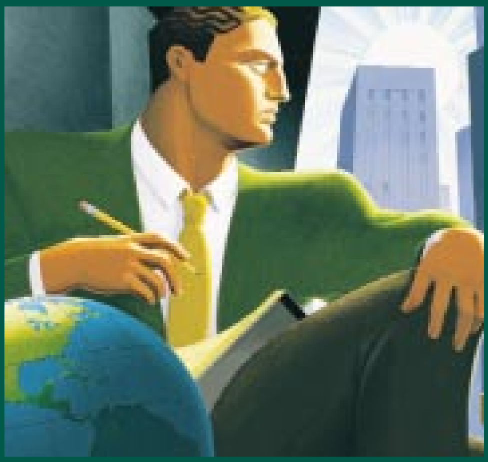
MILLENNIUM & COPTHORNE HOTELS plc



Annual Report and Accounts 2000

MILLENNIUM & COPTHORNE HOTELS plc Annual Report and Accounts 2000

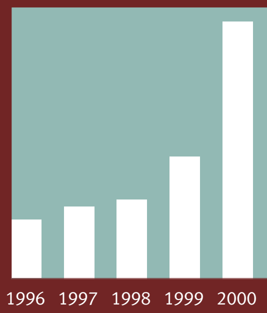
Highlights

Group highlights

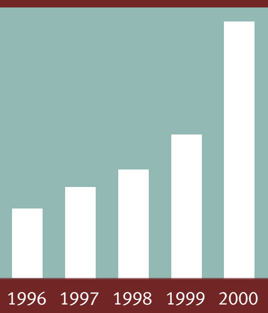
- Strong organic growth
- Significant progress on integrating acquisitions
- Strategic investment programme in US and Asia on track
- Good progress with planned disposal of non-core assets in US
- Successful repositioning of key hotels in Europe
- Enhanced global management capability

Financial highlights	2000	1999 restated	Growth %
Group turnover (£ million)	690.9	343.1	101
Group operating profit (£ million)	171.5	96.1	78
Pre-tax profit (£ million)	129.1	83.5	55
Earnings per share (pence)	33.0	28.5	16
Dividend per share (pence)	12.5	11.3	11

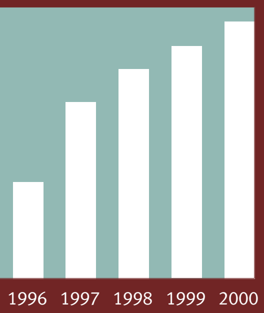
Turnover – £m



Group operating profit – £m



Dividend per share – p



GRAND HYATT HOTEL
Taipei, Taiwan

This five-star hotel is recognised by many international magazines as one of the best business hotels in the world and has won many awards. The hotel lies in the heart of the financial centre and is committed to setting the standards for its market in all areas of services and facilities.

GRAND COPTHORNE WATERFRONT HOTEL, Singapore

Set against the charms of the historic Singapore river, this hotel is a symbol of modern sophistication and warm hospitality. It is within five minutes of the central business district, the shopping and entertainment area of old Singapore and the famous Orchard Road. The hotel is managed by Millennium & Copthorne.

MILLENNIUM HOTEL ROTORUA
New Zealand

Overlooking the beautiful Lake Rotorua, this hotel is situated on the fringe of Rotorua's central business and shopping district and adjacent to the renowned Polynesian Spa.

MILLENNIUM BILTMORE HOTEL
Los Angeles, USA

This world famous hotel offers its guests hospitality in the style of the world's grand hotels. Located in the heart of downtown Los Angeles, this hotel represents a vision of 14th Century Italy combined with a contemporary elegance.

We are continuing to build Millennium & Copthorne into a major global brand and realise the benefits of integration across the Group.

MILLENNIUM HOTEL
London, Mayfair

Overlooking Grosvenor Square in the heart of fashionable Mayfair, this hotel has undergone a complete refurbishment, incorporating a state-of-the-art conference and ballroom facility.

THE HERITAGE HOTEL MANILA
The Philippines

This 454 room hotel has incredible views of Manila Bay, It has extensive conference and leisure facilities and is located near the Philippine International Convention Centre. The hotel benefits from the casino contained within the complex.

ORCHARD HOTEL
Singapore

Situated in Singapore's main shopping and entertainment district, the hotel has a sophisticated conference centre and a grand ballroom which seats up to 1,500 people. One of the twin towers has recently been totally refurbished.

MILLENNIUM MINNEAPOLIS HOTEL
USA

Nestled in downtown Minneapolis on the tree-lined sidewalks of Nicollet Mall, this hotel offers convenient access to the commercial districts. The hotel is also connected to the Minneapolis Convention Center by an enclosed Skyway.

Our focus in 2000 has been on successfully integrating the acquired businesses, restructuring the Group and implementing refurbishment programmes with the aim of exploiting the earnings growth potential

Kwek Leng Beng, *Chairman*

2000

Millennium & Copthorne Hotels plc operates 88 hotels with 24,200 rooms located in 13 countries. They are divided into four regions:

Europe
United States
Asia
Australasia

UNITED STATES

New York (4)
Other US (19)

EUROPE

London (5)
Regional United Kingdom (12)
France (3)
Germany (2)

MILLENNIUM & COPTHORNE TWO CORE BRANDS

Millennium Hotels
Millennium is an emerging and exciting international brand, first introduced in October 1995. Today there are 14 Millennium hotels in seven countries around the world. There will be a further 12 hotels following the conversion of the Regal branded hotels in the US. Millennium hotels are situated in premier locations in major international gateway cities. The hotels serve international business and leisure travellers and offer impeccable facilities and standards of service.

Copthorne Hotels
Copthorne hotels are four-star properties in major business locations or regional centres in six countries. There are 29 Copthorne hotels and a five-star Grand Copthorne in Singapore. Copthorne has received a succession of major industry awards in recognition of its quality service and distinctive style of operation.

ASIA

Hong Kong (2)
Indonesia (1)
Malaysia (2)
Philippines (1)
Singapore (5)
South Korea (1)
Taiwan (1)

AUSTRALASIA

Australia (1)
New Zealand (29)

Our focus in 2000 has been on successfully integrating the acquired businesses, restructuring the Group and implementing refurbishment programmes with the aim of exploiting the earnings growth potential

Kwek Leng Beng
Chairman

GROUP RESULTS

I am delighted to report that, during the 12 months to 31 December 2000, Millennium & Copthorne delivered strong results. They reflect the inclusion for a full year of the assets acquired during 1999, the benefits of our continuing property improvement programme, the ongoing Asian economic recovery, particularly in the hotel sector, and strong markets for most of the year in Europe and the US.

Group turnover increased 101% to £690.9m (1999: £343.1m). Operating profit increased by 78% to £171.5m (1999: £96.1m) producing a Profit before Tax of £129.1m up 55% (1999: £83.5m). Earnings per share were 33.0p, an increase of 15.8% on a restated 1999 figure. Shareholders' funds at the close of the year were £1,468.6m (1999: £1,311.7m) with gearing of 50% (1999: 50%).

In the light of this robust performance, the directors are recommending a final dividend of 8.3p per share (1999: 7.5p) giving a total dividend of 12.5p per share (1999: 11.3p).

CORPORATE HIGHLIGHTS

During the year our focus has been to integrate the acquisitions made in 1999 and to strengthen the management team across our global operations; to implement a capital investment programme in the acquired properties in Asia and USA, in order to build a strong foundation for future earnings growth; and to improve hotel revenue and profitability throughout our operations.

In December, Millennium & Copthorne sold its hotel management business, which included the transfer of all the hotel management contracts, previously owned by a subsidiary of the US Regal Group, to a newly formed company called Service World Network, Inc. (SWAN). These management contracts are for small hotels with limited facilities that did not form a strategic fit with our portfolio.

Integration

Following significant acquisition activity in 1999, our priority was to integrate the new US and Asian properties into the Group, whilst ensuring that organic growth from existing properties continued in line with our expectations. A key first step was to put in place a management infrastructure to support our global expansion. In addition, we began to introduce improved operating practices across the Group for critical functions such as reservations, sales and marketing, communications and operational reporting, enabling us to take costs out of our business and increase efficiency.

In the US, we made good progress with the disposal of the non-core Regal hotels, acquired in December 1999. To date we have sold eight out of the 12 identified for sale, achieving prices in line with our expectations. We expect the balance to be disposed of during this year.

The acquisition of the Regal Bostonian was not completed until mid-June 2000 and therefore we only benefited from its inclusion in the second half of the year. We now own 98.3% of this property, having acquired 51% from Regal Hotels International and the balance from a Boston-based business consortium.

Together with Prince Al Waleed, our 50/50 joint venture partner in The Plaza in New York, we each acquired 8.4% of Citibank's shareholding in the hotel at the end of December. The Group and Prince Al Waleed now own 100% of this world-famous property.

Continuing Capital Investment

During the year, we invested approximately £64m in capital improvement programmes, with particular emphasis on the US and Asia.

In the US, work began on the Regal properties to bring the 12 hotels that we are retaining up to Millennium standard. We are nearing completion of the bedroom refurbishment programme and, following its completion, we plan to rebrand the

Top left
Orchard Hotel Singapore, deluxe room

Top right
Copthorne Harbour View Hotel Singapore, executive club lounge

properties as Millennium. This will raise the profile of the brand across the US and further enhance recognition and business levels throughout our other properties internationally.

Supported by the regional economic recovery, international arrivals into Singapore grew to an all-time high of 7.6 million, up nearly 11% on the previous year, thereby boosting both occupancy and average room rate in this important market for Millennium & Copthorne. Average room rates for the Group's four owned Singapore hotels increased by almost 20%, outperforming the industry increase of 6.5%.

The Group took advantage of the Singapore Government's incentives for the hotel industry, introduced during the recession in 1998, to accelerate the capital expenditure programme to reap further benefits from the improving economy. We completely refurbished one of the two tower blocks in The Orchard Hotel, Singapore, which enjoyed an immediate improvement in performance upon completion of the works in September 2000. We have nearly completed the total renovation of the Copthorne Harbour View in the central business district of Singapore, thereby repositioning the hotel to a good business market standard. Against the backdrop of the refurbishment programmes, the two hotels' improvement in average room rate was all the more notable and provides us with a good base on which to achieve future growth.

Regional earnings were enhanced by the first full-year contribution from the Seoul Hilton, acquired by the Group in November 1999. We also benefited from the Grand Hyatt, Taipei, which has recovered well from the effects of the earthquake in the Autumn of 1999. In the Philippines, The Heritage Hotel, Manila, maintained its year-on-year earnings performance.

In the current year, in addition to the upgrading programme in the US, we will also undertake other significant projects, particularly in Asia, and therefore expect to maintain capital expenditure spend at similar levels as in 2000. By bringing our properties up to the required standard of Millennium or Copthorne we will maintain a quality product which will enable us to generate significant organic revenue and profit growth in the coming years.

Within the enlarged Group, we are now able to benefit from reduced costs for renovation projects by standardising designs wherever possible. Improved planning has enabled us to order materials collectively for a number of projects. This has been done very effectively for the multi-unit bedroom refurbishments currently being completed in the US.

Shareholder Reorganisation

In June 2000, we announced that our majority shareholder CDL Hotels International Limited (CHIL) was selling its shareholding in Millennium & Copthorne to City Developments Limited (CDL), the parent of CHIL. This transaction was completed in September 2000. We are already seeing the benefits of this simplified ownership structure, bringing us closer to the greater strength and property expertise provided by CDL, the second largest property group in Singapore.

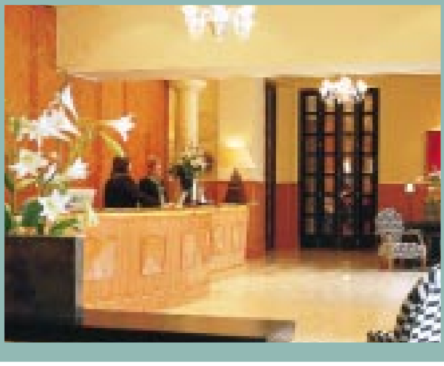
E-commerce

CHIL was relaunched as an e-commerce business-to-business solutions company specialising in the hospitality sector under the new name of City e-Solutions Limited (CES). CES will realise its strategic potential by enabling businesses to move swiftly forward, using new technologies to enhance profitability and efficiency.

SWAN is 85% owned by CES and 15% owned by Millennium & Copthorne. We believe that this strategic partnership is an exciting move for the Group. We are already benefiting from the new e-commerce initiatives being offered by SWAN as well as from their knowledge and strength in information technology, thereby enabling us to concentrate on our core business, the operation and management of upscale hotels.

Board

During the year Robert Morse, an experienced hotelier who has held senior positions at Meri-Star and Sheraton, joined us as President of US operations



Top left
Millennium Hotel Glasgow, reception

Top right
Grand Hyatt Taipei, wedding reception

and a main Board director. Following the shareholder restructuring and change of focus in CDL Hotels International to City e-Solutions Limited, Miguel Ko, a non-executive director of Millennium & Copthorne, resigned from our Board in October. The Board thanks him for his contribution to the Group.

Prospects

Millennium & Copthorne enters 2001 with a portfolio whose market exposure is balanced across the world and in particular in the key gateway cities within the UK, North America and Asia.

Most of our properties in Asia will be at the forefront of our growth in 2001, benefiting from sustained economic improvement in the region and our enhanced hotel products, particularly in Singapore, where international arrivals are expected to increase significantly over last year. The Seoul Hilton is expected to continue to make a favourable contribution to the Group's results in the year 2001.

We believe that the acquisition of the Regal Group in December 1999 will deliver enhanced and lasting value. These hotels were significantly under-performing owing both to poor managerial guidance and lack of investment. Under our direction and through our investment programme, they have considerable potential to deliver improved revenues and profit. We expect to achieve much higher rates in the coming years from better quality business, including the untapped conference and meetings markets.

In the US, we are seeing a softening in demand in some but not all of our major markets. We attribute it to general concerns surrounding the US economy that are reflected in the major corporations' conservative approach to first quarter spending. Along with most of our competitors, we expect this softening to be temporary. Against this background we are implementing a targeted capital expenditure programme and are confident that the upgraded hotels, together with our strengthened US management, will enable us to grow our market share. All indicators currently point towards improved results as the year progresses. We will benefit from the refurbished and rebranded Millennium hotels, particularly in high business-related periods.

In Europe, the UK properties are performing well. London made a positive start to 2001 and we are encouraged by the performance of the Regional UK properties, which will have the added advantage of a full year from the rebranded and refurbished Millennium Glasgow. On the Continent, further upside is projected at the Millennium Opéra, Paris.

The outlook for Australasia remains one of limited growth in a slowly recovering economy. We will continue to monitor our options in non-hotel related investments in this region.

In summary, our focus in 2000 has been on successfully integrating the acquired businesses, restructuring the Group and implementing refurbishment programmes with the aim of exploiting the earnings growth potential and providing the consistent high standard of product and service that our guests have come to expect. We look forward to reaping the benefits of this investment during the year and into 2002 and delivering value to shareholders. We continue to assess expansion opportunities that will provide good revenue and profit growth and fit our global brand aspirations.

I would like to express my thanks to my co-directors, management and staff for their enthusiasm and professionalism and to our shareholders for your continued support which contributes towards making Millennium & Copthorne one of the most respected hotel groups in the world.

Kwek Leng Beng, *Chairman*
12 March 2001

With all the actions taken in 2000 and planned in 2001, I am confident that we will deliver our future growth potential in the coming years

INTRODUCTION

Following the transformation of our hotel portfolio during 1999, we have concentrated over the past 12 months on integrating the hotels acquired through the CDL, Regal and Seoul Hilton acquisitions. This has included some reorganisation and restructuring which, together with further capital investment, will enable us to maximise the revenue and profit potential of our newly acquired hotels. At the same time, we have continued to drive organic growth from our original portfolio.

GROUP SUMMARY

The Group's results reflect a strong market in London and Continental Europe and continued growth in the UK Regional properties. We enjoyed continuing rapid market recovery in most of the Asian countries in which we operate, whilst economic progress was slower in Australasia. Overall US markets remained strong.

The significant change in the number and location of properties acquired during 1999 makes meaningful comparison difficult; therefore we are providing prior year statistics on a proforma basis. Occupancy for the Group was 69.9% up 2.0 percentage points (1999: 67.9%), the average room rate grew by 13% to £71.22 (1999: £63.01) producing a yield per available room up 16% to £49.78 (1999: £42.78).

Due to some differences in accounting practices between our Group and the acquired companies, the Gross Operating Profit* margin for the Group of 39.5% cannot be compared on a pro forma basis. Where possible, comparisons can be made on financial results and statistics from continuing operations by region in the Review of Operations below.

* Gross Operating Profit excludes a hotel's fixed costs, over which individual hotel management has limited control, such as rent, property taxes, insurance, depreciation, amortisation, operating lease rentals and external management fees.

REVIEW OF OPERATIONS

Europe

London

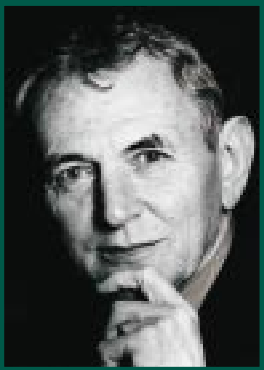
All the properties in London benefited from a strong market throughout the year. The bedroom refurbishments at the Millennium Mayfair (formerly Millennium Britannia), Millennium Gloucester and Copthorne Tara, were completed in February, enabling the properties to operate without disruption throughout the remainder of the year. We also had a full year benefit of the additional bedrooms and a ballroom, which were opened during 1999 at the Millennium Mayfair.

Overall occupancy for London increased 4 percentage points to 85.7%, our highest ever aggregate occupancy, (1999: 81.7%) and was coupled with a 6% growth in average room rate rising to £93.63 (1999: £88.34), producing a yield per available room of £80.24, up 11% (1999: £72.17). The Gross Operating Profit margin improved 1.5 percentage points to 55.0% (1999: 53.5%).

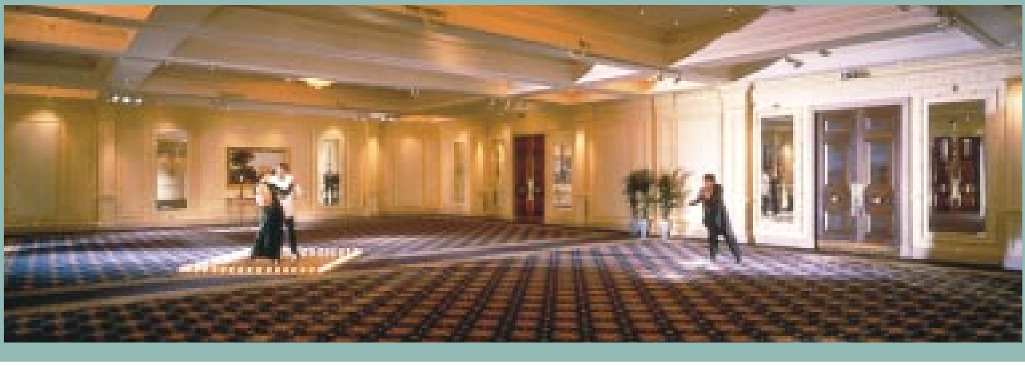
In January 2001, we commenced a 98-bedroom refurbishment at the Millennium Gloucester, which has been specially designed to meet the needs of the business traveller and which is due for completion at the end of March. At the Millennium Knightsbridge we have our most exciting restaurant project. Under the guidance of world-renowned chef, Tetsuya Wakuda, the restaurant on the Mezzanine floor is being transformed, drawing on the highly successful concept he has developed in Australia. Due to be launched in the middle of April, it will enable us to offer a different experience for connoisseurs of the London restaurant scene.

