MILLENNIUM & COPTHORNE HOTELS plc

ANNUAL REPORT AND ACCOUNTS 2003

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

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

CONTENTS

FINANCIAL SUMMARY

	2003	2002
:: Group turnover (£ million)	**523.1**	567.5
:: Group operating profit (£ million)	**54.4**	96.3
:: Pre-tax profit (£ million)	**18.7**	60.2
:: Earnings per share (pence)	**3.9**	13.4
:: Dividends per share (pence)	**12.5**	12.5

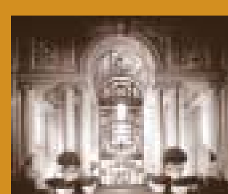
COVER RATIONALE

A sketch depicting the global presence of Millennium & Copthorne Hotels plc with its stable of 91 hotels in 17 countries. For the cover we chose (clockwise from the top): The Plaza (New York), Grand Copthorne Waterfront Hotel (Singapore), Millennium Hotel Paris Opera (Paris), Millennium Knickerbocker Hotel Chicago.

Opposite page, left to right:
Millennium Biltmore Hotel Los Angeles,
Millennium Hotel Dubai Airport

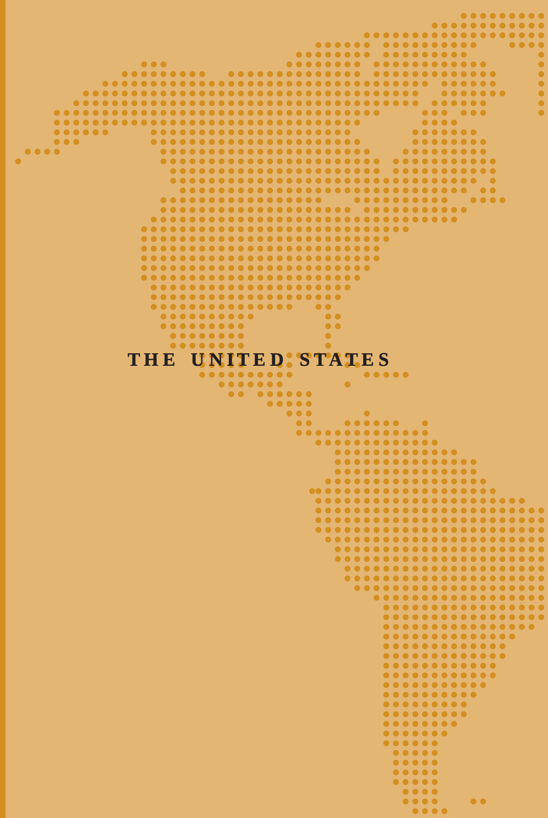
Millennium & Copthorne Hotels plc operates in

major gateway cities in 17 countries with a portfolio of 91 hotels.



This page, top to bottom:
Americas : Millennium Broadway Hotel New York, Millennium Biltmore Hotel Los Angeles
Europe : Millennium Hotel London Mayfair, Millennium Hotel Paris Opéra

Opposite page, top to bottom:
Middle East : Millennium Hotel Abu Dhabi, Millennium Hotel Sharjah
Asia : M Hotel Singapore, Grand Hyatt Taipei
New Zealand : Copthorne Hotel & Resort Queenstown Lakefront



THE AMERICAS
Anchorage
Minneapolis
Boston
Chicago
New York (4)
Boulder
St Louis
Cincinnati
Durham
LosAngeles
Nashville
Scottsdale
Galapagos Islands
Other United States (5)

EUROPE, NORTH AFRICA, MIDDLE EAST

Aberdeen
Glasgow
Newcastle
Manchester
Birmingham
Merry Hill Dudley
Cardiff
Reading
Slough Windsor
London (5)
Gatwick (2)
Plymouth
Hannover
Stuttgart
Paris (2)
Istanbul*
Ankara*
Marrakech*
Agadir
Abu Dhabi
Dubai
Sharjah
Marsa Alam*

* scheduled to open

ASIA

Seoul
Taipei
Hong Kong (2)
Manila
Penang
Kuala Lumpur
Singapore (5)
Jakarta

AUSTRALASIA

Bay of Islands
Auckland (2)
Rotorua
Taupo
Masterton
Wellington
Christchurch (4)
Queenstown (2)
Kingsgate Hotels & Resorts, New Zealand (15)

We have carefully observed the varying responses and performances of our hotels in the different geographical regions throughout the period. We will benefit from the lessons learned as we identify, share and implement best practice initiatives across the Group.

GROUP RESULTS

The year 2003 began steadily. However, the build up to hostilities and subsequent war in Iraq, the outbreak of SARS and terrorist threats created an unprecedented trading environment which had a dramatic impact on our business. As a result, the company reported a pre-tax loss of £6.3m for the six months ended 30 June 2003, the first loss in the Group's history.

However, despite the half-year loss, the group made a very creditable return to profitability in the second half, achieving profits of £25.0m, the majority being earned in the fourth quarter. We are therefore pleased to report a pre-tax profit of £18.7m for the year.

	Three months to 31 Dec 2003 £m	Twelve months to 31 Dec 2003 £m	Twelve months to 31 Dec 2002 £m
Group turnover	145.5	523.1	567.5
Group operating profit	24.4	54.4	96.3
Profit before tax	18.4	18.7	60.2

Group turnover for the year was £523.1m (2002: £567.5m). Group operating profit was £54.4m (2002: £96.3m) and our profit before tax was £18.7m (2002: £60.2m).

The historic annual dividend of 12.50p per share was established in the year 2000 when the Group made a record operating profit of £171.5m. After careful deliberation, the Board has decided to reduce the dividend to a level which will allow a policy of progressive dividend growth in the future and establish an appropriate level of dividend cover over time. Hence, the directors are recommending a final dividend of 2.05p per share (2002: 8.30p per share). This results in a total dividend for the year of 6.25p per share (2002: 12.50p).

RESPONSE TO MARKET CONDITIONS

Our strategic response to the difficult trading environment faced by the hospitality industry has been to maintain and increase market share by driving sales at a local level with aggressive tactical marketing. We continue to monitor our cost base carefully, reducing costs as far as possible whilst maintaining our high standards. This focus on revenues and costs has reaped benefits as evidenced by the recovery in the Group profit performance in the second half of the year.

The volatility caused by the events of September 11 and the subsequent unpredictability of the business environment has emphasised the importance of a quick and appropriate response to the dynamics of changing market conditions. We have carefully observed the varying responses and performances of our hotels in the different geographical regions throughout the period. We will benefit from the lessons learned as we identify, share and implement best practice initiatives across the Group.

Where appropriate, we will introduce new talents and skills to ensure that we are best placed to drive revenues across the Group and capitalise on the improvement in market conditions. An example of this has been the appointment of Michael Tan as an executive vice president to assist us in strategic marketing, branding and customer relationship building across the Group. Mr Tan was formerly a very senior executive vice president at Singapore Airlines.

MILLENIUM HILTON

We are pleased to report that the restoration and refurbishment of the Millenium Hilton, New York, was completed in the third quarter of the year and the hotel opened for business on 5 May 2003. As New York settles on the design of the buildings at the former World Trade Centre site, the Millenium Hilton, New York will be able to leverage on its prime location to achieve greater earnings growth. The insurance company has paid us another US$6.5m in the year and to date we have received an aggregate amount of US$56.5m. We are continuing our discussions with the insurer but until the legal dispute with the insurance company is finally resolved, as previously reported, the Board has decided that it would be prudent not to recognise any further business interruption income.

THE BOARD

On 18 December 2003 the Group announced that Fred Brown (70) a non-Executive Director would retire from the Board on 31 December 2003. On 15 January 2004, the Group announced that Dr. John Wilson (62) is retiring on 1 March 2004. It also announced that David Thomas had given notice of his decision to leave the Group. We wish Mr Brown, Dr Wilson and Mr Thomas well in the future.

Tony Potter (Chief Operating Officer) and Wong Hong Ren (Executive Director) have been appointed joint interim Chief Executives. Both Tony Potter and Wong Hong Ren, who have been part of Dr. John Wilson's executive team for several years, complement each other in their respective strengths. Wong Hong Ren has taken an active role in the investment and financial management of the company since 2001. Tony Potter has been with the Group since 1999 and, as Chief Operating Officer, has an in-depth knowledge of the business. Together with myself, we have the necessary management to continue to drive the growth of the company.

PROSPECTS

The outlook for 2004 is positive. With our well maintained quality assets in key locations, we are well positioned to benefit from any upturn in the market. Barring any recurrence of the adverse trading conditions seen in 2003, we are confident that our performance in the current year will improve significantly as we take advantage of the more stable economic environment.

KWEK LENG BENG
Chairman

18 February 2004

GROUP PERFORMANCE

In the first half of the year we experienced significant reductions in both occupancy and average room rate and whilst we saw a significant recovery in the second half, our turnover for the year was £523.1m (2002: £567.5m). Group operating profit was £54.4m (2002: £96.3m). Occupancy for the Group was 65.1% (2002: 67.2%) and the average room rate was £61.60 (2002: £65.73) resulting in a RevPAR of £40.10 (2002: £44.17). The Group GOP margin was 32.1% (2002: 35.1%).

In order to assist the understanding of our key operating statistics we are presenting “like for like” statistics in constant currency. The Millenium Hilton was closed as a result of the terrorist events on September 11 2001. The hotel reopened in May 2003 and is excluded from the like for like statistics. These are set out on page 67.

The like for like turnover (in constant currency) of the Group was £509.9m (2002: £556.1m). This reduction of £46.2m was mitigated by strong cost control and the Group Operating Profit reduced by only £25.9m.

On this like for like (LFL) basis, with constant rates of exchange, occupancy was 64.9% (2002: LFL 66.8%) and the average room rate was £60.42 (2002: LFL £64.61) resulting in a RevPAR of £39.21 (2002: LFL £43.16).

The recovery in the second half is clearly evidenced by the fact that although turnover was down 8.3% for the year as a whole on a LFL basis, it was only 1.0% down in the final quarter. Equally, in the final quarter on a LFL basis occupancy was 68.7% (2002: LFL 66.7 %) and the average room rate was £60.79 (2002: LFL £63.35) resulting in a RevPAR of £41.76 (2002: LFL £42.25).

UNITED STATES

New York

Occupancy for the region was maintained at 83.8% (2002: LFL 83.3%). However, the average room rate was £101.87 (2002: LFL £110.07) and the resultant RevPAR was £85.37 (2002: LFL £91.69).

Our occupancy in the region has remained high as a result of our consistent policy of driving volume through tactical marketing.

Following US$32m of capital expenditure, the Millenium Hilton re-opened on 5 May as a “brand new” hotel. The rooms were brought into service on a rolling basis and all rooms are now available. The hotel returned to profit during the second half of the year. It is now the landmark hotel of the financial district and is performing ahead of our expectations.

As previously reported, proceeds of US$56.5m from the insurance claim have been received in respect of the capital and business interruption claims. 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. However, 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 event that the dispute is settled and further insurance proceeds are forthcoming, we will book them on a received basis.

Whilst the early part of the year is not a significant trading period in the context of overall Group performance, we are encouraged by the signs we have seen.

Regional US

The occupancy for the region improved to 57.0% (2002: LFL 53.8%). The average room rate was £57.97 (2002: LFL £64.42) and the resultant RevPAR was £33.04 (2002: LFL £34.66).

Overall the performance of the region's hotels was encouraging, given the difficult circumstances in which they were operating. In Los Angeles, which performed below expectations in the first half because of reductions in convention business and the impact of SARS reducing the number of inbound flights from Asia, there are signs of improvement, with RevPAR ahead of the prior year for the last two months of 2003.

Whilst US domestic air travel volumes are still lower than in 2002, the position is improving as business demand strengthens and internal travellers become accustomed to the increased levels of security at airports.

On 31 March 2003 the Group acquired the remaining 60% of the share capital held by the limited partners in The Sunnyvale Four Points Hotel, California for a net consideration of US$4.2m (£2.6m). The Group now wholly owns this 378 room hotel which will give us greater flexibility going forward.

EUROPE

London

The occupancy for the region was 80.9% (2002: LFL 83.1%). The average room rate was £73.85 (2002: LFL £79.86) and the resultant RevPAR was £59.74 (2002: LFL £66.36).

The London hotel market has been difficult for some time because there is continued pressure on average rates although volume remains high. We have maintained our policy of making tactical price reductions rather than wholesale cuts.

The Copthorne Tara in Kensington has significantly affected our results in this region. As a direct consequence of the reduced numbers of flights to and from the UK, the hotel lost 16,000 aircrew room nights in the first half of 2003. Some of these were replaced by tour groups who, in turn, are also negotiating lower rates, as the group travel market remains highly competitive.

We disposed of one of our two staff hostels in London. The sale was completed in January 2003 for a consideration of £4.2m and a net profit of £4.0m.

Rest of Europe

The occupancy for the region was 69.8% (2002: LFL 68.6%). The average room rate was £66.74 (2002: LFL £71.33) and the resultant RevPAR was £46.58 (2002: LFL £48.93). Whilst occupancies were maintained above 2002 levels we are still seeing some pressure on rate, although not to the same degree as in other regions.

Provincial UK business levels are less affected by air travel and occupancies improved marginally, but rate remained under pressure.

Oversupply at Charles de Gaulle airport, and difficult trading conditions in the centre of Paris have contributed to a fall in RevPAR at our Paris hotels. The RevPAR of our two properties in Germany saw a small fall compared to 2002 due to rate pressure. The operating loss in our German hotels was £4.6m (2002: LFL £3.8m).

