MILLENNIUM & COPTHORNE HOTELS plc

ANNUAL REPORT & ACCOUNTS 2004

THIS YEAR'S HIGHLIGHTS

ASSET DISPOSALS

- The Plaza New York sold for £376m with a net profit before tax of £51.8m attributable to the Group
- Birkenhead Point Shopping Centre and Marina sold with a net profit before tax of £2.7m

STRONG TRADING

- RevPAR improvement in all regions
- Strong recovery in New York, London and Asia

BRANDS

- Establishment of strong team focused on Millennium brand and development
- Dedicated management team appointed to run Copthorne UK

FINANCIAL SUMMARY

	2004	2003
Group turnover (£ million)	**547.1**	523.1
Group operating profit before exceptional items (£ million)	**85.9**	62.5
Pre-tax profit before exceptional items (£ million)	**55.0**	26.4
Pre-tax profit after exceptional items (£ million)	**94.8**	18.7
Earnings per share (pence)	**24.5**	3.9
Total dividend (pence)	**12.50**	6.25

COVER RATIONALE

In this year's annual report, we turn the spotlight on the ambassadors of M&C's unique service culture – our frontline service stars. They are the virtuosos on that distinctive M&C experience that gives our guests reasons to linger and return time and again.

Customer Service Team, Millennium Gloucester Hotel London Kensington

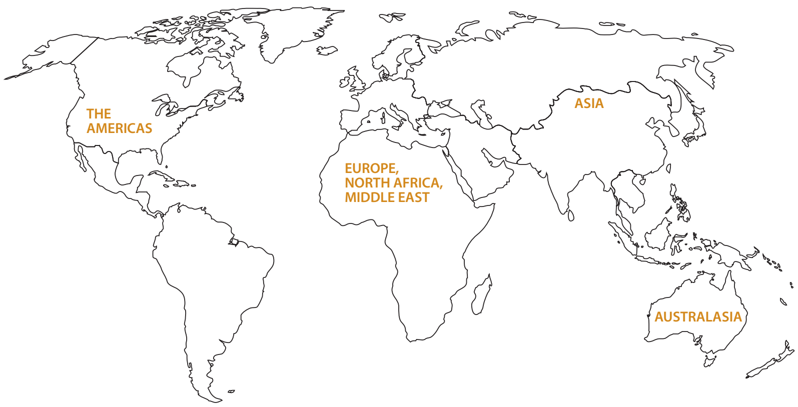
CONTENTS

Executive Chef, Orchard Hotel Singapore

Conference Organiser, Copthorne Hotel Christchurch Central

MILLENNIUM AND COPTHORNE HOTELS COMPRISES 89 FOUR AND FIVE STAR HOTELS WITH 24,813 ROOMS WORLDWIDE IN 15 COUNTRIES. OUR WORLD OF HOSPITALITY MARKETING ALLIANCE PARTNER MARITIM HOTELS HAS 48 HOTELS WITH 13,575 ROOMS IN 9 COUNTRIES.

OUR GLOBAL PRESENCE



FEATURED HOTELS *(top to bottom)*

AMERICAS
Millennnium Knickerbocker Hotel Chicago
Millennium Biltmore Hotel Los Angeles

EUROPE
Millennium Gloucester Hotel London Kensington

MIDDLE EAST
Millennium Airport Hotel Dubai

ASIA
Grand Copthorne Waterfront Hotel Singapore

AUSTRALASIA
Millennium Hotel Rotorua

THE AMERICAS

ANCHORAGE
BOSTON
BOULDER
CHICAGO
CINCINNATI
DURHAM
GALAPAGOS ISLANDS
LOS ANGELES
MINNEAPOLIS
NASHVILLE
NEW YORK (3)
SCOTTSDALE
ST LOUIS
OTHER UNITED STATES (6)

EUROPE, NORTH AFRICA, MIDDLE EAST

ABERDEEN
ABU DHABI
BIRMINGHAM
CARDIFF
DUBAI
GATWICK (2)
GLASGOW
HANNOVER
LONDON (5)
MANCHESTER
MARSA ALAM
MERRY HILL DUDLEY
NEWCASTLE
PARIS (2)
PLYMOUTH
READING
SHARJAH
SHARM EL SHEIKH
SLOUGH WINDSOR
STUTTGART

ASIA

HONG KONG (2)
JAKARTA
KUALA LUMPUR
MANILA
PENANG
SEOUL
SINGAPORE (5)
TAIPEI

AUSTRALASIA

AUCKLAND (4)
BAY OF ISLANDS (2)
CHRISTCHURCH (5)
HOKIANGA
KINGSGATE HOTELS & RESORTS (7)
ROTORUA (2)
MASTERTON
NEW PLYMOUTH
QUEENSTOWN (3)
TAUPO
WELLINGTON (2)

GROUP RESULTS

WE ARE PLEASED TO ANNOUNCE THAT 2004 WAS A YEAR OF CONTINUED RECOVERY FOR THE GROUP WITH REVPAR GROWTH ACROSS ALL REGIONS AND AN ONGOING IMPROVEMENT IN PROFITABILITY. WHILST THIS WAS MOST PROMINENT IN THE SECOND QUARTER, PRIMARILY DUE TO THE WEAK COMPARATORS IN 2003, THE OTHER QUARTERS HAVE ALL SEEN SUSTAINED GROWTH YEAR ON YEAR. WE SAW PARTICULARLY STRONG PERFORMANCES FROM NEW YORK AND LONDON, WITH ONGOING IMPROVEMENT IN REGIONAL US FOLLOWING FOCUSSED MANAGEMENT ATTENTION. WE CONTINUE TO SEE SIGNS OF A SOLID RECOVERY IN ASIA WITH RATE IMPROVEMENTS COMING THROUGH IN THE FINAL QUARTER.

Group turnover for the year was up 4.6% to £547.1m (2003: £523.1m). Pre-exceptional Group operating profit increased 37.4% to £85.9m (2003: £62.5m) and our pre-exceptional profit before tax increased to £55.0m (2003: £26.4m). Post-exceptional profit before tax was £94.8m (2003: £18.7m).

The final quarter of the year finished well with RevPAR growth up in all regions against the strongest comparable quarter of 2003. Occupancies were strong and we achieved rate growth in all our regions. 83% of the resultant £4.1m revenue increase was converted to Group operating profit reflecting both the impact of improved rates and our continued management emphasis on controlling costs.

	3 months to 31 Dec 2004 £m	3 months to 31 Dec 2003 £m	12 months to 31 Dec 2004 £m	12 months to 31 Dec 2003 £m
Group turnover (*Note 1*)	149.6	145.5	547.1	523.1
Pre-exceptional Group operating profit	28.1	25.0	85.9	62.5
Pre-exceptional profit before tax	21.6	19.0	55.0	26.4
Exceptional items (*Note 2*)	39.3	(0.6)	39.8	(7.7)
Post-exceptional profit before tax	60.9	18.4	94.8	18.7

Note 1
3 months to 31 December 2003 in constant currency £139.9m
12 months to 31 December 2003 in constant currency £495.5m

Note 2
12 months to 31 December 2004 includes £55.0m of profit on property disposals and an impairment charge of £15.2m

2004 was a successful year for reaping the real estate benefits from our hotel investments and for realising profit from our non-core portfolio. The post-exceptional profit number includes £55.0m made up of the following:

- THE PLAZA, NEW YORK
  In August, we announced the sale of The Plaza, New York in which we had a 50% joint interest. We completed the sale in October for a sale price of US$675m (£376m), which is considered to be a record price for a New York hotel transaction. This represented a 46% premium to the hotel's net book value of US$462m which itself included a US$61m revaluation surplus. After transaction expenses but before tax, our share of the profit was US$92.8m (£51.8m). From a historical cost perspective, our share of the profit on disposal would be US$123.3m (£68.9m).

- BIRKENHEAD POINT SHOPPING CENTRE AND MARINA FACILITY, AUSTRALIA
  In October we announced the sale of Birkenhead Point Shopping Centre and Marina Facility in Australia, which was held by a 61.3% owned subsidiary. The sale was completed on 30 November giving a pre-tax profit on disposal of £2.7m and a historical cost profit of £15.3m, as the carrying value contained a £12.6m revaluation surplus.

- STAFF ACCOMMODATION BLOCK, LONDON
  In January we completed the sale of a staff accommodation block in London, resulting in a pre-tax profit of £0.5m.

These disposals have collectively realised cash proceeds of £136 million which has been the significant contributing factor in bringing the Group's net debt down from £681 million to £479 million and reducing gearing from 53% to 37%.

In addition to property disposals, we continue to explore ways to create value through alternative uses for assets.

DIVIDEND

The Board proposes to maintain the ongoing dividend per share for 2004 at the same level as for 2003 (6.25p) and, in addition, to recommend a special dividend of 6.25p per share in recognition of the exceptional profits achieved in 2004. Thus the total dividend for 2004 will be at the same level as for 2002. The Group will again be offering shareholders the option of a scrip dividend.

photo above (left to right):
Sherman Kwek, Director of Business Development, M&C USA,
Kwek Leng Beng, Chairman of M&C,
Yitzhak Tshuva, Chairman of Delek Group and
Miki Naftali, President and CEO, El Ad Properties NYLLC
at the cheque presentation ceremony from
the completed sale of The Plaza, New York.

CHAIRMAN'S STATEMENT

THE BOARD

Following changes at the executive board level, management arrangements were put in place with the appointment of Tony Potter and Wong Hong Ren as the Joint Interim Chief Executives. Tony Potter and Wong Hong Ren were charged with providing continuity to the Group, reviewing the Group's assets and operations and establishing forward programmes. Under my leadership and direction, the substance of these tasks were successfully completed by the year end. Tony Potter became Group Chief Executive on 1 January 2005 and Wong Hong Ren reverted to his former role as Executive Director.

REVIEW OF ASSETS AND OPERATIONS

We conducted an appraisal of the Group's assets and operations last year.

The Group's strategy of being an owner and operator of hotel assets remains unchanged. We believe that, particularly in a rising market, this continues to be right for a Group of our scale and size and with our specific property and asset management skills.

Going forward, our focus is to develop our existing Millennium and Copthorne brands, and to drive improved returns through operational excellence. As an outcome of our review, we have decided to establish a separate team to manage the Copthorne brand in the UK. The focus will be on increasing the profitability of the existing hotels and building on the brand's strong position in the UK through new management contracts and franchising.

PROSPECTS

The recent asset disposals and improvement in the Group's hotel trading performance clearly demonstrate the success of our business strategy of being both an asset owner and operator. With our portfolio of quality assets in key locations, we remain confident that we are well positioned to make further progress in the improving trading environment.

KWEK LENG BENG
CHAIRMAN

18 February 2005

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 EARLY SIGNS.

GROUP PERFORMANCE

The first half of 2004 showed a significant improvement over 2003 and the second half was one of steady growth. Business has been returning to all regions and as a result our turnover for the year was £547.1m (2003: £523.1m). Pre-exceptional Group operating profit was £85.9m (2003: £62.5m). Occupancy for the Group was 71.8% (2003: 65.1%) and the average room rate was £60.59 (2003: £61.60), resulting in a RevPAR up 8.5% at £43.50 (2003: £40.10). The Group GOP margin was 33.6% (2003: 32.1%).

In order to assist the understanding of our key operating statistics we are presenting statistics in constant currency by restating 2003 figures at 2004 exchange rates. On this basis 2003 revenue was £495.5m, which represents a £51.6m revenue improvement in 2004. On this same basis the re-stated pre-exceptional Group operating profit before tax was £60.2m in 2003.

With constant rates of exchange, the average room rate in 2003 was £58.31, and the resultant RevPAR was £37.96. With 2004 RevPAR at £43.50, this represents a 15% year on year improvement.

REGIONAL PERFORMANCE

UNITED STATES

New York

Occupancy for the region was 84.0% (2003: 82.6%), reflecting our more aggressive rate approach. As a result, the average room rate was £108.77 (2003: £94.61) and the resultant RevPAR was £91.37 (2003: £78.15).

The RevPAR improvement reflects our aggressive rate strategy in New York. As previously reported, the Millennium Broadway encountered strong competition in the conference market which presented a challenge throughout the year. We took the opportunity of low business levels at the end of the year to renovate the Hudson Theatre Conference Facility and have received positive feedback and sales enquiries, which are expected to turn into increased business levels in 2005. Our booking pace for the lucrative final three quarters in New York already reflects this initiative.

The Millennium UN Plaza had a strong year and after a flat January and February, RevPAR growth over 2003 was experienced every month. A similar pattern is anticipated in 2005.

The Millenium Hilton re-opened in May 2003. Its performance has been impressive and it continues to capture an increasing share of the market. In the final quarter of 2004, which is the first quarter where comparisons might be regarded as meaningful, RevPAR has increased by 23%.

The Group continues to pursue its claim against the insurance company. We remain confident that the claim will be resolved in our favour.

Regional US
The occupancy for the region improved to 61.2% (2003: 57.0%). The average room rate was £52.91 (2003: £52.03) and the resultant RevPAR was £32.38 (2003: £29.66).

As outlined at our interim results, the first half of 2004 saw a decline in operating performance year on year in this region of £0.5m. The second half has seen profit of £4.7m compared to a second half profit of £1.6m in 2003 which represents a £3.1m improvement. Management focus on this region is continuing and beginning to show a positive effect and US domestic air travel volumes are now reported to be back to 2000 levels. This is assisting in driving occupancy throughout the region. 2005 has had an encouraging start.

Overall the performance of the region's hotels was encouraging, with continued growth across the region. Occupancy and RevPAR have increased in all but three properties and two thirds of the regional portfolio have increased average rate. Only one Millennium property failed to increase RevPAR over 2003. One of the strongest performers this year has been the Millennium Biltmore Hotel, Los Angeles. This property started to improve towards the end of 2003 and this growth has been maintained in 2004 with a US$1.5m improvement in operating profit. This reflects improving market conditions and also the benefits of focused management attention.

In the year the Group repossessed the La Quinta Inn at Lakeside, Florida due to loan repayment default. This property had been sold by way of a loan note as part of the disposal programme following the Regal acquisition. As this property has been held for re-sale the operating statistics have not been included in the results. A small profit of £0.1m has been included in the regional profit. It will be operated as a Best Western franchise and is expected to make a positive growth contribution in 2005 to the US region. It is our intention to hold this asset in the short term due to the uplift in the Orlando market which presents a two to three year profit opportunity.

EUROPE
London
The occupancy for the region was 83.5% (2003: 80.9%). The average room rate was £79.79 (2003: £73.85) and the resultant RevPAR was £66.62 (2003: £59.74).

The London hotel market has seen a strong improvement in business in 2004. In total our properties have experienced RevPAR growth of 11.5% over 2003, ranging between 8.5% and 13.8%. This growth has been experienced across all our major market sectors. Food & Beverage revenues have also shown solid growth in 2004 with total revenues up 12% on 2003.

Particular emphasis was placed on growing rate at the Millennium Knightsbridge, and this was successfully achieved as this hotel has shown the largest rate growth of all our hotels in London.

The Copthorne Tara in Kensington has recovered all the targeted aircrew business lost in the first half of 2003 and has sold an additional 21,000 rooms in this sector this year. Signed contracts are in place which form an appropriate base of business for 2005 and beyond.

