

Millennium & Copthorne Hotels plc (the "Company")

Annual Report and Financial Statements 2014

In accordance with Listing Rule 9.6.1, copies of the following documents have been submitted to the UK Listing Authority and will shortly be available for inspection from the National Storage Mechanism, which can be accessed at <http://www.morningstar.co.uk/uk/NSM>:

- Annual Report and Financial Statements for the year ended 31 December 2014; and
- Notice of Annual General Meeting 2015.

The above documents have also been dispatched to shareholders today and may be viewed online at www.millenniumhotels.com/corporate/investors.html.

The Company's annual general meeting will be held at 10.00am on Thursday, 7 May 2015 at the Copthorne Tara Hotel London Kensington, Scarsdale Place, Kensington, London W8 5SR.

A condensed set of the Company's financial statements and information on important events that have occurred during the financial year and their impact on the financial statements were included in our Final Results announcement on 10 February 2015. That results announcement should be read in conjunction with the information set out below which is extracted from the Annual Report and Financial Statements 2014 and together they constitute the material required by Disclosure and Transparency Rule 6.3.5 which is required to be communicated to the media in full unedited text through a Regulatory Information Service. This announcement is not a substitute for reading the full Annual Report and Financial Statements 2014. Page and note references in the text below refer to page numbers in the Annual Report and Financial Statements 2014. To view the Final Results announcement, please visit www.millenniumhotels.com/corporate/investors.html.

Principal Risks and Uncertainties

The following has been extracted from pages 36 to 40 of the Annual Report and Financial Statements 2014.

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.

Events that adversely impact domestic or international travel

Risk and potential impact

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.

Mitigating activities

The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.

The wide geographical spread (countries, cities) is a natural hedge.

Status

Stable

Political and economic developments

Risk and potential impact

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.

Mitigating activities

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.

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.

The wide geographical spread of our hotels is a natural hedge.

Status

Increasing – Middle East / Asia

The hotel industry supply and demand cycle

Risk and potential impact

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.

Mitigating activities

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.

Status

Stable

Quality of product

Risk and potential impact

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.

Mitigating activities

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.

Status

Increasing

Increasing dependence on online travel agents (OTAs)

Risk and potential impact

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.

This may impact our profitability. In addition, over time, consumers may develop loyalties to the OTAs rather than to our brand.

Mitigating activities

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.

Status

Increasing

Human resources

Risk and potential impact

Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude.

Mitigating activities

The Group has appropriate systems for recruitment, reward and compensation and performance management. Labour relations are actively managed on a regional and local basis.

The development of people and having good succession planning processes is a key part of the Group's HR strategy.

The Group has a strong service culture supported by recognition systems, compensation and benefits arrangements, training and development programmes.

Status

Stable

Management agreements

Risk and potential impact

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.

Mitigating activities

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.

Status

Stable

Joint ventures and subsidiaries with minority shareholders

Risk and potential impact

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.

Mitigating activities

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.

Status
Stable

Treasury risk

Risk and potential impact

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. 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.

Mitigating activities

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.

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.

Status
Stable

Tax risk

Risk and potential impact

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.

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.

Mitigating activities

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.

Status

Stable

Compliance and litigation

Risk and potential impact

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.

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.

Mitigating activities

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.

Status

Stable

Safety, health and environment

Risk and potential impact

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.

Mitigating activities

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.

Status

Stable

Intellectual property rights and brands

Risk and potential impact

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.

Mitigating activities

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.

Status

Increasing

Property ownership

Risk and potential impact

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.

Mitigating activities

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.

Status

Stable

Insurance

Risk and potential impact

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.

Mitigating activities

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.

Status
Stable

Information Technology systems and infrastructure

Risk and potential impact

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.

Mitigating activities

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.

Status
Stable

Data privacy & protection and fraud

Risk and potential impact

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.

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.

Failure to comply with these regulatory and contractual requirements and standards could result in penalties and withdrawal of credit card payment facilities.

Mitigating activities

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.

Status
Increasing

Related party transactions

The following has been extracted from pages 135 to 136 of the Annual Report and Financial Statements 2014.

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.

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 postemployment 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	2013
	<u>£m</u>	<u>£m</u>
Short-term employee benefits	6	5
Share-based payment	<u>6</u>	<u>1</u>
	6	6
Directors	2	3
Executives	<u>4</u>	<u>3</u>
	6	6

Statement of Directors' responsibilities

The following responsibility statement is repeated here solely for the purposes of complying with DTR 6.3.5. This statement relates to and is extracted from page 70 of the Annual Report and Financial Statements 2014.

These responsibilities are for the full Annual Report and Financial Statements 2014 and not the extracted information presented in the announcement or otherwise.

"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."

For further information please contact:

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