ASIA

The occupancy for the region was 56.5% (2002: LFL 66.4%). The average room rate was £51.98 (2002: LFL £56.42) and the resultant RevPAR for the year was £29.37 (2002: LFL £37.46).

The SARS virus had a major effect on Singapore and Hong Kong from the second half of March until July, and in other countries, such as Taiwan, from April until July. The impact of both the war and SARS were mitigated by cost cutting measures such as a shorter working week for staff, moth-balling of guest rooms and the closure of unprofitable outlets.

By August 2003, we began to see the return of corporate customers and, although room rates remained under pressure, we saw upward movements once occupancies returned to more normal levels. We are particularly pleased with the rapid recovery of our hotels in Hong Kong, Singapore and Taipei.

The operating profit for Asia in the second half was in line with 2002 despite the RevPAR being down by 7%. In the final quarter of the year the RevPAR had recovered to be only 1% down on the prior year.

A partly completed property in Suzhou in China was sold for £2.1m in early 2003. The property was acquired as part of the Asia Pacific purchase of assets in June 1999.

AUSTRALASIA

The occupancy for the region was 68.7% (2002: LFL 69.9%). The average room rate was £37.14 (2002: LFL £35.69) and the resultant RevPAR was £25.52 (2002: LFL £24.95).

We remain very pleased with the performance of our New Zealand properties that have increased their RevPAR by 2.3%, despite a fall in the number of in-bound Asian visitors following the SARS epidemic. We have seen good results from our land development business in New Zealand.

CURRENT TRADING

Whilst the early part of the year is not a significant trading period in the context of overall Group performance, we are encouraged by the signs we have seen. In the period to 14 February 2004 the Group RevPAR increased by 0.3% compared to the corresponding period in 2003.

There was an overall net decrease in cash of £11.8m (2002: increase £14.9m) which, together with foreign exchange translation differences, gives rise to a cash balance at 31 December 2003 of £44.9m (2002: £59.1m).

RESULTS

The total group turnover for the year was £583.2m (2002: £641.1m) including £60.1m as a share of the turnover of joint ventures (2002: £73.6m). The total group operating profit was £54.4m (2002: £96.3m). The Group share of operating profits of joint ventures and associates was £7.0m (2002: £12.6m) to give a total operating profit of £61.4m (2002: £108.9m).

PROPERTY PROFITS

The Group has made a net profit on the sale of fixed assets of £0.4m. This primarily comprises £6.1m relating to the sale of a staff hostel in London and a partly built hotel in China and a £4.8m provision that was made against a loan note. The loan note was issued by the purchaser of a hotel in Florida that was sold as part of the Group's disposal programme following the Regal acquisition in 1999. A full listing can be found in note 3 to the financial statements.

JOINT VENTURES AND ASSOCIATES

The share of operating profits of joint ventures and associates for the year were £7.0m (2002: £12.2m) and £nil (2002: £0.4m) respectively.

The reduction in the share of operating profits for joint ventures was principally due to the effect of the Iraq war and the SARS virus.

Of the Group's two main associate undertakings at 31 December 2002, one was fully acquired in early 2003 and the other has been treated as a trade investment from 1 January 2003, which the Directors consider better reflects the Group's interest in that entity. Full details are disclosed in note 12 of the financial statements.

INTEREST

Total interest receivable and similar income was £3.1m (2002: £9.3m) of which £0.7m (2002: £0.7m) was received from joint ventures.

Total interest payable was £46.2m (2002: £58.0m). The main reasons for the reduction are the fall in interest rates and the write back of £2.6m of accrued interest following the settlement of the Regal acquisition deferred consideration. The Group interest payable (excluding joint ventures and associates) was £41.4m (2002: £51.1m).

Of the total interest payable, £4.8m (2002: £6.5m) was in respect of the Group's share of the interest payable by joint ventures. The lower joint venture interest cost reflects the reduction in US interest rates. No interest (2002: £0.4m) was payable in respect of the Group's share of the interest payable by associated undertakings

The total net interest cost for the year was £43.1m (2002: £48.7m), which was covered 1.4 times (2002: 2.2 times) by profits, including our share of operating profits of joint ventures and associated undertakings, of £61.4m (2002: £108.9m).

TAXATION

The effective rate of tax for the Group is 10.2% (2002: 23.9%). We expect the 2004 effective rate to be around 15%. A reconciliation between the statutory and current effective rates of tax is shown in note 7 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 £5.7m (2002: £7.8m) which largely arises in Taiwan and Australasia. Minority interests at 31 December 2003 have also increased by £4.5m as a result of the revaluation of Group properties and by £4.8m as a result of exchange movements.

DIVIDENDS AND EARNINGS PER SHARE

The directors are proposing a final dividend of 2.05p per share (2002: 8.30p). This means that the total dividend per share for the full year will be 6.25p (2002: 12.50p).

The earnings per share were 3.9p (2002: 13.4p).

ACQUISITIONS AND DISPOSALS

On 31 March 2003 we acquired the remaining 60% of the share capital held by limited partners in The Sunnyvale Four Points Hotel, California for a net consideration of US$4.2m (£2.6m). The fair value of the net assets acquired was US$4.2m. The acquisition was funded from existing cash resources and the draw down of US$20.5m of additional debt to fund the repayment of acquired bank loans.

Subsequent to the year end, the Group sold three units in the Kings Tanglin Centre, Singapore. This transaction will be recognised in 2004. As a result of this transaction additional hotel property collateral has been made against a bond to which the Kings Tanglin Centre is pledged as security.

MILLENIUM HILTON

Pre-opening costs and ongoing legal fees with respect to the insurance claim, incurred in 2003 totalled £8.1m. No business interruption has been recognised in 2003. This compares to the 2002 business interruption income (net of depreciation and expenses) of £6.5m. Both amounts are disclosed as other operating (expense)/income in the profit and loss account.

The Group is involved in insurance litigation with respect to the damage incurred as a result of the terrorist attacks on 11 September 2001. The primary focus of the parties' dispute has been the period of cover from business interruption insurance applicable to the closure of the hotel. Further details can been found in the contingent matters on note 25(a) to the financial statements.

REGAL ACQUISITION DEFERRED CONSIDERATION

In 2002 a claim was made against the Group under the Securities Purchase Agreement ('SPA') relating to the acquisition of certain hotels in the USA in December 1999. The claim, which was made by the vendor, Regal Hotels International of Hong Kong, ('Regal') was settled in September 2003. A cash payment of US$48.8m was made in September 2003, comprising purchase consideration and interest. As a result of the settlement, Regal and the Group agreed to a mutual relief of current and future potential litigation resulting from pre-acquisition claims or tax matters. This payment was fully provided for at 31 December 2002 and the settlement did not result in any adjustment to the value of the original purchase consideration. After allowing for the estimated cost of any remaining contingencies the remaining balance of the liability (US$3.8m) was credited to interest payable in the profit and loss account, reversing an over-accrual made in prior years.

CAPITAL EXPENDITURE AND DEPRECIATION

The Millennium Hotel Sydney was closed on 31 March 2003 to allow for the commencement of the new Zenith project, which involves the redevelopment of one of the two hotel towers into residential accommodation. Sales of the accommodation are expected to occur in late 2004 and be completed in 2005. The project is at an early stage and only £2.0m has been spent as at 31 December 2003. The site is held within tangible fixed assets at the year end.

The Group's capital expenditure in 2003, excluding the above project totalled £29.1m (2002: £34.3m), of which £14.3m (2002: £5.8m) related to the refurbishment of the Millenium Hilton New York.

The depreciation charge for the year was £38.5m (2002: £39.8m).

TREASURY AND RISK MANAGEMENT

The net borrowings of the Group, as at 31 December 2003, were £680.9m (2002: £675.5m). Details of the Group's borrowings are set out in note 18 to the financial statements.

The value of the Group's unencumbered properties as at 31 December 2003 was £773.5m (2002: £804.1m).

OBJECTIVES OF THE TREASURY DEPARTMENT

The Group treasury matters are governed by policies and procedures approved by the board of directors. The Treasury Committee set up in 2002 monitors and reviews treasury matters on a regular basis. 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 does not make extensive use of interest rate swaps or forward contracts except to protect its exposure in relation to large one-off transactions.

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.

CASHFLOW AND GEARING

Net cash inflow from operations was £93.1m (2002: £122.2m). The reconciliation to operating profit is shown in note 26 to the accounts.

The other predominant features of the Group cashflow are the repayment of the Regal deferred consideration (principal and interest) £30.2m and the £10.1m terminal payment on the finance lease at the Copthorne Merry Hill hotel. Both of these payments were funded by draw downs on existing facilities.

There was an overall net decrease in cash of £11.8m (2002: increase £14.9m) which, together with foreign exchange translation differences, gives rise to a cash balance at 31 December 2003 of £44.9m (2002: £59.1m).

The Group gearing as at 31 December 2003 was 53% (2002: 50%).

FIXED ASSETS 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 25 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 resulted in some property carrying values being increased and others falling. The net position was a surplus of £3.5m. While 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 SSAP 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 £1.4m.

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 adopted the transitional accounting disclosures of FRS 17 - Retirement Benefits in 2002. Had the Group implemented FRS 17 at 31 December 2003 then the balance sheet would have contained a liability, net of tax, of £5.8m (2002: liability of £6.6m), relating to the deficit in the Group's defined benefit pension scheme net assets.

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

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated accounts of the group must comply with International Financial Reporting Standards (IFRS).

These financial statements have been prepared in accordance with UK accounting standards. The consolidated financial performance and financial position as disclosed in these financial statements may be significantly different if determined in accordance with IFRS. Major differences between UK accounting standards and IFRS identified to date as potentially having a significant effect on the consolidated financial statements may include: fair value accounting for all financial instruments, including derivatives; the requirement to provide for deferred taxation on potential capital gains calculated on the book value of revalued hotel properties and on acquisition fair value adjustments; recognition in the financial statements of actuarial gains and losses arising from defined benefit pension schemes; and accounting for the intrinsic fair value of the cost of share options granted to employees in the profit and loss account. The group has not quantified these differences.

This summary should not be taken as an exhaustive list of all the differences between UK accounting standards and IFRS that potentially have a significant impact on the consolidated financial statements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

In addition, the bodies that establish UK accounting standards and IFRS have significant ongoing projects that could affect the potential differences and the impact of these differences on the future consolidated financial statements. The actual impacts on the consolidated of the adoption of IFRS will depend on the standards applicable and the particular circumstances prevailing on adoption of IFRS on 1 January 2005.

The group is already required to report its results to its parent undertaking under Singapore GAAP, which is more aligned with IFRS than current UK accounting standards. The group will develop this framework as part of the IFRS conversion project being undertaken during 2004.


Kwek Leng Beng


Tony Potter


Wong Hong Ren

KWEK LENG BENG, 63#

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 until November 2003.

JOHN WILSON, 62

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.

DAVID THOMAS, 41

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.

TONY POTTER, 54

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 the UK, Continental Europe, the USA and Canada, and was a director of that company.

He is a Fellow of the Hotel Catering International Management Association and Honorary Fellow of the Birmingham College of Food, Tourism and Creative Studies, and was conferred an Honorary Master of Science degree from Plymouth University where he is a Visiting Lecturer in Hospitality Management.

WONG HONG REN, 52

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.

KWEK LENG JOO, 51
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.

KWEK LENG PECK, 47
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.

THE VISCOUNT THURSO, 50±*#
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 Non-Executive director of Savoy Group plc and Royal Olympic Cruiselines. He is currently Member of Parliament for Caithness, Sutherland and Easter Ross.

CHRISTOPHER SNEATH, 70±*#
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.

JOHN SCLATER CVO, 63±*#
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.

FREDERICK BROWN, 70 (retired 31 December 2003)
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.

SIR IDRIS PEARCE, 70±*#
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.

CHARLES KIRKWOOD, 68±
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, Pennsylvania and the US 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 in full compliance with the provisions set out in Section 1 of the Combined Code. The provisions of the Revised Combined Code, issued in July 2003, are effective for the Company from 1 January 2004. Additional disclosure requirements by the Revised Code will be made in the 2004 Annual Report.

THE BOARD

The Board, as shown on pages 14 and 15, currently 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, four additional independent non-executive directors and four executive directors. Each director is expected to fulfil their 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.

The eight non-executive directors comprise two thirds of the Board. The independent non-executive directors comprise more than one third of the Board. The Board considers that its composition ensures that no one group of individuals dominate the Board's decision taking. This view is 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 2003. All directors receive detailed papers one week prior to the Board Meeting. Overall attendance by the directors during 2003 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.

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. Succession planning is considered by the non-executive directors as appropriate.

In accordance with the articles of association Sir Idris Pearce, John Sclater and Wong Hong Ren will retire by rotation at the forthcoming Annual General Meeting. Fred Brown retired from the Company on 31 December 2003 and John Wilson is due to retire on 1 March 2004. David Thomas is due to leave the Company by July 2004.

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 four 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 non-audit 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 & safety. The external auditors normally attend four meetings a year. The head of internal audit attends all meetings, and the Finance Director is 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 Company Secretary, or his designee, 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 Company Secretary, or his designee, is secretary to the committee. The Directors' Remuneration Report is given on pages 23 to 28. 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 and meets as required. The Company Secretary, or his designee, is secretary of this committee. The committee did not meet during the year as no new appointments were considered or made in 2003.