Rest of Europe

The occupancy for the region was 72.8% (2003: 69.8%). The average room rate was £66.67 (2003: £66.41) and the resultant RevPAR was £48.54 (2003: £46.35).

This region includes both Regional UK and Continental Europe. Both regions showed increases in occupancy. The average rate on the Continent showed a small decline but not to the extent of the overall markets.

The three strongest performances in Regional UK were all in the South East, reflecting both the increased business levels being seen in the London area, and a focus on increasing average rates. Despite overall RevPAR improvement in Regional UK, three properties (Cardiff, Merry Hill and Newcastle) experienced minor decreases in RevPAR, reflecting the fact that the recovery has not yet reached all parts of the UK. Newcastle experienced significant new competition in the city and we are pleased to note the Q4 year on year RevPAR growth has continued into 2005.

We are particularly pleased with the overall performance of our four hotels in France and Germany. Despite the widely reported difficult trading conditions all four properties increased occupancy and RevPAR, although average rate fell at two properties, namely Stuttgart and Charles de Gaulle.

Oversupply continues at Charles de Gaulle airport, and the hotel adopted an aggressive approach to increasing volume in order to increase market share. Trading at Hannover remains dependent on the various trade fare cycles, and the IAA trade fare was a major contributor this year to the improved average rate. The opening of the new musical "Mama Mia" has helped to improve food and beverage trading at the Millennium Stuttgart in the latter part of 2004. The operating loss in our German hotels was £2.3m (2003: £4.5m).

ASIA

The occupancy for the region was 73.2% (2003: 56.5%). The average room rate was £46.76 (2003: £47.71) and the resultant RevPAR for the year was £34.23 (2003: £26.96).

2004 has been a very strong year in comparison to 2003. A major part of the improvement in RevPAR is as a result of the effect of SARS in the early to mid part of 2003 and is occupancy driven. Every hotel in the region has experienced double digit growth in occupancy over 2003, even properties in those countries which were not directly impacted by SARS. The full year improvement is not just a result of the depressed 2003 business levels though. It should be noted that for every month in the second half of 2004, RevPAR has exceeded that of 2002.

As previously reported, rate pressure was an issue across the region in the early parts of this year as a result of large volume rises and a time lag in stabilising rates. The final quarter has seen overall rate growth each month and management are focused on further rate improvement in 2005.

The Millennium Seoul Hilton increased occupancy every month although there was a reduction in average rate for the year. All market sectors, with one exception, increased average rate. However there was a larger volume increase in the lower rated market sectors which has diluted overall rate performance.

AUSTRALASIA

The occupancy for the region was 71.5% (2003: 68.7%). The average room rate was £38.77 (2003: £38.05) and the resultant RevPAR was £27.72 (2003: £26.14).

We remain pleased with the performance of our New Zealand properties with RevPAR increasing by a further 6.0% over 2003. We operate three brands within New Zealand and occupancy and average rate have increased year on year in each of those with the exception of the Kingsgate chain, where average rate remained flat.

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 early signs. In the period to 14 February 2005 the Group RevPAR increased by 7.9% compared to the corresponding period in 2004.

THERE WAS AN OVERALL NET INCREASE IN CASH AND SHORT TERM DEPOSITS OF £52.2M (2003: DECREASE £11.8M) WHICH, TOGETHER WITH FOREIGN EXCHANGE DIFFERENCES, GIVES RISE TO A CASH AND SHORT TERM DEPOSIT BALANCE AT 31 DECEMBER 2004 OF £94.8M (2003: £44.9M)

RESULTS

The total Group turnover for the year was £603.3m (2003: £583.2m) including £56.2m as a share of the turnover of joint ventures (2003: £60.1m). The total Group operating profit before exceptional items was £85.9m (2003: £62.5m). The Group share of operating profits of joint ventures and associates was £8.0m (2003: £7.0m) to give a total pre-exceptional operating profit of £93.9m (2003: £69.5m).

PROPERTY PROFITS

The Group has made a net profit on the disposal of fixed assets of £55.0m. This primarily comprises £51.8m relating to the sale of its joint venture interest in The Plaza, New York. Of the other £3.2m, £2.7m relates to the disposal in November of the Group's investment property in Sydney (Birkenhead Point Shopping Centre and Marina) and the remaining £0.5m relates to the sale of staff accommodation. A full listing can be found in note 3 to the financial statements.

Both The Plaza and Birkenhead contained £17.1m and £12.6m revaluation surpluses respectively as at 31December 2003. The historic profits from each of these disposals are therefore £68.9m and £15.3m respectively as set out in the Note of Historical Cost Profits and Losses.

JOINT VENTURES AND ASSOCIATES

The increase in the share of operating profits for joint ventures was principally due to the effect of the Iraq war and the SARS virus on trading in the first half of last year. However, our share of operating profits from The Plaza reduced from £3.1m in 2003 to £0.6m this year. This was due to the completion of the sale in the second week of October, historically the quarter of highest profit.

INTEREST

Total interest receivable and similar income was £5.8m (2003: £3.1m) of which £0.5m (2003: £0.7m) was received from joint ventures.

Total interest payable was £44.7m (2003: £46.2m). The main reason for the reduction is the repayment of both Group and joint venture debt and favourable exchange rates. The Group net interest payable (excluding joint ventures) was £35.7m (2003: £38.3m).

Of the total interest payable, £3.2m (2003: £4.8m) was in respect of the Group's share of the interest payable by joint ventures. The lower joint venture interest cost reflects favourable foreign exchange rates and repayment in October of the US joint venture debt.

The Group interest payable for the year was £41.5m (2003: £41.4m), which was covered 2.9 times (2003: 2.4 times) by pre-exceptional EBITDA of £121.8m (2003: £101.0m).

TAXATION

The tax charge is 7.6% of the current year profit before exceptional items (2003: 19.7%).

The total tax charge in respect of exceptional items recorded in the profit and loss account is £12.2m, comprising £11.8m current taxation and a deferred tax charge of £0.4m. In addition a further £6.1m of deferred taxation has been charged directly in the statement of recognised gains and losses, to match the revaluation gains recognised in prior years arising on disposed properties. The exceptional tax charge has been significantly reduced by the availability of tax losses, which have been used to reduce the taxable gain on The Plaza disposal. To the extent these tax losses had previously been recognised as assets, a non-cash deferred tax charge arises.

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. The 2005 tax rate will be reported under IAS 12: Income taxes. We anticipate the 2005 tax rate to be around 25%. A reconciliation between the statutory and current effective rates of tax is shown in note 7 to the financial statements.

MINORITY INTERESTS

During the year, the Group increased its shareholding in Kingsgate International Corporation Limited (Kingsgate). Kingsgate has property interests in Australia and was, prior to this transaction, listed on the New Zealand stock exchange.

The Group's shareholding in Kingsgate is held through its majority owned subsidiary CDL Hotels New Zealand Limited which has increased its interest in Kingsgate from 50.74% to 61.30%. The total purchase consideration of approximately NZ$15.2m (£5.4m) represents NZ$0.36 for each share acquired by the Group and was settled in the second half of the year.

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 £8.8m (2003: £5.7m) which largely arises in Taiwan and Australasia. Of the £8.8m, £1.6m relates to the sale of Birkenhead. Minority interests at 31 December 2004 have increased by £3.2m as a result of the purchase of the Kingsgate minority interest, and by £4.8m as a result of exchange movements, offset by an increase of £7.6m due to the minority interests' share of the revaluation of fixed assets and share of profits.

DIVIDENDS AND EARNINGS PER SHARE

The directors are proposing a final dividend of 4.17p per share, plus a special dividend of 6.25p per share (2003: 2.05p). This means that the total dividend per share for the full year will be 12.50p (2003: 6.25p).

The total earnings per share were 24.5p (2003: 3.9p). Pre-exceptional earnings per share were 15.3p (2003: 5.4p).

MILLENIUM HILTON

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 extent of business interruption insurance applicable to the closure of the Hotel. As at 31 December 2004 and at 18 February 2005 no final agreement has been reached. Further details can been found in the contingent matters on note 25(a) to the financial statements.

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. The Group continues to evaluate all viable financial options with regards to this investment. As at 31 December 2003, £2.0m had been spent on the conversion and in this year a further £3.8m has been spent. In the fourth quarter the carrying value held at 31 December 2003 of £11.6m together with the conversion expenditure incurred in the year of £3.8m has been transferred from fixed assets to development properties work in progress, within stocks.

The Group's capital expenditure in 2004, excluding the above project totalled £25.2m (2003: £29.1m), of which £0.4m (2003: £14.3m) related to the refurbishment of the Millenium Hilton New York.

The depreciation charge for the year was £35.9m (2003: £38.5m).

TREASURY AND RISK MANAGEMENT

The net borrowings of the Group, as at 31 December 2004, were £478.9m (2003: £680.9m). 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 2004 was £786.3m (2003: £773.5m).

OBJECTIVES OF THE TREASURY DEPARTMENT

The Group treasury matters are governed by policies and procedures approved by the Board of directors. The treasury committee monitors and reviews treasury matters on a regular basis. A written summary of major treasury activity is presented 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 exposure 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 £122.8m (2003: £93.1m). The reconciliation to operating profit is shown in note 26 to the accounts.

Gross debt has fallen by £152.1m to £573.7m (2003: £725.8m). There was an overall net increase in cash and short term deposits of £52.2m (2003: decrease £11.8m) which, together with foreign exchange translation differences, gives rise to a cash and short term deposit balance at 31 December 2004 of £94.8m (2003: £44.9m).

The Group gearing as at 31 December 2004 was 37% (2003: 53%).

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 21 hotels revalued as part of this normal revaluation cycle. In addition the Group undertakes impairment reviews as required by FRS 11: Impairment of Fixed Assets and Goodwill.

The result of the annual revaluations and impairment reviews has resulted in some property carrying values being increased and others falling. The net position is a surplus of £13.8m. The carrying values of certain fixed assets and fixed assets held within investments in joint ventures has increased by £29.0m based on external valuations performed on behalf of the Group. In some instances we have limited the surplus recognised to an amount below that indicated in the external valuation. Where the carrying values were reduced, this was on properties where carrying values are now below historic cost, an impairment charge of £15.2m has been incurred this year.

The majority of the writedown is in relation to St. Louis and is from declining earnings due to decreased convention business. In addition, the Millennium Harvest House Hotel, Boulder has been affected by the steady rise in the number of hotels entering the market in the region. Expansion of the economic base in the Boulder market has stimulated the construction of three full-service hotels in recent years. Certain other properties which were reviewed for impairment have not incurred a charge where their alternative use value is at or in excess of the current carrying values.

INVESTMENT PROPERTIES

The Group is required by SSAP 19 to revalue investment properties annually. Of the Group's three investment properties held at 31 December 2003, Birkenhead was sold in November 2004. The valuation of Kings Tanglin Shopping Centre, Singapore, resulted in no revaluation deficit or uplift. The remaining investment property, Court and Tower offices, Los Angeles, was not externally valued at 31 December 2004, pending a current internal review of the use of this asset.

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 2004 then the balance sheet would have contained a liability, net of tax, of £7.1m (2003: liability of £5.8m), relating to the deficit in the Group's defined 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).

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 2005. The Group plans to report its first financial results under IFRS, at the results update for the quarter end 31 March 2005.

Major differences between UK accounting standards and IFRS identified to date as potentially having a significant effect on the consolidated financial statements 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.

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.

KWEK LENG BENG

TONY POTTER

WONG HONG REN

KWEK LENG BENG, 64#

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 in March 2000 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 a member of the Board of Trustees of Singapore Management University until November 2003.

TONY POTTER, 55

Group Chief Executive

Tony Potter is the Group Chief Executive of Millennium & Copthorne Hotels plc. He joined the Company in September 1999.

Before joining Millennium & Copthorne Hotels, Tony held the post of chief executive officer at Choice Hotels International Europe and was an executive director of Friendly Hotels plc.

Prior to this he was with Hilton International for 19 years and was also a director of that company. During this time he held the positions of senior vice president Europe, senior vice president North America and Canada and managing director of Hilton UK.

In his earlier career he was general manager of various hotel properties including the London Hilton on Park Lane.

Before joining Hilton International he held various general management positions with Thistle Hotels, De Vere Hotels and Leisure and General.

He is a graduate of Birmingham College of Food, Tourism and Domestic Art and an Honorary Fellow of that College. He is also a Visiting Fellow and Lecturer at the University of Plymouth from where he holds an Honorary Master of Science Degree and is a Fellow of the Hotel & Catering International Management Association.

WONG HONG REN, 53

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, 52
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 immediate past 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, 48
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.

THE VISCOUNT THURSO, 51 ±*#
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, 71 ±*#
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, 64 ±*#
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 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. 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.

SIR IDRIS PEARCE, 71 ±*#
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 director of various Peabody Trust development companies.

CHARLES KIRKWOOD, 69 ±#
Independent Non-Executive Director

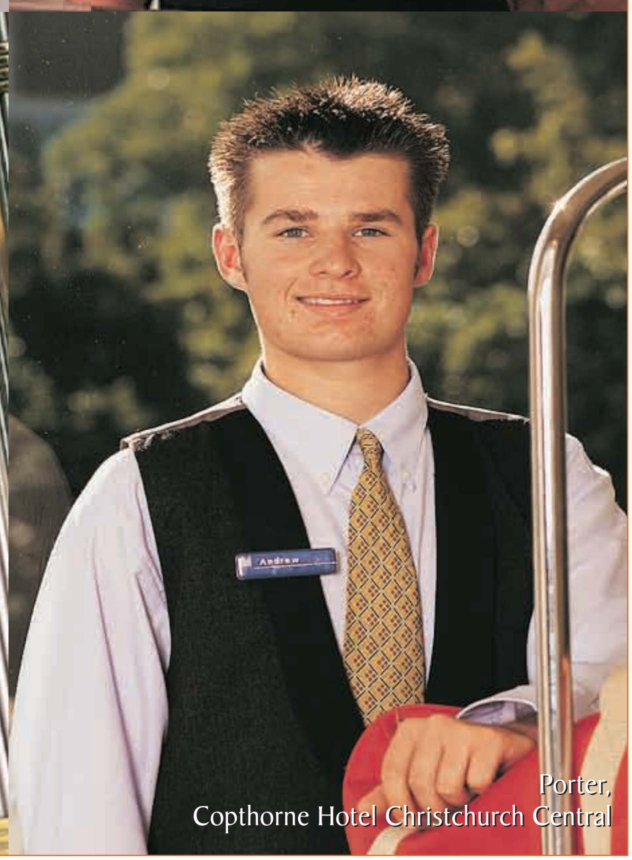
Charles Kirkwood was appointed to the Board in May 2002. He was formerly managing director of Rosewood Hotels and Resorts, Asia and an industrial partner to Ripplewood (Japan). He is currently the president and director of Shawnee Holding Inc, a private hotel owning company and a director of Pennsylvania 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

Chef,
Millennium Madejski Hotel Reading

Receptionist,
Millennium Hotel Paris Opera

Health and Fitness Club Team Leader,
Grand Hyatt Taipei



Porter,
Copthorne Hotel Christchurch Central

Receptionist,
Copthorne Tara Hotel London Kensington

Bartender,
Millennium Hotel Queenstown

Executive Chef,
Grand Copthorne Waterfront Hotel Singapore

Hostess,
Millennium Seoul Hilton

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 compliance with the provisions of the Revised Combined Code ("the Code") issued by the Financial Reporting Council in July 2003 except for the requirement for non-executive directors to annually appraise the Chairman (A.6.1). Also the requirement that throughout the year, half the Board, excluding the Chairman, should comprise independent non-executive directors was only met from 1 March 2004 (A.3.2).

