will lapse.

In addition to its annual agenda, the Committee has also been closely involved in determining the remuneration arrangements relating to the change of Group Chief Executive Officer. The outgoing Group Chief Executive Officer, Wong Hong Ren, has made an outstanding contribution to the Group over the past fourteen years, especially the last three leading the Company. We took this into account when determining the arrangements in connection with his leaving his post. These arrangements, which are within the approved Remuneration Policy and the discretions available to the Committee, are disclosed fully on pages 63 and 64 of this Report and on the Company's website at www.millenniumhotels.com/corporate/investors.html.

In the competitive recruitment environment that exists, the Committee has been acutely aware of balancing the need to create an attractive package for the new Group Chief Executive Officer that would incentivise him and remain within the Company's Remuneration Policy.

I am very pleased that Aloysius Lee Tse Sang will be leading the Company through its next chapter and, on joining, his salary will be £500,000 per annum, with other elements of the package aligned to our existing Remuneration Policy. This package has been designed to reflect his experience and to ensure (through the variable elements of remuneration) that he will be appropriately incentivised and rewarded for bringing success to the Company.

Sean Collins stepped down from the Board during December 2014 and left the Committee and I would like to record my thanks for the dedication and wise counsel that he brought to our meetings.

I would also like to take the opportunity to reiterate that the Committee's continued commitment to focus on pay for performance and rewarding the leadership team in a way which aligns them with the interests of our shareholders, while staying true to the Company's values. The Directors' Remuneration Report, consisting of this Annual Statement, the Directors' Remuneration Policy and the Annual Report on Remuneration, is compliant with the reporting requirements, and the Committee welcomes any feedback from our shareholders and trust that you will support the policies and practices outlined in this report.

Yours faithfully


Alexander Waugh
Chairman of the Remuneration Committee

9 February 2015

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Remuneration Committee Report continued

Membership

Alexander Waugh chairs the Remuneration Committee which comprises all of the current independent Non-Executive Directors except Gervase MacGregor. All Committee members served throughout the full year and both Ian Batey and Sean Collins served for the period they were Directors of the Company. The Remuneration Committee held five scheduled meetings in 2014 and a number of ad hoc meetings as required. Attendance of the scheduled meetings is shown on page 48. The Chairman and Group Chief Executive Officer are invited to attend meetings as appropriate but they are excluded when their own performance and remuneration are being discussed.

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

Our role

The Remuneration Committee has delegated authority from the Board to determine the total remuneration arrangements of the Chairman, Executive Directors and, in consultation with the Group Chief Executive Officer, executive management. It also oversees the Group's share-based incentive arrangements.

In practice, the Committee agrees:

- the policy for cash remuneration, executive share plans, service contracts and termination arrangements,
- the framework for the remuneration of the Chairman, the Executive Directors and, in consultation with the Group Chief Executive Officer, executive management,
- the actual reward packages of Executive Directors, executive management and any new senior hires,
- actual termination arrangements for any Executive Directors,
- recommendations to the Board concerning any new executive share plans or changes to existing schemes which require shareholders' approval; and
- the basis on which awards are granted to executives under the LTIP.

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

Directors' remuneration policy

Remuneration Policy

The Company's Remuneration Policy was approved by shareholders at the annual general meeting held on 1 May 2014 and remains unchanged. In April 2014, following feedback from various proxy advisor agencies, the Remuneration Committee clarified its discretion to use 9.4.2(2) of the UK Listing Rules issued by the UKLA ("Listing Rule 9.4.2(2)") and this is now disclosed within the Policy.

The Remuneration Policy set out below is as disclosed in the 2013 Remuneration Report save for the pay scenario chart on page 61 which has been updated for Aloysius Lee Tse Sang's package as Group Chief Executive Officer and the clarification mentioned above on the use of Listing Rule 9.4.2(2).

Policy for Executive Directors

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

Base salary

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

Annual bonus

Purpose and link to strategy	Executive Directors are eligible to participate in an annual bonus scheme to <ul style="list-style-type: none"> incentivise executives to drive Group strategy and performance over the short term, and ensure that a significant proportion of the total reward of executives' packages is linked to performance during the year. 													
Operation	<p>The performance period for annual bonuses corresponds with the financial year. Bonus measures, weightings and targets are set annually at the start of the financial year by the Committee which retains discretion to revise any calculated bonus downwards, but not upwards, if it is felt to have become misaligned with the Group's performance.</p> <p>Payment of the annual bonus is contingent on the employee still being employed by the Group at the time of vesting and not having served notice.</p> <p>Annual bonus is not pensionable. The Committee may defer and pay a proportion up to 100% of the annual bonus in shares which must be held for three years before vesting. No performance conditions apply to such deferred bonus shares other than a requirement for continuous employment but such deferred bonus share awards would be eligible for a dividend equivalent.</p> <p>In the event that annual bonuses are found to have been paid on the basis of any material misstatement of financial performance, the rules of the scheme provide for appropriate means of redress, including the adjustment of future bonuses and any unvested long-term incentive awards¹.</p>													
Maximum	<p>The level of bonus opportunity for Executive Directors is</p> <table> <tr> <th></th><th>Group Chief Executive Officer</th><th>Other Executive Directors Bonus as a % of base salary</th></tr> <tr> <td>Threshold</td><td>0%</td><td>0%</td></tr> <tr> <td>Target</td><td>75%</td><td>50%</td></tr> <tr> <td>Maximum</td><td>150%</td><td>100%</td></tr> </table> <p>The maximum value of a deferred bonus share award is the value of the cash bonus that would otherwise have been paid.</p>			Group Chief Executive Officer	Other Executive Directors Bonus as a % of base salary	Threshold	0%	0%	Target	75%	50%	Maximum	150%	100%
	Group Chief Executive Officer	Other Executive Directors Bonus as a % of base salary												
Threshold	0%	0%												
Target	75%	50%												
Maximum	150%	100%												
Performance ⁽¹⁾	70% of bonus potential will be linked to financial performance, with the remainder linked to personal objectives and individual contribution. However, the Committee has discretion to vary those percentages by plus or minus 10% for any performance period to reflect particular corporate objectives. Financial measures may include, but are not limited to, operating profit, profit before tax, revenue and revenue per available room.													

¹ The Remuneration Committee wish to clarify that a clawback of paid bonuses has and will continue to exist within its Remuneration Policy.

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Remuneration Committee Report continued

Long-Term Incentive Plan

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

Pension

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

Other benefits

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

Notes

1. The Committee determines bonus performance measures, weightings and targets annually which are closely aligned with the Group's short-term strategic priorities. Targets for financial measures are set by reference to the Group's budget, while the personal element of the bonus is driven by personal KPIs set at the start of the year.
2. The Committee determines the level of LTIP awards and the associated performance measures, targets and weightings annually. The performance measures of EPS and relative TSR ensure that executives are aligned with shareholder interests and are consistent with FTSE market practice. The introduction in 2014 of a third measure, NAV plus dividends, improves the alignment with the Group's strategic priorities by capturing a balance sheet measure. The targets for the financial measures are set by reference to the Group's budget and strategic plans as well as taking account of broker forecasts for both the Group and other sector peers. The TSR target measures comparative performance against a relevant benchmark which for 2015 will be split equally between the FTSE250 market index and an index of peer companies.
3. The Committee retains discretion to use Listing Rule 9.4.2(2) within the remit confirmed on page 60, to make awards in exceptional circumstances.
4. The Committee retains discretion to make non-significant changes to the Remuneration policy without reverting to shareholders.

Shareholding requirements

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

Share interests which do not count against the shareholding guidelines include

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

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

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

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

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

Remuneration on recruitment

Reward packages for new Executive Directors will be consistent with the policy set out on pages 57 and 58, which describes each component of remuneration for the Executive Directors of the Company. Fixed remuneration elements would be paid only from the date of employment and any bonus will be pro-rated to reflect the proportion of employment over the year. The maximum level of variable remuneration is as stated in the policy table above. If, consequent to joining the Group, a new director forfeits elements of variable reward linked to their previous employment, the Committee reserves the right to make compensatory awards up to the maximum amount of the individual's loss. Any such awards would be made taking into account the performance conditions and time horizon of the forfeited awards. In the event that an internal candidate is appointed as an Executive Director, any contractual obligation in respect of a previous role will be honoured even if it is inconsistent with this policy at the time the obligation is fulfilled.

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Remuneration Committee Report continued

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

Directors service agreements and letters of appointment

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

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

Name	Date of contract	Notice periods/unexpired term
Chairman		
Kwek Leng Beng	–	Nominee of majority shareholder
Executive Director		
Wong Hong Ren	14 February 2012*	12 months' written notice to be given by the Company at any time and six months by the executive
Independent Non-Executive Directors		
Shaukat Aziz	16 June 2009	} Rolling letters of appointment terminable by either party on one month's notice
Susan Farr	12 December 2013	
Nicholas George	16 June 2009	
Gervase MacGregor	11 December 2014	
Alexander Waugh	16 June 2009	
Non-Executive Directors		
Kwek Eik Sheng	–	} Nominees of majority shareholder
Kwek Leng Peck	–	

* Effective as at 27 June 2011

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

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

Termination payments

The Company's normal policy is to limit payments to Executive Directors on termination to entitlement under service agreements and the rules of any incentive and pension plan. 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.

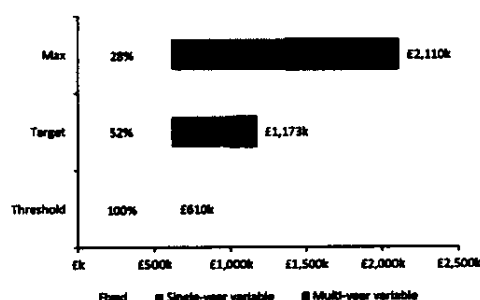
The Rules of the incentive schemes provide that

	Good leavers	Other leavers	Change of Control	Discretion
Performance Shares	Performance conditions applied taking into account the foreshortened performance period A time pro rata reduction is then applied	Award lapses	Performance conditions applied taking into account the foreshortened performance period A time pro rata reduction is then applied	The Committee has discretion 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	The Committee has discretion 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 which vest up to the value of the applicable bonus

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

Remuneration scenarios

Millennium & Copthorne CEO scenario chart



Notes.

The 'Threshold' scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the CEO's package not linked to performance.

The 'Target' scenario reflects fixed remuneration as above, plus a target bonus payout of 50% of maximum and LTIP threshold vesting at 25% of maximum award.

The 'Maximum' scenario reflects fixed remuneration, plus full payout of all incentives.

No share price growth has been assumed in any scenario.

Consideration of employment conditions in the Group

When setting the policy for executive remuneration, the Committee does not consult employees. The Group Human Resources Director does, however, ensure that the Committee is aware of pay and conditions throughout the Group and that these are taken into account when framing executive remuneration. As a global group, in a sector with ready mobility, the more senior the role, the more reward needs to reflect the global market, whilst for the majority of employees it is set with greater

consideration of local market conditions and practices. The annual bonus scheme and awards under the LTIP are limited to the senior management team and those employees responsible for managing the hospitality business.

Shareholder views

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

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Remuneration Committee Report continued

Annual report on remuneration

Directors' remuneration – audited

£ 000	Total salary and fees ¹		Taxable benefits ²		Bonus		LTIP		Pension		Total remuneration	
	2014	2013	2014	2013	2014	2013	2014	2013 ³	2014	2013	2014	2013
Chairman												
Kwek Leng Beng	268	256	–	–	–	–	–	–	–	–	268	256
Executive Director												
Wong Hong Ren ⁴ ⁵	650	650	40	106	609	650	–	751	130	130	1,429	2,287
Non-Executive Directors												
Shaukat Aziz	56	50	–	–	–	–	–	–	–	–	56	50
Ian Batey ⁶	6	45	–	–	–	–	–	–	–	–	6	45
Sean Collins ⁶	77	72	–	–	–	–	–	–	–	–	77	72
Susan Farr	55	2	–	–	–	–	–	–	–	–	55	2
Nicholas George	59	52	–	–	–	–	–	–	–	–	59	52
Kwek Eik Shang	51	47	–	–	–	–	–	–	–	–	51	47
Kwek Leng Peck	57	53	–	–	–	–	–	–	–	–	57	53
Gervase MacGregor ⁷	3	–	–	–	–	–	–	–	–	–	3	–
Alexander Vaughn	71	64	–	–	–	–	–	–	–	–	71	64
Total	1,353	1,291	40	106	609	650	–	751	130	130	2,132	2,928

Notes

- Salaries and fees are shown inclusive of sums receivable by the Directors from the Company and any of its subsidiary undertakings
- Benefits comprise a motor vehicle and driver, medical, personal accident and travel insurance
- The LTIP award of 128,215 shares, made on 28 November 2011, vested on 28 November 2014. The value of the award on vesting was calculated by reference to the share price on that date which was 585.5 pence. The performance conditions for this award were measured over the three years ended on 31 December 2013.
- Wong Hong Ren will step down from the Board on 28 February 2015.
- Ian Batey resigned from the Board on 20 February 2014.
- Sean Collins resigned from the Board on 11 December 2014.
- Gervase MacGregor joined the Board on 11 December 2014.
- Wong Hong Ren is the highest paid Director. His biography on page 42 reports the principal other directorships that he holds in other Group and associate companies.

Annual bonus for 2014

The table below shows how the annual bonus was calculated for the year ended 31 December 2014

Financial performance representing 70% of the opportunity

	Performance (% of budget)			Actual	Weighting	Bonus payout (% of salary)
	Minimum	Target	Maximum			
Group revenue	95%	100%	105%	97%	15%	2%
Group profit before tax	92%	100%	108%	105%	55%	43%

Actual targets are considered by the Committee to remain sensitive, given their close alignment with the Company's strategic plans. Additionally, the Committee is of the view that disclosing targets would put the Company at a competitive disadvantage to its competitors, some of which are not subject to similar reporting requirements.

Personal objectives and contribution representing 30% of the opportunity

	Weighting	Bonus (% of payout)
Asset management and refurbishment objectives	10%	3%
Growth opportunity objectives	5%	5%
Marketing, sales and e-commerce objectives	10%	7%
US regional restructuring objectives	5%	2%

Long-Term Incentive Plan (LTIP) awards made in 2012

Performance Share Awards made under the LTIP in 2012 were subject to performance conditions comprising both EPS growth and relative TSR performance over the three-year period ending 31 December 2014. Performance Share Awards would normally vest on the third anniversary of the award being made, with 50% vesting subject to growth of the Company's EPS exceeding RPI by set targets. The remaining half of each Performance Share Award was subject to a performance condition that compares the Company's TSR against the TSR of each company within a comparator group comprising those companies within the FTSE 250 index (excluding investment trusts).

Based on the Company's EPS growth and relative TSR performance for the three years ended 31 December 2014, the Committee has determined that the LTIP award made on 16 August 2012 will lapse in full.

LTIP awards made in 2014 – audited

The following Performance Share Award was made under the LTIP to Wong Hong Ren on 4 April 2014.

	Basis of award	No of shares awarded	Face value ¹ 000's	Percentage vesting for threshold performance	Performance criteria	Performance period end
Wong Hong Ren	150% of salary	173,796	£975	25%	Disclosed in the table below	31 December 2016

Note

¹ Calculated using the middle market share price of 561 pence on the day prior to the grant.

Performance measure 2014	Weighting	Threshold	Level of vesting	Maximum	Level of vesting ¹
Cumulative EPS	50%	104 pence	25%	132 pence	100%
NAV + Dividend	20%	6% per year	25%	13% per year	100%
TSR – FTSE250	15%	Index	25%	Index + 9% pa	100%
TSR – peer group ²	15%	Index	25%	Index + 9% pa	100%

Notes:

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

² The names of the companies forming the peer group is shown in the Annual Report and Accounts 2013.

Change in Group Chief Executive Officer and remuneration arrangements

As detailed in the announcement made on 7 November 2014, Wong Hong Ren will step down as Group Chief Executive Officer on 28 February 2015 and Aloysius Lee Tse Sang will replace him. The Remuneration Committee has been actively involved in agreeing the terms of Wong Hong Ren's remuneration in connection with his departure and in setting the arrangements for the new Group Chief Executive Officer.

Terms of Wong Hong Ren's departure

The Remuneration Committee has determined the following treatment for Wong Hong Ren's remuneration in connection with his departure. He will:

- receive a cash payment equal to one year's salary which will be paid in 12 equal instalments until the end of February 2016 as provided for under his service agreement,
- be eligible for an annual bonus for both the full year ended 2014 and for the proportion of 2015 that he remains as an employee of the Company,
- act in a consultancy capacity as Senior Adviser to the Group for a period from 1 March 2015. He will not earn additional fees for any transition assistance that may be required. Fees payable under the consultancy arrangement in relation to special projects will be determined and agreed by Mr Wong and the Board of Directors in the future for each such project and will not be deducted from his monthly base salary instalments,
- be permitted to retain any fees or other compensation payable to him by any associate or non-controlled joint venture of the Company or by any third party company. Any fees payable to him for continuing to serve as a director of any subsidiary of the

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Remuneration Committee Report continued

Company will be payable to the Company,

- not receive an LTIP award in 2015,
- not be entitled to an acceleration of vesting for any existing share awards,
- retain his interest in the 2013 and 2014 LTIP awards, which will not be time pro-rated and will vest at the normal date, subject to the agreed performance conditions being met, and
- be entitled to receive a lump sum payment for up to five days of accrued, but unused holiday, and up to £5,000 for reimbursement of legal fees related to his review of these arrangements

The above arrangements ensure that any remaining payments from employment (e.g. bonus and any LTIP vesting) beyond contractual entitlements to Wong Hong Ren are aligned with the performance of the Company following his departure and are a sign of his confidence in the new management and the business's continuing prospects

From 1 January 2015 to 28 February 2015, Wong Hong Ren's remuneration will remain at a rate paid during the year ended 31 December 2014. Wong Hong Ren's base salary has not increased since his appointment as Group Chief Executive Officer on 27 June 2011.

Appointment of Aloysius Lee Tse Sang as Group Chief Executive Officer

Aloysius Lee Tse Sang will be appointed as Group Chief Executive Officer and an Executive Director on 1 March 2015, after serving as Group Chief Executive Officer designate from 1 February 2015. His remuneration package will consist of

- a salary of £500,000 per annum,
- a maximum annual bonus opportunity of 150% of salary,
- LTIP awards of up to 150% of salary per annum. A first grant of shares will be made in the spring of 2015,
- a cash allowance of 20% of base salary in lieu of participation in the Group's pension plan,
- a car allowance of £10,000 per annum, and
- other benefits in line with the Company's stated policies

The Committee considered Aloysius Lee Tse Sang's package in light of the role, the individual and relative market positioning. They also determined that the overall level of variable incentive opportunity for the new Group Chief Executive Officer should remain unchanged. No 'buy-out' arrangements were entered into as part of Aloysius Lee Tse Sang's recruitment.

Annual bonus

The 2015 annual bonus performance conditions for Aloysius Lee Tse Sang as Group Chief Executive Officer and any other Executive Director are set out in broad terms in the table below. The Committee believes that the detailed KPIs for Aloysius Lee Tse Sang are commercially sensitive and that consequently it is not appropriate to disclose them in this set of accounts. Consideration will be given in preparation of the 2015 accounts to the appropriate disclosure required to support any bonus awarded for that year without disclosing any commercially sensitive data.

