MILLENNIUM & COPTHORNE
HOTELS plc

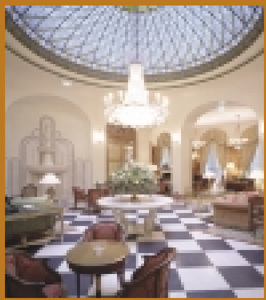
ANNUAL REPORT AND ACCOUNTS

1995 1996 1997 1998 1999 2000 2001 **2002** 2003 2004 2005

THE AMERICAS

L-R:
Millennium Biltmore Hotel Los Angeles
The Plaza New York



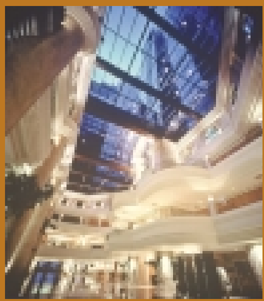
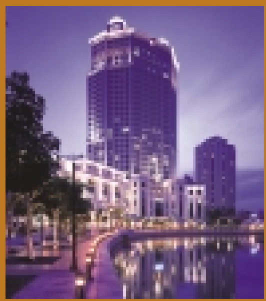
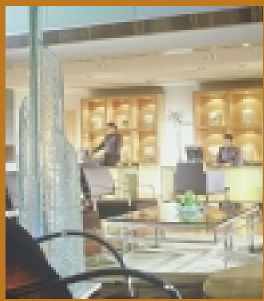


EUROPE, MIDDLE EAST
AND NORTH AFRICA

L-R:
Millennium Hotel London Mayfair
Millennium Hotel Paris Opéra
Millennium Hotel Abu Dhabi

ASIA

L-R:
Grand Hyatt Taipei
Grand Copthorne Waterfront Hotel Singapore
M Hotel Singapore

AUSTRALASIA

L-R:
Copthorne Hotel & Resort Queenstown Lakefront
Millennium Hotel Rotorua


Millennium & Copthorne Hotels plc operates a global community of hotels for the modern business and leisure traveller.

First class hotels, effectively managed... diversified portfolio... hotel and property expertise... balance sheet with capacity for growth

clockwise from top left:
Millennium Harvest House Boulder
Copthorne Hotel Birmingham
Millennium Hotel Sharjah
Millennium Hotel Queenstown

Contents

Financial Summary

	2002	2001
• Group turnover (£ million)	**567.5**	594.6
• Group operating profit (£ million)	**96.3**	100.4
• Pre-tax profit (£ million)	**60.2**	54.2
• Earnings per share (pence)	**13.4**	10.9 (restated)
• Dividends per share (pence)	**12.5**	12.5

This Year's Highlights

- Increasing market share
  – Driving sales at a local level
  – Improving occupancy levels
- Ongoing cost saving initiatives leading to improved operating margins
- Asset review
  – Millennium Hotel Sydney conversion to apartments
  – Sale of non-core assets in London and China

Millennium & Copthorne Hotels plc 17 countries with a portfolio of

THE AMERICAS

1 Anchorage
2 Minneapolis
3 Boston
4 Chicago
5 New York (4)
6 Boulder
7 St Louis
8 Cincinnati
9 Durham
10 Los Angeles
11 Nashville
12 Scottsdale
13 Galapagos Islands
• Other United States (5)

EUROPE,
NORTH AFRICA,
MIDDLE EAST

1 Aberdeen
2 Glasgow
3 Newcastle
4 Manchester
5 Birmingham
6 Merry Hill Dudley
7 Cardiff
8 Reading
9 Slough Windsor
10 London (5)
11 Gatwick (2)
12 Plymouth
13 Calais
14 Hannover
15 Stuttgart
16 Paris (2)
17 Istanbul*
18 Ankara*
19 Marrakech*
20 Agadir
21 Abu Dhabi
22 Dubai
23 Sharjah

operates in major gateway cities in 92 hotels with 25,000 rooms.

ASIA

1 Seoul
2 Taipei
3 Hong Kong (2)
4 Manila
5 Penang
6 Kuala Lumpur
7 Singapore (5)
8 Jakarta

AUSTRALASIA

1 Sydney #
2 Bay of Islands
3 Auckland (2)
4 Rotorua
5 Taupo
6 Masterton
7 Wellington
8 Christchurch (3)
9 Queenstown (2)
• Quality Hotels & Resorts, New Zealand (16)

Millennium Hotel Sydney ceased operations as at 31 March 2003.

* SCHEDULED TO OPEN

We will continue our successful strategy of maintaining and improving market share. While in the short term trading conditions are likely to remain difficult, we are confident that our longer term prospects are excellent.

GROUP RESULTS

At the beginning of 2002 there were differing views regarding the timing of the recovery within the hospitality sector. Some hotel companies were more optimistic than others, but many shared the view that, at best, a slow recovery would emerge during the year.

We started the year with confidence. We had seen our Group begin a recovery in early 2002 and, although the operating environment remained challenging, our performance for the period to 30 June 2002 was better than we had expected. This recovery continued steadily during the summer and autumn of 2002 despite the shrinking volume of the corporate market and some aggressive rate cutting within the industry. However, following the escalation of the Iraq crisis from mid-November onwards, business volumes began to deteriorate. Despite this, the Group has progressed in a number of areas such as securing further management contracts and reviewing our non-core assets.

Group turnover for the year ended 31 December 2002 was £567.5m (2001: £594.6m). Group operating profit decreased by 4% to £96.3m (2001: £100.4m) and profit before tax increased by 11% to £60.2m (2001: £54.2m). Earnings per share were 13.4p (restated 2001: 10.9p).

The Group's balance sheet is strong with net assets at £1.5bn (restated 2001: £1.6bn) and gearing at 50% (restated 2001 49%). Our cash inflow from operations was £122.2m (2001: £136.0m). The directors are therefore again recommending a final dividend of 8.3p per share (2001: 8.3p per share) reflecting our confidence in the underlying strength of the Group. This results in a total dividend for the year of 12.5p per share (2001: 12.5p).

RESPONSE TO MARKET CONDITIONS

The overall performance of M&C for the year under review demonstrated our prompt and effective response to the turbulent conditions under which we operated. Our cost control initiatives which we introduced in late 2001 were continued in 2002 and this, together with our aggressive tactical marketing, stood us in good stead. We increased our market share in both New York and London, saw an encouraging performance overall from Asia and had another excellent year in Australasia.

We are seeing considerable variations in regional performance and future trends remain difficult to predict due to global economic conditions and the political tensions relating to Iraq. The geographic diversification of the Group in 1999 has reduced our dependency on the London and New York markets. In 2002, London and New York accounted for 25% of the Group's revenue and 43% of its total operating profit, compared to a far more significant 69% and 83% respectively in 1998.

Our strategic response to the weak trading conditions that the hospitality industry is facing has been to maintain and increase market share by driving sales at a local level, as well as securing further management contracts to access new revenue streams. In addition, we continue to monitor our cost base carefully with targeted reductions. Service to our customers is paramount, but we are committed to reducing costs as far as possible without damaging our standards and reputation or losing our ability to react positively when the market recovers.

The management contract hotels in Abu Dhabi, Sharjah and the Galapagos Islands opened during 2002. In January 2003 we announced that the Group had secured the management of the Millennium Hotel Dubai Airport, our third hotel in the United Arab Emirates. The Millennium Hotel Agadir had a soft opening on 14 February 2003, the hotel in Marrakech is scheduled to open later this year and our two hotels in Turkey will open in 2004/5 following refurbishment.

Our assets are well maintained and this has enabled us to reduce overall capital spending to target specific areas that need capital. As well as service standards, the superior location and quality of our properties are key to maximising the upside when economic recovery gathers pace. Our policy of maintaining market share, combined with the substantial targeted capital investment programme that we have followed since flotation in 1996, means that we are well positioned to take maximum advantage of the upturn when it comes.

ASSET REVIEW

Despite the current economic and geopolitical risks, hotel values have held up reasonably well as a result of low interest rates, moderate industry gearing and limited new room supply in many cities. The Group is continually reviewing its portfolio of non-core assets and seeking opportunities to realise shareholder value.

Millennium Hotel Sydney

At the time of our interim results we stated that we continued to consider alternative development opportunities for the Millennium Hotel Sydney. The hotel is located on the edge of the main business centre in an area which has become a good residential district and is suitable for development into high class apartments. South Sydney Council has approved our application to convert part of the hotel property to residential units and therefore the hotel will close on 31 March 2003. The expertise of our majority shareholder, City Developments Limited, will be invaluable in maximising the return from this project. We have begun pre-selling and the response has been encouraging with nearly half the apartments taken. We will evaluate the best use of the remaining tower in due course. The profit to be recognised in 2003 and 2004 will depend on the unit sales and the progress of construction.

London staff hostel

In order to take advantage of the high value of London's residential property we decided to dispose of one of our two staff hostels. The sale completed in January 2003 for a consideration of £4.2m. A net profit of £4.0m will be recognised in 2003.

Suzhou, China

A partly completed property in Suzhou in China was sold in early 2003. The property was acquired as part of the Asia Pacific purchase of assets in June 1999. No value was attributed to the property at acquisition and therefore M&C will recognise its £2.1m share of the profit on sale in 2003.

BRANDING

During the year, group management engaged actively with branding consultants and specialist designers to create new concepts that could be introduced to our global portfolio of Millennium hotels. Ideas being explored have the potential to be adopted worldwide and to provide long-term sustainable advantages for the Group.

We plan to introduce some of the new thinking and ideas by the end of 2003. This work will be important in further enhancing our existing brand assets, as we strive to deliver added value to our customers, investors and business partners.

MILLENIUM HILTON

The Millenium Hilton, New York has been closed since 11 September 2001. Work on the renovation has been underway for some time and we expect a partial re-opening of the hotel during the second quarter of 2003. We plan to have all of the rooms open by the end of the third quarter of 2003.

Proceeds of US$49.5m from the insurance claim have now been received in respect of the capital and business interruption claims. However, the insurance company has taken legal action to seek clarification on certain aspects of the policy. The Board has taken legal advice and based on this, and its own information, considers that the Group's interpretation of the policy is correct.

The Board has decided that, until the dispute is settled, it would be prudent not to recognise any further business interruption income from 1 January 2003. In the first six months of 2002 we recognised US$4.5m of profit after the recognition of business interruption income (net of depreciation and expenses) with US$9.7m of operating profit being recognised for the full year. We anticipate the operating loss before interest for the first six months of 2003 to be US$9.1m which fully provides for all fixed costs such as insurance, pre-opening costs, marketing and normal operating expenses. The Group believes that this amount will be recoverable on the successful completion of the legal case.

MANAGEMENT AND EMPLOYEES

In May 2002 The Viscount Thurso and Charles Kirkwood were appointed to the Board as independent non-executive directors. They both bring valuable hotel knowledge as well as general business experience to our Group. This increased the number of independent directors to five.

Lord Thurso has taken over from John Sclater as Non-Executive Deputy Chairman and Senior Independent Director and from Fred Brown as chairman of the remuneration committee. Both John Sclater and Fred Brown remain members of the Board.

PROSPECTS AND CURRENT TRADING

I would like to thank our management and staff for all of their cooperation and hard work which has enabled us to limit the effects on our business in the current trading environment.

The prospect of war in Iraq combined with continued worldwide economic uncertainty, means that we expect 2003 to be another challenging year for the Group.

The trading pattern in the final few weeks of 2002 has continued into 2003. For the period from 1 January to 21 February 2003 Group occupancy was slightly higher than the equivalent period in 2002 but average rate was lower. There were significant variations in performance across the regions resulting in a reduction in RevPAR of 2% compared to 2002.

In the USA, we are seeing significant rate pressure in 2003 but occupancies have improved outside New York. In Europe both our occupancy and rates are under pressure, particularly in London. In Asia, RevPAR is marginally down on 2002 whilst in Australasia we are seeing significant improvements in both occupancy and average rate. It is too early to predict the performance of the Group for 2003 as a whole.

The Board remains confident that the Group is well positioned to enable it to meet the immediate challenges which it faces in the global marketplace. We are financially sound, have an experienced management team supported by dedicated staff and our properties are in good condition. We will continue our successful strategy of maintaining and improving market share. While in the short term trading conditions are likely to remain difficult, we have already taken steps to cushion the impact by realising value from our non-core property portfolio and we are confident that our longer term prospects are excellent.

Kwek Leng Beng, Chairman
4 March 2003

GROUP PERFORMANCE

The Group's results for 2002 reflect the challenging business environment and worldwide political uncertainty that existed throughout the year. RevPAR trends were not easy to predict, bookings had a very short lead time and forecasting revenues was difficult. However, the Group's focus on maintaining market share and reducing costs means that we have achieved a very creditable set of results for the year.

In order to assist the understanding of our key operating statistics we are presenting "like for like" ('LFL') comparatives in constant currency. To achieve this we have excluded from the prior year comparatives the Millenium Hilton New York and the properties we sold in the United States last year, but included the full year effect of the Millennium Hotel Stuttgart, which was consolidated from 1 October 2001.

Occupancy for the Group was 67.2% (2001: 65.1%; LFL 65.1%); the average room rate was £65.73 (2001: £71.39; LFL £68.33) producing a RevPAR of £44.17 (2001: £46.47; LFL £44.48). The gross operating profit margin for the Group was 35.1% (2001: 34.6%). At our interim results we reported a like for like decline of 6% in RevPAR for the group. This has reduced to 1% for the full year.

Our Group turnover fell by £27.1m to £567.5m (2001: £594.6m) whereas Group operating profit only fell by £4.1m to £96.3m (2001: £100.4m). This performance demonstrates the effectiveness of the cost control procedures that we put in place in late 2001 and has been achieved despite significant rises in insurance costs, increased depreciation as a result of our capital expenditure programmes and the full year consolidation of the Millennium Hotel Stuttgart.

In line with previous years, the results of our joint venture and associate hotels are not included in the Group operating statistics.

NEW YORK

Our policy in New York City has been to target volume through tactical marketing and as a consequence LFL occupancy has risen by 10 percentage points to 83.3% (2001: 75.3%; LFL 73.3%) due primarily to an increase in leisure business. This, combined with lower corporate rates, has reduced the average room rate to £120.28 (2001: £139.28; LFL: £129.79). However, by successfully driving volume the resultant LFL RevPAR increased by 5% to £100.19 (2001: £104.88; LFL £95.14) and the gross operating profit margin improved to 32.5% (2001: 27.0%).

Corporate booking patterns were unpredictable during the year but we were encouraged by the gradual improvement that we saw, particularly as a result of our intensive efforts to attract the conference and meetings market to the Millennium Broadway Hotel New York. The Millennium UN Plaza Hotel New York has, despite severe access restrictions, improved its RevPAR by 3% compared to 2001.

We have included US$9.7m of business interruption income (net of depreciation and expenses) from the Millenium Hilton insurance claim in our results for the year (11 September 2001 to 31 December 2001: US$ 1.8m). Due to the current legal dispute with the insurer, it is anticipated that no further income will be recognised pending resolution of this dispute and that all pre-opening costs for 2003 will be charged to the profit and loss account.

As a response to the difficult conditions which exist across the United States we carried out a review of centralised costs in the region. In order to reduce our operating costs in the USA, we relocated most of our regional office activity from Denver and Washington to our existing offices in New York and London.

The City of New York has announced 18% increases in real estate taxes from 2003. The effect on our properties will be an increased cost of some US$ 2.7m.

REGIONAL US

The Regional US remains challenging primarily due to the reduction in both domestic air travel and the demand for convention business.

We are confident that the strategy to maintain and improve market share without wholesale cuts in average rates is the right course for the Group and will pursue it during 2003, a year in which trading conditions will be challenging.

Occupancy for the region was 54.0%, broadly the same as last year (2001: 53.9%; LFL 54.1%). Average room rate fell to £70.83 (2001: £73.49; LFL £72.57) and the resulting RevPAR was £38.25 (2001: £39.61; LFL £39.26). The gross operating profit margin was 23.7% (2001: 24.1%).

Our hotels which depend on the convention business, namely in St Louis, Los Angeles and Cincinnati, account for 48% of our rooms in this marketplace. The properties in St Louis and Los Angeles have seen signs of improved occupancy during 2002 but they have still shown an aggregate RevPAR decline of 7% compared to 2001. At the half year this was a reduction of 21%. The Millennium Hotel Cincinnati has improved RevPAR by 5% compared to the prior year, although its EBITDA is 6% lower than in 2001 due to higher property taxes and insurance. Our Millennium hotels in Minneapolis and Chicago also both achieved improved RevPAR in 2002.

We carried out major refurbishment work in our hotel in Nashville and it has now been rebranded as a Millennium property. Our property in Buffalo, branded as a Sheraton Four Points, has also been renovated during 2002.

LONDON

London average rates have been under pressure all year, with inbound business from the United States particularly badly hit, although occupancy levels have remained high. We have gradually seen the RevPAR decline of 11% in the first half year being reduced to 5% for the year as a whole. Overall occupancy for London was 83.1% (2001: 80.4%) with an average room rate of £79.86 (2001: £87.32) producing a RevPAR of £66.36 (2001: £70.21). The gross operating profit margin was 51.4% (2001: 50.4%).

As in New York, our policy during the year has been to maintain occupancy at a high level by tactical price reductions, rather than wholesale cuts in room rates. At the same time, all of our properties have implemented tight cost control measures and we have been able to convert a reduction in RevPAR for the region into an overall improvement in the gross operating profit margin.

We have continued to maintain the high standard of our London hotels with two floors of bedrooms being refurbished at The Copthorne Tara Hotel London Kensington as well as upgrading essential facilities at The Millennium Gloucester Hotel London Kensington. We have engaged the well known chef Brian Turner to operate our à la carte dining at the Millennium Hotel London Mayfair. His unique style will attract more non residents to the hotel restaurant and improve the profitability of its food and beverage department.

REST OF EUROPE

The performance of our Regional UK and Continental European hotels was mixed. Occupancy was 68.6% (2001: 71.2%; LFL 71.4%) with an average room rate of £68.94 (2001: £72.35; LFL £70.75) producing a RevPAR of £47.29 (2001: £51.51; LFL £50.52). The gross operating profit margin was 30.5% (2001: 35.9%).

The trading conditions were challenging but we were particularly pleased to see improvements in RevPAR in the Copthorne hotels in Birmingham, Cardiff and Merry Hill. A number of other hotels held their RevPAR at approximately the same level as in 2001 despite difficult local market conditions.

Our two hotels close to Gatwick airport have suffered from the general decline in air travel and showed an aggregate RevPAR decline of 23%. This was due to falls in both occupancy and average rate.

Our other European airport hotel at Paris Charles de Gaulle saw a significant reduction in its occupancy but managed to marginally increase its average rate. Overall its RevPAR fell by 10% compared to 2001. This property was rebranded as a Millennium in the autumn and we expect to see a better performance in 2003.