THE BOARD

Overall control of the Group is exercised by the Board, which has responsibility, amongst other things, for setting strategy and ensuring that adequate resources are available and leadership is provided to achieve the Group's strategy. The Board meets at least seven times a year and has a schedule of matters reserved for its attention. All directors receive detailed papers one week prior to Board and committee meetings. Reserved matters which require the Board approval include acquisitions; significant property transactions; capital expenditure above pre-determined limits; major contractual commitments; Board level appointments/terminations and in respect of the Company Secretary; significant litigation issues; the Group's financial statements and communications with shareholders. Other matters which are reserved for the Board have been delegated to its standing committees, details of which are set out further in this report.

Executive directors are responsible to the Board for the Group's operational performance including implementing Group strategy as determined by the Board; maintaining adequate internal control systems and risk management processes; monitoring operational performance against plans and targets and reporting to the Board any significant variances; maintaining an effective management team and planning for succession.

The Board, currently comprises the 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 two executive directors. Each director is expected to fulfil his duties for the benefit of all shareholders and it is believed that the independent non-executive directors provide strong independent judgement to the deliberations of the Board.

Directors' biographies shown on pages 16 and 17 identify the chairman, senior independent director, the chairs of Board standing committees and other directors considered by the Board to be independent having taken consideration of the factors set out in Code provision A.3.1. There have been no significant changes in the Chairman's external commitments since the last annual report.

Dr John Wilson retired on 1 March 2004 and David Thomas resigned from the Board with effect from 14 March 2004. Prior to 1 March 2004, the proportion of independent non-executive directors on the Board was less than half, contrary to the requirements of the Code. However, since that date the composition of the Board has been consistent with the requirements of the Code.

There is a clearly defined division of responsibilities at the head of the Company, through the separation of the positions of Chairman and Group Chief Executive and a written statement of their respective responsibilities has been approved by the Board.

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. There is the opportunity for non-executive directors to meet separately with the Chairman.

The Chairman, in conjunction with the Company Secretary, is also responsible for ensuring that 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 directors receive a Board compendium detailing matters relating to 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 Kwek Leng Beng, Kwek Leng Joo and and Kwek Leng Peck will retire by rotation at the forthcoming Annual General Meeting, all of whom are appointed to the Board in accordance with the provisions of the Company's co-operation agreement with City Developments Limited.

COMMUNICATION WITH SHAREHOLDERS

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. In addition, the senior independent director has meetings with a range of major shareholders during the year and other non-executive directors also have the opportunity to attend such meetings. Regular feedback is provided to the Board of the views expressed by shareholders at these meetings.

At general meetings there is the opportunity for all shareholders to question the Chairman and other directors (including the chairs of the audit, remuneration and nominations committees). 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 and Accounts is laid before the shareholders at the Annual General Meeting. Notice of the AGM and related papers are sent to shareholders at least 20 days prior to the date of the meeting.

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. The terms of reference for these committees are available, on request, from the Company Secretary. The Company Secretary acts as secretary to all standing committees of the Board.

AUDIT COMMITTEE

The audit committee, chaired by Christopher Sneath, consists of four non-executive directors, all of whom are independent. It is considered that Christopher Sneath has recent and relevant financial experience as required by the Code. The duties of the committee include:

- Reviewing the Group's internal control and risk management procedures;
- Consideration of the appointment of the external auditors and to make appropriate recommendations through the Board to the shareholders to consider at the Annual General Meeting;
- Agreement of the detailed scope of the external audit prior to the commencement of their work, review of the scope and results of the audit and its cost effectiveness, and recommendation of the audit fee to the Board;
- Reviewing, prior to submission to the Board, periodic financial statements, annual accounts, reports to shareholders and any other public announcements concerning the Company's financial position, corporate governance statements and statements on the Group's system of internal controls;
- Ensuring that arrangements are in place for employees to raise concerns, in confidence, about possible fraud risk or wrongdoing in financial reporting or other matters;
- Monitoring the effectiveness of the internal audit function; agreeing the annual work plan of and satisfying itself that the function has the proper resources to enable it to complete such work plans; review status reports from the internal audit function; considering management's response to any major finding and providing support, if necessary, for any follow-up action required; and ensuring that the function obtains free and unrestricted access to all Group activities, records, property and personnel necessary to fulfil its agreed objectives.

The audit committee is also responsible for reviewing the independence and objectivity of the external auditors. The audit committee has concluded that, in some cases, notably the provision of taxation services, the provision of non-audit services by the auditors is appropriate and this has been communicated to the Board. Audit independence and objectivity are safeguarded by the audit committee monitoring and approving, where appropriate, the nature of any non-audit work and the level of fees paid.

The external auditors and head of internal audit normally attend all committee meetings, and the Group's Chief Financial Officer is normally invited to attend. Separate meetings are held with the external auditors without the presence of any member of the executive management and similar meetings are held with the head of internal audit.

REMUNERATION COMMITTEE

The remuneration committee is chaired by The Viscount Thurso and consists entirely of independent non-executive directors. The committee met three 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 Group Chief Executive 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 Directors' Remuneration Report is given on page 27, where further details of remuneration strategy are given. The fees paid to non-executive directors are considered by the full Board, having regard to advice received from the Group Chief Executive.

NOMINATIONS COMMITTEE

The nominations committee is chaired by Kwek Leng Beng and includes four independent non-executive directors and meets twice per year or more frequently if necessary. On behalf of the Board the committee reviews the structure, size and composition of the Board, considers succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Group and what skills and expertise are therefore needed on the Board in the future, and is responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise.

BOARD AND COMMITTEE MEETINGS

The number of meetings of the Board, and its committees, held during the year are shown below together with attendance details of each director:

	Scheduled Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Kwek Leng Beng (Chairman)	7(7)	na	na	2(2)
The Viscount Thurso (Deputy Chaiman)	7(7)	4(5)	3(3)	2(2)
John Wilson (retired 1 March 2004)	1(1)	na	na	2(2)
Tony Potter	7(7)	na	na	na
Wong Hong Ren	7(7)	na	na	na
David Thomas (resigned 14 March 2004)	1(1)	na	na	na
Christopher Sneath	7(7)	5(5)	3(3)	2(2)
Kwek Leng Joo	0(7)	na	na	na
Kwek Leng Peck	1(7)	na	na	na
Sir Idris Pearce	7(7)	4(5)	3(3)	2(2)
John Sclater	7(7)	5(5)	3(3)	2(2)
Charles Kirkwood	7(7)	na	3(3)	2(2)

Figures in brackets represent the maximum number of Board or committee meetings held whilst a Board member or member of the relevant committee. In addition to the formal Board and committee meetings, the Chairman held one meeting during the year with only the independent non-executive directors present.

EVALUATION PROCESS

The Board has a formal annual evaluation in respect of its own performance, its committees and individual directors. In respect of the Board and its committees, directors complete an evaluation questionnaire, developed in conjunction with external consultants. Responses from the process are collated by the Company Secretary who compiles a report which is then presented to the Board. The performance of the executive and non-executive directors is assessed annually by the Chairman.

The independent non-executive directors, led by the senior independent director, will meet annually to evaluate the effectiveness of the Chairman. The first such review will take place in 2006.

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. 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 Group Chief Executive, Group Chief Financial Officer and the external auditors. They are subsequently reviewed by the audit committee, which ensures that, where necessary, recommendations on appropriate corrective action are drawn to the attention of the full Board.

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

- The Group's strategic direction is regularly reviewed by the Board, which sets business objectives for the Group. Annual plans and performance targets for each hotel are set by the executive management team and reviewed by the Board in the light of overall objectives;

- The processes used to manage the key risks to the success of the Group are regularly reviewed by the Board and improved as necessary. Such processes include, but are not limited to, customer satisfaction, health and safety, market share, insurance matters, the performance of acquisitions and treasury risks. The Group's risk management processes are currently under review and any changes to such systems will take account of the findings of the Financial Reporting Council's Turnbull Review Group;

- Within the financial and overall objectives for the Group, agreed by the Board, the day-to-day management is delegated to the Group Chief Executive and executive management. 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 the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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 2005, 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 Limited	150,832,692	52.65
Arnhold and S Bleichroeder Advisers LLC	25,702,500	8.97
Prudential plc*	19,761,266	6.90

* The interest of Prudential plc includes an interest of the Prudential Assurance Company Limited which itself has a notifiable interest of 19,313,456 representing 6.74% of the Company's issued share capital.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10.00am on Thursday 5 May 2005 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, to authorise the purchase of shares in the market, to 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 to renew the authority to fund donations and/or incur expenditure under the terms of the Political Parties, Elections and Referendums Act 2000 to a limit of £100,000 where, it is in shareholders' interests to do so.

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. The Board believes it has received adequate information to begin this assessment and will ensure that the Company has effective systems in place for managing significant risks.

EMPLOYEES

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

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

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 30 employees other than the directors in the Europe and Middle Eastern region participate and also in the UK under the Sharesave Scheme in which 68 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 guests who are asked for their views on the type of customer service they expect.

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 24 days' purchases (2003: 28 days). At the year end the Company had no trade creditors (2003: £nil).

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

COMMUNICATION

Good internal communication is a key element in our business. A structured programme of staff training and workshop seminars is carried out. Staff at all levels are encouraged to enter into constructive dialogue with the Company. The Company's "People Talkback Survey" provides a feedback mechanism through 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.

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.

Health and safety is managed on a practical level by the established regional health and safety management groups. 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 a formal environmental policy in place and a structured Environmental Management System was adopted and implemented during the year. 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. Based on environmental impact assessments, specific targets are set for environmental improvement and progress is monitored against these targets. Environmental management is integrated into existing 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.

Across the Group staff and management are involved with a range of charitable organisations. The Group gave £46,293 (2003: £45,000) to charities during the period. 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 2004.

By order of the Board

ADRIAN BUSHNELL
COMPANY SECRETARY

18 February 2005

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 three times a year. The Group Chief Executive is invited to attend meetings as appropriate but 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.

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.

Committee members receive fees as non-executive directors but do not receive any pension entitlements or performance-related incentives.

REMUNERATION POLICY

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

New Bridge Street Consultants are appointed by the committee. In addition to their advice to the committee they have also advised the Company on the accounting treatment of share options required by the introduction of IFRS2: Share-based payment. Other than this, they have no other relationship with the Company. Jardine Lloyd Thompson are 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 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 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 agreed profit targets and personal objectives established by the committee on an annual basis. The maximum bonus payable under the scheme has been increased from 50% of salary to 80% of salary, as the committee believes this is necessary to maintain a competitive level of benefits. The committee may consider payment of special bonuses if, on the disposal of a business, individuals have had a direct role in obtaining significantly enhanced disposal value.

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
Current directors			
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
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 £35,000 per annum ceases on the date he ceases to be a director
Former directors			
David Thomas	10 October 2002 (appointed 7 February 2002 - resigned 14 March 2004)	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 15% of the difference between the pension cap ceiling and salary
John Wilson	12 January 1998 (appointed 12 January 1998 retired 1 March 2004)	12 months rolling	12 months' salary and continuing benefits

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 holds 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 director 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.

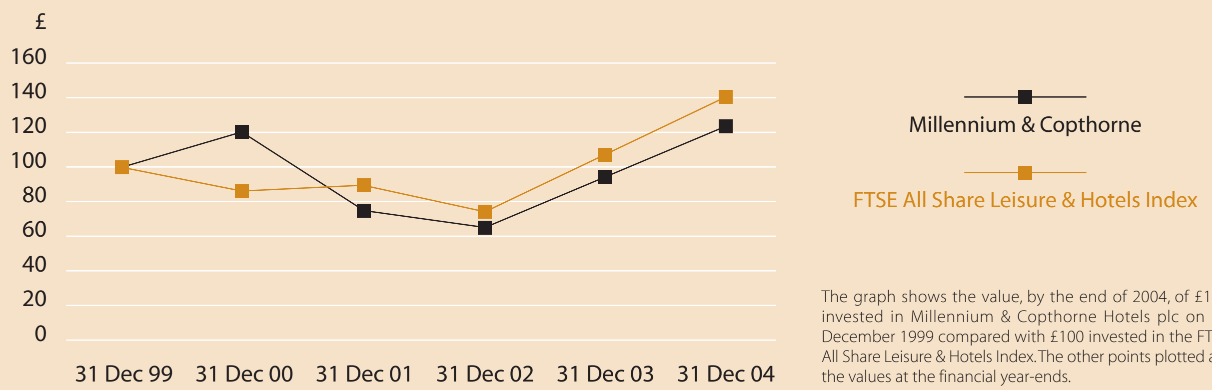
Christopher Sneath, Sir Idris Pearce and John Sclater have letters of appointment dated 5 March 2004 for a term of one year.

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).

TOTAL SHAREHOLDER RETURN

SOURCE: DATASTREAM



The graph shows the value, by the end of 2004, of £100 invested in Millennium & Copthorne Hotels plc on 31 December 1999 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. 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 in 2003 require the Company's EPS to grow, in real terms, from a 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. Following consultation with major shareholders in early 2004, it was agreed that for options granted in 2004, the notional base EPS figure will be 15p and that options granted from 2004 onwards will not be subject to re-testing and to the extent that performance conditions are 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) Millennium & Copthorne Hotels Sharesave Scheme
The Company also operates the Millennium & Copthorne Hotels Sharesave Scheme (the "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' INTERESTS IN SHARE OPTIONS

Name of director		Date granted	Options held at 01/01/2004	Options granted during the year	Options lapsing during the year	Options exercised during the year	Options held at 31/12/2004	Exercise price (p)	Dates from which exercisable	Expiry date
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
	Unapproved[2]	16 Mar 04		71,999			71,999	£2.9167	16 Mar 07	15 Mar 14
	Sharesave	28 Apr 03	10,920				10,920	£1.504	1 Jul 08	1 Jan 09
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
	Unapproved[2]	16 Mar 04		44,999			44,999	£2.9167	16 Mar 07	15 Mar 14
John 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
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	28 Apr 03	6,283		6,283			£1.504	1 Jul 06	1 Jan 07

1 Performance conditions attaching to these options are those specified for the 1996 Scheme as detailed on page 29.
2 Performance conditions attaching to these options are those specified for the 2003 Scheme as detailed on page 29.

All of the options were granted for nil consideration.

The market price of ordinary shares at 31 December 2004 was 395.0p and the range during the year was 275.0p to 397.0p.

On 2 March 2004, John Wilson exercised an option over 516,795 shares at an exercise price of 193.5p per share. The mid-market price of the Company's shares on the date of exercise was 293.75p per share.

Aggregate gains made by directors on exercise of share options in 2004 were £518,087 (2003: nil).

PENSIONS

The UK-based executive directors participate in a contributory pension plan designed to provide 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 salary at date of death. The Company's pension contribution for directors is set at 20.6% of salary. As all of the UK-based executive directors entered service after 31 May 1989 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 20.6% of salary above the earnings cap was paid during the year. No pension is provided for Wong Hong Ren. The Committee has reviewed its pension provisions in anticipation of the introduction of the Pensions Act 2004 (the Act) in April 2006. After April 2006, the UK defined benefit scheme will retain an earnings cap, which will be increased each year in line with the retail price index. For earnings in excess of the scheme's cap, directors will either receive a salary supplement equal to 20.6% of the salary or the Company will make equivalent contributions on their behalf into the Group's UK defined contribution pension plan. No arrangements have been made, or are contemplated, to compensate for any adverse tax consequences arising from the introduction by the Act of life-time limits.