Regional UK

The Regional UK properties performed reasonably well. However, their results were impacted by the disruption caused in the first half of the year at the Millennium Glasgow, where we carried out a £5m restructuring and refurbishment programme over an



John Wilson
Chief Executive Officer



Millennium Hotel
London Mayfair,
ballroom

eight-month period. The hotel was re-launched as a Millennium property in June and is now one of the premier hotels in the city. We expect to benefit from revenue and profit growth as it moves into its first full year of operation under its new brand. Our Copthorne hotels at Slough, Merry Hill and Gatwick all achieved good growth over 1999, and at Manchester the year finished strongly, despite a considerable increase in bedroom supply in the city. Only the Copthorne at Cardiff is still being affected by an oversupply situation, but it is expected to recover over time. The Millennium Madejski Reading, which we operate under management agreement, opened in May and has been very well received in the marketplace. It has recently been awarded two rosettes for its food and beverage operations.

Occupancy for the region increased by just under 1 percentage point to 74.1% (1999: 73.3%) and the average room rate by 3% to £68.48 (1999: £66.39) producing a growth in yield per available room up 4% to £50.74 (1999: £48.66). The Gross Operating Profit margin was particularly affected by the disruption at the Millennium Glasgow and the competitive environment in which the Copthorne Cardiff is operating, dropping 2.3 percentage points to 38.1% (1999: 40.4%).

In the Spring we are commencing a major refurbishment of 146 (approximately two-thirds) of the bedrooms at the Copthorne Gatwick, following which we expect to achieve significant revenue and profit growth in this already successful property. The year has started very well for the UK regional properties.

Continental Europe

Our Continental European hotels recorded significant growth over last year, reflecting the continuing improvement of the Millennium Opéra, in central Paris, during its second year following major refurbishment. There is still more growth to come from the property as it continues to strengthen its position in the marketplace. The region as a whole benefited from Expo 2000, which took place in Hannover. Although attendance was initially poor, it later showed marked improvement and the second half of the six months event provided very strong business levels for our Copthorne Hannover, resulting in a 77% growth in yield per available room over 1999, in local currency. This property will naturally return to more normal business levels in 2001. The Copthorne Charles de Gaulle also recorded good growth throughout the year.

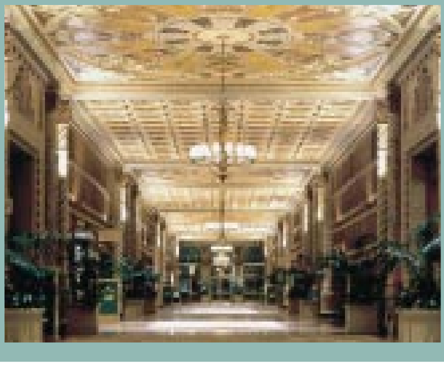
Occupancy for the region grew by 6.1 percentage points to 69.8% (1999: 63.7%) and together with a 9% increase in the average room rate to £78.66 (1999: £72.35) produced a growth of 19% in yield per available room to £54.90 (1999: £46.09).

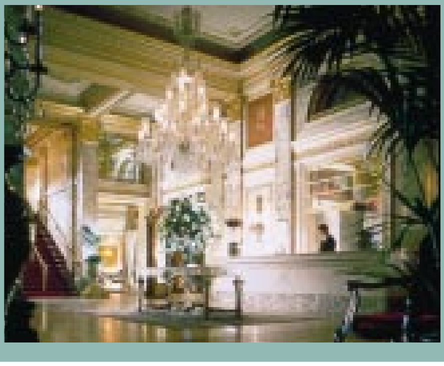
All three properties recorded significant improvement in their Gross Operating Profit margins, increasing by 9.2 percentage points to 36.4% (1999: 27.2%), which considering the higher payroll element in operating costs on the Continent is a very good result.

Our partner in the Copthorne Stuttgart Hotel and Leisure Complex went into liquidation in March 2000 since when we have been pursuing a rental reduction with the landlord. This matter has now been presented to an arbitration panel, the outcome of which is expected by mid-year.

United States

In the US, we began to make immediate changes to the Regal Hotels we acquired in December 1999. Our priority was to strengthen the management and we quickly built a first-class regional management team. As we explained to shareholders at the time of the Regal acquisition, whilst we knew we could make immediate performance improvements by introducing M&C operational disciplines, we recognised that medium and longer-term growth would be limited without capital investment. The new US management team, together with the Chairman and myself, undertook a further detailed review of all the properties from which we prepared the capital expenditure programme





Top left
Millennium Biltmore,
Los Angeles, main galleria

Top right
The Plaza Hotel,
New York, lobby

necessary to reposition the hotels for their conversion to the Millennium brand.

Phase One of the programme, the refurbishment of over 2,000 bedrooms, at a cost of US$50m, throughout a number of the properties, is due for completion in early Spring, following which the rebranding will take place. We expect this investment to produce improvements in performance in terms of both revenue and profitability as the year progresses and into 2002 and beyond.

During the current year, we will refurbish the second tower in each of the properties in St Louis and Cincinnati for conversion to Four Points Sheraton under franchise, continuing with our management. Therefore, both properties will consist of one tower as Millennium and the other as Four Points, giving us a broader business base in these two 800 bedroom properties. At the end of the year we will commence Phase Two of the capital expenditure plan for the rebranded Millennium properties, due for completion in the Spring of 2002. Most of the works planned cover the convention and conference areas in the properties and will cost approximately US$20m. The benefits of all these actions will start to deliver revenue and profit growth later in the year and we are confident that they will provide further opportunities for improvement in 2002 and thereafter.

During the year, we implemented the disposal plan for 12 of the non Regal hotels. At the time of the acquisition of the Regal Group, we identified a number of limited-service properties as non-core. Of the 12 hotels offered for sale, we are pleased to report that eight have been sold to date for a total of US$58m, in line with our expectations. We plan to complete the sale of the remaining four hotels by the end of the year. We have also set up a US sales structure to benefit not only the US properties but also our global operations. Throughout the period, we ensured the continued successful operation of the original New York properties.

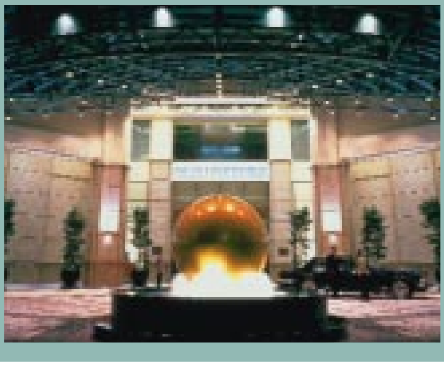
The major change in our US business, together with the ongoing refurbishment programme and the implementation of planned disposals, makes it difficult to provide meaningful comparable statistics. Using pro forma occupancy and average room rate statistics for 1999 for the acquired properties as a guide, occupancy for the region as a whole showed little movement, up 0.7 of a percentage point to 67.8% and the average room rate in local currency grew by 8% to US$127.19, producing a growth in yield per available room of 9% to US$86.24. The original New York properties recorded a growth in occupancy of 5.9 percentage points to 87.4%, and was coupled with a 2% improvement in average room rate in local currency to US$241.10, producing a yield per available room growth of 10% to US$210.73.

The Gross Operating Profit margin for the region was 35.7%. Due to some differences in accounting practices between our Group and the acquired companies, we are unable to provide a meaningful comparison to 1999 on a pro forma basis. In New York, as had been reported in the interim statement, we did experience a small decrease in Gross Operating Profit margin, down less than 1 percentage point to a still very respectable 45.3% (1999: 46.2%). We did not have to call upon the EBITDA guarantee provided by Regal Hotels International for the year 2000.

Asia

Asia-Pacific integration was greatly assisted by our close knowledge of all the properties acquired from CDL. This meant that the Seoul Hilton, the subject of a separate acquisition, was effectively the only hotel we needed to assimilate into our structure and practices. Our priority for Asia was to focus on maximising the benefit from the continuing economic improvement across much of the region. In pursuit of this objective, we are also undertaking a tax efficient acceleration of capital investment in Singapore.

We are nearing completion of the refurbishment of the Copthorne Harbour View to the Millennium



Top left
Copthorne Harbour View Hotel, Singapore, lobby

Top right
The Grand Copthorne Waterfront, Singapore, driveway

standard. The hotel, which was acquired from CDL, is a 416-bedroom property located in the heart of the central business district of Singapore. Whilst its performance was materially affected during the works programme, it is already showing a very good increase in average room rate and will, as the year progresses, record significant revenue and profit growth. We also refurbished one of the twin towers in The Orchard Hotel. Completed in September 2000, this hotel recorded an immediate improvement in achieved room rates. A further demonstration of growth in the economy came from the other two properties we own in Singapore, the Copthorne Kings and the Copthorne Orchid. Unencumbered by major refurbishment, they produced yield per available room growth of over 25% on the 1999 performance.

Good growth was also recorded in our two properties in Malaysia and the Grand Hyatt Taipei, where we refurbished some of the bedrooms and public areas as the property recovered from the aftermath of the earthquake in the Autumn of 1999.

The Seoul Hilton, which was materially affected by a strike lasting 45 days in the middle of the year, is now starting to produce better results and we expect to see further growth in 2001. We estimate the loss of profit as a result of the strike to be £1.5m. Excluding the impact of the strike, the hotel would have recorded an increase on 1999. Our hotel in Jakarta continues to be affected by the political situation in the country; however, the property improved its contribution to the region's profit over 1999.

As we owned the Asian properties for only part of 1999, comparative statistics are provided on a pro forma basis purely as a guide. Occupancy for the region grew by 4.9 percentage points to 68.9%, despite the impact of the refurbishments referred to above. The average room rate was up by 34% to £62.15 producing a yield per available room growth of 44% to £42.82. The Gross Operating Profit margin for the region has improved to 39.4%.

During the current year, we will continue with our capital expenditure programme, completing further refurbishment works in Singapore, on the ballroom and meeting rooms at the Copthorne Harbour View, bedrooms at the Copthorne Kings and, at The Orchard, the famous Hua Tin Cantonese cuisine restaurant. We also propose to refurbish 36 suites and 144 bedrooms at The Grand Hyatt Taipei and 84 bedrooms in the Seoul Hilton, and to revitalise a number of the food and beverage outlets. All of these works will provide further organic revenue and profit growth for the region for 2002 and beyond.

Australasia

Apart from the benefit gained in the Millennium Sydney from the Olympics and the Paralympics, the region has seen little economic growth in 2000 and this is expected to continue in 2001.

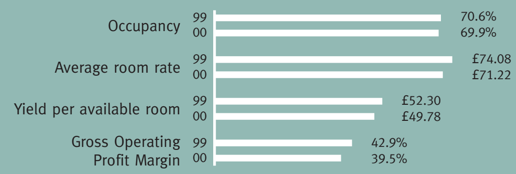
On a pro forma basis for 1999, occupancy for the region was 0.7 percentage points up at 64.4% but because of the strength of sterling against the NZ$ the average room rate fell by 5% to £30.02 resulting in a 4% drop in yield per available room to £19.33. In New Zealand, the yield per available room in local currency increased by 1% to NZ$58.47. The Gross Operating Profit margin improved to 33.6%.

The region generates profit from non-hotel operations, including the sale of condominiums in Sydney, property rental and sale of land. This amounted to £6.4m for the year, exceeding the amount earned from hotel operations. Some capital expenditure works were carried out during the year including bedroom refurbishments at the Millennium Rotorua and the Copthorne Resort Lakefront, Queenstown, which will improve the profitability of these properties.

E-commerce

SWAN, our business-to-business e-commerce provider, is currently carrying out work in the areas of reservations, procurement and risk management, both regionally and globally. They will also

Group statistics showing hotels acquired in 1999 on a pro forma basis



Group statistics on a statutory basis

streamline and advise us on our information technology requirements around the world.

Millennium & Copthorne's new website was launched in April 2000 and has been well received, achieving nearly 2,500,000 'hits' in February 2001, up from 700,000 in September 2000. Although online bookings are still a small percentage of total bookings across the industry, we expect them to increase significantly in the coming years. I encourage you to visit our website, which provides information about our properties and the facilities we offer.

Outlook

We have recorded significant improvement in the Group's revenue and profit in 2000. Equally we have strengthened the management, improved our Sales & Marketing strategies and successfully implemented our capital expenditure programmes, all designed to provide good organic growth into the future. Asia is expected to provide a significant part of the Group's increase this year as we benefit from the still strengthening economies in the hotel sector and reap the rewards from the completed capital programmes.

In the US, some slowing of growth in the economy towards the end of the year did have an impact, particularly on our New York properties, an effect that has continued into the early part of this year. The 12 Regal properties will benefit from the completion of Phase One of the refurbishment programme and subsequent rebranding to Millennium. The rebranding will be supported by a major promotional campaign to highlight the new product standard and underline the physical transformation of the hotels. We expect to achieve progressive improvements in performance of this part of our portfolio as the year progresses and on into 2002, notwithstanding recent softer markets in the US.

In Europe, the start of the year has been very encouraging. London has continued to improve at levels well ahead of inflation and this trend is expected to continue. The Regional UK properties have also started strongly. We will also benefit from the completely refurbished and rebranded Millennium Glasgow, which was relaunched last June. Only the Copthorne Cardiff continues to be affected by the imbalance of new bedroom supply versus demand, but it is expected to recover over time. On the Continent, our Paris properties, particularly the Millennium Opéra, continue to record good growth. The Copthorne Hannover is expected to return to business levels pre Expo 2000, which gave it such a boost in the second half of last year.

As we complete capital investment projects around the Group, as well as benefiting from the strength of the economies in the majority of the countries in which we operate, we will focus on improving our customer mix, concentrating on the business markets, particularly meetings and events. This will produce a better quality rate commensurate with the upgraded standards of the hotel product and services we are able to provide throughout the world.

With all the actions taken in 2000 and planned in 2001, I am confident that we will deliver our future growth potential in the coming years.

John Wilson, *Chief Executive Officer*
12 March 2001

Clockwise from top left
Copthorne Harbour View Hotel Singapore, executive suite
Millennium Hotel Cincinnati
Copthorne Orchid Hotel Singapore, courtyard
Millennium Biltmore Hotel Los Angeles, ballroom

Yield management

Increasing shareholder value over time is our prime objective. Maximising the yield from our operations is a key element in achieving this goal. Our new strategic partnership with City e-Solutions will bring us the technology and the know-how we need to improve room yield wherever we operate in the world. Their advanced data management tools, linked with next-generation central reservations systems, will underpin our ability to grow yield in competitive and fast-changing international markets.

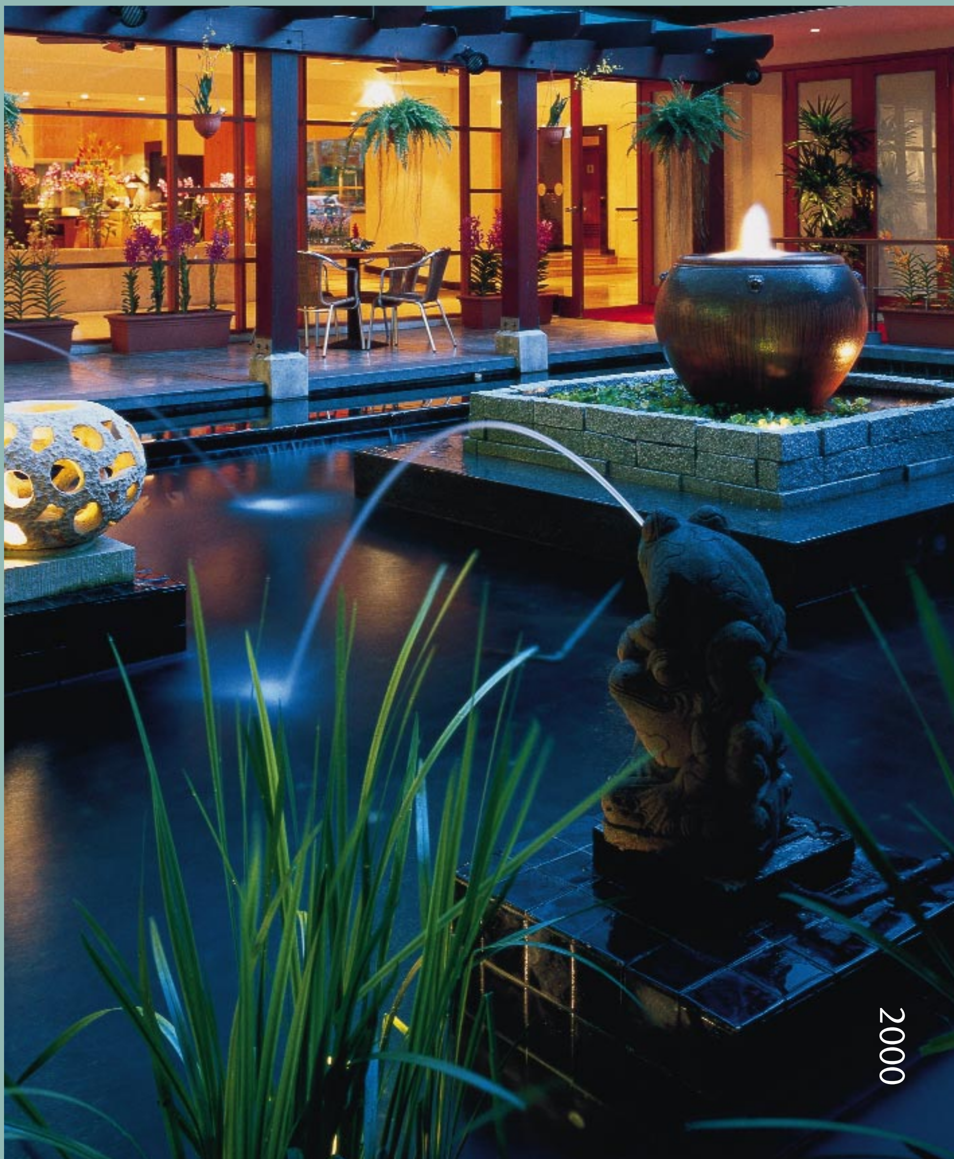
Our management approach

Our focus on generating value means we identify the characteristics we believe will create profitable growth, and then apply them systematically throughout our business. Highly motivated managers who demonstrate leadership, discipline, foresight, financial understanding and the ability to inspire their people are fundamental to our future success. Last year we built a new core management team in the US to put our management approach into practice in our newly acquired hotels across the country.

Capital investment

Three major acquisitions over the past two years have completely transformed the scale of our business. We carry out detailed reviews of all our properties both before and after acquisition, applying rigorous criteria to ensure we have a thorough understanding of the market and of each hotel's potential within it. Having already carried out major improvements in London, Glasgow and Paris, we are now engaged in strategic investment programmes in the US and Asia to drive long term revenue and profit growth.

Through a combination of targeted investment and effective management, we aim to deliver profitable growth and lasting value for customers and shareholders alike



Service

In an increasingly demanding marketplace, we view our ability to offer outstanding service as the key difference that enables us to attract customers and generate brand loyalty. Our new Service Excellence programme taps into the individual abilities of our people and trains them to apply tactical skills – a sense of urgency, a commitment to detail, an awareness of others, a desire to improve – that amount to much more than a normal hotel welcome.

Clockwise from top left
Copthorne Harbour View Hotel Singapore, cafe
Millennium UN Plaza Hotel New York, boardroom
Grand Copthorne Waterfront, Singapore, Pontini interior
Grand Hyatt Taipei, corner suite

Consistency

From London to Los Angeles, from Sydney to Singapore, our customers expect reliable and recognisable quality in every aspect of their dealings with us. Our operating standards are centrally defined and closely monitored. Using our website as well as face-to-face surveys, we regularly gather feedback from customers across the world and use our improved understanding of their experience and expectations to provide guarantees of service delivery.