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, in accordance with the Turnbull guidance, there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process is regularly reviewed by the Board and has been in place for the year under review, and up to the date of the approval of the annual report and accounts.

Primary responsibility for the operation of the system of internal controls is delegated to line management. 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. In addition, responsibility is delegated to an executive committee to monitor the effectiveness of the systems of control in managing identified risks as established by the Board.

The internal audit department reviews the effectiveness of key internal controls as part of its standard work programme, and individual reports are issued to appropriate senior management. These reports are summarised and distributed to all members of the audit committee, the Chief Executive, Finance Director, and the external auditors four times per year. 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 business managers to ensure 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 that the directors 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 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 18 February 2004, the Company had been notified that the following companies hold 3% or more of the issued share capital:

	Number of shares	% of issued share capital
City Developments Ltd,	147,785,025	52.28%
Prudential plc	17,251,456	6.10%
HBOS Plc	8,700,989	3.08%

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10.00am on Wednesday 6 May 2004 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 resolutions will be proposed to approve the directors' remuneration report, renew the directors' authority to allot shares, authorise the purchase of shares in the market, renew the authority given in regard to pre-emption rights under the terms of a Co-operation Agreement dated 18 April 1996 with City Developments Limited and 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.

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 company, and is identifying and assessing the significant risks to the Company's short and long term value arising from those matters as well as opportunities to enhance value that may arise from them.

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.

Millennium & Copthorne Hotels plc 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 33 employees other than the directors in the Europe and Middle Eastern Region participate and also in the UK under the Sharesave Scheme in which 273 employees other than directors participate by entering into a three or five year savings contract.

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. In Asia, three of the group's hotels, Grand Copthorne Waterfront Singapore, Copthorne King's Singapore and M Hotel Singapore, all received awards for Security jointly presented by the National Safety Council, Singapore Civil Defence Force and Singapore Hotel Association. Copthorne Hotel Newcastle was presented with the Pride of Northumbria Large Hotel Award and the Group was named by BTI UK as the Best UK Conference Hotel of the year. Millennium Hotel Rotorua, New Zealand, was for the second successive year presented the regional award of Best Hospitality and Attraction Business.

It is the Company's and the Group's policy to adhere to the payment terms agreed with the supplier. It does not follow any particular guidelines established by third parties. Payments are contingent on the supplier providing goods or services to the required standard. The effect of the Group's' payment policy is that its trade creditors at the financial year-end represent 28 days' purchases (2002: 29 days). At the year end the Company had no trade creditors (2002 : £nil).

The Board has adopted a Business Integrity Policy which, amongst other things, sets 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. Staff at all levels are encouraged to enter into constructive dialogue with the Company. The Company's "People Talkback Survey" provides a feedback mechanism via which staff can make a valuable contribution in the future development 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 its annual report, the Company publishes an interim report and announces its results on a quarterly basis. General presentations are made after the announcement of preliminary, half-yearly and quarterly results. 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 both the remuneration committee and the audit committee 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 the hotels take every reasonable and practical step to maintain a safe and healthy environment for employees, public visitors, guests and contractors and 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 and is working towards the establishment of an Environmental Management System. The Group is committed to meeting regulatory requirements in the different countries in which the Group 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 that 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.

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 supports Hospitality Action UK and, as a Patron's Company member of the Outward Bound Trust, it is funding a project in the Glasgow area to encourage young people to experience work in the hospitality industry. During the year the Copthorne Slough-Windsor received a special award from the East Berkshire Education Partnership for the hotel's involvement with work experience students. In New Zealand, as a significant employer in the Far North District, the Group has been involved with the Ministry of Economic Development to create a work-place programme to bring local people into the hospitality industry, develop a career path and contribute to the local economy.

Across the group staff and management are involved with a range of charitable organisations. The Group gave £45,000 (2002: £21,000) to charities during the year. The Group's policy is 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 2003.

The Corporate Governance and Corporate Social Responsibility report, which incorporates the Directors' Report, was approved by the Board and signed on its behalf by:

David C. Thomas

David Thomas

Company Secretary
18 February 2004

STRATEGY

The Remuneration Committee has delegated authority from the Board to consider and approve, the salaries, incentive and other benefit arrangements of the executive directors and to oversee the Company's option schemes. The Committee meets at least four 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), Charles Kirkwood, Sir Idris Pearce, Christopher Sneath and John Sclater. Charles Kirkwood was appointed to the Committee on 21 May 2003.

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

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. Material advice was also obtained from Jardine Lloyd Thompson on pension issues and from Dr John Wilson in relation to executive directors' remuneration packages, not including his own.

New Bridge Street Consultants are appointed by the Committee and have no other relationship with the Company. Jardine Lloyd Thompson is 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 attract, retain and motivate 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 that 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 is 50% of salary.

As set out on page 28 the Committee awarded Dr Wilson a bonus in recognition of his outstanding contribution since his appointment in 1998.

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.

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 director's 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 Basic 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 and making a cash payment of 83.3% of the salary supplement of 20.6% of the difference between the pension cap ceiling and salary
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. His payment of a director's fee of £30,000 ceases on the date he ceases to be a director

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 such external appointments, would be retained by them with the approval of the Committee. Executive directors are generally allowed to accept one such external appointment. 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.

Fees paid to non-executive directors are determined by the Board as a whole. 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.

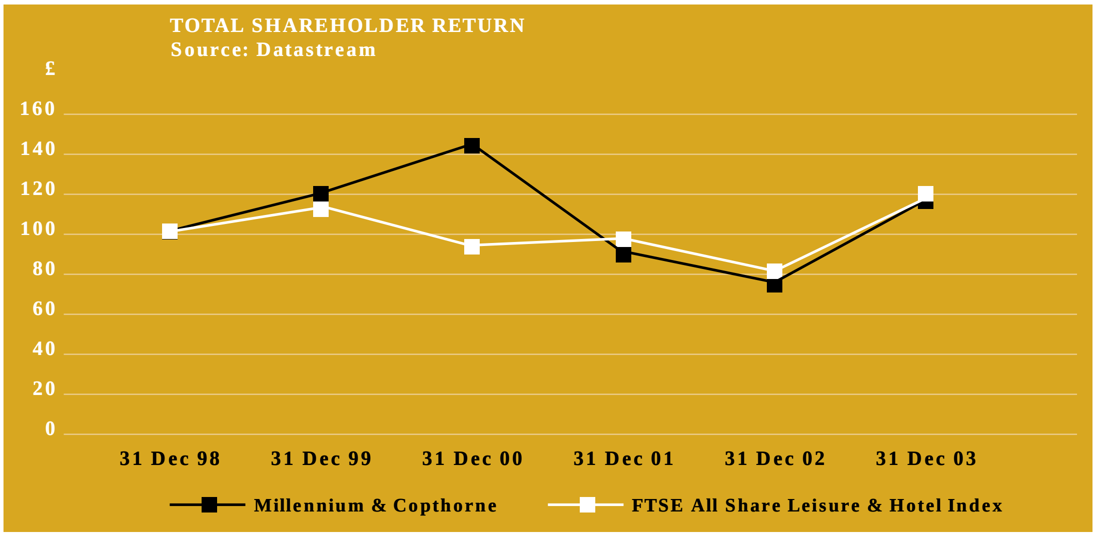
Non executive directors do not receive any additional fees for participation in the Remuneration, Nominations and Audit Committees and are not entitled to bonuses, benefits or pension scheme contributions or to participate in any share scheme operated by the Company.

CDL nominate Kwek Leng Beng, Kwek Leng Joo and Kwek Leng Peck as directors under the terms of the Co-operation Agreement dated 18 April 1996, as amended, who are appointed for periods of three years. The Viscount Thurso and Charles Kirkwood have been appointed for an initial three-year fixed term from 21 May 2003.

Christopher Sneath, Sir Idris Pearce and John Sclater have letters of appointment dated 4 March 2003 for a term of one year. Fred Brown retired as a director on 31 December 2003.

PERFORMANCE GRAPH

The graph below illustrates the performance of the Company and 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, the Directors consider that index to be the most appropriate broad equity market index against which the Company's performance should be graphed. Performance is measured by Total Shareholder Return (share price growth plus dividends reinvested).



The graph shows the value, by the end of 2003, of £100 invested in Millennium & Copthorne Hotels plc on 31 December 1998 compared with £100 invested in the FTSE All Share Leisure & Hotels Index. The other points plotted are the values at the financial year-ends.

AUDITED INFORMATION

Share Options

i) Millennium & Copthorne Hotels Executive Share Option Scheme

No further options have been granted under the Millennium & Copthorne Hotels Executive Share Option Scheme (the "1996 Scheme"). Options outstanding under the 1996 Scheme may be exercised if the Company's earnings per share increases over a three year period by the Retail Price Index plus 6%.

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

The Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (the "2003 Scheme") provides for the grant of both approved and unapproved options. Under the 2003 Scheme options over shares worth up to two times 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 successful attainment of specified objectives.

The exercise of options granted under the 2003 Scheme are subject to the achievement of stretching performance targets, which are equally applicable to all directors. Earnings per share ("EPS") targets have been chosen as the Committee believes that participants in the 2003 Scheme should be incentivised to deliver significant earnings growth which, in turn, should return substantial shareholder value.

The performance condition applying to the exercise of options granted under the 2003 Scheme in 2003 will be based upon the extent to which the Company's EPS grows in real terms from an notional base figure of 17.8p, over a period of at least three consecutive financial years after grant (measured from a fixed base). To the extent that the performance condition is not satisfied by the fifth anniversary of grant, the options will lapse.

The Committee believes that it would be inappropriate to apply the notional base EPS of 17.8p to awards granted under the 2003 scheme in 2004. Due to economic and political factors entirely outside the company's control, if the notional base EPS of 17.8p was applied to the awards, the Scheme would not fulfil its two primary aims of acting as an incentive and retention mechanism. Therefore, following consultation with major shareholders, for options granted under the 2003 Scheme in 2004, the notional base EPS figure will be 15p. Options granted from 2004 onwards will not be subject to re-testing and to the extent that the performance condition is not satisfied by the third anniversary of grant, the options will lapse.

Subject to the rules of the 2003 Scheme, 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%

In determining 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 ("Sharesave") which is an Inland Revenue approved scheme and under which the UK-based executive directors and Group employees are eligible to participate.

All grants of share options conform to institutional dilution guidelines.

DIRECTORS' INTEREST IN SHARE OPTIONS

Name of Director		Date Granted	Options held at 01/01/2003	Options granted during the year	Options lapsing during the year	Options held at 31/12/2003	Exercise Price (p)	Dates from which exercisable	Expiry date
J Wilson	Approved[1]	5 Mar 98	6,509	–	–	6,509	£4.6087	05 Mar 01	04 Mar 08
	Unapproved[1]	5 Mar 98	101,972	–	–	101,972	£4.6087	05 Mar 01	04 Mar 05
	Unapproved[1]	5 Mar 99	51,733	–	–	51,733	£4.8321	05 Mar 02	04 Mar 06
	Unapproved[1]	17 Mar 00	156,716	–	–	156,716	£3.35	17 Mar 03	16 Mar 07
	Unapproved[1]	14 Mar 01	89,017	–	–	89,017	£4.325	14 Mar 04	13 Mar 08
	Unapproved[2]	10 Mar 03	–	516,795	–	516,795	£1.935	10 Mar 06	09 Mar 13
Fred Brown	Unapproved[1]	24 Apr 96	68,460	–	68,460	–	£2.4830	24 Apr 99	23 Apr 03
	Unapproved[1]	07 Mar 97	27,710	–	27,710	–	£3.6084	07 Mar 00	06 Mar 04
Tony Potter	Approved[1]	19 Nov 99	7,526	–	–	7,526	£3.9856	19 Nov 02	18 Nov 09
	Unapproved[1]	19 Nov 99	47,670	–	–	47,670	£3.9856	19 Nov 02	18 Nov 06
	Unapproved[1]	17 Mar 00	65,671	–	–	65,671	£3.35	17 Mar 03	16 Mar 07
	Unapproved[1]	14 Mar 01	50,867	–	–	50,867	£4.325	14 Mar 04	13 Mar 08
	Unapproved[2]	10 Mar 03	–	305,860	–	305,860	£1.935	10 Mar 06	09 Mar 13
	Sharesave	21 May 02	5,667	–	5,667	–	£2.92	1 Jul 07	1 Jan 08
	Sharesave	28 Apr 03	–	10,920	–	10.920	£1.504	1 Jul 08	1 Jan 08
Wong Hong Ren	Unapproved[1]	14 Mar 01	69,364	–	–	69,364	£4.325	14 Mar 04	13 Mar 08
	Unapproved[1]	15 Mar 02	83,720	–	–	83,720	£3.225	15 Mar 05	14 Mar 09
	Unapproved[2]	10 Mar 03	–	124,031	–	124,031	£1.935	10 Mar 06	09 Mar 13
David Thomas	Approved[1]	17 Mar 00	8,955	–	–	8,955	£3.35	17 Mar 03	16 Mar 10
	Unapproved[1]	17 Mar 00	16,418	–	–	16,418	£3.35	17 Mar 03	16 Mar 07
	Unapproved[1]	20 Mar 01	22,989	–	–	22,989	£4.35	10 Mar 04	19 Mar 08
	Unapproved[1]	15 Mar 02	102,325	–	–	102,325	£3.225	15 Mar 05	14 Mar 09
	Unapproved[2]	10 Mar 03	–	170,542	–	170,542	£1.935	10 Mar 06	09 Mar 13
	Sharesave	09 May 00	3,125	–	3,125	–	£3.10	01 Jul 03	01 Jan 04
	Sharesave	28 Apr 03	–	6,283	–	6,283	£1.504	01 Jul 06	01 Jan 07

[1] Performance conditions attaching to these options are those specified for the 1996 Scheme as detailed on page 25.
[2] Performance conditions attaching to these options are those specified for the 2003 Scheme as detailed on page 25.