Performance measure	Weighting
Group profit before tax	50%
Group revenue	10%
Personal KPIs	40%

Wong Hong Ren will receive a bonus for the proportion of 2015 that he remains as an employee of the Company. The performance conditions applicable to him are set out in broad terms in the following table.

Performance measure	Weighting
Group profit before tax	50%
Group revenue	10%
Personal KPIs	40%
<ul style="list-style-type: none">• delivery of the Annual Report and Accounts 2014 to agreed timescale and quality, and• orderly transition of the Group Chief Executive Officer responsibilities to Aloysius Lee Tse Sang	

LTIP structure for 2015 awards

The maximum value of LTIP awards granted will remain at 150% for Aloysius Lee Tse Sang as Group Chief Executive Officer and 100% for any other Executive Director. Wong Hong Ren will not receive an LTIP award in 2015. The structure of awards will be disclosed in due course once determined.

Percentage changes in remuneration of the Group Chief Executive Officer

The table below shows the percentage change in remuneration (based on salary, fees, benefits and annual bonus) between 2014 and 2013 for the Group Chief Executive Officer and employees as a whole.

	2014 £'000	2013 £'000	Change	Average increase across employees
Base salary	650	650	—	2.5%
Taxable benefits	40	106	(62)%	—
Annual bonus	609	650	(6)%	—

The graph illustrates the performance of the Company and a broad equity market index over the past six years. As the Company is a constituent of both the FTSE 250 and the FTSE Allshare Travel & Leisure, 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.

Total shareholder return ("TSR")



Group Chief Executive Officer's total remuneration over past five years

	2009 '000	2010 '000	2011 ¹ '000	2012 '000	2013 '000	2014 '000
Total remuneration	£797	£1,243	£3,558	£1,495	£2,287	£1,429
Annual bonus payout against maximum opportunity	25%	100%	74%	37%	67%	62%
LTIP vesting rates against maximum opportunity	0%	0%	100%	100%	50%	0%

Notes

¹ Richard Hartman retired as Group Chief Executive Officer and Wong Hong Ren was appointed to the post on 27 June 2011. Wong Hong Ren will step down as Group Chief Executive Officer on 28 February 2015.

Non-Executive Directors' fees

The basic fee for a Non-Executive Director is £50,000 per annum (2013: £45,000). Fees for Non-Executive Directors are determined by the Chairman and Group Chief Executive Officer following recommendation by the Group Human Resources Director.

It is not proposed to review the fees paid to Non-Executive Directors in 2015.

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Remuneration Committee Report continued

Non-Executive Directors also receive a separate annual fee for membership of and chairing a Committee. Details are given below.

Committee	Fee for membership of a Committee	Additional Chairman's fee
Audit & Risk Committee	£5,000	£10,000
Remuneration Committee	£5,000	£10,000
Nominations Committee	£2,000	—

The additional fee paid to the Senior Independent Director is £10,000 per annum.

The annual fee for the Chairman is unchanged at £250,000. He also receives a further £18,000 fees from subsidiary companies.

Relative importance of spend on pay

The table below illustrates the year-on-year change in total colleague pay (being the aggregate staff costs as set out in Note 8 to the financial statements) and distributions to shareholders (being declared dividends). The average number of colleagues employed by the Group has decreased from 10,353 to 10,257 during the year.

	2014	2013	% Change
Employee Remuneration Costs	330	284	16.2%
Dividends Distributed £m	73	44	65.9%

Committee evaluation

During the year, the Committee, with the assistance of Jonathon Grech, Company Secretary, Karen Caddick, Group Human Resources Director, and Kepler Associates implemented a number of the actions identified during the 2013 evaluation process. These include regular governance and best practice remuneration updates, received both during and outside of meetings, and more regular access to the external advisers during meetings.

Lintstock Limited conducted a further externally facilitated evaluation, with members completing on-line questionnaires. The review identified a number of priorities including an evaluation of senior management remuneration in conjunction with the new Group Chief Executive Officer. These priorities are being acted upon in 2015.

Statement of voting at 2014 annual general meeting

The following table sets out the voting in respect of the resolutions to approve the Company's Remuneration Policy and the 2013 Directors' Remuneration Report, put to shareholders at the Company's annual general meeting held on 1 May 2014.

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the Remuneration Policy	281,458,849	99.09	2,573,555	0.91	10,619,954
Approve the 2013 Directors' Remuneration Report	293,577,746	99.92	243,433	0.08	831,178

The Directors were pleased with the response received from shareholders to the resolutions proposed.

This report on Directors' remuneration will be put to an advisory vote at the annual general meeting on 7 May 2015. The Directors confirm that this report has been prepared in accordance with the Companies Act 2006 and reflects the provisions of the Large and Medium-sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013 and was approved at a meeting of the Directors held on 9 February 2015. In line with best practice, it is next intended to present the Remuneration Policy to shareholders for approval at the annual general meeting in 2017 unless any alterations are required before then.

Advisers

The Committee is authorised by the Board to appoint external advisers if it considers this beneficial. Over the course of the year, the Committee was supported by its appointed advisers, Kepler Associates, who attended all of the Committee's meetings. Kepler Associates provided advice to the Committee on a range of topics including remuneration trends, best practice and incentive plan design.

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

Kepler Associates is a founding member and signatory to the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com

Jonathon Grech, Company Secretary, acts as secretary to the Committee. Kwek Leng Beng, Wong Hong Ren and Karen Caddick, Group Human Resources Director, are invited to attend Committee meetings. The Committee considers their views when reviewing the remuneration of the Executive Director and other senior executives. Individuals who attend Remuneration Committee meetings do not participate in discussions concerning their own remuneration.

Fees paid to the above consultants were as follows:

Name of consultant	Activities	2014 £'000	2013 £'000
Kepler Associates	Advice to Remuneration Committee	70	93

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 executives' knowledge and experience, to the benefit of the Group. Fees payable to Executive Directors in connection with external appointments would be retained by them with the approval of the Committee.

Directors' interests in performance shares awarded

Performance conditions attaching to shares awarded under the Company's LTIP are detailed on page 63 or in prior year Remuneration Reports. Since Mr Wong's appointment as Group Chief Executive Officer on 27 June 2011, the basis of awards has been 150% of base salary.

Date awarded	Awards held at 1 January 2014	Awards made during the year	Awards vested	Awards lapsed	Awards held at 31 December 2014	Market price of shares on award	Face value of award on date of grant '000	Performance period end	Vesting date	Market price at vesting	Monetary value of vested award '000
Wong Hong Ren											
28 11 2011 ¹	128,215	-	128,215	-	-	£3 8020	£975	31 12 2013	28 11 2014	£5 855	£751
16 08 2012 ²	203,898	-	-	203,898	-	£4 7818	£975	31 12 2014	16 08 2015	-	-
11 09 2013 ³	175,834	-	-	-	175,834	£5 5450	£975	31 12 2015	11 09 2016	-	-
04 04 2014 ³	-	173,796	-	-	173,796	£5 6100	£975	31 12 2016	04 04 2017	-	-

Notes

- The number of shares awarded was calculated using the middle market share price for the five days prior to the grant. Based on the Company's EPS growth for the three years ended 31 December 2013, the Committee determined that half of the LTIP award vested. The award time vested on 28 November 2014.
- The number of shares awarded was calculated using the middle market share price for the five days prior to the grant. The award did not meet its performance criteria and has lapsed.
- The number of shares awarded was calculated using the middle market share price on the day prior to the grant. The performance criteria for the LTIP award made in 2014 are set out on page 63.

The aggregate value of Directors' LTIP awards which vested during and at the end of the year was £750 699 (2013: £322,542).

Funding of share plans

Awards of share-based incentives are made for nil consideration and are satisfied either by the issue of new shares or through market purchase of shares. LTIP awards made in 2011 were satisfied via The Millennium & Copthorne Hotels plc Employee Benefit Trust 2006 (the "EBT"). As at 31 December 2014 the EBT held 5,758 shares (2013: 54,985 shares) in trust representing approximately 0.0177% of the Company's issued share capital. The Executive Director, together with other employees of the Group, are potential beneficiaries of the EBT and, as such, are deemed to be interested in any shares held.

Dilution

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

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Remuneration Committee Report continued

Share price

The market price of a Millennium & Copthorne Hotels plc ordinary share at 31 December 2014 was 589.5 pence and the range during the year was 543.0 pence to 605.0 pence.

Directors' share interests – audited

The interests of the Directors holding office at 31 December 2014, and their connected persons, in the ordinary shares of Millennium & Copthorne Hotels plc were as follows:

	Ordinary shares ¹		Number of shares		Combined total as at 31 December 2014
	31 December 2014	1 January 2014	LTIP awards		
			Unvested and performance measures completed	Unvested and subject to performance conditions	
Chairman					
Kwek Leng Beng ²	–	–	–	–	–
Executive Director					
Wong Hong Ren	125,136	125,136	–	349,630	474,766
Non-Executive Directors					
Shaukat Aziz	–	–	–	–	–
Susan Farr	–	–	–	–	–
Nicholas George	12,500	5,000	–	–	12,500
Kwek Eik Sheng ²	–	–	–	–	–
Kwek Leng Peck ²	–	–	–	–	–
Gervase MacGregor	–	–	–	–	–
Alexander Waugh	–	–	–	–	–

¹ Ordinary shares are beneficial holdings which include the Directors' personal holdings and those of their spouses and minor children.

² The interests of the City Developments Limited nominated Directors in that company and its ultimate parent company, Hong Leong Investment Holdings Pte. Ltd., are disclosed in the accounts of those companies.

There have been no changes to Directors' interests between 31 December 2014 and the date of this report.

The minimum shareholding requirements for the Company's Executive Director requires him to hold shares to the value of 100% of base salary and this requirement has been met.

There is no requirement for Non-Executive Directors to hold shares.

On behalf of the Board

Alexander Waugh

Chairman of the Remuneration Committee

9 February 2015

Alexander Waugh

Nominations Committee Report

Dear Shareholders,

You will have already read in our Directors' report about the changes to the Company's Board of Directors and I cannot emphasise how important the process to recruit both a new Group Chief Executive Officer and an independent Non-Executive Director has been. The Committee has been involved during every step of the process, setting the agenda, and ensuring that only the most suitable candidates have been appointed to each role.

As a Committee our priorities during the year have been to

- manage the succession process for the Group Chief Executive Officer and ensure a smooth transition occurs in 2015,
- undertake the appointment of a new Senior Independent Director following the decision of Sean Collins to step down from the Board,
- review more generally the skills and diverse experience of the Non-Executive Directors on the Board and make plans for any future rotation, and
- embed the senior management appointments made in 2013 so that change can be implemented as smoothly as possible.

Board and Management changes

The Company announced on 7 November 2014 that Wong Hong Ren would be stepping down as Group Chief Executive Officer from 28 February 2015 and that Aloysius Lee Tse Sang would replace him. The Committee engaged Inzito Partnership, in the preliminary stages, and also used internal resources in its search. It extensively reviewed a number of candidates and concluded that Mr Lee Tse Sang had the skills and ambition best suited to the role.

I would like to thank Wong Hong Ren for his considerable contribution as a Director of the Company since it was first listed on the London Stock Exchange. I am pleased that a hand over period between the two has been arranged to allow Aloysius Lee

Tse Sang to swiftly familiarise himself with the business and also that Wong Hong Ren has agreed to act as Senior Adviser for an initial 12 month period.

Sean Collins notified the Board in September 2014 that he intended to step down as an independent Non-Executive Director and the Committee moved swiftly to recommend the appointment of Gervase MacGregor in a similar capacity. Mr MacGregor is head of litigation support at BDO LLP and brings with him a wealth of experience. He has also assumed the role of Chairman of the Audit & Risk Committee and is recognised to have recent and relevant financial experience.

In last year's report I highlighted a number of key senior management appointments below board level in 2013 which we had made. I am very pleased to confirm that these appointments, along with further recruits to the management team, are working well as we create a focused, driven team.

Key priorities for 2015

The Committee will continue to review the structure of the Board and I am personally committed to ensuring that we continue to look for the right capabilities and competencies for the future, looking in particular in areas such as guest-facing technology and hospitality experience. We will monitor the transition of the Group Chief Executive Officer role to ensure that the process is as smooth and effective as we currently envisage. The Committee will also review the senior finance team in conjunction with the new Group Chief Executive Officer.

Kwek Leng Beng

Chairman of the Nominations Committee

9 February 2015

Role and responsibility

The Nomination Committee's role is to consider the skills and expertise that are required by the Group in future, how such skills and expertise should be reflected in the structure, size and composition of

the Board and how such requirements should influence succession planning for Directors and other senior executives. The Committee is responsible for identifying and nominating candidates to fill Board vacancies when they arise and for the subsequent approval by the Board.

Membership

The Nominations Committee comprises a majority of independent Non-Executive Directors and meets on such occasions as necessary, but at least twice a year. Kwek Leng Beng chairs the Committee except when the business of the meeting concerns his succession. The Company Secretary, the Group Chief Executive Officer and the Global Human Resources Director are invited by the Chair of the Committee to attend meetings when appropriate to do so. External advisers are also consulted as necessary to give advice or market perspective. All members have the experience and expertise necessary to meet the Committee's responsibilities.

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

Evaluation process

During the year, the Committee discussed the Board evaluation process and considered that the use of external assistance in that process continued to make a valuable contribution.

Board diversity

The Committee continues to recognise the value of diversity and that it can only serve to strengthen the Group. We continue to incorporate all aspects of diversity as an objective criterion for the selection of future Board members and also ensure that this is reflected at all levels of the organisation. We support the aspirations of the UK Lord Davies Report on 'Women on Boards' including the representation of women at the highest level in the organisation. Selection of candidates to join the Board is based on merit and the contribution which they will bring to the working of the Board.

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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 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.

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 and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company

and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

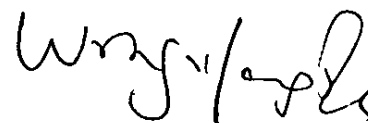
We confirm that to the best of our knowledge

- 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,
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and
- the annual report and financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The statement of Directors' responsibilities was approved by the Board of Directors on 9 February 2015.

Wong Hong Ren
Group Chief Executive Officer

9 February 2015



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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Millennium & Copthorne Hotels plc for the year ended 31 December 2014 set out on pages 76 to 146. 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 2014 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, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

2 Our assessment of risks of material misstatement

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

Valuation of Hotel assets (£2,753m)

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

- **The risk:** The Group has £2.8 billion of hotel assets, which are subject to annual reviews to assess whether they may be impaired. Certain hotels were impaired in 2013, meaning that the headroom for these properties is limited and any further decline in

performance may result in further impairment being recorded. The Group uses a mixture of external valuations and internal analyses to assess its hotels for impairment. The estimation of the recoverable amount of hotel assets is complex and dependent on assumptions about the future. Specifically, significant judgement is required in relation to the appropriate discount rates, growth rates, occupancy rates, terminal values and forecast cash flows to use in determining value in use. Therefore, this is one of the key judgemental areas on which our audit is concentrated.

- **Our response:** Our procedures included, among others, using our own valuation specialists to assist us in assessing the appropriateness of the valuation model used, including compliance with relevant accounting standards and alignment to market practice. Our valuation specialists also helped us assess the scope of work performed, competency, professional qualifications, experience and independence of the external experts used by the Group. With input from our valuation specialists, we challenged the key assumptions used in determining the recoverable amount of the assets, which was generally considered to be their value in use. This included a comparison of occupancy rates, revenue per available room, market growth and expected inflation with externally derived data including external hotel industry reports. We also performed our own assessment of other key inputs such as estimated future costs, discount rates and terminal multipliers, and applied sensitivities to key assumptions to assess the impact on available headroom. We assessed the principles and integrity of the discounted cash flow models and considered whether the Group's disclosures met the requirements of relevant accounting standards.

Classification and Valuation of investment properties (£479m)

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

- **The risk:** Classification of an asset as investment property (rather than as Property, Plant & Equipment) requires judgement, and is determined by reference to the Group's future intentions and the Group's business model. As discussed in Note 2.3, this also results in a different accounting treatment because Property, Plant and Equipment is recorded at depreciated cost whereas investment properties are carried at fair value. The valuation models applied to determine the value of investment properties are complex and sensitive to assumptions around occupancy rates, market growth, sales and rental rates, as well as discount rates and terminal multipliers. The Group also currently invests in properties under construction. The Group engaged external experts to value its investment properties. Valuing these properties is complicated by the lack of comparable market transactions, and the difficulty of forecasting expected cash flows sufficiently reliably before the construction is complete. Therefore, for these properties, the Group may apply a cost model. Judgement is required in determining when the fair value model becomes more appropriate. On this basis, classification and valuation of investment properties are key judgemental areas on which our audit is concentrated.
- **Our response:** When considering the appropriate classification of a property our procedures included making enquiries of the senior members of the finance team and Directors, inspecting internal business plans, and considering key terms of external contracts and agreements. We analysed the appropriateness of the valuation methodology applied, and

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

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

Consolidation accounting

Refer to Audit & Risk Committee Report, Note 2.2 (changes in accounting policies) and Note 3 (Accounting estimates and judgements).

- **The risk:** Following the adoption of the new accounting standard dealing with consolidation and the introduction of a new definition of "control" the Group has reassessed whether its investment in CDL Hospitality Trust ("CDLHT") should be consolidated. Following this analysis, the Group consolidated CDLHT for the first time in 2014. The assessment of control requires a significant level of judgement, particularly in relation to CDLHT where the Group holds less than 50% of the units in CDLHT but has other significant rights in respect of its management which the Group has concluded are sufficient to constitute control. In light of these facts, whether the CDLHT should be consolidated under the new accounting standard and the subsequent accounting entries were areas on which we focused our audit.
- **Our response:** Our work in this area included assessing the judgements and conclusions made by the Group in determining whether it has

control over CDLHT under the new consolidation standard. We critically assessed the Group's analysis and key agreements between the Group and CDLHT in order to understand the key rights that the Group holds over CDLHT. We also considered the financial relationship between the Group and CDLHT through our review of the historical dividend flows and management agreements. We assessed the significance of the Group's financial returns from CDLHT and the Group's ability to control them. Finally, we reviewed the breakdown of holdings of CDLHT's equity to assess whether the holdings by other investors are widely dispersed, thus giving the practical ability to the Group to make decisions at general meetings. We further tested the integrity and principles of the Group's calculations to reflect the change of the accounting treatment of CDLHT in the Group's financial statements. This testing focused on intercompany eliminations, consolidation adjustments and alignment of CDLHT's results to the Group's accounting policies. We also assessed whether the disclosures in the annual report are compliant with the relevant accounting standards.

Management override

- **The risk:** There were a number of changes in senior management personnel that coincided with the 2014 year end reporting timetable. This means that there was a greater risk of management override of internal controls during this period. In addition, ISAs (UK & Ireland) require that we consider the risk of management override of internal controls.
- **Our response:** In response we reduced the threshold for testing manual journal entries, incorporating unpredictability into our approach. We increased the nature and extent of our work in respect of the areas of the balance sheet most prone to management override, particularly accruals and

provisions. We considered whether there was evidence of bias by the directors or by management in the significant accounting estimates and judgements relevant to the financial statements and for the material unusual and for one-off transactions impacting the income statement. We increased the scope of our interviews with middle and lower level management and used the information gathered to assess whether there were any indications of management override taking place. We also assessed the overall control environment of the Group, with a focus on those controls designed to prevent instances of fraud and the arrangements for staff to "whistleblow" inappropriate actions. To assess the strength of the Group's governance and controls self-assessment, we interviewed senior management, members of the Board and the Head of Internal Audit.

