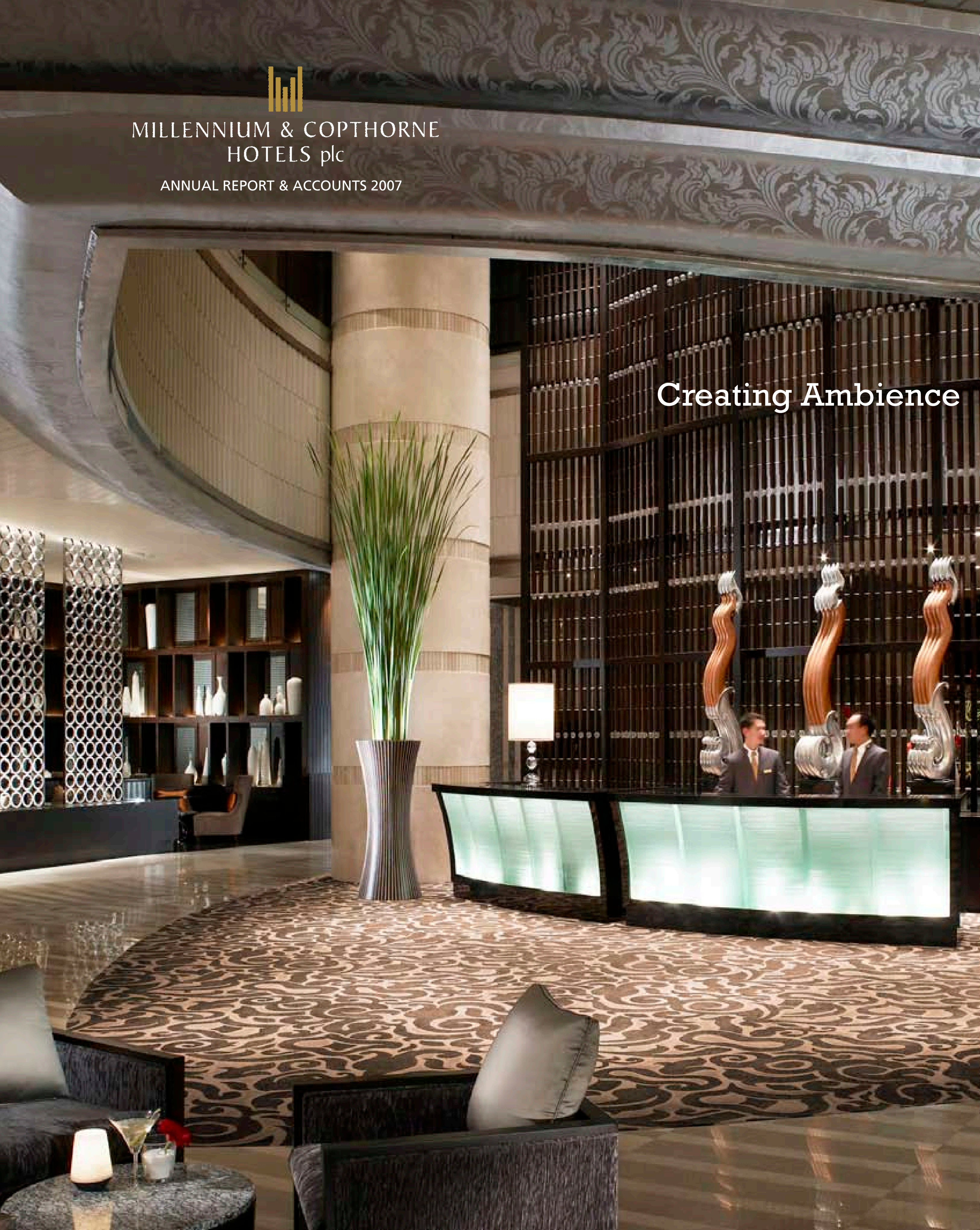
MILLENNIUM & COPTHORNE HOTELS plc

ANNUAL REPORT & ACCOUNTS 2007

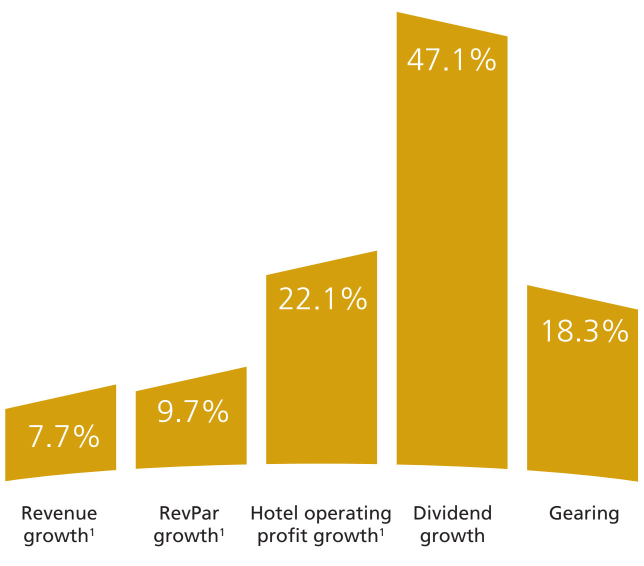
Creating Ambience



Performance Highlights

- Revenue growth of 7.7%[1] to £669.6m driven by strong demand in London, New York and Singapore
- Hotel operating profit up 22.1%[1] to £140.5m
- Profit before tax up 20.9% to £157.4m
- Headline profit before tax up 25.3% to £118.3m[2] (2006: £94.4m) after taking into account a £9.6m write-down of the Sunnyvale development property
- Basic earnings per share up 47.0% to 50.7p
- Headline earnings per share[3] up 47.7% to 32.2p (2006: 21.8p)
- Total dividend per share excluding special dividend up 47.1% to 12.50p (2006: 8.50p)
- Group RevPAR up by 9.7%[1]
- Gearing reduced to 18.3%; interest cover 8.5 times
- Launch of Grand Millennium brand with hotels in Kuala Lumpur and Bangkok
- Signed five new management contracts and three new franchise contracts in 2007 for properties in the Middle East, China and New Zealand

£ millions	2007	Reported Currency Growth %	Constant Currency[1] Growth %	2006
Revenue	**669.6**	**3.6%**	**7.7%**	**646.3**
Headline operating profit[4]	**140.2**	12.4%	17.6%	124.7
Other operating income				
– Group	**13.8**			17.7
– Share of joint ventures and associates	**32.3**			21.6
Impairment	**(7.0)**			(3.5)
Share of interest, tax and minority interests of joint ventures and associates	**(7.8)**			(6.3)
Operating profit	**171.5**	**11.2%**	**15.0%**	**154.2**
Headline profit before tax[4]	**118.3**	25.3%	30.9%	94.4
Profit before tax	**157.4**	**20.9%**	**24.9%**	**130.2**
Headline earnings per share[4]	**32.2p**	47.7%	54.8%	21.8p
Basic earnings per share	**50.7p**	**47.0%**	**51.8%**	**34.5p**
Dividend per share	**12.50p**	**47.1%**	**n/a**	**8.50p**



[1] For comparability statistics for 2006 have been translated at 2007 average exchange rates
[2] Adjusted to exclude other operating income of group, joint ventures and associates together with impairment
[3] Adjusted to exclude other operating income of group, joint ventures and associates together with impairment (net of tax) and effect of changes in UK tax legislation to remove claw back on hotel allowances
[4] The Group believes that headline operating profit, headline profit before tax and headline earnings per share provide useful and necessary information on underlying trends to shareholders, the investment community and are used by the Group for internal performance analysis

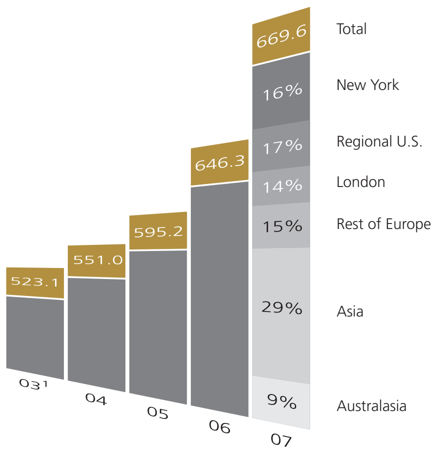
Business Overview

The Group's principal operations are providing hotel rooms to guests in the following five regions: The Americas, Europe, Middle East, Asia and Australasia.

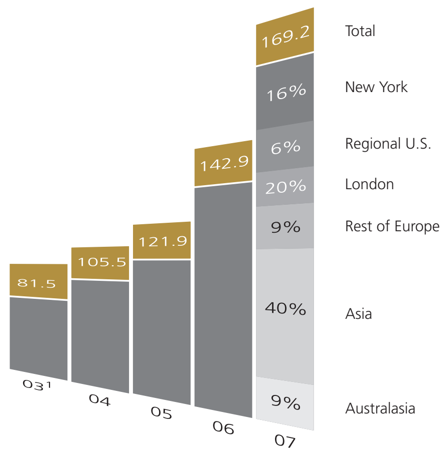
The Group owns, operates, manages and franchises hotels with significant operations in London, New York and Singapore. In addition, the Group's property expertise allows it to manage its real estate assets actively and to unlock long term value to ensure superior value creation over time.

The Group operates under four brands: Grand Millennium, Millennium, Copthorne and Kingsgate. The Grand Millennium brand was launched during 2007 in Kuala Lumpur, Malaysia and Bangkok, Thailand. The Kingsgate brand is mainly used in New Zealand.

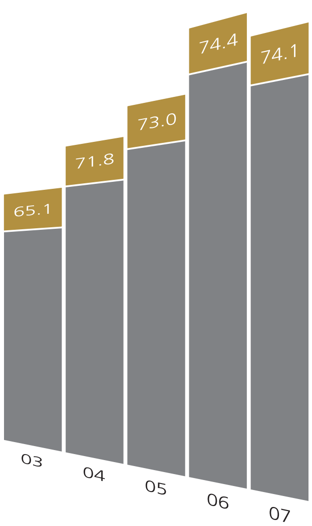
Share of Group Revenue (£m)



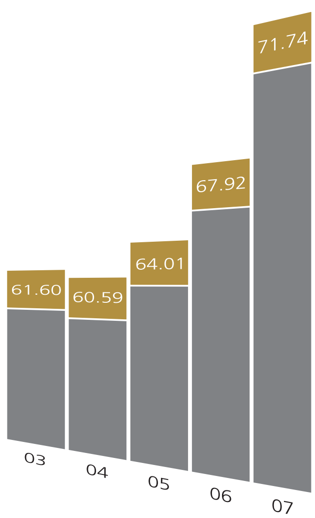
Share of Headline Operating Profit[2] (£m)



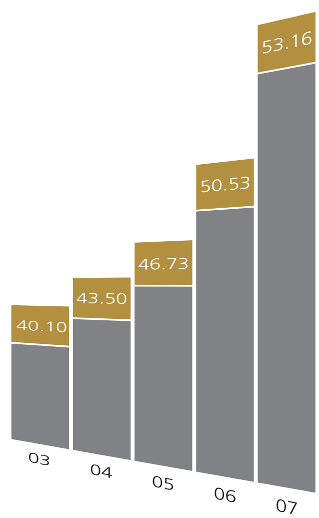
Occupancy (%)



Average Room Rate (£)[3]



RevPAR (£)[3]



[1] UK GAAP – not restated under IFRS

[2] Headline operating profit from operations excluding central costs and, for 2007, a £9.6m write-down of the Sunnyvale development property in Regional US and, for 2003, £8.1m of pre-opening costs of the Millenium Hilton

[3] Reported currency

Contents

On the cover: The exquisitely designed lobby of Grand Millennium Sukhumvit Bangkok. Opened in 2007, the five-star hotel with 325 rooms and suites, is Millennium & Copthorne Hotels' flagship property in Thailand. Opposite: During the year the Group launched the Grand Millennium brand. The inaugural hotel for this brand was the Group's former hotel in Kuala Lumpur which, prior to launch underwent major refurbishment in its public areas and reopened as the Grand Millennium Kuala Lumpur in September.

A Treasure of Everlasting Memories

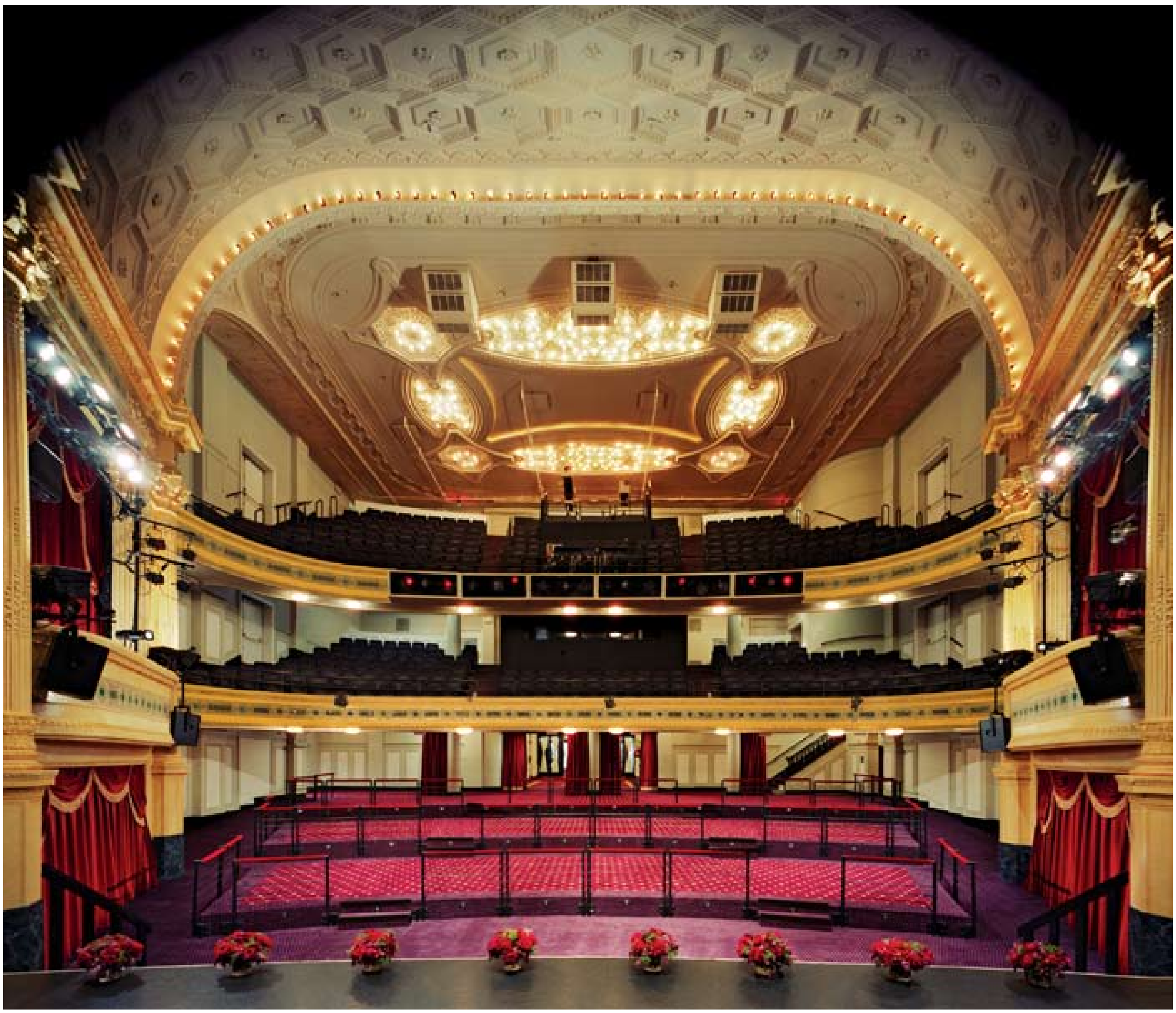
Across the world, Millennium & Copthorne Hotels plc is long associated with the finest in hospitality standards. With 112 hotels in 18 countries, we promise you a haven of sophistication and elegance wherever you are.

Elegant Surroundings

Millennium Broadway Hotel New York

UNITED STATES

Stylishly furnished, the Millennium Broadway Hotel New York sets the scene for luxurious accommodation, focused meetings and dramatic events. Built in 1903, the Hudson Theatre offers a newly-renovated meeting space and is the only hotel in New York with an on-site meeting facility approved by the International Association of Conference Centers (IACC).



Millennium Hongqiao Hotel Shanghai

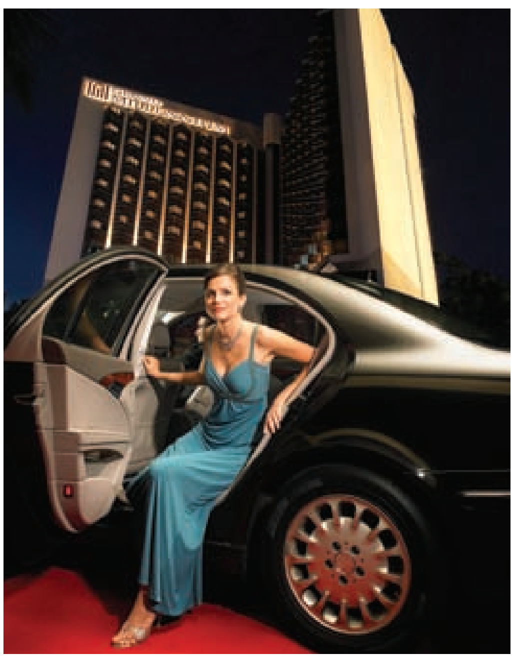
CHINA

Millennium Hongqiao, an impressive five-star international hotel, is centrally located in the Hongqiao district within close proximity to Shanghai Mart and only 6 km from the domestic airport. This contemporary 369 room-and-suite hotel provides ideal facilities for discerning business and leisure seekers. An oasis of calm within the bustling city of Shanghai, the hotel is a picture of serenity and sophistication.

Opposite:

From Grand Millennium Kuala Lumpur to Copthorne Hotel at Chelsea Football Club, we are the epitome of inimitable style. In our varied and beautiful surroundings, you will be enthralled with the unparalleled standards of splendour.


COPTHORNE HOTEL
COPTHORNE HOTEL



Finest Standards

Copthorne Hotel Christchurch Durham Street

NEW ZEALAND

A leading four-star business class hotel, Copthorne Hotel Christchurch Durham Street is strategically located in the heart of Christchurch. Within close proximity to the upmarket Christchurch Casino, Convention Centre and boutiques, the hotel is only a few minutes walk to the city's major attractions.

Millennium Hotel & Resort Stuttgart

GERMANY

This modern hotel provides the ideal combination of an international hotel with an entertainment complex that includes a casino, a six-screen movie theatre and a unique health and vitality centre. Millennium Hotel & Resort Stuttgart also offers guests a chance to wine and dine in 19 themed restaurants and bars, offering dining options from Italian specialties to home-made beer.

Opposite:
Catering to your business and leisure needs, we offer outstanding trade facilities and distinguished leisure preferences worldwide, be it the Grand Millennium Sukhumvit Ballroom, Grand Millennium Kuala Lumpur or MU Lounge in Millennium Hotel London Knightsbridge.







Tranquil Rejuvenation

Copthorne Hotel & Resort Queenstown Lakefront

NEW ZEALAND

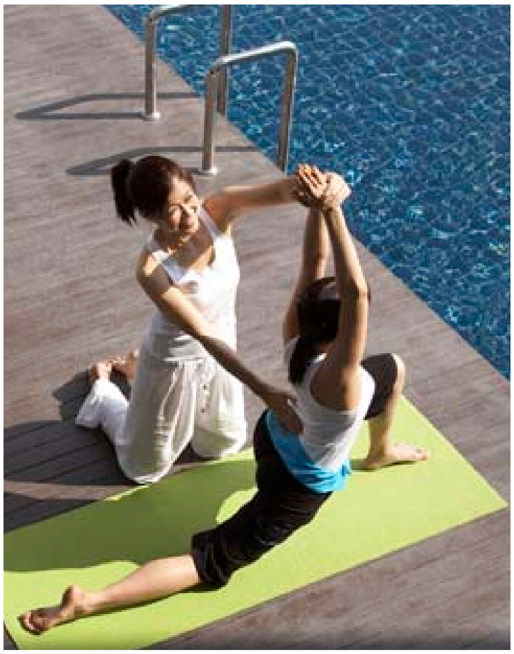
Copthorne Hotel & Resort Queenstown Lakefront boasts superior facilities, personalised service and stunning scenery of New Zealand's southern alpine region. Surrounded by the country's finest ski slopes, the hotel is conveniently located within a 3-minute walk from central Queenstown.

Millennium UN Plaza Hotel

NEW YORK

Cradled in the heart of New York City, the Millennium UN Plaza Hotel welcomes business travellers, foreign dignitaries and sightseers from around the world. Here, guests are able to experience spectacular views of the New York City skyline and enjoy the advantages of its prime location on the fashionable East Side of midtown Manhattan.

Opposite:
Live the high life of luxury amidst the soulful landscape of our extensive relaxation facilities as you pamper yourself with a rejuvenating spa treatment or a calming session of yoga.



Welcome to a World of Hospitality

Millennium & Copthorne Hotels comprise 112† hotels with 30,570 rooms in 18 countries. Maritim Hotels, our world of hospitality marketing alliance partner has 53 hotels with 15,694 rooms in 9 countries.

The Americas

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

Europe

ABERDEEN
BIRMINGHAM
CARDIFF
GATWICK (2)
GLASGOW
HANNOVER
LONDON (7)
MANCHESTER
MERRY HILL-DUDLEY
NEWCASTLE
PARIS (2)
PLYMOUTH
READING (2)
SHEFFIELD
SLOUGH-WINDSOR
SOUTHAMPTON
STUTTGART

Middle East

ABU DHABI (3)
DOHA
DUBAI (3)
KUWAIT
SHARJAH
SHARM EL SHEIKH (2)

Asia

BANGKOK
BEIJING
CHENGDU
HONG KONG (2)
JAKARTA
KUALA LUMPUR
MANILA
PENANG
PHUKET
QINGDAO
SEOUL
SHANGHAI
SINGAPORE (6)
TAIPEI
WUXI
XIAMEN

Australasia

AUCKLAND (3)
BAY OF ISLANDS (2)
CHRISTCHURCH (4)
HOKIANGA
MARLBOROUGH
MASTERTON
NEW PLYMOUTH
QUEENSTOWN (3)
ROTORUA (2)
TAUPO (2)
WELLINGTON (3)
OTHER KINGSGATE HOTELS (9)

† The 112 hotels comprise 97 hotels that are open as at 31 December 2007 and a further 15 that are due to open under one of the Group's brands and excludes the Novotel Clarke Quay, Singapore and the Rendezvous Hotel Auckland, New Zealand which are owned by CDL Hospitality Trusts ("CDLHT"), but not operated by the Group.

Grand Millennium Beijing
CHINA

Grand Millennium Sukhumvit Bangkok
THAILAND

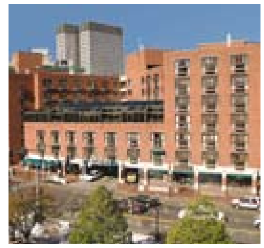
Grand Millennium Kuala Lumpur
MALAYSIA

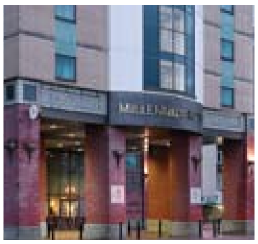
ASIA

USA

Millennium Oy Oun Hotel, Sharm el Sheikh
EGYPT

Millennium Bostonian Hotel Boston
UNITED STATES





Millennium Hotel at Chelsea Football Club
UNITED KINGDOM

Millennium Broadway Hotel New York
UNITED STATES

Millennium Gloucester Hotel & Conference Centre London Kensington
UNITED KINGDOM

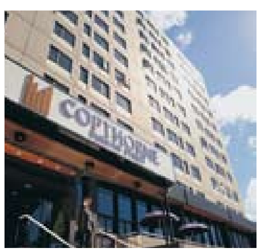
Millennium Hotel St. Louis
UNITED STATES

Millennium Hotel Paris Opéra
FRANCE

Millennium Biltmore Hotel Los Angeles
UNITED STATES

EUROPE & MIDDLE EAST

Copthorne Hotel Auckland Anzac Avenue
NEW ZEALAND



Copthorne Hotel Christchurch Durham Street
NEW ZEALAND

Millennium Hotel Queenstown
NEW ZEALAND

AUSTRALASIA

Chairman's Statement

"THE FOURTH CONSECUTIVE YEAR OF ENCOURAGING REVENUE AND PROFIT GROWTH. THE 5-YEAR COMPOUND ANNUAL GROWTH RATE OF PROFIT BEFORE TAX IS 21.4%"

Our 2007 results are in line with market expectations and mark the fourth consecutive year of encouraging revenue and profit growth. The 5-year compound annual growth rate of profit before tax is 21.4%. The quality and location of our hotels in gateway cities including London, New York and Singapore have been key to the overall strong performance and are expected to be the cornerstone of our continuing success.