All of the options were granted for nil consideration.

The market price of ordinary shares at 31 December 2003 was 303.0p and the range during the year was $342\frac{1}{2}$p to $181\frac{1}{2}$p.

No directors exercised share options during the year. Aggregate gains made by directors on exercise of share options in 2002 were £93,500.

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% until 31 March 2003 and, following actuarial recommendation, increased to 20.6% of salary from 1 April 2003. 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 paid to these directors for the period to 31 March 2003 which was subsequently increased to 20.6% for the remainder of the year. No pension is provided for Mr Wong Hong Ren.

The following table gives details in respect of each director who served during the year.

These amounts exclude any benefits attributable to additional voluntary contributions.

Directors and age at 31 December 2003	Accrued benefits at 1 January 2003	Increase in accrued benefits (net of indexation)	Accrued benefits at 31 December 2003	Transfer value of increase in accrued benefits less directors contributions	Transfer value of accrued benefits at 1 January 2003	Transfer value of accrued benefits at 31 December 2003	Increase in transfer value less contributions made by directors
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
John Wilson (62)	8	2	10	22	97	147	44
Tony Potter (54)	6	1	7	10	39	60	17
David Thomas (40)	7	1	8	4	45	62	11

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

DIRECTORS' EMOLUMENTS

	Note	Salaries and Fees 2003 £000	Bonus Payments 2003 £000	Benefits 2003 £000	Total Emoluments 2003 £000	Total Emoluments 2002 £000
Executives						
John Wilson	1,3,4,7	625	331	40	996	666
Tony Potter	1	312	–	34	346	325
Wong Hong Ren	2,3	174	–	–	174	156
David Thomas	1,8	187	–	34	221	195
Gavin Simmonds	6	–	–	–	–	344
Non-executives						
Kwek Leng Beng (Chairman)	3,5	63	–	–	63	65
The Viscount Thurso (Deputy Chairman)	8	35	–	–	35	20
Christopher Sneath		30	–	–	30	30
Kwek Leng Joo	3	38	–	–	38	40
Kwek Leng Peck	3	35	–	–	35	36
Sir Idris Pearce		30	–	–	30	30
Fred Brown		30	–	–	30	30
John Sclater		35	–	–	35	35
Charles Kirkwood	8	30	–	–	30	19
Total		1,624	331	108	2,063	1,991

NOTES

1. An additional salary supplement of 15% above the Pensions Earnings cap, was paid to the UK based directors for the period to 31 March 2003 and 20.6% from 1 April 2003, and is included within the relevant director's salary. The Pensions Earning cap is currently set at £99,000 per annum (£97,200 per annum for 2002/2003).
2. Wong Hong Ren receives a fee of £30,000 (2002: £30,000) relating to his is position as a Director of the Company and a salary for his work outside the UK, which is entirely related to the business.
3. Salaries and fees shown are inclusive of sums receivable from the Company and any of its subsidiary undertakings.
4. The bonus awarded to Dr Wilson, to be paid on his retirement, was made by the remuneration committee in recognition of his outstanding contribution to the group since his appointment in 1998. A total of 50,761 shares, awarded to Dr Wilson on 10 March 2003 will be transferred to Dr Wilson on, or as soon as is reasonably practicable after, his retirement on 1 March 2004 in accordance with the terms of the Allocation Deed.
5. The Group owns a flat in London used by the Chairman for business purposes only.
6. Gavin Simmonds resigned on 6 February 2002 and received compensation of £308,606 representing the amount due under his contract and received payments in lieu of pension scheme membership totalling £4,072. Mr Simmonds realised a gain on the exercise of share options of £93,500.
7. The total remuneration, including gains on the exercise of the exercise of share options of £nil, paid to the highest paid director was £996,000 (2002: £666,000).
8. David Thomas was appointed on 7 February 2002. The Viscount Thurso and Charles Kirkwood were appointed on 31 May 2002.

DIRECTORS' SHARE INTERESTS

The beneficial interests of the directors in the ordinary shares of the start and end of the year were as follows:

Directors' share interests	31 December 2003 Number of shares	31 December 2002 Number of shares
Executives		
John Wilson	80,716	29,955
Tony Potter	18,950	5,980
Wong Hong Ren	–	–
David Thomas	18,152	8,000
Non-Executive		
Kwek Leng Beng (Chairman)	–	–
The Viscount Thurso (Independent Deputy Chairman)	–	–
John Sclater (Independent director)	–	–
Sir Idris Pearce (Independent director)	3,541	3,494
Christopher Sneath (Independent director)	5,000	5,000
Charles Kirkwood (Independent director)	–	–
Frederick Brown	14,558	14,558
Kwek Leng Peck	–	–
Kwek Leng Joo	–	–

In their capacity as directors of the Millennium & Copthorne Share Trustees Limited, the trustee of the Millennium & Copthorne Share Ownership Plan Trust, Sir Idris Pearce and Christopher Sneath are deemed to have a non-beneficial interest in 71,065 (2002: nil) at the year end.

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 2003 and the date of this report.

On behalf of the Board

The Viscount Thurso
Chairman of the Remuneration Committee

18 February 2004

Analysis of shareholders as at 31 January 2004

NUMBER OF SHARES	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
0-10,000	751	75.25	1,028,494	0.36
10,001-25,000	66	6.61	1,047,069	0.37
25,001-50,000	34	3.41	1,271,415	0.45
50,001-100,000	42	4.21	3,090,644	1.09
100,001-500,000	54	5.41	12,226,025	4.33
500,001- 1,000,000	18	1.80	13,448,187	4.76
OVER 1 MILLION	33	3.31	250,589,114	88.64
TOTAL	998	100.00	282,700,948	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 518) 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.

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

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

FINANCIAL CALENDAR

Dividend record date	26 March 2004
Annual General Meeting	6 May 2004
Final dividend payment	21 May 2004
Interim results announcement	August 2004
Interim dividend payable	October 2004
Third quarter results announcement	November 2004

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 66. 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 19, 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 2003 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

18 February 2004

for the year ended 31 December 2003

		Group		Group	
		2003	**2003**	**2002**	**2002**
	Notes	**£m**	**£m**	**£m**	**£m**
TURNOVER	2				
Group and share of joint ventures		**583.2**		641.1	
Less share of turnover of joint ventures	12	**(60.1)**		(73.6)	
GROUP TURNOVER			**523.1**		567.5
Cost of sales			**(242.1)**		(252.1)
GROSS PROFIT			**281.0**		315.4
Administrative expenses			**(218.5)**		(225.6)
Other operating (expenses)/income	2		**(8.1)**		6.5
GROUP OPERATING PROFIT	2		**54.4**		96.3
Share of operating profits of joint ventures			**7.0**		12.2
Share of operating profits of associated undertakings			**–**		0.4
TOTAL OPERATING PROFIT			**61.4**		108.9
Profit on disposal of fixed assets	3		**0.4**		–
PROFIT BEFORE INTEREST AND TAXATION			**61.8**		108.9
Interest receivable and similar income	4				
Group		**3.1**		9.3	
			3.1		9.3
Interest payable and similar charges	5				
Group		**(41.4)**		(51.1)	
Joint ventures		**(4.8)**		(6.5)	
Associated undertakings		**–**		(0.4)	
			(46.2)		(58.0)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6		**18.7**		60.2
Tax on profit on ordinary activities	7		**(1.9)**		(14.4)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			**16.8**		45.8
Minority interests - equity	23		**(5.7)**		(7.8)
Profit for the financial year			**11.1**		38.0
Dividends paid and proposed	8		**(17.7)**		(35.3)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	21		**(6.6)**		2.7
Earnings per share	9		**3.9p**		13.4p
Diluted earnings per share	9		**3.9p**		13.4p
Dividends per share	8		**6.25p**		12.50p

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 2003

	2003 £m	2002 £m
Profit for the financial year	**11.1**	38.0
Loss on foreign currency translation	**(55.6)**	(62.6)
Deficit on revaluation of fixed assets	**(2.4)**	(0.3)
Total recognised gains and losses relating to the financial year	**(46.9)**	(24.9)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2003

	2003 £m	2002 £m
Reported profit on ordinary activities before taxation	**18.7**	60.2
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**0.5**	0.5
Historical cost profit on ordinary activities before taxation	**19.2**	60.7
Historical cost (loss)/profit for the year retained after taxation, minority interests and dividends	**(6.1)**	3.2

BALANCE SHEETS

as at 31 December 2003

	Notes	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
FIXED ASSETS					
Tangible assets	11	**2,103.0**	2,185.4	**–**	–
Investments in joint ventures	12				
Share of gross assets		**256.6**	288.1	**–**	–
Share of gross liabilities		**(178.9)**	(205.1)	**–**	–
Share of minority interests		**(19.6)**	(21.2)	**–**	–
Loans to joint ventures		**32.7**	36.1	**–**	–
		90.8	97.9	**–**	–
Investment in associated undertakings	12	**0.5**	6.2	**–**	–
Other investments	12	**0.9**	0.3	**1,264.6**	1,222.7
		92.2	104.4	**1,264.6**	1,222.7
		2,195.2	2,289.8	**1,264.6**	1,222.7
CURRENT ASSETS					
Stocks	13	**16.0**	15.7	**–**	–
Debtors falling due within one year	14	**59.6**	75.6	**64.1**	35.5
Debtors falling due after more than one year	14	**1.9**	2.0	**–**	–
		61.5	77.6	**64.1**	35.5
Cash and short term deposits	15	**44.9**	59.1	**0.5**	4.4
		122.4	152.4	**64.6**	39.9
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	**(178.2)**	(292.2)	**(72.4)**	(140.3)
NET CURRENT LIABILITIES		**(55.8)**	(139.8)	**(7.8)**	(100.4)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,139.4**	2,150.0	**1,256.8**	1,122.3
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	**(671.0)**	(634.0)	**(281.2)**	(177.7)
PROVISIONS FOR LIABILITIES AND CHARGES	19	**(55.0)**	(49.7)	**–**	–
NET ASSETS		**1,413.4**	1,466.3	**975.6**	944.6
CAPITAL AND RESERVES					
Called up share capital	21,22	**84.8**	84.8	**84.8**	84.8
Share premium account	21	**845.8**	845.6	**845.8**	845.6
Revaluation reserve	21	**296.4**	308.4	**–**	–
Profit and loss account	21	**59.5**	112.1	**45.0**	14.2
SHAREHOLDERS' FUNDS - EQUITY		**1,286.5**	1,350.9	**975.6**	944.6
MINORITY INTERESTS - EQUITY	23	**126.9**	115.4	**–**	–
TOTAL CAPITAL EMPLOYED		**1,413.4**	1,466.3	**975.6**	944.6

These financial statements were approved by the Board of directors on 18 February 2004 and were signed on its behalf by:

Kwek Leng Beng
Director

David Thomas
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2003

	Notes	2003 £m	2003 £m	2002 £m	2002 £m
CASH FLOW STATEMENT					
Net cash inflow from operating activities	26	**93.1**		122.2	
Dividends received from associated undertakings		**–**		0.2	
Dividends received from joint ventures		**0.3**		0.1	
Returns on investments and servicing of finance	28	**(45.5)**		(50.0)	
Taxation paid		**(5.3)**		(11.6)	
Net capital expenditure and financial investment	28	**(23.7)**		(12.2)	
Acquisitions and disposals	28	**(28.0)**		–	
Equity dividends paid		**(35.3)**		(35.3)	
Cash (outflow)/inflow before use of liquid resources and financing			**(44.4)**		13.4
Management of liquid resources	28		**–**		30.6
Financing					
Net cash from the issue of shares and purchase of minority interests	28	**0.1**		(37.2)	
Increase in debt and lease financing	28	**32.5**		8.1	
Net cash inflow/(outflow) from financing			**32.6**		(29.1)
(Decrease)/increase in cash in the year			**(11.8)**		14.9

	Notes	2003 £m	2003 £m	2002 £m	2002 £m
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
(Decrease)/increase in cash in the year		**(11.8)**		14.9	
Cash inflow from decrease in liquid funds		**–**		(30.6)	
Cash inflow from the increase in debt and lease financing		**(32.5)**		(8.1)	
Change in net debt resulting from cash flows			**(44.3)**		(23.8)
Acquisitions			**(12.6)**		–
Deferred finance costs			**0.4**		0.2
Translation differences and other non cash movements			**51.1**		33.5
Movement in net debt in the year			**(5.4)**		9.9
Net debt at 1 January 2003			**(675.5)**		(685.4)
Net debt at 31 December 2003	27		**(680.9)**		(675.5)

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.

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.

Prior year adjustment

The adoption of FRS 19 in 2002 was a change of accounting policy for the Group and was accounted for by way of a prior year adjustment. The impact of adopting FRS 19 in the year ended 31 December 2002 was to increase the current year tax charge by £3.2m and to restate and decrease opening net assets at 1 January 2002 by £62.5m. Minority interest at 1 January 2002 were also reduced by £5.8m.

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 2003. 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 £48.7m (2002: £26.4m).

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 11. 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.

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.