The results of our two hotels in Germany continue to be disappointing due to local economic conditions and both properties recorded falls in RevPAR. The Millennium Hotel Stuttgart has a relatively high level of fixed costs because it is leased and the impact of this high operational gearing in the current trading environment resulted in net losses before interest from this hotel of £3.0m.

ASIA

Across the seven Asian countries in which we operate we saw a mixed picture, although generally we are encouraged by the region's performance, particularly in our large profit contributing properties in Seoul and Taipei. The Bali bomb in October did not have a major impact on our business in the region.

Occupancy for the region was 66.4% (2001: 62.5%; LFL 62.5%). The average room rate fell to £59.26 (2001: £64.19; LFL £61.71) producing a RevPAR of £39.35 (2001: £40.12; LFL £38.57). The gross operating profit margin for the region was 38.8% (2001: 38.2%).

The decline in visitors to Singapore from the USA and Japan has been countered by increased inbound traffic from other Asian countries, particularly China. The effect of this is that three of our four owned properties in Singapore showed increases in occupancy but reductions in average rate, leading to an overall reduction in RevPAR in Singapore of 6%. The fourth, Copthorne King's Hotel, began a major renovation during the second half of the year which will reposition it more directly within the business market. We expect the work to be completed in mid-2003 at a cost of S$13m. We will also be refurbishing the second tower at the Orchard Hotel Singapore in 2003.

Our hotel in Seoul produced an increase in RevPAR of 7% reflecting the good performance of the South Korean economy, the strongest in North Asia, which was somewhat helped by the football World Cup and the Asian Games. The other large hotel that we own in this region, the Grand Hyatt Taipei, achieved a RevPAR increase of 4%. This is an encouraging performance in light of the economic environment in Taiwan which has been difficult.

In Hong Kong our two hotels competed effectively in a marketplace that was severely affected by the reduced levels of international air travel as a consequence of the opening up of mainland China but which has now stabilised. They experienced a 5% increase in RevPAR which, combined with very effective cost control, increased our share of their operating profits from £5.8m in 2001 to £7.1m in 2002. The Millennium Hotel Sirih Jakarta and the Regent Kuala Lumpur both showed improvements in RevPAR during 2002.

AUSTRALASIA

The overall operation in Australasia reported record profits.

Hotel operations

Our hotels in this region continue to perform very well. Occupancy increased to 70.4% (2001: 67.1%; LFL 67.1%). The average rate was £31.46 (2001: £28.56; LFL £30.36) and the resultant RevPAR increased from £22.15 (2001: £19.16; LFL £20.37).

The gross operating profit margin continued to improve to 37.3% (2001: 35.1%) clearly demonstrating our ongoing and effective cost control. Since we acquired these hotels in 1999 the gross operating profit margin has increased by more than four percentage points. The leisure business has been helped by intensive marketing of their country by the New Zealand tourist authorities.

Major refurbishment work was carried out to the bedrooms at Copthorne Hotel Christchurch Central and airconditioning was installed in all of the guest rooms. In addition the Group purchased the freehold of the Quality Hotel Logan Park in Auckland New Zealand for NZ$ 2.4m. The Group already held a lease on this property.

We have decided to convert part of the Millennium Hotel Sydney into residential apartments and the property will close on 31 March 2003.

Non-hotel operations

This region generates a significant proportion of its profits from non-hotel operations.

Our retail operations in Sydney have continued to perform well with very high occupancy. The Birkenhead Point Marina has been refurbished during this year, which will allow us to generate increased revenues and reduce operating costs.

CDL Investments New Zealand, whose primary business is the sale of land, has reported a profit of £2.9m for the year and sold its loss making Knight Frank New Zealand business at book value.

CURRENT TRADING

In the period to 21 February 2003 our like for like RevPAR (compared to 2002 at constant rates of exchange) was 2% down, although there are significant regional variations. There was a 9% fall in RevPAR in New York due to significant pressure on average rate and a 2 percentage point fall in occupancy, mainly as a result of the severe weather conditions experienced in that city. In the rest of the United States RevPAR was up 1% as a reduction in average rate was more than compensated for by better occupancy.

In Europe, London has seen falls in both occupancy and average rate translate into a RevPAR reduction of 7%. Excluding the effect of our airport hotels at Gatwick and Paris-Charles de Gaulle, the RevPAR for the rest of our portfolio in Europe (including Regional UK) is the same as in the equivalant period in 2001. Including the airport hotels, RevPAR was down by 6%.

In Asia, we see encouraging results from our Taiwan and Malaysian hotels although the overall RevPAR for the region was down by 2%. Australasia is again showing increased occupancy and average rate to improve on last year with RevPAR ahead by 11%.

Our strategy is to maintain and improve market share without wholesale cuts in average rates. We are confident that this is the right course for the Group and will pursue it during 2003, a year in which trading conditions will be challenging.

John Wilson, Chief Executive Officer
4 March 2003

RESULTS

The total group turnover for the year was £641.1m (2001: £670.5m) including £73.6m as a share of the turnover of joint ventures (2001: £75.9m). The total group operating profit was £96.3m (2001: £100.4m). The Group share of operating profits of joint ventures and associates was £12.6m (2001: £12.2m) to give a total operating profit of £108.9m (2001: £112.6m).

INTEREST

Total interest receivable and similar income was £9.3m (2001: £9.4m) of which £0.7m (2001: £0.9m) was received from joint ventures.

Group interest payable was £58.0m (2001: £67.8m). The main reason for the reduction is the fall in interest rates, particularly in the USA and United Kingdom. The Group interest payable (excluding joint ventures and associates) was £51.1m (2001: £56.5m).

Of the total interest payable, £0.4m (2001: £0.8m) was payable in respect of the Group's share of the interest payable by associated undertakings and £6.5m (2001: £10.5m) was in respect of the Group's share of the interest payable by joint ventures. The fall in joint venture interest reflects the reduction in US interest rates.

A total of £0.1m (2001: £0.7m) of interest has been capitalised in relation to major development capital expenditure.

The total net interest cost for the year was £48.7m (2001: £58.4m), which was covered 2.2 times (2001: 1.9 times) by profits, including our share of operating profits of joint ventures and associated undertakings, of £108.9m (2001: £112.6m).

PRIOR YEAR ADJUSTMENT

The Group has adopted Financial Reporting Standard 19 (FRS 19) - Deferred Tax, in 2002. This requires full provision to be made for deferred tax on most types of timing differences. The previous accounting standard required provision only to the extent that it was probable that the liability would crystallise in the future. FRS 19 allows companies the choice of whether to discount their deferred tax balances. The Group has decided not to discount.

Adoption of FRS 19 has been dealt with by way of a prior period adjustment which has given rise to a reduction in shareholders' funds of £62.5 million at 31 December 2001 and the tax charge for the year ended 31 December 2001 has increased by £5.4 million.

TAXATION

The effective rate of tax for the Group is 23.9% (restated 2001: 27.9%). A reconciliation between the statutory and effective rates of tax is shown in note 6 to the financial statements.

MINORITY INTERESTS

The minority interests' share of Group profits arises due to the equity interest that external shareholders hold in subsidiaries and joint ventures of the Group. The equity minority interest charge was £7.8m (restated 2001: £8.2m) which largely arises in Asia and Australasia. The acquisition of the 15% minority share in Republic Hotels and Resorts (see below) has reduced the minority interest charge in the second half of the year.

DIVIDENDS AND EARNINGS PER SHARE

The directors are proposing a final dividend of 8.3p per share (2001: 8.3p). This means that the total dividend per share for the full year will be 12.5p (2001: 12.5p).

The earnings per share were 13.4p (restated 2001: 10.9p).

ACQUISITIONS AND DISPOSALS

On 28 May we announced our intention to make an unconditional voluntary cash offer for the minority shareholding in Republic Hotels and Resorts ('RHR'). At that time it was an 85% subsidiary of the Group listed on the Singapore Stock Exchange. The offer was made on 17 June. On 28 June we announced that we had received sufficient acceptances to make a compulsory acquisition of the outstanding minority shares. RHR is now a wholly owned subsidiary and has been delisted from the Singapore Stock Exchange. This acquisition will provide the Group with more flexibility and efficiency in managing its resources. The consideration for the acquisition was £37.4m.

The Group purchased the freehold of Quality Hotel Logan Park in Auckland New Zealand for NZ$2.4m. The Group already held a lease on this property. The loss making Knight Frank operation in New Zealand was disposed of during the first half of the year.

In December 2002 the Group exchanged contracts on the sale of a staff hostel in London for a consideration of £4.2m. The sale was completed in January 2003 and a profit of £4.0m will be recognised in 2003.

In early 2003, a partly completed property in Suzhou in China, acquired as part of the Asia Pacific transaction, was sold. No value was attributed to the property at

The directors are proposing a final dividend of 8.3p per share (2001: 8.3p). This means that the total dividend per share for the full year will be 12.5p (2001: 12.5p).

acquisition and there has been no expenditure on it by the Group. A net profit of £2.1m will be recognised by the Group in 2003.

MILLENIUM HILTON

The Millenium Hilton remained closed throughout the period. A total of US$ 49.5m has been received to date relating to the insurance claim for damage and business interruption on this property. These receipts have been used to make payments in respect of employment expenses, other variable and fixed costs and on the renovation of the property.

The proceeds of the property damage claim of US$28.4m have been credited to the profit and loss account. Fixed assets with a net book value of US$ 27.4m have been written off to the profit and loss account during the period. At 31 December 2002 a total of US$8.7m had been spent on the renovation and is included in capital work in progress.

The Group has recognised profit of US$9.7m relating to the business interruption claim in the year ended 31 December 2002 (11 September 2001 - 31 December 2001: US$1.8m).

CAPITAL EXPENDITURE

The Group's properties are generally in excellent condition as a result of the substantial capital investment made since the flotation in 1996. We have therefore been able to reduce capital expenditure in 2002 to much lower levels than we have historically seen.

In Europe, two floors of the Copthorne Tara have been renovated and we have begun the remodeling of our à la carte dining at the Millennium Hotel London Mayfair under the guidance of the chef Brian Turner who will now operate this restaurant.

We refurbished 289 rooms of our hotel in Nashville before rebranding it as a Millennium and made a start on improving the bedrooms, bathrooms and corridors at the Sheraton Four Points in Buffalo.

The Copthorne King's Hotel in Singapore is undergoing a S$13m refurbishment after which it will be repositioned more directly in the business market. On-going rolling refurbishment was carried out in Seoul and Taipei.

In Australasia, major work was carried out to 92 bedrooms at Copthorne Hotel Christchurch Central and airconditioning was installed in all of the guest rooms. The marina at Birkenhead in Sydney was upgraded at a cost of £0.9m.

TREASURY AND RISK MANAGEMENT

The net borrowings of the Group, as at 31 December 2002, were £675.5m (2001: £685.5m). Details of the Group's borrowings are set out in note 17 to the financial statements.

Objectives of the Treasury department

The Group treasury matters are governed by policies and procedures approved by the board of directors. During 2002 a new Treasury Committee was set up to monitor and review treasury matters on a regular basis. Day to day treasury matters are dealt with in each regional office. A written summary of major treasury activity is presented to each Board meeting.

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.

Currency risk

The Group's revenue and profit streams are a consolidation of all the currencies of the countries in which it operates. It is not deemed appropriate or cost effective to seek to hedge the foreign exchange risks on these currencies.

Interest rate risk

The Group monitors the risks to its business due to its interest rate exposure on a regular basis. The Group believes that this exposure is mitigated by the use of borrowings in different currencies and therefore, other than in respect of our US loans, does not make extensive use of interest rate swaps or forward contracts except to protect its exposure in relation to large one-off transactions.

It has been deemed appropriate to use derivatives in the USA due to the size and duration of the borrowings and to provide a level of certainty regarding the interest charge.

Liquidity risk
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 main financial covenants for longer-term facilities are interest cover and gearing ratios.

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.

During 2002, the Group concluded new medium term debt facilities in the UK and Singapore. The new UK debt includes a revolving credit facility.

Cashflow and gearing
Net cash inflow from operations was £122.2m (2001: £136.0m). The reconciliation from operating profit is shown in note 25 to the accounts.

The other predominant features of the Group cashflow are the reduction in capital expenditure from £67.1m in 2001 to £33.7m (including the Millenium Hilton) in 2002, the purchase of the minority interest in RHR for £37.4m and the receipt of £18.9m of insurance proceeds relating to the Millenium Hilton capital claim.

There was an overall net increase in cash of £14.9m (2001: decrease £30.2m) which, together with the reduction of £30.6m in the short term deposits, gives to a cash balance at 31 December 2002 of £59.1m (2001: £78.0m).

The Group gearing as at 31 December 2002 was 50% (restated 2001: 49%).

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

In the year there were 22 hotels revalued as part of our normal revaluation cycle. In addition the Group undertakes impairment reviews as required by FRS 11 – Impairment of Fixed Assets and Goodwill.

This annual revaluation and impairment review resulted in some property carrying values being increased and others falling. The net position was a surplus of £0.9m. Where carrying values were reduced this was in all cases in respect of previous upward revaluations. No impairments below historic cost have been necessary.

Investment properties
The Group is required by Statement of Standard Accounting Practice 19 to revalue investment properties annually. The valuation of the three investment properties Court & Tower offices, Los Angeles; Kings Tanglin Shopping Centre, Singapore; and Birkenhead Point Shopping Centre and Marina, Sydney resulted in a revaluation deficit of £0.9m.

Revaluation movements
A number of revaluations have been made on hotel and investment properties in which there are minority interests. As a result part of the revaluation movements referred to above affect Minority Interests rather than the Revaluation Reserve within Shareholders' funds.

FINANCIAL REPORTING STANDARD 17
The Group has adopted the transitional accounting disclosures of FRS17 – Retirement Benefits in 2002. Had the Group implemented FRS17 at 31 December 2002, then the balance sheet would have contained a liability, net of tax, of £6.6m (2001: liability of £3.6m), relating to the deficit in the schemes, with a corresponding reduction in the Group's net assets.

In respect of the UK pension schemes, the final salary section was closed to new entrants with effect from 31 March 2002.

David G Thomas

David Thomas, Group Finance Director
4 March 2003

Board of Directors

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1. KWEK LENG BENG, 62#
Non-Executive Chairman and Chairman of the Nominations Committee

Kwek Leng Beng 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. 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.

2. JOHN WILSON, 61
Chief Executive Officer

John Wilson 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 the Group 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. He was Chairman of the British Hospitality Association during 2002.

3. DAVID THOMAS, 40
Group Finance Director

David Thomas joined Millennium & Copthorne Hotels plc in November 1998 as Vice President of Finance and was appointed Group Finance Director on 7 February 2002. Prior to joining the Group he held senior financial positions with Forte plc and House of Fraser plc. He has an honours degree in Hotel and Catering Management from the University of Strathclyde, Glasgow and qualified as a Chartered Accountant in 1988.

4. TONY POTTER, 53
Chief Operating Officer

Tony Potter joined Millennium & Copthorne Hotels plc 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. He is a Fellow of the Hotel Catering International Management Association and was conferred an honorary Master of Science degree from Plymouth University where he is a visiting lecturer in hospitality management.

5. WONG HONG REN, 51
Investment Manager

Wong Hong Ren joined Millennium & Copthorne Hotels plc as a non-executive director 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 was appointed as an executive director of the Company in April 2001.

6. KWEK LENG JOO, 49
Non-Executive Director

Kwek Leng Joo joined Millennium & Copthorne Hotels plc at the flotation of the Group. He is the Managing Director of City Developments Limited. An executive director of Hong Leong Group Singapore, he also holds directorships in most of the listed companies within the Hong Leong Group, including City e-Solutions Limited and Hong Leong Finance Limited. The President of Singapore Chinese Chamber of Commerce and Industry, Mr Kwek is also Vice Chairman of the Singapore Business Federation and serves in many public and civic institutions.

7. KWEK LENG PECK, 46
Non-Executive Director

Kwek Leng Peck 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, City e-solutions Limited, Hong Leong Singapore Finance Limited and Hong Leong Asia Limited. He has a Diploma in Accountancy.

8. THE VISCOUNT THURSO, 49±*#
Non-Executive Deputy Chairman, Senior Independent Director and Chairman of the Remuneration Committee

The Viscount Thurso was appointed to the Board in May 2002. He is a Fellow of the Hotel Catering International Management Association. He was previously founder General Manager of Cliveden and has held executive positions as Chief Executive of Granfel Holdings Limited and Chief Executive of Fitness & Leisure Holdings Limited. He was also Non-Executive Chairman of Walker Greenbank plc until 2002. Prior to this he was a non-executive director of Savoy Group plc and Royal Olympic Cruiselines. He is currently Member of Parliament for Caithness, Sutherland and Easter Ross.

9. CHRISTOPHER SNEATH, 69±*#
Independent Non-Executive Director and Chairman of the Audit Committee

Christopher Sneath joined Millennium & Copthorne Hotels plc in March 1999. He is a Chartered Accountant and, until his retirement in 1994, he was a senior partner of KPMG. He was a non-executive director of Spirax-Sarco Engineering plc until 2002.

10. JOHN SCLATER CVO, 62±*#
Independent Non-Executive Director

John Sclater joined Millennium & Copthorne Hotels plc at the flotation of the Group. He is currently Chairman of Graphite Enterprise Trust PLC, Finsbury Life Sciences Investment Trust PLC and of Argent Group Europe Limited. He is Deputy Chairman of Grosvenor Group Holdings and a Trustee of the Grosvenor Estate. He is also a director of James Cropper PLC and of Wates Group Limited. He was formerly Chairman of Berisford plc, Foreign & Colonial Investment Trust PLC, The Equitable Life Assurance Society, Hill Samuel Bank Limited, The Union Discount Company of London PLC, Guinness Mahon & Co Ltd and Nordic Bank Limited. He was also formerly a Member of the Council of The Duchy of Lancaster, First Church Estates Commissioner and a Member of The Archbishops Council.

11. FREDERICK BROWN, 69
Non-Executive Director

Fred Brown 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. He is an Associate of the Chartered Institute of Bankers.

12. SIR IDRIS PEARCE, 69±*#
Independent Non-Executive Director

Sir Idris Pearce 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 Innisfree Limited and a governor of the Peabody Trust.

13. CHARLES KIRKWOOD, 67
Independent Non-Executive Director

Charles Kirkwood was appointed to the Board in May 2002. He was formerly Managing Director of Rosewood Hotels and Resorts, Asia and an Industrial Partner to Ripplewood (Japan). He is currently the President and director of Shawnee Holding Inc, a private hotel owning company, and a director of Pennsylvania General Energy. He is a member of the Bar of New York and Supreme Court.

± MEMBER OF THE REMUNERATION COMMITTEE
* MEMBER OF THE AUDIT COMMITTEE
\# MEMBER OF THE NOMINATIONS COMMITTEE

CORPORATE GOVERNANCE

Corporate Governance has been and remains the responsibility of the whole Board. 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.