The Group's hotel operations have increased operating profit by a compound annual growth rate of 21.2% since 2003 while the margin has increased from 13.0% to 21.6%. This reflects the benefits of driving average rate and maintaining a tight control on costs.

The Group's blueprint business strategy (developed in direct response to the world-wide downturn in the hospitality industry of 2003) has proved successful. It was adopted by the Board in 2004, updated in 2006 and has been used by the management to deliver consistent year-on-year growth, reaching yet another record in 2007. We expect it to serve as the foundation for the Group's future growth.

The current economic environment will provide opportunities for expansion. Our business strategy has delivered a robust balance sheet, a strong asset position, low debt and impressive cash generation capability. We are thus ideally positioned to capitalise swiftly on promising new opportunities.

Financial Performance

Profit before tax was £157.4m (2006: £130.2m) and basic earnings per share increased by 47.0% to 50.7p while headline earnings per share at 32.2p showed a 47.7% increase on the previous year (2006: 21.8p). Headline profit before tax rose to £118.3m, an increase of 25.3% over 2006.

Group RevPAR increased by 9.7% based on constant currency terms with double digit year-on-year growth in London, New York and Singapore.

Dividend

The Board is recommending a final dividend of 10.42p per share which together with the interim dividend of 2.08p per share (2006: 2.08p), will bring the total dividend for 2007 to 12.50p. This is an increase of 47.1% over the 8.50p for 2006 (excluding a 4.00p special dividend). As before, the dividend is based on the growth of profit before tax balanced against the Group's future operating needs and investment potential in the current environment as outlined further in the Looking Forward section.

Management Structures and Systems

These excellent results we have published are a reflection of the successful implementation of the business blueprint which we developed in 2004, fine tuned and updated in 2006. These results also reflect the strength of the Millennium & Copthorne team rather than reliance on any one individual.

One consequence of this blueprint is that we have not been affected by the departure of some of our senior management team in the past six months. A committed management team and close adherence to the business blueprint, under the guidance of the Board has contributed to the continuing growth and success of the Group. Our strong management team supported by effective teamwork has enabled us to steer a steady course and has kept us positive and in the right direction.

Mr Wong's comprehensive review of the management structures and systems has just been completed and is now being considered by the Board. Meanwhile, we are continuing to improve and streamline management and systems in sales and marketing, cost management, capital expenditure and will benefit from any associated return on investment.

On the human resources planning front, our emphasis will be to identify candidates with commitment to drive forward initiatives, facilitated by the underlying management systems so as to give the Group long term competitiveness as an owner and operator of assets.

Non-Executive Appointments and Retirement

In December 2007, we welcomed Connal Rankin to the Board as an independent non-executive Director. Connal's experience during his past 45 years with the HSBC Group is invaluable, particularly his expertise in the human resources field.

Simultaneously, John Sclater retired from the Board after more than ten years of loyal service. John joined the Group immediately prior to its flotation in 1996. The Board wish him every success and happiness in the future.

Key Operational Highlights

Our hotel in Kuala Lumpur, Malaysia has been rebranded as a Grand Millennium Hotel following an extensive refurbishment programme last year. Our hotel in Oriental Bay Wellington, New Zealand, has also been rebranded, from a Kingsgate to a Copthorne Hotel.

Also in 2007 we opened the Grand Millennium Sukhumvit, a 325-room hotel in Bangkok, through our 50% owned joint venture. The three other hotels that we opened in 2007 are in Doha (Qatar), Sharm el Sheikh (Egypt) and Phuket (Thailand).

The Group made its first foray into China in 2006 with the management contract for the Millennium Hongqiao Hotel in Shanghai. 2008 will mark the opening of the Grand Millennium Beijing, a 521-room 27-storey hotel located in the heart of Beijing's financial and business district ahead of the Beijing Olympics in August. A further two hotels operating under management contracts will also open in China during 2008 in Chengdu and Wuxi. Further hotel openings are scheduled elsewhere for 2008 in Abu Dhabi, Dubai, Kuwait, Sharm el Sheikh (Egypt) and Sheffield (UK).

The total number of management contracts increased to 23 in 2007 from 21 in 2006.

CDL Hospitality Trusts ("CDLHT"), our 38.5% owned REIT associate, has made its second acquisition since its flotation in 2006, being the Novotel Clarke Quay Hotel in Singapore, purchased in June 2007 for S$219.6m (£71.4m) bringing its total portfolio of hotels to six.

We continue to evaluate our portfolio for improvement in order to remain competitive.

Looking Forward

In the first four weeks of trading this year, the performance is in line with our expectations with RevPAR growth of 11.0%. Given the current turmoil in the financial markets, we are cautiously optimistic that we will continue to deliver positive results drawing on our past experiences of weathering all kinds of storms.

Asia will continue to be a key region of the Group's future development plans for 2008, as demand for hotel accommodation there is expected to rise. The region performed strongly in 2007 contributing 29.5% of the Group's 2007 revenue and 55.0% to the Group's 2007 operating profit before central costs respectively.

The construction of our 370-room limited-service hotel in Singapore remains on target with an opening expected in the first half of 2009. In view of the acute shortage of hotel rooms in Singapore, this new hotel is expected to bring significant benefits to the Group.

The Board deliberated on the appointment of a CEO. In the process of its deliberations, the Board has decided to take a step back and determine what qualities we require in a CEO after we finalised the management structure. In the meantime, the interim CEO Wong Hong Ren will continue to lead our business.

While it is too early to assess the repercussions of the slowdown in the US economy, the current credit-crunch and its impact on the global economy, my fellow Board members and I are cautiously optimistic that the current environment will remain favourable to companies with strong balance sheets and low gearing.

Finally I would like to thank all our staff for their sterling efforts in 2007 and to express my sincere gratitude, as always, to our shareholders, for demonstrating their confidence in the Group, for remaining committed to our future, and for their firm belief in our ability to deliver further good results for 2008 and beyond.

Kwek Leng Beng
CHAIRMAN
19 February 2008

Business Review | Financial

The business review describes the main trends and factors underlying the development, performance and position of the Group during the year ended 31 December 2007 as well as those likely to affect the Group's future development, performance and position.

The business review is divided into the following sections:
– Financial
– Operating
– Risk Factors
– Non-GAAP Information

The Group's principal operations are providing hotel rooms to guests in the following five regions: The Americas, Europe, Middle East, Asia and Australasia.

The Group owns, operates, manages and franchises hotels with significant operations in London, New York and Singapore. In addition, the Group's property expertise allows it to manage its real estate assets actively and to unlock long term value to ensure superior value creation over time.

The Group operates under four brands: Grand Millennium, Millennium, Copthorne and Kingsgate. The Grand Millennium brand was launched during 2007 in Kuala Lumpur, Malaysia and Bangkok, Thailand. The Kingsgate brand is mainly used in New Zealand.

FINANCIAL REVIEW

Introduction

The following review is based on the Group Financial Statements included elsewhere in this Annual Report.

The Group Financial Statements are prepared under IFRS. This review also makes reference to Non-GAAP figures. Reconciliations to GAAP figures are given.

The Group faces a number of significant risks that may impact on its future performance and activities which are highlighted in the "Risk Factors" section.

Foreign currency translation

The Company publishes its Group Financial Statements in pounds sterling. However, the majority of the Company's subsidiaries, joint ventures and associates report their revenue, costs, assets and liabilities in currencies other than pounds sterling and the Company translates the revenue, costs, assets and liabilities of those subsidiaries, joint ventures and associates into pounds sterling versus other currencies which could materially affect the amount of these items in the Group Financial Statements, even if their value has not changed in their original currency. The following table sets out the pounds sterling exchange rates of the other principal currencies in the Group.

	At 31 December	
Currency (=£)	**2007**	2006
Singapore dollar	**2.882**	3.007
US dollar	**1.985**	1.957
New Zealand dollar	**2.577**	2.782
Australian dollar	**2.270**	2.491
New Taiwan dollar	**65.351**	64.876
Korean won	**1,859.355**	1,816.918

	Average for year ended 31 December	
Currency (=£)	**2007**	2006
Singapore dollar	**3.010**	2.925
US dollar	**1.998**	1.837
New Zealand dollar	**2.711**	2.817
Australian dollar	**2.394**	2.442
New Taiwan dollar	**66.455**	60.687
Korean won	**1,854.837**	1,754.709

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represents a significant portion of the asset base of the Group and hence assumptions made to determine carrying value and related depreciation are critical to the Group's financial performance. Land and buildings are stated at cost or deemed cost less depreciation and any provision for impairment. The assessment for impairment requires the Group to make certain judgements, including property valuations and future cash flows from its respective properties. A review of impairment of property, plant and equipment is made whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable.

TAXATION

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profit and loss and/or cash flow variances. The geographical complexity of the Group's structure makes the degree of estimation and judgement more challenging.

The resolution of issues is not always within the control of the Group and it is often dependent on the efficacy of the legal processes in the relevant tax jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the tax charge in the income statement and tax payments.

Business Review | Financial

KEY PERFORMANCE INDICATORS

The Board monitors the Group's performance on a regular basis. Performance is assessed against budgets and forecasts using financial and non-financial measures.

The following sets out certain of the most significant Key Performance Indicators (KPIs) used by the Group, their purpose, the basis of calculation and source of underlying data.

The Group uses a number of primary measures to assess its performance. A number of these measures at Group level are presented on a like-for-like basis which provides an assessment of the underlying growth excluding the impact of business acquisitions and disposals and changes in exchange rates. Financial measures presented on a like-for-like-basis are Non-GAAP financial measures. For more information on these measures and the basis of calculation see "Non-GAAP Information" on page 36.

Revenue

Revenue and its growth for the Group, and its principal markets, covering 2007 and 2006 financial years, is provided in the section headed "Operating Review".

Headline operating profit

Headline operating profit is used by the Group for performance analysis as it represents the underlying operating profitability of the Group. The basis of calculation, along with an analysis of why the Group believes it to be a useful measure, is provided in the section titled "Non-GAAP Information" on page 36.

Headline profit before tax

Headline profit before tax is calculated as profit before income tax less other operating income (Group and share of joint ventures and associates) and impairment.

Headline earnings per share

Headline earnings per share is calculated as basic earnings per share before other operating income (Group and share of joint venture and associates), impairment (net of tax) and effect of changes in UK tax legislation to remove claw back on hotel allowances. Details of excluded items are disclosed in note 7 to the Consolidated Financial Statements and in the business review on page 26.

Hotel operating profit – profit derived from hotel operations excluding related central/regional costs, other operating income and impairment, and share of results of joint ventures and associates.

Revenue based measures

Management believes that revenue based measures provide useful information for investors regarding trends in customer revenue derived from room sales and the occupancy percentage.

The data used to calculate these KPIs is derived from a number of sources. Room revenue, average room rates and occupancy are derived from hotel property management systems.

Occupancy % – rooms occupied by hotel guests, expressed as a percentage of rooms that are available.

Average Room Rate – room revenue divided by the number of room nights sold.

RevPAR – average room rate multiplied by occupancy percentage (also obtained by dividing room revenue by the number of available room nights).

GROUP OVERVIEW

	2007 £m	2006 £m
Summary results		
Revenue		
New York	**106.5**	103.1
Regional US	**112.0**	117.0
London	**92.0**	84.2
Rest of Europe	**98.0**	96.8
Asia	**196.0**	175.1
Australasia	**45.2**	44.9
Total hotels	**649.7**	621.1
Property operations	**19.9**	25.2
Total revenue	**669.6**	646.3
Hotel operating profit		
New York	**27.6**	22.6
Regional US	**9.4**	9.2
London	**33.7**	26.3
Rest of Europe	**15.0**	12.3
Asia	**46.7**	39.6
Australasia	**8.1**	10.3
Total hotel operating profit	**140.5**	120.3
Property operations – excluding write-down of development property	**8.6**	8.8
Property operations – write-down of development property	**(9.6)**	–
Central costs	**(19.4)**	(18.2)
Share of associates and joint ventures operating profit	**20.1**	13.8
Headline operating profit	**140.2**	124.7
Other operating income	**13.8**	21.6
Impairment	**(7.0)**	(3.5)
Share of associates and joint ventures other operating income	**32.3**	17.7
Share of associates and joint ventures interest, tax and minority interests	**(7.8)**	(6.3)
Operating profit	**171.5**	154.2
Net finance expense	**(14.1)**	(24.0)
Profit before tax	**157.4**	130.2
Income tax credit/(expense)	**2.1**	(22.1)
Profit for the year	**159.5**	108.1
Basic earnings per share	**50.7p**	34.5p
Headline earnings per share	**32.2p**	21.8p

SUMMARY RESULTS

Profit before tax increased by 20.9% to £157.4m as compared with £130.2m for 2006. Headline profit before tax, the Group's measure of underlying profit before tax, increased by 25.3% from £94.4m to £118.3m. Basic earnings per share were 50.7p up 47.0% (2006: 34.5p) with headline earnings per share at 32.2p showing a 47.7% increase on the prior year (2006: 21.8p).

REVENUE

Group reported revenue was £669.6m or 3.6% higher than the 2006 revenue of £646.3m. The net effect of exchange movements during the year was to decrease reported revenue by £24.3m, mainly driven by a weakening in the US dollar and the Singapore dollar. The Group benefited from a full year's trading of CDLHT and The Grand Copthorne Waterfront Hotel Singapore ("GCW") in 2007, compared to the five and a half months' trading post flotation impacting 2006.

Organic business revenue grew by £47.6m or 7.7%, with growth in all regions except Australasia where hotel revenue marginally declined as a result of partial closure of properties for refurbishment and the reduced level of sales of Zenith apartments in Sydney through a weakening real estate market. Strong demand in the Group's three key markets of London, New York and Singapore continues to be the key driver of performance.

HEADLINE OPERATING PROFIT

Headline operating profit is the Group's measure of the underlying profit before interest and tax. It includes the operating results of joint ventures and associates but excludes other operating income (of Group and share of joint ventures and associates) and impairment.

Headline operating profit for the year grew by 12.4% from £124.7m to £140.2m. Reconciliation between profit before tax, headline profit before tax and headline operating profit is shown below:

	2007 £m	2006 £m
Profit before tax	**157.4**	130.2
Adjusted to exclude:		
Other operating income	**(13.8)**	(21.6)
Fair value adjustments of investment property	**(8.7)**	(4.9)
Business interruption insurance proceeds	**–**	(5.5)
Net gain on disposal of property – sale and leaseback of three Singapore hotels	**(1.4)**	(10.1)
– other	**–**	(1.1)
Gain on dilution of investment in CDLHT	**(2.0)**	–
Profit on disposal of stapled securities in CDLHT	**(0.7)**	–
Release of property tax provision set aside on acquisition of Regal Hotels in 1999	**(1.0)**	–
Share of an associate's (CDLHT) fair value adjustments to investment properties	**(32.3)**	(17.7)
Impairment	**7.0**	3.5
Headline profit before tax	**118.3**	94.4
Add back:		
Share of results of joint ventures and associates – interest	**3.2**	1.4
– taxation	**1.4**	1.8
– minority interests	**3.2**	3.1
Net finance expense	**14.1**	24.0
Headline operating profit	**140.2**	124.7

PROFIT FROM OPERATIONS

Consistent with the impact on revenue, currency movements had a £4.6m (3.7%) negative impact on the headline profit from operations. Headline operating profit also benefited from the additional six and a half months' of CDLHT and GCW trading. After allowing for these two items, headline operating profit for organic business grew by £27.3m (21.9%) with strong performances in London, New York and Singapore.

Operating profit at £171.5m was up £17.3m (11.2%) compared with 2006. This was principally driven by the same factors that affected headline operating profit. Net finance costs reduced by £9.9m principally from lower average net debt during the year and as a result, reported profit before tax increased by £27.2m (20.9%) to £157.4m.

Sunnyvale – The Group formerly operated a hotel on the Sunnyvale site in California, US and a decision to redevelop into a new hotel and residential apartments led to the closure of the hotel operations in early 2006 and its demolition thereafter in preparation for site redevelopment. A limited amount of development work has been carried out to-date. The Group's accounting policy is to carry development properties at the lower of cost or net realisable value. An external independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of the property, prepared a report on the property's value in order to provide the Group Directors with an independent perspective to their assessment of the property's value. With uncertainties in the US property market, the Directors now consider the property's net realisable value to be £15.5m and this resulted in a write-down of £9.6m to the carrying value of this property.

SHARE OF PROFIT IN JOINT VENTURES AND ASSOCIATES

In 2007 the Group's share of profit of joint ventures and associates including share of other operating income and net of interest, tax and minority interests, increased by 77.0% to £44.6m from £25.2m in 2006 with CDLHT being the largest contributor to the Group's share of 2007 results and the year-on-year increase. The Group has a 38.5% interest in CDLHT as at 31 December 2007 (2006: 39.3%). The Group's share of the 2007 results of CDLHT compared to those of 2006 was boosted by CDLHT's acquisition of the Rendezvous Hotel Auckland, New Zealand in late 2006 and that of the Novotel

Clarke Quay Singapore in June 2007. In addition it should be noted that the Group only recorded its share of results on CDLHT for five and a half months in its 2006 results as the investment was subscribed for on 19 July 2006, when CDLHT listed on the Singapore Exchange Securities Trading Limited. Of the total £19.4m year-on-year increase, £14.6m was attributable to the Group's share of the incremental uplift in property values over that recorded in 2006 – this reflects the burgeoning property market in Singapore where the majority of CDHLT's property portfolio is based.

OTHER OPERATING INCOME

Other operating income of £13.8m (2006: £21.6m) consists of:

- Revaluation of investment property relates to two properties. The Tanglin Shopping Centre (Singapore) recorded an uplift in value of £8.7m (2006: £2.6m) and the Biltmore Court and Tower (Los Angeles) recorded an uplift in value of £nil (2006: £2.3m).

- Business interruption insurance proceeds for 2006 related to a full and final settlement of matters with our insurer over claims for the Group's hotel properties in the Americas resulting from the terrorist attack on the World Trade Centre on 11 September 2001.

- In 2006 the Group sold three of its Singapore hotels on a sale and leaseback arrangement to CDLHT and recorded a profit of £10.1m. The additional £1.4m profit arising in 2007 on that transaction was as a result of writing-back accruals that are no longer required on capital expenditure relating to those assets.

- The £2.0m dilution gain arising on the investment in CDLHT followed the Group's subscription to a rights issue of stapled securities at a discount together with the non-participation in a S$32.8m (£10.6m) private placement issue, the effect of which marginally diluted the Group's interest in CDLHT which at 31 December 2007 was 38.5%.

- The Group sold a small number of stapled securities in CDLHT that gave rise to a £0.7m gain (2006: £nil).

- Following protracted negotiations, a £1.0m property tax accrual in the US set aside on the acquisition of Regal Hotels in 1999 was released in 2007.

IMPAIRMENT

The Directors undertook an annual review of carrying value of hotel and property assets for indications of impairment and where appropriate external valuations were also undertaken. An impairment charge of £7.0m (2006: £3.5m) has been recorded and principally relates to two hotels in the United States.

NET FINANCE EXPENSE

The net finance expense of £14.1m was £9.9m lower than that of 2006. The interest cover ratio, excluding share of results of joint ventures and associates, other operating income and impairment improved from 4.6 times in 2006 to 8.5 times in 2007. The reduction in net finance expense principally reflects both lower average net debt during the year and lower cost of debt.

TAXATION

The Group tax credit excluding the tax relating to joint ventures and associates is £2.1m (2006: a tax expense of £22.1m), giving an effective rate of (1.9%) (2006: 21.1%). The table below details major adjustments affecting the tax credit.

	2007			2006		
	Profit £m	**Tax impact £m**	**Effective rate %**	Profit £m	Tax impact £m	Effective rate %
Profit before tax as reported	**157.4**			130.2		
Less share of joint ventures and associates as reported	**(44.6)**			(25.2)		
	112.8	**28.2**	**25.0%**	105.0	27.4	26.1%
Effect of change in tax rate on opening deferred tax		**(3.9)**	**(3.5%)**		0.3	0.3%
Change in UK tax legislation on hotel tax allowances		**(12.9)**	**(11.4%)**		–	–
Other adjustments relating to prior years		**(13.5)**	**(12.0%)**		(5.6)	(5.3%)
Reported profit before tax excluding share of joint ventures and associates, tax impact and effective rate	**112.8**	**(2.1)**	**(1.9%)**	105.0	22.1	21.1%

Major adjustment factors affecting the 2007 total tax credit:

Effect of change in tax rates

The credit relates to UK (£3.2m), New Zealand (£0.5m) and (£0.1m) each for Malaysia and Singapore.

Impact of change in UK tax legislation

The tax base of UK hotel building assets has been reinstated to incorporate their original cost, which is available to reduce capital gains tax on potential future disposals. This resulted in an overall estimated increase in the brought forward tax base of £14.5m. Of this total, £12.9m has been recognised in the income statement and £1.6m has been recognised directly in equity. The latter being in proportion to the amount of the total brought forward UK tax liability that had previously been recognised through revaluation reserve.

Adjustments in respect of prior years
The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profit and loss and/or cash flow variances. The geographical complexity of the Group's structure makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and it is often dependent on the efficacy of the legal processes in the relevant tax jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. It is not anticipated that the amount of release in the future will be at the 2007 level.

EARNINGS PER SHARE
Basic earnings per share grew by 16.2p to 50.7p (2006: 34.5p). Headline earnings per share rose from 21.8p per share in 2006 to 32.2p per share in 2007, a 47.7% increase. The table below reconciles basic earnings per share to headline earnings per share.

	2007 pence	2006 pence
Reported basic earnings per share	**50.7**	34.5
Other operating income		
– Group	**(4.7)**	(7.5)
– Share of joint ventures and associates	**(11.0)**	(6.1)
Impairment	**2.4**	1.2
Tax effect on the above	**(0.8)**	(0.3)
Change in UK tax legislation on hotel tax allowances	**(4.4)**	–
Headline earnings per share	**32.2**	21.8

DIVIDENDS
The Group is recommending a final dividend of 10.42p per share which together with the interim dividend of 2.08p (2006: 2.08p), will bring the total dividend for 2007 to 12.50p. This is an increase of 47.1% over the 8.50p for 2006 (excluding a 4.00p special dividend). This dividend for 2007 is covered 4.1 times by earnings (2006: 2.8 times). Subject to approval by shareholders at the annual general meeting to be held on 7 May 2008, the final dividend will be paid on 16 May 2008 to shareholders on the register on 25 March 2008. The ex-dividend date of the Company's shares is 19 March 2008.

FINANCIAL POSITION AND RESOURCES
Balance Sheet

	2007 £m	2006 £m	Change £m
Property, plant, equipment and lease premium prepayment	**1,799.0**	1,774.5	24.5
Investment properties	**58.2**	49.6	8.6
Investments in and loans to joint ventures and associates	**253.0**	142.0	111.0
Other non-current assets	**4.8**	4.5	0.3
Non-current assets	**2,115.0**	1,970.6	144.4
Current assets excluding cash	**142.9**	138.2	4.7
Net debt	**(262.1)**	(260.4)	(1.7)
Deferred tax liabilities	**(205.8)**	(224.6)	18.8
Provisions and other liabilities	**(236.3)**	(231.7)	(4.6)
Net assets	**1,553.7**	1,392.1	161.6
Equity attributable to equity holders of the parent	**1,423.5**	1,269.1	154.4
Minority interest	**130.2**	123.0	7.2
Total equity	**1,553.7**	1,392.1	161.6

Non-current assets
Property, plant, equipment and lease premium prepayment
Property, plant, equipment and lease premium prepayment increased by £24.5m. The main contributor to this increase was the £16.5m purchase of the 99-year leasehold land on which a proposed 370-room hotel in Singapore is being constructed. The Group also invested £39.7m of capital expenditure to improve its hotel portfolio, which was offset by £28.7m of depreciation and amortisation.

The Group states land and building at depreciated deemed cost, being their UK GAAP carrying value, including revaluations as at 1 January 2004 together with additions thereafter less subsequent depreciation or provision for impairment. External professional open market valuations on certain of the Group's hotel portfolio have taken place at 31 December in each of the years 2005, 2006 and 2007 covering the entire Group's hotel portfolio over this three year period. Valuation surpluses have not been recorded in the accounts. Based on external valuations conducted at 31 December 2007 on 29% (based on net book value) of the Group's hotel portfolio, a valuation surplus of £215.2m is estimated but this has not been recorded in the accounts.