Personality

Millennium & Copthorne's operations span the world and celebrate its diversity. Our ability to interpret the character of each individual location and highlight its attractions is reflected in our improvement programmes, which this year will include the renovation of the Hua Tin Cantonese restaurant in The Orchard Singapore, the refurbishment of the historic Crystal Ballroom at the Millennium Biltmore in Los Angeles and the launch of Tetsuya Wakuda's highly successful dining concept at the Millennium Knightsbridge in London.

The profit performance is very encouraging and we are confident that we have the potential to continue to improve earnings through our ongoing investment programme across all aspects of our business

David Cook
Finance Director

Results

The total turnover for the year was £722.8m (1999: £343.1m) including £31.9m as a share of the turnover of joint ventures (1999: £nil). A segmental analysis showing a split by region and business class can be found in note 2 to the accounts on pages 35 and 36.

The total Group Operating Profit was £171.5m (restated 1999: £96.1m).

Interest

Group Interest receivable and similar income was £10.3m (1999: £7.0m) of which £0.8m (1999: £2.0m) was received from associated undertakings.

Group Interest payable was £75.2m (1999: £28.8m). Of the total interest payable, £9.8m (1999: £5.4m) was payable in respect of associated undertakings and £4.1m (1999: £nil) was payable in respect of joint ventures.

A total of £0.9m (1999: £1.0m) of interest has been capitalised in relation to construction projects.

The net interest cost for the year was £64.9m (1999: £21.8m), which was covered 3.0 times (restated 1999: 4.8 times) by profits, including our share of operating profits of joint ventures and associated undertakings, of £194.0m (restated 1999: £105.3m). Excluding associates and joint ventures, interest cover is 3.4 times (restated 1999: 5.9 times).

Taxation

The effective rate of tax for the Group is 17.4% (restated 1999: 23.3%). The rate is lower than the weighted average fiscal rate for our countries of operation due to the availability of tax allowances on capital expenditure exceeding depreciation charges and the utilisation of trading losses that are available in certain countries from previous years.

The Group continues to regularly review the current and future tax position.

Dividends and earnings per share

The directors are proposing a final dividend of 8.3p per share (1999: 7.5p). This means that the total dividend per share for the full year will be 12.5p (1999: 11.3p).

The basic earnings per share were 33.0p (restated 1999: 28.5p).

The calculations of basic and fully diluted earnings per share are explained in note 8 to the accounts.

Shareholder reorganisation

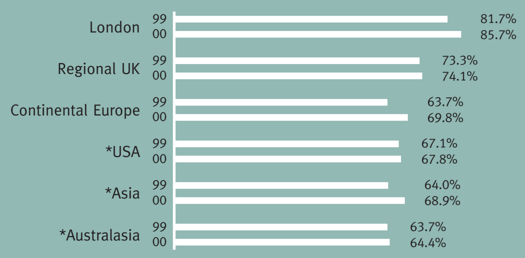
As explained in the Chairman's statement, CDL Hotels International Limited (CHIL) sold its shareholding in Millennium & Copthorne Hotels plc to City Developments Limited (CDL).

CHIL has developed in a new direction by establishing an 'e' commerce business to business solutions company specialising in the hospitality sector under the new name of City e-Solutions Limited.

City e-Solutions Limited established a US based entity called Service World Network Inc. (SWAN) during 2000 that acquired the US Management Company from Millennium & Copthorne Hotels plc on 29 December 2000 for a consideration of US$5m. In return the Group has taken a 15% stake in SWAN.

Financial Reporting Standards (FRS)

The Group adopted FRS15 – Tangible Fixed Assets, with effect from 1 January 2000. In doing so the Group has taken account of the Guidance Notes for the Hotel Industry on Tangible Fixed Assets published by the British Association of Hospitality Accountants. These suggest that hotel buildings should be split into 'building core' which typically comprises the sub-structure, structure, envelope and cellular composition of the building and 'building surface finishes and services', typically comprising the elements of the building which are exposed to guests to project the style and character of the property.



Room occupancy (%)

*1999 statistics include acquisitions on a pro forma basis

Average room rate (£)

*1999 statistics include acquisitions on a pro forma basis

Accordingly the Group has adopted the following depreciation lives:

- Building core – 50 years.
- Building surface, finishes and services – 30 years.

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

In accordance with FRS15, the Group has made a prior year adjustment of £7.6m to shareholders' funds in respect of depreciation.

The publication of FRS15 was followed by a mandatory guideline from the Urgent Issues Task Force (UITF) regarding the accounting treatment of pre-opening costs.

The Group policy in respect of the pre-opening costs was previously to include them within debtors and amortise on a straight-line basis over the first three years from the date of opening or re-opening.

In accordance with the UITF such costs are now written off as incurred and the Group has made a prior year adjustment of £0.7m.

Acquisitions

On 31 January 2000, the Group completed the purchase of CDL Hotels International Limited's hotels in Asia and Australasia by acquiring its 50% interest in a joint venture company owning the J.W. Marriot and Nikko hotels in Hong Kong. We have an effective holding of 24% in the J.W. Marriot and 48% in the Nikko. This was the subject of a specific clause in the original document of the acquisition agreement allowing a later completion on this element of the acquisition. The Group has accounted for this as a joint venture under the provisions of FRS9.

On the 16 June 2000, the Group purchased 98.3% of the Regal Bostonian Hotel that was the subject of a specific clause in the Regal acquisition agreement that allowed a later completion on this element of the acquisition. The acquisition included the 51% shareholding from Regal Hotels International and the balance from a Boston based consortium.

On 29 December 2000, New Plaza Associates LLC, an investment company in which Millennium & Copthorne Hotels plc has a 50% holding, purchased the remaining 16.8% of Plaza Operating Partnership Limited (a limited partnership) which operates the Plaza Hotel, New York.

The Group has accounted for its share of profits for the year from the Plaza as an associated undertaking reflecting the arrangements then in place, whilst on the balance sheet the Group's investment is included as a joint venture reflecting the new ownership structure.

Disposals

The acquisition in December 1999 of Regal Hotels USA from Regal Hotels International of Hong Kong included a management company that was managing third party hotels and a number of hotels that were considered as non-core. 14 of this latter group were operating as limited service properties and two were minority shares, held as investments.

Following the acquisition, a strategic review of our US portfolio was undertaken and as a result the decision was made to sell the Management Company including all of the third party management contracts and 12 of the hotels that were considered as non-core.

On 29 December 2000, the Management Company was sold to SWAN.

In the period from 15 September to 29 December 2000, seven of the hotels identified for disposal were sold to third parties. A further one hotel has so far been sold in 2001. It is expected that the four remaining hotels will be sold this year.

Yield per room (£)

*1999 yield includes acquisitions on a pro forma basis

	2000 £m	1999 £m
Extensions and new facilities	11.1	7.7
Major refurbishments	32.2	2.2
Rolling refurbishments and other projects	20.6	12.4
Asia Pacific and Regal allocated above for 2000	–	6.1
	63.9	28.4
Less increase in accrued expenditure	(3.0)	(1.2)
Cashflow	60.9	27.2

Capital expenditure (£m)

Stuttgart

The Company continues to renegotiate the financial and management arrangements for the Stuttgart complex including the lease terms with the freeholders. The Company has exercised its right under the lease terms for an arbitrator to be appointed to adjudicate on the terms of the lease. The Group has a trade investment of £6.6m (1999: £6.7m) in the complex.

Capital expenditure

The Group capital expenditure in the year was £63.9m (1999: £28.4m).

The capital expenditure programme was primarily focussed on the US where we began the programme to refurbish over 2,000 bedrooms and to update the Regal Hotels to Millennium standard, and Asia where we took advantage of Singapore government incentives for the hotel industry to accelerate our programme. The latter included the complete refurbishment of the Copthorne Harbour View in Singapore.

Treasury and risk management

The Group treasury matters are governed by policies and procedures approved by the board of directors, which are implemented on a day to day basis by senior management.

The net borrowings of the Group, as at 31 December 2000, were £696.8m (1999: £633.7m). Details of the Group's borrowings are set out in note 17 to the financial statements. The increase in borrowings is largely due to debt acquired as part of the Boston acquisition and the reduction in the value of sterling.

In December 2000, we completed a refinancing of our US operations which consolidated our loans secured on the Millennium Broadway and Millenium Hilton together with those arising from the acquisition of Regal Hotels US. This has resulted in a new five-year facility of US$550m.

The Group's treasury requirements have, as a result of the acquisitions, become more complex. We now operate in 13 countries and as a result our treasury arrangements are continually under review.

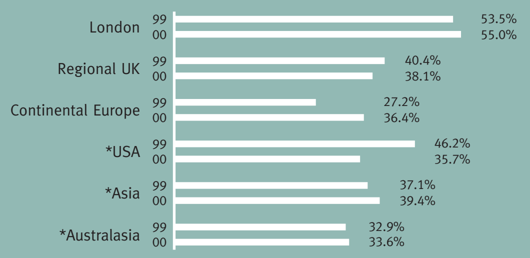
The primary objectives of the Treasury function are to provide secure and competitively priced funding for the activities of the Group and to identify and manage financial risks, including exposures to movements in interest and foreign exchange rates arising from these activities. If appropriate, the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

These include interest rate swaps or forward contracts; however, the Group usually limits their use to the protection of its exposure in relation to large one-off transactions.

The Group's financing is obtained from a number of banks, in a number of currencies, at fixed and floating rates of interest. Wherever possible the Group finances its fixed asset purchases by using local cash resources, or if necessary, arranging bank facilities denominated in the local currency. This enables the Group to limit the exposure to its balance sheet in respect of foreign exchange movements.

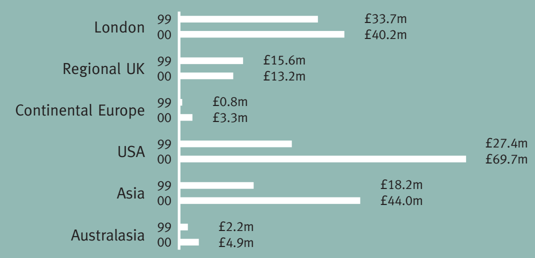
The Group's revenue and profit streams are a consolidation of 13 currencies but it is not deemed appropriate or cost effective to seek to hedge the foreign exchange risks on these profit streams.

The Group's main financial covenants for longer-term facilities are interest cover and gearing ratios. The Group is operating comfortably within all of its covenants.



Gross operating profit margin (%)

*Only from date of acquisition for 1999



Hotel operating profit (£m)

The treasury policy determines that deposits will only be made and derivatives and other financial instruments entered into, with banks that satisfy certain specific criteria. The extent of the Group's exposure with any individual bank is monitored.

Cashflow and gearing

Net cash inflow from operations was £199.1m (1999: £120.0m). The reconciliation from operating profit is shown in note 25 to the accounts.

There was an overall net decrease in cash of £15.8m (1999: increase £72.6m) which gives rise to a cash balance at 31 December 2000 of £119.2m (1999: £138.9m).

The Group gearing as at 31 December 2000 was 50% (1999: 50%).

Fixed asset values and revaluations

The Group has a policy of revaluing approximately one third of its owned hotel portfolio each year. The hotels selected to be revalued are based on criteria including geographic location and the gross book value of each property.

In the year we revalued one third of the original portfolio. These are detailed in note 10 to the accounts. The revaluation resulted in a surplus of £52.8m which was credited to the revaluation reserve.

The Group has a policy of revaluing all investment properties using open market values on an annual basis. No significant changes in value arose during the year.

The future

In 2000, the Group was focussed on three primary objectives:

- Enhancing our growth potential.
- The successful integration of the acquired hotels.
- The implementation of a capital investment programme with particular emphasis on our properties in the United States and Asia.

The profit performance is very encouraging and we are confident that we have the potential to continue to improve earnings through our ongoing investment programme across all aspects of our business, improving profit conversion and continuing to exploit our increased economies of scale in areas such as purchasing.

We will continue to evaluate suitable acquisition opportunities that would enhance the geographic spread and quality of our portfolio.

David Cook, *Finance Director*
12 March 2001

Board of directors

1 KWEK LENG BENG, 60 #
Non-Executive Chairman

He has been the Chairman of Millennium & Copthorne Hotels plc since its incorporation. He is also Executive Chairman of City Developments Limited, the Hong Leong Group of companies in Singapore and Chairman and Managing Director of City e-Solutions Limited. Since 1995 he has been a member of the Singapore – US Business Council. Between 1996-1998 Mr Kwek was a member of the International Advisory Board of National Westminster Bank plc. He was voted 'Businessman of the Year' in the 1996 Singapore Business Awards and won two awards for his contribution to Singapore's tourist industry. In 1998 Mr Kwek was conferred a Doctorate of Business Administration in Hospitality Management by Johnson & Wales University.

Mr Kwek was also honoured as 'Asian Hotelier of the Decade' at the 3rd Annual Asia Pacific Hotel Industry Investment Conference organised by Jones Lang Lasalle Hotels and Arthur Andersen.

In 2000, Mr Kwek received an Honorary Degree from Oxford Brookes University, UK and was appointed a Member of the Board of Trustees of Singapore Management University, the third university in Singapore and which has a tie-up with an American business school – the Wharton School of the University of Pennsylvania.

2 JOHN WILSON, 59
Chief Executive Officer

He joined Millennium & Copthorne Hotels plc in January 1998. He held various posts during the 25 years he was with the Ladbroke Group and Hilton International. His last position before joining us was Chief Operating Officer and Senior Executive Vice-President of Hilton International where he was responsible for the operation of 167 hotels in 48 countries.

Mr Wilson has been conferred a doctorate of Business Administration from the Robert Gordon University of Aberdeen in recognition of his contribution to the International Hotel Industry.

3 DAVID COOK, 54
Finance Director

He was appointed at the flotation of the Group in 1996. He joined the Copthorne Group as the Senior Financial Officer in April 1988 and was appointed Finance Director in 1993. He has been in the hotel industry for 36 years and since 1972 has held a number of senior finance positions. He is the Chairman of the British Association of Hospitality Accountants.

4 TONY POTTER, 51
Chief Operating Officer

He joined Millennium & Copthorne Hotels in September 1999 and was appointed a director on 22 October 1999. For the previous three years he held the post of Chief Executive Officer at Choice Hotels Europe. Prior to that he held several senior positions with Hilton International in both Europe and the USA, and was a director of that company.

‡MEMBER OF THE REMUNERATION COMMITTEE *MEMBER OF THE AUDIT COMMITTEE #MEMBER OF THE NOMINATIONS COMMITTEE

5 ROBERT MORSE, 45
President Millennium & Copthorne Hotels The Americas

He joined Millennium & Copthorne Hotels plc on 24 April 2000 and was appointed a director on 2 May 2000. He was previously Executive Vice President of Operations of Meri-Star Hotels & Resorts Inc. Prior to that he held several senior positions with the Sheraton Corporation.

WONG HONG REN, 49
Non-Executive Director

He joined Millennium & Copthorne Hotels plc at the flotation of the Group. He is a non-executive director of City e-Solutions Limited and the Group Investment Manager for the Hong Leong Group in Singapore. Mr Wong has been appointed as an additional executive director of the Company with effect from 1 April 2001. His role will be as Investment Manager to the Company.

FREDERICK BROWN, 67 ‡
Non-Executive Director and Chairman of the Remuneration Committee

He joined Millennium & Copthorne Hotels plc at the flotation of the Group. His previous career was in the banking industry including senior appointments with Midland Bank in the UK and its offshore trust corporations and with Deutsche Bank in the Far East and Australia. He became a non-executive director on 1 April 2000.

JOHN SCLATER CVO, 60 ‡*#
Non-Executive Deputy Chairman and Senior Independent Director.

He joined Millennium & Copthorne Hotels plc at the flotation of the Group. He is currently Chairman of Foreign & Colonial Investment Trust plc and Argent Group Europe Limited. He is also a Trustee of The Grosvenor Estate and a director of other companies.

CHRISTOPHER SNEATH, 67 ‡*#
Independent Non-Executive Director and Chairman of the Audit Committee.

He joined Millennium & Copthorne Hotels plc in March 1999. Until his retirement in 1994 he was a senior partner of KPMG. He is a non-executive director of Spirax-Sarco Engineering plc and a number of other companies.

SIR IDRIS PEARCE, 67 ‡*#
Independent Non-Executive Director

He joined Millennium & Copthorne Hotels plc at the flotation of the Group. He is a past President of the Royal Institution of Chartered Surveyors. He has also held a number of government appointments and is a non-executive director of several companies.

KWEK LENG PECK, 44
Non-Executive Director

He joined Millennium & Copthorne Hotels plc at the flotation of the Group. He serves as an executive director of the Hong Leong Group. He holds directorships on most of the listed companies within the Hong Leong Group, including City Developments Limited and City e-Solutions Limited.

KWEK LENG JOO, 48
Non-Executive Director

He joined Millennium & Copthorne Hotels plc at the flotation of the Group. He is the Managing Director of City Developments Limited and the President of the Singapore Federation of Chambers of Commerce and Industry.

The Board is committed to maintaining high standards of business integrity and professionalism in all its activities. As an essential part of this commitment, the directors support the highest standards in corporate governance. Set out in this section is an explanation, which allows shareholders to evaluate how these principles have been applied. An explanation is also provided regarding the Board's position on the remuneration of directors and finally, additional information is provided relating to safety, health and the environment, employees and other relevant information.

The directors confirm that the Company has, throughout the period under review applied the principles of the Combined Code, which was published by the Hampel Committee in 1998. In considering whether it is appropriate to make this statement, the directors recognise that the provisions set out in the Code relating to the balance of non-executive directors, the make up of the remuneration committee and the internal control systems have not been fully met and a further explanation about these aspects is contained in the sections below.

The Board

The Board held seven regular meetings and several meetings of ad-hoc committees during 2000 and, as shown on pages 20 and 21, comprises the Non-Executive Chairman and three non-executive directors who are nominated by the majority shareholder, City Developments Limited (CDL), a senior independent non-executive director as deputy chairman, three additional non-executive directors and four executive directors who are independent of CDL. Of the additional non-executive directors, Fred Brown, a former executive director, is not considered to be independent. Each director is expected to fulfil his duties for the benefit of all shareholders, while the three independent non-executive directors provide strong independent judgement to the deliberations of the Board.

The Board believes that no group of individuals can dominate the Board's decision taking, although there is not a clear majority of independent non-executive directors as defined by Clause A 3.2 of the Code. This view is taken because, as previously reported, the Company's Articles of Association require that a majority of the directors are independent of CDL. The Articles also stipulate that if the number of votes cast at a particular meeting by the independent directors does not exceed the number to be cast by the non-independent directors, then the latters' votes are reduced so that they are one less than those of the independent directors.

There is a clearly accepted division of responsibilities at the head of the Company, through the separation of the positions of Chairman and Chief Executive Officer. 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.

Since the 1999 Annual Report was published, Robert Morse has been appointed as an additional director on 2 May 2000 and Miguel Ko resigned from the Board on 16 October 2000.

Non-executive directors are appointed for a specific term and re-appointment is not a matter of course as each director's position is reviewed as they approach re-appointment. Since the year end, the positions of John Sclater, Christopher Sneath and Sir Idris Pearce were reviewed and the Board was pleased to extend their appointment for a further one-year term. Robert Morse who joined the Company in 2000, has received information relating to his statutory duties and responsibilities, details relating to the Company policies and procedures including the Company's rules on share dealing, and he was given access to prior Board meeting minutes and accounts. It is the policy of the Company that all directors seek re-election once every three years and that newly appointed directors seek re-election at the first Annual General Meeting after their appointment.