The Board considers that, throughout the year, it was and continues to be in full compliance with the provisions set out in Section 1 of the Combined Code (the Code) save that the provisions relating to the balance of non-executive directors and the make-up of the remuneration committee were not fully met for part of the year under review. A further explanation about these matters is contained below and in the directors' remuneration report on page 22.

THE BOARD

The Board, as shown on pages 14 and 15, comprises the Non-Executive Chairman and two non-executive directors, (who are directors of the majority shareholder, City Developments Limited (CDL)), a senior independent non-executive director as Deputy Chairman, five additional non-executive directors (of whom four are independent) and four executive directors. Details of the appointment and resignation of directors during the year are given on page 27. Each director is expected to fulfil his duties for the benefit of all shareholders and it is believed that the independent non-executive directors provide strong independent judgement to the deliberations of the Board. Fred Brown is not considered to be independent under the terms of the Code because he is a former executive director.

The nine non-executive directors comprise more than two thirds of the Board. The independent non-executive directors comprise more than one third of the Board, although prior to the appointment of Viscount Thurso and Charles Kirkwood, the majority of non-executives were not independent as required by Clause A.3.2 of the Code. However, prior to full compliance, the Board believed that no one group of individuals dominated the Board's decision taking. This view was taken because 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 latter's votes are reduced so that they are one less than those of the independent directors. It has not been necessary to conduct a formal vote on any issue during the year.

The Board met seven times during 2002. All directors receive detailed papers one week prior to the Board Meeting. Overall attendance during 2002 by the directors was 85%.

There is a clearly defined 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. No such advice was sought in the year. The Company Secretary is also responsible for ensuring that new directors receive appropriate training and induction to the Company. There is also a procedure whereby Board members may receive training as appropriate at the Company's expense where specific expertise is required in the course of the exercise of their duties.

On 7 February 2002 David Thomas was appointed as a director and was subsequently reappointed at the 2002 Annual General Meeting. On 21 May 2002 The Viscount Thurso and Charles Kirkwood were also appointed as additional directors. They all received individual briefings from the Company's principal corporate advisers in relation to their statutory duties and responsibilities. They also received details relating to the Company's policies and procedures including the Company's rules on share dealing, and were given access to prior board meeting minutes. All current and new directors also now receive a board compendium detailing all matters relating to the Board procedures.

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, Fred Brown and Sir Idris Pearce were reviewed and the Board was pleased to extend their appointment for a further one-year term. Charles Kirkwood and The Viscount Thurso have been appointed until the end of the 2003 Annual General Meeting and, at the 2003 Annual General Meeting, will be proposed for re-election for a three year term. Succession planning is considered by the non-executive directors, as appropriate.

In accordance with the articles of association and the Code, Kwek Leng Beng, Kwek Leng Joo, Kwek Leng Peck, Tony Potter and Christopher Sneath will retire by rotation at the forthcoming Annual General

Meeting. The Viscount Thurso and Charles Kirkwood will seek re-election since this will be the first Annual General Meeting following their appointment.

The Board has adopted a formal schedule of matters listing key aspects of the Company's affairs, which must be referred to the Board 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 committees. All standing committees report to the Board.

The audit committee, chaired by Christopher Sneath, consists of four non-executive directors, all of whom are independent. It met three times during the year. It assists the Board in ensuring that the Group's control systems, as explained below, provide accurate and up-to-date information 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 fees paid to the external auditors to ensure that the independence of the auditors is maintained. The committee receives reports at each meeting from the regional health and safety management groups in relation to health and safety. The external auditors normally attend two meetings a year. The head of internal audit attends all meetings, whilst the Finance Director and Fred Brown are normally invited to attend. The external and internal auditors have the right to speak to the members of the committee without the presence of any member of the executive management. The audit committee meets once a year without the external auditors and once a year without the executive directors. The Company Secretary is the secretary of this committee.

The remuneration committee is chaired by The Viscount Thurso and consists entirely of independent non-executive directors. The committee met four times during the year. It is responsible for considering and making recommendations to the Board, within agreed terms of reference, on the Company's remuneration policies, the remuneration package of executive directors and the operation of the Company's employee share option schemes. The Chief Executive Officer is invited to attend meetings, if appropriate, but is not present when his own remuneration is discussed. The committee takes independent advice as deemed necessary. The Vice President, Human Resources was secretary of the committee during the year. Since the year end, the Company Secretary has been appointed as the secretary of this committee. The directors' remuneration report is given on page 22. The fees paid to non-executive directors are considered by the full Board, having regard to advice received from the Chief Executive.

The nominations committee is chaired by the non-executive Chairman and includes four independent non-executive directors. The committee met three times during the year. It discussed and made appropriate recommendations to the Board regarding all new appointments since the last annual report. The Vice President, Human Resources was secretary of the committee during the year. Since the year end, the Company Secretary has been appointed as 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, their potential impact 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 Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group; that this has been in place for the year under review and up to the date of the approval of the annual report and accounts; and that this process is regularly reviewed by the Board and accords with the Turnbull guidance.

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. However, for each of the identified primary risks facing the Group, an executive director has taken responsibility to report to the full Board on a regular basis. The effectiveness of the operation of the internal control system is reviewed by an internal audit function and, where appropriate, by the Company's external auditors, who report to management and to the audit committee. During the year, an executive committee has been established with responsibility to monitor the effectiveness of the systems of control in managing the identified risks as established by the Board.

The internal audit department reviews the effectiveness of key internal controls as part of its standard work programme, and individual reports are issued to appropriate senior management. The reviews carried out by internal audit are summarised in reports, which are distributed three times per year to all members of the audit committee, the Chief Executive, Finance Director, and the external auditors. They are subsequently reviewed by the audit 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 used 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 customer satisfaction, health and safety, market share, insurance matters, the performance of acquisitions 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 and carries out regular operational reviews with the business managers to ensure the appropriate pursuit of the overall objectives and management of the primary risks of the Group.

GOING CONCERN

After having made appropriate enquiries, 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and 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; and,
- 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 a 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.

SUBSTANTIAL SHAREHOLDINGS

As at 1 March 2003, the Company had been notified that the following companies hold 3% or more of the issued share capital:

	Number of shares	% of issued of share capital
City Developments Ltd	147,785,025	52.29%
Prudential plc	16,745,376	5.92%
HBOS Plc	8,700,989	3.08%
Standard Life Group	8,673,121	3.07%

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10.00am on Wednesday 21 May 2003 at the Millennium Hotel London Mayfair. The notice to shareholders can be found at the back of the annual report. At the Annual General Meeting, Mr Kwek Leng Beng, Mr Kwek Leng Joo, Mr Kwek Leng Peck, Mr Christopher Sneath and Mr Tony Potter will retire by rotation and in accordance with the Code and being eligible, offer themselves for re-election. The Viscount Thurso and Charles Kirkwood, who were appointed as directors since the last Annual General Meeting, will also retire at the meeting and being eligible offer themselves for re-election.

At the Annual General Meeting resolutions will be proposed to renew the directors' authority to allot shares, to authorise the purchase of shares in the market where it is in the Company's and the shareholders' interests to do so, to approve the directors' remuneration report and the auditors' report on the auditable part of the directors' remuneration report for the year ended 31 December 2002, to renew the authority given in regard to pre-emption rights under the terms of the Co-operation Agreement dated 18 April 1996, as amended, with City Developments Limited and to renew the authority to fund donations and/or incur expenditure under the terms of the Political Parties, Elections and Referendums Act 2000 to a limit of £100,000, where it is in shareholders' interests to do so. A resolution will also be proposed to allow the directors to offer shareholders a scrip dividend alternative to a cash dividend in the future. There will be no scrip dividend alternative to the dividend to be declared at the Annual General Meeting in respect of the year ended 31 December 2002.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution regarding the re-appointment of KPMG Audit Plc as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

INTRODUCTION

The Board takes regular account of the significance of social, environmental and ethical matters to the business of the Group, and is identifying and assessing the significant risks to the Group's short and long term value arising from those matters as well as opportunities to enhance value that may arise from them. The Board believes it has received adequate information to begin this assessment and will ensure that the Group has effective systems in place for managing significant risks.

EMPLOYEES

Millennium & Copthorne Hotels plc operates in various 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.

The Group encourages the employment of disabled people on the basis of their ability to perform the job and complies with the relevant legislative requirements in all parts of the world in which it operates. Proper attention is paid to the opportunities, training and work prospects of people who become disabled during their employment with the Group.

The Group encourages employee consultation through staff consultative groups at each location and believes that the dissemination of 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 managed 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. Best practice in terms of labour standards is also upheld.

During the year, grants of options were made under the Executive Share Option Scheme in which 35 employees, other than the directors, in the European and Middle Eastern Region participate and also, in the UK, under the Sharesave Scheme, in which 245 employees other than directors participate, by entering into a three or five year savings contract. The number of options outstanding at 4 March 2003 from all schemes operated by the Group was 2,905,047.

CUSTOMERS AND SUPPLIERS

"Service Excellence" is the Group's UK customer service programme which came into operation in May 2000. The programme is based on research findings from over 3,000 guests who were asked for their views on the type of customer service they expected. The programme "Think Like a Customer" has also been launched in the UK in 2002. During 2002, the Group gained the RAC Hotel Group of the Year Award for 2002 in the UK whilst the Grand Copthorne Waterfront Hotel Singapore and the M Hotel Singapore also won awards in the Hospitality Asia Platinum Awards. The Copthorne Tara Hotel London Kensington was a winner in the England for Excellence Awards, being recognised for its efforts to cater for customers with special needs.

It is the Company's and the Group's policy to adhere to the payment terms agreed with suppliers. 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 29 days' purchases (2001: 26 days). At the year end the Company had no trade creditors (2001: £nil).

The Board has adopted a Business Integrity Policy which provides standards on relationships with suppliers and customers. This requires directors and employees to act honestly, with integrity, objectivity, professional competence and due care.

COMMUNICATION

Good internal communication is a key element in our business. A structured programme of staff training and workshop seminars is carried out. The Company launched a "People Talkback Survey" in the UK during 2002. This feedback mechanism is seen as one way in which staff can play a role in the future of the Group. "Viewpoints" is a magazine about the Group which provides communication to staff and guests.

Communication with shareholders is equally important. In addition to the annual report and accounts, an interim report is published and there is a general presentation after the preliminary and interim results announcements. The Company will be moving to a quarterly reporting basis with effect from 2003. A regular programme of meetings exists with major institutional shareholders to review the Group's performance and prospects. There is also an opportunity for individual shareholders to question the Chairman and other directors including the chairmen of the remuneration, nominations and the audit committees at the Annual General Meeting. At general meetings, the Company prepares separate resolutions on each substantially separate issue and does not combine resolutions together inappropriately. A schedule of the proxy votes cast is made available for inspection at the conclusion of the proceedings and the Annual Report & Accounts is laid before the shareholders at the Annual General Meeting.

HEALTH AND SAFETY AND THE ENVIRONMENT

Safety and environmental management are key management responsibilities. The Group's hotels are responsible for ensuring that every reasonable and practical step is taken to maintain a safe and healthy environment for employees, guests and contractors. Performance in this area is measured and judged in the same way as other key business parameters. Staff are trained to meet the needs of disabled customers.

The Board established a revised general statement of policy on health and safety in 2001 to reflect the international nature of the business. This policy is being managed on a practical level by the established regional health and safety management groups. The system has continued to be developed throughout the year. The audit committee receives a report from all regions at each meeting. Specialist health and safety and food safety consultants have been appointed to provide advice and guidance in all aspects of compliance with relevant legislation and to monitor, audit and review systems to ensure compliance with such legislation. Training needs are being met at all levels.

The Board has issued a General Statement of Policy on the environment, which is available on request from the Company Secretary, and is working towards the establishment of an Environmental Management System by 1 August 2003. The Group is committed to meeting regulatory requirements in the different countries in which it operates, minimising the use of energy, water and materials, managing effectively the waste and emissions produced and managing any specific environmental risks associated with any of its operations. The Company is in the process of defining a chain of responsibilities for environmental management within the current health and safety structures established by the Board.

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. Hotels have energy committees which gather information on a monthly basis and report on energy use, water use and waste management. 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.

The UK hotels comply with the UK Producer Responsibility Obligations (Packaging Waste) Regulations which set targets for the recovery and recycling of packaging waste. These regulations became applicable to UK hotel groups during 2002. In the USA, the General Manager of the Millennium Broadway Hotel New York is a Board and Executive Committee member of the Times Square Business Improvement District, which was established to make Times Square clean, safe and friendly.

To ensure the delivery of the Board's policies in respect of health and safety and the environment, Tony Potter has been identified as the Board member responsible for both areas. The Company has been a member of the FTSE4Good UK Index of socially responsible companies since the index's establishment in July 2001.

THE COMMUNITY

The Group has extensive links with the community through local partnerships established by the hotels and at a corporate level. In the UK, the Group is a Patron's Company member of the Outward Bound Trust and supports Hospitality Action UK. In the United States, the Millennium Hotel Cincinnati sponsors a local underprivileged school. In Asia, the Group supports the Strait Times School Pocket Money Fund to alleviate the financial burden faced by parents of low-income families in providing for their children's education. In New Zealand, the Group has been a principal sponsor of the Young Enterprise Scheme for a number of years and has been involved at a local and national level sponsoring the award for the Young Enterprise company offering the highest level of excellence in customer service.

The Group gave £21,000 (2001: £44,000) to charities during the period. For this purpose, it is the Group's policy to consider charities that improve the economic or social wellbeing of ordinary people or those who are deprived in some way within the Group's area of operation, including local and national charities. The Group made no political contributions during 2002 (2001: £nil) and under its Business Integrity Policy it is its general policy not to do so.

By order of the Board

Simon J Hodges, Company Secretary
4 March 2003

DIRECTORS' REMUNERATION REPORT

Only the following sections of the directors' remuneration report are subject to audit: share options, directors' interests in share options, pensions, directors' emoluments and directors' share interests.

Strategy

The role of the remuneration committee (the "Committee") is to consider and approve, on behalf of the Board and the shareholders, the salaries, incentive and other benefit arrangements of the executive directors and to oversee the Company's option schemes. The Committee meets at least three times a year. The Chairman and Chief Executive are invited to attend meetings as appropriate but the Chief Executive is excluded when his own performance and remuneration is being discussed.

The Remuneration Committee

The current members of the Committee, all of whom are independent non-executive directors, are The Viscount Thurso (Chairman), Sir Idris Pearce, Christopher Sneath and John Sclater.

During the year Fred Brown, who, as set out on page 16, is not considered independent under the Combined Code, also served on the Committee. This was not in accordance with the specific recommendation of the Combined Code (Clause B.2.2) which envisages that all members will be independent non-executive directors. However, Fred Brown resigned from the Committee on 14 November 2002.

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

Committee members receive fees as non-executive directors but do not receive any pension entitlements nor any performance-related incentives.

Remuneration policy

During the year, the Committee took material advice from New Bridge Street Consultants, who are the general advisers to the Committee on various matters, including the operation of the Company's share incentive schemes. Also, material advice was obtained from Jardine Lloyd Thompson on pensions.

Material advice was also provided by Mr T Antoniou (the Vice President, Human Resources and secretary of the Committee) during the year in relation to executive remuneration strategy and the Chief Executive in relation to executive directors' remuneration packages, not including his own.

New Bridge Street Consultants have been appointed by the Committee whilst Jardine Lloyd Thompson has been appointed by the Trustees of the Company pension scheme as its UK pensions advisor.

The Committee believes that the long term interests of shareholders are best provided through a competitive remuneration policy aiming to retain, motivate and attract the right calibre of executives to manage the Company in a demanding environment.

As a result, the total remuneration of executive directors for the year ahead will continue to comprise basic salaries, short-term annual bonuses placed around similar levels for comparable companies and long-term share schemes, as more fully explained below. Overall, the policy of the Committee is to provide remuneration opportunities linked to the future performance of the Company.

Directors' Remuneration

In framing the remuneration policy for the executive directors of the Company, the Committee intends that a significant proportion of directors' remuneration be related to individual and corporate performance through the use of annual bonus and share schemes. Levels of pay and benefits are set which reflect the performance of the Company against pre-determined budgets, the individual contribution of each director and market conditions. In framing the remuneration policy for the executive directors of the Company, the Committee was mindful of the Best Practice Provisions on the Design of Performance Related Remuneration under Schedule A of the Code. Awards under incentive schemes take into consideration both market and competitive conditions.

Base Salary

Base salaries are set at levels which reflect, for each executive director, their performance, experience and market practice amongst similar companies. Base salary levels are reviewed annually.

Annual Bonus

The Group operates a non-pensionable annual bonus scheme for executive directors awarded on the basis of the achievement of earnings per share growth targets and other criteria established by the Committee on an annual basis. The maximum bonus payable under the scheme in 2002 and 2003 is 50% of salary. The minimum earnings per share growth targets set for the annual bonus scheme in 2002 were not met. As a result, no cash bonuses were paid to the executive directors. However, in recognition of the exceptional efforts of the executive directors during a year in which the Company faced extremely difficult trading conditions, the Committee has decided to make ex-gratia conditional awards of shares under the Company's existing 1997 Employees' Share Ownership Trust (the "ESOP") to certain executive directors over shares worth not more than 20% of salary. These shares will be transferred to the executive directors following the expiry of a two year period following grant of the conditional awards. However, the conditional awards will normally lapse if the executive directors cease employment during the two year period. Whilst recognising that such awards are unusual, the Committee considers the awards to be justified as a means of creating a further alignment of interests with shareholders.

Share Options

Share option schemes are designed to link remuneration to the future performance of the Group. Details of individual schemes for directors and employees are given below on page 25.

Service Contracts

To reflect current market practice, it is the Committee's policy that executive directors' service contracts should provide for the Company to give no more than 12 months notice of termination.

The Committee has established a mitigation policy in the event of early termination of a directors' contract where the contract does not contain a liquidated damages clause. The Committee's aim will be to avoid rewarding poor performance.

The following table provides more detail on each executive director's service contract:

Name	Date of contract	Notice periods/ Unexpired term	Provisions in contract for compensation on early termination
John Wilson	12 January 1998 (appointed 12 January 1998)	12 months rolling	12 months salary and continuing benefits
Tony Potter	7 September 1999 (appointed 22 October 1999)	12 months written notice to be given by either party at any time	12 months salary and continuing benefits
David Thomas	10 October 2002 (appointed 7 February 2002)	12 months written notice to be given by the Company at any time and six months by the executive	83.3% of gross salary 83.3% of gross value of insured benefits 83.3% of gross car allowance Augmentation of benefits of 10 months additional deemed service under the Millennium & Copthorne Executive Pension Plan Cash payment of 83.3% of the salary supplement as explained on page 26
Wong Hong Ren	29 August 2001 (appointed 7 March 1996)	12 months written notice to be given by the Company at any time and six months by the executive	12 months salary and continuing benefits. Payment of the director's fee of £30,000 ceases on the date Mr Wong ceases to be a director
Gavin Simonds	3 September 2001 (appointed 1 September 2001, resigned 6 February 2002)	12 months written notice to be given by the Company at any time and six months by the executive	83.3% of gross salary Gross Guaranteed Bonus 83.3% of insured benefits 83.3% of gross car allowance 83.3% of pension contributions deemed to be at a rate of 16.5% of salary

In addition to the above contractual compensation provisions, on resignation on 6 February 2002, Gavin Simonds retained his previously granted share options for which the exercise period was revised to a 42 month period from 26 September 2001.