Details in respect of each director who served during the year are given in the table below:

These amounts exclude any benefits attributable to additional voluntary contributions.

Directors and age at 31 December 2004	Accrued benefits at 1 January 2004	Increase in accrued benefits (net of indexation)	Accrued benefits at 31 December 2004	Transfer value of increase in accrued benefits less directors' contributions	Transfer value of accrued benefits at 1 January 2004	Transfer value of accrued benefits at 31 December 2004	Increase in transfer value less contributions made by directors
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Tony Potter (55)	7	2	9	13	60	83	18
John Wilson (63)	10	1	11	4	147	176	29
David Thomas (41)	8	1	9	2	62	81	18

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 2004 £000	Bonus payments 2004 £000	Benefits 2004 £000	Total emoluments 2004 £000	Total emoluments 2003 £000
Executives						
Tony Potter	1,6	332	360	21	713	346
Wong Hong Ren	2,3,6	178	465		643	174
Non-executives						
Kwek Leng Beng (Chairman)	3,5	63			63	63
The Viscount Thurso (Deputy Chairman)		35			35	35
Christopher Sneath		30			30	30
Kwek Leng Joo	3	37			37	38
Kwek Leng Peck	3	34			34	35
Sir Idris Pearce		30			30	30
John Sclater		35			35	35
Charles Kirkwood		30			30	30
Former directors						
Fred Brown	4					30
David Thomas	1,4	43		5	48	221
John Wilson	1,4	132		3	135	996
Total		979	825	29	1,833	2,063

NOTES

1. An additional salary supplement of 20.6% above the Pensions Earnings cap, was paid to the UK based directors during the year, and is included within the relevant director's salary. The Pensions Earning cap is currently set at £102,000 per annum (£99,000 per annum for 2003/2004).
2. Salaries and fees paid to Wong Hong Ren include a fee of £31,000 (2003: £30,000) relating to his position as a director of the Company with the balance being salary for his work undertaken for the Group outside the UK.
3. Salaries and fees shown are inclusive of sums receivable by the directors from the Company and any of its subsidiary undertakings.
4. Fred Brown retired on 31 December 2003, Dr Wilson retired on 1 March 2004 and David Thomas resigned on 14 March 2004.
5. The Group owns a flat in London used by the Chairman for business purposes only.
6. With effect from 1 January 2005, the basic salaries of Tony Potter and Wong Hong Ren were increased to £400,000 per annum and £300,000 per annum respectively.
7. Following consideration by the Remuneration Committee of the Group's successful disposal of its joint venture interest in The Plaza, New York and the substantial profit which arose on that transaction, an accrual of £2.2m has been made for bonuses payable to directors. No decision has yet been taken on how much will ultimately be paid or to which directors, consequently no payments have yet been made. The actual sums ultimately payable will be determined during 2005 and reflected in the analysis of directors emoluments in that year.

The total remuneration, including gains on the exercise of share options of £nil, paid to the highest paid director was £713,000 (2003: £996,000).

DIRECTORS' SHARE INTERESTS

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

	31 December 2004 Number of shares	31 December 2003 Number of shares
Executives		
Tony Potter	19,070	18,950
Wong Hong Ren	–	–
Non-executives		
Kwek Leng Beng (Chairman)	–	–
The Viscount Thurso (Independent Deputy Chairman)	–	–
John Sclater (Independent director)	–	–
Sir Idris Pearce (Independent director)	3,589	3,541
Christopher Sneath (Independent director)	5,000	5,000
Charles Kirkwood (Independent director)	–	–
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 20,304 shares (2003: 71,065) 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 2004 and the date of this report.

On behalf of the Board

Thurso

The Viscount Thurso
Chairman of the Remuneration Committee

18 February 2005

Analysis of shareholders as at 31 January 2005

NUMBER OF SHARES	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
1 - 10,000	726	74.69	911,634	0.32
10,001 - 25,000	52	5.35	865,009	0.30
25,001 - 50,000	46	4.73	1,728,964	0.60
50,001 - 100,000	41	4.22	2,911,990	1.02
100,001 - 500,000	51	5.25	12,061,938	4.21
500,001 - 1,000,000	23	2.37	16,332,645	5.71
1,000,001 - Highest	33	3.39	251,512,591	87.84
TOTALS	972	100.00	286,324,771	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	29 March 2005
Annual General Meeting	5 May 2005
Final dividend payment	20 May 2005
Interim results announcement	4 August 2005
Interim dividend payable	October 2005
Third quarter's results announcement	3 November 2005

ADVISORS

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

REPORT OF THE AUDITORS

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

We have audited the financial statements on pages 35 to 72. 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 24, 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 corporate governance statement on page 20 reflects the Company's compliance with the nine provisions of the 2003 FRC 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 2004 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 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

	Notes	Group Pre-exceptional items 2004 £m	Group Exceptional items 2004 £m	Group Total 2004 £m	Group Pre-exceptional items 2003 £m	Group Exceptional items 2003 £m	Group Total 2003 £m
TURNOVER							
Group and share of joint ventures		603.3	–	603.3	583.2	–	583.2
Less share of turnover of joint ventures	12	(56.2)	–	(56.2)	(60.1)	–	(60.1)
GROUP TURNOVER	2	547.1	–	547.1	523.1	–	523.1
Cost of sales		(243.8)	–	(243.8)	(242.1)	–	(242.1)
GROSS PROFIT		303.3	–	303.3	281.0	–	281.0
Administrative expenses	6, 11	(217.4)	(15.2)	(232.6)	(218.5)	–	(218.5)
Other operating expenses	6, 2	–	–	–	–	(8.1)	(8.1)
GROUP OPERATING PROFIT	2	85.9	(15.2)	70.7	62.5	(8.1)	54.4
Share of operating profits of joint ventures		8.0	–	8.0	7.0	–	7.0
TOTAL OPERATING PROFIT		93.9	(15.2)	78.7	69.5	(8.1)	61.4
Profit on disposal of fixed assets	3	–	3.2	3.2	–	0.4	0.4
Profit on disposal of joint venture	3	–	51.8	51.8	–	–	–
PROFIT BEFORE INTEREST AND TAXATION		93.9	39.8	133.7	69.5	(7.7)	61.8
Interest receivable and similar income	4						
Group		5.8	–	5.8	3.1	–	3.1
Interest payable and similar charges	5						
Group		(41.5)	–	(41.5)	(41.4)	–	(41.4)
Joint ventures		(3.2)	–	(3.2)	(4.8)	–	(4.8)
		(44.7)	–	(44.7)	(46.2)	–	(46.2)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	55.0	39.8	94.8	26.4	(7.7)	18.7
Tax on profit on ordinary activities	7	(4.2)	(12.2)	(16.4)	(5.2)	3.3	(1.9)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		50.8	27.6	78.4	21.2	(4.4)	16.8
Minority interests - equity	23	(7.2)	(1.6)	(8.8)	(5.7)	–	(5.7)
Profit for the financial year		43.6	26.0	69.6	15.5	(4.4)	11.1
Dividends paid and proposed	8	(17.8)	(17.9)	(35.7)	(17.7)	–	(17.7)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	21	25.8	8.1	33.9	(2.2)	(4.4)	(6.6)
Earnings/(loss) per share	9	15.3p	9.2p	24.5p	5.4p	(1.5p)	3.9p
Diluted earnings/(loss) per share	9	15.3p	9.1p	24.4p	5.4p	(1.5p)	3.9p
Dividends per share - ordinary/special	8	6.25p	6.25p	12.50p	6.25p	–	6.25p

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 2004

	2004 £m	2003 £m
Profit for the financial year	**69.6**	11.1
Loss on foreign currency translation	**(48.4)**	(55.6)
Surplus/(deficit) on revaluation of fixed assets		
Group	**10.4**	(2.4)
Joint ventures	**11.0**	–
Taxation charge arising on disposal of revalued fixed assets	**(6.1)**	–
Total recognised gains and losses relating to the financial year	**36.5**	(46.9)

The taxation charge above has arisen on the disposal of revalued fixed assets and relates to the revaluation surplus held in respect of those assets.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2004

	2004 £m	2003 £m
Reported profit on ordinary activities before taxation	**94.8**	18.7
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**0.5**	0.5
Difference between a historical cost profit on disposal and the actual profit on disposal for the year calculated on the revalued amount	**29.7**	–
Historical cost profit on ordinary activities before taxation and minorities	**125.0**	19.2
Historical cost profit/(loss) for the year retained after taxation, minority interests and dividends	**50.7**	(6.1)

The difference between the historical cost profit on disposal and the actual profit on disposal for the year calculated on the revalued amount is shown before the deduction of the share of profits of minority interests of £7.3m. The Group's share of the incremental profit on disposal after minority interest is £22.4m (note 21).

Taxation arising on the revaluation surplus of disposed tangible fixed assets has been charged directly to reserves (note 7). Consequently, the actual tax charge is £6.1m lower than the historic cost of tax charge.

BALANCE SHEETS

as at 31 December 2004

	Notes	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
FIXED ASSETS					
Tangible assets	11	1,970.6	2,103.0	–	–
Investments in joint ventures	12				
Share of gross assets		133.6	256.6	–	–
Share of gross liabilities		(73.1)	(178.9)	–	–
Share of minority interests		(20.2)	(19.6)	–	–
Loans to joint ventures		22.3	32.7	–	–
		62.6	90.8	–	–
Investment in associated undertakings	12	0.4	0.5	–	–
Other investments	12	0.8	0.9	1,354.2	1,264.6
		63.8	92.2	1,354.2	1,264.6
		2,034.4	2,195.2	1,354.2	1,264.6
CURRENT ASSETS					
Stocks	13	36.0	16.0	–	–
Debtors falling due within one year	14	50.4	59.6	37.0	64.1
Debtors falling due after more than one year	14	2.0	1.9	–	–
		52.4	61.5	37.0	64.1
Cash and short term deposits	15	94.8	44.9	12.3	0.5
		183.2	122.4	49.3	64.6
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(477.2)	(178.2)	(39.2)	(72.4)
NET CURRENT (LIABILITIES) / ASSETS		(294.0)	(55.8)	10.1	(7.8)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,740.4	2,139.4	1,364.3	1,256.8
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(258.6)	(671.0)	(385.3)	(281.2)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(54.3)	(55.0)	–	–
NET ASSETS		1,427.5	1,413.4	979.0	975.6
CAPITAL AND RESERVES					
Called up share capital	21,22	85.9	84.8	85.9	84.8
Share premium account	21	846.1	845.8	846.1	845.8
Revaluation reserve	21	287.9	296.4	–	–
Profit and loss account	21	77.5	59.5	47.0	45.0
SHAREHOLDERS' FUNDS - EQUITY		1,297.4	1,286.5	979.0	975.6
MINORITY INTERESTS - EQUITY	23	130.1	126.9	–	–
TOTAL CAPITAL EMPLOYED		1,427.5	1,413.4	979.0	975.6

These financial statements were approved by the Board of Directors on 18 February 2005 and were signed on its behalf by:

Kwek Leng Beng
Director

Tony Potter
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2004

	Notes	2004 £m	2004 £m	2003 £m	2003 £m
CASH FLOW STATEMENT					
Net cash inflow from operating activities	26	122.8		93.1	
Dividends received from joint ventures		–		0.3	
Returns on investments and servicing of finance	28	(37.7)		(45.5)	
Taxation paid		(10.5)		(5.3)	
Net cash inflow/(outflow) for capital expenditure and financial investment	28	19.7		(23.7)	
Net cash inflow/(outflow) for acquisitions and disposals	28	90.8		(28.0)	
Equity dividends paid		(3.0)		(35.3)	
Cash inflow/(outflow) before use of liquid resources and financing			182.1		(44.4)
Management of liquid resources	28		(45.6)		–
Financing					
Net cash (outflow)/inflow from the issue of shares and purchase of minority interests	28	(4.5)		0.1	
(Decrease)/increase in debt and lease financing	28	(125.4)		32.5	
Net cash (outflow)/inflow from financing			(129.9)		32.6
Increase/(decrease) in cash in the year			6.6		(11.8)

	Notes	2004 £m	2004 £m	2003 £m	2003 £m
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
Increase/(decrease) in cash in the year		6.6		(11.8)	
Cash outflow from increase in liquid funds		45.6		–	
Cash outflow/(inflow) from the decrease/(increase) in debt and lease financing		125.4		(32.5)	
Change in net debt resulting from cash flows			177.6		(44.3)
Acquisitions			–		(12.6)
Deferred finance costs			0.6		0.4
Translation differences and other non cash movements			23.8		51.1
Movement in net debt in the year			202.0		(5.4)
Net debt at 1 January			(680.9)		(675.5)
Net debt at 31 December	27		(478.9)		(680.9)

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.

Basis of consolidation

The Group accounts include the accounts of the Company, its subsidiary undertakings, its associated undertakings and its joint venture undertakings made up to 31 December 2004. 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 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 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 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 after tax dealt with in the accounts of Millennium & Copthorne Hotels plc, determined in accordance with the Act, was £29.0m (2003: £48.7m).

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.

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, which includes china, linen, glass and silverware are treated as a base stock upon initial hotel opening. Subsequent renewals and replacements of such stocks are written off to the profit and loss account as incurred.

1 ACCOUNTING POLICIES (CONTINUED)

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 liabilities 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.

Cash and liquid resources
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

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.

1 ACCOUNTING POLICIES (CONTINUED)

Turnover

Turnover represents amounts derived from:

• the ownership, management and operation of hotels on an accruals basis;

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

Turnover is stated net of sales taxes 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 2004 £m	Regional US 2004 £m	London 2004 £m	Rest of Europe 2004 £m	Asia 2004 £m	Australasia 2004 £m	Group 2004 £m
Turnover							
- Hotel	77.6	100.7	77.2	93.0	136.6	44.5	529.6
- Non-hotel	–	2.5	–	–	1.4	13.6	17.5
Total	77.6	103.2	77.2	93.0	138.0	58.1	547.1
Hotel gross operating profit	22.4	21.1	39.5	27.9	48.4	18.5	177.8
Hotel fixed charges	(12.2)	(17.0)	(12.9)	(17.3)	(21.2)	(8.6)	(89.2)
Hotel operating profit	10.2	4.1	26.6	10.6	27.2	9.9	88.6
Non-hotel operating profit	–	0.6	–	–	0.8	7.6	9.0
Profit before central costs	10.2	4.7	26.6	10.6	28.0	17.5	97.6
Other operating expenses	–	–	–	–	–	–	–
Impairment	–	(15.2)	–	–	–	–	(15.2)
Central costs	–	–	–	–	–	–	(11.7)
Group operating profit	–	–	–	–	–	–	70.7
Share of operating profits of joint ventures	0.6	–	–	–	7.4	–	8.0
Profit on disposal of fixed assets and joint ventures	51.8		–	–	0.5	2.7	55.0
Net interest payable	–	–	–	–	–	–	(38.9)
Profit on ordinary activities before taxation	–	–	–	–	–	–	94.8
Net assets							
Net hotel operating assets	294.9	253.4	434.2	170.6	527.0	118.3	1,798.4
Net non-hotel operating assets	–	12.1	–	–	47.9	14.8	74.8
Net assets of joint ventures	–	–	–	–	40.3	–	40.3
Loans to joint ventures	–	–	–	–	22.3	–	22.3
Net assets of associated undertakings	–	–	–	–	0.4	–	0.4
Non operating net liabilities	–	–	–	–	–	–	(508.7)
Net assets	–	–	–	–	–	–	1,427.5

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 £64.0m (2003: £132.8m). Net assets of associated undertakings are shown net of interest bearing loans of £0.1m (2003: £nil).