The Group undertakes an annual review of the carrying value of hotel and property assets for indications of impairment. An impairment charge of £7.0m (2006: £3.5m) has been recorded in the year and principally relates to two hotels in the United States.

Investments in and loans to joint ventures and associates

The increase in investments in and loans to joint ventures and associates of £111.0m principally comprises an additional investment in CDLHT of £33.3m from the Group's participation in its rights issue during the year, and other new investments made, namely, in First Sponsor Capital Limited of £16.5m, a 35% owned associate of the Group and Beijing Fortune Hotel Company Limited of £9.9m, a 30%-owned joint venture. In addition, the increase is also attributable to the share of profit for the year of £44.6m which includes a £32.3m share of CDLHT's revaluation uplift on its investment properties.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow and net debt

In total the Group invested £56.8m in its properties with £40.3m on the Group's refurbishment of hotels and £16.5m on acquiring the land for a proposed 370-room hotel in Singapore. At 31 December 2007, the Group's net debt was £1.7m higher than 2006 at £262.1m (2006: £260.4m). The factors contributing to this increase are shown in the table below.

	2007 £m	2006 £m
Cash flows from operating activities before changes in working capital, provisions, interest and tax	**159.2**	151.5
Changes in working capital and provisions	**1.0**	(7.0)
Interest and tax	**(32.0)**	(37.4)
Acquisition of property, plant and equipment	**(56.8)**	(34.6)
Proceeds from sale of property, plant and equipment	**0.3**	123.3
Proceeds from pre-paid land lease	**–**	87.5
Free cash flow	**71.7**	283.3
Investment in joint ventures and associates	**(59.6)**	(81.3)
Increase in loan to joint venture	**(0.6)**	–
Proceeds from disposal of joint venture	**–**	4.0
Dividends received from associates	**6.6**	–
Dividends paid – to equity holders of the parent	**(10.5)**	(9.1)
– to minority interests	**(2.2)**	(2.2)
Share buy back of minority interests	**(10.0)**	–
Other movements	**2.9**	25.3
(Increase)/decrease in net debt	**(1.7)**	220.0
Opening net debt	**(260.4)**	(480.4)
Closing net debt	**(262.1)**	(260.4)

Free cash flow is defined as the net increase in cash and cash equivalents less flows from financing activities and flows from the acquisitions or disposal of subsidiaries/operations, joint ventures or associates. It is a Non-GAAP measure since it is not defined under IFRS, but is used by management in order to assess operational performance. A reconciliation of net cash flow from operating activities, the closest equivalent GAAP measure, to free cash flow is provided below:

	2007 £m	2006 £m
Net cash from operating activities	**128.2**	107.1
Proceeds from sale of property, plant and equipment	**0.3**	123.3
Proceeds from pre-paid land lease	**–**	87.5
Acquisition of property, plant and equipment	**(56.8)**	(34.6)
Free cash flow	**71.7**	283.3

Financial structure

Interest cover ratio, excluding share of results of joint ventures and associates, other operating income and impairment improved from 4.6 times in 2006 to 8.5 times in 2007. This reflects higher earnings and lower interest costs due to lower average debt and lower interest rates.

While the Group may have a relatively low financial gearing, it has additional operational gearing requirements through exposure to its development pipeline, in particular those relating to the Grand Millennium Beijing and Sunnyvale. Developments tend to provide a greater percentage valuation change than conventional properties, with this being magnified by any change in yields or in occupier demand. Developments also carry a higher risk around timing, cost to completion and subsequent sale or letting.

On the basis of the interest cover and capacity to finance growth with £141.0m of undrawn and committed facilities available, the Group expects to be able to absorb an increase in gearing from its current position. The Group also has £19.0m of uncommitted facilities.

A committed revolving credit facility as part of the funding structure provides the Group with the financial flexibility to draw and repay loans at will, and to react swiftly to investment opportunities. The net book value of the Group's unencumbered properties as at 31 December 2007 was £1,611.9m (2006: £1,133.9m).

As at 31 December 2007 total borrowings amounted to £418.4m, of which £59.1m was drawn under £72.9m of secured bank facilities.

Hedging

The Group uses derivative products to manage its interest rate exposure and has a policy of hedging transaction exposure through approved counterparties within designated limits, using short term forward contracts to buy or sell the currency concerned, once the timing and the underlying amount of the exposure has been determined.

Future funding

With the Group's modest gearing levels and interest cover, £141.0m of undrawn and committed facilities and demonstrable ability to unlock property values, the Group is confident that it will be able to finance its planned capital commitments.

Treasury risk management

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 at each Board meeting. The Group's treasury policies are set out in Note 18.

PENSION PLANS

The Group's major defined benefit plans are those operated in the UK, Korea and Taiwan and the net defined balance sheet liability on them decreased in the year by £2.1m to £12.9m. The UK plan is closed to new entrants and the Group has agreed to make an enhanced contribution to address its deficit. This enhanced contribution rate commenced from April 2006.

Business Review | Operating

PERFORMANCE BY REGION

For comparability, the following regional review is based on calculations in constant currency whereby 31 December 2006 average room rate, RevPAR, revenue, gross operating profit and headline operating profit have been translated at 2007 average exchange rates.

UNITED STATES

New York

Revenue growth in New York was 12.3% benefiting from high demand throughout the year which has allowed the emphasis to remain on rate, although there was also occupancy growth in the Millennium UN Plaza Hotel. At constant rates of exchange, average rates increased by 14.0% to £150.20 (2006: £131.79). Combined with a marginal overall increase in occupancy, the net result was a 14.1% increase in RevPAR to £130.07 (2006: £114.00). This was the highest RevPAR growth of our six main geographic segments for the year. The resultant impact of this was to drive operating profit margins up 2.9 percentage points to 40.6% (2006: 37.7%).

Headline operating profit was 30.8% higher, reflecting strong profit conversion on the incremental revenue growth.

Regional US

Regional US operating results were impacted by a £9.6m write-down of the Sunnyvale development property as discussed in the business review on page 24.

RevPAR increased by 5.9% to £33.64 (2006: £31.77). This was driven by a 7.2% increase in average room rates to £50.59 (2006: £47.20) offset by a 0.8 percentage points fall in occupancy to 66.5% (2006: 67.3%). The top four Millennium properties had RevPAR growth of between 9.4% and 18.0% with all of these properties managing to increase occupancy in addition to rate. Growth was almost universal throughout the region, although there was variation between properties.

In January 2008, the Group commenced a combined US$50.0m (£25.1m) renovation project at the Millennium Bostonian in Boston and the Millennium Knickerbocker in Chicago to completely transform both hotels to bring a stylish, high quality upscale look to both properties.

EUROPE

London

Growth in London revenue was 9.3%, fuelled on the back of strong demand and the Group policy to seek aggressive average rate increases. Incremental conversion was 95%.

RevPAR increased by 10.4% to £82.23 (2006: £74.50) as a result of strong rate growth. Average rates improved by 13.6% to £97.31 (2006: £85.63) with an overall 2.5 percentage point fall in occupancy to 84.5%. The Millennium Gloucester Hotel & Conference Centre London Kensington, on the back of a 142-room refurbishment in the first four months of 2006, produced a RevPAR growth of 13.7% which was the highest of our London properties.

Rest of Europe

Revenue growth of 1.0% in the region was disappointing for a variety of reasons as referred to below but with continued focus on cost efficiency, operating profit growth of £2.7m or 22.0%, outstripped that of revenue. RevPAR increased by 2.7% to £53.57 (2006: £52.17) driven by rate growth of 3.9% from £71.18 to £73.99 with a fall in occupancy to 72.4% (2006: 73.3%).

Regional UK

RevPAR increased 5.1% to £56.67 driven by a 0.5 percentage point increase in occupancy to 77.7% (2006: 77.2%) and a 4.5% increase in rate to £72.94 (2006: £69.82). The strongest growth was in Aberdeen and Gatwick whilst our Effingham and Glasgow properties also grew RevPAR by at least 11%. Growth was not universal with three properties suffering reduced RevPAR, mainly as a result of increased competition from new properties opening in each of the respective cities.

France & Germany

Our presence in these two countries remains limited to four hotels. RevPAR fell by 1.5% to £48.65. The year started with a weak set of results in our two German properties which continued throughout the year. As a result, we have sold 4.6% fewer rooms in Germany which, when combined with a small fall in rate, has resulted in a RevPAR decrease of 8.7%. Our two French properties showed a 5.3% increase in RevPAR.

Middle East

Two new management contracts involving new build hotels were signed in the year. The hotels are due to open in 2008.

Two new properties in the Middle East region opened in the year, the Millennium Hotel Doha in Qatar, and the Millennium Oy Oun Hotel, Sharm el Sheikh in Egypt. The contract for the Coral Beach Diving Hotel in Marsa Alam in Egypt has now ended.

ASIA

Revenue growth was £30.3m or 18.1% including an incremental £11.5m from the GCW and a full year of CDLHT management fees where only the last 5.5 months were included in 2006.

Headline operating profit increased by £17.8m or 35.7% with the impact of CDLHT amounting to £2.5m. This impact consists of a number of factors, namely (i) additional profit principally from the GCW for the period January to mid July and management fees receivable for the management of CDLHT for the same period; (ii) less new rental charges for the three properties sold to and leased back from CDLHT; and (iii) share of income from our 38.5% stake in CDLHT.

A new joint venture in China and an investment in India did not have any material impact on the region's results.

RevPAR increased by 14.0% to £48.63 (2006: £42.64) driven by a 12.6% increase in average room rates to £63.08 (2006: £56.03) and 1.0 percentage point occupancy growth to 77.1%.

Singapore

The GCW has been included in the statistics for this region since July 2006 and strong growth continues in this buoyant market. On a like-for-like ("LFL") basis using full year statistics for the GCW, RevPAR increased 30.5% to £54.11 (2006: £41.47) driven by a 24.9% growth in average room rates to £61.98 (2006: £49.61). In 2007 on a LFL basis, occupancy increased by 3.7 percentage points to 87.3% (2006: 83.6%).

Rest of Asia

RevPAR figures in the rest of Asia have been impacted by the refurbishment works at the Grand Millennium Kuala Lumpur. RevPAR increased by 3.1% to £44.56 (2006: £43.24). On a LFL basis excluding the Grand Millennium Kuala Lumpur, RevPAR increased by 8.0% to £48.79 (2006: £45.19). There was positive growth in the remaining property portfolio within Asia, with credible performances in Seoul, Jakarta, Manila and Penang. The Millennium Seoul Hilton now benefits from the addition of a state run casino.

During the year the Group launched the Grand Millennium brand. The inaugural hotel for this brand was the Group's former hotel in Kuala Lumpur which, prior to launch underwent major refurbishment in its public areas and reopened as the Grand Millennium Kuala Lumpur in September. The second Grand Millennium is our new joint venture property in Thailand, the 325 room Grand Millennium Sukhumvit Bangkok which also opened in 2007. A second hotel was opened in Thailand in November 2007, being the 421 room Millennium Resort Patong, Phuket operated by the Group under a management contract.

AUSTRALASIA

In New Zealand, where we operate under the Millennium, Copthorne and Kingsgate brands, RevPAR increased by 3.0% to £29.57 (2006: £28.72). Occupancy was relatively stable at 69.3% (2006: 69.6%) and average rate increased by 3.4% to £42.67 (2006: £41.27). The Oriental Bay underwent a major refurbishment and has now been re-branded as a Copthorne. Operations at the Kingsgate Greenlane ceased when its lease expired in April 2007. A further 35 rooms were added to the Copthorne Hotel & Resort Bay of Islands.

The lease of the Copthorne Hotel Wellington Plimmer Towers expires in April 2008. As part of the lease, the Group has had to accrue for restoration costs and these amounted to £1.7m and have reduced the hotel's operating profit accordingly.

Amongst the Group's managed and franchised properties, it franchised two new hotels and acquired one new management contract whilst it lost one franchise which changed ownership. The Group now has three managed and eleven franchised properties in the region.

In Sydney, seven Zenith apartments were sold during the year for a profit of £0.7m (2006: £3.3m). The real estate market has softened in the past year and the remaining properties are not currently being marketed actively. The shortfall in profits from Zenith was mostly offset by the Group's land development operations in New Zealand.

Hotels

	Year ended		Quarter ended				Quarter ended			
	31 Dec 2007	31 Dec 2006	31 Mar 2007	30 Jun 2007	30 Sep 2007	31 Dec 2007	31 Mar 2006	30 Jun 2006	30 Sep 2006	31 Dec 2006
Hotel revenue (£m):										
New York	106.5	103.1	21.4	27.6	25.5	32.0	21.4	27.6	24.0	30.1
Regional US	112.0	117.0	23.5	30.4	30.7	27.4	25.5	31.8	31.6	28.1
London	92.0	84.2	20.5	23.4	22.7	25.4	18.0	21.2	21.6	23.4
Rest of Europe	98.0	96.8	23.4	24.0	23.0	27.6	23.4	24.5	22.9	26.0
Asia	196.0	175.1	45.3	48.9	47.0	54.8	40.0	41.8	43.1	50.2
Australasia	45.2	44.9	13.4	9.3	9.9	12.6	13.8	9.3	9.6	12.2
	649.7	621.1	147.5	163.6	158.8	179.8	142.1	156.2	152.8	170.0
Hotel operating profit (£m):										
New York	27.6	22.6	2.7	8.0	5.8	11.1	1.0	5.8	3.1	12.7
Regional US	9.4	9.2	(1.1)	4.3	4.7	1.5	(1.3)	4.2	4.5	1.8
London	33.7	26.3	4.7	8.5	8.9	11.6	4.3	6.6	7.5	7.9
Rest of Europe	15.0	12.3	3.0	3.0	3.5	5.5	2.2	3.8	3.1	3.2
Asia	46.7	39.6	8.4	12.1	10.3	15.9	7.8	10.5	8.5	12.8
Australasia	8.1	10.3	4.1	1.2	1.6	1.2	4.1	1.2	1.3	3.7
	140.5	120.3	21.8	37.1	34.8	46.8	18.1	32.1	28.0	42.1
Occupancy %:										
New York	86.6	86.5	78.1	89.2	90.4	88.8	80.8	90.8	87.1	87.3
Regional US	66.5	67.3	60.2	70.6	74.5	60.7	61.3	70.2	74.9	62.7
London	84.5	87.0	82.3	85.9	87.7	82.2	82.0	88.0	92.6	85.4
Rest of Europe	72.4	73.3	70.9	72.7	73.5	72.6	70.4	75.5	74.8	72.3
Asia	77.1	76.1	75.3	76.2	77.4	79.4	72.9	73.8	78.8	78.4
Australasia	69.3	69.6	81.2	58.7	63.9	72.7	81.2	61.3	62.1	73.9
	74.1	74.4	72.3	74.1	76.6	73.5	72.1	74.3	77.1	74.1
Average Room Rate (£):										
New York	150.20	143.34	131.43	148.29	143.64	174.91	127.99	142.73	136.68	164.48
Regional US	50.59	51.33	46.45	52.49	52.03	50.65	48.62	53.62	52.20	50.36
London	97.31	85.63	87.66	98.34	97.60	105.38	75.90	85.68	87.57	92.61
Rest of Europe	73.99	71.05	71.54	75.03	72.38	76.93	70.54	73.12	68.77	71.76
Asia	63.08	59.07	58.95	64.95	61.45	66.72	58.90	62.80	56.73	58.36
Australasia	42.67	39.72	42.57	40.65	41.37	45.57	44.23	36.44	36.64	40.15
	71.74	67.92	65.29	73.12	70.92	77.48	64.45	70.15	66.48	70.48
RevPAR (£):										
New York	130.07	123.99	102.65	132.27	129.85	155.32	103.42	129.60	119.05	143.59
Regional US	33.64	34.55	27.96	37.06	38.76	30.74	29.80	37.64	39.10	31.58
London	82.23	74.50	72.14	84.47	85.60	86.62	62.24	75.40	81.09	79.09
Rest of Europe	53.57	52.08	50.72	54.55	53.20	55.85	49.66	55.21	51.44	51.88
Asia	48.63	44.95	44.39	49.49	47.56	52.98	42.94	46.35	44.70	45.75
Australasia	29.57	27.65	34.57	23.86	26.44	33.13	35.91	22.34	22.75	29.67
	53.16	50.53	47.20	54.18	54.32	56.95	46.47	52.12	51.26	52.23

The table above is calculated on reported currency values.

HOTEL ROOM COUNT AND PIPELINE

Hotel and room count as at 31 December 2007	Hotels 2007	Hotels 2006	Hotels Change	Rooms 2007	Rooms 2006	Rooms Change
Analysed by region:						
New York	**3**	3	–	**1,746**	1,746	–
Regional US	**17**	17	–	**6,025**	6,025	–
London	**7**	7	–	**2,487**	2,500	(13)
Rest of Europe	**17**	17	–	**3,073**	3,012	61
Middle East	**5**	4	1	**1,528**	1,256	272
Asia	**16**	14	2	**7,713**	6,928	785
Australasia	**32**	32	–	**3,618**	3,713	(95)
Total	**97**	94	3	**26,190**	25,180	1,010
Analysed by ownership type:						
Owned and leased	**68**	69	(1)	**20,684**	20,856	(172)
Managed	**13**	11	2	**2,850**	2,077	773
Franchised	**12**	11	1	**1,047**	963	84
Investment	**4**	3	1	**1,609**	1,284	325
Total	**97**	94	3	**26,190**	25,180	1,010
Analysed by brand:						
Grand Millennium	**2**	–	2	**793**	–	793
Millennium	**39**	36	3	**13,598**	12,631	967
Copthorne	**32**	30	2	**6,140**	5,927	213
Kingsgate	**14**	16	(2)	**1,314**	1,612	(298)
Third party	**10**	12	(2)	**4,345**	5,010	(665)
Total	**97**	94	3	**26,190**	25,180	1,010

At the end of 2007, the number of rooms in the pipeline (contracts signed but hotels/rooms yet to open under one of the Group's brands) was 4,380; 485 more than at 31 December 2006.

Six new hotels were opened in 2007, including the Group's first two hotels in Thailand with openings in Bangkok (325 rooms) and Phuket (421 rooms) towards the end of the year.

The Group's hotel in Kuala Lumpur, Malaysia has been rebranded as a Grand Millennium following an extensive refurbishment programme during the year. This was followed by the Grand Millennium Sukhumvit Bangkok in the final quarter of 2007. There is one further property, the Grand Millennium Beijing which is still in the pipeline and due to open in April 2008.

Pipeline as at 31 December 2007	Hotels 2007	Hotels 2006	Hotels Change	Rooms 2007	Rooms 2006	Rooms Change
Analysed by region:						
Regional US	**1**	1	–	**250**	250	–
Rest of Europe	**2**	3	(1)	**340**	460	(120)
Middle East	**6**	6	–	**1,424**	1,639	(215)
Asia	**6**	4	2	**2,366**	1,546	820
Total	**15**	14	1	**4,380**	3,895	485
Analysed by ownership type:						
Owned or leased	**3**	3	–	**1,141**	1,070	71
Managed	**10**	10	–	**2,434**	2,499	(65)
Franchised	**2**	–	2	**805**	–	805
Investment	**–**	1	(1)	**–**	326	(326)
Total	**15**	14	1	**4,380**	3,895	485
Analysed by brand:						
Grand Millennium	**1**	–	1	**521**	–	521
Millennium	**7**	9	(2)	**2,113**	2,905	(792)
Copthorne	**4**	3	1	**1,018**	560	458
Kingsgate	**1**	1	–	**108**	180	(72)
Third Party	**2**	1	1	**620**	250	370
Total	**15**	14	1	**4,380**	3,895	485

RISK FACTORS

This section describes some of the risks that could have a material effect on the Group's business activities. Not all potential risks are listed. Some risks are excluded because the Board considers them not material to the Group as a whole. Additionally, there may be risks that are not reasonably foreseeable at the date of this report for the Group to assess fully their potential impact on the business. The order in which risks are presented below is not indicative of the relative impact on the Group. The potential effect of these risks may be material to the Group's business by having an impact on revenues, profits, net assets and financial resources. Such risks also have the potential to impact on the Group's reputation. It is often difficult to assess with accuracy the likely impact of an event on a Group's reputation, as any damage may often be disproportionate to the event's actual financial impact.

Litigation

The Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements, the provision of services, and the failure to comply with regulatory requirements or legal obligations to third parties.

Intellectual Property Rights and Brands

Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The increasing trend towards managing third-party properties increases the risk that product quality may not be delivered in accordance with brand standards. This may increase the Group's exposure to litigation, increase risks to the reputation of the Group's brands, reduce revenues and become an inhibiting factor on ongoing development.

Management Agreements

A key focus within the Group's strategy is to increase the number of management contracts of third-party properties. In this regard, the Group faces competition from established global and regional brands within the market place. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward. The Group faces the risk of slower growth in the event it is unsuccessful in penetrating this market.

Key Personnel

Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude. Development and maintenance of a Group culture, recognition systems, compensation and benefits arrangements, training and development all play leading roles in minimising this risk.

Events That Adversely Impact Domestic or International Travel

Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localised to a particular country, region or could have a wider international perspective. Reduced demand will impact on revenues and operational profitability. The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.

Information Technology Systems and Infrastructure

The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. In order to maintain its competitiveness within the market place, the Group may, in the future, need to make a substantial investment in new technology. Crisis management and disaster recovery plans are in place for business critical systems.

Property Ownership

The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires ongoing investment in the form of preventative maintenance, refurbishment, existing and new capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located.

Insurance

The Group maintains insurance cover appropriate to its risk profile after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the markets' underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.

Political and Economic Developments

Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risk could include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets.

Tax and Treasury Risk

As a multinational organisation, the Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences to the Group's profits. Similarly the Group's interpretation and application of various tax laws may be challenged, with the possible result that the Group is required to pay unforeseen tax liabilities. The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates could dilute the Group's reported trading results and also the Group's net asset value. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance.

The Hotel Industry Supply and Demand Cycle

The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room-supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance. The Group has systems in place that are designed to optimise operating profits.

The Ability to Borrow and Satisfy Debt Covenants

The Group utilises a variety of financial instruments to fund its operational cash requirements and to maintain balance sheet efficiency. The availability of funds is determined by conditions prevalent in the capital markets and perception of the Group. If the Group does not meet the financial performance expected by the market, it may either not be able to secure funding or it may not secure funding on terms it finds favourable.

NON-GAAP INFORMATION

Presentation of headline operating profit

The Group presents headline operating profit, this excludes other operating income and impairment of the Group, and share of other operating income of joint ventures and associates. The Group believes that it is both useful and necessary to report these measures for the following reasons:

- they are measures used by the Group for internal performance analysis; and

- it is useful in connection with discussion with the investment analyst community.

Reconciliation of these measures to the closest equivalent GAAP measure, operating profit/(loss) is provided on page 24.

Like-for-like growth

The Group believes that like-for-like growth which is not intended to be a substitute, or superior to, reported growth, provides useful and necessary information to investors and interested parties for the following reasons:

- it provides additional information on the underlying growth of the business without the effect of factors unrelated to the operating performance of the business; and

- it is used by the Group for internal performance analysis.

Cash flow measures

In presenting and discussing the Group reported results, free cash flow is calculated and presented on the basis of methodologies other than in accordance with IFRS. The Group believes that it is both useful and necessary to communicate free cash flow to investors and other interested parties, for the following reasons:

- free cash flow allows the Company and external parties to evaluate the Group's liquidity and the cash generated by the Group's operations. Free cash flow does not include items determined independently of the ongoing business, such as the level of dividends, and items that are deemed discretionary, such as cash flows relating to acquisitions or financing activities. In addition, it does not necessarily reflect the amounts which the Group has an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the balance sheet or to provide returns to shareholders in the form of dividends or share purchases;

- free cash flow facilitates comparability of results with other companies, although the Group's measure of free cash flow may not be directly comparable to similarly titled measures used by other companies; and

- it is useful in connection with discussion with the investment analyst community.

A reconciliation of net cash inflow from operating activities, the closest equivalent GAAP measure, to free cash flow is provided on page 27.

Net debt

In presenting the Group's indebtedness and liquidity position, net debt is calculated. There is no definition of net debt within IFRS. The Group believes that it is both useful and necessary to communicate net debt to investors and other interested parties, for the following reasons:

- net debt allows the Company and external parties to evaluate the Group's overall indebtedness and liquidity position;

- net debt facilitates comparability of indebtedness and liquidity with other companies, although the Group's measure of net debt may not be directly comparable to similarly titled measures used by other companies; and

- it is used in discussions with the investment analyst community.