Other benefits
Other benefits comprise a motor vehicle or an appropriate allowance and insurances for life, personal accident, disability, permanent health insurance, pension allowance above the earnings cap and family medical cover.

External appointments
The Company recognises that executive directors may be invited to become non-executive directors of other companies and that such appointments can broaden their knowledge and experience, to the benefit of the Group. Fees payable to executive directors in connection with these other non-executive directorships would be retained by them, with the approval of the Committee. Executive directors are generally allowed to accept one such appointment external to the Group. Currently none of the executive directors hold any such directorships.

Non-executive directors
The 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.

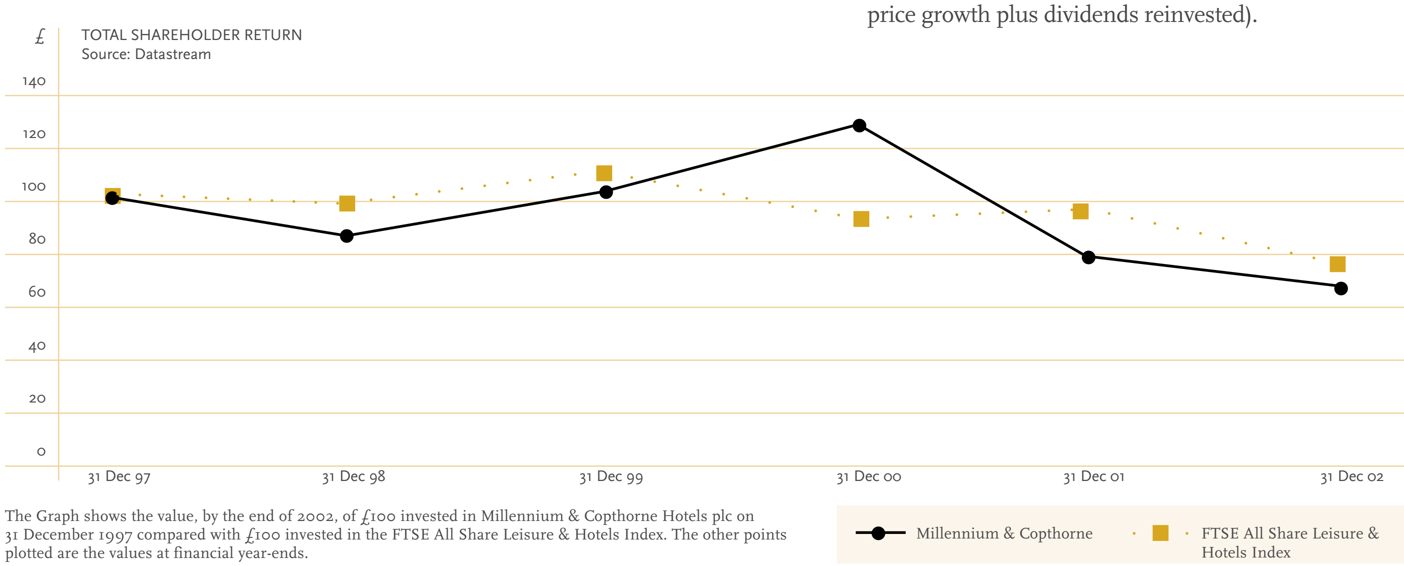
The non-executive directors are entitled to fees as follows. The Chairman receives a fee of £50,000 per annum. The Viscount Thurso and John Sclater both receive a fee of £35,000 per annum. The Viscount Thurso succeeded John Sclater on 21 May 2002 to the role of Deputy Chairman and senior independent non-executive director. The other non-executive directors receive a fee of £30,000 each per annum. None of the non-executive directors receive additional fees for participation in the remuneration, nominations and audit committees.

The non-executive directors are not entitled to bonuses, benefits, pension contributions or to participate in any share scheme (except Fred Brown who retains share options granted to him relating to the period when he served as an executive director).

CDL has nominated Kwek Leng Beng, Kwek Leng Joo and Kwek Leng Peck under the terms of the Co-operation Agreement dated 18 April 1996, as amended. Fred Brown, Christopher Sneath, Sir Idris Pearce and John Sclater have letters of appointment dated 22 February 2002, whilst Charles Kirkwood and The Viscount Thurso have letters dated 20 May 2002 and 3 July 2002 respectively.

Apart from The Viscount Thurso and Charles Kirkwood who, subject to re-election at the Annual General Meeting, will be appointed for a three year fixed term and the CDL nominated directors, who are also appointed for a three year term, the non-executive directors are appointed for a one year term. Fees are reviewed on an annual basis and cease immediately in the event of the non-executive ceasing to be a director for any reason in accordance with a resolution of the Board.

Performance graph
As required by the Government’s new legislation regarding disclosure of directors’ remuneration, the graph below illustrates the performance of the Company against a “broad equity market index” over the past five years. As the Company is a constituent of the FTSE All Share Leisure and Hotels Index, that index is considered the most appropriate form of “broad equity market index” against which the Company’s performance should be graphed. Performance, as required by the legislation, is measured by Total Shareholder Return (share price growth plus dividends reinvested).



The Graph shows the value, by the end of 2002, of £100 invested in Millennium & Copthorne Hotels plc on 31 December 1997 compared with £100 invested in the FTSE All Share Leisure & Hotels Index. The other points plotted are the values at financial year-ends.

The remaining sections of the directors' remuneration report are subject to audit.

Share Options

i) Millennium & Copthorne Hotels Executive Share Option Scheme

In the financial year ended 31 December 2002, the Company operated the Millennium & Copthorne Hotels Executive Share Option Scheme (the "1996 Scheme"), under which both Inland Revenue approved and unapproved options could be granted. Directors' options outstanding under the 1996 Scheme may only be exercised if the Company's earnings per share increases over a three year period by the Retail Price Index plus 6%. Fred Brown was granted options under the 1996 Scheme during his period of employment as an executive director. It is not the intention of the Committee to make any further grants to Mr Brown of options under this Scheme or any other Scheme operated by the Company.

ii) Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme

The Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (the "2003 Scheme") was approved by shareholders at the Annual General Meeting held on 21 May 2002. As with the 1996 Scheme, the 2003 Scheme provides for the grant of both approved and unapproved options. Under the 2003 Scheme (which is intended to replace the 1996 Scheme), options over shares worth up to twice base salary may be granted each year (although, in exceptional circumstances, such as in a recruitment situation, this limit is four times base salary). The size of actual option awards will be determined by the Committee which will take into account a number of factors, including the financial performance of the Group and the individual performance of the directors.

The exercise of options granted under the 2003 Scheme will be subject to the achievement of stretching performance targets which are equally applicable to all directors. The performance condition applying to the exercise of options under the 2003 Scheme will be based upon the extent to which the Company's earnings per share ("EPS") grows in real terms from an enhanced notional base EPS figure over a period of at least three consecutive financial years after grant (measured from a fixed base). EPS targets have been chosen as the Committee believes that participants in the 2003 Scheme should be incentivised to deliver significant earnings growth which should return substantial shareholder value.

For options which may be granted in 2003, this notional base EPS figure is 17.8p, which is the average of the actual EPS of the Company for financial years ending 31 December 2000, 2001 and 2002. Options will become exercisable as follows:

EPS growth target (from notional base EPS)	Proportion of option exercisable
EPS growth of less than an average of RPI plus 3% per annum	0%
EPS growth of an average of RPI plus 3% per annum	25%
EPS growth of an average of RPI plus 3% per annum to 10% per annum	25%-100% (pro rated)
EPS growth of an average of RPI plus 10% per annum or more	100%

To the extent that the performance condition is not satisfied by the fifth anniversary of grant, the options will lapse.

It is also currently intended that, in relation to any grant of options that may be made in 2004, if the Company's EPS for the financial year ending 31 December 2003 is less than 17.8p, this notional base EPS figure will be the base EPS figure that will be used for the purposes of the performance condition that will be applied to these awards.

In calculating the extent to which (if at all) the EPS targets are achieved, the Committee believes that the most appropriate approach is for the calculations to be undertaken internally and then verified by an independent third party.

iii) Milllennium & Copthorne Hotels Sharesave Scheme

The Company also operates the Millennium & Copthorne Hotels Sharesave Scheme (the "Sharesave Scheme") in which the UK-based executive directors and Group employees are eligible to participate and which is an Inland Revenue approved arrangement.

All grants of share options conform to institutional dilution guidelines.

Directors' interests in share options

Name of Director		Date Granted	Options held at 01/01/2002*	Options granted during the year	Options exercised during the year	Options held at 31/12/2002*	Exercise Price	Dates from which exercisable	Expiry date
J Wilson	Part A	5 Mar 98	6,509	–	–	6,509	£4.6087	05 Mar 01	04 Mar 08
	Part B	5 Mar 98	101,972	–	–	101,972	£4.6087	05 Mar 01	04 Mar 05
	Part B	5 Mar 99	51,733	–	–	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
	Part B	14 Mar 01	89,017	–	–	89,017	£4.325	14 Mar 04	13 Mar 08
F J A Brown	Part A	24 Apr 96	12,081	–	–	12,081	£2.4830	24 Apr 99	23 Apr 06
	Part B	24 Apr 96	68,460	–	–	68,460	£2.4830	24 Apr 99	23 Apr 03
	Part B	07 Mar 97	27,710	–	–	27,710	£3.6084	07 Mar 00	06 Mar 04
A G Potter	Part A	19 Nov 99	7,526	–	–	7,526	£3.9856	19 Nov 02	18 Nov 09
	Part B	19 Nov 99	47,670	–	–	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
	Part B	14 Mar 01	50,867	–	–	50,867	£4.325	14 Mar 04	13 Mar 08
	Sharesave	21 May 02	–	5,667	–	5,667	£2.92	1 July 07	1 Jan 08
H R Wong	Part B	14 Mar 01	69,364	–	–	69,364	£4.325	14 Mar 04	13 Mar 08
	Part B	15 Mar 02	–	83,720	–	83,720	£3.225	15 Mar 05	14 Mar 09
D Thomas	Part A	17 Mar 00	8,955	–	–	8,955	£3.35	17 Mar 03	16 Mar 10
	Part B	17 Mar 00	16,418	–	–	16,418	£3.35	17 Mar 03	16 Mar 07
	Part B	20 Mar 01	22,989	–	–	22,989	£4.35	10 Mar 04	19 Mar 08
	Part B	15 Mar 02	–	102,325	–	102,325	£3.225	15 Mar 05	14 Mar 09
	Sharesave	09 May 00	3,125	–	–	3,125	£3.10	01 Jul 03	01 Jan 04
G N Simonds (resigned 6 February 2002)	Part A	26 Sep 01	13,200	–	–	13,200	£2.2650	7 Feb 02	25 Mar 05
	Part B	26 Sep 01	207,550	–	(100,000)	107,550	£2.2650	7 Feb 02	25 Mar 05

* or date of appointment/resignation.

All of the options were granted for nil consideration.

No options lapsed during the year.

The market price of ordinary shares at 31 December 2002 was 210p and the range during the year was 197.5p to 381p.

The price of an ordinary share on 15 March 2002 when G N Simonds exercised his options was 320p.

One director exercised share options during the year. Aggregate gains made by directors on exercise of share options in the year were £93,500 (2001: £22,071). No gains were made by the highest paid director (2001: £nil).

All options were granted under the Millennium & Copthorne Hotels Executive Share Option Scheme (save for those granted under the Sharesave Scheme) and will be exercisable from the dates stated above, if the Company's earnings per share increases over a three year period by the Retail Prices Index plus 6%.

Pensions

A contributory pension plan exists for the UK-based executive directors providing up to two-thirds of final salary (subject to Inland Revenue limits) at age 65 plus a spouses' death in retirement pension of two-thirds of the pension payable to the member at date of death. In addition, death in service benefits are provided comprising a lump sum benefit of four times the member's pensionable salary at date of death. Company pension contributions for directors were set at 17.3% of salary. All of the UK-based directors entered service after 31 May 1989 and therefore the benefits provided for them by the Company's pension scheme are restricted by the operation of the earnings cap.

Accordingly, a salary supplement of 15% of salary above the earnings cap was introduced from 1 April 2001, or date of appointment, whichever is later, for these directors. No pension is provided for Mr Wong Hong Ren.

The following table gives details in respect of each director's pension who served during the year. These amounts exclude any benefits attributable to additional voluntary contributions.

Directors and age at 31 December 2002	Accrued Benefits at 1 January 2002 £000	Increase in accrued benefits (net of indexation of 1.7%) £000	Accrued Benefits at 31 December 2002 £000	Transfer value of increase in accrued benefits less directors' contributions £000	Transfer value of accrued benefits at 1 January 2002 £000	Transfer value of accrued benefits at 31 December 2002 £000	Increase in transfer value less contributions made by directors £000
J Wilson (61)	7	1	8	15	82	97	10
A G Potter (53)	4	2	6	7	32	39	2
D Thomas (39)	5	2	7	6	37	45	3

G N Simonds was paid an additional 16.5% of his salary as a pension supplement in lieu of a pension amounting to £4,072 during the year.

The transfer values have been calculated on the basis of actuarial advice in accordance with version 8.1 of the Actuarial Guidance note GN11. The transfer value of the increase in accrued benefits includes the effect of fluctuations due to factors beyond the control of the Company and directors such as stock market movement. It is calculated after deducting the director's contributions.

Directors' Emoluments

	Note	Salaries and Fees 2002 £000	Compensation Payments 2002 £000	Ex-gratia Awards 2002 £000	Benefits 2002 £000	Total Emoluments 2002 £000	Total Emoluments 2001 £000
EXECUTIVES							
J Wilson	1, 3, 7, 8	**546**	**–**	**100**	**20**	**666**	622
A G Potter	1, 8	**288**	**–**	**20**	**17**	**325**	331
H R Wong	2	**150**	**–**	**–**	**–**	**150**	113
D Thomas	1, 5, 8	**160**	**–**	**20**	**15**	**195**	–
G N Simonds	1, 4	**35**	**309**	**–**	**–**	**344**	103
D A H Cook	9	**–**	**–**	**–**	**–**	**–**	301
R Morse	9	**–**	**–**	**–**	**–**	**–**	301
NON-EXECUTIVES							
L B Kwek (Chairman)	6	**50**	**–**	**–**	**–**	**50**	50
The Viscount Thurso (Deputy Chairman)	5	**20**	**–**	**–**	**–**	**20**	–
C G Sneath		**30**	**–**	**–**	**–**	**30**	30
L J Kwek		**30**	**–**	**–**	**–**	**30**	30
L P Kwek		**30**	**–**	**–**	**–**	**30**	30
Sir I Pearce		**30**	**–**	**–**	**–**	**30**	30
F J A Brown		**30**	**–**	**–**	**–**	**30**	30
J Sclater		**35**	**–**	**–**	**–**	**35**	35
C Kirkwood	5	**19**	**–**	**–**	**–**	**19**	–
Total		**1,453**	**309**	**140**	**52**	**1,954**	2,006

Notes

1. Company pension contributions for UK based directors were set at 17.3% of total basic salary. Contributions, however, are subject to the pension earnings cap which is currently set at £97,200 p.a. (£95,400 p.a. for 2001/02). An additional salary supplement of 15% above the pensions earnings cap, was paid to the UK based directors and is included within the relevant director's salary.
2. H R Wong receives a fee of £30,000 (2001: £30,000) relating to his position as a director of the Company and a salary for his work outside the UK, which is entirely related to the business.
3. An amount of £4,000 (2001: £4,000) was paid to J Wilson by a subsidiary undertaking, Republic Hotels & Resorts Limited, prior to its privatisation in August 2002 and is included in his salary.
4. G N Simonds resigned on 6 February 2002 and received compensation of £308,606 representing the amount due under his contract. Payments in lieu of pension scheme membership totalling £4,072 are included in salaries and fees. In addition to the above emoluments, G N Simonds realised gains on the exercise of share options of £93,500.
5. D Thomas was appointed on 7 February 2002. The Viscount Thurso and C Kirkwood were appointed on 21 May 2002.
6. The Group owns a flat in London which is used by the Chairman only for business purposes.
7. The total remuneration, including gains on the exercise of share options of £nil, paid to the highest paid director was £666,000 (2001: £622,000)
8. A conditional award over shares in the Company (described more fully on page 22 above) will be made under the existing ESOP whose market value on grant will equal the amounts set out in the "Ex-gratia Awards" column.
9. D A H Cook resigned on 31 July 2001 and R Morse resigned on 1 November 2001.

Directors' share interests

The interests of the directors, who held office at 31 December 2002, in the ordinary shares of the Company at 31 December 2001 and 31 December 2002 (excluding options granted under the Company's option schemes) were as follows:

Interests in shares Directors' share interests	Interests in shares of the Company at at 31 December 2002 Number of shares	of the Company at 31 December 2001 or date of appointment if later Number of shares
EXECUTIVES		
J Wilson	**29,955**	18,955
A G Potter	**5,980**	5,980
H R Wong	**–**	–
D Thomas	**8,000**	–
NON-EXECUTIVES		
L B Kwek (Chairman)	**–**	–
The Viscount Thurso (Independent Deputy Chairman)	**–**	–
J Sclater (Independent director)	**–**	–
Sir l Pearce (Independent director)	**3,494**	3,494
C Sneath (Independent director)	**5,000**	5,000
C Kirkwood (Independent director)	**–**	–
F Brown	**14,558**	14,558
L P Kwek	**–**	–
L J Kwek	**–**	–

In September 2000, 20,000 ordinary shares were purchased at a price of 415p by Millennium & Copthorne Shares Trustees Limited, the trustee of the Millennium & Copthorne 1997 Employees' Share Ownership Plan Trust (the "ESOP"). On 7 August 2002, in accordance with the rules of the ESOP, 20,000 ordinary shares were transferred from this plan to the personal account of Robert Morse, a former director of the Company.

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 2002 and the date of this report.

On behalf of the Board

The Viscount Thurso, Chairman of the Remuneration Committee
4 March 2003

Analysis of shareholders as at 1 March 2003

NUMBER OF SHARES	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
0-10,000	786	76.38	1,130,406	0.40
10,001-25,000	74	7.19	1,207,580	0.43
25,001-50,000	48	4.66	1,742,882	0.62
50,001-100,000	29	2.82	2,019,240	0.71
100,001-500,000	51	4.96	13,122,362	4.64
500,001- 1,000,000	15	1.46	11,455,262	4.05
Over 1 million	26	2.53	251,960,977	89.15
TOTAL	1,029	100.00	282,638,709	100.00

We are committed to providing information to our shareholders to enable them to assess our Group's performance and financial position. Information on the daily share price can be found on BBC1 Ceefax (page 228) and Channel 4 Teletext (page 529) as well as the financial and business pages of the national papers. Our website is www.millenniumhotels.com which provides information about the group's properties and rooms availability and, on the corporate pages, annual report information and brokers' consensus on the Group's performance.