The Board has adopted a formal schedule of matters listing key aspects of the Company's affairs which must be referred for decision and approval. In addition to overall control this includes investment appraisal, strategy, significant contractual obligations exceeding one year, corporate compliance and risk management.

Board committees

In relation to certain matters, committees have been established with specific delegated authority. The standing committees of the Board are the audit, remuneration and nominations committee.

The audit committee, chaired by Christopher Sneath consists entirely of the independent non-executive directors. It met three times during the year. It assists the Board in ensuring that the Group's reporting systems provide accurate and up-to-date information on its position and that the Group's published financial statements represent a true and fair view of its position. It is also responsible for reviewing accounting policies and internal control assessments. Since August 2000 the Committee's remit was extended to cover all aspects of the Company's internal control systems, as explained below. The external auditors and the head of internal audit attend all meetings. While the Chief Executive Officer, the Finance Director and Fred Brown are normally invited to attend, the external and internal auditors have the right to speak confidentially to the members of the Committee. The Company Secretary is the secretary of this committee.

The remuneration committee is now chaired by Fred Brown and includes the three independent non-executive directors. The full Board considers that the revised constitution strengthens the ability of the committee to comply with the principles of the Code. It is recognised, however, that it does not meet the specific provision of Clause B.2.2, which envisages that all members will be independent non-executive directors. The committee met three times during the year and is responsible for considering and making recommendations to the Board, within agreed terms of reference, on the Company's remuneration policies, the remuneration arrangement of executive directors and senior executives and the operation of the Company's employee share option schemes. The Chief Executive Officer is invited to attend meetings as appropriate and the committee takes independent advice as deemed necessary. The Vice President, Human Resources is the secretary of this committee.

The nominations committee is chaired by the Non-Executive Chairman and includes the three independent non-executive directors. The Committee discussed and made appropriate recommendations to the Board regarding all new appointments. The Vice President, Human Resources is the secretary of this committee.

Internal control system

The full Board is responsible for the Group's system of internal control 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 and the costs of protecting against them.

However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement.

The Code has introduced a requirement that the directors report on the process of reviewing the effectiveness of the Group's system covering all internal controls. This extends the previous requirement in respect of covering only internal financial controls to cover all risks including but not limited to, operational, compliance and risk management.

As outlined in the 1999 Annual Report, the directors have reviewed and modified the internal control systems as necessary to comply with the Internal Control Guidance for Directors and the Combined Code. At that time, the directors stated that they would introduce these new processes part way through 2000 and therefore the Company has not fully complied with provision D 2.1 of the Code throughout the period under review.

These new and revised procedures do not, however, fundamentally change the control processes that have been described in previous reports – the principal change being the inclusion of regular reviews by the Board of the effectiveness of the Group's overall internal control and risk management processes as opposed to the review of internal financial controls only.

The primary responsibility for the operation of the system of internal controls appropriate to the various business environments in which it operates is delegated to line management, although for each of the identified primary risks facing the Group, an executive director has taken responsibility and will report to the full Board on a regular basis. The integrity of the data contained in the internal control system is validated by an internal audit function and where appropriate by the Company's external auditors, who report to management and the Chairman of the Audit Committee.

The results of the work of the internal audit department is summarised in reports, which are distributed three times per year to all members of the audit committee, the Chief Executive, Finance Director, and KPMG Audit plc. They are subsequently reviewed by the whole 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 Company'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 hotel are set by the executive management team and reviewed by the Board in the light of overall objectives.
- The processes to manage the key risks to the success of the Group are regularly reviewed by the Board and improved as necessary. Such processes include, but are not limited to, the use of technology, the development of a brand, the performance of acquisitions, customer satisfaction and treasury risks.
- Within the financial and overall objectives for the Group, agreed by the Board, the day to day management is delegated to the Chief Executive Officer and the executive directors. The executive management team receives a monthly summary of the results from the businesses.

Since the year end, the effectiveness of the Group's internal control system has been reviewed on behalf of the Board by the audit committee and it and the Board are satisfied that the review fulfils the criteria for assessing effectiveness as defined in the Internal Control Guidance for Directors.

Statement of directors' responsibilities

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Going concern

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the accounts.

Directors' remuneration

In framing the remuneration policy for the executive directors of the Company, the remuneration committee was mindful of the best practice Provisions on the Design of Performance Related Remuneration under Schedule A of the Code. Accordingly, levels of pay and benefits have been set which reflect the performance of the Company against pre-determined budgets, as well as the individual contribution of each director. Awards have taken into consideration both market and competitive conditions.

Bonuses for 2000 have been awarded on the basis of the individual contribution to the business by each director as assessed by the remuneration committee.

A full analysis of directors' remuneration is shown in note 30 on page 60.

The previously reported share option scheme, as it relates to the directors, seeks to link individual reward with the longer term success of the business. Options are awarded to directors following an assessment of individual performance and are based on a multiple of the director's salary for the period. It is the Group's policy that no director or employee should hold options with a total exercise price of more than four times earnings. Directors' options may only be exercised if earnings per share increase over a three year period by the Retail Price Index plus 6%. 354,413 share options under the share option scheme were granted to the directors during the year and a complete analysis is shown in note 30 on page 62.

Besides the provision of medical benefits, permanent health insurance and motor vehicles, there is a contributory pension plan for the executive directors providing up to two thirds of final salary (subject to Inland Revenue limits) at age 65, plus a widows' benefit of two thirds of the pension and Life Assurance of four times salary in the event of death during service. Company pension contributions for directors were set at 14.6% of salary. Further details regarding this pension scheme can be found in note 30 on page 61.

The terms of the executive directors' contracts are:

John Wilson 12 month rolling contract;

David Cook 12 months written notice to be given by either party at any time;

Tony Potter 12 months written notice to be given by either party at any time;

Bob Morse three year fixed term contract from 24 April 2000, thereafter reducing to 12 months written notice.

It is the Group's policy that, on early termination of a director's contract, the notice period within the service contract is observed. Thereafter any further compensation is at the discretion of the Board having received advice from the remuneration committee.

The non-executive directors have letters of appointment only and their fees are reviewed on an annual basis.

Employees

Millennium & Copthorne Hotels plc operates in 13 countries and values highly the rich ethnic and cultural diversity of its people. The Group strives to build on the qualities inherent in its global environment by encouraging people with different views, styles and approaches.

As a progressive employer, the Group encourages the employment of disabled people on the basis of their ability to perform the job and which complies with the relevant legislative requirements in all parts of the world in which the Group operates.

Millennium & Copthorne Hotels plc encourages employee consultation through staff consultative committees at each location and believes that the dissemination of the appropriate information, goals and objectives is pivotal to success and motivation.

All employees at every level, are encouraged to develop their skills and qualifications. A variety of internally resourced skills development programmes are available and in certain regions, the Group offers a tuition support programme for external courses. The principles of the national standard of best practice in employee development and involvement are being followed in the countries in which we operate.

Option schemes

The Company operates the Millennium & Copthorne Hotels Executive Share Option Scheme (the 'Executive Scheme'). It has two parts: Part A designed for Inland Revenue approval; and Part B, an unapproved executive share option scheme designed for UK and non-UK executives. Part A of the Executive Scheme was approved by the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988 on 12 April 1996.

The Company also operates the Millennium & Copthorne Hotels Sharesave Scheme (the 'Sharesave Scheme') for all eligible UK employees which has been approved by the Inland Revenue. During the year the Company issued invitations to UK employees under the Sharesave Scheme to enter into a five year savings contract or a three year savings contract. Details about the take-up of the Scheme by employees is shown in note 29 on page 59.

Communication

Good internal communication is a key element in our business. There is an employee in-house magazine, which is published three or four times a year and a structured programme of staff training and workshop seminars. Communication with shareholders is equally important. In addition to the Annual Report and Accounts, an Interim Report is published. There is regular dialogue with shareholders and their advisers as well as analysts. In addition there are general presentations after the preliminary and interim results announcements. There is also an opportunity for individual shareholders to question the Chairman and other directors, including the chairmen of both the remuneration committee and the audit committee at the Annual General Meeting.

Safety, health and the environment

Safety and environmental management are key responsibilities of all managers and performance in this area is measured and judged in the same way as other key business parameters.

During the year, the Group has begun developing with SWAN, a comprehensive safety management system, which will be progressively introduced into all of the hotels. This will significantly improve the Group's ability to manage the issues relating to health and safety, fire safety and food hygiene.

The Group is also conscious of the need to preserve natural resources. As a matter of policy the Group operates strict controls to reduce consumption of energy, for example by installing low energy light bulbs and water saving showerheads in all its hotels. The effective disposal of waste is a priority, and the Company will continue to investigate ways to improve the efficiency of waste disposal and recycling whilst minimising any adverse effect on the environment. The Company only uses refrigeration equipment which complies with current legislation. Obsolete equipment is removed by nominated waste disposal companies for safe disposal.

Charitable and political contributions

The Group gave £56,000 (1999: £26,000) to charities during the period. It made no political contributions.

Creditor payment policy

It is the Company's and the Group's policy to adhere to the payment terms agreed with the supplier. It does not follow any particular guidelines established by third parties. Payments are contingent on the supplier providing goods or services to the required standard. The effect of the Group's payment policy is that its trade creditors at the financial year end represent 28 days' purchases (1999: 22 days).

Substantial shareholdings

As at 1 March 2001, the Company had been notified of the issued share capital that the following companies hold 3% or more of the issued share capital:

City Developments Ltd	147,785,025	52.4%
M&G Investment Management	17,753,743	6.3%
CGNU plc	8,809,570	3.1%

Annual General Meeting

The Annual General Meeting will be held at 10.00am on Thursday 26 April 2001. The notice to shareholders can be found on pages 66 and 67 of this report. Three items of special business are to be proposed at the meeting. The two special resolutions are to reconfirm the provisions of the Articles of Association, which enable the Company to raise funds by the use of pre-defined amounts of share capital without the need for a further meeting of shareholders. The ordinary resolution is to enable the immediate parent to renew its right to retain its share pre-emption rights. In accordance with the Code the votes cast by proxy will again be declared at the meeting after the votes have been cast.

At the Annual General Meeting, John Wilson, Fred Brown and David Cook will retire by rotation and being eligible offer themselves for re-election. Robert Morse who was appointed a director since the 2000 Annual General Meeting, will also retire at the meeting and being eligible offers himself for re-election.

The Directors' Report, comprising the sections titled 'Chairman's Statement', 'Chief Executive's Review', 'Value for our shareholders and customers', 'Financial Review', 'Board of Directors' and 'Corporate Governance', is submitted to shareholders.

By order of the Board

Simon J Hodges, *Company Secretary*
12 March 2001

Report of the Auditors to the members of Millennium & Copthorne Hotels plc
We have audited the financial statements of Millennium & Copthorne Hotels plc which comprise the consolidated profit and loss account, balance sheets, consolidated statement of total recognised gains and losses, note of historical cost profits and losses, consolidated cashflow statement and notes 1 to 30.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report. As described in the statement of directors' responsibilities, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, Chief Executive's review, financial review, corporate governance statement, key operating statistics and shareholder information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants and Registered Auditors
London

12 March 2001

NOTES

1 The maintenance and integrity of the Millennium & Copthorne Hotels plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated profit and loss account for the year ended 31 December 2000

	Notes	Group 2000 £m	Group 2000 £m	Group Restated 1999 £m	Group Restated 1999 £m
TURNOVER	2				
Group and share of joint ventures		**722.8**		343.1	
Less share of turnover of joint ventures		**(31.9)**		–	
GROUP TURNOVER			**690.9**		343.1
Cost of sales			**(283.9)**		(128.4)
GROSS PROFIT			**407.0**		214.7
Administrative expenses			**(235.5)**		(118.6)
GROUP OPERATING PROFIT	2		**171.5**		96.1
Share of operating profits of joint ventures			**8.0**		–
Share of operating profits of associated undertakings			**14.5**		9.2
TOTAL OPERATING PROFIT			**194.0**		105.3
Interest receivable and similar income	3				
Group		**10.1**		7.0	
Associated undertakings		**0.2**		–	
			10.3		7.0
Interest payable and similar charges					
Group	4	**(61.3)**		(23.4)	
Joint ventures		**(4.1)**		–	
Associated undertakings		**(9.8)**		(5.4)	
			(75.2)		(28.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		**129.1**		83.5
Tax on profit on ordinary activities	6		**(22.5)**		(19.5)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			**106.6**		64.0
Minority interests – equity	22		**(13.5)**		(5.1)
Profit for the financial year			**93.1**		58.9
Dividends paid and proposed	7		**(35.2)**		(23.5)
RETAINED PROFIT FOR THE FINANCIAL YEAR	20		**57.9**		35.4
Basic earnings per share	8		**33.0p**		28.5p
Diluted earnings per share	8		**33.0p**		28.4p
Dividends per share	7		**12.5p**		11.3p

All turnover and group operating profit derive from continuing operations.

Consolidated statement of total recognised gains and losses for the year ended 31 December 2000

	2000 £m	Restated 1999 £m
Profit for the financial year	**93.1**	58.9
Gain on foreign currency translation	**45.5**	3.5
Revaluation of fixed assets	**52.8**	54.8
Total gains and losses relating to the year	**191.4**	117.2
Prior year adjustments	**(8.3)**	–
Total gains and losses recognised since last annual report	**183.1**	117.2

Note of historical cost profits and losses for the year ended 31 December 2000

	2000 £m	Restated 1999 £m
Reported profit on ordinary activities before taxation	**129.1**	83.5
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**0.4**	–
Historical cost profit on ordinary activities before taxation	**129.5**	83.5
Historical cost profit for the year retained after taxation, minority interests and dividends	**58.3**	35.4

Balance sheets as at 31 December 2000

	Notes		Group 2000 £m	Group Restated 1999 £m	Company 2000 £m	Company 1999 £m
FIXED ASSETS						
Tangible assets	10		**2,249.3**	2,165.4	**–**	–
Investments in joint ventures	11					
Share of gross assets		**312.7**		–	**–**	–
Share of gross liabilities		**(170.2)**		–	**–**	–
Minority interests		**(25.4)**		–	**–**	–
			117.1	–	**–**	–
Investments	11		**20.6**	50.7	**1,131.1**	1,075.9
			2,387.0	2,216.1	**1,131.1**	1,075.9
CURRENT ASSETS						
Stocks	12		**26.6**	33.3	**–**	–
Properties held for resale			**13.9**	–	**–**	–
Debtors	13		**102.4**	60.6	**18.5**	67.6
Cash at bank and in hand	14		**119.2**	138.9	**0.1**	0.2
			262.1	232.8	**18.6**	67.8
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15		**(303.8)**	(281.6)	**(78.8)**	(27.6)
NET CURRENT (LIABILITIES)/ASSETS			**(41.7)**	(48.8)	**(60.2)**	40.2
TOTAL ASSETS LESS CURRENT LIABILITIES			**2,345.3**	2,167.3	**1,070.9**	1,116.1
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16		**(721.8)**	(680.0)	**(101.0)**	(150.5)
PROVISIONS FOR LIABILITIES AND CHARGES	18		**(4.2)**	(4.7)	**–**	–
NET ASSETS			**1,619.3**	1,482.6	**969.9**	965.6
CAPITAL AND RESERVES						
Called up share capital	20, 21		**84.6**	84.6	**84.6**	84.6
Share premium account	20		**844.7**	844.0	**844.7**	844.0
Revaluation reserve	20		**341.4**	280.6	**–**	–
Profit and loss account	20		**197.9**	102.5	**40.6**	37.0
SHAREHOLDERS' FUNDS – EQUITY			**1,468.6**	1,311.7	**969.9**	965.6
MINORITY INTERESTS – equity	22		**145.6**	165.6	**–**	–
– non-equity	22		**5.1**	5.3	**–**	–
TOTAL CAPITAL EMPLOYED			**1,619.3**	1,482.6	**969.9**	965.6

These financial statements were approved by the Board of directors on 12 March 2001 and were signed on its behalf by:

Kwek Leng Beng
David Cook

Directors

	Notes	2000 £m	Restated 1999 £m
CASH FLOW STATEMENT			
Net cash inflow from operating activities	25	**199.1**	120.0
Dividends received from associated undertakings		**1.6**	0.5
Returns on investments and servicing of finance	27	**(59.3)**	(19.8)
Taxation paid		**(20.1)**	(18.7)
Capital expenditure and financial investment	27	**(106.9)**	(11.6)
Acquisitions and disposals	27	**2.0**	(905.5)
Equity dividends paid		**(29.8)**	(15.5)
Cash outflow before use of liquid resources and financing		**(13.4)**	(850.6)
Management of liquid resources	27	**9.8**	(0.4)
Financing	27		
Net cash from the issue of shares and purchase of minority interests		**(0.5)**	586.6
(Decrease)/increase in debt and lease financing		**(11.7)**	337.0
		(12.2)	923.6
(Decrease)/increase in cash in the year		**(15.8)**	72.6

	Notes	2000 £m	2000 £m	1999 £m	1999 £m
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
(Decrease)/increase in cash in the year		**(15.8)**		72.6	
Cash (inflow)/outflow from (decrease)/increase in liquid funds		**(9.8)**		0.4	
Cash outflow/(inflow) from the decrease/(increase) in debt and lease financing		**11.7**		(337.0)	
Change in net debt resulting from cash flows			**(13.9)**		(264.0)
Acquisitions	26		**(26.6)**		(96.4)
Deferred finance costs	26		**5.3**		4.6
Translation differences and other non cash movements	26		**(27.9)**		(3.9)
Movement in net debt in the year			**(63.1)**		(359.7)
Net debt at 1 January 2000			**(633.7)**		(274.0)
Net debt at 31 December 2000	26		**(696.8)**		(633.7)

1 Accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements, except as noted below under depreciation.

Basis of preparation The financial statements have been prepared under the historical cost convention, modified by the revaluation of hotels and investment properties in accordance with applicable accounting standards and the Companies Act 1985 except as stated under investment properties. The Group has adopted the provisions of FRS15 – Tangible Fixed Assets and accordingly has changed its accounting policy for depreciation. The comparative figures have been restated by way of a prior year adjustment to reflect these changes.

Prior year adjustment The changes in accounting policy are summarised below:

i) Depreciation Previously no depreciation had been charged on hotel buildings on the basis that it was immaterial because the hotels are maintained such that their useful economic lives are long, and their residual values high. The Group has adopted FRS15. In doing so it has taken account of the guidance notes for the Hotel Industry on Tangible Fixed Assets published by the British Association of Hospitality Accountants. These suggest that hotel buildings should be split into 'Building core' which typically comprises the sub-structure, structure, envelope and cellular composition of the building and 'Building surface finishes and services', typically comprising the elements of the building which are exposed to guests to project the style and character of the property. A prior year adjustment has been made in relation to building surface finishes and services in respect of items previously written off as incurred which are now capitalised and depreciated under the Group's new accounting policy. The Group has adopted the following depreciation lives:

- Building core – 50 years
- Building surface finishes and services – 30 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.

ii) Pre-opening costs Pre-opening costs were previously included within debtors and amortised over three years. A prior year adjustment has been made to reflect the new policy. All pre-opening costs are now written off as incurred.