Other

Certain statements within the section titled "Risk Factors" on pages 34 and 35, contain forward-looking Non-GAAP financial information which at this time cannot be quantitatively reconciled and comparable GAAP financial information.

Major Properties

Hotels	Tenure	Approximate Site Area (sq.metres)	Number of Rooms	Effective Group Interest (%)
ASIA				
Hotel Nikko Hong Kong 72 Mody Road, Tsimshatsui East Kowloon, Hong Kong	75-year term from 28.11.1984 and may be renewable for a further 75 years	2,850	463	48
JW Marriot Hotel, Hong Kong Pacific Place, 88 Queensway, Hong Kong	75-year term from 18.04.1985 and may be renewable for a further 75 years	10,690	602	25
Millennium Hotel Sirih Jakarta Jalan Fachrudin 3, Jakarta 10250, Indonesia	The title is held under a Hak Guna Bangunan (i.e. Right to Build) and a 40 year lease wef 14.04.1984 and 22.01.1986 for approximate site area of 7,137 sq. metres and 212 sq.metres respectively	7,296	390	80
The Heritage Hotel Manila Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines	Fee simple	9,888	448	66
Copthorne Orchid Hotel Penang Tanjung Bungah, 11200 Penang, Malaysia	Freehold	10,329	318	100
Grand Millennium Kuala Lumpur 160 Jalan Bukit Bintang, Kuala Lumpur, Malaysia	Freehold	7,899	468	100
Copthorne Orchid Hotel Singapore 214 Dunearn Road, Singapore	Freehold	16,629	440	100
New build hotel (to be named) Mohamed Sultan Road/Nanson Road, Singapore (expected year of opening is 2009)	99 year lease commencing Feb 2007	2,932	370	100
Millennium Seoul Hilton 395 Namdaemun-ro 5-Ga, Chung-gu, Seoul, South Korea	Freehold	18,760	685	100
Grand Hyatt Taipei Taipei World Trade Centre Sung Shou Road, Taipei, Taiwan	50-year term extendable to 80-year term wef 07.03.1990	14,317	856	80
Grand Millennium Sukhumvit Bangkok Sukhumvit Soi 21, Asoke Road Bangkok, Thailand	30-year term from 02.02.2005 with option to renew for a further term of 30 years	5,053	325	50

Major Properties

Hotels	Tenure	Approximate Site Area (sq.metres)	Number of Rooms	Effective Group Interest (%)
ASIA (Continued)				
Grand Millennium Beijing Dongsanhuan North Road, Chaoyang District, Beijing, PRC (expected year of opening is 2008)	10-year term from 11.12.2006 with options to extend for up to 40 years	5,997	521	30
Owned by CDLHT				
Grand Copthorne Waterfront Hotel Singapore 392 Havelock Road, Singapore	20-year lease commencing 19.07.2006, and extendable for a further 20 years	10,860	550	38.5*
M Hotel Singapore 81 Anson Road, Singapore	Freehold reversionary interest and a 20 year lease commencing 19.07.2006 and extendable for a further 20 years	2,134	413	38.5**
Copthorne King's Hotel Singapore 403 Havelock Road, Singapore	20-year lease commencing 19.07.2006, extendable for a further 20 years	5,637	310	38.5***
Orchard Hotel Singapore 442 Orchard Road, Singapore	Freehold reversionary interest and a 20-year lease commencing 19.07.06 and extendable for a further 20 years	8,588	653	38.5**
Novotel Clarke Quay 177a River Valley Road, Singapore	97 year lease expiring May 2077	12,925	398	38.5****
EUROPE				
Millennium Bailey's Hotel London Kensington 140 Gloucester Road, London SW7 4QH, England	Freehold	1,923	211	100
Millennium Hotel London Mayfair Grosvenor Square, Mayfair, London W1K 2HP England	Leasehold to year 2096	4,260	336	100
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	100
Millennium Gloucester Hotel & Conference Centre London Kensington Harrington Gardens London SW7 4LH, England	Freehold	6,348	610	100
Millennium Hotel Glasgow George Square, Glasgow G2 1DS, Scotland	Leasehold to year 2109	9,398	117	100
Millennium Hotel Paris Opéra 12 Boulevard Haussmann, 75009 Paris, France	Freehold	1,093	163	100
Millennium Hotel Paris Charles de Gaulle Zone Hoteliere, Allée du Verger, 95700 Roissy-en-France, France	Freehold	11,657	239	100

* Land and building was leased by the Group from CDLHT, an associated company for an initial term of 20 years with an option granted to the Group to renew for a further 20 years. The lease is classified as an operating lease. Refer to note 31 for further details.

** A 75-year long leasehold interest was sold to CDLHT on 19 July 2006. The building was leased back by the Group from CDLHT for an initial term of 20 years with an option granted to the Group to renew for a further 20 years. The leaseback arrangements are classified as operating leases. Refer to note 31 for further details.

*** The remaining 61 years of the 99-year leasehold interest was sold to CDLHT on 19 July 2006. The land and building was leased back by the Group from CDLHT for an initial term of 20 years with an option granted to the Group to renew for a further 20 years. The leaseback arrangements are classified as operating leases. Refer to note 31 for further details.

**** Not leased by the Group from CDLHT

Hotels	Tenure	Approximate Site Area (sq.metres)	Number of Rooms	Effective Group Interest (%)
EUROPE (Continued)				
Millennium Hotel & Resort Stuttgart Plieninger Strasse 100, 70567 Stuttgart, Germany	Short leasehold to year 2011	39,094	451	100
Copthorne Hotel Hannover Würzburger Strasse 21, 30800 Hannover-Laatzen, Germany	Short leasehold to year 2014	13,165	222	100
Copthorne Hotel Aberdeen 122 Huntly Street, Aberdeen, AB10 1SU, Scotland	Freehold	1,302	89	83
Copthorne Hotel Birmingham Paradise Circus, Birmingham B3 3HJ, England	Freehold	2,188	212	100
Copthorne Hotel Cardiff Caerdydd Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	26,305	135	100
Copthorne Hotel & Resort Effingham Park London Gatwick West Park Road, Copthorne, West Sussex RH10 3EU, England	Freehold	161,878	122	100
Copthorne Hotel London Gatwick Copthorne Way, Copthorne, West Sussex RH10 3PG, England	Freehold	404,694	227	100
Copthorne Hotel Manchester Clippers Quay, Salford Quays Manchester M50 3SN, England	Leasehold to year 2135	9,800	166	100
Copthorne Hotel Merry Hill Dudley The Waterfront, Level Street, Brierley Hill, Dudley, West Midlands DY5 1UR, England	Freehold	13,734	138	100
Copthorne Hotel Newcastle The Close, Quayside, Newcastle upon Tyne NE1 3RT, England	Freehold	9,200	156	94
Copthorne Hotel Plymouth Armada Way, Plymouth PL1 1AR, England	Leasehold to year 2110	1,853	135	100
Copthorne Hotel Slough Windsor Cippenham Lane, Slough, Berkshire SL1 2YE, England	Freehold	6,880	219	100
Copthorne Tara Hotel London Kensington Scarsdale Place, Kensington, London W8 5SR, England	Freehold	19,860	833	100

Major Properties

Hotels	Tenure	Approximate Site Area (sq.metres)	Number of Rooms	Effective Group Interest (%)
NORTH AMERICA				
Millennium Broadway Hotel New York 145 West 44th Street, New York, NY10036-4012, USA	Freehold	2,122	750	100
Millenium Hilton 55 Church Street, New York, NY 10007, USA	Freehold	1,680	569	100
Millennium Alaskan Hotel Anchorage 4800 Spenard Road, Anchorage, AK99517-3236 USA	Freehold	20,639	248	100
Millennium Biltmore Hotel Los Angeles 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	11,331	683	100
Millennium Bostonian Hotel Boston 26 North Street At Faneuil Hall Marketplace, Boston MA 02109, USA	Freehold	2,796	201	100
Millennium Hotel Cincinnati 150 West Fifth Street, Cincinnati, OH 45202, USA	Freehold	6,839	872	97
Millennium Harvest House Boulder 1345 28th Street Boulder, CO 80302-6899, USA	Freehold	64,019	269	87
Millennium Knickerbocker Hotel Chicago 163 East Walton Place, Chicago, IL60611 USA	Freehold	2,007	305	100
Millennium Maxwell House Nashville 2025 Metro Center Boulevard, Nashville TN37228, USA	Leased to year 2030	36,421	287	100
Millennium Resort Scottsdale McCormick Ranch 7401 North Scottsdale Road, Scottsdale, AZ85208, USA	Leased to year 2033	32,819	125	100
Millennium Hotel Minneapolis 1313 Nicollet Mall, Minneapolis, MN 55403, USA	Leased to year 2030 (with three 5-year options)	4,537	321	100
Millennium Hotel St. Louis 200 South 4th Street, St Louis, MO 63102-1804, USA	Freehold	17,033	780	100
Millennium UN Plaza Hotel New York 1 UN Plaza, 44th Street at 1st Avenue, New York 10017-3575, USA	Freehold/leased to year 2079	4,554	427	100
Millennium Hotel Durham 2800 Campus Walk Avenue, Durham, NC27705-4479, USA	Freehold	42,814	313	100
Comfort Inn Beaver Creek 161 West Beaver Creek Boulevard, Avon, CO 81620-5510, USA	Freehold	11,209	146	100

Hotels	Tenure	Approximate Site Area (sq.metres)	Number of Rooms	Effective Group Interest (%)
NORTH AMERICA (Continued)				
Eldorado Hotel & Spa 309 West San Francisco Street, Santa Fe, NM87501-2115, USA	Indirect Interest	7,349	219	20
Pine Lake Trout Club 17021 Chillicothe Road, Chagrin Falls OH 44023-0282, USA	Freehold	331,121	6	100
Millennium Airport Hotel Buffalo 2040 Walden Avenue Buffalo, NY 14225-5186, USA	Leased to year 2012	31,726	300	100
Best Western Lakeside 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747-1750, USA	Freehold	93,796	651	100
Wynfield Inn Orlando Convention Center 6263 Westwood Boulevard, Orlando FL 32821, USA	Freehold	29,425	299	100

Major Properties

Hotels	Tenure	Approximate Site Area (sq.metres)	Number of Rooms	Effective Group Interest (%)
AUSTRALASIA				
Millennium Hotel Christchurch 14 Cathedral Square, Christchurch New Zealand	Leasehold to year 2010 (with a five year option)	1,417	179	70
Millennium Hotel Queenstown Corner Frankton Road & Stanley St., Queenstown, New Zealand	Freehold	7,453	220	49
Millennium Hotel Rotorua Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/Perpetual leasehold land	10,109	227	70
Copthorne Hotel Auckland Anzac Avenue 150 Anzac Avenue Auckland, New Zealand	Perpetual/Leasehold Land	2,495	110	49
Copthorne Hotel Auckland Harbour City Quay Street Auckland, New Zealand	Leasehold to year 2020	2,407	187	70
Copthorne Hotel & Resort Bay of Islands Tau Henare Drive, Paihia New Zealand	Leasehold to year 2021 (with a 30 year option)	62,834	180	35
Copthorne Hotel Christchurch Central 776 Colombo Street, Christchurch, New Zealand	Freehold	2,154	142	70
Copthorne Hotel Christchurch Durham Street Corner Durham & Kilmore Streets Christchurch, New Zealand	Leasehold to year 2015	1,734	161	49
Copthorne Hotel Oriental Bay Wellington 73 Roxburgh Street, Wellington, New Zealand	Freehold	3,904	118	49
Copthorne Hotel & Resort Queenstown Lakefront Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	18,709	241	70
Copthorne Hotel Wellington Plimmer Towers Corner Boulcott Street & Gilmer Terrace, Wellington, New Zealand	Leasehold to year 2008 (with two 3-year options)	3,982	94	49
Kingsgate Hotel Parnell Auckland 92-102 Gladstone Road, Parnell Auckland, New Zealand	Leasehold to year 2008 (with two 5-year options)	7,650	114	49
Kingsgate Hotel Dunedin Upper Moray Place, Dunedin, New Zealand	Freehold	2,193	55	49
Kingsgate Hotel Greymouth 32 Mawhera Quay Greymouth, New Zealand	Freehold/Perpetual leasehold land	2,807	102	70

Hotels	Tenure	Approximate Site Area (sq.metres)	Number of Rooms	Effective Group Interest (%)
AUSTRALASIA (Continued)				
Kingsgate Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	35,935	136	49
Kingsgate Hotel Palmerston North 110 Fitzherbert Avenue Palmerston North, New Zealand	Freehold	15,514	151	49
Kingsgate Hotel Terraces Queenstown 88 Frankton Road, Queenstown, New Zealand	Freehold	4,713	85	49
Kingsgate Hotel Te Anau 20 Lakefront Drive, Te Anau, New Zealand	Freehold	8,819	94	70
Owned by CDLHT				
Rendezvous Hotel Auckland Corner of Vincent Street and Mayoral Drive, Auckland, New Zealand	Freehold	5,910	455	38.5****

Investment Properties	Tenure	Approximate lettable strata area (sq.metres)	Effective Group Interest (%)
Tanglin Shopping Centre A shopping-cum-office complex situated at Tanglin Road within the Orchard Road tourist district. The Group also owns 325 car park lots.	Freehold	6,285	100
The Biltmore Court & Tower Situated at 500/520 South Grand Avenue, Los Angeles, CA 90071. Comprising the Court which has 21,257 square metres Class "B" lettable office space within the Biltmore hotel structure and the Tower which has 12,116 square metres of Class "A" office space. The Tower also has 299 car park spaces.	Freehold	25,423	100

**** Not leased by the Group from CDLHT

Board of Directors

KWEK LENG BENG, 67 #
Chairman and Chairman of Nominations Committee
Kwek Leng Beng has been the Chairman of Millennium & Copthorne Hotels plc since its incorporation.

He is the Executive Chairman of the Hong Leong Group of Companies in Singapore, and City Developments Limited. He is also Chairman and Managing Director of Hong Leong Finance Limited and City e-Solutions Limited and the Chairman of Hong Leong Asia Ltd.

Mr Kwek's achievements have also captured the attention of the academic institutions. He was conferred:

Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, US), where students have an opportunity to pursue career education in business, hospitality, culinary arts or technology.

Honorary Doctorate from Oxford Brookes University (UK) whose citation traced how Mr Kwek, who joined the family business in the early 1960s, had gone on to establish an international reputation for his leadership of the Hong Leong Group, as well as being an active supporter of higher education in Singapore.

Mr Kwek also serves as a Member of the INSEAD East Asia Council. France-based INSEAD is one of the world's leading and largest graduate business schools which brings together people, cultures and ideas from around the world.

Mr Kwek is a Member of the Action Community of Entrepreneurship (ACE), which involves both the private and public sectors to create a more entrepreneurial environment in Singapore for small and medium enterprises.

Mr Kwek has distinguished himself in property investment and development, hotel ownership and management, financial services and industrial enterprises. Today, he sits on the flagship of a multi-billion empire worth over US$20 billion in diversified premium assets worldwide, with an annual turnover of US$4.55 billion and stocks traded on six of the world's stock markets. He currently heads worldwide staff strengths of over 40,000 across a range of businesses in Asia-Pacific, the Middle East, Europe and North America. Mr Kwek also played a pivotal advisory role in Las Vegas Sands Corporation's successful bid for Singapore's high profile Integrated Resort project at the Marina Bay.

In 2007, Mr Kwek brought together high profile global players Dubai World and Elad Group to join City Developments Limited to win the coveted bid to build a turn-key, iconic mixed-use development, South Beach, in the Civic District at Beach Road. Elad Group is a real-estate development conglomerate based in New York. Dubai World manages the portfolio of businesses and projects for the Dubai Government.

South Beach won the tender on its excellent design. The project was designed by renowned architectural firm Foster & Partners and is set to become a revolutionary New Eco-Quarter in Singapore. Mr Kwek is confident South Beach will help elevate Singapore's unique branding as a Global City and attract more international investors.

The Hong Leong flagship of Mr Kwek is a household name in the region. Mr Kwek has been featured many times by US Forbes magazine as one of the richest men in Singapore and globally. In 2007, Forbes picked him as Singapore's 3rd richest man, with a fortune estimated at US$4.3 billion. He is also placed at 195th position in the list of world's top billionaires.

WONG HONG REN, 56
Interim Group Chief Executive
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 Executive Vice President (Group Investment) of Hong Leong Management Services Limited in Singapore. Mr Wong was appointed as an Executive Director of the Company in April 2001.

JOHN ARNETT, 54
Executive Director
John Arnett joined Millennium & Copthorne Hotels plc as Chief Executive Officer of North America on 14 March 2007, and was appointed an Executive Director of the Board on 3 May 2007.

He has worked in the hospitality industry for 30 years, most recently as President of the Kor Hotel Group in Los Angeles, where he led the Group's expansion of its luxury hotels and resorts. Prior to that, he worked for 10 years at the Kimpton Hotel and Restaurant Group, where as Senior Vice President, he oversaw the operations and profitability of 37 Kimpton Group properties, while guiding the transition of new assets into stable operating businesses. Earlier, he served as Kimpton's Vice President of Acquisitions and Property Transformation, contributing to numerous acquisitions throughout the US and Canada. His background also includes the management operations of luxury hotels and resorts including General Manager of the Ritz Carlton Mauna Lani, Hawaii, where he was the recipient of both the Five Diamond Hotel Award and Restaurant Award. He also managed the flagship Ritz Carlton Buckhead in Atlanta; and managed resorts in Minnesota and Arizona. He has a degree in Business Administration from the University of Denver.

CHRISTOPHER SNEATH, 74 ±*#
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.

KWEK LENG JOO, 54
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 the 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, 51
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 Finance Limited, Hong Leong Asia Limited and Tasek Corporation Berhad.

THE VISCOUNT THURSO, 54 ±*#
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 Institute of Hospitality. 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 KELJIK OBE, 59 ±*#
Independent Non-Executive Director
Christopher Keljik was appointed to the Board in May 2006. After a long career with Standard Chartered plc that commenced in 1976, he retired from his position as Group Executive Director of Standard Chartered plc in May 2005. During his career with Standard Chartered, he held a number of senior positions in corporate finance, treasury and general management in the UK, USA and Asia. His responsibilities immediately prior to retirement included Africa, the Middle East, South Asia, the UK and the Americas. He is a Chartered Accountant and currently holds non-executive directorships at Foreign & Colonial Investment Trust plc, Jardine Lloyd Thompson Group plc and Henderson TR Pacific Investment Trust plc.

JOHN SCLATER CVO, 67 ±*#
(retired 31 December 2007)
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, Biotech Growth Trust PLC and Argent Group Europe Limited, and a Director of James Cropper PLC. He was formerly chairman of 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, Nordic Bank Limited and Berisford (now Enodis) plc. He was also formerly deputy chairman of Grosvenor Group Holdings, a trustee of The Grosvenor Estate, a member of the Council of The Duchy of Lancaster, First Church Estates Commissioner and a member of The Archbishops Council. In addition, he was a Director of Wates Group Limited and other companies.

CHARLES KIRKWOOD, 72 ± #
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.

CONNAL RANKIN, 66 ±*#
Independent Non-Executive Director
Connal Rankin was appointed to the Board in December 2007. He has had an extensive career at HSBC Group ("HSBC") spanning 45 years until his retirement in December 2005. He held a number of senior positions including a Group General Manager of HSBC in Hong Kong and Chief Executive of HSBC Singapore for 5 years until 2000. Between 2000 and 2005, Connal held the senior position of Group General Manager of Human Resources based in London. He is a Director of Neptune Orient Lines Ltd, a publicly quoted company listed on the Singapore Stock Exchange.

± Member of the Remuneration Committee
* Member of the Audit Committee
\# Member of the Nominations Committee

Directors' Report

The Directors present their report for the financial year ended 31 December 2007.

ACTIVITIES OF THE GROUP

The principal activity of the Group is ownership and management of hotels around the world.

BUSINESS REVIEW

The Business Review incorporates sections covering financial, operating, risk factors and Non-GAAP information for the year ended 31 December 2007 and is set out on pages 21 to 36. These sections provide information about the Group's strategy, its businesses, their financial performance during the year, the principal risks and uncertainties facing the Group and its likely development.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation was £157.4m (2006: £130.2m). An interim dividend of 2.08p per share was paid on 10 October 2007. The Directors are recommending a final dividend of 10.42p per share (2006: final dividend of 6.42p plus a special dividend of 4.00p) which will, if approved at the annual general meeting, be paid on 16 May 2008 to shareholders on the register at close of business on 25 March 2008. Total dividends relating to the year are expected to amount to £37.1m. The Company will be offering a scrip dividend alternative in respect of the final dividend.

EMPLOYEES

During the year the average number of people employed by the Group was 12,957 (2006: 12,862).

Further information on the Group's employment practices, including its obligations under equal opportunities, employee involvement and communications and staff training and development is contained within the Corporate Social Responsibility statement on pages 53 and 54.

SHARE CAPITAL

The authorised and issued share capital of the Company, together with details of the movements in the Company's issued share capital during the year, are shown in note 26 to the financial statements.

Details of shares issued pursuant to the Group's share based incentive schemes are shown in the notes to the accounts on pages 109 to 112.

SUBSTANTIAL SHAREHOLDINGS

As at 19 February 2008, the Company had received details of the following notifiable interest in its issued share capital:

	Number of shares	% of Issued share Capital
City Developments Limited	157,577,311	53.17
Prudential plc*	25,030,724	8.45
Aberdeen Asset Management plc	15,093,433	5.09
Schroders plc†	15,009,791	5.06

* the interests of Prudential plc include the notifiable interest of the following companies:–

M&G Group Limited	25,030,724	8.45%
M&G Limited	25,030,724	8.45%
M&G Investment Management Limited	25,002,456	8.44%
The Prudential Assurance Company Limited	23,916,362	8.07%

† the interests of Schroders plc include the notifiable interest of the following company:–

Schroder Investment Management Limited	14,944,166	5.04%

DIRECTORS

Biographical details of Directors are shown on pages 44 and 45. Details of the share interests of Directors are shown on page 62. No changes to these interests occurred between the year end and the date of this report.

During the year, the Company has maintained cover for its Directors and Officers and those of its subsidiary companies under a Directors' and Officers' liability insurance policy, as permitted by Section 233 of the Companies Act 2006.

ETHICS AND BUSINESS CONDUCT

The Group has adopted and operates business integrity policies in its regions, which are consistent with the standards of behaviour and ethics which the Group upholds and requires all employees to act honestly, with integrity, objectivity, professional competence and due care.

Details of the Group's policy on supplier payment terms and on charitable and political donations are set out in the Corporate Social Responsibility statement on pages 53 and 54.

FINANCIAL RISK MANAGEMENT

An indication of the Group's financial risk management objectives in respect of the use of financial instruments and its exposures to credit risk, interest rate risk and foreign currency risk is set out in the Business Review on pages 28 and 35, and in note 18 to the financial statements.

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.

AUDITOR

In accordance with Section 384 of the Companies Act 1985 (Section 489 of the Companies Act 2006 which is applicable from 6 April 2008), a resolution regarding the re-appointment of KPMG Audit Plc as auditor of the Company will be proposed at the forthcoming annual general meeting.

STATEMENT OF THE DIRECTORS AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

ANNUAL GENERAL MEETING

The annual general meeting will be held at 10:00am on Wednesday, 7 May 2008 at the Millennium Hotel London Mayfair. The notice to shareholders can be found at the back of this Annual Report.

At the annual general meeting resolutions will be proposed as Special Business to approve the Directors' Remuneration Report, to renew Directors' authority to issue scrip dividends, to renew the Directors' authority to allot shares, to authorise the purchase of the Company's 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, to renew the authority to fund donations and/or incur expenditure under the terms of the Political Parties, Elections and Referendums Act 2000 where it is in shareholders' interests to do so.

Shareholders will be asked to vote on the adoption of new Articles of Association. Details of the proposed changes to the Company's Article of Association are set out in a separate shareholders' circular.

By order of the Board

Adrian Bushnell
COMPANY SECRETARY
19 February 2008

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- For the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Corporate Governance

The Board is committed to ensuring that good practice in corporate governance is observed throughout the Group, 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, and continues to 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 June 2006 with the exception of provision A.1.3. An explanation regarding compliance with Code provision A.1.3 is shown on page 51.

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 up to ten 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 Board approval include: acquisitions; significant property transactions; capital expenditure above predetermined limits; major contractual commitments; Board level and Company Secretary appointments/terminations; 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 management is 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 succession.

The Board currently comprises the Chairman and two non-executive Directors, who are Directors of the majority shareholder, City Developments Limited, 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 their duties for the benefit of all shareholders and it is believed that the independent non-executive Directors provide strong independent judgement to the deliberations of the Board.