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CORPORATE HEADQUARTERS
Scarsdale Place, Kensington, London, W8 5SR, United Kingdom

FINANCIAL CALENDAR

Dividend record date	2 May 2003
Annual General Meeting	21 May 2003
Final dividend payment	22 May 2003
Interim results announcement	August 2003
Interim dividend payable	October 2003

ADVISORS

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MILLENNIUM & COPTHORNE HOTELS PLC

We have audited the financial statements on pages 31 to 67. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 18, 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 whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. 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 regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on page 16 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 and the part of the directors' remuneration report to be audited. 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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

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 2002 and of the profit of the group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG AUDIT Plc
Chartered Accountants
Registered Auditor
London
4 March 2003

for the year ended 31 December 2002

		Group		Group	
				Restated	Restated
		2002	**2002**	2001	2001
	Notes	**£m**	**£m**	£m	£m
TURNOVER	2				
Group and share of joint ventures		**641.1**		670.5	
Less share of turnover of joint ventures	11	**(73.6)**		(75.9)	
GROUP TURNOVER			**567.5**		594.6
Cost of sales			**(252.1)**		(259.5)
GROSS PROFIT			**315.4**		335.1
Administrative expenses			**(225.6)**		(235.9)
Other operating income			**6.5**		1.2
GROUP OPERATING PROFIT	2		**96.3**		100.4
Share of operating profits of joint ventures			**12.2**		11.3
Share of operating profits of associated undertakings			**0.4**		0.9
TOTAL OPERATING PROFIT			**108.9**		112.6
Interest receivable and similar income	3				
Group		**9.3**		9.4	
			9.3		9.4
Interest payable and similar charges	4				
Group		**(51.1)**		(56.5)	
Joint ventures		**(6.5)**		(10.5)	
Associated undertakings		**(0.4)**		(0.8)	
			(58.0)		(67.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		**60.2**		54.2
Tax on profit on ordinary activities	6		**(14.4)**		(15.1)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			**45.8**		39.1
Minority interests - equity	22		**(7.8)**		(8.2)
Profit for the financial year			**38.0**		30.9
Dividends paid and proposed	7		**(35.3)**		(35.3)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	20		**2.7**		(4.4)
Earnings per share	8		**13.4p**		10.9p
Diluted earnings per share	8		**13.4p**		10.9p
Dividends per share	7		**12.5p**		12.5p

All turnover and group operating profit in the current and prior years derive from continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2002

	2002 £m	Restated 2001 £m
Profit for the financial year	**38.0**	30.9
(Loss)/gain on foreign currency translation	**(62.6)**	3.3
(Deficit)/surplus on revaluation of fixed assets	**(0.3)**	0.5
Total gains and losses relating to the financial year	**(24.9)**	34.7
Prior year adjustment (see note 1)	**(62.5)**	
Total gains and losses recognised since last annual report	**(87.4)**	

Note of Historical Cost Profits and Losses

for the year ended 31 December 2002

	2002 £m	Restated 2001 £m
Reported profit on ordinary activities before taxation	**60.2**	54.2
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**0.5**	0.4
Historical cost profit on ordinary activities before taxation	**60.7**	54.6
Historical cost profit/(loss) for the year retained after taxation, minority interests and dividends	**3.2**	(4.0)

as at 31 December 2002

			Group	Group	Company	Company
				Restated		
		2002	2002	2001	2002	2001
	Notes	£m	£m	£m	£m	£m
FIXED ASSETS						
Tangible assets	10		**2,185.4**	2,303.5	**–**	–
Investments in joint ventures	11					
Share of gross assets			**288.1**	318.9	**–**	–
Share of gross liabilities			**(205.1)**	(230.0)	**–**	–
Share of minority interests			**(21.2)**	(21.8)	**–**	–
Loans to joint ventures			**36.1**	39.9	**–**	–
			97.9	107.0	**–**	–
Investment in associated undertakings	11		**6.2**	4.9	**–**	–
Investments	11		**0.3**	0.4	**1,222.7**	1,111.0
			104.4	112.3	**1,222.7**	1,111.0
			2,289.8	2,415.8	**1,222.7**	1,111.0
CURRENT ASSETS						
Stocks	12		**15.7**	17.9	**–**	–
Debtors falling due within one year	13		**75.6**	64.3	**35.5**	60.8
Debtors falling due after more than one year	13		**2.0**	9.7	**–**	–
			77.6	74.0	**35.5**	60.8
Cash and short term deposits	14		**59.1**	78.0	**4.4**	–
			152.4	169.9	**39.9**	60.8
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15		**(292.2)**	(283.4)	**(140.3)**	(84.1)
NET CURRENT LIABILITIES			**(139.8)**	(113.5)	**(100.4)**	(23.3)
TOTAL ASSETS LESS CURRENT LIABILITIES			**2,150.0**	2,302.3	**1,122.3**	1,087.7
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16		**(634.0)**	(692.0)	**(177.7)**	(134.7)
PROVISIONS FOR LIABILITIES AND CHARGES	18		**(49.7)**	(46.1)	**–**	–
NET ASSETS			**1,466.3**	1,564.2	**944.6**	953.0
CAPITAL AND RESERVES						
Called up share capital	20, 21		**84.8**	84.7	**84.8**	84.7
Share premium account	20		**845.6**	845.5	**845.6**	845.5
Revaluation reserve	20		**308.4**	320.3	**–**	–
Profit and loss account	20		**112.1**	160.4	**14.2**	22.8
SHAREHOLDERS' FUNDS - EQUITY			**1,350.9**	1,410.9	**944.6**	953.0
MINORITY INTERESTS - EQUITY	22		**115.4**	153.3	**–**	–
TOTAL CAPITAL EMPLOYED			**1,466.3**	1,564.2	**944.6**	953.0

These financial statements were approved by the Board of directors on 4 March 2003 and were signed on its behalf by:

KWEK LENG BENG
DIRECTOR

DAVID THOMAS
DIRECTOR

for the year ended 31 December 2002

	Notes	2002 £m	2002 £m	2001 £m	2001 £m
CASH FLOW STATEMENT					
Net cash inflow from operating activities	25	**122.2**		136.0	
Dividends received from associated undertakings		**0.2**		0.5	
Dividends received from joint ventures		**0.1**		0.3	
Returns on investments and servicing of finance	27	**(50.0)**		(49.1)	
Taxation paid		**(11.6)**		(7.2)	
Capital expenditure and financial investment	27	**(12.2)**		(20.9)	
Acquisitions and disposals	27	**–**		(6.6)	
Equity dividends paid		**(35.3)**		(35.3)	
Cash inflow before use of liquid resources and financing			**13.4**		17.7
Management of liquid resources	27		**30.6**		11.1
Financing	27				
Net cash from the issue of shares and purchase of minority interests		**(37.2)**		(1.2)	
Increase/(decrease) in debt and lease financing		**8.1**		(57.8)	
Net cash outflow from financing			**(29.1)**		(59.0)
Increase/(decrease) in cash in the year			**14.9**		(30.2)

	Notes	2002 £m	2002 £m	2001 £m	2001 £m
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
Increase/(decrease) in cash in the year		**14.9**		(30.2)	
Cash inflow from decrease in liquid funds		**(30.6)**		(11.1)	
Cash (inflow)/outflow from the (increase)/decrease in debt and lease financing		**(8.1)**		57.8	
Change in net debt resulting from cash flows			**(23.8)**		16.5
Acquisitions			**–**		(1.1)
Deferred finance costs			**0.2**		0.3
Translation differences and other non cash movements			**33.5**		(4.3)
Movement in net debt in the year			**9.9**		11.4
Net debt at 1 January 2002			**(685.4)**		(696.8)
Net debt at 31 December 2002	26		**(675.5)**		(685.4)

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 for the treatment of deferred tax as described below.

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 during the year, to the extent set out below, the requirements of the following new Financial Reporting Standards (FRS):

FRS 17: Retirement Benefits
The introduction of FRS 17 is being phased in. In the current year, the Group has complied with the FRS 17 second year transitional disclosure requirements, as set out in note 29.

FRS 19: Deferred Tax
The Group has adopted FRS 19: Deferred tax, which requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. It only requires recognition when the resulting deferred tax can be justified as an asset for liability in its own right, excluding for example, deferred tax on periodic revaluations of fixed assets and on retained profits in overseas subsidiaries and associated undertakings prior to any commitment to remit these profits. The standard allows the option of discounting all or none of the deferred tax assets or liabilities and the Group has elected not to discount.

The adoption of FRS 19 is a change of accounting policy for the Group which has been accounted for by way of a prior year adjustment. Where the Group has previously made acquisitions where no goodwill arose, deferred tax introduced to acquisition balance sheets on adoption of FRS 19 has been adjusted against the carrying value of hotel land and buildings. This has also affected revaluation surpluses in subsequent years. The impact of adopting FRS 19 in the year ended 31 December 2002 has been to increase the current year tax charge by £3.2m (2001: £5.4m) and to restate and decrease opening shareholders' funds at 1 January 2002 by £62.5m. Minority interests at 1 January 2002 were also reduced by £5.8m. Further details are given in note 19.

Basis of consolidation
The Group accounts include the accounts of the Company, its subsidiary undertakings, its associate undertakings and its joint venture undertakings made up to 31 December 2002. 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.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence.

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.

A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control.

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 £26.4m (2001: £17.5m).

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 depreciated historical cost is charged to the profit and loss account as appropriate.

1 ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 gross of tax relief and added to the cost of the hotel core.

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 SSAP19:

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 reduction in value below historic cost 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.

This treatment, as regards certain of the Company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Goodwill
Purchased goodwill arising on consolidation in respect of acquisitions before 1 January 1998, when FRS 10 Goodwill and Intangible Assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

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.

1 ACCOUNTING POLICIES (CONTINUED)

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.

Except as otherwise required by accounting standards, full provision without discounting is made for all timing differences, which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements.

Financial instruments
In line with the group's treasury management policies, derivative instruments are used to alter the risk profile of underlying exposures. Gains or losses on financial instruments, such as forward contracts, options or swaps are recognised based on the duration of the underlying exposure.

The Group endeavours to finance investments in assets denominated in overseas currencies by using facilities denominated in those currencies. Foreign exchange gains or losses on non-sterling overseas assets and related borrowings are 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

	New York 2002 £m	Rest of US 2002 £m	London 2002 £m	Rest of Europe 2002 £m	Asia 2002 £m	Australasia 2002 £m	Group 2002 £m
TURNOVER							
Hotel	68.0	115.9	75.3	88.6	155.8	40.8	544.4
Non-hotel	–	3.8	–	–	1.8	17.5	23.1
Total	68.0	119.7	75.3	88.6	157.6	58.3	567.5
HOTEL GROSS OPERATING PROFIT	22.1	27.5	38.7	27.0	60.5	15.2	191.0
Hotel fixed charges	(4.9)	(20.9)	(14.1)	(17.7)	(26.8)	(8.2)	(92.6)
HOTEL OPERATING PROFIT	17.2	6.6	24.6	9.3	33.7	7.0	98.4
NON-HOTEL OPERATING PROFIT	–	1.5	–	–	1.2	7.4	10.1
Profit before central costs	17.2	8.1	24.6	9.3	34.9	14.4	108.5
Central costs							(12.2)
GROUP OPERATING PROFIT							96.3
Share of operating profits of joint ventures	5.1				7.1		12.2
Share of operating profits of associated undertakings		0.4					0.4
Net interest payable							(48.7)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION							60.2
NET ASSETS							
Net hotel operating assets	325.1	295.3	459.7	209.3	638.1	96.6	2,024.1
Net non-hotel operating assets	–	20.6	–	–	41.5	41.4	103.5
Net assets of joint ventures	43.6	–	–	–	18.2	–	61.8
Net assets of associated undertakings	–	3.4	–	–	0.5	–	3.9
Non operating net liabilities							(727.0)
NET ASSETS							1,466.3

Hotel fixed charges include property rent, taxes and insurance, depreciation and amortisation, operating lease rentals and management fees. There are no inter segment sales. Turnover by origin is not significantly different from turnover by destination. Turnover derives from two classes of business; hotel operations and non-hotel operations comprising property transactions. Net assets of joint ventures are shown net of interest bearing loans of £127.4m (2001: £145.4m). Net assets of associated undertakings are shown net of interest bearing loans of £5.4m (2001: £5.9m).

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

Other operating income, disclosed in the profit and loss account on page 31, comprises business interruption proceeds received in relation the Millenium Hilton, net of depreciation, employment expenses and other variable and fixed operating costs.

2 SEGMENTAL INFORMATION (CONTINUED)

	New York 2001 £m	Rest of US 2001 £m	London 2001 £m	Rest of Europe 2001 £m	Asia 2001 £m	Australasia 2001 £m	Group 2001 £m
TURNOVER							
Hotel	84.9	127.7	80.0	78.4	159.6	35.9	566.5
Non-hotel	–	3.8	–	–	1.8	22.5	28.1
Total	84.9	131.5	80.0	78.4	161.4	58.4	594.6
HOTEL GROSS OPERATING PROFIT	23.0	30.8	40.3	28.2	61.0	12.6	195.9
Hotel fixed charges	(10.5)	(19.5)	(13.9)	(12.6)	(25.9)	(7.4)	(89.8)
HOTEL OPERATING PROFIT	12.5	11.3	26.4	15.6	35.1	5.2	106.1
NON-HOTEL OPERATING PROFIT	–	1.3	–	–	1.3	4.5	7.1
Profit before central costs	12.5	12.6	26.4	15.6	36.4	9.7	113.2
Central costs							(12.8)
GROUP OPERATING PROFIT							100.4
Share of operating profits of joint ventures	5.5				5.8		11.3
Share of operating profits of associated undertakings		0.9					0.9
Net interest payable							(58.4)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION							54.2
NET ASSETS							
Net hotel operating assets	426.1	297.4	487.3	204.2	642.1	82.9	2,140.0
Net non-hotel operating assets	–	15.5	–	–	43.3	34.2	93.0
Net assets of joint ventures	48.2	–	–	–	18.9	–	67.1
Net assets of associated undertakings	–	3.2	–	–	0.7	–	3.9
Non operating net liabilities							(739.8)
Net assets							1,564.2

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £m	2001 £m
Interest receivable from joint ventures	**0.7**	0.9
Other interest receivable	**4.0**	6.7
Foreign exchange gains	**4.6**	1.8
	9.3	9.4

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £m	2001 £m
On bank loans and overdrafts	**45.2**	51.7
On bonds	**3.4**	4.6
Finance charges payable in respect of finance leases	**1.2**	0.9
Less interest capitalised	**(0.1)**	(0.7)
Foreign exchange losses	**1.4**	–
	51.1	56.5
Group share of interest payable by joint ventures	**6.5**	10.5
Group share of interest payable by associated undertakings	**0.4**	0.8
	58.0	67.8

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £m	2001 £m
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**39.8**	36.4
Loss on sale of fixed assets	**0.4**	0.4
Repairs and maintenance expenditure	**22.1**	23.5
Auditors' remuneration		
Audit services	**0.9**	0.9
Non audit services provided by the auditors and their associates	**0.6**	0.6
Rentals payable under operating leases		
Land and buildings	**10.9**	8.5
Plant and machinery	**1.6**	2.4
Exchange gain	**(3.2)**	(1.8)

The audit fee for the parent company was £40,000 (2001: £40,000).

The non audit fees included in the table above represent the UK non audit fees. Total worldwide Group non audit fees, including the UK amounts, are £1.1m (2001: £1.0m). Of these amounts £0.9m (2001: £0.9m) relates to taxation compliance and advice work undertaken in all regions in which the Group operates.

6 TAXATION

TAX ON PROFIT ON ORDINARY ACTIVITIES:

	2002 £m	Restated 2001 £m
(i) Analysis of charge in year		
CURRENT TAX:		
UK Corporation tax on profits of the year at 30% (2001: 30%)	**2.9**	3.0
Overseas taxation	**11.8**	9.3
Taxation attributable to profits of joint ventures	**0.7**	0.4
	15.4	12.7
Over provision in respect of prior years		
UK taxation	**0.3**	(3.0)
Overseas taxation	**(4.5)**	
TOTAL CURRENT TAX	11.2	9.7
DEFERRED TAX:		
Origination and reversal of timing differences:	**2.1**	3.9
Effect of decreased rate on opening liability	**(1.5)**	(0.1)
Deferred taxation attributable to joint ventures	**1.7**	1.5
Deferred taxation attributable to associates	**0.9**	0.1
TOTAL DEFERRED TAX	3.2	5.4
TAX ON PROFIT ON ORDINARY ACTIVITIES	14.4	15.1

(ii) Factors affecting tax charge for year
The tax charge for the year is lower than the standard rate of tax in the UK (30%). The differences are explained below:

	2002 £m	2001 £m
Profit on ordinary activities before tax	**60.2**	54.2
Tax on profit on ordinary activities at the standard rate of UK tax of 30% (2001:30%)	**18.1**	16.3
Permanent differences	**(8.3)**	(4.4)
Capital allowances for year in excess of depreciation	**(8.1)**	(11.4)
Non-utilisation of tax losses arising in the year	**13.2**	16.3
Utilisation of brought forward losses	**(2.3)**	(2.1)
Other timing differences	**2.0**	(3.3)
Lower tax rates on overseas earnings	**(1.7)**	(1.5)
Further overseas tax suffered	**2.5**	2.8
Adjustments to tax charge in respect of previous periods	**(4.2)**	(3.0)
CURRENT TAX CHARGE FOR YEAR	11.2	9.7

6 TAXATION (CONTINUED)

(iii) Factors affecting future tax charges
The future effective tax charge will be affected by the mix of profits generated from the different tax jurisdictions in which the Group operates.

Unrecognised tax losses at 31 December 2002 are set out in note 19. It is not currently anticipated that these losses will be able to be utilised to offset taxable profits in the foreseeable future.

7 DIVIDENDS - PAID AND PROPOSED

	2002 £m	2001 £m
Paid	**11.9**	11.9
Proposed	**23.4**	23.4
	35.3	35.3

The interim dividend of 4.2p per share was paid on 1 October 2002 (2001: 4.2p) and the final dividend of 8.3p per share (2001: 8.3p) will be paid on 22 May 2003. The total dividend per share for the year is 12.5p (2001: 12.5p) for shares in issue and ranking for both interim and final dividends.