In our audit report for the year ended 31 December 2013 we included taxation and revenue recognition on development properties as two of the risks of material misstatement that had the greatest effect on our audit. We considered taxation risk to be less significant in the current year as the Group's tax models are now better established, following the completion of the extensive exercise to assess the appropriateness of its Deferred Tax balances. Furthermore, there are no significant new tax matters impacting the Group which require a significant level of judgement. With respect to revenue recognition, last year the Group recognised a one-time sale of a particular development in its Asia region, which was a judgemental area. In the current year, most of the revenue represents income from hotel operations and rental income. While significant, these revenue streams are not susceptible to a significant risk of fraud or error.

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

The materiality for the Group financial statements as a whole was set at £8.3m. This has been determined with reference to a benchmark of the Group profit before tax and after non-controlling interest, which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the Group. Materiality represents 5.0% of the Group profit before tax and after non-controlling interest.

We agreed with the Audit & Risk Committee to report to it all uncorrected misstatements we identified through our audit with a value in excess of £410,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds. In addition we considered whether any misstatements corrected by management identified during the course of the audit should be communicated to the Audit & Risk Committee to assist it in fulfilling its governance responsibilities.

Audits for the Group reporting purposes were performed by component auditors at the reporting components in the following territories: United Kingdom, Asia (in particular Singapore and New Zealand, as these are considered to be the material components in that region), and the US. In addition, reviews for the Group reporting purposes were performed by component teams in the Middle East and China. Together, these Group procedures covered 94% of total the Group revenue, 93% of the Group profit before taxation, and over 90% of the Group total assets.

The segment disclosures in Note 5 set out the individual significance of a specific territory.

The audits and reviews undertaken for the Group reporting purposes at the key reporting components of the Group were all performed to component materiality levels set by, or agreed with, the Group audit team. These component materiality levels were set individually for each

component and ranged from £0.2m to £6m.

Detailed instructions were sent to all the auditors in these locations. These instructions covered the significant areas that should be covered by the component auditors (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team. The Group audit team carried out reviews of audit workpapers covering the significant risks identified for Singapore, New Zealand and US. The senior statutory auditor also visited the Singapore and US offices during the planning stages of the audit. Telephone planning and closing meetings were also held with the auditors at all of these locations.

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

In our opinion:

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

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

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

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

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

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 45, in relation to going concern, and
- the part of the Corporate Governance Statement on page 47 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

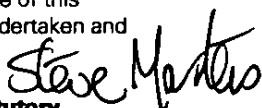
We have nothing to report in respect of the above responsibilities.

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 70, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



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

Chartered Accountants
15 Canada Square
London
E14 5GL

9 February 2015

Financial statements

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Consolidated income statement

For the year ended 31 December 2014

	Notes	2014 £m	Restated ¹ 2013 £m
Revenue	5	826	1,064
Cost of sales		(333)	(457)
Gross profit		493	607
Administrative expenses	6	(325)	(313)
Other operating income	7	29	23
Other operating expense	7	(2)	(23)
Operating profit		195	294
Share of profit of joint ventures and associates	15	10	14
Finance income		7	6
Finance expense		(24)	(19)
Net finance expense	9	(17)	(13)
Profit before tax	5	188	295
Income tax expense	10	(37)	(30)
Profit for the year		151	265
Attributable to			
Equity holders of the parent		110	224
Non-controlling interests		41	41
		151	265
Basic earnings per share (pence)	11	34.0p	69.4p
Diluted earnings per share (pence)	11	33.9p	69.0p

¹ Restated due to the adoption of IFRS 10, as described in Note 2.2.

The financial results above derive from continuing activities

The notes on pages 83 to 140 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Note	2014 £m	Restated ¹ 2013 £m
Profit for the year		151	265
Other comprehensive income/(expense)			
Items that are not reclassified subsequently to income statement			
Remeasurement of defined benefit plan actuarial net gains/(losses)	23	3	(1)
		3	(1)
Items that may be reclassified subsequently to income statement			
Foreign currency translation differences – foreign operations		47	(100)
Foreign currency translation differences – equity accounted investees		7	1
Net (loss)/gain on hedge of net investments in foreign operations		(17)	5
		37	(94)
Other comprehensive income/(expense) for the year, net of tax		40	(95)
Total comprehensive income for the year		191	170
Total comprehensive income attributable to			
Equity holders of the parent		162	160
Non-controlling interests		29	10
Total comprehensive income for the year		191	170

¹ Restated due to the adoption of IFRS 10 as described in Note 2.2

The notes on pages 83 to 140 are an integral part of these consolidated financial statements

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Consolidated statement of financial position

As at 31 December 2014

	Notes	31 Dec 2014 £m	Restated ¹ 31 Dec 2013 £m	Restated ¹ 1 Jan 2013 £m
Non-current assets				
Property, plant and equipment	12	2,753	2,370	2,381
Lease premium prepayment	13	98	87	92
Investment properties	14	479	414	392
Investment in joint ventures and associates	15	235	203	193
Loans due from associate		–	–	29
Other financial assets	16	5	5	4
		3,570	3,079	3,091
Current assets				
Inventories	17	4	4	4
Development properties	18	72	71	173
Lease premium prepayment	13	2	1	1
Trade and other receivables	19	104	183	74
Loans due from associate		–	–	18
Cash and cash equivalents	20	392	351	418
		574	610	688
Total assets		4,144	3,689	3,779
Non-current liabilities				
Loans due to associate		–	–	(16)
Interest-bearing loans, bonds and borrowings	21	(518)	(489)	(289)
Employee benefits	23	(15)	(18)	(17)
Provisions	24	(7)	(7)	(8)
Other non-current liabilities	25	(11)	(8)	(123)
Deferred tax liabilities	26	(221)	(208)	(232)
		(772)	(730)	(685)
Current liabilities				
Interest-bearing loans, bonds and borrowings	21	(399)	(77)	(307)
Trade and other payables	27	(197)	(156)	(162)
Other current financial liabilities		–	(1)	(2)
Provisions	24	(6)	(6)	(6)
Income taxes payable		(35)	(40)	(25)
		(637)	(280)	(502)
Total liabilities		(1,409)	(1,010)	(1,187)
Net assets		2,735	2,679	2,592

¹ Restated due to the adoption of IFRS 10 as described in Note 2.2

The notes on pages 83 to 140 are an integral part of these consolidated financial statements

Consolidated statement of financial position

As at 31 December 2014

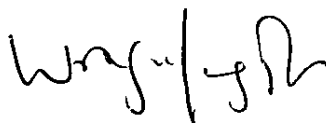
	Note	31 Dec 2014 £m	Restated ¹ 31 Dec 2013 £m	Restated ¹ 1 Jan 2013 £m
Equity				
Issued share capital		97	97	97
Share premium		843	843	843
Translation reserve		210	160	223
Treasury share reserve	30	(4)	(2)	(2)
Retained earnings		1,117	1,078	898
Total equity attributable to equity holders of the parent		2,263	2,176	2,059
Non-controlling interests		472	503	533
Total equity		2,735	2,679	2,592

¹ Restated due to the adoption of IFRS 10 as described in Note 2.2

These financial statements were approved by the Board of Directors on 9 February 2015 and were signed on its behalf by


Kwok Leng Beng
Chairman

Wong Hong Ren
Group Chief Executive Officer



Registered No 3004377

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Consolidated statement of changes in equity

For the year ended 31 December 2014

	Share capital £m	Share premium £m	Translation reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding non-controlling interests £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2013, as previously reported	97	843	263	(2)	975	2,176	187	2,363
IFRS 10 adjustments	-	-	(40)	-	(77)	(117)	346	229
Restated balance at 1 January 2013¹	97	843	223	(2)	898	2,059	533	2,592
Profit	-	-	-	-	224	224	41	265
Other comprehensive expense	-	-	(63)	-	(1)	(64)	(31)	(95)
Total comprehensive income/(expense)	-	-	(63)	-	223	160	10	170
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends – equity holders	-	-	-	-	(44)	(44)	-	(44)
Dividends – non-controlling interests	-	-	-	-	-	-	(40)	(40)
Share-based payment transactions (net of tax)	-	-	-	-	1	1	-	1
Total transactions with owners	-	-	-	-	(43)	(43)	(40)	(83)
Restated at 31 December 2013¹	97	843	160	(2)	1,078	2,176	503	2,679
Balance at 1 January 2014, as previously reported	97	843	191	(2)	1,160	2,289	179	2,468
IFRS 10 adjustments	-	-	(31)	-	(82)	(113)	324	211
Restated balance at 1 January 2014¹	97	843	160	(2)	1,078	2,176	503	2,679
Profit	-	-	-	-	110	110	41	151
Other comprehensive income/(expense)	-	-	50	-	2	52	(12)	40
Total comprehensive income	-	-	50	-	112	162	29	191
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends – equity holders	-	-	-	-	(73)	(73)	-	(73)
Dividends – non-controlling interests	-	-	-	-	-	-	(35)	(35)
Purchase of own shares	-	-	-	(2)	-	(2)	-	(2)
Contribution by non-controlling interests	-	-	-	-	-	-	3	3
Changes in ownership interests								
Distribution to minority interests	-	-	-	-	-	-	(28)	(28)
Total transactions with owners	-	-	-	(2)	(73)	(75)	(60)	(135)
Balance at 31 December 2014	97	843	210	(4)	1,117	2,263	472	2,735

¹ Restated due to the adoption of IFRS 10, as described in Note 2.2

The notes on pages 83 to 140 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

For the year ended 31 December 2014

	2014 £m	Restated ¹ 2013 £m
Cash flows from operating activities		
Profit for the year	151	265
Adjustments for		
Depreciation and amortisation	52	47
Share of profit of joint ventures and associates	(10)	(14)
Other operating income	(30)	(23)
Other operating expense	3	23
Equity settled share-based transactions	-	1
Finance income	(7)	(6)
Finance expense	24	19
Income tax expense	37	30
Operating profit before changes in working capital and provisions	220	342
Movement in inventories, trade and other receivables	76	(110)
Movement in development properties	(1)	95
Movement in trade and other payables	35	(122)
Movement in provisions and employee benefits	-	(1)
Cash generated from operations	330	204
Interest paid	(17)	(17)
Interest received	5	5
Income tax paid	(37)	(32)
Net cash generated from operating activities	281	160
Cash flows from investing activities		
Dividends received from joint venture	-	36
Decrease in loans due from associate	-	49
Increase in investment in associate	(44)	-
Return of capital from associate	3	-
Net proceeds from sale of assets	-	3
Acquisition of property, plant and equipment, lease premium prepayment and investment properties	(429)	(173)
Net cash used in investing activities	(470)	(85)
Balance carried forward	(189)	75

¹ Restated due to the adoption of IFRS 10 as described in Note 2.2

The notes on pages 83 to 140 are an integral part of these consolidated financial statements

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Consolidated statement of cash flows

For the year ended 31 December 2014

	Note	2014 £m	Restated ¹ 2013 £m
Balance brought forward		(189)	75
Cash flows from financing activities			
Repayment of borrowings		(49)	(420)
Drawdown of borrowings		377	426
Payment of transaction costs related to borrowings		(1)	(1)
Payment on termination of financial instruments		-	(2)
Dividends paid to non-controlling interests		(35)	(39)
Movement in loan due to associate		-	(17)
Purchase of own shares		(2)	-
Capital contribution from non-controlling interests		3	-
Dividends paid to equity holders of the parent	28	(73)	(44)
Net cash used in financing activities		220	(97)
Net increase/(decrease) in cash and cash equivalents		31	(22)
Cash and cash equivalents at beginning of the year		351	418
Effect of exchange rate fluctuations on cash held		6	(45)
Cash and cash equivalents at end of the year		388	351
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the consolidated statement of financial position		392	351
Bank overdrafts included in borrowings		(4)	-
Cash and cash equivalents for consolidated statement of cash flows		388	351

¹ Restated due to the adoption of IFRS 10, as described in Note 2.2.

The notes on pages 83 to 140 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. 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 2014 were authorised for issue in accordance with a resolution of the Directors on 9 February 2015.

2.1 Basis of preparation

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

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP.

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. 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.

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Notes to the consolidated financial statements continued

2.2 Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014, in line with their effective dates

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

The nature and effects of the changes are explained below

(i) Subsidiaries

As a result of IFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces 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.

In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees at 1 January 2014. As a consequence, the Group has 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 has determined that, under IFRS 10, the Group has had control over the investee since its inception. This is because a subsidiary of the Group, M&C REIT Management Limited acts as REIT Manager with its fees having a performance-based element. Accordingly, 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. The quantitative impact of the change is set out in (iv) below.

(ii) Joint arrangements

Under IFRS 11, the Group has to classify its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making the assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its joint arrangements and has retained its classification as joint-ventures. The investments continue to be recognised by applying the equity method and there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

(iii) Disclosure of interests in other entities

As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (see Note 34) and equity-accounted investees (see Note 15).

(iv) Summary of quantitative impacts

The following tables summarise the impacts of the above changes on the Group's financial position, comprehensive income and cash flows. The impacts relate to the consolidation of an additional subsidiary.

The Group has taken advantage of the transitional provisions of Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12), and has not included in the following tables the impact of consolidating the additional subsidiary on the Group's financial position, comprehensive income and cash flows as at and for the year ended 31 December 2014.

Consolidated statement of financial position

1 January 2013

	Impact of changes in accounting policy		
	As previously reported £m	IFRS 10 £m	As restated £m
Property, plant and equipment and lease premium prepayment	2,096	377	2,473
Investment properties	169	223	392
Investment in and loans to joint ventures and associates	469	(247)	222
Other financial assets	8	(4)	4
Non-current assets	2,742	349	3,091
Current assets excluding cash	264	6	270
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	(467)	108	(359)
Net cash/(debt)	52	(230)	(178)
Deferred tax liabilities	(228)	(4)	(232)
Net assets	2,363	229	2,592
Total equity attributable to equity holders of the parent	2,176	(117)	2,059
Non-controlling interests	187	346	533
Total equity	2,363	229	2,592

31 December 2013

	Impact of changes in accounting policy		
	As previously reported £m	IFRS 10 £m	As restated £m
Property, plant and equipment and lease premium prepayment	2,064	393	2,457
Investment properties	164	250	414
Investment in joint ventures and associates	441	(238)	203
Other financial assets	8	(3)	5
Non-current assets	2,677	402	3,079
Current assets excluding cash	255	4	259
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	(341)	105	(236)
Net cash/(debt)	81	(296)	(215)
Deferred tax liabilities	(203)	(5)	(208)
Net assets	2,469	210	2,679
Total equity attributable to equity holders of the parent	2,290	(114)	2,176
Non-controlling interests	179	324	503
Total equity	2,469	210	2,679

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Notes to the consolidated financial statements continued

Consolidated income statement

For the year ended 31 December 2013

	Impact of changes in accounting policy		
	As previously reported £m	IFRS 10 £m	As restated £m
Revenue	1,037	27	1,064
Cost of sales	(450)	(7)	(457)
Gross profit	587	20	607
Administrative expenses	(347)	34	(313)
Other operating income	12	11	23
Other operating expense	(21)	(2)	(23)
Operating profit	231	63	294
Share of profit of joint-ventures and associates	38	(24)	14
Net finance expense	(5)	(8)	(13)
Profit before tax	264	31	295
Income tax expense	(29)	(1)	(30)
Profit for the year	235	30	265
Items that are not reclassified subsequently to income statement	(1)	–	(1)
Items that may be reclassified subsequently to income statement	(81)	(13)	(94)
Total comprehensive income for the year	153	17	170

Consolidated statement of cash flows

For the year ended 31 December 2013

	Impact of changes in accounting policy		
	As previously reported £m	IFRS 10 £m	As restated £m
Cash and cash equivalents at beginning of the year	379	39	418
Net cash generated from operating activities	106	54	160
Others	(167)	(60)	(227)
Cash and cash equivalents at end of the year	318	33	351

2.3 Summary of significant accounting policies

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

A Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

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

B Foreign currency

(i) Foreign currency translation

The financial statements of each of the Group's businesses are prepared in the functional currency applicable to that business. Transactions in foreign currencies other than the functional currency are translated at the foreign exchange rate ruling at the date of the transaction.

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

(ii) Financial statements of foreign operations

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

(iii) Net investment in foreign operations

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

C Derivative financial instruments

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

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

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

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Notes to the consolidated financial statements continued

D Hedges

(i) Cash flow hedges

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

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

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

(ii) Hedge of monetary assets and liabilities

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

(iii) Hedge of net investment in foreign operations

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

E Property, plant and equipment and depreciation

(i) Recognition and measurement

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

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

(ii) Depreciation

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

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

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

(iii) Subsequent costs

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

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

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

F Leases**(i) Leased assets**

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

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

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

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

(ii) Lease premium

The Group makes and receives initial payments on entering both into 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.

On the statement of financial position, financial 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 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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Notes to the consolidated financial statements continued

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

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

H Investment properties

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

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

I Inventories

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

J Development properties

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

K Cash and cash equivalents

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

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

L Borrowings

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

M Income tax

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

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

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

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

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

N Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Long-term service benefits

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

(iv) Share-based payment transactions

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

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

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

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Notes to the consolidated financial statements continued

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

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

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

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

O Provisions

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

P Revenue and its recognition

Revenue comprises

- Income from the ownership and operation of hotels – recognised at the point at which the accommodation and related services are provided,
- Management fees – earned from hotels managed by the Group, usually under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability, recognised when earned on an accrual basis under the terms of the contract,
- Franchise fees – received in connection with licensing of the Group's brand names, usually under long-term contracts with the hotel owner. The Group charges franchise royalty fees as a percentage of room revenue, recognised when earned on an accrual basis under the terms of the agreement,
- Income from property rental – recognised on a straight-line basis over the lease term, lease incentives granted are recognised as an integral part of the total rental income, and
- Development property sales – recognised when the significant risks and rewards of ownership have passed to the buyer, which is usually when legal title transfers depending on jurisdictions. The trigger for revenue recognition depends on the laws within each jurisdiction. In 2013, the Glyndebourne development sales were recognised on the receipt of the temporary occupation permit, as this is the point at which the risks and rewards of ownership passed to the buyers

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.

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

S Non-current assets held-for-sale

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

T Other financial assets and liabilities

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

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

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

U Related parties

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

3 Accounting estimates and judgements

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

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

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

Asset carrying values

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

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

Investment properties

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

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

Adoption of IFRS 10

As further explained in Note 2.2, the Group adopted IFRS 10 during 2014. The most significant test in determining whether a control relationship exists under the Group's previous accounting policy (under IAS 27), was whether the Group had a shareholding of over 50%.

One key change in IFRS 10 is a new requirement for an investor to consider whether it has de facto power over an investee, this is relevant for the decision regarding the treatment of CDLHT which was previously accounted for as an associate under equity accounting. The new 'control' model is complex and judgement was required in assessing the nature of the relationship between the Group and CDLHT under the new accounting standard.

Business combination

The group purchased five hotels during the year. The Group had to make a judgement whether to account for each acquisition 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 and complex.

Taxation

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

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

Land leases classification

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 20 to 40. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report – Financial performance on pages 24 to 25 and in the key performance indicators on page 23. 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 the foreseeable future. Accordingly, they continue to adopt a 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 published by the Financial Reporting Council "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009".