Directors' biographies shown on pages 44 and 45 identify the Chairman, Senior Independent Director, the Chairman of the Board's 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.

A written statement defining the respective responsibilities of the Chairman and Group Chief Executive Officer has been agreed and 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. 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 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.

Kwek Leng Beng and Kwek Leng Joo will retire by rotation at the forthcoming annual general meeting, and will offer themselves for re-election.

John Arnett was appointed to the Board on 3 May 2007 and Connal Rankin joined the Board on 12 December 2007. In accordance with the Company's Articles of Association, both will stand for election as a Director at the forthcoming annual general meeting.

John Sclater, who served on the Board as an independent non-executive Director from flotation of the Company, retired from the Board on 31 December 2007. Peter Papadimitropoulos served as a Director from 1 March 2007 until 6 August 2007.

Corporate Governance

BOARD COMMITTEES

In relation to certain matters, committees have been established with specific delegated authority. The standing committees of the Board are Audit, Remuneration and Nominations. The terms of reference for these committees are available, on request, from the Company Secretary and on the Group's web site at www.millenniumhotels.co.uk. The Company Secretary acts as secretary to all standing committees of the Board.

Audit Committee

The Audit Committee, chaired by Christopher Sneath, consists entirely of independent non-executive Directors. It is considered that Christopher Sneath has recent and relevant financial experience as required by the Code. The duties of the Audit Committee include:

- Reviewing the Group's internal control and risk management procedures;
- Consideration of the appointment of the external auditor 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 works; reviewing the scope and results of the audit and its cost effectiveness; and recommendation of the audit fee to the Board;
- Monitoring the integrity, prior to submission to the Board, of periodic financial statements, annual accounts, reports to shareholders and any other public announcement 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 and reviewing the effectiveness of the internal audit function; agreeing the annual work plan and being satisfied itself that the function has the proper resources to enable it to satisfactorily complete such work plans; review status reports from the internal audit; 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 auditor. 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 Audit Committee has concluded that, in some cases, notably the provision of taxation services, the provision of non-audit services by the auditor is appropriate and this has been communicated to the Board. Audit independence has been communicated to the Board.

The external auditor and head of internal audit normally attend all Audit Committee meetings, and senior management from the Group's finance function are normally invited to attend. Separate meetings are held with the external auditor without the presence of any member of 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. 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 based incentive schemes. The Group Chief Executive Officer would normally be invited to attend meetings, if appropriate, but would not be present when his own remuneration is discussed. The Committee takes independent advice as deemed necessary. The Directors' Remuneration Report is given on pages 55 to 62, where further details of remuneration strategy are given. The fees paid to non-executive Directors are considered by the full Board, having regard to any relevant advice received.

Nominations Committee

The Nominations Committee is chaired by the Group Chairman and includes five independent non-executive Directors and meets as 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 needed on the Board in future. The Committee 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.

Figures in brackets represent the maximum number of Board or committee meetings held whilst the individual concerned is a Board member or member of the relevant committee.

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominations Committee Meetings
Kwek Leng Beng (Chairman)	7 (7)	na	na	3 (3)
The Viscount Thurso (Deputy Chairman)	7 (7)	4 (5)	2 (2)	3 (3)
Peter Papadimitropoulos	2 (3)	na	na	na
Wong Hong Ren	7 (7)	na	na	na
John Arnett	6 (6)	na	na	na
Christopher Sneath	7 (7)	5 (5)	2 (2)	3 (3)
Kwek Leng Joo	2 (7)	na	na	na
Kwek Leng Peck	2 (7)	na	na	na
John Sclater	5 (7)	3 (5)	2 (2)	2 (3)
Charles Kirkwood	7 (7)	na	2 (2)	3 (3)
Christopher Keljik	7 (7)	5 (5)	2 (2)	3 (3)
Connal Rankin	1 (1)	na	na	na

EVALUATION PROCESS

In previous years, the Board evaluation process has been conducted by completion of questionnaires by the Directors. The Board considers that repetition of this process on an annual basis is not of particular value. During 2007 a sub-committee of the Board was established to review and make recommendations on certain Board procedures and processes. The whole Board will consider the implementation of the committee's recommendations in due course.

The performance of executive and non-executive Directors is assessed annually by the Chairman. Meetings for the independent non-executive Directors to meet with the Chairman without the executive Directors, and for the independent Directors to evaluate the effectiveness of the Chairman were originally scheduled for late 2007 but these have been deferred until 2008 pending completion of the review of the Group's management structures and systems referred to in the Chairman's Statement.

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 Group's significant Risk Factors are included in the Business Review on pages 34 and 35.

Corporate Governance

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 reviewed by the Audit Committee on behalf of the Board and has been in place for the year under review, and up to the date of the approval of the Annual Report.

Primary responsibility for the operation of the system of internal controls is delegated to executive 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 auditor, 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 Officer, the Group Company Secretary, senior management of the Group's finance function and the external auditor. 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 Group'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;

- 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 Officer and executive management. The executive management team receives a monthly summary of the results from the business 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.

COMMUNICATION WITH SHAREHOLDERS

General presentations are made after the announcement of preliminary, quarterly and half-yearly 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 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 Chairmen of the Audit, Remuneration and Nominations committees). The Company prepares separate resolutions on each substantially separate issue put to shareholders 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 is laid before the shareholders at the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 20 working days prior to the date of the meeting, and the Company encourages all shareholders to make positive use of the Company's annual general meeting for communication with the Board.

Corporate Social Responsibility

INTRODUCTION
The Board take regular account of the significance of social, environmental and ethical matters to the business of the Company and identifies value arising from those matters as well as opportunities to enhance value that may arise from them. The Group Risk Management Committee has identified and assessed the Company's significant short and long term risks. The Board believes it has received adequate information to ensure that the Company has effective systems in place for managing the Group's key risks. The Group's significant Risk Factors are included on pages 34 to 35.

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 developing and valuing people with different views, styles and approaches.

The Company's policy is to provide equality of opportunity for all employees without discrimination and continues to encourage the employment, training and advancement of disabled persons in accordance with their abilities and aptitudes, provided that they can be employed in a safe working environment. Suitable employment would, if possible, be found for any employee who becomes disabled during the course of employment.

The Group understands that communication of its achievements and aspirations are key and is committed to keeping its employees fully informed regarding its performance and prospects. Employees are encouraged to present their suggestions and views at staff consultation groups at each location and the Group believes that the dissemination of appropriate information is key to achieving success and motivation. During 2007, two new relevant on-line resources, the marketing intranet and "docustore" were developed to bring marketing and corporate information to the desks of employees.

A structured programme of staff training and workshop seminars is also carried out in all locations. Employees at every level are encouraged to develop their skills and qualifications. A variety of internally managed development programmes are available, covering human resources issues and industry specific training and, in certain regions, the Group offers nationally recognised qualifications and a tuition support programme for external courses. The portfolio of available courses will be extended during 2008. 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 Long Term Incentive Plan in which 32 employees participate, and under the Sharesave Schemes in which 75 employees, other than Directors, participate by entering into a three or five year savings contract.

CUSTOMERS AND SUPPLIERS
The Group's strategic service vision was launched on a global basis in 2006, by way of an initiative called Outstanding Service Experience ("OSE"). Our customers are now benefiting from this initiative and we are continuing to train new employees to ensure service levels are of a consistently high standard.

It is the Company's and the Group's policy to agree the terms of payment with suppliers at the commencement of the trading or contractual relationship and to operate within such terms subject to satisfactory completion of the suppliers' obligations. It does not follow any particular guidelines established by third parties. The effect of the Group's payment policy is that its trade creditors at the financial year-end represent 22 days purchases (2006: 22 days). At the year end, the Company had no trade creditors (2006: £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.

Corporate Social Responsibility

HEALTH, SAFETY AND THE ENVIRONMENT

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

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. 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 shower-heads 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. We are committed to assessing, monitoring and minimising the impact of our activities upon the environment.

The Group's environmental objectives are being extended to include measurement and management of carbon emissions. By measuring our carbon emissions, we aim to achieve carbon reduction targets in all our regional operations. 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. Regional environmental initiatives vary but include recycling of paper, cardboard, glass, bottles, coat hangers and cleaning of rooms with environmentally friendly cleaning products.

To ensure the delivery of the Board's policies in respect of health and safety and the environment, Wong Hong Ren, in his capacity as Interim Group Chief Executive Officer, 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.

COMMUNITIES

The Group has extensive links with the community through partnerships established by employees and management at hotels and at a corporate level. Across the Group, staff and management are involved with a range of charitable organisations. The Group gave £44,629 (2006: £44,183) to charities during the period. The Group's policy is to consider charities that improve the economic or social well being 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 2007.

Directors' Remuneration Report

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 share-based incentive schemes. The Committee also monitors the level and structure of remuneration of senior managers below main Board level.

THE REMUNERATION COMMITTEE
The current members of the Committee, all of whom are independent non-executive Directors, are The Viscount Thurso (Chairman), Charles Kirkwood, Christopher Sneath, Christopher Keljik and Connal Rankin. John Sclater served on the Committee until his retirement on 31st December 2007. The Chairman and Group Chief Executive Officer are invited to attend meetings as appropriate but they are excluded when their own performance and remuneration is being discussed.

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 their appointed advisers, New Bridge Street Consultants LLP, who advised the Committee on various matters, including the operation of the Company's share-based incentive schemes. In addition to their advice to the Committee they have also advised the Company on the accounting treatment of share options required by IFRS2: Share-based payment. Other than this, they have no other relationship with the Company. The Committee also takes advice from Jardine Lloyd Thompson on pension issues as required, but no advice was sought during the year. Jardine Lloyd Thompson is appointed by the Trustees of the Company's UK pension scheme.

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 base 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 establishing 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-based incentives. 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. The Committee remains mindful of the Best Practice Provisions on the Design of Performance Related Remuneration under Schedule A of the Combined 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 is 80% of salary up to 60% is payable for achievement of agreed financial targets up to 20% is payable for achievement of personal objectives. The Committee may consider payment of special bonuses if, on the disposal of a business, individuals have had a direct role in obtaining a significantly enhanced disposal value.

Share-based Incentive Arrangements
Share-based incentive schemes are designed to link remuneration to the future performance of the Group. Operation of share-based incentive arrangements are regularly reviewed by the Committee to ensure that they remain appropriate in the light of market practice, best practice and the particular circumstances of the Company. Details of individual schemes for Directors and employees are given below.

The Company operates a Long-Term Incentive Plan (LTIP) for senior executives. Details of the LTIP are shown on page 60. There is no current intention to make further awards under the Company's Executive Share Option Scheme.

SERVICE CONTRACTS

To reflect current market practice, it is the Committee's policy that executive Directors have service contracts that provide for a notice period for termination of up to 12 months. In keeping with common market practice in the USA, the contract of Mr. Arnett contains a change of control provision entitling him to terminate his contract for good cause in the event that Millennium & Copthorne Hotels plc reduces its interest in Mr. Arnett's employing company, Millennium & Copthorne Management Services (USA) Inc, to less than 50%.

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 the executive Directors' service contracts:

Name	Date of contract	Notice periods/ unexpired term	Provisions in contract for compensation on early termination
Current Director			
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 Director's fee of £60,000 ceases on the date he ceases to be a Director
John Arnett	14 March 2007 (appointed 3 May 2007)	Either party may terminate the contract on 90 days' written notice[1]	In the event that the Company terminates contract without cause or if the Executive leaves with good reason, or the Executive terminates for good cause: (i) 12 months' salary (ii) continued coverage for six months' under company medical and dental plans (iii) earned and unpaid bonuses for the prior financial year provided he was employed for the full financial year prior to termination and (iv) potential full vesting of the LTIP award made in 2007
Former Director			
Peter Papadimitropoulos	12 January 2007 (appointed 1 March 2007 resigned 6 August 2007)	12 months' written notice to be given by the Company at any time and six months by the executive	12 months' salary

1 In certain circumstances, John Arnett can terminate his employment on shorter notice (e.g. 14 days) as per standard US practice in connection with senior executive employment contracts.

Directors' Remuneration Report

OTHER BENEFITS

Other benefits comprise a motor vehicle or an appropriate allowance and insurances for life, personal accident, disability and family medical cover. During the year a housing allowance and relocation costs were paid to Peter Papadimitropoulos.

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.

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 taking account of time commitment and responsibilities. Fees are reviewed on an annual basis and cease immediately in the event of the non-executive ceasing to be a Director for any reason in accordance with a resolution of the Board.

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

City Developments Limited nominates 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.

Viscount Thurso and Charles Kirkwood have letters of appointment for a term of one year commencing 4 May 2007.

Christopher Sneath has a letter of appointment for a term of one year commencing 7 March 2007.

Christopher Keljik has a letter of appointment for a term of one year commencing on 2 May 2007.

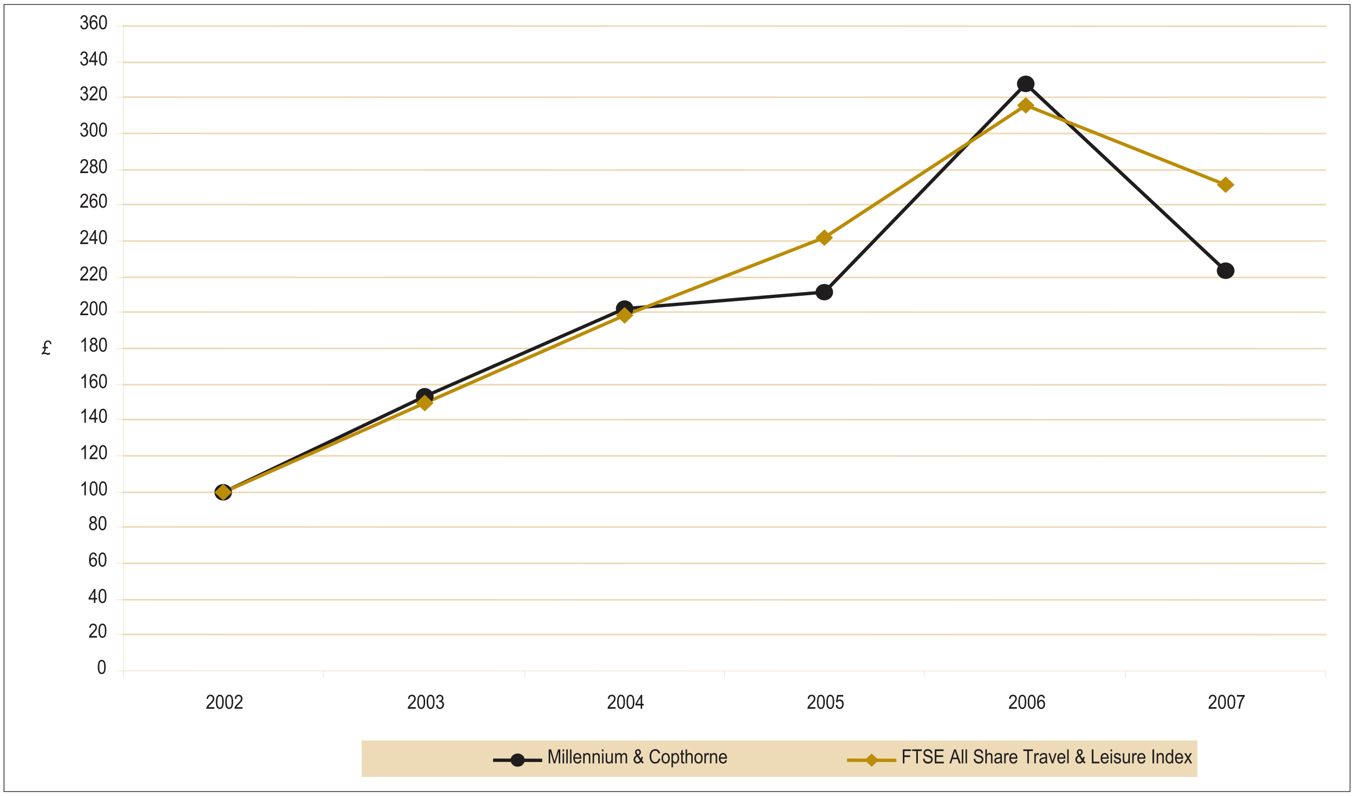
Connal Rankin has a letter of appointment for one year commencing on 12 December 2007.

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 Travel and Leisure Index, the Directors consider this index to be the most appropriate broad equity market index against which the Company's performance should be compared for these purposes. 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 2007, of £100 invested in ordinary 30p shares of Millennium & Copthorne Hotels plc on 31 December 2002 compared with £100 invested in the FTSE All Share Travel and Leisure 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 increase over a three year period by the Retail Price Index ("RPI") 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. No further awards have been made under the terms of the 2003 Scheme since March 2005.

The exercise of options, granted under the 2003 Scheme, is 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 requires the Company's EPS to grow in real terms, from the 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 and subsequent years, the notional based EPS figure will be at least 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.

The EPS base figure used for options granted in 2005 was the Group's pre-exceptional EPS figure for 2004 of 15.3p.

Subject to the rules of the 2003 Scheme, options will become exercisable as follows:

EPS growth target	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. The base EPS figures for grants made in 2003, 2004 and 2005 were prepared in accordance with UK GAAP. Following the introduction of International Financial Reporting Standards (IFRS), the Committee now arranges for EPS figures prepared under IFRS to be recalculated to a UK GAAP basis, as necessary, so that true like-for-like growth comparisons are made.

iii) Millennium & Copthorne Hotels Long-term Incentive Plan

The Millennium & Copthorne Hotels Long-Term Incentive Plan (the "LTIP") was approved at the Annual General Meeting in 2006. Under the terms of the LTIP, the Company is permitted to make both Performance Share Awards over shares worth up to a normal maximum of 150% of salary (200% in exceptional circumstances) and Deferred Share Bonus Awards (worth no more than the cash bonus that would otherwise have been paid for the year). The levels of awards made under the terms of the LTIP are determined by the Committee.

Vesting of Performance Share Awards is subject to the achievement of stretching performance targets. Consistent with the performance measures for the Company's executive share options schemes, EPS targets have been chosen so that participants are incentivised to deliver significant earnings growth which, in turn should return substantial shareholder value.

The performance condition applying to Performance Share Awards require the Company's EPS to grow, in real terms, over a period of three consecutive financial years after award. Performance Share Awards will vest on the third anniversary of the award being made, subject to the vesting schedule shown in the table below. Awards will not be subject to re-testing.

EPS growth target	Proportion of award vesting
EPS growth of less than an average of RPI plus 5% per annum	0%
EPS growth of an average of RPI plus 5% per annum	25%
EPS growth of an average of RPI plus 5% per annum to 13.5% per annum	25% – 100% (pro-rated)
EPS growth of an average of RPI plus 13.5% per annum or more	100%

No awards of Deferred Share Bonus Awards were made during the year.

iv) Millennium & Copthorne Hotels Sharesave Scheme

The Company also operates the Millennium & Copthorne Hotels Sharesave Scheme which is an Inland Revenue approved scheme and under which the UK-based executive Directors and Group employees are eligible to participate.

DIRECTORS' INTERESTS IN SHARE OPTIONS

Executive Share Option Schemes

Name of Director		Date granted	Options held at 01/01/2007	Options granted during the year	Options held at 31/12/2007	Exercise price	Dates from which options may be exercised	Expiry date
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	32,248	–	32,248	£1.935	10 Mar 07	09 Mar 13
	Unapproved[2]	10 Mar 03	91,783	–	91,783	£1.935	10 Mar 08	09 Mar 13
	Unapproved[2]	16 Mar 04	44,999	–	44,999	£2.9167	16 Mar 07	15 Mar 14
	Unapproved[2]	24 Mar 05	75,297	–	75,297	£3.9842	24 Mar 08	23 Mar 15

1 Performance conditions attaching to these options are those specified for the 1996 Scheme as detailed on page 58.

2 Performance conditions attaching to these options are those specified for the 2003 Scheme as detailed on pages 58 and 59.

Long-Term Incentive Awards[3]

Name of Director	Date awarded	Awards held at 01/01/2007	Awards made during the year	Awards held at 31/12/2007 or date of resignation if earlier	Market price of shares on date of award	Vesting date
Wong Hong Ren	1 Sept 06	67,834	–	67,834	442.25 p	1 Sept 09
	27 Mar 07	–	44,736	44,736	678.5 p	27 Mar 10
John Arnett	27 Mar 07	–	34,073	34,073	678.5 p	27 Mar 10
Former Director						
Peter Papadimitropoulos[4]	27 Mar 07	–	164,032	–	678.5 p	N/A

3 The performance conditions for the Company's Long Term Incentive Plan are as detailed on page 59.

4 Incentives awarded to Peter Papadimitropoulos under the Company's Long Term Incentive Plan lapsed on cessation of employment.

All of the share options granted and LTIPs awarded are made at nil consideration.

It is the Company's current intention that awards of share-based incentives will be satisfied by the issue of new shares. All awards made under the Company's share schemes conform to institutional dilution guidelines.

The market price of ordinary shares at 31 December 2007 was 408.5p and the range during the year was 403p to 773p. Aggregate gains made by Directors on exercise of share options in 2007 were £nil (2006: £16,251).

PENSIONS

Peter Papadimitropoulos participated in the Group's UK Defined Contribution pension scheme with the employing company making a contribution of £46,000 (2006: £nil). John Arnett will participate in a 401k plan operated by the Group in the USA. During 2008 the Group will commence making contributions to this plan on Mr Arnett's behalf.

No pension is provided for Mr Wong Hong Ren.

DIRECTORS' EMOLUMENTS

	Note	Salaries and fees 2007 £000	Bonus payments 2007 £000	Benefits 2007 £000	Termination payments 2007 £000	Total emoluments 2007 £000	Total emoluments 2006 £000
Executives							
Wong Hong Ren	1, 2	550	440	–	–	990	543
John Arnett (from 14 March 2007)	4, 5	225	90	15	–	330	–
Non-Executives							
Kwek Leng Beng (Chairman)	2, 3	70	–	–	–	70	68
The Viscount Thurso (Deputy Chairman)		35	–	–	–	35	35
Christopher Sneath		30	–	–	–	30	30
Kwek Leng Joo	2	39	–	–	–	39	38
Kwek Leng Peck	2	35	–	–	–	35	34
John Sclater		35	–	–	–	35	35
Charles Kirkwood		30	–	–	–	30	30
Christopher Keljik		30	–	–	–	30	17
Connal Rankin (from 12 December 2007)		2	–	–	–	2	–
Former Directors							
Peter Papadimitropoulos (from 1 March 2007 to 6 August 2007)	6	250	–	63	550	863	–
Tony Potter (up to 27 October 2006)		–	–	–	–	–	418
Sir Idris Pearce (up to 31 August 2006)		–	–	–	–	–	23
Total		**1,331**	**530**	**78**	**550**	**2,489**	**1,271**

The total remuneration, including gains on the exercise of share options of £nil (2006: £nil), paid to the highest paid Director, was £990,000 (2006: £543,000)

NOTES

1. Salaries and fees paid to Wong Hong Ren include a fee of £60,000 (2006: £35,000) 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.
2. Salaries and fees shown are inclusive of sums receivable by the Directors from the Company and any of its subsidiary undertakings.
3. The Group owns a flat in London used by the Chairman for business purposes only.
4. John Arnett's base salary as at 31 December 2007 was US$450,000. All employment costs associated with Mr Arnett have been translated to sterling using the company average exchange rate for 2007 of US$1.998: £1.
5. Bonus payments for John Arnett include a one-off signing on bonus of US$75,000 (£37,000).
6. Benefits for Mr Papadimitropoulos included a housing allowance and relocation costs. The termination payment to Mr Papadimitropoulos constitutes 12 months' salary under the terms of his service agreement.

Directors' Remuneration Report

DIRECTORS' SHARE INTERESTS

The beneficial interests of the Directors in the ordinary shares of Millennium & Copthorne Hotels plc at the start and end of the year were as follows:

	31 December 2007 Number of shares	31 December 2006 or date of appointment Number of shares
Executives		
Wong Hong Ren	–	–
John Arnett	–	–
Non-Executive		
Kwek Leng Beng (Chairman)	–	–
The Viscount Thurso (Deputy Chairman)	–	–
John Sclater (Independent Director)	–	–
Christopher Sneath (Independent Director)	10,000	5,000
Charles Kirkwood (Independent Director)	75,500	–
Christopher Keljik (Independent Director)	30,000	5,952
Kwek Leng Peck	–	–
Kwek Leng Joo	–	–
Connal Rankin (Independent Director)	–	–

In their capacity as Directors of Millennium & Copthorne Share Trustees Limited, the trustee of the Millennium & Copthorne Share Ownership Plan Trust, Christopher Keljik and Christopher Sneath are also deemed to have a non-beneficial interest in 5,168 shares at the year end (2006: 10,152 shares).