8 EARNINGS PER SHARE

The earnings per share and diluted earnings per share are based on earnings of £38.0m (restated 2001: £30.9m). The weighted average number of shares, being the average number of shares in issue during the period, used in both calculations is as follows:

	2002 m	2001 m
Weighted average number of shares in issue during the period used in the calculation of earnings per share	**282.6**	282.4
Number of shares under option that would have been issued at nil value	**0.1**	0.2
Weighted average number of shares in issue during the period used in the calculation of diluted earnings per share	**282.7**	282.6

9 RELATED PARTY TRANSACTIONS

Hong Leong Group
During 2002 the Group had the following transactions with certain subsidiary undertakings of Hong Leong Investment Holding Pte. Ltd., the ultimate parent company of the Hong Leong Group.

City Developments Limited and City e-Solutions Limited recharge, on an arm's length basis, certain expenses borne on behalf of the Group. The amount outstanding at 31 December 2002 is £nil (2001: £0.1m).

The Group deposited certain surplus cash with Hong Leong Singapore Finance Limited, a subsidiary undertaking of the Group, on normal commercial terms. Interest income of £0.1m (2001: £0.1m) was received during the year. As at 31 December 2002 £1.7m (2001: £1.5m) of cash was deposited with Hong Leong Singapore Finance Limited.

Swan Inc, a company owned 85% by City e-Solutions Limited (a subsidiary of the Hong Leong Group) and 15% by the Group, provided reservations, accounting, insurance and information technology services to the Group. A total of £2.8m was charged by Swan Inc during the year and, at 31 December 2002, £0.6m (2001: £1.4m) was due to Swan Inc.

Rogo Realty Corporation and Harbourland Corporation
The Group had current account balances of £1.6m (2001: £0.7m) due from its associated undertakings incorporated in the Philippines. This relates to amounts loaned to them to enable them to meet normal operating expenses.

New Plaza Associates
Interest of £0.7m (2001: £0.9m) was receivable on a US$15m loan note held by New Plaza Associates in favour of CDL Hotels USA Inc.

£0.1m (2001: £0.1m) was received as an asset management fee from New Plaza Associates. As at 31 December 2002 a total of £1.9m (2001: £0.8m) was due from New Plaza Associates.

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						
As previously stated	2,047.9	92.9	1.9	91.5	186.4	2,420.6
Prior year adjustment (note 1)	(13.5)	–	–	–	–	(13.5)
AS RESTATED	**2,034.4**	**92.9**	**1.9**	**91.5**	**186.4**	**2,407.1**
Foreign exchange adjustments	(80.5)	(3.3)	(0.5)	(5.0)	(8.2)	(97.5)
Additions	4.7	1.4	9.5	6.1	12.6	34.3
Transfers	(0.1)	–	(1.4)	0.5	1.0	–
Revaluations	0.9	(0.9)	–	–	–	–
Disposals	(0.4)	(0.8)	–	(1.5)	(6.3)	(9.0)
Written Off	(15.8)	–	–	–	(4.7)	(20.5)
At the end of the year	1,943.2	89.3	9.5	91.6	180.8	2,314.4

10 TANGIBLE FIXED ASSETS (CONTINUED)

	Land and buildings £m	Investment properties £m	Capital work in progress £m	Plant and machinery £m	Fixtures, fittings, equipment and vehicles £m	Total £m
Depreciation						
At the beginning of the year	23.1	–	–	21.5	59.0	103.6
Foreign exchange adjustments	(1.8)	–	–	–	(2.7)	(4.5)
Charge for the year	10.5	–	–	6.2	23.1	39.8
Disposals	(0.2)	–	–	(1.4)	(6.0)	(7.6)
Written off	(0.1)	–	–	(1.8)	(0.4)	(2.3)
At the end of the year	31.5	–	–	24.5	73.0	129.0
Net book value						
AT 31 DECEMBER 2002	**1,911.7**	**89.3**	**9.5**	**67.1**	**107.8**	**2,185.4**
At 31 December 2001	2,011.3	92.9	1.9	70.0	127.4	2,303.5

Included in land and buildings is land with a net book value of £805.4m (2001:£816.4m). This compares with a historical cost of £683.0m (2001:£694.1m).

Land and buildings includes long leasehold assets with a net book value of £422.9m (restated 2001: £438.2m). It also includes assets held under finance leases with a net book value of £33.2m (2001: £27.9m), 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 £28.8m (restated 2001: £27.5m), in respect of which depreciation of £0.4m was charged during the year.

A total of £0.1m of interest has been capitalised within land and buildings and investment properties during the year. The cumulative capitalised interest within land and buildings is £4.4m. 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 2002 £m	Restated Land and buildings 2001 £m
Cost or valuation comprises:		
Historical cost of revalued properties	**971.2**	911.8
Revaluation reserve	**320.2**	324.2
Valuation	**1,291.4**	1,236.0
Cost	**651.8**	798.4
	1,943.2	2,034.4

During 2002, 22 of the Group's hotels were subject to an external professional valuation on an open market existing use basis, performed by the following valuers:

Region	Valuer
USA	PKF Consulting
Europe	Insignia Richard Ellis
Asia	CB Richard Ellis and Jones Lang Lasalle
Australasia	DTZ Debenham Tie Leung

10 TANGIBLE FIXED ASSETS (CONTINUED)

These 22 hotels were valued at £705.5m, leading to a surplus on revaluation of £23.9m. All of the remainder of the Group's properties were subject to impairment reviews in accordance with FRS11. This resulted in an impairment of £23.0m.

During 2001, sixteen of the Group's hotels were subject to an external professional valuation. European properties were valued 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. Properties in the USA were valued by PKF Consulting, in Asia by CB Richard Ellis and DTZ Debenham Tie Leung and in Australasia by CB Richard Ellis, all on an open market existing use basis. These sixteen hotels were valued at £872.4m leading to a surplus on revaluation of £26.6m. All of the remainder of the Group's properties were subject to impairment reviews in accordance with FRS 11. This resulted in an impairment of £26.2m.

During 2002, all Group investment properties were subject to external professional valuation on an open market existing use basis as follows:

Property	Valuer
Kings Tanglin Shopping Centre, Singapore	Knight Frank
Birkenhead Point Shopping Centre and Marina, Sydney	CB Richard Ellis
Biltmore Court and Tower, Los Angeles	PKF Consulting

These three investment properties were valued at a total of £89.3, compared with a book value of £90.2m (2001: £77.9m).

11 INVESTMENTS

	2002 £m	Restated 2001 £m
GROUP		
Investment in joint ventures		
Share of net assets at the beginning of the year as previously reported	**71.3**	69.6
Prior year adjustment (note 1)	**(4.2)**	(2.7)
As restated	**67.1**	66.9
Share of profits/(losses) of joint ventures	**3.3**	(1.1)
Less minority share of profits	**(0.7)**	(1.2)
Foreign exchange adjustment	**(7.8)**	2.8
Dividend	**(0.1)**	(0.3)
Share of net assets	**61.8**	67.1
Loans to joint ventures	**36.1**	39.9
	97.9	107.0

11 INVESTMENTS (CONTINUED)

	2002 £m	2002 £m	Restated 2001 £m	Restated 2001 £m
Share of turnover of joint ventures		**73.6**		75.9
Share of assets				
Share of fixed assets	**269.7**		302.0	
Share of current assets	**18.4**		16.9	
		288.1		318.9
Share of liabilities				
Liabilities due within one year	**(30.5)**		(60.3)	
Liabilities due after more than one year	**(174.6)**		(169.7)	
		(205.1)		(230.0)
Less minority share of net assets		**(21.2)**		(21.8)
Share of net assets		**61.8**		67.1
Loans to joint ventures		**36.1**		39.9
		97.9		107.0

	2002 £m	Restated 2001 £m
GROUP		
Investments in associated undertakings		
Share of net assets at the beginning of the year as previously stated	**12.1**	12.3
Prior year adjustment (note 1)	**(8.2)**	(8.1)
As restated	**3.9**	4.2
New capital subscribed	**–**	0.1
Dividends	**(0.2)**	(0.5)
Share of profits of associated undertakings	**(0.9)**	–
Foreign exchange adjustment	**1.1**	0.1
Share of net assets	**3.9**	3.9
Loans to associated undertakings	**2.3**	1.0
	6.2	4.9
Trade investments		
Quoted investments	**0.3**	0.4
	6.5	5.3

11 INVESTMENTS (CONTINUED)

The quoted investments of £0.3m, (2001: £0.4m) are quoted on the Australian Stock Exchange. The market value of the quoted investments in both years are not materially different from their book value.

	2002 £m	**2002 £m**	Restated 2001 £m	Restated 2001 £m
Share of turnover of associates		**4.1**		5.1
Share of assets				
Share of fixed assets	**13.3**		13.1	
Share of current assets	**0.7**		0.8	
		14.0		13.9
Share of liabilities				
Liabilities due within one year	**(2.5)**		(0.6)	
Liabilities due after more than one year	**(7.6)**		(9.4)	
		(10.1)		(10.0)
Share of net assets		**3.9**		3.9
Loans to associates		**2.3**		1.0
		6.2		4.9

	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	889.0	222.0	1,111.0
Additions	113.4	3.2	116.6
Repayments of preference shares and loans	(4.9)	–	(4.9)
AT 31 DECEMBER 2002	997.5	225.2	1,222.7

There were no provisions made against investments in subsidiary undertakings.

11 INVESTMENTS (CONTINUED)

Details of principal investments at 31 December 2002 are as follows:

	Effective group interest	Country of incorporation/ operation	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*	100%	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 Hotel Holdings, Inc*	100%	USA	Hotel owner and operator
RHM-88, LLC*	100%	USA	Hotel owner and operator
Richfield Holdings, Inc*	100%	USA	Hotel investment holding company
M&C Hotel Interests Inc*	100%	USA	Hotel management services
RHM Management LLC*	100%	USA	Hotel operator
Cincinnati SI.Co.*	100%	USA	Hotel owner and operator
RHM Aurora, LLC*	100%	USA	Hotel owner and operator
Park Plaza Hotel Corporation*	100%	USA	Hotel investment holding company
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
Bostonian Hotel Limited Partnership*	100%	USA	Hotel owner and operator
RHM Ranch LLC*	100%	USA	Hotel owner and operator
Anchorage-Lakefront Limited Partnership*	100%	USA	Hotel owner and operator
RHH Operating LLC*	100%	USA	Hotel owner and operator
RHM Wynfield LLC*	100%	USA	Hotel owner and operator
Avon Wynfield LLC*	100%	USA	Hotel owner and operator

11 INVESTMENTS (CONTINUED)

	Effective group interest	Country of incorporation/ operation	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 management	Hotels and resorts
TOSCAP Limited*	100%	Singapore	Investment holding
Republic Hotels and Resorts Limited*	100%	Singapore	Hotel owner and operator and investment holding
City Hotels Pte Ltd*	100%	Singapore	Hotel owner and operator
Copthorne Orchid Hotel Singapore Pte Ltd*	100%	Singapore	Hotel owner
King's Tanglin Shopping Pte Ltd*	100%	Singapore	Property owner
Harbour View Hotel Pte Ltd*	100%	Singapore	Hotel owner
INDONESIA			
PT Millennium Hotels & Resorts*	100%	Indonesia	Management services
PT Millennium Sirih Jakarta *	80%	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*	65%	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*	100%	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*	42%	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
Millennium Hotel Stuttgart 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

* Held by a subsidiary undertaking

A full listing of subsidiaries will be included in the Company's Annual Return.

12 STOCKS

	Group 2002 £m	Group 2001 £m
Consumables and supplies	**4.0**	4.1
Development land for resale	**11.5**	11.5
Development properties work in progress	**0.2**	2.3
	15.7	17.9

13 DEBTORS

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Trade debtors	**33.8**	33.8	**–**	–
Amounts owed by joint ventures	**1.9**	0.8	**–**	–
Amounts owed by associated undertakings	**1.6**	0.7	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**35.5**	60.8
Other debtors	**8.5**	5.1	**–**	–
Prepayments and accrued income	**12.6**	10.6	**–**	–
Amounts receivable from hotel disposals	**19.2**	23.0	**–**	–
	77.6	74.0	**35.5**	60.8
	£m	£m	**£m**	£m
Debtors falling due within one year	**75.6**	64.3	**35.5**	60.8
Debtors falling due after more than one year	**2.0**	9.7	**–**	–
	77.6	74.0	**35.5**	60.8

14 CASH AT BANK AND IN HAND

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Short term deposits	**12.9**	43.8	**–**	–
Cash	**46.2**	34.2	**4.4**	–
	59.1	78.0	**4.4**	–

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Obligations under finance leases	**11.9**	1.7	**–**	–
Bonds payable	**15.6**	52.7	**15.6**	–
Bank loans and overdrafts	**88.3**	34.4	**75.4**	11.4
Trade creditors	**18.7**	18.6	**–**	–
Amounts owed to parent and fellow subsidiary undertakings	**0.6**	1.5	**23.3**	47.5
Dividends payable	**23.4**	23.4	**23.4**	23.4
Other creditors including taxation and social security				
Corporation tax	**20.6**	23.2	**0.3**	0.3
Social security and PAYE	**1.5**	1.5	**–**	–
Value added tax	**6.1**	6.9	**–**	–
Other creditors	**11.5**	19.7	**0.4**	–
Accruals and deferred income	**60.5**	63.5	**1.9**	1.5
Deferred consideration	**28.1**	31.0	**–**	–
Rental and other deposits	**5.4**	5.3	**–**	–
	292.2	283.4	**140.3**	84.1

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Bank loans	**465.0**	572.8	**102.5**	134.7
Bonds payable	**147.4**	83.9	**75.2**	–
Obligations under finance leases	**6.4**	17.9	**–**	–
Deferred property taxes	**5.2**	6.4	**–**	–
Other liabilities	**10.0**	11.0	**–**	
	634.0	692.0	**177.7**	134.7

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 12 and 13 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 except those relating to currency risk.

17 GROUP FINANCIAL INSTRUMENTS (CONTINUED)

a) Liquidity

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

	Debt other than finance leases 2002 £m	Finance lease obligations 2002 £m	Other financial liabilities 2002 £m	Total 2002 £m
Financial liabilities maturing:				
in one year or less or on demand	**103.9**	**11.9**	**–**	**115.8**
in more than one year but not more than two years	**6.9**	**1.6**	**–**	**8.5**
in more than two years but not more than five years	**605.5**	**4.8**	**–**	**610.3**
in more than five years	**–**	**–**	**10.0**	**10.0**
	716.3	**18.3**	**10.0**	**744.6**

	Debt other than finance leases 2001 £m	Finance lease obligations 2001 £m	Other financial liabilities 2001 £m	Total 2001 £m
Financial liabilities maturing:				
in one year or less or on demand	87.1	1.7	–	88.8
in more than one year but not more than two years	110.7	1.8	1.9	114.4
in more than two years but not more than five years	509.7	14.2	0.2	524.1
in more than five years	36.3	1.9	8.9	47.1
	743.8	19.6	11.0	774.4

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.

	2002 £m	2001 £m
Expiring in one year or less	**30.9**	79.2
Expiring after more than one year but not more than two years	**27.2**	1.6
Expiring after more than two years but not more than five years	**85.0**	25.0
Expiring after more than five years	**–**	13.9
	143.1	119.7

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 2002 £m	Fixed rate 2002 £m	Non-interest bearing 2002 £m	Total 2002 £m	Average interest rate of fixed rate borrowings 2002 %	Average years to maturity of fixed rate borrowings 2002 Years	Average years to maturity of non-interest bearing liabilities 2002 Years
Sterling	**136.6**	**10.2**	**–**	**146.8**	**8**	**1**	**–**
Singapore $	**33.3**	**95.7**	**6.4**	**135.4**	**3**	**3**	**5**
US $	**173.3**	**171.5**	**–**	**344.8**	**8**	**3**	**–**
New Zealand $	**19.8**	**–**	**–**	**19.8**	**–**	**–**	**–**
Australian $	**14.2**	**–**	**–**	**14.2**	**–**	**–**	**–**
Malaysian Ringgit	**12.6**	**–**	**–**	**12.6**	**–**	**–**	**–**
Korean Won	**50.3**	**–**	**2.2**	**52.5**	**–**	**–**	**5**
New Taiwan $	**–**	**–**	**1.4**	**1.4**	**–**	**–**	**5**
Euro	**9.1**	**8.0**	**–**	**17.1**	**5**	**4**	**–**
	449.2	**285.4**	**10.0**	**744.6**	**6**	**3**	**5**

	Floating rate 2001 £m	Fixed rate 2001 £m	Non-interest bearing 2001 £m	Total 2001 £m	Average interest rate of fixed rate borrowings 2001 %	Average years to maturity of fixed rate borrowings 2001 Years	Average years to maturity of non-interest bearing liabilities 2001 Years
Sterling	130.9	10.2	–	141.1	8	2	–
Singapore $	19.8	84.9	2.0	106.7	5	3	4
US $	183.8	189.9	–	373.7	8	4	–
New Zealand $	20.2	–	–	20.2	–	–	–
Australian $	18.6	–	–	18.6	–	–	–
Malaysian Ringgit	14.6	–	–	14.6	–	–	–
Korean Won	52.7	–	9.0	61.7	–	–	5
New Taiwan $	22.3	–	–	22.3	–	–	–
Euro	6.1	9.4	–	15.5	6	5	–
	469.0	294.4	11.0	774.4	7	4	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 2002 £m	Fixed rate 2002 £m	Non-interest bearing 2002 £m	Total 2002 £m	Average interest rate of fixed rate assets 2002 %	Average years to maturity of fixed rate assets 2002 Years
Sterling	**0.8**	**–**	**0.4**	**1.2**	**–**	**–**
US $	**8.8**	**19.1**	**2.7**	**30.6**	**2**	**0.1**
Korean Won	**–**	**5.2**	**0.1**	**5.3**	**4**	**0.1**
Singapore $	**0.7**	**4.0**	**2.1**	**6.8**	**1**	**0.1**
New Taiwan $	**0.5**	**2.4**	**0.3**	**3.2**	**1**	**0.1**
Others	**12.8**	**0.4**	**1.1**	**14.3**	**1**	**0.1**
	23.6	**31.1**	**6.7**	**61.4**	**2**	**0.1**

	Floating rate 2001 £m	Fixed rate 2001 £m	Non-interest bearing 2001 £m	Total 2001 £m	Average interest rate of fixed rate assets 2001 %	Average years to maturity of fixed rate assets 2001 Years
Sterling	1.3	–	0.4	1.7	–	–
US $	20.3	28.0	10.2	58.5	3	0.1
Korean Won	5.9	0.1	0.1	6.1	5	0.7
Singapore $	–	5.9	1.8	7.7	1	0.1
New Taiwan $	2.5	0.3	0.1	2.9	2	0.1
Others	10.0	0.6	0.6	11.2	7	0.2
	40.0	34.9	13.2	88.1	3	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.