Defined benefit pension plans

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

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

Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values. Management reviews significant unobservable inputs and valuations adjustments. If third party information is used to measure fair values, then management assesses

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the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in their fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group Audit & Risk Committee.

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

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

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

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

4 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014, however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements, as these have not been adopted early:

IFRS 9 Financial Instruments

IFRS 15 Revenue from contracts with customers

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

5 Operating segment information

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

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

Geographical segments

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

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

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

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

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

Segment results

	2014								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel	123	106	125	71	131	152	42	—	750
Property operations	—	2	—	—	9	1	24	—	36
REIT	—	—	—	—	11	16	13	—	40
Total revenue	123	108	125	71	151	169	79	—	828
Hotel gross operating profit	35	21	64	18	62	53	17	—	270
Hotel fixed charges ¹	(22)	(16)	(19)	(11)	(2)	(28)	(4)	—	(102)
Hotel operating profit	13	5	45	7	60	25	13	—	168
Property operating profit/(loss)	—	(1)	—	—	8	—	8	—	15
REIT operating profit/(loss)	—	—	—	—	(3)	6	13	—	16
Central costs	—	—	—	—	—	—	—	(31)	(31)
Other operating income ²	—	—	—	—	3	16	—	—	19
Other operating income – REIT ²	—	—	—	—	5	1	2	—	8
Operating profit/(loss)	13	4	45	7	73	48	38	(31)	185
Share of joint ventures and associates profit	—	—	—	—	—	10	—	—	10
Add Depreciation and amortisation	6	7	5	3	11	17	2	1	52
EBITDA³	19	11	50	10	84	75	38	(30)	257
Less Depreciation and amortisation									(52)
Net finance expense									(17)
Profit before tax									188

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.

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	Restated 2013								
	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	106	111	111	69	140	151	43	–	731
Property operations	–	2	–	–	276	–	21	–	299
REIT	–	–	–	–	14	5	15	–	34
Total revenue	106	113	111	69	430	156	79	–	1,064
Hotel gross operating profit	26	19	59	17	67	50	18	–	256
Hotel fixed charges ¹	(19)	(18)	(15)	(12)	(2)	(26)	(5)	–	(97)
Hotel operating profit	7	1	44	5	65	24	13	–	159
Property operating profit/(loss)	–	(1)	–	–	141	–	9	–	149
REIT operating profit/(loss)	–	–	–	–	(2)	5	14	–	17
Central costs	–	–	–	–	–	–	–	(31)	(31)
Other operating income ²	–	–	–	–	9	2	–	–	11
Other operating expense ²	–	(12)	–	(3)	–	(6)	–	–	(21)
Other operating income – REIT ²	–	–	–	–	1	4	5	–	10
Operating profit/(loss)	7	(12)	44	2	214	29	41	(31)	294
Share of joint ventures and associates profit	–	–	–	–	–	14	–	–	14
Add Depreciation and amortisation	6	7	5	3	10	13	2	1	47
EBITDA ³	13	(5)	49	5	224	56	43	(30)	355
Less Depreciation and amortisation									(47)
Net finance expense									(13)
Profit before tax									295

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

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

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

Segmental assets, liabilities and capital expenditure

	2014							
	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	542	279	502	242	18	654	147	2,384
REIT operating assets	-	-	-	-	539	128	162	829
Hotel operating liabilities	(34)	(22)	(34)	(19)	(21)	(59)	(8)	(197)
REIT operating liabilities	-	-	-	-	(15)	(3)	(2)	(20)
Investment in joint ventures and associates	-	-	-	-	-	96	-	96
Total hotel operating net assets	508	257	468	223	521	818	299	3,092
Property operating assets	-	31	-	-	97	102	74	304
Property operating liabilities	-	(1)	-	-	(8)	(6)	(4)	(19)
Investment in joint ventures and associates	-	-	-	-	-	139	-	139
Total property operating net assets	-	30	-	-	89	235	70	424
Deferred tax liabilities								(221)
Income taxes payable								(35)
Net debt								(525)
Net assets								2,735

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	Restated 2013							
	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	339	272	436	191	47	626	145	2,056
REIT operating assets	–	–	–	–	488	87	163	738
Hotel operating liabilities	(12)	(31)	(30)	(16)	(25)	(52)	(7)	(173)
REIT operating liabilities	–	–	–	–	(3)	–	(2)	(5)
Investment in joint ventures and associates	–	–	–	–	–	87	–	87
Total hotel operating net assets	327	241	406	175	507	748	299	2,703
Property operating assets	–	28	–	–	182	63	68	341
Property operating liabilities	–	–	–	–	(15)	(1)	(2)	(18)
Investment in joint ventures and associates	–	–	–	–	–	116	–	116
Total property operating net assets	–	28	–	–	167	178	66	439
Deferred tax liabilities								(208)
Income taxes payable								(40)
Net debt								(215)
Net assets								2,679

Geographic information

	2014 £m	Restated 2013 £m
Revenue from external customers		
United States	231	219
United Kingdom	171	156
Singapore	151	430
New Zealand	69	68
Taiwan	50	41
South Korea	48	49
China	23	24
Maldives	16	5
Malaysia	16	18
France	14	15
Australia	9	11
Philippines	6	9
Indonesia	6	7
Germany	5	5
Other	13	7
Total revenue per consolidated income statement	826	1,064

The revenue information above is based on the location of the business. The £826m (2013 £1,064m) revenue is constituted of £750m (2013 £731m) of hotel revenue, £36m (2013 £299m) of property operations revenue and £40m (2013 £34m) of REIT revenue. The property operations revenue comprises £24m (2013 £21m) from New Zealand, £9m (2013 £276m) from Singapore and £3m (2013 £2m) from other countries.

	2014 £m	Restated 2013 £m
Non-current assets		
United States	830	614
United Kingdom	630	564
Singapore	628	600
Taiwan	258	242
China	251	230
New Zealand	190	187
South Korea	175	170
Japan	131	63
Australia	109	112
Maldives	82	85
Hong Kong	79	69
Malaysia	64	64
Italy	56	-
France	37	40
Philippines	31	29
Indonesia	11	10
Total non-current assets per consolidated statement of financial position	3,570	3,079

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

6 Administrative expenses

The following items are included within administrative expenses

	2014 £m	Restated 2013 £m
(a) Included in administrative expenses is the auditor's remuneration, for audit and non-audit services as follows		
Auditor's remuneration		
Statutory audit services		
- Annual audit of the Company and consolidated financial statements	1	1
- Audit of subsidiary companies	1	1
	2	2
Non-audit related services		
- Tax advisory	1	1
Total	3	3

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	2014 £m	Restated 2013 £m
(b) Impairment (Note 7)	–	21
(c) Repairs and maintenance	39	37
(d) Depreciation	50	45
(e) Lease premium amortisation	2	2
(f) Rental paid/payable under operating leases		
– land and buildings	3	3
– plant and machinery	4	4

7 Other operating income and expense

	Notes	2014 £m	Restated 2013 £m
Other operating income			
Revaluation gain of investment properties			
– REIT properties	(a)	10	12
– Millennium Mitsui Garden Hotel Tokyo	(a)	16	–
– Tanglin Shopping Centre	(a)	3	9
Gain arising on disposal of assets	(b)	–	2
		29	23
Other operating expense			
Revaluation deficit of investment properties			
– REIT properties	(a)	(2)	(2)
Impairment	(c)	–	(21)
		(2)	(23)

(a) Revaluation gain/deficit of investment properties

At the end of 2014 and 2013, the Group's investment properties were subject to external professional valuation on an open-market existing use basis. Based on these valuations, the revaluation gain or deficit was recorded as considered appropriate by the Directors.

(b) Gain arising on disposal of assets

In 2013, the Group disposed of its investment in India for £3m (350m rupees) resulted in a profit of £2m after deducting its book cost of £1m.

(c) Impairment

The Directors undertook their annual review of the carrying value of hotels and property assets for indication of impairment and where appropriate, external valuations were also obtained. As a result of this review, no impairment charge was made for the year ended 31 December 2014. For 2013, the total impairment charge was £21m consisting £4m in relation to four Regional UK hotels in Rest of Europe, £12m for a hotel in Regional US and £5m in relation to a hotel in Rest of Asia.

8 Personnel expenses

	2014 £m	Restated 2013 £m
Wages and salaries	278	233
Compulsory social security contributions	37	36
Contributions to defined contribution schemes	11	11
Defined benefit pension cost/(gain) – recorded in the statement of comprehensive income	(3)	1
Defined benefit pension cost – recorded in the income statement	2	2
Equity-settled share-based payment transactions	-	1
	325	284

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

	2014 Number	Restated 2013 Number
Hotel operating staff	7,954	8,009
Management/administration	1,253	1,306
Sales and marketing	484	438
Repairs and maintenance	586	600
	10,257	10,353

Directors' remuneration

	2014 £m	Restated 2013 £m
Remuneration	2	2
Received by the Directors under long-term incentive schemes & pensions	-	1
	2	3

9 Net finance expense

	2014 £m	Restated 2013 £m
Interest income	4	4
Interest receivable from joint ventures and associates	1	1
Foreign exchange gain	2	1
Finance income	7	6
Interest expense	(22)	(17)
Foreign exchange loss	(2)	(2)
Finance expense	(24)	(19)
Net finance expense	(17)	(13)

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10 Income tax expense

	2014 £m	Restated 2013 £m
Current tax		
Corporation tax charge for the year	27	49
Adjustment in respect of prior years	4	(1)
Total current tax expense	31	48
Deferred tax (Note 28)		
Origination and reversal of timing differences	5	(8)
Effect of change in tax rate on opening deferred taxes	3	(3)
Benefits of tax losses recognised	(1)	(2)
Over provision in respect of prior years	(1)	(5)
Total deferred tax expense/(credit)	6	(18)
Total income tax charge in the consolidated income statement	37	30
UK	10	5
Overseas	27	25
Total income tax charge in the consolidated income statement	37	30

For the year ended 31 December 2014, the Group recorded a tax expense of £37m (2013: £30m) excluding the tax relating to joint ventures and associates, giving rise to an effective tax rate of 20.7% (2013: 10.7%). The effective tax rate has been affected by a number of factors which include the following items:

- Other income and expense of the Group; and
- Tax adjustments in respect of previous years

Excluding the impact of the items noted above, the Group's underlying effective tax rate is 17.2% (2013: 20.9%).

For the year ended 31 December 2014, a charge of £6m (2013: £5m) relating to joint ventures and associates is included in the profit before tax.

Adjustments in respect of settlement of prior years tax liabilities

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

Income tax reconciliation

	2014 £m	Restated 2013 £m
Profit before income tax in consolidated income statement	188	295
Less share of profits of joint ventures and associates	(10)	(14)
Profit on ordinary activities excluding share of joint ventures and associates	178	281
Income tax on ordinary activities at the standard rate of		
UK tax of 21.49% (2013: 23.25%)	38	65
Tax exempt income	(21)	(25)
Non-deductible expenses	11	9
Current year losses for which no deferred tax asset was recognised	2	1
Effect of tax rates on other operating income and expense	1	(3)
Other effect of tax rates in foreign jurisdictions	-	(9)
Effect of change in tax rate on opening deferred taxes	3	(3)
Other adjustments to tax charge in respect of prior years	3	(5)
Income tax expense per consolidated income statement	37	30

11 Earnings per share

Earnings per share are calculated using the following information

	2014	Restated 2013
(a) Basic		
Profit for the year attributable to holders of the parent (£m)	110	224
Weighted average number of shares in issue (m)	324	324
Basic earnings per share (pence)	34.0p	69.4p
(b) Diluted		
Profit for the year attributable to holders of the parent (£m)	110	224
Weighted average number of shares in issue (m)	324	324
Potentially dilutive share options under the Group's share option schemes (m)	1	2
Weighted average number of shares in issue (diluted) (m)	325	326
Diluted earnings per share (pence)	33.9p	69.0p

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12 Property, plant and equipment

	Land and buildings £m	Capital work in progress £m	Fixtures, fittings and equipment £m	Plant and machinery and vehicles £m	Total £m
Cost					
Restated balance at 1 January 2013	2,401	28	213	221	2,863
Additions	63	27	6	24	120
Transfers	11	(30)	10	9	–
Disposals	(5)	–	–	(1)	(6)
Written off	–	–	(2)	(18)	(20)
Foreign exchange adjustments	(59)	–	(11)	(9)	(79)
Restated balance at 31 December 2013	2,411	25	216	226	2,878
Balance at 1 January 2014	2,411	25	216	226	2,878
Additions – Acquisitions	271	–	7	15	293
Additions – Others	41	20	19	19	99
Transfers	8	(21)	2	8	(3)
Disposals	–	–	–	(2)	(2)
Written off	–	–	–	(10)	(10)
Foreign exchange adjustments	42	–	5	5	52
Balance at 31 December 2014	2,773	24	249	261	3,307
Accumulated depreciation					
Restated balance at 1 January 2013	244	1	65	172	482
Charge for the year	16	–	8	21	45
Impairment	20	–	1	–	21
Disposals	(5)	–	–	(1)	(6)
Written off	–	–	(2)	(18)	(20)
Foreign exchange adjustments	(8)	–	(2)	(4)	(14)
Restated balance at 31 December 2013	267	1	70	170	508
Balance at 1 January 2014	267	1	70	170	508
Charge for the year	15	–	11	24	50
Disposals	–	–	–	(2)	(2)
Written off	–	–	–	(10)	(10)
Foreign exchange adjustments	4	–	2	2	8
Balance at 31 December 2014	286	1	83	184	554
Carrying amounts					
At 31 December 2014	2,487	23	166	77	2,763
At 31 December 2013 restated	2,144	24	146	56	2,370

The carrying value of property, plant and equipment held under finance leases at 31 December 2014 was £5.6m (2013: £nil)

a Impairment

Property, plant and equipment are reviewed for impairment based on each cash generating unit ("CGU"). The CGUs are individual hotels. The carrying value of individual hotels was compared to the recoverable amount of the hotels, which was predominantly based on value-in-use. For 2014, where indicators of impairment were present, the Group estimated value-in-use through creation of discounted cash flow models, based on future trading performance expected by management. The underlying basis for the impairment model involves each hotel's projected cash flow for the financial year ending 31 December 2015, extrapolated to incorporate individual assumptions in respect of revenue growth (principally factoring in room rate and occupancy growth) and major expense lines. The future cash flows are based on assumptions about competitive growth rates for hotels in that area, as well as internal business plans. These plans and forecasts include management's most recent view of trading prospects for the hotel in the relevant market. The forecasts cover a five to ten year period, and cash flows beyond this period are extrapolated using a growth rate ranging between 2% and 3%, which is based upon the expected trading growth for each hotel and inflation in the country. Where appropriate, the Directors sought guidance on value from a registered independent appraiser with an appropriately recognised professional qualification and recent experience in the location and category of the hotel being valued.

On the basis of both external and internal valuations in 2014, the Group recorded an impairment charge of £nil (2013 £21m). The £21m in the previous year impairment charge comprised £4m for four Regional UK hotels in Rest of Europe, £12m for a hotel in Regional US and £5m for a hotel in Rest of Asia.

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 11% to 12% in the US, 8% to 12% in Europe, 9% in Asia and 9% in Australasia.

Occupancy rate – The occupancy growth rates ranged from 0% to 7% in the US, 0% to 4% in Europe, 0% to 3% in Asia and 0% to 5% in Australasia.

Average room rate – The average room rate growth ranged from 3% to 4% in the US, 0% to 7% in Europe, 0% to 6% in Asia and 1% to 4% in Australasia.

c Sensitivities

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

d Land and buildings

Land and buildings includes long leasehold building assets with a book value of £595m (2013 £534m). The net book value of land and buildings held under short leases was £100m (2013 £88m), in respect of which depreciation of £2m (2013 £1m) was charged during the year.

No interest was capitalised within land and buildings during the year (2013 £nil). The cumulative capitalised interest within land and buildings is £5m (2013 £5m).

e Pledged assets

At year-end, the net book value of assets pledged as collateral for secured loans was £227m (2013 £280m). The security for the loans is by way of charges on the properties of the Group companies concerned.

f Business combination

On 12 June 2014, the Group acquired Novotel New York Times Square for a purchase price of US\$274m (£161m). The purchase price consists of property, plant & equipment, which has been included in the Group's New York geographical segment. The fair value asset allocation indicates that the purchase price approximates the fair value of the acquired assets and there is no goodwill. The results of Novotel since the acquisition date have been included in our consolidated financial statements. In conjunction with the acquisition, we entered into a finance lease arrangement for a part of the property for US\$9m (£6m).

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In addition, on 19 December 2014, the Group acquired two hotels in Japan, as well as all the outstanding shares of capital stock of a company that operates them. The total consideration was S\$66m (£32m). The preliminary fair value asset allocation indicates that the purchase price approximates the fair value of acquired assets and there will be no goodwill. The Group has one year from the date of purchase to finalise the allocation of the purchase between tangible and intangible assets. Based on the preliminary analysis, the purchase price has been fully allocated to property, plant & equipment on the Group's balance sheet, and full analysis will be completed in 2015.

g Other acquisitions

On 25 March 2014, the Group acquired the leasehold interest in a hotel property located within the Chelsea Harbour district in London for a purchase price of £65m. The total acquisition cost including other expenses is £68m, which were capitalised as property, plant & equipment within the Group's existing hotels portfolio.

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

The preliminary estimated fair value asset allocation indicates that the purchase prices approximate the fair value of the identifiable assets acquired, and there will be no goodwill. The Group has one year from the date of purchase to finalise the allocation of the purchase price between tangible and intangible assets. Based on the preliminary analysis, the purchase price has been fully allocated to property, plant & equipment on the Group's balance sheet, and full analysis will be completed for the year-end.

13 Lease premium prepayment

	2014 £m
Cost	
Balance as at 1 January, as previously reported	49
IFRS 10 adjustments	50
Restated balance at 1 January	99
Transfer from PPE (Note 12)	3
Foreign exchange adjustments	11
Restated balance at 31 December	113
Amortisation	
Balance as at 1 January, as previously reported	5
IFRS 10 adjustments	6
Restated balance at 1 January	11
Charge for the year	2
Foreign exchange adjustments	–
Restated balance at 31 December	13
Carrying amount	100
Analysed between	
Amount due after more than one year included in non-current assets	98
Amount due within one year included in current assets	2
	100

The IFRS 10 adjustments relate to the leasehold interest in Grand Copthorne Waterfront Hotel and Studio M Hotel Singapore acquired by CDLHT.

14 Investment properties

Completed investment properties comprise Tanglin Shopping Centre, Biltmore Court & Tower, CDLHT properties and Millennium Mitsui Garden Hotel Tokyo which was fully constructed in September 2014 and started operating in December 2014. Investment properties under construction represents the land site at Sunnyvale.

Movements in the year analysed as

	Completed investment properties £m	Investment properties under construction £m	Total £m
Balance at 1 January 2013 (restated)	314	78	392
Additions	47	6	53
Adjustment to fair value	19	-	19
Foreign exchange adjustment	(35)	(15)	(50)
Balance at 31 December 2013 (restated)	345	69	414
Balance at 1 January 2014	345	69	414
Transfers	63	(63)	-
Additions	42	-	42
Adjustment to fair value	27	-	27
Foreign exchange adjustment	(4)	-	(4)
Balance at 31 December 2014	473	6	479

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

Only the land site at Sunnyvale, California is classified as investment properties under construction at 31 December 2014 as it is still in the planning stage. This asset is carried at cost on the balance sheet. Construction of Millennium Mitsui Garden Hotel Tokyo was completed during December 2014 and the carrying book cost was transferred from investment properties under construction to completed investment properties, and has been revalued to fair value.