1 ACCOUNTING POLICIES (CONTINUED)

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

Goodwill arises as the difference between the fair value of consideration paid and the fair value of separately identifiable assets and liabilites arising on a business combination when acquisition accounting is applied.

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.

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

- income from property rental, development properties and land sales.

Turnover is stated net of sales taxes and is recognised following the provision of the related goods and services.

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 in accordance with SSAP 24 : Accounting for Pension Costs. 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.

Full implementation of FRS 17 has been deferred by the Accounting Standards Board. In the current year the Group has complied with the transitional disclosure requirements as set out in note 30.

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 2003 £m	Rest of US 2003 £m	London 2003 £m	Rest of Europe 2003 £m	Asia 2003 £m	Australasia 2003 £m	Group 2003 £m
Turnover							
- Hotel	68.9	104.3	69.4	89.4	126.5	42.6	501.1
- Non-hotel	–	3.5	–	–	1.6	16.9	22.0
Total	68.9	107.8	69.4	89.4	128.1	59.5	523.1
Hotel gross operating profit	17.8	21.0	34.3	25.0	45.3	17.4	160.8
Hotel fixed charges	(13.9)	(19.5)	(11.9)	(18.7)	(22.0)	(9.7)	(95.7)
Hotel operating profit	3.9	1.5	22.4	6.3	23.3	7.7	65.1
Non-hotel operating profit	–	1.4	–	–	1.0	7.0	9.4
Profit before central costs	3.9	2.9	22.4	6.3	24.3	14.7	74.5
Other operating expenses	(8.1)	–	–	–	–	–	(8.1)
Central costs	–	–	–	–	–	–	(12.0)
Group operating profit	–	–	–	–	–	–	54.4
Share of operating profits	–	–	–	–	–	–	–
of joint ventures	3.1	–	–	–	3.9	–	7.0
Share of operating profits	–	–	–	–	–	–	–
of associated undertakings	–	–	–	–	–	–	–
Profit on disposal of fixed assets	–	–	–	–	–	–	0.4
Net interest payable	–	–	–	–	–	–	(43.1)
Profit on ordinary activities before taxation	–	–	–	–	–	–	18.7
Net assets							
Net hotel operating assets	314.1	251.8	457.6	196.7	605.4	114.0	1,939.6
Net non-hotel operating assets		22.4	–	–	38.2	41.3	101.9
Net assets of joint ventures	39.3	–	–	–	18.8	–	58.1
Net assets of associated undertakings	–	–	–	–	0.5	–	0.5
Non operating net liabilities	–	–	–	–	–	–	(686.7)
Net assets	–	–	–	–	–	–	1,413.4

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 £132.8m (2002: £127.4m). Net assets of associated undertakings are shown net of interest bearing loans of £nil (2002: £5.4m).

Non operating net liabilities comprise net debt, dividends payable and, in 2002, deferred consideration.

For 2003 the New York hotel operating profit excludes pre-opening and legal fees with respect to the Millenium Hilton, these are disclosed in other operating expenses. For 2002 the New York hotel operating profit excludes business interruption income with respect to the Millenium Hilton, this is disclosed in other operating income.

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	(11.4)	(20.9)	(14.1)	(17.7)	(26.8)	(8.2)	(99.1)
Hotel operating profit	10.7	6.6	24.6	9.3	33.7	7.0	91.9
Non-hotel operating profit	–	1.5	–	–	1.2	7.4	10.1
Profit before central costs	10.7	8.1	24.6	9.3	34.9	14.4	102.0
Other operating income	6.5	–	–	–	–	–	6.5
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
Profit from disposal of fixed assets	–	–	–	–	–	–	–
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

3 PROFIT ON DISPOSAL OF FIXED ASSETS

	2003 £m	2002 £m
Profit on disposal of non-core properties and investments	**6.1**	–
Provision for loan notes	**(4.8)**	–
Other loss on disposal of fixed assets	**(0.9)**	–
	0.4	**–**

A hotel in Florida was sold as part of the asset disposal programme, following the Group's Regal acquistion in 1999. Part of the consideration for this hotel was in the form of a loan note to the Group, secured on the property. The purchaser has now filed for protection from bankruptcy under Chapter 11 and the Group has therefore assessed the recovery of the outstanding loan note balance and has made a provision of £4.8m, reducing the purchase consideration received and resulting in a loss on disposal.

The tax effect of the above items was to reduce the group tax charge by £1.9m.

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £m	2002 £m
Interest receivable from joint ventures	**0.7**	0.7
Other interest receivable	**1.4**	4.0
Foreign exchange gains	**0.9**	4.6
Group share of interest receivable by associated undertakings	**0.1**	–
	3.1	9.3

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £m	2002 £m
On bank loans and overdrafts	**35.6**	45.2
On bonds	**3.8**	3.4
Finance charges payable in respect of finance leases	**0.9**	1.2
Less interest capitalised	**–**	(0.1)
Foreign exchange losses	**1.1**	1.4
	41.4	51.1
Group share of interest payable by joint ventures	**4.8**	6.5
Group share of interest payable by associated undertakings	**–**	0.4
	46.2	58.0

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £m	2002 £m
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**38.5**	39.8
Profit on sale of fixed assets - exceptional (note 3)	**0.4**	–
Tangible fixed assets written off	**0.6**	0.4
Repairs and maintenance expenditure	**27.0**	22.1
Auditors' remuneration		
Audit services	**0.9**	0.9
Non audit services provided by the auditors and their associates	**0.3**	0.6
Rentals payable under operating leases		
Land and buildings	**11.5**	10.9
Plant and machinery	**1.6**	1.6
Exchange loss/(gain)	**0.2**	(3.2)

The audit fee for the parent company was £40,000 (2002: £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 £0.7m (2002 £1.1m) and analysed as follows:

	2003 £m	2002 £m
Further assurance services	**0.1**	0.1
Taxation compliance and advice	**0.6**	0.9
Other services	**–**	0.1
	0.7	1.1

7 TAXATION

	2003 £m	2002 £m
(i) Analysis of charge in the year		
Current tax:		
UK Corporation tax		
UK corporation tax on profits of the year at 30% (2002: 30%)	**6.2**	2.9
(Over)/under provision in respect of prior years	**(3.9)**	0.3
	2.3	3.2
Overseas taxation		
Current year charge	**3.3**	11.8
Over provision in respect of prior years	**(2.8)**	(4.5)
Taxation attributable to profits of joint ventures	**0.3**	0.7
Total current tax	**3.1**	11.2

7 TAXATION (CONT'D)

	2003 £m	2002 £m
Deferred tax:		
Origination and reversal of timing differences		
Current year	**1.1**	2.1
Adjustments in respect of prior years	**(2.9)**	–
Effect of decreased tax rate on opening liability	**–**	(1.5)
Deferred taxation attributable to joint ventures	**0.6**	1.7
Deferred taxation attributable to associates	**–**	0.9
Total deferred tax	**(1.2)**	3.2
Tax on profit on ordinary activities	**1.9**	14.4

(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:

	2003 £m	2002 £m
Profit on ordinary activities before taxation	**18.7**	60.2
Tax on profit on ordinary activities at the standard rate of UK tax of 30% (2002:30%)	**5.6**	18.1
Permanent differences	**(8.5)**	(8.3)
Capital allowances for year in excess of depreciation	**(4.5)**	(8.1)
Non-utilisation of tax losses arising in the year	**18.4**	13.2
Utilisation of brought forward tax losses	**(1.4)**	(2.3)
Other timing differences	**2.8**	2.0
Lower tax rates on overseas earnings	**(3.6)**	(1.7)
Overseas tax suffered	**1.0**	2.5
Adjustments to tax charge in respect of previous years	**(6.7)**	(4.2)
Current tax charge for year	**3.1**	11.2

(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, and the extent to which the Group is in a position to use the tax losses which it has available.

Unrecognised tax losses at 31 December 2003 are set out in note 20. It is not currently anticipated that these losses will be able to be utilised to offset taxable profits in the foreseeable future.

8 DIVIDENDS PAID AND PROPOSED

	2003 **£m**	2002 £m
Paid	**11.9**	11.9
Proposed	**5.8**	23.4
	17.7	35.3

The interim dividend of 4.2p per share was paid on 8 October 2003 (2002: 4.2p) and the final dividend of 2.05p per share (2002: 8.3p) will be paid on 21 May 2004 to shareholders on the register as at close of business on 26 March 2004. The total dividend per share for the year is 6.25p (2002: 12.50p) for shares in issue and ranking for both interim and final dividends. The Group will again be offering shareholders the option of a scrip dividend.

9 EARNINGS PER SHARE

The earnings per share and diluted earnings per share are based on earnings of £11.1m (2002: £38.0m). The weighted average number of shares, being the average number of shares in issue during the period, used in both calculations is as follows:

	2003 **£m**	2002 £m
Weighted average number of shares in issue during the period used in the calculation of earnings per share	**282.7**	282.6
Number of shares under option that would have been issued at nil value	**0.4**	0.1
Weighted average number of shares in issue during the period used in the calculation of diluted earnings per share	**283.1**	282.7

10 RELATED PARTY TRANSACTIONS

Hong Leong Group

During 2003 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 2003 is £nil (2002: £nil).

The Group deposited certain surplus cash with Hong Leong Finance Limited, a subsidiary undertaking of the Group, on normal commercial terms. Interest income of £nil (2002: £0.1m) was received during the year. As at 31 December 2003 £0.6m (2002: £1.7m) of cash was deposited with Hong Leong 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 £1.9m was charged by Swan Inc during the year and, at 31 December 2003, £0.2m (2002: £0.6m) was due to Swan Inc.

Rogo Realty Corporation and Harbour Land Corporation

The Group had current account balances of £0.9m (2002: £1.6m) 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 (2002: £0.7m) was receivable on a US $15m loan note held by New Plaza Associates in favour of CDL Hotels USA Inc.

£0.1m (2002: £0.1m) was received as an asset management fee from New Plaza Associates. As at 31 December 2003 a total of £3.3m (2002: £1.9m) was due from New Plaza Associates.

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

11 TANGIBLE FIXED ASSETS

	Land and buildings £m	Investment properties £m	Capital work in progress £m	Plant and machinery £m	Fixtures, fittings, equipment and vehicles £m	Total £m
Group						
Cost or valuation						
At the beginning of the year	1,943.2	89.3	9.5	91.6	180.8	2,314.4
Foreign exchange adjustments	(91.8)	4.2	0.7	(8.0)	(9.7)	(104.6)
Additions	19.3	0.2	4.7	2.4	4.5	31.1
Acquisitions	23.8	–	–	0.1	0.9	24.8
Transfers	(1.3)	(1.8)	(8.9)	3.6	8.4	–
Revaluations	3.5	(1.4)	–	–	–	2.1
Disposals	(2.0)	–	–	(3.8)	(9.1)	(14.9)
Written Off	–	(0.2)	–	(0.8)	(10.8)	(11.8)
At the end of the year	1,894.7	90.3	6.0	85.1	165.0	2,241.1
Depreciation						
At the beginning of the year	31.5	–	–	24.5	73.0	129.0
Foreign exchange adjustments	(3.3)	–	–	2.3	(5.4)	(6.4)
Charge for the year	10.5	–	–	4.8	23.2	38.5
Transfers	0.1	–	–	(0.3)	0.2	–
Disposals	(0.3)	–	–	(3.3)	(8.2)	(11.8)
Written off	–	–	–	(0.7)	(10.5)	(11.2)
At the end of the year	38.5	–	–	27.3	72.3	138.1
Net book value						
At 31 December 2003	**1,856.2**	**90.3**	**6.0**	**57.8**	**92.7**	**2,103.0**
At 31 December 2002	1,911.7	89.3	9.5	67.1	107.8	2,185.4

Details of acquired tangible fixed assets are set out in note 12 and relate to the acquisition of the Sunnyvale Four Points Hotel, California and the Group's 2002 acquisition of the minority interest in the Republic Hotels and Resorts Group.

Land and buildings includes long leasehold assets with a net book value of £430.7m (2002: £422.9m). It also includes assets held under finance leases with a net book value of £13.6m (2002: £33.2m) 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 £31.2m (2002: £28.8m), in respect of which depreciation of £3.7m was charged during the year.

No 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.

11 TANGIBLE FIXED ASSETS (CONTINUED)

	Land and buildings 2003 £m	Land and buildings 2002 £m
Cost or valuation comprises:		
Historical cost of revalued properties	**920.3**	971.2
Revaluation reserve	**317.6**	320.2
Valuation	**1,237.9**	1,291.4
Cost	**656.8**	651.8
	1,894.7	1,943.2

During 2003, twenty five 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	CB Richard Ellis
Asia	CB Richard Ellis, Henry Butcher and Cuervo Appraisers
Australasia	DTZ Debenham Tie Leung

Based on these valuations, together with such considerations as the directors considered appropriate, these twenty five hotels were valued on an existing use basis at £707.6m, leading to a surplus on revaluation of £24.3m. All of the remainder of the Group's properties were subject to impairment reviews in accordance with FRS 11. This resulted in an impairment charge of £20.8m against the revaluation reserve.

During 2002, twenty two 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	CB Richard Ellis
Asia	CB Richard Ellis and DTZ Debenham Tie Lueng
Australasia	CB Richard Ellis

Based on these valuations, together with such considerations as the directors considered appropriate, these twenty two hotels were valued on an existing use basis 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 FRS 11. This resulted in an impairment charge of £23.0m against the revaluation reserve.

In both current and past years European properties were valued by CB 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. Other properties were valued on an open market existing use basis.