Non operating net liabilities comprise net debt and dividends payable.

2 SEGMENTAL INFORMATION (CONTINUED)

	New York 2003 £m	Regional 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)
Impairment	–	–	–	–	–	–	–
Central costs	–	–	–	–	–	–	(12.0)
Group operating profit	–	–	–	–	–	–	54.4
Share of operating profits of joint ventures	3.1	–	–	–	3.9	–	7.0
Profit on disposal of fixed assets and joint ventures	–	(4.8)	–	(0.8)	5.9	0.1	0.4
Net interest payable	–	–	–	–	–	–	(43.1)
Profit on ordinary activities before taxation	–	–	–	–	–	–	18.7
Net assets							
Net hotel operating assets	305.6	251.8	457.6	196.7	581.2	114.0	1,906.9
Net non-hotel operating assets	–	22.4	–	–	38.2	41.3	101.9
Net assets of joint ventures	39.3	–	–	–	18.8	–	58.1
Loans to joint ventures	8.5	–	–	–	24.2	–	32.7
Net assets of associated undertakings	–	–	–	–	0.5	–	0.5
Non operating net liabilities	–	–	–	–	–	–	(686.7)
Net assets	–	–	–	–	–	–	1,413.4

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.

3 PROFIT ON DISPOSAL OF FIXED ASSETS AND JOINT VENTURES

	2004 £m	2003 £m
Profit on disposal of fixed assets		
- Profit on disposal of non-core properties and investment properties	3.2	6.1
- Provision for loan notes	–	(4.8)
- Other loss on disposal of fixed assets	–	(0.9)
	3.2	0.4
Profit on disposal of joint venture		
- Surplus realised within joint venture	54.9	–
- Accrual for directors' bonuses	(2.2)	–
- Fees to related party	(0.9)	–
	51.8	–
	55.0	0.4

In 2004, the Group disposed of its 50% joint venture investment in The Plaza Hotel, New York. The profit on disposal is net of transaction fees of £0.9m payable to Hong Leong Management Services Pte Ltd, a fellow subsidiary company within the Hong Leong Investment Holdings Pte Ltd Group and an accrual for directors' bonuses in connection with the disposal of £2.2m. Further details in respect of this accrual are provided at note 7 to the emoluments table in the Directors' Remuneration Report on page 31. Further details in respect of the calculation of the profit on disposal and cash flows receivable are given in note 12.

Profit on disposal of non-core properties and investment properties in 2004 principally includes a profit of £2.7m on the disposal of the Birkenhead Point Shopping Centre and Marina, Sydney and the disposal of other non-core assets. In 2003, non-core properties in London and China were sold.

The Plaza and Birkenhead fixed assets disposed of contained £17.1m and £12.6m revaluation surpluses (before minority interests). The historic cost profits from each of these disposals are therefore £69.8m and £15.3m respectively, as set out in the Note of Historic Cost Profits and Losses.

In 2000, a hotel in Florida was sold as part of the asset disposal programme, held following the Group's Regal acquisition 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 filed for protection from bankruptcy under Chapter 11 and the Group therefore assessed the recovery of the outstanding loan note balance and made a provision of £4.8m, reducing the purchase consideration received and resulting in a loss on disposal.

The tax effect of the profit on disposal of fixed assets in the current year was to increase the Group tax charge by £24.4m, as set out on page 47. The tax effect of items arising in the prior year was nil.

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2004 £m	2003 £m
Interest receivable from joint ventures	0.5	0.7
Other interest receivable	1.9	1.4
Foreign exchange gains	3.3	0.9
Group share of interest receivable by associated undertakings	0.1	0.1
	5.8	3.1

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £m	2003 £m
On bank loans and overdrafts	**30.6**	35.6
On bonds	**7.5**	3.8
Finance charges payable in respect of finance leases	**0.2**	0.9
Foreign exchange losses	**3.2**	1.1
	41.5	41.4
Group share of interest payable by joint ventures	**3.2**	4.8
	44.7	46.2

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £m	2003 £m
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**35.9**	38.5
Tangible fixed assets written off	**0.2**	0.6
Repairs and maintenance expenditure	**27.3**	27.0
Auditors' remuneration		
Audit services	**0.9**	0.9
Non audit services provided by the auditors	**0.3**	0.3
Rentals payable under operating leases		
Land and buildings	**12.3**	11.5
Plant and machinery	**1.3**	1.6
Exchange (gain)/loss	**(0.1)**	0.2
Exceptional items:		
Impairment charge (note 11(d))	**15.2**	–
Profit on disposal of fixed assets (note 3)	**(3.2)**	(0.4)
Profit on disposal of joint ventures (note 3)	**(51.8)**	–
Millenium Hilton pre-opening costs	**–**	8.1

The audit fee for the parent company was £40,000 (2003: £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 £0.6m (2003: £0.7m) and analysed as follows:

	2004 £m	2003 £m
Further assurance services	**0.1**	0.1
Taxation compliance and advice	**0.5**	0.6
	0.6	0.7

7 TAXATION

	Pre-exceptional items 2004 £m	Exceptional items 2004 £m	Total 2004 £m	Total 2003 £m
a) Analysis of charge in the year				
Current tax:				
UK corporation tax				
UK corporation tax on profits of the year at 30% (2003: 30%)	2.2	–	2.2	6.2
Over provision in respect of prior years	(2.6)	–	(2.6)	(3.9)
	(0.4)	–	(0.4)	2.3
Overseas taxation				
Current year charge	13.4	11.8	25.2	3.3
Over provision in respect of prior years	(0.5)	–	(0.5)	(2.8)
Taxation attributable to profits of joint ventures	0.7	–	0.7	0.3
Total current tax	13.2	11.8	25.0	3.1
Deferred tax:				
Origination and reversal of timing differences				
Current year	(6.0)	10.4	4.4	1.1
Adjustments in respect of prior years	(2.3)	–	(2.3)	(2.9)
Effect of decreased tax rate on opening liability	(1.0)	–	(1.0)	–
Deferred taxation attributable to joint ventures	0.3	(3.9)	(3.6)	0.6
Less amounts recognised directly within reserves	–	(6.1)	(6.1)	–
Total deferred tax	(9.0)	0.4	(8.6)	(1.2)
Tax on profit on ordinary activities	4.2	12.2	16.4	1.9

b) 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:

	Pre-exceptional items 2004 £m	Exceptional items 2004 £m	Total 2004 £m	Total 2003 £m
Profit on ordinary activities before taxation	55.0	39.8	94.8	18.7
Tax on profit on ordinary activities at the standard rate of UK tax of 30% (2003: 30%)	16.5	11.9	28.4	5.6
Permanent differences	(3.0)	5.6	2.6	(8.5)
Capital allowances for year in excess of depreciation	(2.2)	16.8	14.6	(4.5)
Non-utilisation of tax losses arising in the year	21.3	3.6	24.9	18.4
Utilisation of brought forward tax losses	(1.4)	(39.3)	(40.7)	(1.4)
Other timing differences	(0.6)	–	(0.6)	2.8
Lower tax rates on overseas earnings	(11.3)	1.4	(9.9)	(3.6)
Overseas tax suffered	(3.0)	11.8	8.8	1.0
Adjustments to tax charge in respect of previous years	(3.1)	–	(3.1)	(6.7)
Current tax charge for year	13.2	11.8	25.0	3.1

7 TAXATION (CONTINUED)

The exceptional tax charge in the year of £12.2m comprises £18.3m taxation arising on the disposal of fixed assets and joint ventures as set out in note 3, offset by a £6.1m deferred tax reduction in respect of the current year impairment charge (note 11). In addition to the £18.3m tax charge arising on the disposal of fixed assets and joint ventures, that has been recognised in the profit and loss account, £6.1m has been recognised directly within the revaluation reserve.

c) 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 2004 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

	2004 £m	2003 £m
Paid	**5.9**	11.9
Proposed	**29.8**	5.8
	35.7	17.7

The total dividend per share for the year is made up as follows:

	2004	2003
Interim dividend	**2.08p**	4.20p
Final ongoing dividend	**4.17p**	2.05p
Final special dividend	**6.25p**	–
	12.50p	6.25p

The interim dividend of 2.08p per share was paid on 6 October 2004 (2003: 4.2p) and a final dividend of 4.17p per share (2003: 2.05p) will be paid making a total ongoing dividend per share for the year of 6.25p (2003: 6.25p). In addition, a special final dividend of 6.25p will be paid in respect of exceptional profits. The aggregate final dividend of 10.42p will be paid on 20 May 2005 to shareholders on the register as at close of business on 29 March 2005. The overall total dividend per share for the year is 12.50p (2003: 6.25p) 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.

In respect of dividends proposed at 31 December 2003 and 30 June 2004, the Group offered shareholders the option of a scrip dividend. These scrip dividend offers resulted in dividend cash payments in 2004 of £3.0m out of a total dividend payable for both periods of £11.7m. The balance of £8.7m has been credited to reserves (note 21) upon issue of the related share capital.

9 EARNINGS PER SHARE

The earnings per share and diluted earnings per share are based on earnings of £69.6m (2003: £11.1m). The weighted average number of shares, being the average number of shares in issue during the period, used in both calculations is as follows:

	2004 m	2003 m
Weighted average number of shares in issue during the period used in the calculation of earnings per share	284.5	282.7
Number of shares under option that would have been issued at nil value	0.7	0.4
Weighted average number of shares in issue during the period used in the calculation of diluted earnings per share	285.2	283.1

10 RELATED PARTY TRANSACTIONS

Hong Leong Group

During 2004 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 total amount recharged during the year was £1.8m (2003: £1.9m). The amount outstanding at 31 December 2004 is £nil (2003: £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 (2003: £nil) was received during the year. As at 31 December 2004 £2.4m (2003: £0.6m) 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 and information technology services to the Group. A total of £1.5m (2003: £1.9m) was charged by Swan Inc during the year and, at 31 December 2004, £0.1m (2003: £0.2m) was due to Swan Inc.

During the year Hong Leong Management Services Limited provided advice to the Group on the disposal of fixed assets of £1.3m and general legal advice of £0.3m relating to the business interruption claim for the Millenium Hilton Hotel. At 31 December 2004, £1.6m was unpaid.

Rogo Realty Corporation and Harbour Land Corporation

The Group had current account balances of £0.1m (2003: £0.9m) 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 £0.5m (2003: £0.7m) was received on a US$15m loan note held by New Plaza Associates in favour of CDL Hotels USA Inc., which was also repaid following sale of the assets of the partnership.

An asset management fee of £0.1m (2003: £0.1m) was received from New Plaza Associates. As at 31 December 2004 a total of £0.1m (2003: £3.3m) was due.

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

11 TANGIBLE FIXED ASSETS

a) Current year transactions

	Note	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		1,894.7	90.3	6.0	85.1	165.0	2,241.1
Foreign exchange adjustments		(59.7)	(5.1)	(0.3)	(4.4)	(7.1)	(76.6)
Additions		3.4	0.5	5.3	6.0	10.0	25.2
Transfer from current assets	11(b)	5.8	–	–	–	1.0	6.8
Transfer to current assets	11(b)	(11.6)	–	–	–	–	(11.6)
Transfers		3.2	–	(5.9)	1.1	1.6	–
Revaluations	11(d)	11.5	–	–	–	–	11.5
Fair value adjustment		0.8	–	–	–	–	0.8
Disposals		(0.5)	(42.0)	–	(7.2)	(7.5)	(57.2)
Written off		–	–	–	(2.0)	(1.3)	(3.3)
At the end of the year		1,847.6	43.7	5.1	78.6	161.7	2,136.7
Depreciation							
At the beginning of the year		38.5	–	–	27.3	72.3	138.1
Foreign exchange adjustments		(1.9)	–	–	(0.4)	(3.5)	(5.8)
Charge for the year		9.8	–	–	4.9	21.2	35.9
Impairments	11(d)	15.2	–	–	–	–	15.2
Transfers		(0.5)	–	–	–	0.5	–
Disposals		–	–	–	(7.0)	(7.2)	(14.2)
Written off		–	–	–	(1.9)	(1.2)	(3.1)
At the end of the year		61.1	–	–	22.9	82.1	166.1
Net book value							
At 31 December 2004		**1,786.5**	**43.7**	**5.1**	**55.7**	**79.6**	**1,970.6**
At 31 December 2003		1,856.2	90.3	6.0	57.8	92.7	2,103.0

b) Transfers between fixed assets and current assets

In the year the Group repossessed the La Quinta Inn at Lakeside, Florida due to loan repayment default. This property had been sold by way of a loan note as part of the disposal programme following the Group's 1999 Regal acquisition. It is the Group's intention to operate the hotel in the medium term and as a result, the hotel is now included within fixed assets at a cost of £6.8m, equivalent to the carrying value of the loan note. The loan note held at 31 December 2003 was subject to an impairment review and provision at that date, as set out in note 3.

The Millennium Sydney Hotel closed on 31 March 2003. Part of the former hotel site is now subject to residential development. Consequently, during 2004 the book value at 1 January 2004 of this part of the asset of £11.6m has been transferred from tangible fixed assets to development properties work in progress, within stocks.

c) Land and buildings

Land and buildings includes long leasehold assets with a net book value of £439.6m (2003: £430.7m). It also includes assets held under finance leases with a net book value of £12.1m (2003: £13.6m) 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 £25.7m (2003: £31.2m), in respect of which depreciation of £3.5m 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 (2003: £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)

d) Revaluations and impairments

	Land and buildings 2004 £m	Land and buildings 2003 £m
Cost or valuation comprises:		
Historical cost of revalued properties	**859.0**	920.3
Revaluation reserve	**321.5**	317.6
Valuation	**1,180.5**	1,237.9
Historic cost	**667.1**	656.8
	1,847.6	1,894.7

During 2004, twenty one 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	HVS International and Sequoia Hotel Advisors LLC
Europe	CB Richard Ellis
Asia	DTZ Debenham Tie Leung
Australasia	DTZ New Zealand

Based on these valuations, together with such considerations as the directors considered appropriate, fourteen of these hotels were valued on an existing use basis at £470.0m, leading to a surplus on revaluation of £11.5m. Two of the hotels which are held within investments in joint ventures were valued on an existing use basis of £227.8m, leading to a Group share of the surplus on revaluation of £17.5m. A total of £29.0m has been added to the carrying values of fixed assets and fixed assets held within investments in joint ventures. In some instances, the surplus recognised has been limited to an amount below that indicated in the external valuation.

The remaining 5 hotels included within the valuation were valued at amounts lower than their historic cost carrying values. The carrying values of the assets have been reduced and the resultant impairment charge of £15.2m has been included in the profit and loss account for the year, as an exceptional item.