Financial assets include cash, bank deposits, investments and debtors greater than one year held in relation to hotel disposals.

e) Fair values

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

17 GROUP FINANCIAL INSTRUMENTS (CONTINUED)

	2002		2001	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Short term deposits	**12.9**	**12.9**	43.8	43.8
Cash at bank and in hand	**46.2**	**46.2**	34.2	34.2
	59.1	**59.1**	78.0	78.0
Investments	**0.3**	**0.3**	0.4	0.4
Debtors greater than one year	**2.0**	**2.0**	9.7	9.7
	61.4	**61.4**	88.1	88.1
Debt and finance lease obligations	**(734.6)**	**(730.7)**	(763.4)	(769.3)
Other creditors due after more than one year	**(10.0)**	**(7.9)**	(11.0)	(9.8)
Derivatives held to manage the interest rate profile	**–**	**(28.1)**	–	(18.4)
	(744.6)	**(766.7)**	(774.4)	(797.5)

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

- cash at bank and in hand and short term deposits approximate to their book values due to their short maturity period
- the fair value of listed investments approximates to their book value
- Debtors greater than one year, debt, finance lease obligations and other creditors due after more than one year are based upon discounted cashflows at prevailing interest rates
- The fair values of interest rate derivatives has been calculated based on the present value market value of hedging arrangements

f) Gains and losses on hedges

An analysis of the unrecognised gains and losses on the interest rate derivatives is as follows:

	£m
Unrecognised gains and losses on hedges at 1 January 2002	(18.4)
Losses arising recognised in the year	13.4
Unrecognised losses arising in the year	(23.1)
Unrecognised gains and losses on hedges at 31 December 2002	(28.1)
Of which:	
Gains and losses expected to be recognised in 2003	(14.0)
Gains and losses expected to be recognised in 2004 or later	(14.1)
	(28.1)

g) Currency risk

The Group has unhedged cash balances denominated in non-functional currencies totalling £5.0m, (2001: £3.1m) of which £4.9m (2001: £1.7m) is denominated in US $. The Group maintains cash balances in Taipei and the Philippines in US dollars totalling £3.9m, (2001: £33.6m) as at 31 December 2002. These are matched by borrowings in the same currency.

h) Security

Included within the Group's total bank loans and overdrafts of £553.3m are £520.0m (2001: £585.4m) of secured loans. Of total bonds payable of £163.0m, £50.3m (2001: £52.7m) are secured bonds.
Loans and bonds are secured on land and buildings.

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Other £m	Deferred Taxation £m	Restated Total £m
At 1 January 2002 as previously stated	3.7	–	3.7
Prior year adjustment (see note 1)	–	42.4	42.4
As restated	3.7	42.4	46.1
Utilised	(0.4)	–	(0.4)
Provided during the year	–	0.6	0.6
Transfer from corporation tax creditor	–	4.6	4.6
Foreign exchange adjustment	–	(1.2)	(1.2)
At 31 December 2002	3.3	46.4	49.7

The other provision reflects the effect of an onerous lease and is to be released over the life of the lease until 2014.

19 DEFERRED TAXATION

The Group has adopted the requirements of FRS19 – Deferred Tax during the year. FRS19 requires deferred tax to be recognised in full on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future have occurred by the balance sheet date. This has resulted in a change in accounting policy for the Group. The impact of the change in accounting policy is set out in note 1.

	2002 £m	Restated 2001 £m
The net deferred tax provision as at 31 December 2002 is as follows:		
Accelerated capital allowances	**87.9**	84.9
Tax losses carried forward	**(39.2)**	(41.5)
Other timing differences	**(2.3)**	(1.0)
	46.4	42.4

There is no unprovided deferred taxation liability at either 31 December 2002 or 31 December 2001.

No provision has been made for deferred tax on gains recognised on revaluing properties. If the Group were to dispose of all of its properties at their book values, a tax liability estimated at £196.3m (restated 2001: £200.5m) 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.

A deferred tax asset totalling £14.9m (2001: £17.0m) in respect of carried forward tax losses arising in the group has not been recognised, due to it not being expected that these losses can be utilised to offset taxable profits in the foreseeable future.

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital 2002 £m	Share premium 2002 £m	Revaluation reserve 2002 £m	Profit and loss account 2002 £m	Total 2002 £m	Restated Total 2001 £m
GROUP						
Balance at the beginning of the year as previously reported	**84.7**	**845.5**	**345.8**	**197.4**	**1,473.4**	1,468.6
Prior year adjustment	**–**	**–**	**(25.5)**	**(37.0)**	**(62.5)**	(58.0)
AS RESTATED	**84.7**	**845.5**	**320.3**	**160.4**	**1,410.9**	1,410.6
Profit for the financial year	**–**	**–**	**–**	**38.0**	**38.0**	30.9
Dividends paid and proposed	**–**	**–**	**–**	**(35.3)**	**(35.3)**	(35.3)
Foreign exchange gain	**–**	**–**	**(11.6)**	**(51.0)**	**(62.6)**	3.3
Revaluation of fixed assets	**–**	**–**	**(0.3)**	**–**	**(0.3)**	0.5
Issue of shares on exercise of options	**0.1**	**0.1**	**–**	**–**	**0.2**	0.9
Balance at the end of the year	**84.8**	**845.6**	**308.4**	**112.1**	**1,350.9**	1,410.9

The Group's share of the accumulated reserves of the associated undertakings as at 31 December 2002 was £nil (restated 2001: £0.9m). The Group's share of the accumulated reserves of joint ventures as at 31 December 2002 was £13.6m (restated 2001: £11.0m).

The cumulative amount of goodwill written off prior to the adoption of FRS10 was £2.3m as at 31 December 2002 (2001: £2.3m).

	Share capital 2002 £m	Share premium 2002 £m	Profit and loss account 2002 £m	Total 2002 £m	Total 2001 £m
COMPANY					
Balance at the beginning of the year	**84.7**	**845.5**	**22.8**	**953.0**	969.9
Profit for the financial year	**–**	**–**	**26.4**	**26.4**	17.5
Dividends paid and proposed	**–**	**–**	**(35.3)**	**(35.3)**	(35.3)
Issue of shares on exercise of options	**0.1**	**0.1**	**–**	**0.2**	0.9
Foreign exchange gain	**–**	**–**	**0.3**	**0.3**	–
Balance at the end of the year	**84.8**	**845.6**	**14.2**	**944.6**	953.0

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	282,527,058
Issue of ordinary shares on exercise of share options	–	111,651
Balance at the end of the year	1,000,000,000	282,638,709

The authorised share capital stood at £300,000,000 throughout the year. All of the share capital is equity share capital.

At the year end options over 2,970,311 ordinary shares were outstanding. Share options are exercisable between now and 15 March 2012 at between 227p and 495p. In relation to options held under Inland Revenue Approved Save As you Earn Schemes, the Group has taken advantage of the exemption from UITF17 and therefore the cost of options issued are not required to be charged to the profit and loss account.

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 £2.92 on expiry of the savings contract. 38 applications were received for the five-year term and 101 applications were received for the three-year term. The total number of options issued at 4 March 2003 from all schemes operated by the Group was 2,905,047.

22 MINORITY INTERESTS

	2002 £m	Restated 2001 £m
At the beginning of the year as previously reported	**159.1**	150.7
Prior year adjustment (note 1)	**(5.8)**	(4.9)
AS RESTATED	**153.3**	145.8
At beginning of year as restated		
Share of retained profit for the year	**7.8**	8.2
Less minority interest attributable to joint ventures and associates	**(0.7)**	(1.2)
Dividends paid and payable to minorities	**(4.0)**	(2.0)
Share of revaluation surplus	**0.3**	14.5
Purchase of minority interests (equity)	**(37.4)**	(2.1)
Repayment of amount owing to minority interest (non-equity)	**–**	(5.1)
Minority interests with acquisitions	**–**	1.2
Foreign exchange loss	**(3.9)**	(6.0)
At the end of the year	**115.4**	153.3

23 FINANCIAL COMMITMENTS

	2002 £m	2001 £m
i) Capital commitments at the end of the financial year for which no provision has been made:		
GROUP		
Contracted	**12.7**	2.3

At 31 December 2002 the Company had capital commitments of £nil (2001: £nil).

	2002		2001	
	Land and buildings £m	**Plant and machinery £m**	Land and buildings £m	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	**1.2**	**0.9**	0.2	1.6
Over five years	**9.0**	**–**	9.5	0.3
	10.2	**1.4**	9.7	2.6

At 31 December 2002 the Company had no operating lease commitments (2001: £nil).

24 CONTINGENT MATTERS

a) A claim has been made against the Group under the Securities Purchase Agreement ('SPA') relating to the acquisition of certain hotels in the USA in December 1999. Under the terms of the SPA, US$45.0m of the consideration for these hotels was deferred for a period of two years. However, this consideration was not paid over to the vendor pending adequate financial assurances that it could honour its indemnity obligations of up to US$395.0m under the SPA. Certain of these obligations expire in December 2004 whilst others carry on indefinitely. The vendor is alleging breach of contract.

The vendor has also claimed punitive damages of US$405.0m alleging that the purchasing entity never intended to pay over the deferred consideration and that the Group should have treated the deferred consideration as trust funds to be set aside.

The directors have taken external legal advice regarding the claim. Legal counsel's opinion is that the claim for punitive damages is unlikely to succeed and that the breach of contract is defendable. The directors consider that the Group's balance sheet contains adequate provision for the deferred consideration and, based on legal advice, have concluded that no further provision is required in the Group's accounts for the year ended 31 December 2002.

b) The Millenium Hilton, New York has been closed since 11 September 2001. Proceeds of US$49.5m from the insurance claim have now been received in respect of the property and business interruption claims. However, in January 2003, the insurance company took legal action to seek clarification of the indemnity period under the business interruption coverage in the policy. The insurer contends that the hotel is only covered for business interruption losses for 12 months from the date of the damage and a maximum extended period of indemnity of a further 6 months from the date of re-opening. The Group has been advised that the coverage applies for the full period up to the re-opening plus a further 12 month period thereafter. The insurers have also applied to rescind the coverage entirely (including in relation to the property claim).

The Board has taken legal advice and based on this, and its own information, considers that the policy was appropriately issued and that its interpretation of the period of business interruption cover is correct. Based upon the currently known facts, legal counsel's view is that the likelihood of the insurance company rescinding the coverage entirely is remote. The directors consider that the possibility of the Group being required to repay any amounts already received from the insurers is slight, that the Group's balance sheet adequately reflects the insurance claim and, based on the legal advice received, that no adjustment is required in the Group's accounts for the year ended 31 December 2002.

c) 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

	2002 £m	2001 £m
Operating profit	**96.3**	100.4
Depreciation	**39.8**	36.4
Loss on disposal of fixed assets	**0.4**	0.4
Decrease in stocks	**0.1**	0.7
Increase in debtors	**(4.3)**	(4.4)
(Decrease)/increase in creditors	**(9.7)**	3.0
Decrease in provisions	**(0.4)**	(0.5)
Net cash inflow from continuing operating activities	**122.2**	136.0

26 ANALYSIS OF NET DEBT

	At 1 January 2002 £m	Cash flow £m	Deferred finance costs £m	Translation differences and other non cash movements £m	**As at 31 December 2002 £m**
Cash	34.2	15.5	–	(3.5)	**46.2**
Overdrafts	(1.3)	(0.6)	–	0.1	**(1.8)**
		14.9			
Short term deposits	43.8	(30.6)	–	(0.3)	**12.9**
Debt due after one year	(572.8)	33.9	–	73.9	**(465.0)**
Debt due within one year	(33.1)	(13.3)	0.2	(40.3)	**(86.5)**
Finance leases	(19.6)	2.1	–	(0.8)	**(18.3)**
Bonds due after one year	(83.9)	(66.7)	–	3.2	**(147.4)**
Bonds due within one year	(52.7)	35.9	–	1.2	**(15.6)**
		(8.1)			
Total	(685.4)	(23.8)	0.2	33.5	**(675.5)**

27 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002 £m	2002 £m	2001 £m	2001 £m
Returns on investment and servicing of finance				
Interest received	**4.6**		7.2	
Interest paid	**(46.5)**		(51.0)	
Loan arrangement fees paid	**(2.9)**		(0.3)	
Interest element of finance lease rental payments	**(1.2)**		(0.9)	
Dividend paid to minorities	**(4.0)**		(4.1)	
Net cash outflow for returns on investments and servicing of finance		**(50.0)**		(49.1)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(28.6)**		(67.1)	
Millenium Hilton New York capital expenditure	**(5.1)**		–	
Insurance capital claims receipts	**18.9**		–	
Purchase of development properties	**(2.1)**		(5.7)	
Proceeds from sale of development properties	**0.3**		36.0	
Sale of properties held for resale	**3.2**		8.1	
Sale of other fixed assets	**0.3**		0.5	
Repayment from loans to associated undertakings and joint ventures	**0.9**		7.3	
Net cash outflow for capital expenditure and financial investment		**(12.2)**		(20.9)
Acquisitions and disposals				
Acquisition of subsidiary undertakings	**–**		(6.6)	
Net cash (outflow)/inflow for acquisitions and disposals		**–**		(6.6)
Management of liquid resources				
Cash withdrawn from short term deposit	**30.6**		11.1	
Net cash inflow from management of liquid resources		**30.6**		11.1
Financing				
Issue of shares from the exercise of options	**0.2**		0.9	
Purchase of shares from minority interests	**(37.4)**		(2.1)	
		(37.2)		(1.2)
Drawdown of third party loans	**165.2**		79.0	
Repayment of third party loans	**(155.0)**		(134.7)	
Capital element of finance lease rental repayment	**(2.1)**		(2.1)	
		8.1		(57.8)
Net cash outflow from financing		**(29.1)**		(59.0)

Liquid resources comprise short term cash deposits not repayable on demand.

28 ULTIMATE HOLDING AND CONTROLLING COMPANY

The directors consider the ultimate holding and controlling company to be Hong Leong Investment Holdings Pte. Ltd. which is incorporated in the Republic of Singapore. The accounts of the ultimate holding company, which heads the largest Group in which the results of the Company are consolidated, are available to the public at The 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 06887.

29 PENSION SCHEMES, EMPLOYEES AND REMUNERATION

Pension schemes

United Kingdom

The Group operates a pension scheme (the Millennium & Copthorne Pension Plan) for its UK employees which was set up in 1993. The assets of the Plan are held separately from those of the Group, being invested with Deutsche Asset Management Limited, The Equitable Life Assurance Society and Nationwide Building Society.

The scheme contains a funded defined benefit arrangement with different categories of membership. 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 trennial valuations using the projected unit method. The most recent valuation of the defined benefit section was carried out as at 6 April 2002. At the valuation date the market value of the defined benefit section's assets was £14.3m, giving a funding level of 84%. The contributions of the Group were 17.3%, (2001: 17.3%) of earnings and those of employees were from 3.5% to 5% (2001: 3.5% to 5%) of pensionable earnings depending on the category of membership. The recommended contribution rate for the Group, effective from April 2003, is 20.6%, of which 18.5% relates to the regular cost and 2.1% to the variation. 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 between 5% and 7% per annum, that salary increases would average 5% per annum and that pensions would increase at rates varying between 2.7% and 3.5%. 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 2005. The Scheme was closed to new members from 31 March 2002.

The Plan also contains a defined contribution section for its UK employees.

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 31 December 2001. 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% per annum and that salary increases would average 4% per annum. Average future service of participants expected to receive benefits was 14 years. The next valuation is due in 2004.

The pension cost of the whole Group charged to the profit and loss account is £5.3m (2001: £6.2m).

Contributions of £0.3m (2001: £0.5m) were due to the schemes as at 31 December 2002 and are included in creditors.

Financial Reporting Standard 17:

The transitional arrangements of the new accounting standard FRS17 require disclosure of pension scheme assets and liabilities as at 31 December 2002 and 31 December 2001 calculated in accordance with the requirements of FRS17. For the purpose of these financial statements, these figures are illustrative only and do not impact the actual balance sheet.

The assets of each scheme have been taken at market value. The liabilities of each scheme have been calculated by a qualified actuary, under a projected unit method discounted at the rate of an AA corporate bond, using the following principal assumptions:

	UK Scheme Per annum		Taiwan Scheme Per annum	
	2002	2001	**2002**	2001
	%	%	%	%
Inflation	**2.50**	2.50	**–**	–
Salary increases	**4.00**	4.00	**3.00**	2.50
Rate of discount	**5.14**	5.75	**3.75**	4.50
Pension in payment increases	**2.50**	2.50	**–**	–
Revaluation rate for deferred pensioners	**2.50**	2.50	**–**	–

The Taiwan plan provides for a lump sum upon retirement based on a multiple of final salary. The Company has no obligation once an employee leaves.

On this basis, the illustrative balance sheet figures are as follows:

	UK Scheme		**Taiwan Scheme**		**Total Scheme**	
	2002	2001	**2002**	2001	**2002**	2001
	£m	£m	**£m**	£m	**£m**	£m
Assets	**14.7**	15.9	**1.6**	1.4	**16.3**	17.3
Liabilities	**(20.3)**	(17.9)	**(5.2)**	(4.3)	**(25.5)**	(22.2)
Deficit	**(5.6)**	(2.0)	**(3.6)**	(2.9)	**(9.2)**	(4.9)
Deferred tax	**1.7**	0.6	**0.9**	0.7	**2.6**	1.3
Net deficit	**(3.9)**	(1.4)	**(2.7)**	(2.2)	**(6.6)**	(3.6)

The above disclosed position is different to that determined for the long term funding of the Schemes, as different assumptions have been used. Based on the net deficit at 31 December 2002, future full adoption of FRS 17 would result in a decrease in Group reserves at 31 December 2002 of £6.6m (2001: £3.6m).

29 PENSION SCHEMES, EMPLOYEES AND REMUNERATION (CONTINUED)

The assets of the schemes at 31 December 2001 and corresponding expected returns over the following year are as follows:-

	UK Fund value 2002 £m	2001 £m	Expected returns 2002 %	2001 %	Taiwan Fund value 2002 £m	2001 £m	Expected returns 2002 %	2001 %
Equities	**11.2**	12.7	**6.39**	7.00	**–**	–	**–**	–
Bonds	**2.2**	1.8	**5.14**	5.75	**–**	–	**–**	–
Cash	**1.3**	1.4	**4.00**	3.50	**1.6**	1.4	**3.75**	4.5
	14.7	15.9			**1.6**	1.4		

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not necessarily be borne out of practice. The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, together with the present value of the schemes' liabilities which are derived from cash flow projections over long periods, are both inherently uncertain.