The interests of the City Developments Limited nominated Directors' in that company and its ultimate parent company, Hong Leong Investment Holdings Pte Ltd, are disclosed in the accounts of those companies.

There have been no changes to Directors' interests between 31 December 2007 and the date of this report.

On behalf of the Board

The Viscount Thurso
CHAIRMAN OF THE REMUNERATION COMMITTEE

19 February 2008

Shareholder Information

Analysis of shareholders as at 31 January 2008

NUMBER OF SHARES	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
1 – 10,000	741	76.39	941,135	0.32
10,001 – 25,000	54	5.57	873,622	0.29
25,001 – 50,000	44	4.54	1,483,994	0.50
50,001 – 100,000	23	2.37	1,590,287	0.54
100,001 – 500,000	56	5.77	12,472,140	4.21
500,001 – 1,000,000	19	1.96	12,946,972	4.37
1,000,001 – Highest	33	3.40	266,068,300	89.77
TOTALS	**970**	**100.00**	**296,376,450**	**100.00**

We are committed to providing information to our shareholders to enable them to assess the 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 in the financial and business pages of the national papers. Our website is www.millenniumhotels.co.uk which provides information about the Group's properties and room availability together with announcements made by the Group.

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	25 March 2008
First quarter's results announcement	6 May 2008
Annual general meeting	7 May 2008
Final dividend payment	16 May 2008
Interim results announcement	7 August 2008
Interim dividend payable	October 2008
Third quarter's results announcement	6 November 2008

ADVISORS

Stockbroker	Credit Suisse Securities Limited
Auditor	KPMG Audit Plc
Solicitor	Lovells LLP
Principal Bankers	BNP Paribas
	DBS Bank Ltd
	The Hongkong and Shanghai Banking Corporation Ltd
	Oversea-Chinese Banking Corporation Ltd
	Royal Bank of Scotland plc
	Sumitomo Mitsui Banking Corporation
Registrar	Equiniti Limited

Report of the Auditor

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF MILLENNIUM & COPTHORNE HOTELS PLC

We have audited the Group and Parent Company financial statements (the financial statements) of Millennium & Copthorne Hotels plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report set out on pages 55 to 62.

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 AUDITOR

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the Parent Company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 48.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and, as regards the Group financial statement's, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the financial, operating and risk factors sections of the Business Review that is cross referred from the Business Review section of the Directors' Report on page 46.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003/2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risks and control procedures.

We read the other information contained in the Annual 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. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by 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 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 on whether the accounting policies are appropriate to the Group's and Company'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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2007;
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

19 February 2008

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £m	2006 £m
Revenue	1	**669.6**	646.3
Cost of sales		**(284.8)**	(277.4)
GROSS PROFIT		**384.8**	368.9
Administrative expenses	2	**(271.7)**	(261.5)
Other operating income	3	**13.8**	21.6
		126.9	129.0
Share of profit of joint ventures and associates	11	**44.6**	25.2
Analysed between:			
Operating profit before other income		**20.1**	13.8
Other operating income		**32.3**	17.7
Interest, tax and minority interests		**(7.8)**	(6.3)
OPERATING PROFIT		**171.5**	154.2
Analysed between:			
Headline operating profit		**140.2**	124.7
Other operating income – Group		**13.8**	21.6
Other operating income – share of joint ventures and associates		**32.3**	17.7
Impairment (included within administrative expenses)		**(7.0)**	(3.5)
Share of interest, tax and minority interests of joint ventures and associates		**(7.8)**	(6.3)
Finance income		**12.3**	5.8
Finance expense		**(26.4)**	(29.8)
NET FINANCE EXPENSE	5	**(14.1)**	(24.0)
PROFIT BEFORE INCOME TAX		**157.4**	130.2
Income tax credit/(expense)	6	**2.1**	(22.1)
PROFIT FOR THE YEAR		**159.5**	108.1
Attributable to:			
Equity holders of the parent		**149.4**	100.1
Minority interests		**10.1**	8.0
		159.5	108.1
EARNINGS PER SHARE			
Basic earning per share (pence)	7	**50.7p**	34.5p
Diluted earnings per share (pence)	7	**50.6p**	34.4p

The financial results above derive from continuing activities.

Consolidated Statement of Recognised Income and Expense

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £m	2006 £m
Foreign exchange translation differences		**17.4**	(84.2)
Share of associate other reserve movements		**–**	(2.3)
Actuarial gains/(losses) arising in respect of defined benefit pension plans	19	**0.7**	(1.4)
Income tax on income and expense recognised directly in equity	6,22	**2.6**	2.6
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**20.7**	(85.3)
Profit for the year		**159.5**	108.1
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		**180.2**	22.8
Attributable to:			
Equity holders of the parent		**162.7**	25.1
Minority interests		**17.5**	(2.3)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		**180.2**	22.8

Consolidated Balance Sheet

AS AT 31 DECEMBER 2007

	Notes	2007 £m	2006 £m
NON-CURRENT ASSETS			
Property, plant and equipment	8	**1,709.0**	1,699.9
Lease premium prepayment	9	**90.0**	74.6
Investment properties	10	**58.2**	49.6
Investments in joint ventures and associates	11	**247.6**	115.5
Loans due from joint ventures and associates	11	**5.4**	26.5
Other financial assets	12	**4.8**	4.5
		2,115.0	1,970.6
CURRENT ASSETS			
Inventories	13	**4.9**	4.6
Development properties	14	**69.6**	68.6
Lease premium prepayment	9	**1.1**	1.3
Trade and other receivables	15	**58.2**	56.5
Other financial assets	12	**9.1**	7.2
Cash and cash equivalents	16	**156.3**	162.3
		299.2	300.5
TOTAL ASSETS		**2,414.2**	2,271.1
NON-CURRENT LIABILITIES			
Interest-bearing loans, bonds and borrowings	17	**(304.1)**	(283.1)
Employee benefits	19	**(12.9)**	(15.0)
Provisions	20	**(1.0)**	(1.3)
Other non-current liabilities	21	**(90.9)**	(93.1)
Deferred tax liabilities	22	**(205.8)**	(224.6)
		(614.7)	(617.1)
CURRENT LIABILITIES			
Interest-bearing loans, bonds and borrowings	17	**(114.3)**	(139.6)
Trade and other payables	23	**(113.7)**	(103.8)
Provisions	20	**(0.4)**	(0.4)
Income taxes payable		**(17.4)**	(18.1)
		(245.8)	(261.9)
TOTAL LIABILITIES		**(860.5)**	(879.0)
NET ASSETS		**1,553.7**	1,392.1

Consolidated Balance Sheet

AS AT 31 DECEMBER 2007

	Notes	2007 £m	2006 £m
EQUITY			
Issued share capital	24,26	**88.9**	87.6
Share premium	24	**848.8**	848.7
Translation reserve	24	**(27.6)**	(37.6)
Retained earnings	24	**513.4**	370.4
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**1,423.5**	1,269.1
Minority interests	25	**130.2**	123.0
TOTAL EQUITY		**1,553.7**	1,392.1

These financial statements were approved by the Board of Directors on 19 February 2008 and were signed on its behalf by:

Kwek Leng Beng
CHAIRMAN

Wong Hong Ren
DIRECTOR

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £m	2006 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**159.5**	108.1
Adjustments for:		
Depreciation and amortisation	**28.7**	34.5
Share of profit of joint ventures and associates	**(44.6)**	(25.2)
Impairment losses on property, plant and equipment	**7.0**	3.5
Profit on sale of property, plant and equipment	**(1.4)**	(11.2)
Release of property tax provision	**(1.0)**	–
Gain on dilution of investment in associates	**(2.0)**	–
Profit on sale of stapled securities in associate	**(0.7)**	–
Change in fair value of investment properties	**(8.7)**	(4.9)
Write down of a development property	**9.6**	–
Equity settled share-based payment transactions	**0.8**	0.6
Finance income	**(12.3)**	(5.8)
Finance expense	**26.4**	29.8
Income tax (credit)/expense	**(2.1)**	22.1
	159.2	151.5
Increase in inventories, trade and other receivables	**(2.3)**	(5.1)
Increase in development properties	**(1.9)**	(2.5)
Increase in trade and other payables	**7.6**	0.9
Decrease in provisions and employee benefits	**(2.4)**	(0.3)
CASH GENERATED FROM OPERATIONS	**160.2**	144.5
Interest paid	**(22.8)**	(28.9)
Interest received	**8.5**	7.8
Income tax paid	**(17.7)**	(16.3)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**128.2**	107.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	**0.3**	123.3
Proceeds from pre-paid land lease	**–**	87.5
Investment in financial assets	**(5.0)**	(3.1)
Proceeds from disposal of joint venture	**–**	4.0
Proceeds from the sale of stapled securities in associates	**1.6**	–
Dividends received from associates	**6.6**	–
Increase in loan to joint venture	**(0.6)**	–
Increase in investment in joint ventures and associates	**(59.6)**	(81.3)
Acquisition of property, plant and equipment, and lease premium prepayment	**(56.8)**	(34.6)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(113.5)**	95.8
BALANCE CARRIED FORWARD	**14.7**	202.9

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £m	2006 £m
BALANCE BROUGHT FORWARD	**14.7**	202.9
CASH FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	**1.4**	2.2
Repayment of borrowings	**(241.4)**	(205.0)
Drawdown of borrowings	**235.8**	79.7
Payment of finance lease obligations	**(2.1)**	(2.0)
Loan arrangement fees	**(0.5)**	(0.6)
Share buy back of minority interests	**(10.0)**	–
Dividends paid to minority interests	**(2.2)**	(2.2)
Capital contribution from minority interests	**1.9**	–
Dividends paid to equity holders of the parent	**(10.5)**	(9.1)
NET CASH USED IN FINANCING ACTIVITIES	**(27.6)**	(137.0)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(12.9)**	65.9
Cash and cash equivalents at the beginning of year	**161.5**	103.7
Effect of exchange rate fluctuations on cash held	**7.3**	(8.1)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**155.9**	161.5
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents shown on the balance sheet	**156.3**	162.3
Overdraft bank accounts included in borrowings	**(0.4)**	(0.8)
CASH AND CASH EQUIVALENTS FOR CASH FLOW STATEMENT PURPOSES	**155.9**	161.5

Accounting Policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements, except IFRS7 Financial Instruments: Disclosures, has been applied for the first time in 2007 with the 2006 comparatives restated accordingly.

A BASIS OF PREPARATION

The Group financial statements have been prepared and approved by the Directors in accordance with IFRS as adopted by the EU (adopted IFRS). The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP. These are presented on pages 121 to 125.

The financial statements were approved by the Board of Directors on 19 February 2008.

The financial statements are presented in the Group's functional currency of sterling, rounded to the nearest hundred thousand.

The accounting for the disposal of properties to CDLHT in 2006 has been adjusted in respect of the land lease element of the transaction on the 75-year leases of the Orchard Hotel and M Hotel. In the 2006 Financial Statements the proportion of the consideration received as prepayment by CDLHT of the operating lease of the land was effectively netted off against the freehold land value for these two hotels. Freehold land has been restated to the value before the transaction and the deferred income arising from the lease prepayment has been recognised on the balance sheet at the value at the date of the transaction of £87.5m.

In addition, certain comparatives have been restated to comply with the current year's presentation.

Basis of measurement

The financial statements are prepared on the historical cost basis except that investment properties and, from 1 January 2005, derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale, are stated at their fair value. Hotel properties are stated at cost or deemed cost. Deemed cost is calculated based on the hotel's frozen valuation as at 1 January 2004. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The Group's income statement and segmental analysis separately identifies headline operating profit, other operating income and impairment of the Group together with the other operating income, interest, tax and minority interest elements of its share of joint ventures and associates profit for the year. This is in accordance with IAS 1. 'Presentation of Financial Statements' and is consistent with the way that financial performance is measured by management and assists in providing a meaningful analysis of the trading results of the Group. Headline operating profit may not be comparable to similarly titled measures used by other companies. The Directors intend to follow such presentation on a consistent basis in the future.

Uses of estimates and judgements

The preparation of the financial statement in conformity with Adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 31 (Accounting estimates and judgements).

(i) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but the application of these standards has no material effect on these accounts to the Group's operations:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

(ii) Forthcoming interpretations to existing standards that are not yet effective and have not been adopted by the Group.

The following standards and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but that the Group has not elected for early adoption:

- IFRS 8, Operating Segments (mandatory for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The Group will apply IFRS 8 from 1 January 2009, but it is not expected to result in amendments to segmental disclosure.

- Revised IAS 23, Borrowing Costs (mandatory for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group will apply IAS 23 from 1 January 2009, but it is not expected to have any material impact on the Group's accounts, as the Group currently capitalises borrowing costs where appropriate.
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (mandatory for annual periods beginning on or after 1 March 2007) requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. The Group will apply IFRIC 11 from 1 January 2008, with retrospective application required. It is not expected to have any material impact on the consolidated financial statements.
- IFRIC 13, Customer Loyalty Programmes (mandatory for annual periods beginning on or after 1 July 2008) addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The Group will apply IFRIC 13 from 1 January 2009 and expects the impact to be immaterial.
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (mandatory for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. The Group will apply IFRIC 11 from 1 January 2009, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

(iii) Forthcoming standards and interpretations to existing standards that are not yet effective and not relevant for the Group's operations:

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

B BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to control, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Joint ventures and associates

Associates are those entities in which the Group has significant influence but not control over the financial and operating policies.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity accounted basis, from the date that significant influence or joint control respectively commences until the date that it ceases. When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of joint venture partners and associates.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

C FOREIGN CURRENCY

(i) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into sterling at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to translation reserve. They are released into the income statement upon disposal of the foreign operation.

D DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

E HEDGES

(i) Cash flow hedges

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e., when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(ii) Hedge of monetary assets and liabilities

When a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

(iii) Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity within translation reserve. The ineffective portion is recognised immediately in the income statement.

F PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION

Land and buildings (other than investment properties) are stated at cost, except as allowed under IFRS 1 transition rules, less depreciation and any provision for impairment. All other fixed assets are stated at cost less depreciation and any provision for impairment. Any impairment of such properties below depreciated historical cost is charged to the income statement.

Accounting Policies

Under the transition provisions of IFRS 1, land and buildings which were previously revalued under UK GAAP are measured on the basis of their deemed cost, being their UK GAAP carrying value, including revaluations, as at 1 January 2004.

Freehold land is not depreciated. All other 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

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 property, plant and equipment 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 include 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 as incurred to the income statement.

G LEASES

(i) Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is initially recorded at the lower of fair value and the present value of minimum lease payments.

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 payable by the Group under the operating leases are charged to the income statement on a straight line basis over the lease term even if payments are not made on the same basis. In cases where rents comprise a fixed and a variable element, the fixed element only is charged to the income statement on a straight line basis with the variable amounts being charged as they become due. Lease incentives received are recognised as an integral part of the total lease expense.

Rentals receivable by the Group as lessor under operating leases, including the sub-letting of retail outlets within hotel properties, are credited to the income statement on a straight line basis over the lease term even if the receipts are not made on such a basis. Costs, including depreciation incured in earning the lease income are recognised as an expense.

(ii) Lease premium

On occasion the Group makes and receives initial payments on entering into both long and short leases of land and buildings. As leases of land are normally classified as operating leases if title is not expected to pass, the element of the payment attributable to land is recorded on the balance sheet as lease premium prepayment and is charged to the income statement on a straight line basis over the term of the lease. Interest attributable to funds used to finance the purchase of leases of land is capitalised gross of tax relief and added to the cost of the lease prepayments.

In the case of lease premiums received, these are reflected on the balance sheet as deferred income, appropriately classified between current and non-current liabilities and are credited to the income statement on a straight line basis over the term of the lease.

H IMPAIRMENT

The carrying amounts of the Group's assets, other than investment properties, inventories, employee benefit assets and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. Where permissable under IFRS, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement.

I INVESTMENT PROPERTIES

Investment properties held by the Group are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. Any increase or decrease in the fair value on annual revaluation is recognised in the income statement in accordance with IAS 40: Investment Property.

An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued, values the portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The Group's associated undertaking, CDLHT, holds hotel assets which are leased to both the Group and external third parties with lease rentals and related charges varying according to the agreements involved. For the purposes of the preparation of the Group's financial statements, to the extent that these assets held by CDLHT qualify to be accounted for as investment properties in accordance with IAS 40, the Group equity accounts for its share of CDLHT's fair value change within its overall share of profits from associates. Such share of fair value change is recorded as a share of other operating income of associates in the Group's income statement. Where in the Group's view, the indicators of the lease arrangement are of an owner-occupied property, the property is accounted for in the Group's financial statements as part of CDLHT's property, plant and equipment with the Group's share of CDLHT's results for the period incorporating an appropriate depreciation charge.

J INVENTORIES

Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

K DEVELOPMENT PROPERTIES

Development properties are stated at the lower of cost and net realisable value and are held for sale in the short-term and are therefore classified as current assets. The cost of development properties includes interest and other related expenditure incurred in order to get the asset ready for its intended use.

L CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

M BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost: any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

N INCOME TAX

Income tax on profit or loss comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: (i) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; (ii) and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the benefit will be realised.

Deferred tax assets and liabilities are offset only to the extent that: (i) the Group has a legally enforceable right to offset current tax assets against current tax liabilities; (ii) the Group intends to settle net; and (iii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

O EMPLOYEE BENEFITS

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

The Group recognises actuarial gains and losses within the Consolidated Statement of Recognised Income and Expense in the period in which they occur.

(iii) Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than post-employment plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

(iv) Share-based payment transactions

The share-based incentive schemes allow Group employees to acquire shares of Millennium & Copthorne Hotels plc. The fair value of options and awards granted are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to exercise options granted or for share awards to vest. The fair value of the share awards or grants are measured using a stochastic model, taking into account the performance conditions applying to the share options and awards. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

P PROVISIONS

A provision is recognised on the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Q REVENUE AND ITS RECOGNITION

Revenue comprises:

- Income from the ownership and operation of hotels – recognised at the point at which the accommodation and related services are provided;
- Management fees – earned from hotels managed by the Group, usually under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability; recognised when earned on an accrual basis under the terms of the contract;

- Franchise fees – received in connection with licensing of the Group's brand names, usually under long-term contracts with the hotel owner. The Group charges franchise royalty fees as a percentage of room revenue; recognised when earned on an accrual basis under the terms of the agreement;
- REIT manager's management fees – earned from CDLHT and recognised on an accrual basis based on the applicable formula as described in note 29;
- Income from property rental – recognised on a straight line basis over the lease term, lease incentives granted are recognised as an integral part of the total rental income; and
- Land, development property and property sales – recognised when legal title transfers provided the related significant risk and rewards of ownership have passed by that date.

R DIVIDEND DISTRIBUTION

Dividend distribution to the shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are appropriately authorised and approved for payment and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

S SEGMENT REPORTING

The Group's primary reporting format is two business segments, hotel and property operations, with each segment representing a business unit that offers different products and serves different markets. The hotel operations comprise income from the ownership and management of hotels. Property operations comprise the development and the sale of land and development properties and investment property rental income.

The Group's secondary reporting format is geographic location. The hotel and property operations are managed on a worldwide basis and operate in six principal geographical areas; New York, Regional US, London, Rest of Europe, Asia and Australasia.

T NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale when their disposal is considered highly probable. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable IFRS. Then on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying value amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement, even for assets measured at fair value, as are gains and losses on subsequent re-measurement.

U OTHER FINANCIAL ASSETS AND LIABILITIES

Trade investments are classified as available for sale assets and are included under non-current assets within 'other financial assets'. They are recorded at market value with movements in value taken to equity. Any impairment to value is recorded in the income statement.

Trade and other receivables are stated at their nominal amount (discounted if material) less impairments.

Trade and other payables are stated at their nominal amount (discounted if material).

V RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability directly or indirectly, to control the party or exercise significant influence over the party making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Notes to the Consolidated Financial Statements

CONTENTS

1. SEGMENTAL REPORTING

Segmental information is presented in respect of the Group's business and geographical segments. The primary format is business segments and is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise: interest-bearing loans, borrowings and net financing costs, taxation balances and corporate assets and expenses.

Business Segments

The Group comprises the following main business segments:

- Hotel operations, comprising income from the ownership and management of hotels
- Property operations, comprising the development and sale of land and development properties and investment property rental income

Geographical Segments

The hotel and operations are managed on a worldwide basis and operate in six principal geographical areas:

- New York
- Regional US
- London
- Rest of Europe
- Asia
- Australasia

In presenting information on the basis of geographical segments, segment revenue and assets are based on the geographical location of the assets.

Business segments (primary)

	Hotel 2007 £m	Property operations 2007 £m	Central costs 2007 £m	Total Group 2007 £m
Revenue	649.7	19.9	–	669.6
Gross operating profit	248.7	(1.0)	–	247.7
Depreciation	(27.4)	–	–	(27.4)
Amortisation of lease prepayments	(1.3)	–	–	(1.3)
Other hotel fixed charges	(79.5)	–	–	(79.5)
Central costs	–	–	(19.4)	(19.4)
Share of joint ventures and associates operating profit	20.1	–	–	20.1
Headline operating profit/(loss)	160.6	(1.0)	(19.4)	140.2
Other operating income – Group	5.1	8.7	–	13.8
Other operating income – share of joint ventures and associates	32.3	–	–	32.3
Impairment	(7.0)	–	–	(7.0)
Share of interest, tax and minority interests of joint ventures and associates	(7.8)	–	–	(7.8)
Operating profit/(loss)	183.2	7.7	(19.4)	171.5
Net finance expense				(14.1)
Profit before tax				157.4

1. SEGMENTAL REPORTING (CONTINUED)

	Hotel 2006 £m	Property operations 2006 £m	Central costs 2006 £m	Total Group 2006 £m
Revenue	621.1	25.2	–	646.3
Gross operating profit	223.8	8.8	–	232.6
Depreciation	(32.9)	–	–	(32.9)
Amortisation of lease prepayments	(1.6)	–	–	(1.6)
Other hotel fixed charges	(69.0)	–	–	(69.0)
Central costs	–	–	(18.2)	(18.2)
Share of joint ventures and associates operating profit	13.8	–	–	13.8
Headline operating profit/(loss)	134.1	8.8	(18.2)	124.7
Other operating income – Group	16.7	4.9	–	21.6
Other operating income – share of joint ventures and associates	17.7	–	–	17.7
Impairment	(3.5)	–	–	(3.5)
Share of interest, tax and minority interests of joint ventures and associates	(6.3)	–	–	(6.3)
Operating profit/(loss)	158.7	13.7	(18.2)	154.2
Net finance expense				(24.0)
Profit before tax				130.2

Geographical segments (secondary)

	New York 2007 £m	Regional US 2007 £m	London 2007 £m	Rest of Europe 2007 £m	Asia 2007 £m	Australasia 2007 £m	Central costs 2007 £m	Total Group 2007 £m
Revenue								
Hotel	**106.5**	**112.0**	**92.0**	**98.0**	**196.0**	**45.2**	**–**	**649.7**
Property operations	**–**	**1.6**	**–**	**–**	**1.5**	**16.8**	**–**	**19.9**
Total	**106.5**	**113.6**	**92.0**	**98.0**	**197.5**	**62.0**	**–**	**669.6**
Hotel gross operating profit	**43.2**	**26.8**	**46.4**	**30.7**	**83.2**	**18.4**	**–**	**248.7**
Hotel fixed charges	**(15.6)**	**(17.4)**	**(12.7)**	**(15.7)**	**(36.5)**	**(10.3)**	**–**	**(108.2)**
Hotel operating profit	**27.6**	**9.4**	**33.7**	**15.0**	**46.7**	**8.1**	**–**	**140.5**
Property operations operating profit/(loss)	**–**	**(9.8)**	**–**	**–**	**0.9**	**7.9**	**–**	**(1.0)**
Central costs	**–**	**–**	**–**	**–**	**–**	**–**	**(19.4)**	**(19.4)**
Share of joint ventures and associates operating profit	**–**	**–**	**–**	**–**	**20.1**	**–**	**–**	**20.1**
Headline operating profit/(loss)	**27.6**	**(0.4)**	**33.7**	**15.0**	**67.7**	**16.0**	**(19.4)**	**140.2**
Other operating income – Group	**1.0**	**–**	**–**	**–**	**12.8**	**–**	**–**	**13.8**
Other operating income – share of joint ventures and associates	**–**	**–**	**–**	**–**	**32.3**	**–**	**–**	**32.3**
Impairment	**–**	**(6.1)**	**–**	**(0.9)**	**–**	**–**	**–**	**(7.0)**
Share of interest, tax and minority interest of joint ventures and associates	**–**	**–**	**–**	**–**	**(7.8)**	**–**		**(7.8)**
Operating profit/(loss)	**28.6**	**(6.5)**	**33.7**	**14.1**	**105.0**	**16.0**	**(19.4)**	**171.5**
Net finance expense								**(14.1)**
Profit before tax								**157.4**