All of the remainder of the Group's properties were reviewed for indications of impairment in accordance with FRS 11. This did not result in any impairment charge against the revaluation reserve (2003: charge of £20.8m) or any impairment charge to the profit and loss account for the year. Some properties which were reviewed for impairment have not incurred a charge where their alternative use value is at or in excess of the current carrying values.

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 New Zealand

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.

11 TANGIBLE FIXED ASSETS (CONTINUED)

e) Investment properties

At the end of 2004, one of the Group's investment properties was subject to an external professional valuation on an open market existing use basis as follows:

Property	Valuer
Kings Tanglin Shopping Centre, Singapore	Knight Frank

Based on this valuation, together with such considerations as the directors considered appropriate, this investment property was valued at its carrying value of £31.7m (2003: £33.8m).

The Group has a further investment property in the Regional US, which was not externally valued at 31 December 2004, pending a current internal review of the use of this asset. At 31 December 2004 the asset was held at its book value of £12.1m (2003: £12.9m).

12 INVESTMENTS

	2004 £m	2003 £m
Group		
Investment in joint ventures		
Share of net assets at the beginning of the year	58.1	61.8
Share of profits of joint ventures	7.7	1.3
Less minority share of profits	(2.1)	(0.9)
Foreign exchange adjustment	(3.8)	(3.8)
Dividend	–	(0.3)
Investment capital	1.3	–
Share of revaluation of fixed assets	17.5	–
Disposal of joint ventures	(38.4)	–
Share of net assets	40.3	58.1
Loans to joint ventures	22.3	32.7
	62.6	90.8

Following the annual valuation review set out in note 11, £17.5m has been added to the carrying values of fixed assets held within investments in joint ventures.

On 15 October 2004, the Group disposed of its joint venture investment in The Plaza Hotel, New York. Total consideration of £93.3m is receivable of which £79.9m had been received at the year end. The £13.4m balance is held within debtors net of the Group's share of local taxation payable by the liquidated joint venture partnership and will be settled in 2005. The profit on disposal is calculated as follows:

	£m
Consideration	93.3
Less net book value of joint venture investment disposed	(38.4)
Accrual for directors' bonuses	(2.2)
Fees payable to related party	(0.9)
Profit on disposal of joint ventures before taxation (note 3)	51.8

The total cash flows receivable from the disposal transaction in the year amount to £90.8m (note 28) comprising sale proceeds of £79.9m together with the settlement of Group loans to the joint venture and other debtor balances.

12 INVESTMENTS (CONTINUED)

	2004 £m	2004 £m	2003 £m	2003 £m
Share of turnover of joint ventures		56.2		60.1
Share of gross assets				
Share of fixed assets	119.7		242.2	
Share of current assets	13.9		14.4	
		133.6		256.6
Share of gross liabilities				
Liabilities due within one year	(8.8)		(82.9)	
Liabilities due after more than one year	(64.3)		(96.0)	
		(73.1)		(178.9)
Less minority share of net assets		(20.2)		(19.6)
Share of net assets		40.3		58.1
Loans to joint ventures		22.3		32.7
		62.6		90.8

	2004 £m	2003 £m
Group		
Investments in associated undertakings		
Share of net assets at the beginning of the year	0.5	3.9
Share of losses of associated undertakings	–	–
Dividends	–	–
Transfers	–	(3.4)
Foreign exchange adjustment	(0.1)	–
Share of net assets	0.4	0.5

12 INVESTMENTS (CONTINUED)

	2004 £m	2004 £m	2003 £m	2003 £m
Share of turnover of associates		0.1		0.1
Share of assets				
Share of fixed assets	0.4		0.6	
Share of current assets	0.1		0.3	
		0.5		0.9
Share of liabilities				
Liabilities due within one year	(0.1)		(0.1)	
Liabilities due after more than one year	–		(0.3)	
		(0.1)		(0.4)
Share of net assets		0.4		0.5

	Other investments (unquoted) £m
At the beginning of the year	0.9
Foreign exchange	(0.1)
	0.8

	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	1,039.4	225.2	1,264.6
Additions	9.4	80.5	89.9
Repayments of preference shares	(0.3)	–	(0.3)
At 31 December 2004	1,048.5	305.7	1,354.2

There were no provisions made against investments in subsidiary undertakings.

12 INVESTMENTS (CONTINUED)

	Effective Group interest	Country of incorporation/ operation	Principal activity
Details of principal investments at 31 December 2004 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 company
USA			
M&C Management Services (USA) Inc*	100%	USA	Management services company
CDL Hotels USA Inc*	100%	USA	Hotel investment holding company
CDL (New York) LLC*	100%	USA	Hotel operator
CDL West 45th Street LLC*	100%	USA	Hotel operator
CDL Management LLC*	100%	USA	Hotel management
Regal Grand Avenue, Inc*	100%	USA	Hotel investment holding company
WHB Biltmore LLC*	100%	USA	Hotel owner and operator
Gateway Regal Holdings, LLC*	100%	USA	Hotel owner and operator
Regal Hotel Management, Inc*	100%	USA	Hotel investment holding company
Chicago Hotel Holdings, Inc*	100%	USA	Hotel owner and operator
RHM-88, LLC*	100%	USA	Hotel owner and operator
Richfield Holdings, Inc*	100%	USA	Hotel investment holding company
M&C Hotel Interests, Inc*	100%	USA	Hotel management services
RHM Management LLC*	100%	USA	Hotel operator
Cincinnati Sl.Co.*	100%	USA	Hotel owner and operator
RHM Aurora, LLC*	100%	USA	Hotel owner and operator
Park Plaza Hotel Corporation*	100%	USA	Hotel investment holding company
Trimark Hotel Corporation*	100%	USA	Hotel owner and operator
Buffalo RHM Operating LLC*	100%	USA	Hotel owner and operator
Durham 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	Management services and investment holding
Hong Leong International Hotel (Singapore) Pte. Ltd. *	97%	Singapore	Investment holding
Republic Hotels & 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
Thailand			
M&C Holdings (Thailand) Ltd. *	100%	Thailand	Hotel management
Philippines			
The Philippine Fund Limited*	60%	Bermuda	Investment holding
Grand Plaza Hotel Corporation*	66%	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

12 INVESTMENTS (CONTINUED)

	Effective Group interest	Country of incorporation/ operation	Principal activity
New Zealand & Australia			
CDL Hotels Holdings New Zealand Limited*	100%	New Zealand	Investment holding and property management company
CDL Hotels New Zealand Limited*	70%	New Zealand	Investment holding and property management company
KIN Holdings Limited*	43%	New Zealand	Investment holding company
Kingsgate International Corporation Limited*	43%	New Zealand	Investment holding company
Quantum Limited*	49%	New Zealand	Investment holding company
CDL Investments New Zealand Limited*	43%	New Zealand	Investment and property holding / management company
QINZ Holdings (New Zealand) Limited*	49%	New Zealand	Investment holding company
Austria			
ATOS Holdings AG*	100%	Austria	Investment Holding company
Germany			
Tara Hotels Deutschland GmbH*	100%	Germany	Hotel investment holding company
Tara Hotel Hannover GmbH*	100%	Germany	Hotel operator
Millennium Hotel Stuttgart GmbH*	100%	Germany	Hotel operator
SI- Erlebnis-Centrum Stuttgart GmbH*	100%	Germany	Marketing company
Joint Ventures			
New Unity Holdings Limited*	50%	British Virgin Islands	Investment holding company
Fena Estate Company Limited*	50%	Thailand	Property development
Associated Undertakings			
Rogo Realty Corporation*	24%	Philippines	Real estate owner
Harbour Land Corporation*	41%	Philippines	Real estate owner

* Held by a subsidiary undertaking.

Due to minority interest shareholdings held within intermediary parent undertakings, the Group's effective shareholding in certain subsidiary undertakings in which it has control is less than 50%.

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

13 STOCKS

	Group	
	2004 £m	2003 £m
Consumables and supplies	3.9	4.0
Development land for resale	17.3	12.0
Development properties work in progress	14.8	–
	36.0	16.0

The Millennium Sydney Hotel closed on 31 March 2003. Part of the former hotel site is now subject to residential development. Consequently, during 2004 the carrying value of this part of the asset at 1 January 2004 of £11.6m has been transferred from tangible fixed assets (note 11(b)) to development properties work in progress.

14 DEBTORS

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Trade debtors	25.9	30.6	–	–
Amounts owed by joint ventures	0.1	3.3	–	–
Amounts owed by associated undertakings	0.1	0.9	–	–
Amounts owed by subsidiary undertakings	–	–	37.0	64.1
Other debtors	2.9	3.1	–	–
Prepayments and accrued income	9.0	10.7	–	–
Amounts receivable from hotel disposals	14.4	12.9	–	–
	52.4	61.5	37.0	64.1

	£m	£m	£m	£m
Debtors falling due within one year	50.4	59.6	37.0	64.1
Debtors falling due after more than one year	2.0	1.9	–	–
	52.4	61.5	37.0	64.1

15 CASH AND SHORT TERM DEPOSITS

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Short term deposits	58.1	13.1	–	–
Cash	36.7	31.8	12.3	0.5
	94.8	44.9	12.3	0.5

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Bank loans and overdrafts	192.5	22.2	–	–
Bonds payable	131.5	42.6	–	42.9
Obligations under finance leases	1.7	1.7	–	–
Trade creditors	16.0	18.3		–
Amounts owed to parent and fellow subsidiary undertakings	1.0	0.4	4.6	20.7
Other creditors including taxation and social security				
Corporation tax	22.7	14.2	0.1	0.5
Social security and PAYE	4.4	3.7	–	–
Value added tax	7.6	7.8	–	–
Other creditors	8.9	11.3	0.4	0.4
Accruals and deferred income	59.1	47.9	4.3	2.1
Rental and other deposits	2.0	2.3	–	–
Dividends payable	29.8	5.8	29.8	5.8
	477.2	178.2	39.2	72.4

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Bank loans	**138.7**	491.2	**115.1**	178.7
Bonds payable	**105.0**	162.1	**171.6**	96.7
Obligations under finance leases	**4.3**	6.0	**–**	–
Deferred property taxes	**2.6**	3.6	**–**	–
Amounts owed to parent and fellow subsidiary undertakings	**–**	–	**98.6**	5.8
Other liabilities	**8.0**	8.1	**–**	–
	258.6	671.0	**385.3**	281.2

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 13 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.

a) Liquidity

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

	Debt other than finance leases 2004 £m	Finance lease obligations 2004 £m	Other financial liabilities 2004 £m	Total 2004 £m
Financial liabilities maturing:				
in one year or less or on demand	**324.0**	**1.7**	**–**	**325.7**
in more than one year but not more than two years	**23.7**	**2.0**	**–**	**25.7**
in more than two years but not more than five years	**220.0**	**2.3**	**–**	**222.3**
in more than five years	**–**	**–**	**8.0**	**8.0**
	567.7	**6.0**	**8.0**	**581.7**

The Board is currently considering plans to refinance the debt liabilities of £324.0m that mature during 2005. It is anticipated that debt of £133.0m will be refinanced by the utilisation of existing undrawn committed borrowing facilities. The assessment of options to refinance debt of US$370.0m due in November 2005 is ongoing with the Board aiming to conclude the refinancing by this date.

	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	64.8	1.7	–	66.5
in more than one year but not more than two years	419.4	1.8	–	421.2
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

18 GROUP FINANCIAL INSTRUMENTS (CONTINUED)

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.

	2004 £m	2003 £m
Expiring in one year or less	29.8	50.5
Expiring after more than one year but not more than two years	29.7	–
Expiring after more than two years but not more than five years	88.3	55.9
Expiring after more than five years	–	–
	147.8	106.4

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 2004 £m	Fixed rate 2004 £m	Non-interest bearing 2004 £m	Total 2004 £m	Average interest rate of fixed rate borrowings 2004 %	Average years to maturity of fixed rate borrowings 2004 Years	Average years to maturity of non-interest bearing liabilities 2004 Years
Sterling	129.4	–	–	129.4	–	–	–
Singapore $	10.9	94.9	0.2	106.0	3	1	5
US $	261.5	–	0.2	261.7	–	–	5
New Zealand $	16.0	–	0.6	16.6	–	–	5
Australian $	–	–	–	–	–	–	–
Malaysian Ringgit	8.4	–	0.1	8.5	–	–	5
Korean Won	45.8	–	4.2	50.0	–	–	5
New Taiwan $	–	–	2.7	2.7	–	–	5
Euro	0.8	6.0	–	6.8	3	3	–
	472.8	100.9	8.0	581.7	3	1	5

18 GROUP FINANCIAL INSTRUMENTS (CONTINUED)

	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

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%.

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 2004 £m	Fixed rate 2004 £m	Non-interest bearing 2004 £m	Total 2004 £m	Average interest rate fixed rate assets 2004 %	Average years to maturity of fixed rate assets 2004 Years
Sterling	1.0	–	0.1	1.1	–	–
US $	9.6	12.3	3.4	25.3	2.4	0.1
Korean Won	–	6.7	0.1	6.8	2.9	0.1
Singapore $	0.1	8.0	2.7	10.8	1.0	0.1
New Taiwan $	3.0	3.5	4.3	10.8	0.9	0.1
Others	9.5	32.9	0.4	42.8	5.0	0.1
	23.2	63.4	11.0	97.6	3.5	0.1

18 GROUP FINANCIAL INSTRUMENTS (CONTINUED)

	Floating rate 2003 £m	Fixed rate 2003 £m	Non-interest bearing 2003 £m	Total 2003 £m	Average interest rate 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

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

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

e) Fair values

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

	2004		2003	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Short term deposits	**58.1**	**58.1**	13.1	13.1
Cash at bank and in hand	**36.7**	**36.7**	31.8	31.8
	94.8	**94.8**	44.9	44.9
Investments	**0.8**	**0.8**	0.9	0.9
Debtors greater than one year	**2.0**	**2.0**	1.9	1.9
	97.6	**97.6**	47.7	47.7
Debt and finance lease obligations	**(573.7)**	**(549.0)**	(725.8)	(686.4)
Other creditors due after more than one year	**(8.0)**	**(6.7)**	(8.1)	(6.5)
Derivatives held to manage the interest rate profile	**–**	**(5.4)**	–	(17.9)
	(581.7)	**(561.1)**	(733.9)	(710.8)

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

18 GROUP FINANCIAL INSTRUMENTS (CONTINUED)

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 2004	(17.9)
Losses recognised in the year	10.3
Unrecognised gains arising in the year	2.2
Unrecognised losses on hedges at 31 December 2004	(5.4)
Of which:	
Losses expected to be recognised in 2005	(5.4)
Losses expected to be recognised in 2006 or later	–
	(5.4)

g) Currency risk

The Group has unhedged cash balances denominated in non-functional currencies totalling £12.7m, (2003: £1.7m) of which £12.5m (2003: £1.3m) is denominated in US $. The Group maintains cash balances in Taipei and the Philippines in US $ totalling £0.1m as at 31 December 2004 (2003: £0.2m). These are matched by borrowings in the same currency.

h) Security

Included within the Group's total bank loans and overdrafts of £331.2m (2003: £513.4m) are £330.7m (2003: £512.6m) of secured loans. Of total bonds payable of £236.5m (2003: £204.7m), £45.8m (2003: £45.4m) are secured bonds.
Loans and bonds are secured on land and buildings.