At the end of 2014, those Group investment properties were subject to external professional valuation on an open market existing use basis by the following accredited independent valuers:

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

Based on these valuations together with such considerations as the Directors consider appropriate, Millennium Mitsui Garden Hotel Tokyo and Tanglin Shopping Centre recorded uplifts in value of £16m (2013: £nil) and £3m (2013: £9m) respectively. In addition, the REIT properties recorded a net revaluation gain of £8m (2013: £10m). All the other investment properties recorded no change as they are carried at cost and no impairment was identified.

Fair value hierarchy

The fair value measurement for investment properties not under construction of £473m (2013: £345m) 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
<p>The technique applied in the valuation of the Tanglin Shopping Centre is based on market comparison of sales of similar properties in the vicinity. Further adjustments are made to this value to account for differences in location, size, tenure, view, accessibility, condition and other factors.</p> <p>Biltmore Court & Tower and Millennium Mitsui Garden Hotel Tokyo were valued using a discounted cash flow technique based on expected rental income and discount rate appropriate for the property.</p> <p>Investment properties held by the REIT were valued using the discounted cash flow, capitalisation or comparison techniques.</p>	<p>Tanglin Shopping Centre Open market values for other properties</p>	<p>The estimated fair value would increase/(decrease) if</p>
	<p>Biltmore Court & Tower Discount rate of between 8% to 10% and capitalisation rate of 7% to 9%</p>	<p>Expected market rental growth were higher/(lower), and</p>
	<p>Millennium Mitsui Garden Hotel Tokyo Discount rate of between 4% and 5% and capitalisation rate of 4% to 5%</p>	<p>Risk adjusted discount rate was lower/(higher), capitalisation rate was higher/(lower) and terminal yield was lower/(higher)</p>
	<p>CDLHT investment properties Discount rate of between 7% and 12%, capitalisation rate of around 8% and terminal yield of 8% to 10%</p>	

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

15 Investments in joint ventures and associates

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

	Principal place of business	Fair value of ownership interest £m	Effective Group interest	
			2014	2013
Joint ventures				
New Unity Holdings Limited ("New Unity")	Hong Kong	–	50%	50%
Fena Estate Company Limited ("Fena")	Thailand	–	50%	50%
Associate				
First Sponsor Group Limited ("First Sponsor")	People's Republic of China	127	36%	39%

The Group has 50% interest in both New Unity and Fena which operate the hotel business in Hong Kong and Bangkok respectively. First Sponsor is a property company based in China.

	Joint ventures £m	Associates £m	Total £m
Share of net assets/cost			
Balance at 1 January 2013 (restated)	98	95	193
Share of profit for the year	7	7	14
Additions	-	31	31
Dividends received	(36)	-	(36)
Foreign exchange adjustments	(1)	2	1
Balance at 31 December 2013 (restated)	68	135	203
Balance at 1 January 2014	68	135	203
Share of profit for the year	6	4	10
Additions	-	44	44
Restructuring	-	(28)	(28)
Foreign exchange adjustments	5	2	7
Other movements	-	(1)	(1)
Balance at 31 December 2014	79	156	235

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

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

	First Sponsor		New Unity	
	2014 £m	2013 £m	2014 £m	2013 £m
Non-current assets	161	88	315	295
Current assets	469	373	53	49
Non-current liabilities	(46)	(82)	(182)	(182)
Current liabilities	(146)	(108)	(28)	(25)
Net assets (100%)	438	271	158	137
Carrying amount by the Group	156	106	79	68
Revenue	73	80	100	102
Operating profit	14	20	26	28
Interest income	6	1	(1)	(1)
Income tax expense	(9)	(6)	(4)	(5)
Profit for the year	11	15	21	22
Non-controlling interests	-	-	(8)	(8)
Profit for the year after non-controlling interests	11	15	13	14
Other comprehensive income	12	16	-	-
Profit and total comprehensive income (100%)	23	31	13	14
Group's share of profit and total comprehensive income	8	15	7	7
Dividends received by the Group	-	-	-	36

At 31 December 2014, the Group's share of the total capital commitments of joint ventures and associates amounted to £20m (2013 £56m) At 31 December 2014, the Group's joint ventures and associates had no contingent liabilities (2013 £nil)

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16 Other financial assets

	2014 £m	Restated 2013 £m
Other financial assets included within non-current assets comprise		
Unquoted equity investments available-for-sale	5	5

17 Inventories

	2014 £m	Restated 2013 £m
Consumables	4	4

18 Development properties

	2014 £m	Restated 2013 £m
Development properties comprise		
Development land for resale		
– New Zealand landbank	49	43
Development properties		
– Zenith Residences	23	24
– Glyndebourne (redevelopment of Copthorne Orchid hotel)	–	4
	72	71

19 Trade and other receivables

	2014 £m	Restated 2013 £m
Trade and other receivables due from joint ventures and associates	–	1
Trade receivables	50	32
Other receivables	24	14
Prepayments and accrued income	30	136
	104	183

Trade receivables are shown net of an impairment allowance of £2m (2013: £1m) 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

	2014 £m	Restated 2013 £m
Cash at bank and in hand	228	239
Short-term deposits	289	231
Cash pool overdrafts	(125)	(119)
Cash and cash equivalents on the statement of financial position	392	351
Overdrafts included in borrowings	(4)	–
Cash and cash equivalents shown in the cash flow statement	388	351

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

As at 31 December 2014, £5m (2013: £nil) of the cash balance was restricted. This forms part of the consideration paid (payable) on the acquisition of a hotel in Rome (Note 12)

21 Interest-bearing loans, bonds and borrowings

	2014 £m	Restated 2013 £m
Included within non-current liabilities		
Bank loans	323	335
Bonds payable	195	154
	518	489
Included within current liabilities		
Bank loans and overdrafts	370	44
Bonds payable	29	33
	399	77

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

22 Financial instruments

Overview

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

- credit risk,
- liquidity risk, and
- market risk

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

(a) Credit risk

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

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

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

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

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The maximum exposure to credit risk at the reporting date was

	Carrying value	
	2014 £m	Restated 2013 £m
Cash at bank and in hand (see Note 20)	228	239
Short-term deposits (see Note 20)	289	231
Unquoted equity investments available-for-sale (see Note 16)	5	5
Trade receivables (see Note 19)	50	32
Trade and other receivables due from joint ventures and associates (see Note 19)	–	1
Other receivables (see Note 19)	24	14
	596	522

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

	Carrying value	
	2014 £m	Restated 2013 £m
New York	7	6
Regional US	7	5
Rest of Europe	5	4
Singapore	20	10
Rest of Asia	7	5
Australasia	4	2
	50	32

The ageing of trade receivables at the reporting date was

	Gross receivable		Impairment allowance		Carrying value	
	2014 £m	Restated 2013 £m	2014 £m	Restated 2013 £m	2014 £m	Restated 2013 £m
Not past due	39	24	–	–	39	24
Past due 0 – 30 days	6	4	–	(1)	6	3
Past due 31 – 60 days	3	3	–	–	3	3
Past due 61 – 90 days	1	1	–	–	1	1
More than 90 days	3	2	(2)	(1)	1	1
	52	34	(2)	(2)	50	32

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

	2014 £m	Restated 2013 £m
Balance at 1 January	2	2
Impairment recognised	-	-
Balance at 31 December	2	2

	Contractual maturities of financial assets 2014				
	Total £m	6 months or less £m	6 months - 1 year £m	1 - 5 years £m	More than 5 years £m
Financial Assets					
Fixed Rate					
Sterling	4	4	-	-	-
US dollar	22	22	-	-	-
Korean Won	7	7	-	-	-
Singapore dollar	175	175	-	-	-
New Taiwan dollar	6	6	-	-	-
Australian dollar	12	12	-	-	-
New Zealand dollar	47	47	-	-	-
Malaysian Ringgit	16	16	-	-	-
Euro	7	7	-	-	-
Others	16	16	-	-	-
Non Interest Bearing					
Sterling	23	23	-	-	-
US dollar	30	25	-	-	5
Korean Won	-	-	-	-	-
Singapore dollar	25	25	-	-	-
New Taiwan dollar	-	-	-	-	-
Malaysian Ringgit	1	1	-	-	-
Euro	4	4	-	-	-
Others	16	16	-	-	-
Interest Bearing Cash Pool deposits					
Singapore dollar	111	111	-	-	-
US dollar	-	-	-	-	-
Total cash and other financial assets	522	517	-	-	5
Interest Bearing Cash Pool Overdrafts					
Sterling	(44)	(44)	-	-	-
US dollar	(2)	(2)	-	-	-
Euro	(12)	(12)	-	-	-
Japanese Yen	(20)	(20)	-	-	-
Hong Kong dollar	(30)	(30)	-	-	-
Non Interest Bearing Cash Pool Overdrafts					
Sterling	(17)	(17)	-	-	-
US dollar	-	-	-	-	-
Singapore dollar	-	-	-	-	-
Total overdrafts (Note 20)	(125)	(125)	-	-	-
	397	392	-	-	5
Represented by:					
Cash and cash equivalents (Note 20)	392				
Other financial assets (non current) (Note 16)	5				
	397				

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	Restated Contractual maturities of financial assets 2013				
	Total £m	6 months or less £m	6 months – 1 year £m	1-5 years £m	More than 5 years £m
Financial Assets					
Fixed Rate					
Sterling	16	16	–	–	–
US dollar	80	80	–	–	–
Korean Won	5	5	–	–	–
Singapore dollar	119	119	–	–	–
New Taiwan dollar	13	13	–	–	–
Australian dollar	13	13	–	–	–
New Zealand dollar	35	35	–	–	–
Malaysian Ringgit	12	12	–	–	–
Euro	15	15	–	–	–
Others	35	35	–	–	–
Non Interest Bearing					
Sterling	16	16	–	–	–
US dollar	13	8	–	–	5
Korean Won	–	–	–	–	–
Singapore dollar	34	34	–	–	–
New Taiwan dollar	–	–	–	–	–
Malaysian Ringgit	1	1	–	–	–
Euro	1	1	–	–	–
Others	7	7	–	–	–
Interest Bearing Cash Pool deposits					
Singapore dollar	60	60	–	–	–
US dollar	–	–	–	–	–
Total cash and other financial assets	475	470	–	–	5
Interest Bearing Cash Pool Overdrafts					
Sterling	–	–	–	–	–
US dollar	(60)	(60)	–	–	–
Euro	–	–	–	–	–
Japanese Yen	(14)	(14)	–	–	–
Hong Kong dollar	(32)	(32)	–	–	–
Non Interest Bearing Cash Pool Overdrafts					
Sterling	(13)	(13)	–	–	–
US dollar	–	–	–	–	–
Singapore dollar	–	–	–	–	–
Total overdrafts (Note 20)	(119)	(119)	–	–	–
	356	351	–	–	5
Represented by:					
Cash and cash equivalents	351				
Other financial assets (non-current) (Note 16)	5				
	356				

(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 2014	Carrying amount £m	Contractual cash flows £m	Contractual maturities of financial liabilities				
			6 months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than 5 years £m
Floating rate financial liabilities							
Secured loans	67	72	2	2	5	63	-
Unsecured loans	526	540	56	265	57	162	-
Unsecured bonds	166	171	30	1	74	66	-
Bank overdrafts	3	4	4	-	-	-	-
Fixed rate financial liabilities							
Unsecured loans	97	105	2	51	1	51	-
Unsecured bonds	58	63	-	1	1	61	-
Trade and other payables							
Trade payables	23	23	19	4	-	-	-
Other creditors	16	16	16	-	-	-	-
Non-current liabilities							
Other non-current liabilities	11	11	-	-	1	2	8
	967	1,005	129	324	139	405	8

Restated 31 December 2013	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	77	88	2	2	4	80	-
Unsecured loans	256	266	2	38	180	46	-
Unsecured bonds	96	101	1	1	28	71	-
Bank overdrafts	1	1	1	-	-	-	-
Fixed rate financial liabilities							
Unsecured loans	45	52	1	1	1	49	-
Unsecured bonds	91	98	1	34	2	61	-
Trade and other payables							
Trade payables	21	21	19	2	-	-	-
Amounts owed to associates	3	3	3	-	-	-	-
Other creditors	5	5	5	-	-	-	-
Forward cross currency contracts designated as cash flow hedges	1	1	1	-	-	-	-
Non-current liabilities							
Other non-current liabilities	8	8	-	-	2	5	1
	604	644	36	78	217	312	1

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Undrawn committed borrowing facilities

At 31 December 2014, the Group had £255m (2013 £255m) of undrawn and committed facilities available, comprising committed revolving credit facilities which provide the Group with financial flexibility. Maturities of these facilities are set out in the following table.

The conditions precedent to the availability of these facilities are all satisfied at the balance sheet date.

	2014 £m	Restated 2013 £m
Expiring in one year or less	169	9
Expiring after more than one year but not more than two years	16	143
Expiring after more than two years but not more than five years	70	103
Expiring after more than five years	–	–
Total undrawn committed borrowing facilities	255	255

Security

Included within the Group's total bank loans and overdrafts of £693m (2013 £485m) are £70m (2013 £77m) of secured loans and overdrafts. Total bonds and notes payable of £224m (2013 £187m) are unsecured.

Loans, bonds and notes are secured on land and buildings with a carrying value of £283m (2013 £280m) and an assignment of insurance proceeds in respect of insurances over the mortgaged properties.

Of the Group's total facilities of £1,188m, £575m matures during 2015, comprising £29m unsecured bonds, £196m committed revolving credit facilities, £45m uncommitted facilities and overdrafts subject to annual renewal, £303m unsecured term loans and £2m secured term loans. Plans for refinancing of maturing 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\$429m (2013 US\$164m) US dollar loans and overdrafts, €61m (2013 €nil) Euro loans and overdrafts, and JPY3,704m (2013 JPY2,373m) Japanese yen overdrafts designated as hedges of corresponding respective proportions of its net investment in foreign operations whose functional currencies are US dollars, Euros and Japanese yen. The risk being hedged is the foreign currency exposure on the carrying amount of the net assets of the foreign operation upon consolidation. The fair value of the hedging instruments as at 31 December 2014 was £343m (2013 £113m).

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

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

	31 December 2014		Restated 31 December 2013	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Singapore dollar	204	204	197	197
Australia dollar	49	49	50	50
US dollar	438	438	193	193
New Zealand dollar	34	34	41	41
Chinese renminbi	36	36	36	36
Japanese yen	89	89	43	43
New Taiwan dollar	10	10	6	6
Korean Won	21	21	-	-
Euro	36	36	-	-
	917	917	566	566

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

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

Hedging of transaction exposure is undertaken with approved counterparties and within designated limits, using spot or short-term forward contracts to buy or sell the currency concerned, once the timing and the underlying amount of exposure have been determined. Foreign exchange derivatives may also be used to hedge specific transaction exposure where appropriate. There are no foreign exchange derivatives in place at 31 December 2014.

The following significant exchange rates applied during the year.

	Average rate		Closing rate	
	2014	2013	2014	2013
US dollar	1.645	1.569	1.556	1.647
Singapore dollar	2.087	1.963	2.059	2.088
New Taiwan dollar	49.938	46.634	49.419	49.450
New Zealand dollar	1.990	1.917	2.001	2.013
Malaysian ringgit	5.391	4.953	5.442	5.419
Korean won	1,727.98	1,713.18	1,708.55	1,735.49
Chinese renminbi	10.138	9.648	9.684	9.999
Euro	1.240	1.179	1.278	1.197
Japanese yen	173.950	152.194	187.334	172.545

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Sensitivity analysis

With respect to the Group's foreign currency exposure, and assuming that all other variables, in particular interest rates, remain constant, it is estimated that a 10% strengthening of sterling against the following currencies at 31 December 2014 (31 December 2013 10%) would have decreased equity and profit before tax by the amounts shown below

	31 December 2014		Restated 31 December 2013	
	Equity £m	Profit before tax £m	Equity £m	Profit before tax £m
US dollar	6	(1)	(8)	1
Australian dollar	(1)	–	(1)	–
Singapore dollar	4	(9)	(1)	(19)
New Taiwan dollar	–	–	–	–
New Zealand dollar	–	(2)	–	(2)
Malaysian ringgit	–	–	–	(1)
Korean won	–	–	–	(1)
Euro	(2)	–	–	–
Chinese renminbi	(3)	–	(3)	–
Hong Kong dollar	–	(2)	(1)	(1)
Thai baht	(2)	–	(1)	–
Japanese Yen	–	(2)	–	–
	2	(16)	(15)	(23)

A 10% weakening of sterling against the above currencies at 31 December 2014 (31 December 2013 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 2014 are provided below

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 2014		Restated 31 December 2013	
	1% increase £m	1% decrease £m	1% increase £m	1% decrease £m
Variable rate financial assets	3	(3)	3	(3)
Variable rate financial liabilities	(8)	8	(6)	6
Cash flow sensitivity (net)	(5)	5	(3)	3

(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.

	2014 Book value £m	2014 Fair value £m	Restated 2013 Book value £m	Restated 2013 Fair value £m
Financial assets				
Cash and cash equivalents				
Cash at bank and in hand	228	228	239	239
Short-term deposits	289	289	231	231
Cash pool overdrafts	(125)	(125)	(119)	(119)
Available-for-sale financial assets				
Unquoted equity investments available-for-sale	5	5	5	5
Loans and receivables				
Trade receivables	50	50	32	32
Trade receivables due from joint ventures and associates	-	-	1	1
Other receivables	24	24	14	14
	471	471	403	403
Financial liabilities				
Overdrafts and borrowings	(917)	(917)	(566)	(566)
Trade payables	(23)	(23)	(21)	(21)
Amounts owed to associates	-	-	(3)	(3)
Other creditors	(16)	(16)	(5)	(5)
Other non-current liabilities	(11)	(11)	(8)	(8)
Forward cross currency contracts designated as cash flow hedges	-	-	(1)	(1)
	(967)	(967)	(604)	(604)

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.

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Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for similar lease agreements. The estimated fair values reflect changes in interest rates.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Interest rates used for determining fair value

Prevailing market interest rates are used to discount cash flows to determine the fair value of financial assets and liabilities.

Available-for-sale financial assets – unquoted equity investments

Fair value is estimated using appropriate valuation techniques.

Fair value hierarchy

As at 31 December 2014, the Group held certain financial instruments measured at fair value.

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

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

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

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

Assets measured at fair value	2014 £m	Level 1 £m	Level 2 £m	Level 3 £m
Available-for-sale financial assets				
Unquoted equity investments available-for-sale	5	–	–	5
	5	–	–	5

Assets measured at fair value	Restated 2013 £m	Level 1 £m	Level 2 £m	Level 3 £m
Available-for-sale financial assets				
Unquoted equity investments available-for-sale	5	–	–	5
	5	–	–	5

	2014 £m	Level 1 £m	Level 2 £m	Level 3 £m
Liabilities measured at fair value				
Forward cross currency contracts designated as cash flow hedges	-	-	-	-
	Restated 2013 £m	Level 1 £m	Level 2 £m	Level 3 £m
Liabilities measured at fair value				
Forward cross currency contracts designated as cash flow hedges	1	-	1	-

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measures

Capital management

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

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

One of the Group's subsidiaries, CDLHT which is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT") and CDL Hospitality Business Trust ("HBT"), a business trust, is required to maintain certain minimum base capital and financial resources. H-REIT is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the Code on Collective Investment Schemes ("CIS Code") issued by Monetary Authority of Singapore. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 35.0% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 35.0% of its Deposited Property (up to a maximum of 60.0%) if a credit rating of the property fund from Fitch Inc, Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35.0% of its Deposited Property.