1. SEGMENTAL REPORTING (CONTINUED)

Geographical segments (secondary)

	New York 2006 £m	Regional US 2006 £m	London 2006 £m	Rest of Europe 2006 £m	Asia 2006 £m	Australasia 2006 £m	Central costs 2006 £m	Total Group 2006 £m
Revenue								
Hotel	103.1	117.0	84.2	96.8	175.1	44.9	–	621.1
Property operations	–	2.3	–	–	1.4	21.5	–	25.2
Total	103.1	119.3	84.2	96.8	176.5	66.4	–	646.3
Hotel gross operating profit	38.9	27.7	40.1	28.9	69.4	18.8	–	223.8
Hotel fixed charges	(16.3)	(18.5)	(13.8)	(16.6)	(29.8)	(8.5)	–	(103.5)
Hotel operating profit	22.6	9.2	26.3	12.3	39.6	10.3	–	120.3
Property operations operating profit	–	0.2	–	–	0.6	8.0	–	8.8
Central costs	–	–	–	–	–	–	(18.2)	(18.2)
Share of joint ventures and associates operating profit	–	–	–	–	13.8	–	–	13.8
Headline operating profit/(loss)	22.6	9.4	26.3	12.3	54.0	18.3	(18.2)	124.7
Other operating income – Group	5.5	3.1	–	–	13.0	–	–	21.6
Other operating income – Share of joint ventures and associates	–	–	–	–	17.7	–	–	17.7
Impairment	–	(0.6)	–	(2.9)	–	–	–	(3.5)
Share of interest, tax and minority interest of joint ventures and associates	–	–	–	–	(6.3)	–	–	(6.3)
Operating profit/(loss)	28.1	11.9	26.3	9.4	78.4	18.3	(18.2)	154.2
Net finance expense								(24.0)
Profit before tax								130.2

1. SEGMENTAL REPORTING (CONTINUED)

Segmental assets, liabilities and capital expenditure

	New York 2007 £m	Regional US 2007 £m	London 2007 £m	Rest of Europe 2007 £m	Asia 2007 £m	Australasia 2007 £m	Total Group 2007 £m
Hotel operating assets	**284.4**	**254.2**	**447.6**	**220.5**	**554.9**	**112.9**	**1,874.5**
Hotel operating liabilities	**(9.6)**	**(26.9)**	**(20.5)**	**(15.8)**	**(137.4)**	**(7.5)**	**(217.7)**
Investment in joint ventures and associates	**–**	**–**	**–**	**–**	**231.1**	**16.5**	**247.6**
Loan to joint ventures	**–**	**–**	**–**	**–**	**5.4**	**–**	**5.4**
Total hotel operating net assets	**274.8**	**227.3**	**427.1**	**204.7**	**654.0**	**121.9**	**1,909.8**
Property operations assets	**–**	**34.5**	**–**	**–**	**43.1**	**52.8**	**130.4**
Property operations liabilities	**–**	**(0.1)**	**–**	**–**	**(0.4)**	**(0.7)**	**(1.2)**
Total property operations net assets	**–**	**34.4**	**–**	**–**	**42.7**	**52.1**	**129.2**
Deferred tax liabilities							**(205.8)**
Income taxes payable							**(17.4)**
Net debt							**(262.1)**
Net Assets							**1,553.7**
Capital expenditure							
Hotel operations	**3.8**	**4.5**	**2.9**	**3.2**	**31.2**	**10.6**	**56.2**
Property operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	3.8	**4.5**	**2.9**	**3.2**	**31.2**	**10.6**	**56.2**

	New York 2006 £m	Regional US 2006 £m	London 2006 £m	Rest of Europe 2006 £m	Asia 2006 £m	Australasia 2006 £m	Total Group 2006 £m
Hotel operating assets	292.3	235.9	452.0	216.1	556.3	97.4	1,850.0
Hotel operating liabilities	(9.6)	(26.6)	(21.1)	(18.0)	(130.6)	(6.3)	(212.2)
Investment in joint ventures	–	–	–	–	115.5	–	115.5
Loan to joint ventures	–	–	–	–	26.5	–	26.5
Total hotel operating net assets	282.7	209.3	430.9	198.1	567.7	91.1	1,779.8
Property operations assets	–	43.3	–	–	33.9	42.0	119.2
Property operations liabilities	–	(2.6)	–	–	(0.4)	(0.8)	(3.8)
Total property operations net assets	–	40.7	–	–	33.5	41.2	115.4
Deferred tax liabilities							(224.6)
Income taxes payable							(18.1)
Net debt							(260.4)
Net Assets							1,392.1
Capital expenditure							
Hotel operations	6.2	4.3	4.5	2.3	12.1	3.6	33.0
Property operations	–	–	–	–	–	–	–
	6.2	4.3	4.5	2.3	12.1	3.6	33.0

2. *ADMINISTRATIVE EXPENSES*

The following items are included within administrative expenses:

Included in administrative expenses is the auditor's remuneration, excluding expenses for audit and non-audit services as follows:

(a) Auditor's remuneration

	2007 £m	2006 £m
Statutory audit services:		
– Annual audit of the Company and consolidated accounts	**0.3**	0.3
– Audit of subsidiary companies	**0.9**	0.8
	1.2	1.1
Non-audit related services:		
– Further assurance services relating to accounting advice	**0.2**	0.1
– Other services relating to taxation	**0.6**	0.6
	0.8	0.7
	2.0	1.8

In addition to the above, fees in respect of the annual audit of the Millennium & Copthorne UK pension plan were £0.1m (2006: £0.1m).

	2007 £m	2006 £m
(b) Impairment	**7.0**	3.5
(c) Repairs and maintenance	**30.3**	29.2
(d) Depreciation	**27.4**	32.9
(e) Lease premium amortisation	**1.3**	1.6
(f) Rental paid/payable under operating leases		
– land and buildings	**33.2**	19.6
– plant and machinery	**4.2**	4.0

Properties are annually reviewed for indications of impairment, and appropriate charges are made when their value is less than the current carrying values. In 2007 the impairment related to the Millennium Hotel & Resort Stuttgart, the Millennium Resort Scottsdale McCormick Ranch, and the Millennium Hotel St Louis. In 2006 the impairment related to the Millennium Hotel & Resort Stuttgart and the Wynfield Inn Orlando. Refer to further details set out in note 8(e).

Rental paid/payable under operating leases with regard to land and buildings include rentals relating to the lease arrangements with CDLHT on four Singapore hotels. Details of these lease arrangements and rents payable thereon are given in note 29.

3. OTHER OPERATING INCOME

	Notes	2007 £m	2006 £m
Release of property tax provision set aside on acquisition of Regal Hotels in 1999	(a)	**1.0**	–
Profit on disposal of stapled securities in CDLHT	(b)	**0.7**	–
Gain on dilution of investment in CDLHT	(c)	**2.0**	–
Fair value adjustments of investment property	(d)	**8.7**	4.9
Business interruption insurance proceeds	(e)	**–**	5.5
Net gain on disposal of property:			
– Profit on sale and leaseback of three Singapore hotels	(f)	**1.4**	10.1
– Other		–	1.1
		13.8	21.6

Notes

(a) Following protracted negotiations, a £1.0m property tax accrual in the US set aside on the acquisition of Regal Hotels in 1999 was released in 2007.

(b) The Group sold a small number of stapled securities in CDLHT that gave rise to a £0.7m gain (2006: £nil).

(c) The £2.0m dilution gain arising on the investment in CDLHT followed the Group's subscription to a rights issues of shares at a discount together with the non-participation in a S$32.8m (£10.6m) private placement issue, the effect of which marginally diluted the Group's interest in CDLHT which at 31 December 2007 was 38.5% (2006: 39.3%).

(d) Revaluation of investment property relates to two properties. The Tanglin Shopping Centre (Singapore) recorded an uplift in value of £8.7m (2006: £2.6m) and the Biltmore Court and Tower (Los Angeles) recorded an uplift in value of £nil (2006: £2.3m).

(e) In March 2005, the Group settled the 11 September 2001 business interruption/property damage insurance claim regarding the Millenium Hilton for US$85.0m. The final proceeds received in 2005 of US$25.0m (£12.8m) have been credited to the income statement.

On 29 November 2006, the Group entered into an agreement with its insurance advisor to resolve the legal action. Under that agreement, CDL Hotels USA Inc received a cash amount of US$17.5 million in December 2006. The parties to the agreement agreed to a full and final settlement of any and all claims the parties may have had against each other arising out of or related to the Group's 2001 US property insurance coverage. The final settlement amount, net of associated costs of US$6.9m (£3.5m) resulted in a US$10.6m (£5.5m) credit to the income statement in 2006.

(f) In 2006 the Group sold three of its Singapore hotels on a sale and leaseback arrangement to CDLHT and recorded a profit of £10.1m. The additional £1.4m profit arising in 2007 on that transaction was a result of releasing accruals that are no longer required on capital expenditure relating to those assets.

4. PERSONNEL EXPENSES

	2007 £m	2006 £m
Wages and salaries	**200.1**	200.5
Compulsory social security contributions	**27.7**	27.9
Contributions to defined contribution schemes	**7.4**	3.6
Defined benefit pension costs – recorded in the statement of recognised income and expense	**(0.7)**	1.4
Defined benefit pension costs – recorded in the income statement	**2.4**	2.4
Equity settled share-based payment transactions	**0.8**	0.6
	237.7	236.4

The average number of employees employed by the Group (including Directors) during the year analysed by category was as follows:

	2007 Number	2006 Number
Hotel operating staff	**10,412**	10,291
Management/administration	**1,344**	1,404
Sales and marketing	**578**	570
Repairs and maintenance	**623**	597
	12,957	12,862

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 55 to 62.

5. NET FINANCE EXPENSE

	2007 £m	2006 £m
Interest income	**8.2**	5.5
Interest receivable from joint ventures	**0.4**	0.3
Foreign exchange gain	**3.7**	–
Finance income	**12.3**	5.8
Interest expense	**(22.9)**	(29.2)
Foreign exchange loss	**(3.5)**	(0.6)
Finance expense	**(26.4)**	(29.8)
Net finance expense	**(14.1)**	(24.0)

6. INCOME TAX (CREDIT)/EXPENSE

	2007 £m	2006 £m
Current tax expense		
Current year	**20.2**	18.2
Adjustment for prior years	**(4.0)**	(6.6)
	16.2	11.6
Deferred tax (credit)/expense (note 22)		
Origination and reversal of temporary differences	**5.3**	0.3
(Reduction)/increase in tax rate	**(3.9)**	0.2
Benefits of tax losses recognised	**2.7**	9.0
(Over)/under provision in respect of prior years	**(9.5)**	1.0
Change in UK tax legislation in respect of the removal of claw back on hotel tax allowance (see note below)	**(12.9)**	–
	(18.3)	10.5
Total income tax (credit)/expense in income statement	**(2.1)**	22.1
UK	**(13.5)**	0.7
Overseas	**11.4**	21.4
Total income tax (credit)/expense in income statement	**(2.1)**	22.1

Excluding the tax relating to joint ventures and associates, the Group has recorded a tax credit of £2.1m (2006: £22.1m tax expense). This reduced tax expense is primarily attributable to: (i) the deferred tax impact of a change in UK tax legislation in respect of the removal of claw back on hotel tax allowances, resulting in an estimated tax credit of £12.9m; (ii) a £3.9m credit in respect of the impact on deferred tax arising from reduced tax rates and; (iii) a £13.5m credit in respect of adjustments relating to prior years.

A tax charge of £1.4m (2006: £1.8m) relating to joint ventures and associates is included in the reported profit before tax.

Note:
A further £1.6m has been recognised directly in equity, in proportion to the amount of the total brought forward UK tax liability previously recognised through revaluation reserve.

Income tax reconciliation

	2007 %	2007 £m	2006 %	2006 £m
Profit before tax in income statement		**157.4**		130.2
Less share of profit in joint ventures and associates[1]		**(44.6)**		(25.2)
Profit on ordinary activities excluding share of joint ventures and associates		**112.8**		105.0
Income tax on ordinary activities at the standard rate of UK tax of 30% (2006: 30%)	**30.0**	**33.8**	30.0	31.5
Tax exempt income	**(4.4)**	**(4.9)**	(15.3)	(16.1)
Non deductible expenses	**3.9**	**4.4**	10.1	10.6
Current year losses for which no deferred tax asset was recognised	**0.8**	**0.9**	0.5	0.5
Recognition of previously unrecognised tax losses	–	–	(0.6)	(0.6)
Effect of tax rates in foreign jurisdictions	**(5.7)**	**(6.4)**	0.3	0.4
Effect of change in tax rates on opening deferred assets	**(3.5)**	**(3.9)**	0.3	0.3
Effect of change in UK tax legislation in respect of the removal of claw back on hotel allowances	**(11.4)**	**(12.9)**	–	–
Adjustment to tax charge in respect of prior years[2]	**(12.0)**	**(13.5)**	(5.3)	(5.6)
Unrecognised deferred tax assets	**0.4**	**0.4**	1.1	1.1
	(1.9)	**(2.1)**	21.1	22.1

[1] The effective rate of tax for joint ventures and associates is 3.1% (2006: 7.1%). This is lower than the standard rate of UK tax of 30% (2006: 30%), due to lower rates of corporation tax being applicable in the jurisdictions in which the entities operate.

[2] Comprising £4.0m (2006: £6.6m) in respect of current tax and £9.5m (2006: £1.0m charge) in respect of deferred tax.

6. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

Income tax recognised directly in equity

	2007 £m	2006 £m
Taxation (expense)/credit arising on defined benefit pension schemes	**(1.2)**	0.4
Taxation credit arising in respect of previously revalued property	**3.2**	2.2
Taxation credit arising on share-based incentive schemes	**0.6**	–
	2.6	2.6

7. EARNINGS PER SHARE

Earnings per share are calculated using the following information:

	2007	2006
(a) Basic		
Profit for year attributable to holders of the parent (£m)	**149.4**	100.1
Weighted average number of shares in issue (m)	**294.4**	289.9
Basic earnings per share	**50.7p**	34.5p
(b) Diluted		
Profit for year attributable to holders of the parent (£m)	**149.4**	100.1
Weighted average number of shares in issue (m)	**294.4**	289.9
Potentially dilutive share options under Group's share option schemes (m)	**0.7**	0.7
Weighted average number of shares in issue (diluted) (m)	**295.1**	290.6
Diluted earnings per share	**50.6p**	34.4p
(c) Headline earnings per share		
Profit for year attributable to holders of the parent (£m)	**149.4**	100.1
Adjustments for:		
Other operating income (net of tax) (£m)	**(13.8)**	(22.4)
Impairment (net of tax) (£m)	**4.5**	3.3
Share of other operating income of joint ventures and associates (nil tax) (£m)	**(32.3)**	(17.7)
Change in UK tax legislation on hotel tax allowances (£m)	**(12.9)**	–
Adjusted profit for the year attributable to holders of the parent (£m)	**94.9**	63.3
Weighted average number of shares in issue (m)	**294.4**	289.9
Headline earnings per share	**32.2p**	21.8p
(d) Diluted headline earnings per share		
Adjusted profit for the year attributable to the holders of the parent (£m)	**94.9**	63.3
Weighted average number of shares in issue (diluted) (m)	**295.1**	290.6
Diluted headline earnings per share	**32.2p**	21.8p

8. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings £m	Capital work in progress £m	Plant and machinery £m	Fixtures, fittings, equipment and vehicles £m	Total £m
Cost						
Balance at 1 January 2006		1,857.7	5.3	88.4	187.0	2,138.4
Additions		2.8	10.6	3.7	15.9	33.0
Transfer to development properties	(a)	(20.1)	(2.3)	(0.1)	(0.8)	(23.3)
Transfer to lease premium prepayment	(b)	(17.6)	–	–	–	(17.6)
Transfers		1.2	(6.6)	3.9	1.5	–
Disposal – to CDLHT restated	(c)	(65.2)	–	(19.9)	(31.4)	(116.5)
Disposal – to others		(0.7)	–	(1.7)	(10.3)	(12.7)
Foreign exchange adjustments		(106.8)	(1.3)	(10.0)	(15.4)	(133.5)
Balance at 31 December 2006		1,651.3	5.7	64.3	146.5	1,867.8
Balance at 1 January 2007		1,651.3	5.7	64.3	146.5	1,867.8
Additions		15.0	7.2	4.6	12.9	39.7
Transfers		6.9	(10.1)	1.1	2.1	–
Disposals		(0.6)	–	(0.9)	(8.4)	(9.9)
Foreign exchange adjustments		5.4	0.3	1.3	2.5	9.5
Balance at 31 December 2007		1,678.0	3.1	70.4	155.6	1,907.1
Depreciation						
Balance at 1 January 2006		70.7	–	23.3	101.0	195.0
Charge for the year		9.3	–	4.2	19.4	32.9
Impairment	(e)	0.6	–	–	1.8	2.4
Transfer to development properties	(a)	(0.1)	–	–	(0.6)	(0.7)
Transfer to lease premium prepayment	(b)	(14.3)	–	–	–	(14.3)
Disposal – to CDLHT	(c)	(7.8)	–	(4.8)	(5.7)	(18.3)
Disposal – to others		(0.6)	–	(1.6)	(8.9)	(11.1)
Foreign exchange adjustments		(4.8)	–	(1.1)	(12.1)	(18.0)
Balance at 31 December 2006		53.0	–	20.0	94.9	167.9
Balance as at 1 January 2007		53.0	–	20.0	94.9	167.9
Charge for the year		7.0	–	3.9	16.5	27.4
Impairment	(e)	6.0	–	–	1.0	7.0
Disposals		–	–	(0.8)	(8.2)	(9.0)
Foreign exchange adjustments		1.5	–	0.7	2.6	4.8
Balance at 31 December 2007		67.5	–	23.8	106.8	198.1
Carrying amounts						
At 1 January 2006		1,787.0	5.3	65.1	86.0	1,943.4
At 31 December 2006		1,598.3	5.7	44.3	51.6	1,699.9
At 1 January 2007		1,598.3	5.7	44.3	51.6	1,699.9
At 31 December 2007		**1,610.5**	**3.1**	**46.6**	**48.8**	**1,709.0**

(a) Transfer of development properties

The transfer to development properties in 2006 represents the redevelopment of Sunnyvale in California into 240 residential condominiums and a 250 bedroom hotel and redevelopment of land adjoining the Grand Millennium Kuala Lumpur hotel in Malaysia.

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Transfer to lease premium prepayments
The transfer to lease premium prepayments in 2006 represents the recognition of initial payments made in respect of operating leased land held under short leases. These leases had been misclassified under Property, plant and equipment in the 2005 Financial Statements.

(c) Disposal to CDLHT
The 2006 disposal to CDLHT, in which the Group holds a 38.5% interest as at 31 December 2007 (31 December 2006: 39.3%), represents the property, plant and equipment element of the sale and lease back of three Singapore hotels.

The disposal amount has been adjusted in respect of the land lease element of the transaction on the 75-year leases of the Orchard Hotel and M Hotel. In the 2006 Financial Statements these land leases were recorded as a disposal, but this treatment has been reviewed as the 75 year lease does not represent the disposal of the substantial benefit of the land's indefinite life. Accordingly the land leases are now recognised on the balance sheet at their aggregate value at the date of the transaction of £87.5m and the disposal figure in the note above has been reduced by the same amount.

The prepaid operating land lease income is recognised on the balance sheet as deferred income, and will be amortised over the 75 years of the lease. At 31 December 2007 an amount of £85.9m is recognised on the balance sheet as deferred income, £84.7m in non-current creditors and £1.2m in current creditors and an amount of £1.6m has been credited to the 2007 income statement which consists of £0.5m in respect of the prior year.

(d) Land and buildings
Land and buildings includes long leasehold building assets with a book value of £342.3m (2006: £355.6m) and assets held under finance leases with a net book value of £0.1m (2006: £10.6m). The net book value of land and buildings held under short leases was £13.4m (2006: £5.7m), in respect of which depreciation of £1.4m (2006: £2.3m) was charged during the year.

No interest has been capitalised within land and buildings during the year (2006: £nil). The cumulative interest within land and buildings is £4.4m (2006: £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.

(e) Impairment
The Directors undertake an annual review of the carrying value of hotel and property assets for indications of impairment, as required by IAS 36 "Impairment of Assets". Where appropriate, external property valuations are also undertaken. An impairment charge of £7.0m (2006: £3.5m) has been recorded within administrative expenses in the year as shown in note 2 and comprises a charge relating to property, plant and equipment of £7.0m (2006: £2.4m) and a charge made to the lease premium prepayment of nil (2006: £1.1m) as shown in note 9. In 2007, the impairment charge and the estimated recoverable amount was based on the hotel property's value in use, determined using a discount rate of 11.0% in relation to the Millennium Resort Scottsdale McCormick Ranch, 12.0% in relation to the Millennium Hotel St Louis and 8.0% (2006: 7.8%) in relation to Millennium Hotel & Resort Stuttgart.

(f) Pledged assets
At year-end, the net book value of assets pledged as collateral for secured loans was £245.3m (2006: £690.2m), the security for the loans is by way of charges on the properties of Group companies concerned.

9. LEASE PREMIUM PREPAYMENT

	Notes	2007 £m	2006 £m
Cost			
Balance at 1 January		**101.2**	91.1
Additions	(a)	**16.5**	1.6
Transfer from property, plant and equipment	(b)	**–**	17.6
Disposal – CDLHT	(c)	**–**	(8.5)
Foreign exchange adjustments		**0.3**	(0.6)
Balance at 31 December		**118.0**	101.2
Amortisation			
Balance at 1 January		**25.3**	9.3
Transfer from property, plant and equipment	(b)	**–**	14.3
Impairment	(d)	**–**	1.1
Charge for the year		**1.3**	1.6
Disposal – CDLHT		–	(0.9)
Foreign exchange adjustments		**0.3**	(0.1)
Balance at 31 December		**26.9**	25.3
Carrying amount		**91.1**	75.9
Analysed between:			
Amount due after more than one year included in non-current assets		**90.0**	74.6
Amount due within one year included in current assets		**1.1**	1.3

(a) Additions

The main addition in the year represents the acquisition of 99-year leasehold land on which a 370-room hotel in Singapore is being constructed.

(b) Transfer from property, plant and equipment

The transfer from property, plant and equipment in 2006 represents the recognition of initial payments made in respect of operating leased land held under short leases. These leases had been misclassified under Property, Plant and Equipment in the 2005 Financial Statements.

(c) Disposal to CDLHT

The disposal to CDLHT in 2006 represents the lease premium element of the sale and lease back of the Copthorne King's Hotel.

(d) Impairment

Refer to note 8(e).

10. INVESTMENT PROPERTIES

	2007 £m	2006 £m
Valuation		
Balance at 1 January	**49.6**	48.0
Fair value adjustment	**8.7**	4.9
Foreign exchange adjustment	**(0.1)**	(3.3)
Balance at 31 December	**58.2**	49.6

In general the carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property.

At the end of 2007, the Group's investment properties were subject to external professional valuation on an open market existing use basis as follows:

Property	Valuer
Tanglin Shopping Centre, Singapore	DTZ Debenham Tie Leung
Biltmore Court & Tower, Los Angeles	Jones Lang LaSalle

Based on these valuations, together with such considerations as the Directors considered appropriate, The Tanglin Shopping Centre recorded an uplift in value of £8.7m (2006: £2.6m) and the Biltmore Court & Tower recorded no uplift in 2007 (2006: £2.3m) which has been credited to the income statement in accordance with the Group's accounting policy.

Further details in respect of investment property rentals are given in note 27.