19 PROVISIONS FOR LIABILITIES AND CHARGES

	Onerous lease £m	Deferred taxation £m	Total £m
At 1 January 2004	2.8	52.2	55.0
Provided during the year	–	17.3	17.3
Over provision in relation to prior years	–	(3.3)	(3.3)
Utilised during the year	(0.4)	(12.9)	(13.3)
Foreign exchange adjustment	–	(1.4)	(1.4)
At 31 December 2004	2.4	51.9	54.3

The onerous lease provision is to be released over the life of the lease until 2014.

20 DEFERRED TAXATION

	2004 £m	2003 £m
The net deferred tax provision as at 31 December 2004 is as follows:		
Accelerated capital allowances	74.5	87.8
Tax losses carried forward	(19.6)	(29.0)
Other timing differences	(3.0)	(6.6)
	51.9	52.2

There is no unprovided deferred taxation at either 31 December 2004 or 31 December 2003.

No provision has been made for deferred tax on gains recognised on revaluing properties under FRS19. If the Group were to dispose of all its properties at their book values, a tax liability estimated at £141m (2003: £195m) would arise. As the Group currently has no plans to dispose of any properties, no such liability is likely to crystallise therefore no provisions have been made.

A deferred tax asset totalling £13.3m (2003: £15.2m) 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 2004 £m	Share premium 2004 £m	Revaluation reserve 2004 £m	Profit and loss account 2004 £m	Total 2004 £m	Total 2003 £m
Group						
Balance at the beginning of the year	84.8	845.8	296.4	59.5	1,286.5	1,350.9
Profit for the financial year	–	–	–	69.6	69.6	11.1
Dividends	–	–	–	(35.7)	(35.7)	(17.7)
Foreign exchange loss	–	–	(7.0)	(41.4)	(48.4)	(55.6)
Surplus/(deficit) on revaluation of fixed assets						
Group	–	–	10.4	–	10.4	(2.4)
Joint ventures	–	–	11.0	–	11.0	–
Transfer of realised profit						
Annual depreciation charge	–	–	(0.5)	0.5	–	–
Profit on disposal of fixed assets net of minority interests	–	–	(22.4)	22.4	–	–
Taxation charge arising on revalued element of fixed assets disposed of during the year	–	–	–	(6.1)	(6.1)	–
Issue of shares on exercise of options	0.2	1.2	–	–	1.4	0.2
Issue of shares in lieu of dividends	0.9	(0.9)	–	8.7	8.7	–
Balance at the end of the year	85.9	846.1	287.9	77.5	1,297.4	1,286.5

The surplus on revaluation of Group tangible fixed assets is stated net of the minority interests' share of £1.1m (note 23) resulting in a total revaluation of £11.5m (note 11). The surplus on revaluation of joint venture fixed assets is stated net of the minority interests' share of £6.5m (note 23), resulting in a total revaluation surplus of £17.5m (note 12).

The Group's share of the accumulated reserves of the associated undertakings as at 31 December 2004 was £nil (2003: £nil). The Group's share of the accumulated reserves of joint ventures as at 31 December 2004 was £11.2m (2003: £17.3m).

The cumulative amount of goodwill written off prior to the adoption of FRS 10 was £2.3m as at 31 December 2004 (2003: £2.3m).

21 RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS (CONTINUED)

	Share capital 2004 £m	Share premium 2004 £m	Profit and loss account 2004 £m	Total 2004 £m	Total 2003 £m
Company					
Balance at the beginning of the year	84.8	845.8	45.0	975.6	944.6
Profit for the financial year	–	–	29.0	29.0	48.7
Dividends paid and proposed	–	–	(35.7)	(35.7)	(17.7)
Issue of shares on exercise of options	0.2	1.2	–	1.4	0.2
Issue of shares in lieu of dividends	0.9	(0.9)	8.7	8.7	–
Foreign exchange loss	–	–	–	–	(0.2)
Balance at the end of the year	85.9	846.1	47.0	979.0	975.6

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	282,700,948
Issue of ordinary shares on exercise of share options	–	729,488
Issue of ordinary shares in lieu of dividends	–	2,890,630
Balance at the end of the year	1,000,000,000	286,321,066

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 3,765,724 ordinary shares had been issued. Share options are exercisable between now and 15 March 2014 at between 150p and 495p.

During the year the Company issued invitations to UK employees under the Sharesave Scheme to enter into a five-year savings contract or a three-year savings contract with an option to purchase shares at an option price of 234p on expiry of the savings contract. In relation to options held under Inland Revenue Approved Save As you Earn Schemes, the Group has taken advantage of the exemption from UITF17.

23 MINORITY INTERESTS

	2004 £m	2003 £m
At the beginning of the year	126.9	115.4
Share of retained profit for the year	8.8	5.7
Less minority interest attributable to joint ventures	(2.1)	(0.9)
Dividends paid to minorities	(1.6)	(2.6)
Share of revaluation surplus		
Group	1.1	4.5
Joint ventures	6.5	–
Purchase of equity minority interests	(4.7)	–
Foreign exchange (loss)/gain	(4.8)	4.8
At the end of the year	130.1	126.9

In June 2004, the Group increased its share of investment in Kingsgate International Corporation Limited. This transaction reduced minority interests by £4.7m and cash of £5.9m was paid. The balance of £0.8m has been adjusted against the related carrying value of hotel land and buildings (note 11).

24 FINANCIAL COMMITMENTS

	2004 £m	2003 £m
a) Capital commitments at the end of the financial year for which no provision has been made:		
Group		
Contracted	16.5	8.7

At 31 December 2004 the Company had capital commitments of £nil (2003: £nil).

	2004		2003	
	Land end buildings £m	Plant and machinery £m	Land and buildings £m	Plant and machinery £m
b) Annual commitments under non cancellable operating leases are as follows:				
Group				
Operating leases which expire				
Within one year	–	0.3	–	0.4
In the second to fifth years inclusive	2.1	0.9	1.4	0.8
Over five years	13.3	0.5	9.2	0.9
	15.4	1.7	10.6	2.1

At 31 December 2004 the Company had no operating lease commitments (2003: £nil).

25 CONTINGENT MATTERS

a) The Millenium Hilton Hotel New York closed on 11 September 2001 and reopened on 5 May 2003. 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 extent of business interruption insurance applicable to the closure of the Hotel.

As at 31 December 2004 and at 18 February 2005, no final agreement has been reached.

Proceeds of US$60.0m from the insurance claim have been received to date in respect of the property and business interruption.

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 ACTIVITES

	2004 £m	2003 £m
Group operating profit	**70.7**	54.4
Depreciation	**35.9**	38.5
Tangible fixed assets impairment	**15.2**	–
Tangible fixed assets written off	**0.2**	0.6
Increase in stocks	**(9.0)**	(0.3)
Decrease in debtors	**6.0**	10.1
Increase/(decrease) in creditors	**4.2**	(9.7)
Decrease in provisions	**(0.4)**	(0.5)
Net cash inflow from operating activities	**122.8**	93.1

27 ANALYSIS OF NET DEBT

	Note	At 1 January 2004 £m	Cash flow £m	Deferred finance costs £m	Translation differences and other non cash movements £m	As at 31 December 2004 £m
Cash	15	31.8	5.8	–	(0.9)	**36.7**
Overdrafts	16	(1.5)	0.8	–	–	**(0.7)**
			6.6			
Short term deposits	15	13.1	45.6	–	(0.6)	**58.1**
Debt due after one year	17	(491.2)	141.4	–	211.1	**(138.7)**
Debt due within one year	16	(20.7)	20.3	–	(191.4)	**(191.8)**
Finance leases	16, 17	(7.7)	1.6	–	0.1	**(6.0)**
Bonds due after one year	17	(162.1)	(80.8)	0.6	137.3	**(105.0)**
Bonds due within one year	16	(42.6)	42.9	–	(131.8)	**(131.5)**
			125.4			
Total		(680.9)	177.6	0.6	23.8	**(478.9)**

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

	2004 £m	2004 £m	2003 £m	2003 £m
Returns on investment and servicing of finance				
Interest received	3.3		2.2	
Interest paid	(38.6)		(39.0)	
Payment of interest on deferred consideration	–		(4.8)	
Loan arrangement fees paid	(0.6)		(0.4)	
Interest element of finance lease rental payments	(0.2)		(0.9)	
Dividends paid to minorities	(1.6)		(2.6)	
Net cash outflow for returns on investments and servicing of finance		(37.7)		(45.5)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(25.4)		(17.6)	
Millenium Hilton New York capital expenditure	–		(14.7)	
Proceeds from the sale of investments	–		2.5	
Sale of other fixed assets	45.1		6.1	
Net cash inflow/(outflow) for capital expenditure and financial investment		19.7		(23.7)
Acquisitions and disposals				
Acquisition of subsidiary undertakings	–		(2.6)	
Payment of deferred consideration	–		(25.4)	
Proceeds from sale of joint ventures (note 12)	90.8		–	
Net cash inflow/(outflow) for acquisitions and disposals		90.8		(28.0)
Management of liquid resources				
Cash placed on short term deposit	(45.6)		–	
Net cash outflow from management of liquid resources		(45.6)		–
Financing				
Issue of shares from the exercise of options	1.4		0.1	
Purchase of shares from minority interests	(5.9)		–	
		(4.5)		0.1
Drawdown of third party loans	273.1		304.7	
Repayment of third party loans	(396.9)		(261.1)	
Capital element of finance lease rental repayment	(1.6)		(11.1)	
		(125.4)		32.5
Net cash (outflow)/inflow from financing		(129.9)		32.6

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 Accounting and Corporate Regulatory Authority, 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 The Frank Russell Company and Legal and General Investment Management Limited.

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 2004. 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 2004, the market value of scheme assets was estimated at £17.3m, giving a funding level of 97%. The contributions of the Group were 20.6% of pensionable pay (2003: 20.6%). The contributions of employees were from 3% to 5% (2003: 3% 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.

30 PENSION SCHEMES, EMPLOYEES AND REMUNERATION (CONTINUED)

Taiwan

The Group operates a defined benefit pension plan for its employees. The contributions required are determined by an external qualified actuary using the projected unit cost method. The most recent valuation was carried out on 31 December 2001. The contributions of the Company were set at 3.5% of the employees' earnings. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and rate of increase in salaries. It was assumed that the discount rate would be 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 valuation is as at 31 December 2004 and is currently being undertaken.

The pension cost of the whole Group charged to the profit and loss account is £6.5m (2003: £6.5m).

Contributions of £0.3m (2003: £0.4m) were due to the schemes as at 31 December 2004 and are included in creditors.

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 2004 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 2004 balance sheet or on this year's performance statements. Full adoption of FRS 17 has been deferred by the Accounting Standards Board until 2005.

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		
	2004 %	2003 %	2002 %	2004 %	2003 %	2002 %
Inflation	**2.90**	2.50	2.50	**–**	–	–
Salary increases	**4.40**	4.00	4.00	**3.00**	3.00	3.00
Rate of discount	**5.30**	5.34	5.14	**3.50**	3.50	3.75
Pension in payment increases	**2.90**	2.50	2.50	**–**	–	–
Revaluation rate for deferred pensioners	**2.90**	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 employment.

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

	UK Scheme		Taiwan Scheme		Total Scheme	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m
Assets	**20.7**	18.2	**1.7**	1.8	**22.4**	20.0
Liabilities	**(27.0)**	(22.3)	**(5.5)**	(5.5)	**(32.5)**	(27.8)
Deficit	**(6.3)**	(4.1)	**(3.8)**	(3.7)	**(10.1)**	(7.8)
Deferred tax	**1.9**	1.1	**1.1**	0.9	**3.0**	2.0
Net deficit	**(4.4)**	(3.0)	**(2.7)**	(2.8)	**(7.1)**	(5.8)

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 2004, future full adoption of FRS 17 would result in a decrease in Group reserves at 31 December 2004 of £7.1m (2003: £5.8m).

30 PENSION SCHEMES, EMPLOYEES AND REMUNERATION (CONTINUED)

The assets of the schemes at 31 December 2004 and corresponding expected returns over the following year are as follows:-

	UK Fund value			Expected returns			Taiwan Fund value			Expected returns		
	2004 £m	2003 £m	2002 £m	2004 %	2003 %	2002 %	2004 £m	2003 £m	2002 £m	2004 %	2003 %	2002 %
Equities	**16.6**	14.5	11.2	**6.55**	6.59	6.39	**–**	–	–	**–**	–	–
Bonds	**3.6**	3.0	2.2	**5.30**	5.34	5.14	**–**	–	–	**–**	–	–
Cash	**0.5**	0.7	1.3	**4.75**	3.75	4.00	**1.7**	1.8	1.6	**3.50**	3.50	3.75
	20.7	18.2	14.7				**1.7**	1.8	1.6			

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.

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 2004.

Analysis of the amount charged to operating profit:

	UK Scheme		Taiwan Scheme		Total	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m
Operating profit						
Current service cost	**(0.7)**	(0.9)	**(0.5)**	(0.5)	**(1.2)**	(1.4)
Total operating charge	**(0.7)**	(0.9)	**(0.5)**	(0.5)	**(1.2)**	(1.4)
Other finance income						
Expected return on pension scheme assets	**1.1**	0.9	**0.1**	0.1	**1.2**	1.0
Interest on pension scheme liabilities	**(1.2)**	(1.0)	**(0.2)**	(0.2)	**(1.4)**	(1.2)
Net return	**(0.1)**	(0.1)	**(0.1)**	(0.1)	**(0.2)**	(0.2)
Total	**(0.8)**	(1.0)	**(0.6)**	(0.6)	**(1.4)**	(1.6)

30 PENSION SCHEMES, EMPLOYEES AND REMUNERATION (CONTINUED)

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

	UK Scheme 2004 £m	UK Scheme 2003 £m	UK Scheme 2002 £m	Taiwan Scheme 2004 £m	Taiwan Scheme 2003 £m	Taiwan Scheme 2002 £m	Total 2004 £m	Total 2003 £m	Total 2002 £m
Actual return less expected return on pension scheme assets	**0.4**	1.7	(2.9)	**(0.1)**	(0.1)	(0.1)	**0.3**	1.6	(3.0)
Experience losses arising on the scheme liabilities	**(0.6)**	(0.8)	1.3	**–**	–	–	**(0.6)**	(0.8)	1.3
Changes in demographic and financial assumptions underlying the present value of the scheme liabilities	**(1.9)**	0.8	(2.0)	**0.2**	(0.1)	(0.7)	**(1.7)**	0.7	(2.7)
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	**(2.1)**	1.7	(3.6)	**0.1**	(0.2)	(0.8)	**(2.0)**	1.5	(4.4)

Movement in pension deficit during the year:

	UK Scheme 2004 £m	UK Scheme 2003 £m	Taiwan Scheme 2004 £m	Taiwan Scheme 2003 £m	Total 2004 £m	Total 2003 £m
Deficit in scheme at beginning of year	**(4.1)**	(5.6)	**(3.7)**	(3.6)	**(7.8)**	(9.2)
Movement in year:						
- Current service cost	**(0.7)**	(0.9)	**(0.5)**	(0.5)	**(1.2)**	(1.4)
- Net finance charge	**(0.1)**	(0.1)	**–**	–	**(0.1)**	(0.1)
- Contributions	**0.7**	0.8	**0.3**	0.3	**1.0**	1.1
- Foreign exchange movement	**–**	–	**0.1**	0.4	**0.1**	0.4
- Other finance income	**–**	–	**(0.1)**	(0.1)	**(0.1)**	(0.1)
- Actuarial (loss)/gain	**(2.1)**	1.7	**0.1**	(0.2)	**(2.0)**	1.5
Deficit in scheme at end of year	**(6.3)**	(4.1)	**(3.8)**	(3.7)	**(10.1)**	(7.8)

30 PENSION SCHEMES, EMPLOYEES AND REMUNERATION (CONTINUED)

Actuarial gains and losses over the year were as follows:

	UK Scheme			Taiwan Scheme			Total		
	2004 %	2003 %	2002 %	2004 %	2003 %	2002 %	2004 %	2003 %	2002 %
Difference between the expected and actual return of pension scheme assets expressed as a percentage of scheme assets.	2	9	(20)	(6)	(6)	(6)	1	8	(18)
Experience losses on scheme liabilities expressed as a percentage of the present value of the scheme liabilities.	(2)	(4)	6	–	–	–	(2)	(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.	(7)	4	(10)	4	(2)	(13)	(5)	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)	8	(18)	2	(4)	(15)	(6)	5	(17)

Employees and staff costs

	2004 Number	2003 Number
The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:		
Hotel operating staff	10,148	10,028
Management/administration	1,272	1,299
Sales and marketing	424	419
Repairs and maintenance	604	582
	12,448	12,328

	2004 £m	2003 £m
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	177.0	175.4
Social security costs	25.3	25.3
Other pension costs	6.5	6.5
	208.8	207.2

Payroll costs for 2003 have been amended to include an amount of £0.5m relating to hotel operations in Taiwan previously not disclosed.