For this financial year, H-REIT has a credit rating of BBB- from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2014 was 31.7% (2013: 29.7%) of H-REIT's Deposited Property. This complied with the aggregate leverage limit as described above.

HBT, H-REIT and CDLHT have complied with the borrowing limit requirements imposed by the relevant Trust Deeds and all externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

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

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23 Employee benefits

Pension arrangements

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

United Kingdom

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

The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2014 and this has been updated on an approximate basis to 31 December 2014. The contributions of the Group during the year were 24% (2013 21%) of pensionable salary.

As the defined benefit section is closed to new entrants, the current service cost, as a percentage of pensionable payroll, is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll. The assumptions which have the most significant effect on the results of the valuation are those relating to mortality, 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 2014. 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 2014. The contributions of the Group were 6% (2013 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

	2014 UK	2014 South Korea	2014 Taiwan	2013 UK	2013 South Korea	2013 Taiwan
Inflation rate	3.2%	3.0%	-	3.6%	3.0%	-
Discount rate	3.7%	2.8%	2.0%	4.5%	4.3%	2.0%
Rate of salary increase	3.7%	5.0%	3.0%	4.1%	5.0%	3.0%
Rate of pension increases	3.2%	-	-	3.6%	-	-
Rate of revaluation	2.2%	-	-	2.6%	-	-
Annual expected return on plan assets	3.7%	2.8%	2.0%	4.5%	4.3%	2.0%

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not necessarily be borne out in practice. The present values of the schemes' liabilities are derived from cash flow projections over long periods and are inherently uncertain. The expected annual return on UK defined benefit plan assets for 2014 was 3.7% (2013 4.5%).

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			
	2014 Increase £m	2014 Decrease £m	2013 Increase £m	2013 Decrease £m
Discount rate (1% movement)	(11)	14	(19)	24
Rate of salary increase (1% movement)	3	(2)	12	(10)

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

	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Other £m	2014 Total £m	2013 UK £m	2013 South Korea £m	2013 Taiwan £m	2013 Other £m	2013 Total £m
Present value of funded obligations	60	7	8	1	76	55	4	9	1	69
Fair value of plan assets	(54)	(3)	(4)	-	(61)	(45)	(3)	(3)	-	(51)
Plan deficit/(surplus)	6	4	4	1	15	10	1	6	1	18

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

	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Other £m	2014 Total £m	2013 UK £m	2013 South Korea £m	2013 Taiwan £m	2013 Other £m	2013 Total £m
Balance at 1 January	55	4	9	1	69	51	3	10	1	65
Current service cost	1	1	-	-	2	1	1	-	-	2
Interest cost	2	-	-	-	2	2	-	-	-	2
Benefits paid, death in service insurance premiums and expenses	(1)	-	(1)	-	(2)	(2)	-	(1)	-	(3)
Remeasurement losses/ (gains) arising from										
- Financial assumptions	4	-	-	-	4	3	-	-	(1)	2
- Experience adjustment	(1)	-	-	-	(1)	-	-	-	-	-
Foreign exchange adjustments	-	2	-	-	2	-	-	-	1	1
Balance at 31 December	60	7	8	1	76	55	4	9	1	69

Changes in the fair value of plan assets are as follows

	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Total £m	2013 UK £m	2013 South Korea £m	2013 Taiwan £m	2013 Total £m
Balance at 1 January	45	3	3	51	42	3	3	48
Interest income	2	-	-	2	2	-	-	2
Group contributions	2	-	1	3	2	-	1	3
Benefits paid	(1)	-	(1)	(2)	(2)	-	(1)	(3)
Remeasurement gains arising from								
- Return on plan assets excluding interest income	6	-	-	6	1	-	-	1
Foreign exchange adjustments	-	-	1	1	-	-	-	-
Balance at 31 December	54	3	4	61	45	3	3	51
Actual return on plan assets	7	-	-	7	3	-	-	3

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

	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Total £m	2013 UK £m	2013 South Korea £m	2013 Taiwan £m	2013 Total £m
Equities	21	-	-	21	20	-	-	20
Bonds	2	-	-	2	1	-	-	1
Cash and cash equivalents	31	3	4	38	24	3	3	30
	54	3	4	61	45	3	3	51

The expense recognised in the income statement is as follows

	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Other £m	2014 Total £m	2013 UK £m	2013 South Korea £m	2013 Taiwan £m	2013 Other £m	2013 Total £m
Current service cost	1	1	-	-	2	1	1	-	-	2
Interest cost	2	-	-	-	2	2	-	-	-	2
Interest income	(2)	-	-	-	(2)	(2)	-	-	-	(2)
	1	1	-	-	2	1	1	-	-	2

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

	2014 £m	2013 £m
Cost of sales	1	1
Administrative expenses	1	1
	2	2

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

	2014 UK £m	2014 South Korea £m	2014 Taiwan £m	2014 Other £m	2014 Total £m	2013 UK £m	2013 South Korea £m	2013 Taiwan £m	2013 Other £m	2013 Total £m
Actual return less expected return on plan assets	6	-	-	-	6	1	-	-	-	1
Remeasurement (losses)/ gains arising from										
- Financial assumptions	(4)	-	-	-	(4)	(3)	-	-	1	(2)
- Experience adjustment	1	-	-	-	1	-	-	-	-	-
Defined benefit plan remeasurement gains/ (losses)	3	-	-	-	3	(2)	-	-	1	(1)

	2014 £m	2013 £m
Actuarial losses recognised directly in equity are as follows		
Cumulative as at 1 January	18	17
Remeasurement losses recognised during the year	(3)	1
Cumulative as at 31 December	15	18

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

	2014 Years	2013 Years
Males	25	25
Females	27	27

The weighted-average duration of the defined benefit obligations as at 31 December 2014 was 26 years (2013: 26).

The Group expects £3m in contributions to be paid to the defined benefit plans in 2015.

Share-based payments

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

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

The charge to the income statement for the year was £nil (2013: £1m).

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 Long-Term Incentive Plan

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

Date of Award	Awards outstanding as at 1 Jan 2014	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 2014	Credited to share capital £m	Credited to share premium £m	Vesting date
28 11 2011	635,119	-	(304,170)	(30,264)	(300,685)	-	-	-	28 11 2014
16 08 2012	553,543	-	-	(62,208)	-	491,335	-	-	16 08 2015
11 09 2013	463,643	-	-	(56,432)	-	407,211	-	-	11 09 2016
21 11 2013	25,117	-	-	(4,062)	-	21,055	-	-	21 11 2016
04 04 2014	-	659,027	-	(10,417)	-	648,610	-	-	04 04 2017
	1,677,422	659,027	(304,170)	(163,383)	(300,685)	1,568,211	-	-	

(ii) Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme

Share options under this scheme were granted to the Executive Director and senior management of the Group

Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2014	Options exercised during the year	Options expired during the year	Options forfeited during the year	Options outstanding as at 31 Dec 2014	Proceeds on exercise of options during the year		Exercise period
							Credited to share capital £m	Credited to share premium £m	
Part II (Unapproved)									
24 03 2005	3 9842	13,891	(3,310)	–	–	10,581	–	–	24 03 2008 – 23 03 2015

(iii) Millennium & Copthorne Hotels plc 2006 Sharesave Scheme

Share options under this scheme are granted to UK based employees

Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2014	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 Dec 2014	Proceeds on exercise of options during the year		Exercise period
								Credited to share capital £m	Credited to share premium £m	
20 03 2008	3.2800	204	-	-	-	(204)	-	-	-	01 07 2013 – 31 12 2013
01 04 2009	1 5400	32,312	-	(32,312)	-	-	-	-	-	01 08 2014 – 31 01 2015
01 04 2010	3 3000	1,320	-	-	-	(1,320)	-	-	-	01 08 2013 – 31 01 2014
01 04 2010	3.3000	2,166	-	-	-	-	2,166	-	-	01 08 2015 – 31 01 2016
19 04 2011	4 1800	21,790	-	(18,252)	(690)	-	2,848	-	-	01 08 2014 – 31 01 2015
19 04 2011	4 1800	7,349	-	-	-	-	7,349	-	-	01 08 2016 – 31 01 2017
19 04 2012	3 8800	45,337	-	-	(2,039)	-	43,298	-	-	01 08 2015 – 31 01 2016
19 04 2012	3 8800	9,816	-	-	-	-	9,816	-	-	01 08 2017 – 31 01 2018
19 04 2013	4 4800	52,867	-	-	(11,603)	-	41,264	-	-	01 08 2016 – 31 01 2017
19 04 2013	4 4800	6,694	-	-	-	-	6,694	-	-	01 08 2018 – 31 01 2019
06 05 2014	4 4600	-	96,757	-	(12,589)	-	84,168	-	-	01 08 2017 – 31 01 2018
06 05 2014	4 4600	-	7,934	-	(269)	-	7,665	-	-	01 08 2019 – 31 01 2020
		179,855	104,691	(50,564)	(27,190)	(1,524)	205,268			

The weighted average share price at the dates of exercise of share options in the year was £5.84 (2013: £5.56)

The options outstanding at the year-end have an exercise price in the range of £3.30 to £4.48 (2013: £1.54 to £4.48) and a weighted average contractual life of 1.7 years (2013: 1.7 years)

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

2014 Awards/options	Date of grant	Awards/options granted		Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk-free interest rates
		Directors	Non-Directors							
LTIP – EPS	04 04 2014	86,898	242,616	5.57	–	5.17	3.00	–	2.4%	–
LTIP – TSR (FTSE 250)	04 04 2014	26,069	72,785	5.57	–	1.61	3.00	16.5%	2.4%	10%
LTIP – TSR (hotels)	04 04 2014	26,069	72,785	5.57	–	2.46	3.00	22.4% to 49.5%	2.4%	10%
LTIP – NAV	04 04 2014	34,760	97,045	5.57	–	5.17	3.00	–	2.4%	–
Sharesave Scheme (3 year)	06 05 2014	–	96,757	5.56	4.46	1.28	3.25	22.9%	2.4%	14%
Sharesave Scheme (5 year)	06 05 2014	–	7,934	5.56	4.46	1.80	5.25	33.1%	2.4%	2.0%

2013 Awards/options	Date of grant	Awards/options granted		Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk-free interest rates
		Directors	Non-Directors							
LTIP – EPS	11.09.2013	87,917	144,689	5.62	–	5.22	3.00	–	2.4%	–
LTIP – EPS	21.11.2013	–	12,558	5.88	–	5.48	3.00	–	2.3%	–
LTIP – TSR (FTSE)	11.09.2013	87,917	144,690	5.62	–	2.08	3.00	23.8%	2.4%	0.6%
LTIP – TSR (FTSE)	21.11.2013	–	12,559	5.88	–	2.22	3.00	20.8%	2.3%	0.5%
Sharesave Scheme (3 year)	19 04 2013	–	62,344	5.60	4.48	1.34	3.25	27.1%	2.4%	0.4%
Sharesave Scheme (5 year)	19 04 2013	–	6,694	5.60	4.48	2.01	5.25	41.3%	2.4%	0.8%

Measurement of fair value

The LTIP and Sharesave awards, which are subject to an EPS performance condition, were valued using the Black-Scholes valuation method. The LTIP awards which are subject to a share price related performance condition (i.e. TSR) were valued using the Monte Carlo valuation method.

The option pricing model involves six variables:

- Exercise price
- Share price at grant
- Expected term
- Expected volatility of share price
- Risk-free interest rate
- Expected dividend yield

24 Provisions

	Dilapidation £m	Legal £m	Beijing indemnity £m	Total £m
Balance at 1 January 2014	2	4	7	13
Additions	–	1	–	1
Released	(1)	–	–	(1)
Balance at 31 December 2014	1	5	7	13
Analysed as				
Non-current provision	–	–	7	7
Current provision	1	5	–	6
Total provision	1	5	7	13

Provision for legal fees as at 31 December 2014 of £5m (2013: £4m) relates to disputes in several hotels. The Group also provided £7m (2013: £7m) of tax indemnity to the former shareholders of Grand Millennium Hotel Beijing in which it acquired an additional 40% interest in 2010. During the year, a £1m dilapidation provision relating to the cost to be incurred on termination of a leasehold asset has been released.

25 Other non-current liabilities

	2014 £m	Restated 2013 £m
Deferred income	–	–
Other liabilities	11	8
	11	8

26 Deferred taxation

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

	Restated At 1 January 2014 £m	Charged/(credited) to income statement					At 31 December 2014 £m
		Change in tax rate £m	Other adjustment to opening provision £m	Current year movement £m	Charged to reserves £m	Exchange on translation £m	
Deferred tax liabilities							
Property assets ¹	231	3	(2)	7	–	7	246
	231	3	(2)	7	–	7	246
Deferred tax assets							
Tax losses	(16)	–	2	(1)	–	(1)	(16)
Employee benefits ²	(4)	–	–	–	–	–	(4)
Others	(3)	–	(1)	(1)	–	–	(5)
	(23)	–	1	(2)	–	(1)	(25)
Net deferred tax liabilities	208	3	(1)	5	–	6	221

1 Property assets comprise plant, property and equipment, lease premium prepayment and investment properties. Restated to include deferred tax relating to CDLHT.

2 Employee benefits comprise defined benefit pension schemes and share-based payment arrangements.

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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

	2014 £m	Restated 2013 £m
Tax losses	1	1
Adjustments due to		
– Deductible temporary differences in respect of prior year	1	2
– Tax losses in respect of prior year	12	14
	14	17

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

	2014 £m	Restated 2013 £m
Expiry dates		
– within 1 to 5 years	11	22
– after 5 years	–	–
– no expiry date	62	60
	73	82

At 31 December 2014, a deferred tax liability of £10m (2013: £10m) relating to undistributed reserves of overseas subsidiaries, joint ventures and associates of £1,440m (2013: £739m) has not been recognised because the Group determined that the distributions will not be made and the liability will not be incurred in the foreseeable future

27 Trade and other payables

	2014 £m	Restated 2013 £m
Trade payables	23	21
Amounts owed to associates	–	3
Other creditors including taxation and social security		
– Social security and other taxes	5	5
– Value added tax and similar sales taxes	14	13
– Other creditors	16	6
Accruals	115	90
Deferred income	20	14
Rental and other deposits	4	4
	197	156

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

28 Dividends

	2014 pence	2013 pence	2014 £m	2013 £m
Final ordinary dividend paid	11.51	11.51	37	37
Final special dividend paid	9.15	–	30	–
Interim ordinary dividend paid	2.08	2.08	6	7
Total dividends paid	22.74	13.59	73	44

Subsequent to 31 December 2014, the Directors declared the following final dividends, which have not been provided for

	2014 pence	2013 pence	2014 £m	2013 £m
Final ordinary dividend	11.51	11.51	41	37
Final special dividend	–	9.15	–	30

All dividends paid during 2014 and 2013 were in cash

29 Share capital

	Number of 30p shares allotted, called up and fully paid
Balance at 1 January 2014	324,618,187
Issue of ordinary shares on exercise of share options	53,874
Balance at 31 December 2014	324,672,061

All of the share capital is equity share capital

At the year end, options over 215,849 ordinary shares remain outstanding and are exercisable between now and 31 January 2020 at exercise prices between £3.30 and £4.48. In addition, awards made under the LTIP up to 1,568,211 ordinary shares remain unvested and may potentially vest between 11 September 2016 and 4 April 2017.

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 £4.46 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).

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Treasury share reserve

An employee benefit trust established by the Group held 5,758 shares at 31 December 2014 (2013 54,985) to satisfy the vesting of awards under the LTIP. During the year 252,590 shares (2013 nil) were purchased by the trust. At 31 December 2014, the cost of shares held by the trust was £32,093 (2013 £299,366), whilst the market value of these shares at 31 December 2014 was £33,943 (2013 £329,910). Shares purchased by the trust are treated as treasury shares which are deducted from equity and excluded from the calculations of earnings per share.

31 Financial commitments

	2014 £m	Restated 2013 £m
(a) Capital commitments at the end of the financial year which are contracted but not provided for	25	129

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

	2014 £m	Restated 2013 £m
– less than one year	9	9
– between one and five years	30	30
– more than five years	140	148
	179	187

(c) The Group leases out its properties under operating leases. The future minimum lease rentals receivable by the Group under non-cancellable leases are as follows

	2014 £m	Restated 2013 £m
– less than one year	30	25
– between one and five years	96	72
– more than five years	75	41
	201	138

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 2014, £37m was recognised as rental income in the income statement (2013 £37m) and £1m (2013 £1m) in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment properties.

32 Contingencies and subsequent events

- (a) In the course of its operations the Group is routinely exposed to potential liabilities for claims made by employees and contractual or tortious claims made by third parties. No material losses are anticipated from such exposures. There were no contingent liabilities or guarantees other than those arising in the ordinary course of business and on these no material losses are anticipated. The Group has insurance cover up to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of its operations. Otherwise the Group generally carries its own risk. The Group believes that the accruals and provisions carried on the balance sheet are sufficient to cover these risks.

Other than the above transactions, there are no events subsequent to the balance sheet date which require adjustments to or disclosure within these consolidated financial statements.

33 Related parties

Identity of related parties

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. All transactions with related parties were entered into in the normal course of business and at arm's length.

The Group has a related party relationship with its joint ventures, associates and with its Directors and executive officers.

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 61% (2013: 59%) of the Company's shares via City Developments Limited ("CDL"), the intermediate holding company of the Group. During the year ended 31 December 2014, 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 2014, £30m (2013: £17m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL and its other subsidiaries were £2m (2013: £2m) which included rentals paid for the Grand Shanghai restaurant and Kings Centre, property management fees for Tanglin Shopping Centre and Glyndebourne in Singapore, charges for car parking, leasing commission and professional services.

As at 31 December 2014, City e-Solutions Limited ("CES"), a subsidiary of CDL held 1,152,031 (2013: 1,152,031) ordinary shares in M&C. CES through its subsidiaries provided consultancy, management and reservation services to M&C for the year ended 31 December 2014 for a total of £1m (2013: £nil).

Transactions with joint venture

City Hotels Pte Ltd, a 100% subsidiary of the Group, provided a shareholder loan facility of 550m Thai Baht (£10m) to Fena Estate Company Limited ("Fena"), its 50% owned joint venture. At 31 December 2014 and 2013 all of this facility was fully drawn. The loan attracts interest of 4.5% (2013: 4.5%) per annum. This interest was rolled up into the carrying value of the loan. The total loan outstanding as at 31 December 2014, including rolled up interest, was 730m Thai Baht (£14m) (2013: 705m Thai Baht (£13m)).

The Group provided a further US\$2m (£1m) (2013: US\$2m (£1m)) operator loan facility to Fena which was fully drawn down at 31 December 2014. The loan attracts interest of 2.2% (2013: 2.2%) per annum. This was rolled up into the carrying value of the loan. Full impairment charge was made by the Group for the interest receivable.