On an open market valuation basis only, excluding existing use, the valuation of land and buildings revalued by the Group in the last three years, as part of the valuation cycle, would have been lower by £87.9m (2002: £48.1m).

During 2003 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

Based on these valuations, together with such considerations as the directors considered appropriate, these three investment properties were valued at a total of £90.3m, compared with a book value of £91.7m (2002: £90.2m).

12 INVESTMENTS

	2003 £m	2002 £m
Group		
Investment in joint ventures		
Share of net assets at the beginning of the year	**61.8**	67.1
Share of profits of joint ventures	**1.3**	3.3
Less minority share of profits	**(0.9)**	(0.7)
Foreign exchange adjustment	**(3.8)**	(7.8)
Dividend	**(0.3)**	(0.1)
Share of net assets	**58.1**	61.8
Loans to joint ventures	**32.7**	36.1
	90.8	97.9

	2003 £m	2003 £m	2002 £m	2002 £m
Share of turnover of joint ventures		**60.1**		73.6
Share of gross assets				
Share of fixed assets	**242.2**		269.7	
Share of current assets	**14.4**		18.4	
		256.6		288.1
Share of gross liabilities				
Liabilities due within one year	**(82.9)**		(30.5)	
Liabilities due after more than one year	**(96.0)**		(174.6)	
		(178.9)		(205.1)
Less minority share of net assets		**(19.6)**		(21.2)
Share of net assets		**58.1**		61.8
Loans to joint ventures		**32.7**		36.1
		90.8		97.9

	2003 £m	2002 £m
Group		
Investments in associated undertakings		
Share of net assets at the beginning of the year	**3.9**	3.9
Share of losses of associated undertakings	**–**	(0.9)
Dividends	**–**	(0.2)
Transfers	**(3.4)**	–
Foreign exchange adjustment	**–**	1.1
Share of net assets	**0.5**	3.9
Loans to associated undertakings	**–**	2.3
	0.5	6.2

12 INVESTMENTS (CONTINUED)

	2003 £m	2003 £m	2002 £m	2002 £m
Share of turnover of associates		**0.1**		4.1
Share of assets				
Share of fixed assets	**0.6**		13.3	
Share of current assets	**0.3**		0.7	
		0.9		14.0
Share of liabilities				
Liabilities due within one year	**(0.1)**		**(2.5)**	
Liabilities due after more than one year	**(0.3)**		**(7.6)**	
		(0.4)		(10.1)
Share of net assets		**0.5**		3.9
Loans to associates		**–**		2.3
		0.5		6.2

	Quoted Investments £m	Other Investments (Unquoted) £m	Total £m
At the beginning of the year	0.3	–	0.3
Transfers	–	1.0	1.0
Disposals	(0.3)	–	(0.3)
Foreign exchange	–	(0.1)	(0.1)
	–	0.9	0.9

12 INVESTMENTS (CONTINUED)

	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	**997.5**	**225.2**	**1,222.7**
Additions	44.6	–	44.6
Repayments of preference shares and loans	(2.7)	–	(2.7)
At 31 December 2003	1,039.4	225.2	1,264.6

There were no provisions made against investments in subsidiary undertakings.

Acquisition

On 31 March 2003, the Group acquired the remaining 60% interest in its former 40% associate investment in Sunnyvale Partners Limited, which operates the Sunnyvale Four Points Hotel, California.

Total consideration comprised £2.6m. The net book value of assets acquired comprised freehold land and buildings of £19.1m, other tangible fixed assets of £1.0m, bank loans of £12.6m, net current liabilities of £3.5m and deferred taxation provision of £1.4m. No goodwill arose on acquisition. No fair value adjustments were made.

In addition, the Group has provided for an additional £4.7m taxation liability in relation to its acquisition of the minority interest in the Republic Hotels and Resorts Group in 2002. This change to the fair value of assets acquired has been adjusted against the carrying value of the related hotel land and buildings.

	Effective group interest	Country of incorporation/ operation	Principal activity
Details of principal investments at 31 December 2003 are as follows:			
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 (Manchester) 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
Millennium Hotels & Resorts Services Limited*	100%	England and Wales	Management contract holding company
Millennium Partnercard Services Limited*	100%	England and Wales	Hotel management services

12 INVESTMENTS (CONTINUED)

	Effective group interest	Country of incorporation/ operation	Principal activity
USA			
M&C Management Services (USA) Inc	100%	USA	Management services
CDL Hotels USA Inc*	100%	USA	Hotel investment holding
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
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
Chicago Hotel Holdings, LLC*	100%	USA	Hotel owner and operator
RHM-88, LLC*	100%	USA	Hotel owner and operator
Richfield Holdings, Inc*	100%	USA	Hotel investment holding
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
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
Sunnyvale Partners Limited *	100%	USA	Hotel owner and operator

12 INVESTMENTS (CONTINUED)

	Effective group interest	Country of incorporation/ operation	Principal activity
France			
M & C Hotels France SAS*	100%	France	Hotel owner
Millennium Opéra Paris SAS*	100%	France	Hotel operator
Millennium Charles-de Gaulle Paris SAS*	100%	France	Hotel operator
Singapore			
Millennium & Copthorne International Limited*	100%	Singapore	Hotels and resorts management
TOSCAP Limited*	100%	Singapore	Investment holding
CDL Entertainment & Leisure Pte. Ltd. *	100%	Singapore	Hotel management and Investment holding
Hong Leong International Hotels (Singapore) Pte. Ltd. *	97%	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
Cayman Islands			
Hong Leong Hotels Pte. Ltd. *	100%	Cayman Islands	Investment holding
M&C Hotels Holdings USA Ltd*	100%	Cayman Islands	Investment holding
Hong Kong			
First 2000 Limited*	100%	Hong Kong	Investment holding
Korea			
CDL Hotels (Korea) Ltd. *	100%	Korea	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

12 INVESTMENTS (CONTINUED)

	Effective group interest	Country of incorporation/ operation	Principal activity
Philippines			
The Philippine Fund Limited*	60%	Bermuda	Investment holding
Grand Plaza Hotel Corporation*	65%	Philippines	Hotel owner and operator and investment holding
CDL Hotels (Phils) Corporation*	100%	Philippines	Management and Consultancy Services
Malaysia			
CDL Hotels (Malaysia) Sdn Bhd*	100%	Malaysia	Hotel owner and operator
Copthorne Orchid Penang Sdn Bhd*	100%	Malaysia	Hotel owner
CDL Hotels (Labuan) Limited*	100%	Malaysia	Investment holding
New Zealand & Australia			
CDL Hotels Holdings New Zealand Limited*	100%	New Zealand	Investment holding and property management
CDL Hotels New Zealand Limited*	70%	New Zealand	Investment holding and property management
Kingsgate International Corporation Limited*	36%	New Zealand	Investment holding
Quantum Limited*	49%	New Zealand	Investment holding
CDL Investments New Zealand Limited*	43%	New Zealand	Investment and property holding/ management
QINZ Holdings (New Zealand) Limited*	49%	New Zealand	Investment holding
Austria			
ATOS Holdings AG*	100%	Austria	Investment holding
Germany			
Tara Hotels Deutschland GmbH*	100%	Germany	Hotel investment holding
Tara Hotel Hannover GmbH*	100%	Germany	Hotel operator
Millennium Hotel Stuttgart GmbH*	100%	Germany	Hotel operator
Sl- Erlebnis-Centrum Stuttgart GmbH*	100%	Germany	Marketing company
Joint Ventures			
New Plaza Associates LLC*	50%	USA	Hotel investment holding
Plaza Operating Partners Limited*	50%	USA	Hotel owner and operator
New Unity Holdings Limited*	50%	British Virgin Islands	Investment holding
Associated Undertakings			
Rogo Realty Corporation*	24%	Philippines	Real Estate Owner
Harbour Land Corporation	36%	Philippines	Real Estate Owner

* Held by a subsidiary undertaking.

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

13 STOCKS

	Group	
	2003	2002
	£m	£m
Consumables and supplies	**4.0**	4.0
Development land for resale	**12.0**	11.5
Development properties work in progress	**–**	0.2
	16.0	15.7

14 DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£m	£m	£m	£m
Trade debtors	**30.6**	33.8	**–**	–
Amounts owed by joint ventures	**3.3**	1.9	**–**	–
Amounts owed by associated undertakings	**0.9**	1.6	**–**	-
Amounts owed by subsidiary undertakings	**–**	–	**64.1**	35.5
Other debtors	**3.1**	8.5	**–**	–
Prepayments and accrued income	**10.7**	12.6	**–**	–
Amounts receivable from hotel disposals	**12.9**	19.2	**–**	–
	61.5	77.6	**64.1**	35.5

	£m	£m	£m	£m
Debtors falling due within one year	**59.6**	75.6	**64.1**	35.5
Debtors falling due after more than one year	**1.9**	2.0	**–**	–
	61.5	77.6	**64.1**	35.5

15 CASH AND SHORT TERM DEPOSITS

	Group		Company	
	2003	2002	2003	2002
	£m	£m	£m	£m
Short term deposits	**13.1**	12.9	**–**	–
Cash	**31.8**	46.2	**0.5**	4.4
	44.9	59.1	**0.5**	4.4

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Bank loans and overdrafts	**22.2**	88.3	**–**	75.4
Bonds payable	**42.6**	15.6	**42.9**	15.6
Obligations under finance leases	**1.7**	11.9	**–**	–
Trade creditors	**18.3**	18.7	**–**	–
Amounts owed to parent and fellow subsidiary undertakings	**0.4**	0.6	**20.7**	23.3
Deferred consideration	**–**	28.1	**–**	–
Other creditors including taxation and social security				
Corporation tax	**14.2**	20.6	**0.5**	0.3
Social security and PAYE	**3.7**	1.5	**–**	–
Value added tax	**7.8**	6.1	**–**	–
Other creditors	**11.3**	11.5	**0.4**	0.4
Accruals and deferred income	**47.9**	60.5	**2.1**	1.9
Rental and other deposits	**2.3**	5.4	**–**	–
Dividends payable	**5.8**	23.4	**5.8**	23.4
	178.2	292.2	**72.4**	140.3

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Bank loans	**491.2**	465.0	**178.7**	102.5
Bonds payable	**162.1**	147.4	**96.7**	75.2
Obligations under finance leases	**6.0**	6.4	**–**	–
Deferred property taxes	**3.6**	5.2	**–**	–
Amounts owed to parent and fellow subsidiary undertakings	**–**	–	**5.8**	–
Other liabilities	**8.1**	10.0	**–**	–
	671.0	634.0	**281.2**	177.7

18 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 page 12 under the heading 'Treasury and risk management'.

Short term debtors and creditors, as defined in FRS 13, have been omitted from all of the financial instruments disclosures except those relating to currency risk.

18 GROUP FINANCIAL INSTRUMENTS (CONTINUED)

a) Liquidity

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

	Debt other than finance leases 2003 £m	Finance lease obligations 2003 £m	Other financial liabilities 2003 £m	Total 2003 £m
Financial liabilities maturing:				
in one year or less or on demand	**49.5**	**1.7**	**–**	**51.2**
in more than one year but not more than two years	**434.7**	**1.8**	**–**	**436.5**
in more than two years but not more than five years	**233.9**	**4.2**	**–**	**238.1**
in more than five years	**–**	**–**	**8.1**	**8.1**
	718.1	**7.7**	**8.1**	**733.9**

	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

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.

	2003 £m	2002 £m
Expiring in one year or less	**50.5**	30.9
Expiring after more than one year but not more than two years	**–**	27.2
Expiring after more than two years but not more than five years	**55.9**	85.0
Expiring after more than five years	**–**	–
	106.4	143.1

18 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 2003 £m	Fixed rate 2003 £m	Non-interest bearing 2003 £m	Total 2003 £m	Average interest rate of fixed rate borrowings 2003 %	Average years to maturity of fixed rate borrowings 2003 Years	Average years to maturity of non-interest bearing liabilities 2003 Years
Sterling	**155.0**	**–**	**–**	**155.0**	**–**	**–**	**–**
Singapore $	**20.7**	**94.8**	**0.1**	**115.6**	**3**	**1**	**5**
US $	**355.3**	**–**	**0.2**	**355.5**	**–**	**–**	**5**
New Zealand $	**18.2**	**–**	**0.6**	**18.8**	**–**	**–**	**5**
Australian $	**15.1**	**–**	**–**	**15.1**	**–**	**–**	**–**
Malaysian Ringgit	**11.1**	**–**	**–**	**11.1**	**–**	**–**	**–**
Korean Won	**45.4**	**–**	**5.1**	**50.5**	**–**	**–**	**5**
New Taiwan $	**–**	**–**	**2.1**	**2.1**	**–**	**–**	**5**
Euro	**2.5**	**7.7**	**–**	**10.2**	**3**	**4**	**–**
	623.3	**102.5**	**8.1**	**733.9**	**3**	**2**	**5**

	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

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%.

18 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 2003 £m	Fixed rate 2003 £m	Non-interest bearing 2003 £m	Total 2003 £m	Average interest rate of fixed rate assets 2003 %	Average years to maturity of fixed rate assets 2003 Years
Sterling	**0.7**	**–**	**0.1**	**0.8**	**–**	**–**
US $	**0.5**	**8.8**	**3.2**	**12.5**	**–**	**0.1**
Korean Won	**–**	**2.9**	**2.6**	**5.5**	**3**	**0.1**
Singapore $	**–**	**4.5**	**1.5**	**6.0**	**–**	**0.1**
New Taiwan $	**–**	**4.9**	**0.2**	**5.1**	**1**	**0.1**
Others	**11.7**	**4.2**	**1.9**	**17.8**	**3**	**0.1**
	12.9	**25.3**	**9.5**	**47.7**	**1**	**0.1**

	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

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.