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 27 to 32.

KEY OPERATING STATISTICS

	2004 Reported currency	2003 Constant currency	2003 Reported currency
Occupancy (%)			
USA	66.9	62.7	62.7
New York	84.0	82.6	82.6
Regional US	61.2	57.0	57.0
Europe	77.6	74.7	74.7
London	83.5	80.9	80.9
Rest of Europe	72.8	69.8	69.8
Asia	73.2	56.5	56.5
Australasia	71.5	68.7	68.7
Group	**71.8**	**65.1**	**65.1**
Average Room Rate (£)			
USA	70.43	64.57	71.94
New York	108.77	94.61	105.42
Regional US	52.91	52.03	57.97
Europe	72.93	69.98	70.16
London	79.79	73.85	73.85
Rest of Europe	66.67	66.41	66.74
Asia	46.76	47.71	51.98
Australasia	38.77	38.05	37.14
Group	**60.59**	**58.31**	**61.60**
RevPAR (£)			
USA	47.12	40.49	45.11
New York	91.37	78.15	87.08
Regional US	32.38	29.66	33.04
Europe	56.59	52.28	52.41
London	66.62	59.74	59.74
Rest of Europe	48.54	46.35	46.58
Asia	34.23	26.96	29.37
Australasia	27.72	26.14	25.52
Group	**43.50**	**37.96**	**40.10**
Gross Operating Profit Margin (%)			
USA	24.4	22.4	22.4
New York	28.9	25.8	25.8
Regional US	21.0	20.1	20.1
Europe	39.5	37.3	37.3
London	51.2	49.4	49.4
Rest of Europe	30.0	28.0	28.0
Asia	35.4	35.8	35.8
Australasia	41.6	40.8	40.8
Group	**33.6**	**32.4**	**32.1**

FINANCIAL RECORD

	2004 £m	2003 £m	2002 £m	2001 £m	2000 £m
PROFIT AND LOSS ACCOUNT					
Turnover including share of turnover of joint ventures	**603.3**	583.2	641.1	670.5	722.8
Group turnover	**547.1**	523.1	567.5	594.6	690.9
Group operating profit	**70.7**	54.4	96.3	100.4	171.5
Share of operating profits of joint ventures	**8.0**	7.0	12.2	11.3	8.0
Share of operating profits of associated undertakings	**–**	–	0.4	0.9	14.5
Profit on disposal of fixed assets and joint ventures	**55.0**	0.4	–	–	–
Net interest payable	**(38.9)**	(43.1)	(48.7)	(58.4)	(64.9)
Profit on ordinary activities before tax	**94.8**	18.7	60.2	54.2	129.1
Tax	**(16.4)**	(1.9)	(14.4)	(15.1)	(36.1)
Profit on ordinary activities after tax	**78.4**	16.8	45.8	39.1	93.0
Minority interests	**(8.8)**	(5.7)	(7.8)	(8.2)	(11.2)
Profit for the financial year	**69.6**	11.1	38.0	30.9	81.8
CASHFLOW					
Net cash inflow from operating activities	**122.8**	93.1	122.2	136.0	199.1
BALANCE SHEET					
Tangible fixed assets	**1,970.6**	2,103.0	2,185.4	2,303.5	2,235.8
Investments	**63.8**	92.2	104.4	112.3	126.9
Other assets	**88.4**	77.5	93.3	91.9	142.9
Borrowings net of cash	**(478.9)**	(680.9)	(675.5)	(685.4)	(727.0)
Other liabilities	**(162.1)**	(123.4)	(191.6)	(212.0)	(179.4)
Provisions for liabilities and charges	**(54.3)**	(55.0)	(49.7)	(46.1)	(42.8)
NET ASSETS	**1,427.5**	1,413.4	1,466.3	1,564.2	1,556.4
Share capital and share premium	**932.0**	930.6	930.4	930.2	929.3
Reserves	**365.4**	355.9	420.5	480.7	481.3
Shareholders' funds	**1,297.4**	1,286.5	1,350.9	1,410.9	1,410.6
Minority interests	**130.1**	126.9	115.4	153.3	145.8
TOTAL CAPITAL EMPLOYED	**1,427.5**	1,413.4	1,466.3	1,564.2	1,556.4
KEY OPERATING STATISTICS					
Gearing (%)	**37**	53	50	49	52
Earnings per share (p)	**24.5**	3.9	13.4	10.9	29.0
Dividends per share (p)	**12.50**	6.25	12.50	12.50	12.50
Gross operating profit margin (%)	**33.6**	32.1	35.1	34.6	39.5
Occupancy (%)	**71.8**	65.1	67.2	65.1	69.9
Average room rate (£)	**60.59**	61.60	65.73	71.39	71.22
RevPAR (£)	**43.50**	40.10	44.17	46.47	49.78

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Millennium & Copthorne Hotels plc for the year 2004 will be held at the Millennium Hotel London Mayfair, Grosvenor Square, London W1K 2HP on 5 May 2005 at 10.00am for the transaction of the following business:

ORDINARY BUSINESS

1 To approve the directors' report for the year ended 31 December 2004.

2 To approve the Accounts for the year ended 31 December 2004 together with the auditors' report on those Accounts, and on the auditable part of the directors' remuneration report.

3 To declare a final dividend for the year ended 31 December 2004 of 10.42p per share to shareholders on the register at close of business on 29 March 2005.

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

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

6 To re-appoint Kwek Leng Peck 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 2004, as set out on pages 27 to 32 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 2006.

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 2006;

(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 2006 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 £28,645,938 (approximately 95,486,459 ordinary shares) being 33$^1/_3$% of the ordinary share capital of 30p each in issue on 18 February 2005.

NOTICE OF ANNUAL GENERAL MEETING

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 £4,296,891 (approximately 14,322,969 ordinary shares) being 5% of the ordinary share capital in issue on 18 February 2005.

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 28,645,938 (representing 10% of the ordinary share capital in issue on 18 February 2005);

(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 2006 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

ADRIAN BUSHNELL
COMPANY SECRETARY

18 March 2005

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 TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZL not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

3 Information regarding Electronic and CREST voting is shown below.

4 Any power of attorney or other written authority pursuant to which a proxy appointment is executed (or an office or notarially certified copy thereof or a copy thereof certified in accordance with the Powers of Attorney Act 1971) should also be deposited at the office of the Registrar by the latest time and date specified in note 2 above, provided that, in the case of a proxy executed through the CREST electronic proxy appointment service by a voting service provider or CREST sponsor on behalf of a CREST member, any such written authority may instead be delivered to a place of business of the relevant voting service provider or CREST sponsor itself in the United Kingdom.

5 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.

6 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.

7 The directors have no current intention to exercise the right to allot shares given by resolution 11 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.

8 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 3 May 2005, 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 3 May 2005 or after any other suitable dates upon adjournment shall be disregarded in determining the rights of any person to attend or vote at the meeting.

INFORMATION FOR SHAREHOLDERS

Electronic Proxy Voting

You may, if you wish, register the appointment of a proxy or voting instructions for the Meeting electronically by logging on to www.sharevote.co.uk. You will need your Reference Number (this is the 24-digit number printed next to your name and address on the accompanying **Form of Proxy**). Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by Lloyds TSB Registrars not later than **10.00am on 3 May 2005**. Please note that any electronic communication sent to the Company or the Registrars that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the Annual General Meeting is governed by Lloyds TSB Registrars' conditions of use set out on the website, www.sharevote.co.uk, and may be read by logging on to that site.

If you are not planning to come to the meeting and wish to vote on any of the resolutions the Form of Proxy/ Voting Instruction Form must be returned to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL to arrive no later than **10.00am on 3 May 2005**. If the card is posted in the UK, IOM or Channel Islands there is no postage to pay.

CREST Voting

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on **5 May 2005** and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

MILLENNIUM & COPTHORNE HOTELS WORLDWIDE

Millennium & Copthorne Hotels plc operates in major gateway cities in 15 countries with a portfolio of 89 hotels.

THE AMERICAS

United States
- Millennium Alaskan Hotel Anchorage
- Millennium Bostonian Hotel Boston
- Millennium Biltmore Hotel Los Angeles
- Millennium Harvest House Boulder
- Millennium Hotel Cincinnati
- Millennium Hotel Durham
- Millennium Knickerbocker Hotel Chicago
- Millennium Hotel Minneapolis
- Millennium Broadway Hotel New York
- Millenium Hilton New York
- Millennium UN Plaza New York
- Millennium Hotel St. Louis
- Millennium Resort Scottsdale McCormick Ranch
- Millennium Maxwell House Hotel Nashville
- Eldorado Hotel, Santa Fe
- Pine Lake Trout Club, Chargrin Falls
- Sheraton Four Points Buffalo, Cheektowaga
- Four Points Sheraton Sunnyvale
- Comfort Inn Vail, Beaver Creek, Avon
- La Quinta Inn, Lakeside

Galapagos Islands
- Royal Palm Hotel

EUROPE, MIDDLE EAST AND NORTH AFRICA

France
- Millennium Hotel Paris Opéra
- Millennium Hotel Paris Charles de Gaulle

Germany
- Copthorne Hotel Hannover
- Millennium Hotel and Resort Stuttgart

UK
- 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 & Resort Effingham Park London Gatwick
- Copthorne Hotel London Gatwick
- Copthorne Tara Hotel London Kensington
- Copthorne Hotel Manchester
- Copthorne Hotel Newcastle
- Copthorne Hotel Plymouth
- Copthorne Hotel Slough Windsor

Middle East
- Millennium Hotel Abu Dhabi
- Millennium Hotel Sharjah
- Millennium Airport Hotel Dubai

North Africa
- Coral Beach Diving Hotel, Marsa Alam - Port Ghalib - Egypt*
- Millennium Hotel Sharm el Sheikh - Egypt*

* Not open

ASIA

Indonesia
- Millennium Hotel Sirih Jakarta

Malaysia
- Copthorne Orchid Hotel Penang
- The Regent Kuala Lumpur

Philippines
- The Heritage Hotel Manila

Singapore
- Orchard Hotel Singapore
- Copthorne King's Hotel Singapore
- Copthorne Orchid Hotel Singapore
- Grand Copthorne Waterfront Hotel Singapore
- M Hotel Singapore

Hong Kong
- Hotel Nikko Hong Kong
- JW Marriott Hotel Hong Kong

Korea
- Millennium Seoul Hilton

Taiwan
- Grand Hyatt Taipei

AUSTRALASIA

New Zealand
- Millennium Hotel Christchurch
- Millennium Hotel Queenstown
- Millennium Hotel Rotorua
- Millennium Hotel and Resort Manuels, Taupo
- Copthorne Hotel Auckland Anzac Avenue
- Copthorne Hotel Auckland Harbour City
- Copthorne Resort Bay of Islands
- Copthorne Hotel Christchurch Central
- Copthorne Hotel Christchurch Durham Street
- Copthorne Commodore, Christchurch Airport
- Copthorne Resort Masterton Solway Park
- Copthorne Resort Queenstown Lakefront
- Copthorne Hotel Grand Central New Plymouth
- Copthorne Hotel and Resort Hokianga
- Copthorne Hotel Wellington Plimmer Towers
- Kingsgate Hotel Autolodge Paihia, Bay of Islands
- Kingsgate Hotel Whangarei, Northland
- 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 Kings, Greymouth
- Kingsgate Hotel Autolodge, Christchurch
- Kingsgate Hotel Dunedin
- Kingsgate Hotel Brydone, Oamaru
- Kingsgate Resort Terraces, Queenstown
- Kingsgate Hotel Te Anau


Spa Masseuse, M Hotel Singapore

Chef, Millennium Hotel London Mayfair

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
Email 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
Email 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
Email 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

INTERNATIONAL RESERVATIONS NUMBERS

EUROPE, MIDDLE EAST AND NORTH AFRICA
Please dial the following toll free number for the following European countries:
The TOLL FREE number is 00 800 86 86 8086

Austria
Barcelona
Belgium
Denmark
Finland (please dial prefix 990, rather than 00)
Germany (answered by Alliance Partner Maritim Hotels)
Ireland
Italy
Madrid
Netherlands
Norway
Portugal
Sweden
Switzerland

Czech Republic	0800 142 025
France	0800 90 95 86
Israel	1 800 945 0920
United Kingdom	0 800 41 47 41
Abu Dhabi	(00) (971) (0) 2 626 2700
Sharjah	(00) (971) (0) 6 556 6666
Agadir	(00) (212) (0) 48 820 088

THE AMERICAS
Please dial 1 866 866 8086 for the following countries:

Canada
Puerto Rico
United States
US Virgin Islands

Brazil - Sao Paolo	0800 119 131
Chile	(56-2) 378 9888
Colombia	(57-1) 636 4511
Mexico	(52-5) 387 9600
Venezuela	(58-2) 761 4487

To book hotels in the Americas from international destinations call:

from Australia	1 800 14 90 16
from UK	0800 085 8059
from Singapore	800 110 1 203

ASIA

Hong Kong	800 96 2541
Japan	0120 500 174
Indonesia	001 803 65 6541
Beijing	10 800 852 0673
Other Chinese Cities	800 810 0176 (toll free for Beijing)
Malaysia	1 800 80 1063
Singapore	(65) 6735 7575
Thailand	001 800 65 6544
Mumbai	(91-22) 283 0930 ext. 24
Taipei	(886-2) 2775 5246
Seoul	00 308 651 1888
Taiwan	(toll free) 0080 65 15 05

AUSTRALASIA

Australia	1 800 147 803
New Zealand	0800 808 228

For further information
Please visit our website http://www.millenniumhotels.com

Produced by
Group Corporate Affairs
Hong Leong Group Singapore
http://www.hongleong.com.sg

Designed by
Zucchini Design Pte Ltd