Illustrative charge to the profit and loss account for the year to 31 December 2002:

	UK Scheme 2002 £m	Taiwan Scheme 2002 £m	Total 2002 £m
OPERATING PROFIT			
Current service cost	**(1.4)**	**(0.4)**	**(1.8)**
Total operating charge	**(1.4)**	**(0.4)**	**(1.8)**
OTHER FINANCE INCOME/(COSTS)			
Expected return on pension scheme assets	**1.1**	**0.1**	**1.2**
Interest on pension scheme liabilities	**(1.1)**	**(0.2)**	**(1.3)**
Net return	**–**	**(0.1)**	**(0.1)**
Total	**(1.4)**	**(0.5)**	**(1.9)**

Illustrative amounts which would be recognised in the statement of total recognised gains and losses:

	UK Scheme 2002 £m	Taiwan Scheme 2002 £m	Total 2002 £m
Actual return less expected return on pension scheme assets	**(2.9)**	**(0.1)**	**(3.0)**
Experience gains arising on the scheme liabilities	**1.3**	**–**	**1.3**
Changes in demographic and financial assumptions underlying the present value of the scheme liabilities	**(2.0)**	**(0.7)**	**(2.7)**
Actuarial loss recognised in the statement of total recognised gains and losses	**(3.6)**	**(0.8)**	**(4.4)**

29 PENSION SCHEMES, EMPLOYEES AND REMUNERATION (CONTINUED)

Movement in pension deficit during the year:

	UK Scheme 2002 £m	Taiwan Scheme 2002 £m	Total 2002 £m
Deficit in scheme at beginning of year	(2.0)	(2.9)	(4.9)
Movement in year:			
- Current service cost	(1.4)	(0.4)	(1.8)
- Contributions	1.4	0.3	1.7
- Foreign exchange movement	–	0.3	0.3
- Other finance income	–	(0.1)	(0.1)
- Actuarial loss	(3.6)	(0.8)	(4.4)
Deficit in scheme at end of year	(5.6)	(3.6)	(9.2)

Actuarial gains and losses over the year were as follows:

	UK Scheme 2002 %	Taiwan Scheme 2002 %	Total 2002 %
Difference between the expected and actual return of pension scheme assets expressed as a percentage of scheme assets.	(20)	(6)	(18)
Experience gains on scheme liabilities expressed as a percentage of the present value of the scheme liabilities.	6	–	5
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities expressed as a percentage of the scheme liabilities.	(10)	(13)	(11)
Total actuarial loss recognised in the statement of total recognised gains and losses, expressed as a percentage of the present value of the scheme liabilities.	(18)	(15)	(17)

29 PENSION SCHEMES, EMPLOYEES AND REMUNERATION (CONTINUED)

Employees and staff costs

	2002 Number	2001 Number
The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:		
Hotel operating staff	**9,949**	10,004
Management/administration	**1,323**	1,448
Sales and marketing	**423**	543
Repairs and maintenance	**557**	598
	12,252	12,593

	2002 £m	2001 £m
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**178.1**	184.8
Social security costs	**22.0**	23.3
Other pension costs	**5.3**	6.2
	205.4	214.3

	2002	2001 Like for Like	2001 Reported Currency
OCCUPANCY (%)			
USA	**59.7**	57.8	58.8
New York	**83.3**	73.3	75.3
Rest of USA	**54.0**	54.1	53.9
Europe	**75.0**	75.3	75.5
London	**83.1**	80.4	80.4
Rest of Europe	**68.6**	71.4	71.2
Asia	**66.4**	62.5	62.5
Australasia	**70.4**	67.1	67.1
GROUP	**67.2**	65.1	65.1
AVERAGE ROOM RATE (£)			
USA	**84.29**	86.74	92.93
New York	**120.28**	129.79	139.28
Rest of USA	**70.83**	72.57	73.49
Europe	**74.30**	78.59	79.92
London	**79.86**	87.32	87.32
Rest of Europe	**68.94**	70.75	72.35
Asia	**59.26**	61.71	64.19
Australasia	**31.46**	30.36	28.56
GROUP	**65.73**	68.33	71.39
YIELD PER AVAILABLE ROOM (£)			
USA	**50.32**	50.14	54.64
New York	**100.19**	95.14	104.88
Rest of USA	**38.25**	39.26	39.61
Europe	**55.73**	59.18	60.34
London	**66.36**	70.21	70.21
Rest of Europe	**47.29**	50.52	51.51
Asia	**39.35**	38.57	40.12
Australasia	**22.15**	20.37	19.16
GROUP	**44.17**	44.48	46.47
GROSS OPERATING PROFIT MARGIN (%)			
USA	**27.0**		25.3
New York	**32.5**		27.0
Rest of USA	**23.7**		24.1
Europe	**40.1**		43.2
London	**51.4**		50.4
Rest of Europe	**30.5**		35.9
Asia	**38.8**		38.2
Australasia	**37.3**		35.1
GROUP	**35.1**		34.6

Like for like statistics are in constant currency, exclude the Millenium Hilton and the US disposals for both years but include Millennium Hotel Stuttgart in both years.

	2002 £m	Restated 2001 £m	Restated 2000 £m	Restated 1999 £m	Restated 1998 £m
PROFIT AND LOSS ACCOUNT					
Turnover including share of turnover of joint ventures	**641.1**	670.5	722.8	343.1	221.9
Group operating profit	**96.3**	100.4	171.5	96.1	73.0
Share of operating profits of joint ventures	**12.2**	11.3	8.0	–	–
Share of operating profits of associated undertakings	**0.4**	0.9	14.5	9.2	9.4
Net interest payable	**(48.7)**	(58.4)	(64.9)	(21.8)	(24.0)
Profit on ordinary activities before tax	**60.2**	54.2	129.1	83.5	58.4
Tax	**(14.4)**	(15.1)	(36.1)	(26.7)	(19.9)
Profit on ordinary activities after tax	**45.8**	39.1	93.0	56.8	38.5
Minority interests	**(7.8)**	(8.2)	(11.2)	(3.9)	(0.5)
Profit for the financial year	**38.0**	30.9	81.8	52.9	38.0
BALANCE SHEET					
Tangible fixed assets	**2,185.4**	2,303.5	2,235.8	2,151.9	895.2
Investments	**104.4**	112.3	126.9	41.5	54.0
Other assets	**93.3**	91.9	142.9	93.9	23.9
Borrowings net of cash	**(675.5)**	(685.4)	(727.0)	(633.7)	(274.0)
Other liabilities	**(191.6)**	(212.0)	(179.4)	(189.0)	(59.8)
Provisions for liabilities and charges	**(49.7)**	(46.1)	(42.8)	(31.3)	(23.3)
NET ASSETS	**1,466.3**	1,564.2	1,556.4	1,433.3	616.0
Share capital and share premium	**930.4**	930.2	929.3	928.6	338.8
Reserves	**420.5**	480.7	481.3	336.4	272.0
Shareholders' funds	**1,350.9**	1,410.9	1,410.6	1,265.0	610.8
Minority interests	**115.4**	153.3	145.8	168.3	5.2
TOTAL CAPITAL EMPLOYED	**1,466.3**	1,564.2	1,556.4	1,433.3	616.0
Gearing (%)	**50**	49	52	50	45
Earnings per share (p)	**13.4**	10.9	29.0	25.6	23.7
Dividends per share (p)	**12.5**	12.5	12.5	11.3	10.2
Gross operating profit margin (%)	**35.1**	34.6	39.5	42.9	47.7
Occupancy (%)	**67.2**	65.1	69.9	70.6	79.4
Average room rate (£)	**65.73**	71.39	71.22	74.08	89.56
Yield per available room (£)	**44.17**	46.47	49.78	52.30	71.11

The restatement of prior periods relates to the introduction of FR19 as set out in note 1.

In June 1999 the Group acquired the hotel interest 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 2003 will be held at the Millennium Hotel London Mayfair, Grosvenor Square, London W1K 2HP on Wednesday 21 May 2003 at 10.00am for the transaction of the following business:

ORDINARY BUSINESS

1. To approve the directors' report for the year ended 31 December 2002.

2. To approve the Accounts for the year ended 31 December 2002 together with the auditors' report on those Accounts.

3. To declare a final dividend for the year ended 31 December 2002 of 8.3p per share to shareholders on the register at close of business on 2 May 2003.

4. To re-appoint Mr Kwek Leng Beng retiring by rotation as a director in accordance with the Company's Articles of Association and the Code.

5. To re-appoint Mr Kwek Leng Joo retiring by rotation as a director in accordance with the Company's Articles of Association and the Code.

6. To re-appoint Mr Kwek Leng Peck retiring by rotation as a director in accordance with the Company's Articles of Association and the Code.

7. To re-appoint Mr Anthony Potter retiring by rotation as a director in accordance with the Company's Articles of Association and the Code.

8. To re-appoint Mr Christopher Sneath retiring by rotation as a director in accordance with the Company's Articles of Association and the Code.

9. To re-appoint The Viscount Thurso as a director in accordance with the Company's Articles of Association.

10. To re-appoint Mr Charles Kirkwood as a director in accordance with the Company's Articles of Association.

11. 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 12, 13 and 14 as special resolutions and in the case of resolutions 15, 16, 17 and 18 as ordinary resolutions.

SPECIAL RESOLUTIONS

12. 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 £28,263,871 being 33$^{1}/_{3}$% of the ordinary share capital in issue on 1 March 2003.

13. 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 £4,239,581 being 5% of the ordinary share capital in issue on 1 March 2003.

14. THAT the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of s163(3) of the Companies Act 1985) of ordinary shares of 30p in the capital of the Company ("ordinary shares") provided that:

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 28,263,870 (representing 10 per cent of the ordinary share capital in issue on 1 March 2003);
(b) the minimum price which may be paid for an ordinary share is 30p;
(c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased;
(d) this authority expires at the conclusion of the next annual general meeting of the Company to be held in 2004 or within fifteen months from the date of the passing of this resolution whichever is earlier; and
(e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

ORDINARY RESOLUTIONS

15. TO approve the directors' remuneration report and auditor's report on the auditable part of the directors' remuneration report for the year ended 31 December 2002

16. 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 2004.

17. THAT the Company be authorised for the purposes of Companies Act 1985 Part XA to make donations to EU political organisations and/or to incur EU political expenditure (as such terms are defined in Companies Act 1985 Section 347A) provided that:

(a) the maximum amount which may be donated to EU political organisations and/or incurred in respect of EU political expenditure shall not in aggregate exceed £100,000 in the period expiring at the conclusion of the Company's Annual General Meeting in 2004.
(b) the maximum amount referred to in sub-paragraph (a) may comprise sums in different currencies which shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate.
(c) this authority expires at the conclusion of the Company's Annual General Meeting in 2004 after the date of the passing of this resolution unless previously renewed, varied or revoked by the Company in general meeting; and
(d) the Company may before such expiry enter into a contract or undertaking which would or might require donations to be made to EU political organisations and/or EU political expenditure to be incurred wholly or partly after the expiry of this authority, and the Company may make donations to EU political organisations and/or incur EU political expenditure in pursuance of any such contract or undertaking (subject always to the maximum amount in sub-paragraph (a) above not thereby being exceeded) as if the authority conferred by this resolution had not expired.

18. TO authorise the Board to exercise the power in Article 129(A) of the Company's Articles of Association so that to the extent determined by the Board, the holders of ordinary shares be permitted to elect and receive new ordinary shares credited as fully paid instead of cash in respect of all or part of any dividend declared after the date of this meeting and before the start of its fifth annual general meeting after this meeting.

By order of the Board

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

Simon Hodges
Company Secretary
4 March 2003

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 12 set out above or to acquire shares pursuant to the authority granted by resolution 14.*
6. *The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00pm on 19 May 2003, 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 19 May 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.*

THE AMERICAS

Millennium Alaskan Hotel Anchorage
Millennium Bostonian Hotel Boston
Millennium Biltmore Hotel Los Angeles
Millennium Harvest House Boulder
Millennium Hotel Cincinnati
Millennium Hotel Durham
Millennium Knickerbocker Hotel Chicago
Millennium Hotel Minneapolis
Millennium Broadway Hotel New York
Millennium UN Plaza Hotel New York
Millennium Hotel St. Louis
Millennium Resort Scottsdale McCormick Ranch
Millennium Maxwell House Nashville
Eldorado Hotel, Santa Fe
Pine Lake Trout Club, Chargrin Falls
Sheraton Four Points Hotel Buffalo
Sunnyvale Four Points, California
Comfort Inn, Vail/Beaver Creek, Colorado
Millenium Hilton New York
The Plaza, New York
Royal Palm Hotel, Galapagos Islands

EUROPE, MIDDLE EAST, NORTH AFRICA

Millennium Hotel Paris Opéra
Millennium Hotel Paris Charles de Gaulle
Copthorne Hotel Coquelles Calais
Copthorne Hotel Hannover
Millennium Hotel and Resort, Stuttgart
Millennium Hotel Glasgow
Millennium Bailey's Hotel London Kensington
Millennium Gloucester Hotel London Kensington
Millennium Hotel London Knightsbridge
Millennium Hotel London Mayfair
Millennium Madejski Hotel Reading
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Copthorne Hotel Merry Hill Dudley
Copthorne Hotel Effingham Park Gatwick
Copthorne Hotel London Gatwick
Copthorne Tara Hotel London Kensington
Copthorne Hotel Manchester
Copthorne Hotel Newcastle
Copthorne Hotel Plymouth
Copthorne Hotel Slough Windsor
Millennium Hotel Abu Dhabi
Millennium Hotel Sharjah
Millennium Hotel Dubai Airport
Millennium Hotel Agadir
Millennium Hotel Marrakech *
Millennium Hotel Tarabya, Istanbul *
Millennium Hotel Ankara *

ASIA

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

AUSTRALASIA

Millennium Hotel Christchurch
Millennium Hotel Queenstown
Millennium Hotel Rotorua
Millennium Hotel Sydney (ceased operations on 31 March 2003)
Copthorne Hotel Auckland Anzac Avenue
Copthorne Hotel Auckland Harbour City
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 Hotel Wellington Plimmer Towers
Quality Hotel Lodge, Paihia
Quality Hotel, Whangarei
Quality Hotel, Rose Park, Auckland
Quality Hotel, Logan Park, Auckland
Quality Hotel, Hamilton
Quality Hotel, Rotorua
Quality Hotel, Palmerston North
Quality Hotel, Oriental Bay, Wellington
Quality Hotel, Willis Street, Wellington
Quality Hotel, Kings, Greymouth
Quality Hotel Commodore, Christchurch
Quality Hotel Autolodge, Christchurch
Quality Hotel, Dunedin
Quality Hotel, Brydon, Oamaru
Quality Resort Terraces, Queenstown
Quality Hotel, Te Anau

NON-HOTEL ASSETS

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Worthing

West Sussex BN99 6ZL

MILLENNIUM & COPTHORNE HOTELS plc

FORM OF PROXY

PLEASE COMPLETE IN BLOCK CAPITALS

I/We ____

being (a)member(s)of Millennium & Copthorne Hotels plc, hereby appoint the person(s)named below as my/our proxy(ies) to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday 21 May 2003 at 10.00 am and at any adjournment thereof.

Chairman/Name of Proxy ____

Resolutions	For	Against	Abstain
1. To approve the Directors' Report	☐	☐	☐
2. To approve the Accounts and the Auditors' Report on those Accounts	☐	☐	☐
3. To declare a final dividend of 8.3p per share	☐	☐	☐
4. To re-appoint Mr Kwek Leng Beng as a director+	☐	☐	☐
5. To re-appoint Mr Kwek Leng Joo as a director	☐	☐	☐
6. To re-appoint Mr Kwek Leng Peck as a director	☐	☐	☐
7. To re-appoint Mr Anthony Potter as a director	☐	☐	☐
8. To re-appoint Mr Christopher Sneath as a director*#+	☐	☐	☐
9. To re-appoint The Viscount Thurso as a director*#+	☐	☐	☐
10. To re-appoint Mr Charles Kirkwood as a director	☐	☐	☐
11. To re-appoint KPMG Audit Plc as auditors	☐	☐	☐
12. To renew the directors' authority to allot shares	☐	☐	☐
13. To renew the directors' authority to disapply pre-emption rights over certain issues of shares	☐	☐	☐
14. To authorise the Company to make market purchases of ordinary shares of the Company	☐	☐	☐
15. To approve the directors' remuneration report and the auditors' report on the auditable part of the directors' remuneration report	☐	☐	☐
16. To extend the provisions of the Co-operation Agreement enabling City Developments Limited to maintain its percentage of shareholding in the Company	☐	☐	☐
17. To authorise the directors to make political donations or expenditure for the purposes of the Companies Act 1985 Part XA	☐	☐	☐
18. To approve a scrip dividend for future declared dividends	☐	☐	☐

*Member of the Audit Committee #Member of the Remuneration Committee +Member of the Nominations Comittee

Signature ____________________ Date ____________________

NOTES

1 You may appoint a proxy of your choice who need not be a member of the Company by inserting the proxy's name on this proxy form in the space provided. If you do not enter a name in the space provided, the Chairman will be authorized to act as your proxy.

2 If the proxy form is returned without an indication as to how the proxy must vote on a particular matter, the proxy will exercise his discretion as to whether, and if so how, he votes.

3 In the case of a corporation, this proxy must be executed under its common seal or under the hand of an officer or attorney or other person duly authorised to sign.

4 To be valid this proxy and the power of attorney or other authority (if any) under which it is signed, must be lodged with Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL not less than 48 hours before the time appointed for the meeting.

5 In the case of joint holders the signature of the first holder will suffice but the names of all joint holders should be stated.

CORPORATE OFFICES

EUROPE

Millennium & Copthorne Hotels plc
Corporate Headquarters
Scarsdale Place
Kensington
London, W8 5SR
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FAX [44] (0) 20 7872 2460
E-MAIL marketing@mill-cop.com

THE AMERICAS

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145 West 44th Street
New York, New York 10036
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FAX + [1] 212 789-7660
EMAIL info@mhrmail.com

ASIA

Millennium & Copthorne International Ltd
390 Havelock Road
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Singapore 169662
TEL +[65] 6737 1928
FAX +[65] 6735 8924
E-MAIL sales@millenniumhotels.com.sg

AUSTRALASIA

CDL Hotels New Zealand Ltd
Level 13, 280 Centre
280 Queen Street
Auckland
New Zealand
TEL + [64] (9) 309 441
FAX + [64] (9) 377 0764
E-MAIL sales.marketing@cdlhms.co.nz

GLOBAL SALES OFFICES

EUROPE

UK	+44 (0) 20 7872 2408
Germany	+49 6151 905 783
France	+ 33 1 49491659
Austria	+ 43 1 923 4022

THE AMERICAS

TOLL FREE IN US	+1 866 866 MILL
New York	+1 800 892 7444

ASIA

Hong Kong	+852 2921 8328
Japan	+81 (3) 3509 7021
Singapore	+ 65 6737 1928
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THE AMERICAS

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Beijing	10 800 952 0673
Other Chinese Cities	800 810 0176 (toll free for Beijing)
Malaysia	1 800 80 1063
Singapore	(65) 6735 7575
Thailand	001 800 65 6544
Mumbai	(91-22) 283 0930 ext. 24
Taipei	(886-2) 2775 5246
Taiwan	(toll free) 0080 65 15 05

AUSTRALASIA

Australia	1 800 147 803
New Zealand	0800 808 228

For further information

Please visit our website http://www.millenniumhotels.com

Photograph of the Chairman, Mr Kwek Leng Beng, on pages 4 and 14 is courtesy of Business Times Singapore

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www.hongleong.com.sg

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