18 GROUP FINANCIAL INSTRUMENTS (CONTINUED)

e) Fair values

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

	2003		2002	
	Book value £m	Fair Value £m	Book value £m	Fair value £m
Short term deposits	**13.1**	**13.1**	12.9	12.9
Cash at bank and in hand	**31.8**	**31.8**	46.2	46.2
	44.9	**44.9**	59.1	59.1
Investments	**0.9**	**0.9**	0.3	0.3
Debtors greater than one year	**1.9**	**1.9**	2.0	2.0
	47.7	**47.7**	61.4	61.4
Debt and finance lease obligations	**(725.8)**	**(686.4)**	(734.6)	(730.7)
Other creditors due after more than one year	**(8.1)**	**(6.5)**	(10.0)	(7.9)
Derivatives held to manage the interest rate profile	**–**	**(17.9)**	–	(28.1)
	(733.9)	**(710.8)**	(744.6)	(766.7)

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 losses on hedges at 1 January 2003	(28.1)
Losses arising recognised in the year	13.0
Unrecognised losses arising in the year	(2.8)
Unrecognised losses on hedges at 31 December 2003	(17.9)
Of which:	
Losses expected to be recognised in 2004	(11.3)
Losses expected to be recognised in 2005 or later	(6.6)
	(17.9)

g) Currency risk

The Group has unhedged cash balances denominated in non-functional currencies totalling £1.7m, (2002: £5.0m) of which £1.3m (2002: £4.9m) is denominated in US $. The Group maintains cash balances in Taipei and the Philippines in US dollars totalling £0.2m, (2002: £3.9m) as at 31 December 2003. These are matched by borrowings in the same currency.

h) Security

Included within the Group's total bank loans and overdrafts of £561.7m are £512.6m (2002: £520.0m) of secured loans. Of total bonds payable of £160.6m, £45.4m (2002: £50.3m) are secured bonds.

Loans and bonds are secured on land and buildings.

19 PROVISIONS FOR LIABILITIES AND CHARGES

	Other £m	Deferred Taxation £m	Total £m
At 1 January 2003	3.3	46.4	49.7
Acquired during the year	–	1.4	1.4
Provided during the year	–	1.1	1.1
Over provision in relation to prior years	–	(2.9)	(2.9)
Utilised during the year	(0.5)	–	(0.5)
Transfer to corporation tax creditor	–	7.3	7.3
Foreign exchange adjustment	–	(1.1)	(1.1)
At 31 December 2003	2.8	52.2	55.0

The other provision reflects the effect of an onerous lease and is to be released over the life of the lease until 2014.
Deferred tax balances acquired during the year relate to the acquisition of the Sunnyvale Four Points Hotel, California (note 12).

The acquired deferred taxation liability arises from a fair value adjustment in relation to the acquisition of the minority interest in the Republic Hotels and Resorts Group in 2002 (note 12).

20 DEFERRED TAXATION

	2003 £m	2002 £m
The net deferred tax provision as at 31 December 2003 is as follows:		
Accelerated capital allowances	**87.8**	87.9
Tax losses carried forward	**(29.0)**	(39.2)
Other timing differences	**(6.6)**	(2.3)
	52.2	46.4

There is no unprovided deferred taxation at either 31 December 2003 or 31 December 2002.

No provision has been made for deferred tax on gains recognised on revaluing properties. If the Group were to dispose of all its properties at their book values, a tax liability estimated at £195m (2002: £196m) would arise. None of these has been provided, since the Group currently has no plans to dispose of any properties, which would lead to such liability crystallising.

A deferred tax asset totalling £15.2m (2002: £14.9m) in respect of carried forward losses arising in the group has not been recognised due to it not being expected that these losses can be used to offset taxable profits in the foreseeable future.

21 RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital 2003 £m	Share premium 2003 £m	Revaluation reserve 2003 £m	Profit and loss account 2003 £m	Total 2003 £m	Total 2002 £m
Group						
Balance at the beginning of the year	**84.8**	**845.6**	**308.4**	**112.1**	**1,350.9**	**1,410.9**
Profit for the financial year	**–**	**–**	**–**	**11.1**	**11.1**	**38.0**
Dividends paid and proposed	**–**	**–**	**–**	**(17.7)**	**(17.7)**	**(35.3)**
Foreign exchange loss	**–**	**–**	**(9.1)**	**(46.5)**	**(55.6)**	**(62.6)**
Deficit on revaluation of fixed assets	**–**	**–**	**(2.4)**	**–**	**(2.4)**	**(0.3)**
Transfer of realised profit	**–**	**–**	**(0.5)**	**0.5**	**–**	**–**
Issue of shares on exercise of options	**–**	**0.2**	**–**	**–**	**0.2**	**0.2**
Balance at the end of the year	**84.8**	**845.8**	**296.4**	**59.5**	**1,286.5**	**1,350.9**

The Group's share of the accumulated reserves of the associated undertakings as at 31 December 2003 was £nil (2002: £nil).
The Group's share of the accumulated reserves of joint ventures as at 31 December 2003 was £2.3m (2002: £13.6m).
The cumulative amount of goodwill written off prior to the adoption of FRS 10 was £2.3m as at 31 December 2003 (2002: £2.3m).

21 RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS (CONTINUED)

	Share capital 2003 £m	Share premium 2003 £m	Profit and loss account 2003 £m	Total 2003 £m	Total 2002 £m
Company					
Balance at the beginning of the year	**84.8**	**845.6**	**14.2**	**944.6**	953.0
Profit for the financial year	**–**	**–**	**48.7**	**48.7**	26.4
Dividends paid and proposed	**–**	**–**	**(17.7)**	**(17.7)**	(35.3)
Issue of shares on exercise of options	**–**	**0.2**	**–**	**0.2**	0.2
Foreign exchange (loss)/gain	**–**	**–**	**(0.2)**	**(0.2)**	0.3
Balance at the end of the year	**84.8**	**845.8**	**45.0**	**975.6**	944.6

22 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	282,638,709
Issue of ordinary shares on exercise of share options	–	44,643
Issue of ordinary shares in lieu of interim dividend	–	17,596
Balance at the end of the year	1,000,000,000	282,700,948

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 5,068,621 ordinary shares had been issued. 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.

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 £1.50 on expiry of the savings contract.

23 MINORITY INTERESTS

	2003 £m	2002 £m
At beginning of year	**115.4**	153.3
Share of retained profit for the year	**5.7**	7.8
Less minority interest attributable to joint ventures	**(0.9)**	(0.7)
Dividends paid to minorities	**(2.6)**	(4.0)
Share of revaluation surplus	**4.5**	0.3
Purchase of equity minority interests	**–**	(37.4)
Foreign exchange gain/(loss)	**4.8**	(3.9)
At the end of the year	**126.9**	115.4

24 FINANCIAL COMMITMENTS

	2003 £m	2002 £m
i) Capital commitments at the end of the financial year for which no provision has been made:		
Group		
Contracted	**8.7**	12.7

At 31 December 2003 the Company had capital commitments of £nil (2002: £nil).

	2003		2002	
	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	**–**	**0.4**	–	0.5
In the second to fifth years inclusive	**1.4**	**0.8**	1.2	0.9
Over five years	**9.2**	**0.9**	9.0	–
	10.6	**2.1**	10.2	1.4

At 31 December 2003 the Company had no operating lease commitments (2002: £nil).

25 CONTINGENT MATTERS

a) The Millennium Hilton, New York closed on 11 September 2001 and reopened on 5 May 2003. Proceeds of US$56.5m from the insurance claim have been received in respect of the property and business interruption claims.

The business interruption claim is not settled. In January 2003 the insurance company providing the insurance coverage above a $10.0m underlying limit took legal action to seek clarification of the period of business interruption cover. The insurer contends that the hotel is covered for 12 months from the date of the damage and then for six months post reopening: alternatively, the insurer claims that information was withheld from it by M&C's broker which could permit it to rescind its coverage entirely, including in relation to the capital claim. The Group has been advised, by its broker, that the coverage applies to the period until the re-opening plus a 12 month period thereafter.

The Board has taken legal advice and based on this, and its own information, considers that its interpretation of the policy is correct and that the insurer's claims are without merit. Based on the current known facts, legal counsel's view is that Board may reasonably conclude that the likelihood of the insurance company rescinding the coverage is remote. Consequently, the directors consider it unlikely that the Group will be required to repay any amounts already received from the insurer and they do not expect the outcome of these proceedings to have any material adverse effect on the Group's financial position. The Board will vigorously defend the action and assert the Group's own claims against the insurers and possibly third parties, and is hopeful that this legal dispute will be resolved during 2004.

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

26 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £m	2002 £m
Group operating profit	**54.4**	96.3
Depreciation	**38.5**	39.8
Tangible fixed assets written off	**0.6**	0.4
(Increase)/decrease in stocks	**(0.3)**	0.1
Decrease/(increase) in debtors	**10.1**	(4.3)
Decrease in creditors	**(9.7)**	(9.7)
Decrease in provisions	**(0.5)**	(0.4)
Net cash inflow from operating activities	**93.1**	122.2

27 ANALYSIS OF NET DEBT

	Note	At 1 January 2003 £m	Cash flow £m	Deferred finance costs £m	Acquisitions excluding cash and overdrafts £m	Translation differences and other non cash movements £m	As at As at 31 December 2003 £m
Cash	15	46.2	(11.8)	–	–	(2.6)	**31.8**
Overdrafts	16	(1.8)	–	–	–	0.3	**(1.5)**
			(11.8)				
Short term deposits	15	12.9	–	–	–	0.2	**13.1**
Debt due after one year	17	(465.0)	(55.7)	0.4	–	29.1	**(491.2)**
Debt due within one year	16	(86.5)	72.6	–	(12.6)	5.8	**(20.7)**
Finance leases	16/17	(18.3)	11.1	–	–	(0.5)	**(7.7)**
Bonds due after one year	17	(147.4)	(29.5)	–	–	14.8	**(162.1)**
Bonds due within one year	16	(15.6)	(31.0)	–	–	4.0	**(42.6)**
			(32.5)				
Total		(675.5)	(44.3)	0.4	(12.6)	51.1	**(680.9)**

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

	2003 £m	2003 £m	2002 £m	2002 £m
Returns on investment and servicing of finance				
Interest received	**2.2**		4.6	
Interest paid	**(39.0)**		(46.5)	
Payment of interest on deferred consideration	**(4.8)**		–	
Loan arrangement fees paid	**(0.4)**		(2.9)	
Interest element of finance lease rental payments	**(0.9)**		(1.2)	
Dividend paid to minorities	**(2.6)**		(4.0)	
Net cash outflow for returns on investments and servicing of finance		**(45.5)**		(50.0)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(17.6)**		(28.6)	
Millenium Hilton New York capital expenditure	**(14.7)**		(5.1)	
Insurance capital claims receipts	**–**		18.9	
Purchase of development properties	**–**		(2.1)	
Proceeds from the sale of development properties	**–**		0.3	
Proceeds from the sale of investments	**2.5**		–	
Sale of properties held for resale	**–**		3.2	
Sale of other fixed assets	**6.1**		0.3	
Repayments from loans to associate undertakings and joint ventures	**–**		0.9	
Net cash outflow for capital expenditure and financial investment		**(23.7)**		(12.2)
Acquisitions and disposals				
Acquisition of subsidiary undertakings (note 12)	**(2.6)**		–	
Payment of deferred consideration	**(25.4)**		–	
Net cash outflow for acquisitions and disposals		**(28.0)**		–
Management of liquid resources				
Cash withdrawn from short term deposit	**–**		30.6	
Net cash inflow from management of liquid resources		**–**		30.6
Financing				
Issue of shares from the exercise of options	**0.1**		0.2	
Purchase of shares from minority interests	**–**		(37.4)	
		0.1		(37.2)
Drawdown of third party loans	**304.7**		165.2	
Repayment of third party loans	**(261.1)**		(155.0)	
Capital element of finance lease rental repayment	**(11.1)**		(2.1)	
		32.5		8.1
Net cash inflow/(outflow) from financing		**32.6**		(29.1)

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

29 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 079903.

The immediate holding company is City Developments Limited, a company incorporated in Singapore, which also heads the smallest Group in which the results of the Company are consolidated. The consolidated accounts are available to the public and may be obtained from 36 Robinson Road, #04-01 City House, Singapore 068877.

30 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 scheme is a funded defined benefit arrangement with different categories of membership. The assets of the Plan are held separately from those of the Group, being invested with Deutsche Asset Management Limited and Nationwide Building Society.

Scheme costs are charged so as to spread the cost of providing the guaranteed benefits over the average remaining service lives of the employees concerned. The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 6 April 2002 and updated on an approximate basis to 31 December 2003. At the April 2002 valuation date the market value of the Plan's assets was £14.3m, giving a funding level of 84%. At 31 December 2003, the market value of scheme assets was estimated at £15.7m, giving a funding level of 96%. The contributions of the Group were 17.3% of pensionable pay until 31 March 2003, when it increased to 20.6% of pensionable pay (2002: 17.3%). The contributions of employees were from 3% to 5% (2002: 3.5% to 5%) of pensionable earnings.

As the defined benefit section is closed to new entrants, the current service cost, as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed in April 2002 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 8 years.