The effect of these changes in policy is as follows:	**2000 £m**	1999 £m
Retained profit for the year		
Under previous accounting policy	**64.0**	38.1
Increase in depreciation charge	**(7.5)**	(2.8)
Amortisation of pre-opening costs written back	**0.4**	0.2
Tax effect	**–**	(0.3)
Effect on minorities	**1.0**	0.2
Under current accounting policy	**57.9**	35.4

Shareholders' funds	**£m**	£m
As reported at 31 December 1999		1,320.0
Depreciation	**(7.0)**	
Depreciation adjustment to associated undertakings	**(0.5)**	
Pre-opening expenses	**(0.7)**	
Tax effect	**(0.3)**	
	(8.5)	
Less effect of adjustments on minority interests	**0.2**	
Reduction in shareholders' funds		(8.3)
As restated		1,311.7

1 Accounting policies (continued)

Basis of consolidation The Group accounts include the accounts of the Company and its subsidiary undertakings made up to 31 December 2000. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

The Company has taken advantage of the exemption under Section 230 (4) of the Companies Act 1985 from presenting its own profit and loss account. The profit for the financial year dealt with in the accounts of Millennium & Copthorne Hotels plc, determined in accordance with the Act, was £38.8m (1999: £19.1m).

Fixed assets and depreciation Land and buildings are stated at cost or subsequent valuation less depreciation and any provision for impairment, as set out in note 10. Other fixed assets are shown at cost less depreciation and any provision for impairment. Any impairment of such properties below historical cost is charged to the profit and loss account as appropriate.

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
Motor vehicles	4 years

Freehold land is not depreciated.

Capital expenditure on major projects is recorded separately within fixed assets 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 and added to the cost of the hotel.

Operating supplies are treated as a base stock and renewals and replacements of such stocks are written off to the profit and loss account as incurred.

Investments In the Company's accounts, investments in subsidiary and associated undertakings are stated at cost less provisions for impairment. Dividends received and receivable are credited to the Company's profit and loss account.

Investment properties In accordance with Statement of Standard Accounting Practice No 19:

i) Investment properties are revalued annually at open market values. All surpluses and deficits arising on valuation are taken directly to revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year;

ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

1 Accounting policies (continued)

Stocks Stocks are valued at the lower of cost and net realisable value.

Development properties Development properties under construction are included as work in progress within stocks. Attributable profits are recognised as the development progresses.

Leases Assets financed by way of finance leases, which transfer substantially all the risks and rewards of ownership to the Group, are recorded at their fair value at the inception of the lease. The equivalent liability, categorised as appropriate, is included within creditors. 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 under operating leases are charged as incurred.

Turnover Turnover represents amounts derived from:

- the ownership, management and operation of hotels on an accruals basis;
- income from property rental, development properties and land sales.

Turnover is stated net of sales taxes.

Pension costs The amount charged to the profit and loss account in respect of defined benefit schemes is the estimated cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from these costs are charged or credited to the profit and loss account over the average remaining service lives of employees.

Contributions to money purchase schemes are charged to the profit and loss account as incurred.

Any difference between amounts charged to the profit and loss account and contributions paid to pension schemes is included in debtors or creditors in the balance sheet.

Taxation The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Provision for deferred taxation is calculated using the liability method on timing differences and is made only to the extent that it is probable that liabilities will crystallise within the foreseeable future.

Financial instruments Gains or losses on financial instruments, such as forward contracts, options or swaps are recognised on the maturity of the underlying exposure. Foreign exchange gains or losses on fixed assets and related borrowings are therefore taken to reserves.

Foreign exchange Transactions denominated in foreign currencies are recorded at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rate of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in the profit and loss account.

For the purposes of consolidation the closing rate method is used, under which translation gains or losses on opening net assets are shown as a movement on reserves. Profit and loss accounts of overseas subsidiary undertakings are translated at the average rate prevailing throughout the year. Translation differences between the average and closing rates are taken to reserves.

2 Segmental information

	London 2000 £m	Regional UK 2000 £m	Continental Europe 2000 £m	USA 2000 £m	Asia 2000 £m	Australasia 2000 £m	Group 2000 £m
Turnover							
Hotel	92.8	54.1	18.4	277.6	176.2	36.0	655.1
Non-hotel	–	–	–	3.5	1.9	30.4	35.8
Total	92.8	54.1	18.4	281.1	178.1	66.4	690.9
Hotel gross operating profit	51.0	20.6	6.7	99.1	69.4	12.1	258.9
Hotel fixed charges	(10.8)	(7.4)	(3.4)	(29.4)	(25.4)	(7.2)	(83.6)
Hotel operating profit	40.2	13.2	3.3	69.7	44.0	4.9	175.3
Non-hotel operating profit	–	–	–	1.1	1.3	6.4	8.8
Profit before central costs	40.2	13.2	3.3	70.8	45.3	11.3	184.1
Central costs							(12.6)
Group operating profit							171.5
Share of operating profit of joint ventures					8.0		8.0
Share of operating profits of associated undertakings				14.5			14.5
Net interest payable							(64.9)
Profit on ordinary activities before taxation							129.1
Net assets							
Net hotel operating assets	483.9	179.3	44.3	707.8	652.4	82.1	2,149.8
Net non-hotel operating assets	–	–	–	16.5	34.6	86.9	138.0
Net assets of joint ventures	–	–	–	53.0	16.6	–	69.6
Net assets of associated undertakings	–	–	–	11.2	1.1	–	12.3
Non operating net liabilities							(750.4)
Net assets							1,619.3

Hotel fixed charges include property rent, taxes and insurance, depreciation and amortisation, operating lease rentals and external management fees. There are no intersegment sales. Turnover by origin is not significantly different from turnover by destination. Turnover derives from two classes of business; hotel operations and property transactions. Net assets of joint ventures are shown net of interest bearing loans of £135.4m (1999: £nil). Net assets of associated undertakings are shown net of interest bearing loans of £6.0m (1999: £81.6m).

Non operating net liabilities comprise net debt, dividends payable and deferred consideration.

2 Segmental information (continued)

	London Restated 1999 £m	Regional UK Restated 1999 £m	Continental Europe Restated 1999 £m	USA Restated 1999 £m	Asia Restated 1999 £m	Australasia Restated 1999 £m	Group Restated 1999 £m
Turnover							
Hotel	84.6	53.5	17.3	84.9	64.9	21.3	326.5
Non-hotel	–	–	–	0.1	1.0	15.5	16.6
Total	84.6	53.5	17.3	85.0	65.9	36.8	343.1
Hotel gross operating profit	45.3	21.6	4.7	37.3	24.1	7.0	140.0
Hotel fixed charges	(11.6)	(6.0)	(3.9)	(9.9)	(5.9)	(4.8)	(42.1)
Hotel operating profit	33.7	15.6	0.8	27.4	18.2	2.2	97.9
Non-hotel operating profit	–	–	–	–	0.7	5.0	5.7
Profit before central costs	33.7	15.6	0.8	27.4	18.9	7.2	103.6
Central costs							(7.5)
Group operating profit							96.1
Share of operating profits of associated undertakings				9.2			9.2
Net interest payable							(21.8)
Profit on ordinary activities before taxation							83.5
Net assets							
Net hotel operating assets	478.8	174.8	47.0	588.8	633.5	127.7	2,050.6
Net non-hotel operating assets	–	–	–	9.9	33.0	30.4	73.3
Net assets of associated undertakings	–	–	–	32.2	0.8	–	33.0
Non operating net liabilities							(674.3)
Net assets							1,482.6

3 Interest receivable and similar income

	2000 £m	1999 £m
Interest receivable from associated undertakings	**0.8**	2.0
Other interest receivable	**7.8**	4.2
Foreign exchange gains	**1.5**	0.8
	10.1	7.0
Group share of interest receivable by associated undertakings	**0.2**	–
	10.3	7.0

4 Interest payable and similar charges

	2000 £m	1999 £m
On bank loans and overdrafts	**51.8**	21.5
On bonds	**9.2**	1.6
Finance charges payable in respect of finance leases	**1.2**	1.3
Less interest capitalised	**(0.9)**	(1.0)
	61.3	23.4
Group share of interest payable by joint ventures	**4.1**	–
Group share of interest payable by associated undertakings	**9.8**	5.4
	75.2	28.8

5 Profit on ordinary activities before taxation

	2000 £m	Restated 1999 £m
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**32.9**	21.7
Loss/(gain) on sale of fixed assets	**0.9**	(0.1)
Repairs and maintenance expenditure	**26.6**	9.6
Auditors' remuneration		
Audit services	**0.8**	0.5
Non audit services provided by the auditors and their associates	**0.5**	0.3
Rentals payable under operating leases		
Land and buildings	**4.6**	4.1
Plant and machinery	**0.2**	0.2
Exchange gain	**(1.5)**	(0.8)

The audit fee for the parent company was £40,000 (1999: £36,000). Non audit fees of £nil (1999: £2.1m) were capitalised by the Group relating to the acquisitions and related share issues during the year.

6 Taxation

	2000 £m	Restated 1999 £m
The tax charge comprises:		
Corporation tax charge at 30% (1999: 30.25%)	**10.0**	9.2
Overseas taxation	**13.2**	10.4
Taxation attributable to profits of joint ventures	**0.3**	–
Taxation attributable to profits of associated undertakings	**0.5**	0.9
	24.0	20.5
Adjustment in respect of prior years	**(1.5)**	(1.0)
	22.5	19.5

No provision has been made for deferred taxation. Details of potential deferred taxation are given in note 19.

The corporation tax charge for the year has been reduced as a result of the availability of tax allowances on hotel buildings in excess of depreciation and brought forward tax losses in subsidiary companies. As at 31 December 2000, £68.8m (1999: £90m) of losses were available within certain subsidiaries, to be offset against future years' tax liabilities.

7 Dividends – equity

	2000 £m	1999 £m
Paid	**11.8**	5.5
Proposed	**23.4**	18.0
	35.2	23.5

The interim dividend of 4.2p per share was paid on 2 October 2000 (1999: 3.8p) and the final dividend of 8.3p per share (1999: 7.5p) will be paid on 1 May 2001. The total dividend per share for the year is 12.5p (1999: 11.3p) for shares in issue and ranking for both interim and final dividends.

8 Earnings per share

The basic and diluted earnings per share are based on earnings of £93.1m (restated 1999: £58.9m). The weighted average number of shares being the average number of shares in issue during the period used in the calculation of the basic and diluted earnings per share are as follows:

	2000 m	1999 m
Weighted average number of shares in issue during the period used in the calculation of basic earnings per share	**281.9**	206.9
Number of shares under option that would have been issued at nil value	**0.3**	0.5
Weighted average number of shares in issue during the period used in the calculation of diluted earnings per share	**282.2**	207.4

9 Related party transactions

Hong Leong Group During 2000 the Group had the following transactions with subsidiary undertakings of the Hong Leong Group, the ultimate parent undertaking of the Group.

In December 2000, the Group sold its investments in the Regal management and reservations businesses to SWAN Inc, a subsidiary of CDL Hotels International Limited, now renamed City e-Solutions Limited, in return for an investment of 15% in the enlarged SWAN. The fair value of both the Group's original investment in the Regal management business and its 15% interest in SWAN was considered to be US$5m. As a result the transaction has given rise to neither a gain nor a loss to the Group.

In 1999 CDL Hotels International Limited charged £3.1m in respect of the preliminary review, introduction and assistance in negotiating the acquisitions. Included in this amount were £0.4m of underwriting fees which were set off against share premium. No such charge was made in 2000. As at 31 December 2000, £nil (1999: £2.0m) was due to City e-Solutions Limited in respect of the acquisitions.

The Group manages the Grand Copthorne Waterfront in Singapore, a property owned by City Developments Limited. The Group received a management fee of £0.6m during the year.

City Developments Limited and City e-Solutions Limited recharged certain expenses borne on behalf of the Group. The amount outstanding at 31 December 2000 is £1.1m.

The Group deposited certain surplus cash with Hong Leong Finance Limited, a subsidiary undertaking of the Group's ultimate parent company, on normal commercial terms. Interest income of £0.1m (1999: £0.1m) was received during the period. As at 31 December 2000 £2.7m (1999: £3.2m) of cash was deposited with Hong Leong Finance Limited.

Rogo Realty Corporation The Group had a current account balance of £0.1m (1999: £0.5m) due from Rogo Realty Corporation, an associated undertaking incorporated in the Philippines. This relates to amounts loaned to Rogo Realty Corporation to enable it to meet normal operating expenses.

9 Related party transactions (continued)

New Plaza Associates A total of £6.4m was contributed to New Plaza Associates, a joint venture, to partially fund the purchase of Citibank's interest in the Plaza Hotel.

Interest of £0.8m (1999: £2.0m) was received on a US$15m loan note held by New Plaza Associates, an associated undertaking during the year, in favour of CDL Hotels USA Inc.

£0.1m (1999: £0.1m) was received as an asset management fee from New Plaza Associates. As at 31 December 2000 a total of £0.1m (1999: £0.1m) was due from New Plaza Associates.

Stuttgart International Hotel Betriebs GmbH (SIHB) The Group did not receive any management fee from SIHB in 2000 (1999: £nil). The investment in SIHB included in the consolidated balance sheet at 31 December 2000 was £4.4m (1999: £4.5m). The balance due from SIHB at 31 December 2000 was £0.4m (1999: £nil).

SI Komplex II Gastronomiebetriebs GmbH (SIG) The Group guarantees £1.8m of finance lease obligations for SIG. No management fees were received in 2000 (1999: £nil) from SIG and there were no balances outstanding between the Group and SIG as at 31 December 2000 (1999: £nil). The investment in SIG included in the consolidated balance sheet at 31 December 2000 was £2.2m (1999: £2.2m).

The directors confirm that there were no related party transactions other than those disclosed in these financial statements.

10 Tangible fixed assets

	Land and buildings £m	Investment properties £m	Capital work in progress £m	Plant and machinery £m	Fixtures, fittings, equipment and vehicles £m	Total £m
Group						
Cost or valuation						
At the beginning of the year	1,874.9	94.5	25.0	78.7	147.1	2,220.2
Foreign exchange adjustments	48.4	3.9	0.4	2.2	4.1	59.0
Acquisitions	42.0	–	–	0.2	0.9	43.1
Additions	9.0	0.8	27.8	5.7	20.6	63.9
Transfers	2.0	–	(17.8)	3.5	12.3	–
Revaluations	32.3	–	–	–	–	32.3
Transfer to current assets	(13.8)	–	–	–	(0.1)	(13.9)
Adjustments to fair values – Asia-Pacific	(27.0)	(6.5)	–	–	–	(33.5)
Adjustments to fair values – Regal	34.3	(4.1)	–	(10.4)	(18.3)	1.5
Disposals – USA acquired assets	(33.1)	–	–	–	(0.9)	(34.0)
Disposals	–	–	–	(0.4)	(10.2)	(10.6)
At the end of the year	1,969.0	88.6	35.4	79.5	155.5	2,328.0
Depreciation						
At the beginning of the year	0.2	–	–	12.5	35.1	47.8
Prior year adjustment	7.0	–	–	–	–	7.0
As restated	7.2	–	–	12.5	35.1	54.8
Foreign exchange adjustments	0.1	–	–	0.1	0.3	0.5
Charge for the year	7.7	–	–	5.9	19.3	32.9
On disposals	–	–	–	(0.4)	(9.1)	(9.5)
At the end of the year	15.0	–	–	18.1	45.6	78.7
Net book value						
At 31 December 2000	**1,954.0**	**88.6**	**35.4**	**61.4**	**109.9**	**2,249.3**
At 31 December 1999 (as restated)	1,867.7	94.5	25.0	66.2	112.0	2,165.4

10 Tangible fixed assets (continued)

Included in land and buildings is land with a net book value of £337.3m. This compares with a historical cost of £194.9m.

Land and buildings includes long leasehold assets with a net book value of £363.9m (Restated 1999: £366.5m). It also includes assets held under finance leases with a net book value of £25.8m (Restated 1999: £29.3m) which give the Group an option to purchase the properties for a nominal sum at the end of the lease. The net book value of land and buildings held under short leases was £9.1m (1999: £8.1m). Depreciation of £0.3m (1999: £0.2m) was charged during the year.

A total of £0.9m of interest has been capitalised within land and buildings and investment properties during the year (1999: £1.0m). The cumulative capitalised interest within land and buildings is £3.6m (1999: £2.7m). In line with local tax regimes, tax relief is obtained in the United Kingdom and France on 100% of the interest capitalised in the year, in the United States of America over the period of amortisation of the related asset and in New Zealand no tax relief is available.

	Land and buildings 2000 £m	Land and buildings 1999 £m
Cost or valuation comprises:		
Historical cost of revalued properties	**680.8**	597.6
Revaluation reserve	**341.4**	280.6
Valuation	**1,022.2**	878.2
Cost	**946.8**	996.7
	1,969.0	1,874.9

All investment properties are held at valuation.

During 2000, the Millennium Gloucester Hotel London Kensington, Millennium Bailey's Hotel London Kensington, Millennium Hotel Glasgow, Copthorne Hotel London Gatwick, Copthorne Hotel Slough Windsor and Copthorne Hotel Manchester were subject to an external professional valuation by Insignia Richard Ellis on an open market existing use basis in accordance with the Practice Statements of the Royal Institute of Chartered Surveyors and the Recommended Practice for the valuation of hotels published by the British Association of Hospitality Accountants. In addition the Millenium Hilton New York and the Plaza New York were subject to an external professional valuation by HVS International on an open market existing use basis.

These eight hotels were valued at £729.4m leading to a surplus on revaluation of £52.8m. The Group's share of the revaluation surplus on the Plaza has been included as part of the investment in joint ventures as set out in note 11.

During 1999, the Millennium Hotel New York Broadway, Millennium Hotel London Mayfair, Millennium Hotel Paris Opéra, Copthorne Hotel Birmingham, Copthorne Hotel Cardiff Caerdydd, Copthorne Hotel Paris Charles de Gaulle and Copthorne Hotel Plymouth were independently valued at £345.0m leading to a surplus on revaluation of £54.8m.

All tangible fixed assets other than land, buildings (Core) and investment property are included at cost less attributable depreciation. Included in additions to fixed assets is an amount of £61.5m (1999: £27.9m) in respect of additions to property, plant, machinery, fixtures, fittings and equipment used by hotels.

During 2000 the Group revised the useful economic life of plant and machinery for certain regions to 20 years and for soft furnishings to seven years. This better reflects the refurbishment cycle in those regions. The effect on the depreciation charge was a reduction of £2.8m.

11 Investments

	2000 £m	1999 £m
Group		
Investment in joint ventures		
Share of net assets at the beginning of the year	–	–
Acquisition	15.1	–
Reclassification of Plaza as joint venture	53.1	–
Share of profits of joint ventures	3.6	–
Less minority share of profits	(1.4)	–
Foreign exchange adjustment	(0.8)	–
	69.6	–
Loans to joint ventures	47.5	–
Share of net assets	117.1	–

	2000 £m	2000 £m	1999 £m	1999 £m
Share of turnover of joint ventures		31.9		–
Share of assets				
Share of fixed assets	292.3		–	
Share of current assets	20.4		–	
		312.7		–
Share of liabilities				
Liabilities due within one year	(72.4)		–	
Liabilities due after more than one year	(97.8)		–	
		(170.2)		–
Less minority share of net assets		(25.4)		–
Share of net assets		117.1		–

On 29 December 2000, New Plaza Associates, an undertaking in which the Group holds 50%, acquired the 16.8% of the Plaza Hotel which it did not already hold for a cash consideration of £16.1m. The Group contributed £6.4m in cash to the purchase consideration. The balance was funded using the cash resources of New Plaza Associates. As a result of this transaction the Group has reclassified its interest in the Plaza as a joint venture with effect from 29 December 2000.