Notes to the consolidated financial statements continued**Transactions with key management personnel**

The beneficial interest of the Directors in the ordinary shares of the Company was 0.04% (2013: 0.04%)

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:

	2014 £m	2013 £m
Short-term employee benefits	6	5
Share-based payment	–	1
	6	6
Directors	2	3
Executives	4	3
	6	6

34 Significant investments

The companies listed below are those which were part of the Group at 31 December 2014 and which, in the opinion of the Directors, significantly affected the Group's results and net assets during the year. The Directors consider that those companies not listed are not significant in relation to the Group as a whole.

The Company has taken advantage of the exemption in s410 of the Companies Act 2006 to disclose a list comprising solely the principal subsidiaries. A full list of subsidiaries will be sent to Companies House with the next annual return of Millennium & Copthorne Hotels plc.

These companies operate principally in the country in which they are incorporated and are held indirectly unless stated otherwise.

	Effective Group interest	Country of incorporation	Principal activity
Anchorage-Lakefront Limited Partnership	100%	USA	Hotel owner
Beijing Fortune Hotel Co Ltd	70%	People's Republic of China	Hotel owner and operator
Bostonian Hotel Limited Partnership	100%	USA	Hotel owner
CDL (New York) LLC	100%	USA	Hotel owner
CDL Hospitality Trusts (Note 1)	36%	Singapore	Property owner and developer
CDL Hotels (Chelsea) Limited	100%	England and Wales	Hotel owner and operator
CDL Hotels (Korea) Ltd	100%	Republic of Korea	Hotel owner and operator
CDL Hotels (Malaysia) Sdn Bhd	100%	Malaysia	Hotel owner and operator
CDL Hotels (U K) Limited	100%	England and Wales	Hotel owner and operator
CDL Hotels USA, Inc.	100%	USA	Hotel investment holding company
CDL Investments New Zealand Limited	50%	New Zealand	Investment and property management company
CDL West 45th Street LLC	100%	USA	Hotel owner
Chicago Hotel Holdings, Inc	100%	USA	Hotel owner and operator
City Hotels Pte Ltd	100%	Singapore	Hotel operator and investment holding company
Copthorne Hotel (Birmingham) Limited	100%	England and Wales	Hotel owner and operator
Copthorne Hotel (Gatwick) Limited	100%	England and Wales	Hotel owner and operator
Copthorne Hotel (Manchester) Limited	100%	England and Wales	Hotel owner and operator
Copthorne Hotel (Newcastle) Limited	96%	England and Wales	Hotel owner and operator
Copthorne Hotel (Slough) Limited	100%	England and Wales	Hotel owner and operator
Copthorne Hotels Limited	100%	England and Wales	Hotels investment holding company
Copthorne Hotel Holdings Limited	100%	England and Wales	Hotels investment holding company
Copthorne Orchid Hotel Singapore Pte Ltd	100%	Singapore	Property owner and developer
Gateway Regal Holdings LLC	100%	USA	Hotel owner and operator
Grand Plaza Hotel Corporation	66%	Philippines	Hotel owner and operator and investment holding company
Harbour View Hotel Pte Ltd	100%	Singapore	Hotel operator
Hong Leong Ginza TMK	70%	Japan	Property owner
Hong Leong Hotel Development Limited	81%	Taiwan	Hotel owner and operator
Hong Leong Hotels Pte Ltd	100%	Cayman Islands	Investment holding company
Hospitality Group Limited	75%	New Zealand	Holding company
Hospitality Holdings Pte Ltd	100%	Singapore	Investment holding company
King's Tanglin Shopping Pte Ltd	100%	Singapore	Property owner
London Britannia Hotel Limited	100%	England and Wales	Hotel owner and operator
London Tara Hotel Limited	100%	England and Wales	Hotel owner and operator
M&C Crescent Interests, LLC	100%	USA	Property owner
M&C Hotel Interest, Inc	100%	USA	Hotel management services company
M&C Hotels France SAS	100%	France	Hotel owner
M&C New York (Times Square) EAT II LLC	100%	USA	Hotel owner
M&C REIT Management Limited	100%	Singapore	REIT investment management services

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Notes to the consolidated financial statements continued

Millennium & Copthorne Hotels New Zealand Limited	75%	New Zealand	Hotel investment holding company
Millennium & Copthorne International Limited	100%	Singapore	Hotels and resorts management
Millennium & Copthorne Middle East Holdings Limited	51%	Hong Kong	Hotel management service company
Millennium Hotels (West London) Limited	100%	England and Wales	Hotel owner
Millennium Hotels (West London) Management Limited	100%	England and Wales	Hotel operator
Millennium Hotels Hotel Palace Holdings s r l	100%	Italy	Hotel owner and operator
Quantum Limited	75%	New Zealand	Holding company
Republic Hotels & Resorts Limited	100%	Singapore	Hotel operator and investment holding company
Republic Iconic Hotel Pte Ltd	100%	Singapore	Hotel operator
RHM-88, LLC	100%	USA	Hotel owner and operator
WHB Biltmore LLC	100%	USA	Hotel owner and operator
Joint ventures			
New Unity Holdings Limited	50%	British Virgin Islands	Investment holding company
Fena Estate Company Limited	50%	Thailand	Investment holding company
Associate			
First Sponsor Group Limited (Note 2)	36%	British Virgin Islands	Investment holding company

Due to non-controlling interest shareholdings held within intermediary parent undertakings, the Group's effective shareholding in certain subsidiary undertakings in which it has control is less than 50%

Notes:

- As disclosed in Note 2.2 to the consolidated financial statements, the Group has concluded that under the new consolidation standard, IFRS10 it has *de facto* control over CDL Hospitality Trusts
- The Group has assessed the classification of its investment in First Sponsor Group 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 2014. 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 Hotels Limited (759611)
 Copthorne Hotel Holdings Limited (627049)
 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)
 Diplomat Hotel Holding Limited (1927463)
 London Britannia Hotel Limited (744379)
 London Tara Hotel Limited (1005559)
 M&C Asia Finance (UK) Limited (8391037)
 M&C Asia Holdings (UK) Limited (8382946)
 M&C (CB) Limited (3846711)
 M&C (CD) Limited (3846704)
 M&C Finance (1) Limited (6783896)
 M&C Hotels Holdings Limited (4407581)
 M&C Management Holdings Limited (5832248)
 M&C New York Finance (UK) Limited (9060415)
 M&C NZ Limited (5159722)
 M&C Reservations Services Limited (6754684)
 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 Share Trustees Limited (3320990)
 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

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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	
			2014	2013
Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ")	New Zealand	Hotel investment holding company	25%	30%
CDL Hospitality Trusts ("CDLHT")	Singapore	Real estate investment trust	64%	65%

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

Name	MCHNZ Subgroup		CDLHT Subgroup	
	2014 £m	2013 £m	2014 £m	2013 £m
Revenue	65	62	84	78
Profit after tax	18	16	62	73
Profit attributable to NCI	4	5	39	47
Other comprehensive income	5	2	-	-
Total comprehensive income	23	18	62	73
Total comprehensive income attributable to NCI	6	5	39	47
Current assets	75	65	48	40
Non-current assets	217	292	1,143	1,072
Current liabilities	(16)	(13)	(174)	(81)
Non-current liabilities	(52)	(62)	(231)	(268)
Net assets	224	282	786	763
Net assets attributable to NCI	56	85	503	496
Cash flows from operating activities	10	9	70	65
Cash flows from investing activities	(79)	(24)	(46)	(90)
Cash flows from financing activities	40	2	(20)	21
Net increase in cash and cash equivalents	(29)	(13)	4	(4)
Dividends paid to NCI during the year¹	1	1	33	35

¹ Included in cash flows from financing activities

Company balance sheet

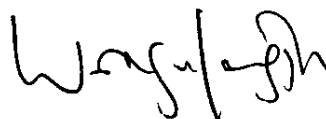
As at 31 December 2014

	Notes	2014 £m	2013 £m
Fixed assets			
Tangible assets	(D)	3	2
Investments	(E)	1,889	1,602
		1,892	1,604
Current assets			
Amounts owed by subsidiary undertakings falling due within one year		14	15
Other debtors		2	1
Cash at bank and in hand		9	16
		25	32
Creditors, amounts falling due within one year	(F)	(365)	(74)
Net current liabilities		(340)	(42)
Creditors, amounts falling due after more than one year	(G)	(390)	(408)
Net assets		1,162	1,154
Capital and reserves			
Called up share capital	(H), (I)	97	97
Share premium account	(I)	843	843
Profit and loss account	(I)	226	216
Own share reserve	(I)	(4)	(2)
Shareholders' funds	(I)	1,162	1,154

These financial statements were approved by the Board of Directors on 9 February 2015 and were signed on its behalf by:


Kwok Leng Beng
 Chairman

Wong Hong Ren
 Group Chief Executive Officer



Registered No 3004377

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Notes to the Company financial statements

A Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of accounting

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future

Accounting convention and basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom ("UK GAAP")

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account. The profit after tax dealt with in the accounts of Millennium & Copthorne Hotels plc, determined in accordance with the Act was £84m (2013 £37m)

Under FRS 1 (revised) 'Cash Flow Statements', the Company is exempt from the requirement to prepare a cash flow statement as its cash flows are included within the published consolidated cash flow statement of Millennium & Copthorne Hotels plc

The consolidated financial statements of the Group contain financial instruments disclosures and comply with FRS 29 'Financial Instruments Disclosures'. Consequently the Company has taken advantage of certain exemptions in FRS 29 from the requirement to present separate financial instrument disclosures for the Company

The Company is also exempt under the terms of the revised FRS 8 'Related Party Disclosures' from disclosing related party transactions with wholly-owned subsidiaries within the Group

Investments

In the Company's financial statements, investments in subsidiary and associated undertakings are stated at cost less provision for impairment. Dividends received and receivable are credited to the Company's profit and loss account

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and are depreciated to their residual values on a straight line basis over their useful economic lives

Capital expenditure on computer software development is recorded separately within fixed assets as capital work in progress. Once the project is completed the balance is transferred to computer software. Capital work in progress is not depreciated

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts payable on demand, which form an integral part of the Company's cash management

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes

Except as otherwise required by accounting standards, full provision without discounting is made for all timing differences, which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements

Foreign currency

Transactions in foreign currencies 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 to sterling at the foreign exchange rate ruling 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 using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

The Company uses a fair value hedging model to designate bank loans and bonds held in overseas currencies as hedging instruments against designated overseas investments held in the same currency. Under such fair value hedges, both the hedged item and the hedging instrument are retranslated with the exchange differences in both cases being recorded in the profit and loss account as they arise at each period end.

The Directors have reviewed the accounting treatment of the unhedged part of the investment and decided it is appropriate to recognise this at historical cost.

Share-based payment

Where the Company is the settling entity for employees of subsidiaries who receive share-based payments, but the beneficiary of the services is the subsidiary, the Company recognises the fair value of the employee services received by the subsidiary as an increase in the investment in the subsidiary.

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 financial statements.

Treasury shares held by employee benefit trust

Transactions of the Company sponsored employee benefits trust are included in the Company financial statements. In particular, the trust's repurchase of shares in the Company are debited directly to equity.

B Directors' remuneration and employees

Details of Directors' remuneration in the current and prior year are given in the Remuneration Committee report on pages 55 to 68.

The average number of employees excluding Directors during the year was nil (2013: nil).

Details of share options issued by the Company are given in Note 23 to the consolidated financial statements and Note (H).

The Company is the principal employer of the UK Group pension scheme, the Millennium & Copthorne Pension Plan, which provides benefits based on final pensionable pay. As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, the scheme has been accounted for, in these financial statements as if it were a defined contribution scheme (as permitted by FRS 17 'Retirement benefits'). Details of the plan are given in Note 23 to the consolidated financial statements.

C Dividends

Details of dividends paid and proposed in the current and prior year are given in Note 28 to the consolidated financial statements.

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Notes to the Company financial statements continued

D Tangible assets

	Capital work in progress £m
Cost at 1 January 2014	2
Additions	1
Cost at 31 December 2014	3

E Investments

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Group settled arrangements £m	Total £m
Cost and net book value at 1 January 2014	1,551	45	6	1,602
Reductions	–	(17)	–	(17)
Additions	285	–	–	285
Foreign exchange adjustments	18	1	–	19
Cost and net book value at 31 December 2014	1,854	29	6	1,889

There were no provisions made against investments in subsidiary undertakings

The Company's significant subsidiary undertakings at 31 December 2014 are listed below. All of the subsidiary undertakings have coterminous year ends.

Significant subsidiary name	Effective interest in ordinary shares	Country of incorporation	Principal activity
Millennium Hotels Europe Holdings Limited	100%	England and Wales	Investment holding
Copthorne Hotel Holdings Limited	100%	England and Wales	Investment holding
Millennium Hotels London Limited	100%	England and Wales	Investment holding
M&C Hotels Holdings Limited	100%	England and Wales	Investment holding
M&C Hotels Holdings USA Limited	100%	Cayman Islands	Investment holding
Atos Holding AG	100%	Austria	Investment holding
M&C Asia Holdings (UK) Limited	100%	England and Wales	Investment holding
M&C Singapore Holdings (UK) Limited	100%	England and Wales	Investment holding

F Creditors, amounts falling due within one year

	2014 £m	2013 £m
Bank loans and overdrafts	203	59
Bonds payable	29	–
Amounts owed to subsidiary undertakings	129	12
Other payables	2	2
Accruals and deferred income	2	1
	365	74

G Creditors amounts falling due after more than one year

	2014 £m	2013 £m
Bank loans	74	–
Bonds payable	96	57
Amounts owed to subsidiary undertakings	220	351
	390	408

Bank loans and bonds are repayable as follows -

	2014 £m	2013 £m
Between one and two years	64	27
Between two and five years	106	30
	170	57

H Share capital

	Number of 30p shares, allotted, called up and fully paid
Balance at 1 January 2014	324,618,187
Issue of ordinary shares on exercise of share options	53,874
Balance at 31 December 2014	324,672,061

All of the share capital is equity share capital. At the year end options over 215,849 ordinary shares remain outstanding and are exercisable between now and 31 January 2019 at exercise prices between £3.30 and £4.48. In addition, awards made under the Long-Term Incentive Plan up to 1,568,211 ordinary shares remain unvested and may potentially vest between 16 August 2015 and 4 April 2017.

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 £4.46 on expiry of the savings contract.

I Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium £m	Profit and loss account £m	Own share reserve £m	Total 2014 £m	Total 2013 £m
Balance at 1 January	97	843	216	(2)	1,154	1,160
Profit for the financial year	–	–	84	–	84	37
Dividends paid to equity holders	–	–	(74)	–	(74)	(44)
Own shares purchased	–	–	–	(2)	(2)	–
Share options exercised	–	–	–	–	–	–
Hedging reserve adjustment	–	–	–	–	–	–
Share-based payment transactions (net of tax)	–	–	–	–	–	1
Balance at 31 December	97	843	226	(4)	1,162	1,154

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Notes to the Company financial statements continued

J Contingent liabilities, commitments and subsequent events

In the course of managing its investments, the Company is routinely exposed to potential liabilities for contractual or tortious claims by third parties. The Company has insurance cover up to certain limits for major claims in connection with legal liabilities in the course of its operations. Otherwise the Company carries its own risk. The Company believes that the provisions carried on the balance sheet are sufficient to cover these risks.

The Company had no capital commitments at the end of the financial year for which no provision has been made.

There are no events subsequent to the balance sheet date which require adjustment to or disclosure within these financial statements.

K Ultimate holding and controlling company

The Directors consider the ultimate holding and controlling company to be Hong Leong Investment Holdings Pte Ltd, which is incorporated in the Republic of Singapore. The accounts of the ultimate holding company, which heads the largest group in which the results of the Company are consolidated, are available to the public at the Accounting and Corporate Regulatory Authority, 10 Anson Road #05-01/15, International Plaza, Singapore 079903.

The intermediate holding company is City Developments Limited, a company incorporated in Singapore, which also heads the smallest group in which the results of the Company are consolidated. The consolidated accounts are available to the public and may be obtained from 36 Robinson Road, #04-01 City House, Singapore 068877.

L Related parties

For the year ended 31 December 2014, fees paid/payable by the Company to Hong Leong Management Services, a subsidiary of Hong Leong Investment Holdings Pte Ltd, amounted to £1m (2013: £nil). At 31 December 2014, £nil (2013: £nil) of fees payable was outstanding.

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Key operating statistics

Owned or leased hotels*	Year ended 2014 Reported currency	Year ended 2013 Constant currency	Year ended 2013 Reported currency
Occupancy (%)			
New York	88.7		84.3
Regional US	80.2		59.1
Total US	68.5		65.9
London	85.7		85.4
Rest of Europe	69.1		70.7
Total Europe	77.4		77.8
Singapore	88.3		86.4
Rest of Asia	71.2		70.2
Total Asia	78.1		76.9
Australasia	73.7		67.5
Total Group	74.2		72.3
Average Room Rate (£)			
New York	162.93	156.70	164.33
Regional US	73.37	69.01	72.37
Total US	108.70	99.28	104.12
London	131.23	126.73	126.73
Rest of Europe	69.16	66.80	67.98
Total Europe	103.38	98.78	99.33
Singapore	98.40	102.61	109.09
Rest of Asia	83.78	83.13	87.67
Total Asia	90.45	92.18	97.62
Australasia	57.09	54.89	56.96
Total Group	96.49	92.61	96.25

Owned or leased hotels*	Year ended 2014 Reported currency	Year ended 2013 Constant currency	Year ended 2013 Reported currency
RevPAR (£)			
New York	141 30	132 10	138 53
Regional US	44 19	40 76	42 75
Total US	74 44	65 40	68 59
London	112 47	108 19	108 19
Rest of Europe	4778	4720	48 04
Total Europe	79 97	76 86	77 29
Singapore	88 88	88 64	94 24
Rest of Asia	59 64	58 37	61 56
Total Asia	70 62	70 89	75 08
Australasia	42 10	3706	38 46
Total Group	71 55	66 95	69 58
Gross Operating Profit Margin (%)			
New York	28.0		24 6
Regional US	20.1		16 8
Total US	24.3		20 6
London	50.9		53.8
Rest of Europe	24.9		23 8
Total Europe	41.5		42 2
Singapore^	47.4		48 0
Rest of Asia	35.1		33 3
Total Asia^	40.8		40 4
Australasia	41.4		42 8
Total Group^	38.0		35 0

For comparability, the 31 December 2013 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 31 December 2014