The next valuation of the Scheme is due as at 6 April 2005.

The Group also operates a defined contribution scheme 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.

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 3.5% per annum and that salary increases would average 3% per annum. Average future service of participants expected to receive benefits was 14 years. The net valuation is due in 2004.

The pension cost of the whole Group charged to the profit and loss account is £6.4m (2002: £5.3m).

Contributions of £0.4m (2002: £0.3m) were due to the schemes as at 31 December 2003 and are included in creditors.

30 PENSION SCHEMES, EMPLOYEES AND REMUNERATION (CONTINUED)

Financial Reporting Standard 17:

The transitional arrangements of the new accounting standard FRS 17 require disclosure of pension scheme assets and liabilities as at 31 December 2003 calculated in accordance with the requirements of FRS 17. They also require disclosure of the items which would appear in the profit and loss account and in the statement of total recognised gains and losses were the full requirements of FRS 17 in place. For the purpose of these financial statements, all of these figures are illustrative only and do not impact on the actual 31 December 2003 balance sheet or on this year's performance statements. Full adoption of FRS17 has been deferred by the Accounting Standards Board.

The assets of each scheme have been taken at market value and the liabilities have been calculated using the following principal assumptions:

	UK Scheme Per annum			Taiwan Scheme Per annum		
	2003 %	2002 %	2001 %	2003 %	2002 %	2001 %
Inflation	**2.50**	2.50	2.50	**–**	–	–
Salary increases	**4.00**	4.00	4.00	**3.00**	3.00	2.50
Rate of discount	**5.34**	5.14	5.75	**3.50**	3.75	4.50
Pension in payment increases	**2.50**	2.50	2.50	**–**	–	–
Revaluation rate for deferred pensioners	**2.50**	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	
	2003 £m	2002 £m	2003 £m	2002 £m	2003 £m	2002 £m
Assets	**18.2**	14.7	**1.8**	1.6	**20.0**	16.3
Liabilities	**(22.3)**	(20.3)	**(5.5)**	(5.2)	**(27.8)**	(25.5)
Deficit	**(4.1)**	(5.6)	**(3.7)**	(3.6)	**(7.8)**	(9.2)
Deferred tax	**1.1**	1.7	**0.9**	0.9	**2.0**	2.6
Net deficit	**(3.0)**	(3.9)	**(2.8)**	(2.7)	**(5.8)**	(6.6)

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 2003, future full adoption of FRS 17 would result in a decrease in Group reserves at 31 December 2003 of £5.8m (2002: £6.6m).

The assets of the schemes at 31 December 2003 and corresponding expected returns over the following year are as follows :-

	UK Fund value			Expected returns			Taiwan Fund value			Expected returns		
	2003 £m	2002 £m	2001 £m	2003 %	2002 %	2001 %	2003 £m	2002 £m	2001 £m	2003 %	2002 %	2001 %
Equities	**14.5**	11.2	12.7	**6.59**	6.39	7.00	**–**	–	–	**–**	–	–
Bonds	**3.0**	2.2	1.8	**5.34**	5.14	5.75	**–**	–	–	**–**	–	–
Cash	**0.7**	1.3	1.4	**3.75**	4.00	3.50	**1.8**	1.6	1.4	**3.50**	3.75	4.50
	18.2	14.7	15.9				**1.8**	1.6	1.4			

The fair value of the schemes' assets are not intended to be realised in the short term and may be subject to significant change before they are realised.

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 in practice. The present value of the schemes' liabilities are derived from cash flow projections over long periods and are inherently uncertain.

30 PENSION SCHEMES, EMPLOYEES AND REMUNERATION (CONTINUED)

The transitional disclosure arrangements of FRS 17 also require disclosure of the defined benefit pension related costs and movements which would have been included in the profit and loss account and the statement of total recognised gains and losses, had full adoption of FRS 17 been made in the year ended 31 December 2003.

Analysis of the amount charged to operating profit:

	UK Scheme		Taiwan Scheme		Total	
	2003	2002	2003	2002	2003	2002
	£m	£m	£m	£m	£m	£m
Operating Profit						
Current service cost	**(0.9)**	(0.8)	**(0.5)**	(0.4)	**(1.4)**	(1.2)
Total Operating Charge	**(0.9)**	(0.8)	**(0.5)**	(0.4)	**(1.4)**	(1.2)
Other finance income						
Expected return on pension scheme assets	**0.9**	1.1	**0.1**	0.1	**1.0**	1.2
Interest on pension scheme liabilities	**(1.0)**	(1.1)	**(0.2)**	(0.2)	**(1.2)**	(1.3)
Net return	**(0.1)**	–	**(0.1)**	(0.1)	**(0.2)**	(0.1)
Total	**(1.0)**	(0.8)	**(0.6)**	(0.5)	**(1.6)**	(1.3)

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

	UK Scheme		Taiwan Scheme		Total	
	2003	2002	2003	2002	2003	2002
	£m	£m	£m	£m	£m	£m
Actual return less expected return on pension scheme assets	**1.7**	(2.9)	**(0.1)**	(0.1)	**1.6**	(3.0)
Experience (losses)/gains arising on the scheme liabilities	**(0.8)**	1.3	**–**	–	**(0.8)**	1.3
Changes in demographic and financial assumptions underlying the present value of the scheme liabilities	**0.8**	(2.0)	**(0.1)**	(0.7)	**0.7**	(2.7)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	**1.7**	(3.6)	**(0.2)**	(0.8)	**1.5**	(4.4)

Movement in pension deficit during the year:

	UK Scheme		Taiwan Scheme		Total	
	2003	2002	2003	2002	2003	2002
	£m	£m	£m	£m	£m	£m
Deficit in scheme at beginning of year	**(5.6)**	(2.0)	**(3.6)**	(2.9)	**(9.2)**	(4.9)
Movement in year:						
- Current service cost	**(0.9)**	(0.8)	**(0.5)**	(0.4)	**(1.4)**	(1.2)
- Net finance charge	**(0.1)**	–	**–**	–	**(0.1)**	–
- Contributions	**0.8**	0.8	**0.3**	0.3	**1.1**	1.1
- Foreign exchange movement	**–**	–	**0.4**	0.3	**0.4**	0.3
- Other finance income	**–**	–	**(0.1)**	(0.1)	**(0.1)**	(0.1)
- Actuarial gain/(loss)	**1.7**	(3.6)	**(0.2)**	(0.8)	**1.5**	(4.4)
Deficit in scheme at end of year	**(4.1)**	(5.6)	**(3.7)**	(3.6)	**(7.8)**	(9.2)

30 PENSION SCHEMES, EMPLOYEES AND REMUNERATION (CONTINUED)

Actuarial gains and losses over the year were as follows:

	UK Scheme		Taiwan Scheme		Total	
	2003	2002	2003	2002	2003	2002
	£m	£m	£m	£m	£m	£m
Difference between the expected and actual return of pension scheme assets expressed as a percentage of scheme assets.	**9**	(20)	**(6)**	(6)	**8**	(18)
Experience (losses)/gains on scheme liabilities expressed as a percentage of the present value of the scheme liabilities.	**(4)**	6	**–**	–	**(3)**	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.	**4**	(10)	**(2)**	(13)	**3**	(11)
Total actuarial gain/(loss) recognised in the Statement of total Recognised Gains and Losses, expressed as a percentage of the present value of the scheme liabilities.	**8**	(18)	**(4)**	(15)	**5**	(17)

Employees and staff costs

	2003 Number	2002 Number
The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:		
Hotel operating staff	**10,028**	9,949
Management/administration	**1,299**	1,323
Sales and marketing	**419**	423
Repairs and maintenance	**582**	557
	12,328	12,252

	2003 £m	2002 £m
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**175.0**	178.1
Social security costs	**25.3**	22.0
Other pension costs	**6.4**	5.3
	206.7	205.4

Directors' remuneration

Details of directors' remuneration, share options, long term incentive schemes and directors' pension entitlements and interests in shares are disclosed in the Directors' Remuneration Report on pages 23 to 28.

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 6 May 2004 at 10.00am for the transaction of the following business:

ORDINARY BUSINESS

1 To approve the directors' report for the year ended 31 December 2003.

2 To approve the Accounts for the year ended 31 December 2003 together with the auditors' report on those Accounts.

3 To declare a final dividend for the year ended 31 December 2003 of 2.05p per share to shareholders on the register at close of business on 26 March 2004.

4 To re-appoint Sir Idris Pearce retiring by rotation as a director in accordance with the Company's Articles of Association.

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

6 To re-appoint Wong Hong Ren retiring by rotation as a director in accordance with the Company's Articles of Association.

7 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 resolutions 8 to 11 as Ordinary resolutions and resolutions 12 and 13 as Special resolutions.

ORDINARY RESOLUTIONS

8 THAT the directors' remuneration report for the year ended 31 December 2003, as set out on pages 23 to 28 of the Accounts, be approved.

9 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 2005.

10 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 2005.
(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 2005 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.

11 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 £28,270,595 (approximately 94,235,316 ordinary shares) being 33$^{1}/_{3}$% of the ordinary share capital of 30p each in issue on 18 February 2004.

SPECIAL RESOLUTIONS

12 Subject to the passing of resolution 11 above 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 £4,240,589 (approximately 14,135,296 ordinary shares) being 5% of the ordinary share capital in issue on 18 February 2004.

13 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 provided that:

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 28,270,594 (representing 10% of the ordinary share capital in issue on 18 February 2004);
(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 2005 or within 15 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.

By order of the Board

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

Tony Potter
Director

18 March 2004

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 6ZL 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 resolution 12 set out above or to acquire shares pursuant to the authority granted by resolution 13. Authority to allot shares is sought to enable the directors to respond to opportunities as and when they arise. Share purchases would only be made where the directors believed that they are in the best interests of the Company taking into account other available investment opportunities and the overall financial position of the Group.

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 4 May 2004, 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 4 May 2004 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

THE AMERICAS
Millennium Hotel Anchorage
Millennium Bostonian Hotel Boston
Millennium Hotel Biltmore Los Angeles
Millennium Hotel Boulder
Millennium Hotel Cincinnati
Millennium Hotel Raleigh-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 Hotel 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 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
Copthorne Hotel Aberdeen
Copthorne Hotel Birmingham
Copthorne Hotel Cardiff Caerdydd
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 Airport Hotel Dubai
Millennium Hotel and Resort Agadir
Millennium Hotel Marrakech *
Millennium Hotel Tarabya, Istanbul *
Millennium Hotel Ankara *
The Coral Beach Diving Hotel Marsa Alam *

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
Millennium Seoul Hilton
Grand Hyatt Taipei

AUSTRALASIA
Millennium Hotel Christchurch
Millennium Hotel Queenstown
Millennium Hotel Rotorua
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 Commodore, Christchurch
Copthorne Hotel & Resort Masterton, Solway Park
Copthorne Hotel & Resort Queenstown Lakefront
Copthorne Hotel & Resort Taupo Manuels
Copthorne Hotel Wellington Plimmer Towers
Kingsgate Hotel Autolodge, Paihia
Kingsgate Hotel Whangarei
Kingsgate Hotel Parnell, Auckland
Kingsgate Hotel Greenlane, Auckland
Kingsgate Hotel Hamilton
Kingsgate Hotel Rotorua
Kingsgate Hotel Palmerston North
Kingsgate Hotel Oriental Bay, Wellington
Kingsgate Hotel Willis Street, Wellington
Kingsgate Hotel Kings, Greymouth
Kingsgate Hotel Autolodge, Christchurch
Kingsgate Hotel Dunedin
Kingsgate Hotel Brydon, Oamaru
Kingsgate Resort Terraces, Queenstown
Kingsgate Hotel Te Anau

NON-HOTEL ASSETS
King's Tanglin Shopping Centre, Singapore
Birkenhead Shopping Centre and Marina, Sydney
Biltmore Court & Tower, Los Angeles

* not open
Central Reservations : 0800 41 47 41
email address : reservations@mill-cop.com

CORPORATE OFFICES

EUROPE

Millennium & Copthorne Hotels plc
Corporate Headquarters
Scarsdale Place
Kensington
London, W8 5SR
UK
TEL [44] (0) 20 7872 2444
FAX [44] (0) 20 7872 2460
E-MAIL marketing@mill-cop.com

THE AMERICAS

Millennium Hotels & Resorts
145 West 44th Street
Sixth Floor
New York, New York 10036
USA
TEL +[1] 212 789 0700
FAX + [1] 212 789 7660
EMAIL info@mhrmail.com

ASIA

Millennium & Copthorne International Ltd
390 Havelock Road
#02-01 King's Centre
Singapore 169622
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 4411
FAX + [64] (9) 377 0764
E-MAIL sales.marketing@mckhotels.co.nz

GLOBAL SALES OFFICES

EUROPE

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

THE AMERICAS

TOLL FREE IN US	+[1] (866) 866 8086
New York	+[1] (800) 892 7444

ASIA

Hong Kong	+[852] 2921 8328
Japan	+[81] (3) 3509 7021
Singapore	+[65] 6737 1928
Taipei	+[886] (2) 2729 0580

AUSTRALASIA

Sydney	+[61] (2) 9358 5080
Melbourne	+[61] (3) 9521 7667

Opposite page, left to right:
Irodori, Grand Hyatt Taipei
Pontini, Grand Copthorne Waterfront Hotel Singapore

INTERNATIONAL RESERVATIONS NUMBERS

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Produced by
Hong Leong Group Singapore,
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