11 Investments (continued)

	2000 £m	Restated 1999 £m
Group		
Investments in associated undertakings		
Share of net assets at the beginning of the year	**33.0**	19.5
Prior year adjustment	**–**	(0.3)
As restated	**33.0**	19.2
Acquisition	**6.4**	10.1
Dividends	**(1.6)**	(0.5)
Reclassification of Plaza as joint venture	**(53.1)**	–
Share of profits of associated undertakings	**4.9**	3.8
Less minority interests shares of profits	**(0.7)**	–
Foreign exchange adjustment	**2.9**	0.4
Share of revaluation surplus	**20.5**	–
Share of net assets	**12.3**	33.0
Loans to associated undertakings	**1.2**	10.5
	13.5	43.5
Trade investments		
Capital subscribed	**2.2**	2.2
Loans	**4.4**	4.5
Quoted investments	**0.5**	0.5
	7.1	7.2
	20.6	50.7

Of the trade investments of the Group at 31 December 2000, £0.5m are quoted on the Hong Kong Stock Exchange. The market value of the quoted investments at 31 December 2000 is not materially different from their book value.

11 Investments (continued)

	2000 £m	2000 £m	Restated 1999 £m	Restated 1999 £m
Share of turnover of associates		**57.8**		44.6
Share of assets				
Share of fixed assets	**20.2**		114.8	
Share of current assets	**1.3**		9.0	
		21.5		123.8
Share of liabilities				
Liabilities due within one year	**(0.4)**		(13.0)	
Liabilities due after more than one year	**(8.8)**		(77.8)	
		(9.2)		(90.8)
Share of net assets		**12.3**		33.0

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
Company			
Investments in subsidiary undertakings			
Cost and net book value			
At the beginning of the year	685.9	390.0	1,075.9
Additions	52.1	–	52.1
Repayments	–	(10.0)	(10.0)
Loans capitalised	154.5	(154.5)	–
Exchange gains	13.1	–	13.1
At 31 December 2000	**905.6**	**225.5**	**1,131.1**

There were no provisions made against investments in subsidiary undertakings.

11 Investments (continued)

Details of principal investments at 31 December 2000 are as follows:

	Percentage of ordinary share capital held	Country of incorporation	Principal activity
United Kingdom			
Archyield Limited*	100%	England and Wales	Hotel operator
CDL Hotels (Chelsea) Limited	100%	England and Wales	Hotel operator
CDL Hotels (UK) Limited	100%	England and Wales	Hotel operator
Copthorne Aberdeen Limited*	83%	England and Wales	Hotel operator
Copthorne Hotel (Birmingham) Limited*	100%	England and Wales	Hotel operator
Copthorne Hotel (Cardiff) Limited*	100%	England and Wales	Hotel operator
Copthorne Hotel (Effingham Park) Limited*	100%	England and Wales	Hotel operator
Copthorne Hotel (Gatwick) Limited*	100%	England and Wales	Hotel operator
Copthorne Hotel (Merry Hill) Limited*	75%	England and Wales	Hotel operator
Copthorne Hotel (Newcastle) Limited*	94%	England and Wales	Hotel operator
Copthorne Hotel (Plymouth) Limited*	100%	England and Wales	Hotel operator
Copthorne Hotel (Slough) Limited*	100%	England and Wales	Hotel operator
Copthorne Hotels Limited*	100%	England and Wales	Hotel management
London Britannia Hotel Limited*	100%	England and Wales	Hotel operator
London Tara Hotel Limited*	100%	England and Wales	Hotel operator
Wharfside Hotels PLC*	100%	England and Wales	Hotel operator
USA			
M&C Management Services (USA) Inc	100%	USA	Management services company
CDL Hotels USA Inc*	100%	USA	Hotel investment holding company
CDL (New York) LLC*	100%	USA	Hotel operator
CDL West 45th Street LLC*	100%	USA	Hotel operator
CDL Management LLC*	100%	USA	Hotel management
Regal Grand Avenue, Inc*	100%	USA	Hotel investment holding company
WHB Biltmore LLC*	100%	USA	Hotel owner and operator
Gateway Regal Holdings, LLC*	100%	USA	Hotel owner and operator
Regal Hotel Management, LLC*	100%	USA	Hotel investment holding company
Chicago Regal Holdings, LLC*	100%	USA	Hotel owner and operator
Cincinnati SI.Co.*	100%	USA	Hotel owner and operator
Trimark Hotel Corporation*	100%	USA	Hotel owner and operator
Buffalo RHM Operating LLC*	100%	USA	Hotel owner and operator
Durham Regal Operating LLC*	100%	USA	Hotel owner and operator
Fourwinds Operating LLC*	100%	USA	Hotel owner and operator
RHM Ranch LLC*	100%	USA	Hotel owner and operator
RHM Anchorage LLC*	100%	USA	Hotel owner and operator
RHM Operating LLC*	100%	USA	Hotel owner and operator
Avon Wynfield LLC*	100%	USA	Hotel owner and operator
Bradenton Hotel Limited Partnership*	91%	USA	Hotel owner and operator
Minneapolis Hotel Limited Partnership*	96%	USA	Hotel owner and operator
Boston Hotel Limited Partnership	98%	USA	Hotel owner and operator

11 Investments (continued)

	Percentage of ordinary share capital held	Country of incorporation	Principal activity
France			
M & C Hotels France SA*	100%	France	Hotel owner
Millennium Opéra Paris SA	100%	France	Hotel operator
Copthorne Hotel (Roissy) SA*	100%	France	Hotel operator
Singapore			
Millennium & Copthorne International Limited*	100%	Singapore	Hotels and resorts management
TOSCAP Limited*	100%	Singapore	Investment holding
Republic Hotels and Resorts Limited*	85%	Singapore	Hotel owner and operator and investment holding
City Hotels Pte Ltd*	85%	Singapore	Hotel owner and operator
Copthorne Orchid Hotel Singapore Pte Ltd*	85%	Singapore	Hotel owner
King's Tanglin Shopping Pte Ltd*	85%	Singapore	Property owner
Harbour View Hotel Pte Ltd*	85%	Singapore	Hotel owner
Indonesia			
PT Millennium Hotels & Resorts*	85%	Indonesia	Management services
PT Millennium Sirih Jakarta*	68%	Indonesia	Hotel owner
Taiwan			
Hong Leong Hotel Development Limited*	80%	Taiwan	Hotel owner and operator
Philippines			
The Philippine Fund Limited*	60%	Bermuda	Investment holding
Grand Plaza Hotel Corporation*	61%	Philippines	Hotel owner and operator and investment holding
Malaysia			
CDL Hotels (Malaysia) Sdn Bhd*	100%	Malaysia	Hotel owner and operator
Copthorne Orchid Penang Sdn Bhd*	85%	Malaysia	Hotel owner
New Zealand			
CDL Hotels New Zealand Limited*	70%	New Zealand	Investment holding and property management company
Kingsgate International Corporation Limited*	36%	New Zealand	Investment holding company
Quantum Limited*	49%	New Zealand	Investment holding company
CDL Investments New Zealand Limited*	41%	New Zealand	Investment and property holding/management company
QINZ Holdings (New Zealand) Limited*	49%	New Zealand	Investment holding company
Germany			
Tara Hotels Deutschland GmbH*	100%	Germany	Hotel investment holding company
Tara Hotel Hannover GmbH*	100%	Germany	Hotel operator
Joint Ventures			
New Plaza Associates LLC*	50%	USA	Hotel investment holding company
Plaza Operating Partners Limited	50%	USA	Hotel owner and operator
New Unity Holdings Limited	50%	British Virgin Islands	Investment holding company
Associated Undertakings			
The Eldorado Partnership Limited*	40%	USA	Hotel owner and operator
Guardian Santa Fe Partnership*	10%	USA	Hotel owner and operator
Sunnyvale Partners Limited*	40%	USA	Hotel owner and operator
Investments			
Stuttgart International Hotel Betriebs GmbH*	75%	Germany	Hotel developer and operator
SI Komplex II Gastronomiebetriebs GmbH*	75%	Germany	Restaurant operator

*Investment held by subsidiary undertaking.

11 Investments (continued)

Stuttgart International Hotel Betriebs GmbH (SIHB) is treated as an investment, notwithstanding that the Group owns 75% of the ordinary share capital, because Millennium & Copthorne Hotels plc is unable to exercise dominant influence over that company. The Group receives a variable management fee from the hotel based on specific aspects of its performance and interest on various loans to SIHB. The Group's right to participate in the profits generated by the hotel is limited. The unaudited net liabilities of SIHB at 31 December 2000 were £7.8m (1999: £6.9m). Its unaudited loss for the year was £0.9m (1999: £1.3m).

SI Komplex II Gastronomiebetriebs GmbH (SIG) is a 100% subsidiary of SIHB. The Group only receives a management fee based on the performance of the complex and is unable to exercise dominant influence over SIG, which is therefore treated as an investment. The unaudited net liabilities of SIG at 31 December 2000 were £5.2m (1999: £3.7m). Its unaudited loss for the year was £1.5m (1999: £0.9m).

All of the Group's subsidiary undertakings have drawn up accounts to 31 December 2000.

CDL Hotels Asia Pacific On 31 January 2000 the Group completed the purchase of CDL Hotels International Limited's (CHIL) hotels in Asia and Australasia by acquiring CHIL's Hong Kong hotels for a cash consideration of £nil. The Group purchased the loan due to CHIL. This amounted to £22.1m.

This acquisition has been accounted for as a joint venture. No goodwill arose on the transaction.

The following tables reflect the adjustments made to the fair value tables published in the 1999 Annual Report and Accounts:

	Preliminary fair values per 1999 Annual Report £m	Adjustments £m	Final fair value to the Group £m
Tangible fixed assets	688.6	(33.5)	655.1
Investments	3.0	15.1	18.1
Stocks	24.4	–	24.4
Debtors	21.4	–	21.4
Cash at bank and in hand	61.8	–	61.8
Creditors less than one year	(48.7)	(4.7)	(53.4)
Bank loans	(148.2)	–	(148.2)
Other creditors over one year	(0.5)	0.2	(0.3)
Net assets	601.8	(22.9)	578.9
Minority interests	(164.2)	22.9	(141.3)
Share of net assets acquired	437.6	–	437.6

There has been no alteration in the consideration paid for the acquisition which totalled £437.6m in cash including costs of £5.1m.

11 Investments (continued)

The adjustments made to the Group's net assets are as follows:

	£m
Share of net assets acquired per preliminary fair values table	601.8
Unprovided tax liabilities costs	(4.0)
Acquisition of CHIL's interests in Hong Kong	15.1
Adjustments to creditors	(0.5)
Adjustments to fixed assets	(33.5)
	578.9

Regal North America On 16 June 2000 the Group purchased 98.3% of the Regal Bostonian hotel which was the subject of a specific carve out in the original Regal acquisition. In addition to acquiring a 51% shareholding from Regal Hotels International, the Group purchased the balance from a Boston based consortium.

The following tables reflect the adjustments made to the fair value tables published in the 1999 Annual Report and Accounts:

	Preliminary fair values per 1999 Annual Report £m	Adjustments £m	Final fair value to the Group £m
Tangible fixed assets	368.4	44.6	413.0
Associated undertakings	9.1	(0.3)	8.8
Stocks	1.2	0.1	1.3
Debtors	15.6	1.4	17.0
Cash	36.0	14.8	50.8
Finance leases	(0.6)	–	(0.6)
Creditors less than one year	(27.3)	(3.5)	(30.8)
Creditors over one year	–	(29.6)	(29.6)
Net assets	402.4	27.5	429.9
Minority interests	(0.1)	(0.7)	(0.8)
Share of net assets acquired	402.3	26.8	429.1

The adjustments made to the net assets are as follows:

	£m
Net assets per preliminary fair value table	402.4
Acquisition of Regal Bostonian	29.5
Adjustments to debtors	0.7
Adjustments to creditors less than one year	(2.0)
Adjustments to creditors over one year	(2.2)
Adjustments to fixed assets	1.5
Final fair value to the Group	429.9

The total consideration payable increased by £26.8m in respect of the acquisition of the Regal Bostonian hotel. The final consideration including costs of £10.8m was £429.1m of which £398.9m has been paid in cash and £30.2m has been deferred.

Seoul Hilton No adjustments were made to the fair value table published in the 1999 Annual Report and Accounts.

12 Stocks

	Group 2000 £m	Group 1999 £m
Consumables and supplies	**4.8**	5.0
Development land for resale	**11.7**	10.9
Development properties work in progress	**10.1**	17.4
	26.6	33.3

The replacement cost of consumable stocks is not significantly different from their balance sheet values.

13 Debtors

	Group 2000 £m	Group Restated 1999 £m	Company 2000 £m	Company 1999 £m
Trade debtors	**65.6**	44.9	**–**	–
Amounts owed by joint ventures	**0.1**	–	**–**	–
Amount owed by associated undertakings	**0.1**	0.6	**–**	–
Corporate tax recoverable	**0.1**	0.1	**–**	–
Sales tax recoverable	**1.4**	0.9	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**18.5**	67.6
Other debtors	**3.2**	6.3	**–**	–
Prepayments and accrued income	**10.0**	7.8	**–**	–
Amounts receivable from hotel disposals	**21.9**	–	**–**	–
	102.4	60.6	**18.5**	67.6

Amounts receivable from hotel disposals includes £19.8m due after more than one year.

14 Cash at bank and in hand

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Short term deposits	**56.0**	63.3	**–**	–
Cash	**63.2**	75.6	**0.1**	0.2
	119.2	138.9	**0.1**	0.2

15 Creditors: amounts falling due within one year

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Obligations under finance leases	**1.3**	1.3	**–**	–
Bonds payable	**–**	36.5	**–**	–
Bank loans and overdrafts	**112.1**	90.2	**54.8**	7.5
Trade creditors	**18.6**	22.3	**–**	–
Amounts owed to parent and fellow subsidiary undertakings	**1.1**	2.0	**–**	–
Dividends payable	**23.4**	18.0	**23.4**	18.0
Dividends payable to minorities	**2.1**	2.0	**–**	–
Other creditors including taxation and social security				
Corporation tax	**22.4**	22.5	**–**	0.5
Social security and PAYE	**1.8**	1.5	**–**	–
Value added tax	**7.2**	6.9	**–**	–
Other creditors	**20.5**	16.6	**–**	–
Accruals and deferred income	**57.1**	49.5	**0.6**	1.6
Deferred consideration	**30.2**	5.1	**–**	–
Rental and other deposits	**6.0**	7.2	**–**	–
	303.8	281.6	**78.8**	27.6

16 Creditors: amounts falling due after more than one year

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Bank loans	**540.3**	623.7	**101.0**	148.8
Bonds payable	**142.8**	–	**–**	–
Obligations under finance leases	**19.5**	20.9	**–**	–
Deferred property taxes	**7.5**	7.7	**–**	–
Deferred consideration	**–**	15.5	**–**	–
Other liabilities	**11.7**	12.2	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**–**	1.7
	721.8	680.0	**101.0**	150.5

17 Group financial instruments

An explanation of the Board's objectives, policies and strategies for holding and issuing financial instruments is set out in the financial review on pages 18 and 19 under the heading 'Treasury and risk management'.

Short term debtors and creditors, as defined in FRS13, have been omitted from all of the financial instruments disclosures.

17 Group financial instruments (continued)

a) Liquidity

The maturity of all financial liabilities is shown in the following tables.

	Debt other than finance leases 2000 £m	**Finance lease obligations 2000 £m**	**Other financial liabilities 2000 £m**	**Total 2000 £m**
Financial liabilities maturing:				
in one year or less or on demand	**112.1**	**1.3**	**–**	**113.4**
in more than one year but not more than two years	**88.0**	**1.2**	**1.9**	**91.1**
in more than two years but not more than five years	**554.9**	**14.6**	**4.0**	**573.5**
in more than five years	**40.2**	**3.7**	**17.5**	**61.4**
	795.2	**20.8**	**23.4**	**839.4**

	Debt other than finance leases 1999 £m	Finance lease obligations 1999 £m	Other financial liabilities 1999 £m	Total 1999 £m
Financial liabilities maturing:				
in one year or less or on demand	126.7	1.3	–	128.0
in more than one year but not more than two years	314.6	1.3	21.2	337.1
in more than two years but not more than five years	260.1	14.2	15.7	290.0
in more than five years	49.0	5.4	3.2	57.6
	750.4	22.2	40.1	812.7

b) Undrawn committed borrowing facilities

Undrawn borrowing facilities are available to the Group with the maturities as set out in the following table. The conditions precedent to the availability of these facilities are all satisfied at the balance sheet date.

	2000 £m	1999 £m
Expiring in one year or less	**23.3**	23.4
Expiring after more than one year but not more than two years	**17.6**	9.6
Expiring after more than two years but not more than five years	**102.0**	31.1
Expiring after more than five years	**16.0**	–
	158.9	64.1

17 Group financial instruments (continued)

c) Interest rate risk profile of financial liabilities

The following analysis sets out the interest rate risk of the Group's financial liabilities after taking into account derivative instruments held as hedges to manage the currency of such financial liabilities.

	Floating rate 2000 £m	Fixed rate 2000 £m	Non-interest bearing 2000 £m	Total 2000 £m	Average interest rate of fixed rate borrowings 2000 %	Average years to maturity of fixed rate borrowings 2000 Years	Average years to maturity of non-interest bearing liabilities 2000 Years
Sterling	**147.3**	**10.2**	**4.2**	**161.7**	**8**	**3**	**7**
Singapore $	**22.5**	**88.0**	**1.7**	**112.2**	**5**	**4**	**5**
US$	**187.7**	**184.5**	**7.2**	**379.4**	**8**	**5**	**4**
New Zealand $	**21.5**	**5.9**	**–**	**27.4**	**6**	**1**	**–**
Australian $	**40.2**	**–**	**–**	**40.2**	**–**	**–**	**–**
Malaysian Ringgit	**14.8**	**–**	**–**	**14.8**	**–**	**–**	**–**
Korean Won	**55.7**	**–**	**10.3**	**66.0**	**–**	**–**	**5**
New Taiwan $	**27.3**	**–**	**–**	**27.3**	**–**	**–**	**–**
French Franc	**–**	**10.4**	**–**	**10.4**	**5**	**7**	**–**
	517.0	**299.0**	**23.4**	**839.4**	**7**	**5**	**5**

	Floating rate 1999 £m	Fixed rate 1999 £m	Non-interest bearing 1999 £m	Total 1999 £m	Average interest rate of fixed rate borrowings 1999 %	Average years to maturity of fixed rate borrowings 1999 Years	Average years to maturity of non-interest bearing liabilities 1999 Years
Sterling	155.3	10.2	4.7	170.2	8	4	8
Singapore $	–	107.7	–	107.7	3	1	–
US$	327.8	16.1	8.5	352.4	7	2	4
New Zealand $	14.1	18.3	–	32.4	7	2	–
Australian $	26.9	–	–	26.9	–	–	–
Malaysian Ringgit	13.5	–	–	13.5	–	–	–
Korean Won	57.2	–	11.4	68.6	–	–	5
New Taiwan $	29.7	–	–	29.7	–	–	–
French Franc	–	11.3	–	11.3	4	4	–
	624.5	163.6	24.6	812.7	4	1	5

The floating rate financial liabilities comprise bank loans and overdrafts bearing interest at rates based on individual bank base rates or LIBOR depending upon which facility is used.

Loans with floating rates are at the following interest rates:

Sterling: LIBOR plus a margin of up to 1%.
US$: LIBOR plus a margin of between 1% and 2%.
Other principal currencies: bank rate plus a margin of up to 2%.

17 Group financial instruments (continued)

d) Interest rate risk profile of financial assets

The following analysis sets out the interest rate risk of the Group's financial assets after taking into account derivative instruments held as hedges to manage the currency of such financial assets.