* excluding managed, franchised and investment hotels

^ restated to reflect CDLHT consolidation

150 Further information

Group financial record

	2014 £m	Restated* 2013 £m	2012 £m	Restated 2011 £m	2010 £m
Income statement					
Revenue	826	1,064	768	821	743
Operating profit	195	294	140	180	119
Net finance expense	(17)	(13)	(6)	(7)	(6)
Income tax expense	(37)	(30)	(25)	(28)	(31)
Profit for the year	151	265	147	165	98
Cash flow					
Cash generated from operations	330	204	196	216	196
Statement of financial position					
Property, plant, equipment and lease premium prepayment	2,851	2,457	2,096	2,091	2,257
Investment properties	479	414	169	174	95
Investment and loans in joint ventures and associates	235	203	440	423	397
Loans due from associate	-	-	29	51	-
Other financial assets	5	5	8	8	7
Non-current assets	3,570	3,079	2,742	2,747	2,756
Current assets excluding cash	182	259	264	242	178
Net cash/(debt)	(525)	(215)	52	(100)	(166)
Deferred tax liabilities	(221)	(208)	(228)	(236)	(252)
Provisions and other liabilities	(271)	(236)	(467)	(405)	(397)
Net assets	2,735	2,679	2,363	2,248	2,119
Share capital and share premium	940	940	940	940	939
Reserves	1,323	1,236	1,236	1,127	1,009
Total equity attributable to equity holders	2,263	2,176	2,176	2,067	1,948
Non-controlling interests	472	503	187	181	171
Total equity	2,735	2,679	2,363	2,248	2,119
	2014	2013	2012	2011	2010
Key operating statistics					
Gearing	23%	10%	-	5%	9%
Earnings per share	34.0p	69.4p	42.0p	51.0p	30.9p
Dividends per share ¹	13.59p	22.74p	13.59p	16.50p	10.00p
Hotel gross operating profit margin	36.0%	35.0%	38.5%	38.7%	37.1%
Occupancy	74.2%	72.3%	70.8%	70.8%	71.4%
Average room rate (£)	£96.49	£96.25	£95.08	£91.48	£85.52
RevPAR (£)	£71.55	£69.58	£67.32	£64.81	£61.06

¹ Dividends per share includes ordinary dividends and special dividends

* See Note 2.2 of the financial statements

Major Group properties

Asia

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Grand Millennium Beijing Fortune Plaza, 7 Dongsanhuan Middle Road Chaoyang District, Beijing 100020 PRC	Leasehold to year 2046 (hotel), Leasehold to year 2056 (underground car park)	9,268	510	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	80
Hotel MyStays Asakusabashi 1-5-5, Asakusabashi, Taito-ku, Tokyo 111-0053, Japan	Freehold	567	138	36
Hotel MyStays Kamata 5-46-5, Kamata, Ota-ku, Tokyo 144-0052, Japan	Freehold	497	116	36
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	7,620	459	100
Angsana Velavaru South Nilandhe Atoll, Republic of Maldives	50-year Title commencing from 26 08 1997	67,717	113	36
Jumeirah Dhevanafushi Meradhoo Island, Gaafu Alifu Atoll, Republic of Maldives	50-year lease commencing from 15 06 2006	53,576	35	36
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	36

152 Further information

Major Group properties continued

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Grand Copthorne Waterfront Hotel Singapore 392 Havelock Road, Singapore	20 year lease commencing 19 07 2006 and extendable for a further 20 years	10,860	574	36
M Hotel Singapore 81 Anson Road, Singapore	Freehold	2,134	413	36
Novotel Singapore Clarke Quay 177A River Valley Road, Singapore	97 years and 30 days Leasehold Interest commencing from 02 04 1980	12,925	403	36
Orchard Hotel Singapore 442 Orchard Road, Singapore	Freehold	8,588*	656	36
Studio M Hotel Singapore 3 Nanson Road, Singapore	99-year lease commencing from 26 02 2007	2,932	360	36
Millennium Seoul Hilton 50 Sowol-ro, Jung-gu, Seoul, South Korea 100-802	Freehold	18,760	679	100
Land Site in Seoul Located at Chung-gu, Namdaemunro 5 Ga 627	Freehold	1,564	–	100
Grand Millennium Sukhumvit Bangkok (Owned by Fena Estate Company Limited) Sukhumvit Soi 21, Asoke Road Bangkok, Thailand	30-year term from 02 02 2005 with option to renew for a further term of 30 years	5,053	325	50

* Includes Claymore Link

Europe

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
The Chelsea Harbour Hotel Chelsea Harbour, London, SW10 0XG, England	Leasehold to year 2112	2,561	158	100
Copthorne Hotel Aberdeen 122 Huntly Street, Aberdeen AB10 1SU, Scotland	Freehold	1,302	87	83
Copthorne Hotel Birmingham Paradise Circus, Birmingham B3 3HJ, England	Freehold	2,188	211	100
Copthorne Hotel Cardiff-Caerdydd Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	26,305	135	100
Copthorne Hotel Effingham Gatwick West Park Road, Copthorne, West Sussex RH10 3EU, England	Freehold	161,878	122	100
Copthorne Hotel London Gatwick Copthorne Way, Copthorne, West Sussex RH10 3PG, England	Freehold	404,694	227	100
Copthorne Hotel Manchester Clippers Quay, Salford Quays, Manchester M50 3SN, England	Leasehold to year 2135	9,800	166	100
Copthorne Hotel Merry Hill-Dudley The Waterfront, Level Street, Brierley Hill, Dudley, West Midlands DY5 1UR, England	Freehold	13,734	138	100
Copthorne Hotel Newcastle The Close, Quayside, Newcastle upon Tyne NE1 3RT, England	Freehold	9,200	156	96
Copthorne Hotel Plymouth Armada Way, Plymouth PL1 1AR, England	Leasehold to year 2110	1,853	135	100
Copthorne Hotel Slough-Windsor Cippenham Lane, Slough, Berkshire SL1 2YE, England	Freehold	6,880	219	100
Copthorne Tara Hotel London Kensington Scarsdale Place, Kensington, London W8 5SR, England	Freehold	7,535	833	100

154 Further information

Major Group properties continued

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Millennium Bailey's Hotel London Kensington 140 Gloucester Road, London SW7 4QH, England	Freehold	1,923	211	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	9,398	116	100
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	100
Millennium Hotel London Mayfair Grosvenor Square, Mayfair, London W1K 2HP, England	Leasehold to year 2096	4,260	336	100
Millennium Hotel Paris Opéra 12 Boulevard Haussmann, 75009 Paris, France	Freehold	1,093	163	100
Millennium Hotel Paris Charles de Gaulle Zone Hoteliere, Allée du Verger, 95700 Roissy-en-France, France	Freehold	11,657	239	100
Grand Hotel Palace Rome Via Veneto, 70, Rome, 00187, Italy	Freehold	801	87	100
North America				
Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Millennium Alaskan Hotel Anchorage 4800 Spenard Road, Anchorage, AK 99517, USA	Freehold	20,639	248	100
Millennium Biltmore Hotel Los Angeles 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	11,331	683	100
Millennium Bostonian Hotel Boston 26 North Street At Faneuil Hall Marketplace, Boston MA 02109, USA	Freehold	2,796	201	100

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Millennium Harvest House Boulder 1345 28th Street Boulder, CO 80302, USA	Freehold	64,019	269	100
Millennium Hotel Buffalo 2040 Walden Avenue Buffalo, NY 14225, USA	Leasehold to year 2022 (with one 10-year option)	31,726	300	100
Millennium Knickerbocker Hotel Chicago 163 East Walton Place, Chicago, IL 60611, USA	Freehold	2,007	306	100
Millennium Hotel Cincinnati 150 West Fifth Street, Cincinnati, OH 45202, USA	Freehold	6,839	872	100
Millennium Hotel Durham 2800 Campus Walk Avenue, Durham, NC 27705, USA	Freehold	42,814	316	100
Millennium Hotel Minneapolis 1313 Nicollet Mall, Minneapolis, MN 55403, USA	Leasehold to year 2030	4,537	321	100
Millennium Maxwell House Nashville 2025 Rosa L. Parks Boulevard, Nashville TN 37228, USA	Leasehold to year 2030 (with two 10-year options)	36,421	287	100
Millennium Broadway Hotel New York 145 West 44th Street, New York, NY 10036, USA	Freehold	2,122	750	100
ONE UN New York 1 UN Plaza, 44th Street at 1st Avenue, New York, NY 10017, USA	East tower freehold/ West tower leasehold to year 2079	4,554	439	100
Millennium Hotel St Louis (closed) 200 South 4th Street, St Louis, MO 63102, USA	Freehold	17,033	780	100
The McCormick Scottsdale 7401 North Scottsdale Road, Scottsdale, AZ 85208, USA	Leasehold to year 2033 (with two 10-year options)	32,819	125	100
Millennium Hilton 55 Church Street, New York, NY 10007, USA	Freehold	1,680	569	100
Novotel New York Times Square 226 W 52nd Street, New York, NY 10019, USA	Fee simple estate, a leasehold interest, and a leased fee interest	1,977	480	100

156 Further information

Major Group properties continued

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Maingate Lakeside Resort 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747, USA	Freehold	93,796	475	100
Comfort Inn Near Vail Beaver Creek 161 West Beaver Creek Boulevard, Avon, CO 81620, USA	Freehold	11,209	146	100
Pine Lake Trout Club 17021 Chillicothe Road, Chagrin Falls OH 44023, USA	Freehold	331,121	6	100
Australasia				
Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Novotel Brisbane 200 Creek Street Brisbane, Queensland, Australia	Strata volumetric freehold	6,235	296	36
Mercure & Ibis Brisbane 85-87 North Quay/ 27-35 Turbot Street Brisbane, Queensland, Australia	Interconnected at ground level, situated on one freehold title	3,845	194/218	36
Mercure Perth 10 Irwin Street Perth, Western Australia, Australia	Strata freehold	757	239	36
Ibis Perth 334 Murray Street Perth, Western Australia, Australia	Freehold	1,480	192	36
Copthorne Hotel Auckland City 150 Anzac Avenue Auckland, New Zealand	Perpetual/Leasehold Land	2,495	110	75
Copthorne Hotel Auckland Harbour City 196-200 Quay Street Auckland, New Zealand	Freehold	2,407	187	75
Copthorne Hotel & Resort Bay of Islands Tau Henare Drive, Paihia, New Zealand	Leasehold Land to year 2021 (with a 30-year option)	62,834	180	37
Copthorne Hotel Palmerston North 110 Fitzherbert Avenue, Palmerston North, New Zealand	Freehold	15,514	151	75

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Copthorne Hotel & Resort Queenstown Lakefront Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	18,709	240	75
Copthorne Hotel Wellington Oriental Bay 100 Oriental Parade, Wellington, New Zealand	Freehold	3,904	118	75
Kingsgate Hotel Dunedin 10 Smith Street, Dunedin, New Zealand	Freehold	2,193	55	75
Kingsgate Hotel Greymouth 32 Mawhera Quay, Greymouth, New Zealand	Freehold/Perpetual leasehold land	2,807	98	75
Kingsgate Hotel Te Anau 20 Lakefront Drive, Te Anau, New Zealand	Freehold	8,819	94	75
Copthorne Hotel & Apartments Queenstown Lakeview 88 Frankton Road, Queenstown, New Zealand	Freehold	4,713	85	75
Copthorne Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	35,935	136	75
Millennium Hotel Queenstown Corner Frankton Road & Stanley St , Queenstown, New Zealand	Freehold	7,453	220	75
Millennium Hotel Rotorua Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/Perpetual leasehold land	10,109	227	75
Rendezvous Grand Hotel Auckland 71-87 Mayoral Drive, Auckland, New Zealand	Freehold	5,910	452	36

158 Further information

Major Group properties continued

Investment Properties	Tenure	Approximate lettable strata area (sq. metres)	Effective Group interest (%)
Tanglin Shopping Centre A shopping-cum-office complex situated at Tanglin Road, Singapore, within the Orchard Road tourist district The Group owns 83 out of 362 strata-titled units and 325 car park lots	Freehold	6,285	100
Millennium Mitsui Garden Hotel Tokyo 5-11-1 Ginza, Chuo-Ku, Tokyo 104-0061 329 bedroom hotel	Freehold/ Leasehold - 30 years from 25 March 2009	1040 130	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 299 car park spaces are allocated to the two office spaces	Freehold	34,249	100
Owned by First Sponsor Group Limited.			
Humen International Cloth Centre Located in Boyong Village, Guangdong Province, China Comprising 145 commercial units and 11 serviced apartments	Leasehold to year 2063	3,466	36
Chengdu Cityspring Located in Chengdu Hi-Tech Industrial Development Zone, Sichuan Province, China Comprising M Hotel Chengdu which is classified as property, plant and equipment, a 21,875 sq metres commercial space in the same building as M Hotel Chengdu which is earmarked for potential future expansion of the hotel, and 6,456 sq metres of commercial and retail spaces for rental which are accounted for as investment properties	Leasehold to year 2049	47,518	36

Millennium & Copthorne hotels worldwide

ASIA

China

Copthorne Hotel Qingdao
Grand Millennium Beijing
Grand Millennium Shanghai Hongqiao
M Hotel Chengdu
Millennium Residences @ Fortune Plaza Beijing
Millennium Hotel Chengdu
Millennium Harbourview Hotel Xiamen
Millennium Hotel Fuzhou
Millennium Resort Hangzhou
Millennium Hotel Wuxi

Hong Kong

New World Millennium Hong Kong Hotel
JW Marriott Hotel Hong Kong

Indonesia

Millennium Hotel Sirih Jakarta

Japan

Hotel MyStays Asakusabashi
Hotel MyStays Kamata
Millennium Mitsui Garden Hotel Tokyo

Malaysia

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

Maldives

Angsana Velavaru
Jumeirah Dhevanafushi

Philippines

The Heritage Hotel Manila

Singapore

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

South Korea

Millennium Seoul Hilton

Taiwan

Grand Hyatt Taipei
Millennium Vee Hotel Taichung

Thailand

Grand Millennium Sukhumvit Bangkok
Millennium Resort Patong Phuket

AUSTRALASIA

Australia

Ibis Perth
Mercure & Ibis Brisbane
Mercure Perth
Novotel Brisbane

New Zealand

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

MIDDLE EAST

Iraq

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

Jordan

Grand Millennium Hotel Amman

Kuwait

Al-Jahra Copthorne Hotel & Resort

Oman

Millennium Executive Apartments Muscat
Millennium Resort Mussanah

Qatar

Copthorne Hotel Doha
Kingsgate Hotel Doha
Millennium Hotel Doha

Saudi Arabia

Millennium Taiba Hotel Madina

160 Further information

Millennium & Copthorne hotels worldwide continued

United Arab Emirates

Copthorne Hotel Dubai
Copthorne Hotel Sharjah
Grand Millennium Dubai
Grand Millennium Al Wahda
Kingsgate Hotel Abu Dhabi
Millennium Airport Hotel Dubai
Millennium Corniche Hotel Abu Dhabi
Millennium Plaza Hotel Dubai

EUROPE

France

Millennium Hotel Paris Charles de Gaulle
Millennium Hotel Paris Opéra

Italy

Grand Hotel Palace Rome

UK

The Chelsea Harbour Hotel
Copthorne Hotel Aberdeen
Copthorne Hotel Birmingham
Copthorne Hotel Cardiff-Caerdydd
Copthorne Hotel Effingham Gatwick
Copthorne Hotel London Gatwick
Copthorne Hotel Manchester
Copthorne Hotel Merry Hill-Dudley
Copthorne Hotel Newcastle
Copthorne Hotel Plymouth
Copthorne Hotel Sheffield
Copthorne Hotel Slough-Windsor
Copthorne Tara Hotel London Kensington
Millennium Bailey's Hotel London Kensington
Millennium Gloucester Hotel London Kensington
Millennium Hotel Glasgow
Millennium Hotel London Knightsbridge
Millennium Hotel London Mayfair
Millennium & Copthorne Hotels at Chelsea Football Club
Millennium Madejski Hotel Reading

THE AMERICAS

USA

Comfort Inn Near Vail Beaver Creek
Maingate Lakeside Resort
The McCormick Scottsdale
Millennium Alaskan Hotel Anchorage
Millennium Biltmore Hotel Los Angeles
Millennium Bostonian Hotel Boston
Millennium Broadway Hotel New York
Millennium Harvest House Boulder
Millennium Hotel Buffalo
Millennium Hotel Cincinnati
Millennium Hotel Durham

Millennium Knickerbocker Hotel Chicago
Millennium Maxwell House Hotel Nashville
Millennium Hotel Minneapolis
Millennium Hotel St Louis (closed)
Millennium Hilton
Novotel New York Times Square
ONE UN New York
Pine Lake Trout Club

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
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 5SR, UK
Tel + [44] (0) 20 7872 2444
Fax + [44] (0) 20 7872 2460
Email marketing.eu@millenniumhotels.com

North America

Millennium Hotels and Resorts
7600E Orchard Road, Ste #230S
Greenwood Village
Colorado, 80111, USA
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
 Christchurch + [64] (3) 367 3300
 Wellington + [64] (4) 382 0771

Europe

France + [33] (0) 1 4949 1617
 Italy + [39] (0) 6 4201 2198
 UK + [44] (0) 20 7872 2444

North America

New York +1 212 789 7860

International reservations**Asia**

China North +108 0065 00558 (toll free)
 China South +108 0026 52531 (toll free)
 Hong Kong +800 96 2541
 Indonesia +001 803 65 6541
 Malaysia +1 800 80 1063
 Singapore +65 6735 7575
 Taiwan +008 01 65 15 05 (toll free)
 Thailand +001 800 65 6544 (toll free)

Australasia

Australia +1 800 124 420
 New Zealand +0 800 808 228

Middle East

UAE + [971] (4) 309 9096
 (Sunday – Thursday)
 8 00am – 5 00pm

Europe

When in the following countries, please use this toll free number
 00 800 86 86 8086
 Austria, Belgium, Denmark, Finland (prefix 990 instead 00),
 Germany, Ireland, Italy, The Netherlands, Norway, Portugal, Spain,
 Sweden & Switzerland
 France 0800 909 586
 UK 0800 41 47 41 Main reservations
 0845 30 20 001 Leisure bookings
 0845 30 20 002 Meetings and Events bookings

North America

When in the following countries, please use this toll free number
 +1 866 866 8086
 Canada, Puerto Rico, USA & US Virgin Islands

162 Further information

Shareholder information

Analysis of shareholders as at 31 December 2014

Number of shares	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
1 – 10,000	644	76.85%	936,967	0.29%
10,001 – 25,000	50	5.97%	792,159	0.24%
25,001 – 50,000	41	4.89%	1,574,670	0.49%
50,001 – 100,000	25	2.98%	1,854,406	0.57%
100,001 – 500,000	40	4.78%	9,259,441	2.85%
500,001 – 1,000,000	13	1.55%	8,684,860	2.68%
1,000,001 – Highest	25	2.98%	301,569,558	92.88%
Total	838	100.00%	324,672,061	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 0871 384 2343*
and outside the UK +44 121 415 7047
Textphone 0871 384 2255*
and outside the UK +44 121 415 7028

* Calls to this number cost 8 pence per minute plus network extras. 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

You are able to do this online at www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams/reportingform or by calling them 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.

Contacts and advisers

Registered office

Victoria House, Victoria Road, Horley, Surrey RH6 7AF,
United Kingdom
Registered in England and Wales No. 3004377

Corporate headquarters

Scarsdale Place, Kensington, London W8 5SR,
United Kingdom

Stockbroker

Credit Suisse Securities Limited

Auditor

KPMG LLP

Solicitor

Hogan Lovells International LLP

Principal bankers

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

Registrar

Equiniti Limited

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Financial calendar

2014 final dividend record date	20 March 2015
First quarter's results announcement	7 May 2015
Annual general meeting	7 May 2015
2014 final dividend payment	15 May 2015
Interim results announcement	30 July 2015
2015 interim dividend record date	14 August 2015
2015 interim dividend payment	2 October 2015
Third quarter's results announcement	29 October 2015

Further information



FSC C011785

Millennium & Copthorne Hotels plc
Scarsdale Place
Kensington
London W8 5SR
United Kingdom

www.millenniumhotels.co.uk



MILLENNIUM & COPTHORNE
HOTELS plc