	Floating rate 2000 £m	Fixed rate 2000 £m	Non-interest bearing 2000 £m	Total 2000 £m	Average interest rate of fixed rate assets 2000 %	Average years to maturity of fixed rate assets 2000 Years
Sterling	2.7	–	0.6	3.3	–	–
US$	67.7	16.1	0.5	84.3	6	0.1
Korean Won	8.3	0.1	0.1	8.5	8	0.7
Singapore $	0.3	7.8	4.8	12.9	3	0.1
New Taiwan $	1.7	–	0.3	2.0	–	–
Others	4.7	0.7	3.3	8.7	5	0.1
	85.4	24.7	9.6	119.7	5	0.1

	Floating rate 1999 £m	Fixed rate 1999 £m	Non-interest bearing 1999 £m	Total 1999 £m	Average interest rate of fixed rate assets 1999 %	Average years to maturity of fixed rate assets 1999 Years
Sterling	3.9	–	–	3.9	–	–
US$	59.9	47.4	–	107.3	6	0.1
Korean Won	5.9	0.1	–	6.0	7	0.1
Singapore $	2.2	8.0	1.8	12.0	2	0.1
New Taiwan $	–	4.5	–	4.5	5	0.1
Others	2.3	1.5	1.9	5.7	6	0.1
	74.2	61.5	3.7	139.4	5	0.1

The floating rate financial assets comprise investments and bank deposits earning interest at rates based on individual bank base rates or LIBOR depending upon which type of deposit facility is used.

17 Group financial instruments (continued)

e) Fair values

The following table sets out the book values and estimated fair values of the Group's financial instruments.

	2000		1999	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Short term deposits	**56.0**	**56.0**	63.3	63.3
Cash at bank and in hand	**63.2**	**63.2**	75.6	75.6
	119.2	**119.2**	138.9	138.9
Investments	**0.5**	**0.5**	0.5	0.5
Debt and finance lease obligations	**(816.0)**	**(700.0)**	(772.6)	(654.3)
Other creditors due after more than one year	**(23.4)**	**(17.9)**	(40.1)	(38.6)
	(839.4)	**(717.9)**	(812.7)	(692.9)
	(719.7)	**(598.2)**	(673.3)	(553.5)

The following criteria have been used to assess the fair values of the Group's financial instruments:

- debtors, creditors, debt, finance lease obligations and provisions due after more than one year are based upon discounted cash flows at prevailing interest rates; and
- cash at bank and in hand and short term investments approximate to their book values due to their short maturity period.

f) Currency risk

The Group has unhedged cash balances denominated in non-functional currencies totalling £3.7m, (1999: £1.1m) of which £2.4m (1999: £1.0m) is denominated in US$.

The Group maintains cash balances in Taipei and the Philippines in US dollars totalling £33.3m, (1999: £39.0m) as at 31 December 2000. These are matched by borrowings in the same currency.

18 Provisions for liabilities and charges

	Group	
	2000 £m	1999 £m
Provision for onerous lease		
At the beginning of the year	**4.7**	5.2
Utilised	**(0.5)**	(0.5)
At the end of the year	**4.2**	4.7

The provision has been calculated based on the effect of the onerous lease until 2014.

19 Deferred taxation

Neither the Company nor the Group has any potential deferred tax liability in relation to timing differences. If the Group were to dispose of all of its properties at their book values a tax liability estimated at £181.4m (1999: £168.8m) would arise. None of this has been provided since the Group currently has no plans to dispose of any properties which would lead to such a liability crystallising.

20 Reconciliation of movements in shareholders' funds

	Share capital 2000 £m	Share premium 2000 £m	Revaluation reserve 2000 £m	Profit and loss account 2000 £m	Total 2000 £m	Restated Total 1999 £m
Group						
Balance at the beginning of the year	**84.6**	**844.0**	**280.6**	**102.5**	**1,311.7**	633.8
Prior year adjustment	–	–	–	–	–	(5.6)
Restated	**84.6**	**844.0**	**280.6**	**102.5**	**1,311.7**	628.2
Profit for the financial year	–	–	–	**93.1**	**93.1**	58.9
Dividends paid and proposed	–	–	–	**(35.2)**	**(35.2)**	(23.5)
Foreign exchange gain	–	–	**8.0**	**37.5**	**45.5**	3.5
Revaluation of fixed assets	–	–	**52.8**	–	**52.8**	54.8
Issue of shares on exercise of options	–	**0.7**	–	–	**0.7**	0.9
Shares issued in connection with the purchase of CDL Hotels Asia Pacific	–	–	–	–	–	433.7
Shares issued in connection with the purchase of Regal North America	–	–	–	–	–	155.2
Balance at the end of the year	**84.6**	**844.7**	**341.4**	**197.9**	**1,468.6**	1,311.7
Prior year adjustment	–	–	–	–	–	8.3
As previously stated	**84.6**	**844.7**	**341.4**	**197.9**	**1,468.6**	1,320.0

The Group's share of the accumulated reserves of the associated undertakings as at 31 December 2000 was £1.4m (restated 1999: £10.5m). The Group's share of the accumulated reserves of joint ventures as at 31 December 2000 was £16.0m (1999: £nil).

The cumulative amount of goodwill written off prior to the adoption of FRS10 was £2.3m as at 31 December 2000 (1999: £2.3m).

	Share capital 2000 £m	Share premium 2000 £m	Profit and loss account 2000 £m	Total 2000 £m	Total 1999 £m
Company					
Balance at the beginning of the year	**84.6**	**844.0**	**37.0**	**965.6**	380.2
Profit for the financial year	–	–	**38.8**	**38.8**	19.1
Dividends paid and proposed	–	–	**(35.2)**	**(35.2)**	(23.5)
Issue of shares on exercise of options	–	**0.7**	–	**0.7**	0.9
Shares issued in connection with the purchase of CDL Hotels Asia Pacific	–	–	–	–	433.7
Shares issued in connection with the purchase of Regal North America	–	–	–	–	155.2
Balance at the end of the year	**84.6**	**844.7**	**40.6**	**969.9**	965.6

21 Share capital

	Number of 30p shares authorised	Number of 30p shares allotted, called up and fully paid
Balance at the beginning of the year	1,000,000,000	281,852,398
Issue of ordinary shares on exercise of share options	–	264,683
Balance at the end of the year	1,000,000,000	282,117,081

At the year end options over 2,264,067 ordinary shares had been issued. The authorised share capital has stood at £300,000,000 throughout the period. All of the share capital is equity share capital. Share options are exercisable from now until 22 October 2010 at between 198p and 495p.

22 Minority interests

	2000 £m	Restated 1999 £m
At the beginning of the year	**170.9**	6.6
Dividends paid to minorities	**(1.1)**	(0.1)
Dividends payable to minorities	**(2.1)**	(2.0)
Share of retained profit for the year	**13.5**	5.1
Purchase of minority interests	**(1.2)**	(3.2)
Acquired minority interest in CDL Hotels Asia Pacific	**(22.9)**	164.2
Acquired minority interest in Regal North America	**0.7**	0.1
Less minority interest attributable to joint ventures and associates	**(2.1)**	–
Foreign exchange (loss)/gain	**(5.0)**	0.2
At the end of the year	**150.7**	170.9

23 Financial commitments

	2000 £m	1999 £m
i) Capital commitments at the end of the financial year for which no provision has been made:		
Group		
Contracted	**18.9**	26.3

At 31 December 2000 the Company had no capital commitments (1999: £nil).

	2000 Land and buildings £m	2000 Plant and machinery £m	1999 Land and buildings £m	1999 Plant and machinery £m
ii) Annual commitments under non cancellable operating leases are as follows:				
Group				
Operating leases which expire				
Within one year	**–**	**0.5**	–	0.7
In the second to fifth years inclusive	**0.6**	**1.1**	0.7	1.3
Over five years	**6.4**	**0.1**	6.4	0.1

At 31 December 2000 the Company had no operating lease commitments (1999: £nil).

24 Contingent liabilities

a) A claim has been made against Regal arising from its consultancy advice to a hotel operator in connection with the construction of a hotel in the USA. The claim is in the sum of US$16.0m (£10.7m) for loss of profits and a further US$9.0m (£6.0m) in damages. The trial in the matter, formerly set for trial in November 2000, has been indefinitely postponed, but external legal counsel believes a trial in 2001 is probable.

The directors have taken external legal advice which indicates that no assessment can be made as to the probable outcome of the case. The directors intend to continue their vigorous defence of this litigation and, based on counsel's advice, believe that the claims are defendable and the damages claim is excessive. This matter is covered by warranties within the sale and purchase agreement under which the Group acquired Regal. On this basis no provision has been made.

b) The Group and Company have contingent liabilities with regard to normal trading operations and corporate transactions. In the opinion of the directors, adequate provision has been made for all known liabilities. The Group has two main classes of contingent liabilities, being issues relating to construction projects and to employment issues. Any financial impact, taking account of appropriate insurance policies, is considered immaterial.

25 Reconciliation of operating profit to net cash inflow from operating activities

	2000 £m	Restated 1999 £m
Operating profit	**171.5**	96.1
Depreciation	**32.9**	21.7
Loss/(gain) on disposal of fixed assets	**0.9**	(0.1)
Increase in stocks	**(0.6)**	(0.5)
(Increase)/decrease in debtors	**(20.6)**	3.7
Increase/(decrease) in creditors	**15.5**	(0.4)
Decrease in provisions	**(0.5)**	(0.5)
Net cash inflow from continuing operating activities	**199.1**	120.0

26 Analysis of net debt

	At 1 January 2000 £m	Cash flow £m	Acquisitions excluding cash and overdrafts £m	Deferred finance costs £m	Translation differences and other non cash movements £m	**As at 31 December 2000 £m**
Cash	75.6	(15.4)	–	–	3.0	**63.2**
Overdrafts	(0.8)	(0.4)	–	–	(0.1)	**(1.3)**
		(15.8)				
Short term deposits	63.3	(9.8)	–	–	2.5	**56.0**
Debt due after one year	(623.7)	132.2	(26.6)	3.7	(25.9)	**(540.3)**
Debt due within one year	(89.4)	(21.9)	–	1.2	(0.7)	**(110.8)**
Finance leases	(22.2)	1.7	–	–	(0.3)	**(20.8)**
Bonds due after one year	–	(136.9)	–	0.4	(6.3)	**(142.8)**
Bonds due within one year	(36.5)	36.6	–	–	(0.1)	**–**
		11.7				
Total	(633.7)	(13.9)	(26.6)	5.3	(27.9)	**(696.8)**

27 Analysis of cash flows for headings netted in the cash flow statement

	2000 £m	2000 £m	1999 £m	1999 £m
Returns on investment and servicing of finance				
Interest received	**8.8**		7.4	
Interest paid	**(58.5)**		(21.2)	
Loan arrangement fees paid	**(5.3)**		(4.6)	
Interest element of finance lease rental payments	**(1.2)**		(1.3)	
Dividend paid to minorities	**(3.1)**		(0.1)	
Net cash outflow for returns on investments and servicing of finance		**(59.3)**		(19.8)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(60.9)**		(27.2)	
Purchase of development properties	**(17.7)**		(5.9)	
Sale of properties held for resale	**12.1**		–	
Sale of other fixed assets	**0.2**		1.0	
(Increase)/decrease in investments, associated undertakings and joint ventures	**(40.6)**		20.5	
Net cash outflow for capital expenditure and financial investment		**(106.9)**		(11.6)
Acquisitions and disposals				
Acquisition of subsidiary undertakings	**(21.5)**		(953.2)	
Cash acquired with subsidiary undertakings	**14.1**		47.7	
Deferred consideration on acquisition	**9.4**		–	
Net cash inflow/(outflow) for acquisitions and disposals		**2.0**		(905.5)
Management of liquid resources				
Cash withdrawn from/(placed on) short term deposit	**9.8**		(0.4)	
Net cash inflow/(outflow) from management of liquid resources		**9.8**		(0.4)
Financing				
Issue of shares	**–**		595.1	
Issue of shares from the exercise of options	**0.7**		0.9	
Costs of share issue	**–**		(6.2)	
Purchase of shares in minorities	**(1.2)**		(3.2)	
		(0.5)		586.6
Drawdown of third party loans	**610.9**		366.7	
Repayment of third party loans	**(620.9)**		(28.5)	
Capital element of finance lease rental repayment	**(1.7)**		(1.2)	
		(11.7)		337.0
Net cash (outflow)/inflow from financing		**(12.2)**		923.6

28 Ultimate holding and controlling company

The directors consider the ultimate holding and controlling company to be Hong Leong Investment Holdings Pte Limited 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 Registrar of Companies and Businesses, 10 Anson Road #05-10/15, International Plaza, Singapore 0207.

The immediate 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.

29 Pension schemes, employees and remuneration

United Kingdom The Group operates a pension scheme (the Millennium & Copthorne Pension Plan) for its UK employees which was set up in 1993. The scheme is a funded defined benefit arrangement with different categories of membership. The assets of the Plan are held separately from those of the Group, being invested with Deutsche Asset Management Limited and Nationwide.

Scheme costs are charged so as to spread the cost of providing the guaranteed benefits over the average remaining service lives of the employees concerned. The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was carried out as at 6 April 1999. At the valuation date the market value of the Plan's assets was £13.4m, giving a funding level of 105%. The contributions of the Group ranged from 6.62% to 17.3%, (1999: 14.6%) of earnings and those of employees were from 0% to 5% (1999: 5%) of pensionable earnings. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 9% per annum, that salary increases would average 7.5% per annum and that pensions would increase at rates varying between 0% and 5% per annum for pensionable service to 6 April 1997 and at the annual rate of Limited Price Indexation thereafter (currently assumed to be 4.5%) or 5% per annum depending on the membership category for service after 6 April 1997, in compliance with statutory requirements. The expected average working lifetime of the members was calculated to be 14 years.

The next valuation of the Scheme is due as at 6 April 2002.

United States The Group operates defined contribution salary reduction savings plans under Section 401(K) of the United States Internal Revenue Code, which provides for the Group to match a portion of each participating employee's contribution, subject to certain limits.

By agreement with certain trade unions the Group makes pension contributions to union pension schemes in relation to some hotel employees who are union members. The level of employer contributions is determined periodically by agreement between the unions concerned and the hotel operators who are party to union agreements which include pension provisions. These hotel operators include certain Group undertakings. The hotel operators in these circumstances have certain obligations under United States employment legislation to ensure that such pension schemes are adequately funded.

29 Pension schemes, employees and remuneration (continued)

Taiwan The Group operates a defined benefit pension plan for its employees. The contributions required are determined by an external qualified actuary using the projected unit cost method. The most recent valuation was carried out on 5 November 1998. The contributions of the Company were set at 3.5% 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. It was assumed that the discount rate would be 6.5% per annum and that salary increases would average 4% per annum. Average future service of participants expected to receive benefits was 14 years.

The pension cost of the whole Group charged to the profit and loss account is £6.3m (1999: £2.2m).

Contributions of £1.9m (1999: £1.1m) were due to the schemes as at 31 December 2000 and are included in creditors.

	2000 Number	1999 Number
The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:		
Hotel operating staff	**11,051**	6,134
Management/administration	**1,514**	958
Sales and marketing	**556**	276
Repairs and maintenance	**631**	335
	13,752	7,703

	2000 £m	1999 £m
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**191.5**	90.7
Social security costs	**13.5**	8.9
Other pension costs	**6.3**	2.2
	211.3	101.8

During the year the Company issued invitations to UK employees under the Sharesave Scheme to enter into a five-year savings contract or a three-year savings contract with an option to purchase shares at an option price of £3.10 on expiry of the savings contract. 52 applications were received for the five-year term (48,550 shares) and 134 applications were received for the three-year term (111,177 shares). The total number of options issued at 1 March 2001 from all schemes operated by the Group were 2,242,901.

30 Directors' emoluments

Directors	Note	Salaries & Fees 2000 £000	Bonus 2000 £000	Benefits 2000 £000	Total 2000 £000	Total 1999 £000
Executives						
J Wilson	2,7	380	100	17	497	410
F J A Brown	8	68	–	–	68	140
D A H Cook	1,2,9	167	20	14	201	182
A G Potter	2	220	40	14	274	86
R Morse (appointed 2 May 2000)	4	174	132	5	311	–
P J Taylor (resigned as a director on 14 March 2000)	1,2,5	88	–	4	92	157
V W E Yeo (resigned as a director on 14 March 2000)	3	26	–	17	43	182
A W Bridle (resigned as a director on 17 December 1999)		–	–	–	–	171
Non-Executives						
L B Kwek (Chairman)		50	–	–	50	50
J R Sclater (Deputy Chairman)		35	–	–	35	35
C G Sneath		30	–	–	30	24
L J Kwek		30	–	–	30	30
L P Kwek		30	–	–	30	30
M Ko (appointed 14 March 2000 and resigned 16 October 2000)		19	–	–	19	–
Sir I Pearce		30	–	–	30	30
H R Wong	6	30	–	–	30	30
D R L Hankinson (resigned as a director on 8 March 1999)		–	–	–	–	5
Total		1,377	292	71	1,740	1,562

NOTES

1 Salaries and fees includes Profit Related Pay of £1,970 paid to D A H Cook and £625 paid to P J Taylor.

2 Company Pension contributions for directors were set at 14.6% of total basic salary for D A H Cook and P J Taylor. Contributions for J Wilson and A G Potter are subject to the Pension Earnings cap (£91,800 p.a. for 2000/01).

3 Benefits include an ex-patriate housing allowance of £14,950 (1999: £60,558).

4 R Morse was appointed President Millennium & Copthorne Hotels The Americas on 24 April 2000 and a director of the Company on 2 May 2000.

5 P J Taylor received compensation for loss of office amounting to £48,000 which is included in the above table. A further £106,950 was paid into the Millennium & Copthorne Pension Plan.

6 The 2000 fees are payable to City Developments Limited.

7 An amount of £4,000 was paid to J Wilson by a listed subsidiary undertaking, Republic Hotels and Resorts Limited, and is included in these emoluments.

8 F J A Brown became a non-executive director on 1 April 2000, £38,000 of his basic salary was received for his role as a non-executive director.

9 During the year D A H Cook exercised options resulting in an aggregate gain of £176,380.

30 Directors' emoluments (continued)

Directors' pensions	Increase in accrued benefit 2000 £000	1999 £000	Accumulated total accrued benefit 2000 £000	1999 £000	Increase in transfer value 2000 £000	1999 £000
J Wilson	**1**	–	**5**	4	**20**	22
D A H Cook	**6**	4	**34**	28	**59**	54
A G Potter	**1**	1	**2**	1	**15**	5
P J Taylor (resigned 14 March 2000)	**–**	2	**35**	35	**7**	31
A W Bridle (resigned 17 December 1999)	**–**	–	**–**	3	**–**	24
Total	**8**	7	**76**	71	**101**	136

A supplemental executive retirement plan is currently being established by way of a Trust Fund in the USA (known as a 'rabbi trust') for R Morse. The Company's contribution will be 18% of total basic salary excluding fees from 24 April 2000. None of the other directors was a member of any of the Group's pension schemes at any time during the year.

Directors' share interests	Interests in shares of the Company at 31 December 2000 Number of shares	Interests in shares of the Company at 31 December 1999 Number of shares
Executives		
John Wilson	**18,955**	18,955*
David Cook	**48,835**	48,835
Frederick Brown	**14,558**	14,558
Tony Potter	**5,980***	5,980*
Peter Taylor (resigned 14 March 2000)	**–**	56,685
Vincent Yeo (resigned 14 March 2000)	**–**	–
Robert Morse (appointed 2 May 2000)	**20,000***	–
Non-Executive		
Kwek Leng Beng (Chairman)	**–**	–
John Sclater (Independent Deputy Chairman)	**–**	–
Sir Idris Pearce (Independent director)	**3,494**	3,494
Christopher Sneath (Independent director)	**5,000**	5,000
Wong Hong Ren	**–**	–
Kwek Leng Peck	**–**	–
Kwek Leng Joo	**–**	–

*Held under an Employee Share Ownership Plan.

On 28 September 2000, a provisional allocation was granted to R Morse over 20,000 ordinary shares for £nil consideration. These shares were purchased at a price of 415p by Millennium & Copthorne Share Trustees Limited, the Trustee of the Millennium & Copthorne 1997 Employees' Share Ownership Plan Trust (the 'ESOP'). These shares will be held by the ESOP until 24 April 2002. In accordance with Schedule 13 of the Companies Act 1985, all the executive directors are taken to have a technical interest in all the ordinary shares in the ESOP.

On 26 February 2000, in accordance with the Rules of the ESOP, 18,955 shares were transferred from this Plan to the personal account of J Wilson.

The interests of the City Developments Limited nominated directors in that company and its ultimate parent company, Hong Leong Investment Holdings Pte Limited, are disclosed in the accounts of those companies. There have been no changes to directors' interests between 31 December 2000 and the date of this report.

30 Directors' emoluments (continued)

An analysis of options held by each director as at 31 December 2000 is set out below:

Name/ scheme	Date granted	Number of options brought forward	Number of options adjusted during the year[1]	Number of options granted/ (exercised) during year	Number of options at year end	Exercise price	Exercise period
J Wilson							
Part A	05 Mar 98	6,422	87	–	6,509	£4.6087	05 Mar 01-04 Mar 08
Part B	05 Mar 98	100,603	1,369	–	101,972	£4.6087	05 Mar 01-04 Mar 05
Part B	05 Mar 99	51,039	694	–	51,733	£4.8321	05 Mar 02-04 Mar 06
Part B	17 Mar 00	–	–	156,716	156,716	£3.35	17 Mar 03-16 Mar 07
F J A Brown							
Part A	24 Apr 96	11,919	162	–	12,081	£2.4830	24 Apr 99-23 Apr 06
Part B	24 Apr 96	67,541	919	–	68,460	£2.4830	24 Apr 99-23 Apr 03
Part B	07 Mar 97	27,339	371	–	27,710	£3.6084	07 Mar 00-06 Mar 04
D A H Cook							
Sharesave	15 Apr 96	8,582	115	–	8,697	£1.9829	01 Jun 01-01 Nov 01
Part A	24 Apr 96	11,919	162	(12,081)	–	£2.4830	24 Apr 99-23 Apr 06
Part B	24 Apr 96	69,131	940	(70,071)	–	£2.4830	24 Apr 99-23 Apr 03
Part B	07 Mar 97	27,885	380	–	28,265	£3.6084	07 Mar 00-06 Mar 04
Part B	05 Mar 99	26,540	361	–	26,901	£4.8321	05 Mar 02-04 Mar 06
Part B	17 Mar 00	–	–	22,985	22,985	£3.35	17 Mar 03-16 Mar 07
A G Potter							
Part A	19 Nov 99	7,425	101	–	7,526	£3.9856	19 Nov 02-18 Nov 09
Part B	19 Nov 99	47,030	640	–	47,670	£3.9856	19 Nov 02-18 Nov 06
Part B	17 Mar 00	–	–	65,671	65,671	£3.35	17 Mar 03-16 Mar 07
R Morse							
Part B	27 Sep 00	–	–	109,041	109,041	£4.135	27 Sep 03-26 Sep 07

NOTES

1 As a consequence of the placing of additional shares on 15 December 1999, the remuneration committee approved adjustments to all options and entitlements held by current members of the Executive Share Option Scheme and Sharesave Scheme to take account of any diminution of value arising from the issue of these additional fully paid shares. The adjustments were made in accordance with the standard computation recommended by the Inland Revenue. Inland Revenue approval was given to effect the adjustment on 24 January 2000. The adjustment was calculated as follows: The number of shares held as an option was increased by 1.0136. The exercise price was reduced to 98.6531% of the existing grant price.

2 During the period, D A H Cook exercised 82,152 options on 29 August 2000 at a price of 463p resulting in an aggregate gain of £176,380 before deduction of tax. No other directors exercised options during the period and, therefore no other directors made aggregate gains during the year. The mid-market share price at close of business on 1 March 2001 was 410p. The range of the share price during the year was 308.0p to 494.5p. The average share price during the year was 402p. The mid-market share price at 31 December 2000 was 441.5p.

3 During the period, P J Taylor and V W E Yeo resigned as directors. Under the rules of the Executive Share Option Scheme, they both retained their options as reported in the 1999 Annual Report.

	2000	1999	Pro forma 1999
Occupancy (%)			
London	**85.7**	81.7	81.7
Regional UK	**74.1**	73.3	73.3
Continental Europe	**69.8**	63.7	63.7
USA	**67.8**	81.5	67.1
Asia	**68.9**	64.9	64.0
Australasia	**64.4**	62.3	63.7
Group	**69.9**	70.6	67.9
Average room rate (£)			
London	**93.63**	88.34	88.34
Regional UK	**68.48**	66.39	66.39
Continental Europe	**78.66**	72.35	72.35
USA	**83.90**	145.71	72.82
Asia	**62.15**	48.30	46.55
Australasia	**30.02**	31.63	31.46
Group	**71.22**	74.08	63.01
Yield per available room (£)			
London	**80.24**	72.17	72.17
Regional UK	**50.74**	48.66	48.66
Continental Europe	**54.90**	46.09	46.09
USA	**56.88**	118.75	48.86
Asia	**42.82**	31.35	29.79
Australasia	**19.33**	19.71	20.04
Group	**49.78**	52.30	42.78
Gross Operating Profit margin (%)			
London	**55.0**	53.5	–
Regional UK	**38.1**	40.4	–
Continental Europe	**36.4**	27.2	–
USA	**35.7**	46.2	–
Asia	**39.4**	37.1	–
Australasia	**33.6**	32.9	–
Group	**39.5**	42.9	–

Note: Prior year statistics for the USA and Group only include the Millennium Hotel New York Broadway and Millenium Hilton New York for the US portfolio. The pro forma statistics for the USA, Asia, Australasia and Group include the hotels acquired in 1999 as if they had been owned for the whole year.

Analysis of shareholders at 1 March 2001	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
Number of shares				
0-10,000	765	74.7	1,028,318	0.4
10,001-25,000	54	5.3	894,780	0.3
25,001-50,000	53	5.2	2,036,642	0.7
50,001-100,000	45	4.4	3,258,131	1.2
100,001-500,000	62	6.1	15,289,882	5.4
500,001-1,000,000	13	1.3	9,337,074	3.3
Over 1 million	31	3.0	250,280,419	88.7
Total	1,023	100.0	282,125,246	100.0

We are committed to providing information to our shareholders to enable them to assess our Group's performance and financial position. Information relating to our share price can be found on BBC 1 Ceefax (page 228) and Channel 4 Teletext (page 514). Information about our hotels can be found on ITV Teletext (page 267) and on our website at www.millennium-hotels.com.

Registered office

Victoria House, Victoria Road, Horley, Surrey RH6 7AF, United Kingdom

Financial calendar

Dividend record date	30 March 2001
Annual general meeting	26 April 2001
Final dividend payment	1 May 2001
Interim results announcement	August 2001
Interim dividend payable	October 2001

Advisors

Stockbrokers	Deutsche Bank
Auditors	KPMG Audit Plc
Solicitors	Clifford Chance
Principal Bankers	Royal Bank of Scotland Plc HSBC ING Barings
Registrars	Lloyds TSB Registrars

	2000 £m	Restated 1999 £m	Restated 1998 £m	Restated 1997 £m	Restated 1996 £m
PROFIT AND LOSS ACCOUNT					
Turnover including share of turnover of joint ventures	**722.8**	343.1	221.9	202.6	166.2
Group operating profit	**171.5**	96.1	73.0	61.4	46.6
Share of operating profits of joint venture	**8.0**	–	–	–	–
Share of operating profits of associated undertakings	**14.5**	9.2	9.4	8.6	7.3
Net interest payable	**(64.9)**	(21.8)	(24.0)	(22.0)	(17.1)
Profit on ordinary activities before taxation	**129.1**	83.5	58.4	48.0	36.8
Taxation on profit on ordinary activities	**(22.5)**	(19.5)	(15.4)	(11.9)	(8.0)
Profit on ordinary activities after taxation	**106.6**	64.0	43.0	36.1	28.8
Minority interests	**(13.5)**	(5.1)	(0.6)	(0.8)	(0.8)
Profit for the financial year	**93.1**	58.9	42.4	35.3	28.0
BALANCE SHEET					
Tangible fixed assets	**2,249.3**	2,165.4	895.2	793.7	669.3
Investments	**137.7**	50.7	54.7	49.0	8.7
Other assets	**142.9**	93.9	23.9	22.1	19.4
Borrowings net of cash	**(727.0)**	(633.7)	(274.0)	(256.9)	(209.9)
Other liabilities	**(179.4)**	(189.0)	(59.8)	(56.8)	(49.4)
Provisions for liabilities and charges	**(4.2)**	(4.7)	(5.2)	(5.8)	(6.4)
NET ASSETS	**1,619.3**	1,482.6	634.8	545.3	431.7
Share capital and share premium	**929.3**	928.6	338.8	338.7	337.9
Reserves	**539.3**	383.1	289.4	202.6	87.7
Shareholders' funds	**1,468.6**	1,311.7	628.2	541.3	425.6
Minority interests	**150.7**	170.9	6.6	4.0	6.1
TOTAL CAPITAL EMPLOYED	**1,619.3**	1,482.6	634.8	545.3	431.7

Gearing – restated (%)	**50**	50	44	47	49
Basic earnings per share – restated (p)	**33.0**	28.5	26.4	22.1	20.5
Dividends per share (p)	**12.5**	11.3	10.2	8.6	4.7
Gross operating profit margin (%)	**39.5**	42.9	47.7	46.0	42.1
Occupancy (%)	**69.9**	70.6	79.4	79.4	77.1
Average room rate (£)	**71.22**	74.08	89.56	82.39	75.04
Yield per available room (£)	**49.78**	52.30	71.11	65.42	57.86

The restatement of prior periods relates to the introduction of FR15 as set out in note 1.

In June 1999 the Group acquired the hotel interests of CDL Hotels International Limited. In November 1999 the Group acquired the Seoul Hilton and in December 1999 the Group acquired the USA assets of Regal Hotels International Limited.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Millennium & Copthorne Hotels plc for the year 2001 will be held at 200 Aldersgate Street, London EC1A 4JJ on Thursday 26 April 2001 at 10.00am for the transaction of the following business:

Ordinary business

1 To receive the directors' report for the year ended 31 December 2000.

2 To receive the Accounts for the year ended 31 December 2000 together with the auditors' report on those Accounts.

3 To declare a final dividend for the year ended 31 December 2000 of 8.3p per share.

4 To re-appoint Mr John Wilson retiring by rotation as a director in accordance with the Company's Articles of Association.

5 To re-appoint Mr Frederick Brown retiring by rotation as a director in accordance with the Company's Articles of Association.

6 To re-appoint Mr David Alan Hancock Cook retiring by rotation as a director in accordance with the Company's Articles of Association.

7 To re-appoint Mr Robert Morse as a director in accordance with the Company's Articles of Association.

8 To re-appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company, at a remuneration to be determined by the directors.

Special business

To consider and, if thought fit, pass the following resolutions which will be proposed in the case of resolutions 9 and 10 as special resolutions and in the case of resolution 11 as an ordinary resolution.

Special resolutions

9 THAT the authority conferred on the directors by article 4(B) of the Company's Articles of Association be renewed for the period expiring 15 months after the date of the passing of this resolution and for that period the 'section 80 amount' is £28,212,242 being 33⅓% of the ordinary share capital in issue on 1 March 2001.

10 THAT the power conferred on the directors by article 4(C) of the Company's Articles of Association be renewed for the period expiring 15 months after the passing of the resolution and for that period the 'section 89 amount' is £4,231,879 being 5% of the ordinary share capital in issue on 1 March 2001.

Ordinary resolutions

11 THAT the provisions of the Co-operation Agreement dated 18 April 1996, as amended – by which the Company agrees that it shall use all reasonable endeavours to ensure that any issue of voting securities (other than pursuant to an employee or executive share option scheme) for cash which takes place is carried out in a manner that provides City Developments Limited with an opportunity to acquire additional ordinary shares at the time of such proposed issue for cash in such amounts as are necessary to enable it to maintain its voting rights in the Company at the same level as is held immediately prior to such issue – be renewed for the period expiring at the conclusion of the Company's Annual General Meeting in 2002.

By order of the Board

Registered Office
Victoria House
Victoria Road
Horley
Surrey RH6 7AF
UK

Simon J Hodges
Company Secretary
12 March 2001

NOTES

1 Any member entitled to attend and vote at the meeting convened by the above Notice may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed for use, if desired. Completion of a form of proxy does not preclude a member from attending and voting at the meeting in person.

2 To be valid, forms of proxy must be lodged with the Company's Registrars, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex, BN99 3UH not less than 48 hours before the time appointed for holding the meeting.

3 There are available for inspection at the registered office of the Company, Victoria House, Victoria Road, Horley, Surrey, RH6 7AF during normal business hours on each business day, copies of all service contracts between the directors and the Company or its subsidiaries. These documents will also be available for inspection at the place of the annual general meeting for at least 15 minutes prior to and during the Annual General Meeting.

4 The register of directors' interests kept by the Company under section 325 of the Companies Act 1985 will be produced at the commencement of the meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.

5 The directors have no current intention to exercise the right to allot shares given by the special resolution 9 set out above.

6 The Company, pursuant to Regulation 34 of the Uncertified Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company as at 6.00pm on 24 April 2001, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00pm on 24 April 2001 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Millennium & Copthorne Hotels Index

LONDON

Millennium Gloucester Hotel Kensington
Millennium Bailey's Hotel Kensington
Millennium Hotel Knightsbridge
Millennium Hotel Mayfair
Copthorne Tara Hotel Kensington

REGIONAL UK

Millennium Madejski Hotel Reading
Millennium Hotel Glasgow
Copthorne Hotel Aberdeen
Copthorne Hotel Birmingham
Copthorne Hotel Cardiff Caerdydd
Copthorne Hotel Effingham Park Gatwick
Copthorne Hotel London Gatwick
Copthorne Hotel Manchester
Copthorne Hotel Merry Hill Dudley
Copthorne Hotel Newcastle
Copthorne Hotel Plymouth
Copthorne Hotel Slough Windsor

CONTINENTAL EUROPE

Millennium Hotel Paris Opéra
Copthorne Hotel Paris Charles de Gaulle
Copthorne Hotel Coquelles Calais
Copthorne Hotel Hannover
Copthorne Hotel Stuttgart International

UNITED STATES

Millennium Hotel New York Broadway
Millennium Hotel New York United Nations
Millennium Biltmore Hotel Los Angeles
Millennium Bostonian Hotel Boston
Millennium Hotel Cincinnati
Millennium Hotel Anchorage
Millennium Hotel Boulder
Millennium Hotel Minneapolis

UNITED STATES (continued)

Millennium Hotel Nashville
Millennium Hotel Raleigh Durham
Millennium Hotel St. Louis
Millennium Knickerbocker Hotel Chicago
Millennium McCormick Ranch Resort Scottsdale
The Millenium Hilton, New York
The Plaza, New York
Clarion Fourwinds Resort and Marina Indiana
Comfort Inn, Salt Lake Airport International, Utah
Comfort Inn, Vail/Beaver Creek, Colorado
Eldorado, New Mexico
Park Inn, Florida
Pine Lake Trout Club, Ohio
Four Points Hotel, Buffalo Airport, New York
Sunnyvale Four Points, California

ASIA

Orchard Hotel Singapore
Grand Copthorne Waterfront Hotel Singapore
Copthorne King's Hotel Singapore
Copthorne Orchid Hotel Singapore
Copthorne Harbour View Hotel Singapore
Copthorne Orchid Hotel Penang
Millennium Hotel Sirih Jakarta
The Heritage Hotel Manila
Grand Hyatt Taipei
The Seoul Hilton
The Regent Kuala Lumpur
Hotel Nikko Hong Kong
JW Marriott Hotel Hong Kong

AUSTRALASIA

Millennium Hotel Christchurch
Millennium Hotel Queenstown
Millennium Hotel Rotorua

AUSTRALASIA (continued)

Millennium Hotel Sydney
Copthorne Hotel Auckland Anzac Avenue
Copthorne Hotel Auckland HarbourCity
Copthorne Hotel & Resort Bay of Islands
Copthorne Hotel Christchurch Central
Copthorne Hotel Christchurch Durham Street
Copthorne Hotel & Resort Masterton Solway Park
Copthorne Hotel & Resort Queenstown Lakefront
Copthorne Hotel & Resort Taupo Manuels
Copthorne Suites Hotel Tauranga Puriri Park
Copthorne Hotel Wellington Plimmer Towers
Quality Hotel Logan Park, Auckland
Quality Hotel Rose Park, Auckland
Quality Hotel Autolodge, Paihai, Bay of Islands
Quality Hotel Brydon Oamaru
Quality Hotel Autolodge, Christchurch
Quality Hotel Commodore, Christchurch Airport
Quality Hotel Dunedin
Quality Hotel Kings, Greymouth
Quality Hotel Hamilton
Quality Hotel Whangarei
Quality Hotel Palmerston North
Quality Resort Terraces, Queenstown
Quality Hotel Rotorua
Quality Hotel Te Anau
Quality Hotel Oriental Bay, Wellington
Quality Hotel Willis Street, Wellington

NON-HOTEL ASSETS

King's Tanglin Shopping Centre Singapore
Birkenhead Shopping Centre and residential property & marina, Sydney
Development land, New Zealand

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Australia	1 800 147 803
Hong Kong	800 96 2541
Japan	0120 500 174*
Korea (Seoul)	82 2 512 0400
Indonesia	001 803 65 6541
Beijing	010 6592 5279/80
Other Chinese cities	800 810 0176 (toll free to Beijing)
Malaysia	1 800 80 1063
New Zealand	0800 808 228
Singapore	65 735 7575†
Thailand	001 800 65 6544
New Delhi	91 11 628 4455
Taipei	886 2 2775 5246
Taiwan	0080 65 1505

EUROPE/MIDDLE EAST

Austria	0800 29 58 30
Belgium	0800 134 48
Denmark	800 104 99
Finland	0800 11 32 70
France	0800 90 95 86*
Germany	0800 182 5813*
Ireland	1 800 55 32 25
Israel	1 800 945 0920
Italy	8008 767 30
Luxembourg	0800 29 15
Netherlands	0800 022 57 79
Norway	800 114 17
Portugal	0800 8 44 69 90
Spain	900 97 44 66
Sweden	020 79 16 03
Switzerland	0800 55 23 86
United Kingdom	0800 41 47 41

NORTH AMERICA

Canada and United States	1 866 866 8086

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Brazil	000 814 550 2576
Chile	1230 020 2148
Colombia	9809 153 813
Mexico	95 800 637 7200
Venezuela	8001 2799

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Fax (703)469 3713

*Millennium Hotels and Resorts Hotline Numbers.
†Local rates apply.

FOR FURTHER INFORMATION
Please visit our website
http://www.millennium-hotels.com

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MILLENNIUM & COPTHORNE HOTELS plc Annual Report and Accounts 2000