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group has the following significant investments in joint ventures and associates:

	Effective Group interest 2007	Effective Group interest 2006
Joint Ventures		
New Unity Holdings Limited	**50.0%**	50.0%
Fena Estate Co., Ltd.	**50.0%**	50.0%
Beijing Fortune Hotel Co Limited	**30.0%**	–
Associates		
CDL Hospitality Trusts ("CDLHT") – see note (a) below	**38.5%**	39.3%
First Sponsor Capital Limited	**35.0%**	–

	Joint Ventures 2007 £m	Associates 2007 £m	Total 2007 £m	Joint Ventures 2006 £m	Associates 2006 £m	Total 2006 £m
Share of net assets/cost						
Balance at 1 January	**29.9**	**85.6**	**115.5**	29.0	–	29.0
Share of profit for the year	**4.6**	**40.0**	**44.6**	4.4	20.8	25.2
Additions (see note (b) below)	**9.9**	**52.7**	**62.6**	–	79.0	79.0
Disposals	**–**	**(0.9)**	**(0.9)**	–	–	–
Capitalisation of loan	**21.5**	**–**	**21.5**	–	–	–
Dividends received	**–**	**(6.6)**	**(6.6)**	–	–	–
Dilution gain	**–**	**2.0**	**2.0**	–	–	–
Foreign exchange adjustments	**(0.6)**	**5.6**	**5.0**	(3.5)	(2.6)	(6.1)
Other movements	**–**	**1.2**	**1.2**	–	(2.3)	(2.3)
	65.3	**179.6**	**244.9**	29.9	94.9	124.8
Add reversal of unrealised gain/less unrealised gain on transactions with associates (see note (c) below)	**–**	**2.7**	**2.7**	–	(9.3)	(9.3)
Balance at 31 December	**65.3**	**182.3**	**247.6**	29.9	85.6	115.5

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

	Joint Ventures 2007 £m	Associates 2007 £m	Total 2007 £m	Joint Ventures 2006 £m	Associates 2006 £m	Total 2006 £m
Share of profit for the year						
Operating profit before other income	**10.3**	**9.8**	**20.1**	10.8	3.0	13.8
Other operating income (see below)	**–**	**32.3**	**32.3**	–	17.7	17.7
Interest	**(1.1)**	**(2.1)**	**(3.2)**	(1.5)	0.1	(1.4)
Tax	**(1.4)**	**–**	**(1.4)**	(1.8)	–	(1.8)
Minority interests	**(3.2)**	**–**	**(3.2)**	(3.1)	–	(3.1)
	4.6	**40.0**	**44.6**	4.4	20.8	25.2

Other operating income

Other operating income represents the Group's share of the revaluation surplus of investment properties of the Group's associate, CDLHT which the Group deems to be non-owner occupied properties. Further details are given in note 31.

Notes

(a) CDLHT is quoted on the Singapore Exchange Securities Trading Limited and as at 31 December 2007 its share price was S$2.35 (2006: S$1.67). For the Group's 38.5% (2006: 39.3%) interest, this equates to a market capitalisation of £259.0m (2006: £175.5m).

(b) Additions – joint ventures

In 2007 the Group, via its subsidiary Zillion Holdings Limited, acquired a 30% share in Beijing Fortune Hotel Co Limited, for £9.9m. The joint venture will own and operate the Grand Millennium Beijing which is expected to open in 2008.

Additions – associates

The Group through a wholly owned subsidiary of Millennium & Copthorne Hotels New Zealand Limited (``MCHNZ") entered into a Strategic Cooperation Agreement to invest in a property related group of companies operating predominantly in China ("i-Vale") with a wholly owned subsidiary of Tai Tak Estates Sdn Bhd (``Tai Tak"), Guangdong Idea Valley Group Co., Ltd., the then holding company of i-Vale Group and its Chief Executive Officer, Mr Cheung Ping-Kwong. As at 31 December 2007, MCHNZ and Tai Tak have each contributed approximately £16.5m into a newly incorporated company, First Sponsor Capital Limited which has acquired a 60% majority equity interest in i-Vale Group with the management team of i-Vale, including Mr Cheung, holding the remaining 40% minority equity stake.

As at 31 December 2007, MCHNZ holds 24.5% of the ordinary share capital and 50.0% of the preference share capital of First Sponsor Capital Limited, resulting in a 49.99% effective economic interest held by MCHNZ in the company or a 35.0% effective economic interest held by the Group after taking into account the Group's 70.0% interest in MCHNZ. The Group accounts for its investment in First Sponsor Capital Limited as an associated company in which it has significant influence but no control over the financial and operating policies.

In addition to the £79.0m invested in CDLHT in 2006, the Group subscribed to a CDLHT rights issue which involved an additional investment in CDLHT of £33.3m and received stapled securities in CDLHT in lieu of payment of management and acquisition fees amounting to £2.3m.

(c) In line with the Group's accounting policy, transactions with associates are eliminated to the extent of the Group's interest in the entity. The £9.3m deduction from the Group's share of the associate's net assets in 2006 represent the unrealised profit element from disposing of the three Singapore hotels to CDLHT in which the Group had an initial 39.1% interest.

The table below shows the pre and post tax profit on disposal for 2006.

	Total 100% £m	Realised 60.9% £m	Unrealised 39.1% £m
Pre-tax disposal profit	16.7	10.1	6.6
Tax credit	7.1	4.4	2.7
Post tax disposal profit	23.8	14.5	9.3

Total pre-tax profit from the sale of the Group's hotels in 2006 was £16.7m of which £10.1m has been recorded in the income statement under other operating income.

A total tax credit of £7.1m arose on the disposal of which £2.7m was deferred as part of the unrealised profit element of the disposal and £4.4m was recognised in the 2006 income statement.

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The Group has subsequently identified that it would be more appropriate for the unrealised gain to be recognised on a pre-tax basis. Accordingly, the £2.7m net tax credit comprising a £3.4m deferred tax credit offset by a £0.7m current tax charge, has been released to the 2007 income statement with the corresponding amount debited to the carrying value of associates.

	2007 £m	2006 £m
Loans due from joint ventures and associates		
Loans due from joint ventures	**5.4**	26.5
Summary information on joint ventures – 100%		
Revenue	**72.4**	75.5
Expenses	**(63.5)**	(66.7)
Profit for the year	**8.9**	8.8
Assets		
Non-current assets	**324.1**	246.0
Current assets	**34.9**	24.8
Total Assets	**359.0**	270.8
Liabilities		
Non-current liabilities	**(118.2)**	(140.4)
Current liabilities	**(64.8)**	(18.6)
Total liabilities	**(183.0)**	(159.0)
Total assets less total liabilities	**176.0**	111.8
Less minority share of net assets	**(32.5)**	(52.0)
Net assets – 100%	**143.5**	59.8

	2007 £m	2006 £m
Summary information on associates – 100%		
Revenue	**30.5**	9.6
Net surplus on revaluation of investment properties	**85.0**	45.4
Expenses	**(12.1)**	(1.7)
Profit for the year	**103.4**	53.3
Assets		
Non-current assets	**541.3**	366.5
Current assets	**46.8**	5.3
Total Assets	**588.1**	371.8
Liabilities		
Non-current liabilities	**(95.9)**	(91.6)
Current liabilities	**(30.7)**	(40.6)
Total liabilities	**(126.6)**	(132.2)
Total assets less total liabilities	**461.5**	239.6
Less minority share of net assets	**(1.6)**	–
Net assets – 100%	**459.9**	239.6

At 31 December 2007 the Group's share of the total capital commitments of joint ventures amounted to £3.9m (2006: £5.6m). At 31 December 2007, joint ventures and associates had no contingent liabilities (2006: £Nil).

12. OTHER FINANCIAL ASSETS

	2007 £m	2006 £m
Other financial assets included within non-current assets comprise:		
Unquoted equity investments available for sale	**3.4**	3.2
Deposits receivable	**1.4**	1.3
	4.8	4.5

	2007 £m	2006 £m
Other financial assets included within current assets comprise:		
Short term investment deposits	**9.1**	7.2

13. INVENTORIES

	2007 £m	2006 £m
Consumables	**4.9**	4.6

14. DEVELOPMENT PROPERTIES

	2007 £m	2006 £m
Development properties comprise:		
Development land for resale	**31.1**	21.3
Development properties work in progress	**38.5**	47.3
	69.6	68.6

Transfer from property, plant and equipment

Included in development properties are transfers in 2006 from property, plant and equipment representing the redevelopment of Four Points Sunnyvale Hotel in California into 240 residential condominiums for sale and a 250 bedroom hotel (£19.1m) and redevelopment of land adjoining the Grand Millennium Kuala Lumpur hotel in Malaysia (£3.5m). In 2007, an independent valuation company having an appropriate recognised professional qualification and recent experience in the location and category of the Sunnyvale redevelopment, prepared a report on the property's value in order to provide the Group's Directors with an independent perspective to their assessment of the property's value. With uncertainties in the US property market, the Directors now consider the property's net realisable value to be £15.5m and this resulted in a write-down of £9.6m to the carrying value of this property.

15. TRADE AND OTHER RECEIVABLES

	2007 £m	2006 £m
Trade receivables due from joint ventures and associates	**0.7**	0.1
Trade receivables	**35.5**	31.8
Other receivables	**6.4**	13.2
Prepayments and accrued income	**15.6**	11.4
	58.2	56.5

Trade receivables are shown net of impairment amounting to £1.4m (2006: £1.5m) recognised in the current year, and arising from likely insolvencies of customers.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 18.

16. CASH AND CASH EQUIVALENTS

	2007 £m	2006 £m
Cash at bank and in hand	**58.2**	57.6
Short term deposits	**98.1**	104.7
Cash and cash equivalents on the balance sheet	**156.3**	162.3
Bank overdrafts (included in borrowings)	**(0.4)**	(0.8)
Cash and cash equivalents shown in the cash flow statement	**155.9**	161.5

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 18.

17. INTEREST-BEARING LOANS, BONDS AND BORROWINGS

	2007 £m	2006 £m
Included within non-current liabilities:		
Bank loans	**80.8**	104.8
Notes payable	**36.6**	–
Bonds payable	**186.6**	178.2
Obligations under finance leases	**0.1**	0.1
	304.1	283.1

	2007 £m	2006 £m
Included within current liabilities:		
Bank loans and overdrafts	**88.3**	85.7
Notes payable	**–**	41.8
Bonds payable	**26.0**	10.0
Obligations under finance leases	**–**	2.1
	114.3	139.6

Further details in respect of financial liabilities are given in note 18.

18. FINANCIAL INSTRUMENTS

Overview

The Group has exposure to the following risks from its use of financial instruments:

– credit risk
– liquidity risk
– market risk

This note presents information about the Group's exposure to each of the above risks, and the Group's policies and processes for measuring and managing risk.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to credit risk is monitored on an ongoing basis, credit checks being performed on all clients requiring credit over certain amounts. Credit is not extended beyond authorised limits, established where appropriate through consultation with a professional credit vetting organisation. Credit granted is subject to regular review, to ensure it remains consistent with the client's current credit worthiness and appropriate to the anticipated volume of business.

Investments are allowed only in liquid short-term instruments within approved limits, with investment counterparties approved by the Board.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet, these being spread across the various currencies and jurisdictions in which the Group operates.

18. FINANCIAL INSTRUMENTS (CONTINUED)

The maximum exposure to credit risk at the reporting date was:

	Carrying value 2007 £m	Carrying value 2006 £m
Cash at bank and in hand (see note 16)	**58.2**	57.6
Short term deposits (see note 16)	**98.1**	104.7
Short term investment deposits (see note 12)	**9.1**	7.2
Loans due from joint ventures (see note 11)	**5.4**	26.5
Unquoted equity investments available for sale (see note 12)	**3.4**	3.2
Deposits receivable (see note 12)	**1.4**	1.3
Trade receivables (see note 15)	**35.5**	31.8
Trade receivables due from joint ventures and associates (see note 15)	**0.7**	0.1
Other receivables (see note 15)	**6.4**	13.2
	218.2	245.6

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying value 2007 £m	Carrying value 2006 £m
New York	**6.6**	4.5
Regional US	**5.1**	4.9
London	**0.7**	1.1
Rest of Europe	**8.3**	7.8
Asia	**9.3**	8.4
Australasia	**5.5**	5.1
Total Group	**35.5**	31.8

The ageing of trade receivables at the reporting date was:

	Carrying value 2007 £m	Carrying value 2006 £m
Not past due	**17.3**	17.1
Past due 0 – 30 days	**12.2**	10.3
Past due 31 – 60 days	**3.2**	2.1
Past due 61 – 90 days	**0.6**	0.6
More than 90 days	**2.2**	1.7
Total Group	**35.5**	31.8

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2007 £m	2006 £m
Balance at 1 January	**1.5**	1.6
Impairment loss recognised	**(0.1)**	(0.1)
Balance at 31 December	**1.4**	1.5

18. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments, which are discounted using the interest rate prevailing as at the reporting date.

31 December 2007

	Carrying amount £m	Contractual cash flows £m	Contractual maturities of financial liabilities: 6 months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	more than 5 years £m
Floating Rate Financial Liabilities							
Secured loans	**22.1**	**22.7**	**0.9**	**0.9**	**1.7**	**18.4**	**0.8**
Unsecured loans	**146.6**	**145.8**	**1.9**	**86.9**	**1.6**	**55.4**	**–**
Secured notes	**36.6**	**35.0**	**1.0**	**1.1**	**2.0**	**30.9**	**–**
Unsecured bonds	**195.3**	**191.2**	**4.5**	**28.6**	**56.7**	**101.4**	**–**
Bank overdrafts	**0.4**	**0.3**	**0.3**	**–**	**–**	**–**	**–**
Fixed Rate Financial Liabilities							
Unsecured bonds	**17.3**	**17.0**	**0.2**	**0.3**	**0.5**	**16.0**	**–**
Finance leases	**0.1**	**0.1**	**–**	**–**	**–**	**0.1**	**–**
Trade and other payables							
Trade payables	**17.0**	**17.0**	**16.5**	**0.5**	**–**	**–**	**–**
Amounts owed to associates	**2.1**	**2.1**	**2.1**	**–**	**–**	**–**	**–**
Other creditors including taxation and social security	**21.5**	**21.5**	**16.6**	**4.9**	**–**	**–**	**–**
Other non-current liabilites	**5.6**	**4.5**	**–**	**0.1**	**–**	**–**	**4.4**
	464.6	**457.2**	**44.0**	**123.3**	**62.5**	**222.2**	**5.2**

31 December 2006

	Carrying amount £m	Contractual cash flows £m	Contractual maturities of financial liabilities: 6 months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	more than 5 years £m
Floating Rate Financial Liabilities							
Secured loans	100.3	100.0	2.5	82.8	1.1	13.6	–
Unsecured loans	89.4	87.7	2.6	2.5	82.6	–	–
Secured notes	41.8	40.0	40.0	–	–	–	–
Unsecured bonds	178.2	173.8	4.7	4.6	31.8	132.7	–
Bank overdrafts	0.8	0.6	–	0.6	–	–	–
Fixed Rate Financial Liabilities							
Unsecured bonds	10.0	9.8	0.1	0.1	0.3	9.3	–
Finance leases	2.2	2.1	–	2.0	–	0.1	–
Trade and other payables							
Trade payables	16.4	16.4	16.3	0.1	–	–	–
Amounts owed to associates	1.7	1.7	1.7	–	–	–	–
Other creditors including taxation and social security	24.0	24.0	17.7	6.3	–	–	–
Other non-current liabilites	5.4	4.4	–	0.8	–	–	3.6
	470.2	460.5	85.6	99.8	115.8	155.7	3.6

18. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

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 those activities. If appropriate, the Group uses financial instruments and derivatives to manage these risks, as set out below:

(i) Foreign currency risk

The Group is exposed to foreign currency risk on revenue, purchases, borrowings and cash deposits denominated in currencies other than sterling. The currencies giving rise to this risk are primarily US dollars, Singapore dollars, New Zealand dollars, Australian dollars, New Taiwan dollars and Korean won.

The Group's principal policy, wherever possible, is to maintain a natural hedge whereby liabilities are matched with assets denominated in the same currency. Foreign currency investment exposure is also minimised by borrowing in the currency of the investment.

To mitigate foreign currency translation exposure, an appropriate proportion of net assets is designated as hedged against corresponding financial liabilities in the same currency. Exchange differences arising on foreign currency loans during each accounting period are recognised as a component of equity, to the extent that the hedge is effective. The foreign exchange exposure arising on the Group's net investment in its subsidiaries is expected to be highly effective in offsetting the exposure arising on the Group's foreign currency borrowings.

Foreign currency translation exposure is primarily managed through funding of purchases from operating income streams arising in the same currency.

Hedging of transaction exposure is undertaken with approved counterparties and within designated limits, using spot or short-term forward contracts to buy or sell the currency concerned, once the timing and the underlying amount of exposure have been determined. Foreign exchange derivatives may also be used to hedge specific transaction exposure where appropriate.

The following significant exchange rates applied during the year:

	Average rate		Reporting date	
Sterling	**2007**	2006	**2007**	2006
US dollar	**1.998**	1.837	**1.985**	1.957
Singapore dollar	**3.010**	2.925	**2.882**	3.007
New Zealand dollar	**2.711**	2.817	**2.577**	2.782
Australian dollar	**2.394**	2.442	**2.270**	2.491
New Taiwan dollar	**66.455**	60.687	**65.351**	64.876
Korean won	**1,854.837**	1,754.709	**1,859.355**	1,816.918

Sensitivity analysis

With respect to the Group's foreign currency translation exposure, and assuming that all other variables, in particular interest rates, remain constant, it is estimated that a 10 percent strengthening of sterling against the following currencies at 31 December would have increased/(decreased) equity and profit or loss before tax by the amounts shown below:

	31 December 2007		31 December 2006	
	Equity £m	Profit before tax £m	Equity £m	Profit before tax £m
US dollar	**(36.6)**	**(1.1)**	(37.8)	(2.9)
Singapore dollar	**(28.6)**	**(7.2)**	(25.2)	(4.5)
New Zealand dollar	**(13.2)**	**(1.5)**	(11.0)	(1.4)
Australian dollar	**(5.1)**	**(0.3)**	(6.6)	(0.5)
New Taiwan dollar	**(15.0)**	**(1.0)**	(14.4)	(0.9)
Korean won	**(9.1)**	**(1.0)**	(9.2)	(0.6)
	(107.6)	**(12.1)**	(104.2)	(10.8)

A 10 percent weakening of sterling against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

18. *FINANCIAL INSTRUMENTS (CONTINUED)*

(ii) Interest rate risk

The Group adopts a policy of ongoing review of its exposure to changes in interest rates on its borrowings, taking into account market expectations with regard to the perceived level of risk associated with each currency, the maturity profile and cash flows of the underlying debt, and the extent to which debt may potentially be either prepaid prior to its maturity or refinanced at reduced cost.

The Group's policy is to maintain a mixture of its financial liabilities on a fixed and floating-rate basis with a greater emphasis on floating rates presently as this flexibility is being considered to be appropriate in the context of the Group's overall geographical diversity, investment and business cycle and the stability of the income streams, cash balances and loan covenants.

Interest rate derivatives are used to manage interest rate risk, to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing for such derivatives. Interest rate derivatives, if any, are classified as cash flow hedges and stated at fair value within the Group's balance sheet.

Cash flow sensitivity analysis for variable rate instruments

Assuming that all other variables, in particular foreign currency rates, remain constant, a change of one percentage point in the average interest rates applicable to variable rate instruments for the year would have increased / (decreased) the Group's profit before tax for the year as shown below:

	Year ended 31 December 2007		Year ended 31 December 2006	
	1% increase £m	**1% decrease £m**	1% increase £m	1% decrease £m
Variable rate financial assets	**1.4**	**(1.4)**	0.9	(0.9)
Variable rate financial liabilities	**(3.5)**	**3.5**	(4.5)	4.5
Cash flow sensitivity (net)	**(2.1)**	**2.1**	(3.6)	3.6

In respect of income-earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they re-price and in addition shows non-interest bearing financial assets and liabilities.

18. FINANCIAL INSTRUMENTS (CONTINUED)

	2007			
	Effective interest rates %	Total £m	6 months or less £m	More than 5 years £m
Financial Assets				
Floating rate:				
Others	**3.50%**	**1.3**	**1.3**	**–**
Fixed rate:				
Sterling	**5.28%**	**0.9**	**0.9**	**–**
US dollar	**4.30%**	**42.6**	**42.6**	**–**
Korean won	**4.19%**	**4.0**	**4.0**	**–**
Singapore dollar	**1.76%**	**34.6**	**34.6**	**–**
New Taiwan dollar	**1.72%**	**21.6**	**21.6**	**–**
Australian dollar	**7.13%**	**30.1**	**30.1**	**–**
New Zealand dollar	**8.60%**	**10.2**	**10.2**	**–**
Others	**3.18%**	**14.0**	**8.6**	**5.4**
Non-interest bearing:				
Sterling		**0.1**	**0.1**	**–**
US dollar		**5.8**	**2.4**	**3.4**
Korean won		**0.1**	**0.1**	**–**
Singapore dollar		**7.1**	**5.7**	**1.4**
New Taiwan dollar		**0.2**	**0.2**	**–**
Others		**3.0**	**3.0**	**–**
Total		**175.6**	**165.4**	**10.2**

Represented by:	
Cash and cash equivalents	**156.3**
Loans due from joint ventures	**5.4**
Other financial assets (current)	**9.1**
Other financial assets (non-current)	**4.8**
	175.6

18. FINANCIAL INSTRUMENTS (CONTINUED)

	2007			
	Effective interest rates %	Total £m	6 months or less £m	2-5 years £m
Financial Liabilities				
Floating rate:				
Sterling	**7.19%**	**28.5**	**28.5**	**–**
Singapore dollar	**2.94%**	**124.8**	**124.8**	**–**
US dollar	**5.57%**	**188.4**	**188.4**	**–**
New Zealand dollar	**8.95%**	**21.5**	**21.5**	**–**
Malaysian ringgit	**4.40%**	**1.2**	**1.2**	**–**
Korean won	**6.05%**	**36.6**	**36.6**	**–**
Fixed rate:				
Singapore dollar	**3.10%**	**17.3**	**17.3**	**–**
Finance leases:				
Other	**8.00%**	**0.1**	**–**	**0.1**
Non-interest bearing:				
Singapore dollar		**0.2**	**0.2**	**–**
US dollar		**1.2**	**1.2**	**–**
Korean won		**4.2**	**4.2**	**–**
Total		**424.0**	**423.9**	**0.1**

Represented by:	
Interest-bearing loans, bonds and borrowings (non-current)	**304.1**
Interest-bearing loans, bonds and borrowings (current)	**114.3**
Other non-current liabilities (see note 21)	**5.6**
	424.0

18. FINANCIAL INSTRUMENTS (CONTINUED

	2006			
	Effective interest rates %	Total £m	6 months or less £m	More than 5 years £m
Financial Assets				
Floating rate:				
Sterling	4.94%	2.1	2.1	–
US dollar	4.99%	0.8	0.8	–
Korean won	3.49%	5.1	5.1	–
Australian dollar	5.79%	0.7	0.7	–
New Zealand dollar	6.58%	1.6	1.6	–
Others	3.10%	3.2	3.2	–
Fixed rate:				
Sterling	5.30%	11.0	11.0	–
Singapore dollar	3.03%	11.7	11.7	–
US dollar	4.61%	36.3	36.3	–
New Taiwan dollar	1.26%	15.7	15.7	–
Australian dollar	6.35%	47.3	47.3	–
New Zealand dollar	7.61%	16.0	16.0	–
Others	3.19%	12.9	8.3	4.6
Non-interest bearing:				
Singapore dollar		6.1	4.8	1.3
US dollar		5.2	2.0	3.2
Korean won		0.1	0.1	–
New Taiwan dollar		0.2	0.2	–
Others		24.5	2.6	21.9
Total		200.5	169.5	31.0

Represented by:	
Cash and cash equivalents	162.3
Loans due from joint ventures	26.5
Other financial assets (current)	7.2
Other financial assets (non-current)	4.5
	200.5

18. *FINANCIAL INSTRUMENTS (CONTINUED)*

	2006			
	Effective interest rates %	Total £m	6 months or less £m	2-5 years £m
Financial Liabilities				
Floating rate:				
Sterling	6.02%	62.5	62.5	–
Singapore dollar	4.05%	85.7	85.7	
US dollar	6.03%	203.9	203.9	–
New Zealand dollar	7.97%	16.5	16.5	
Malaysian ringgit	8.30%	0.1	0.1	–
Korean won	5.60%	41.8	41.8	–
Fixed rate:				
Singapore dollar	2.70%	10.0	10.0	–
Finance leases:				
Euro	2.70%	2.1	2.1	–
Other	4.31%	0.1	–	0.1
Non-interest bearing:				
US dollar		1.2	1.2	–
Korean won		4.2	4.2	–
Total		428.1	428.0	0.1

Represented by:	
Interest-bearing loans, bonds and borrowings (non-current)	283.1
Interest-bearing loans, bonds and borrowings (current)	139.6
Other non-current liabilities (see note 21)	5.4
	428.1

18. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair Value

Set out below is a comparison of the fair and book values of all the Group's financial instruments by category. Fair values are determined by reference to market values, where available, or calculated by discounting cash flows at prevailing interest rates.

	2007 Book Value £m	2007 Fair Value £m	2006 Book Value £m	2006 Fair Value £m
Financial Assets				
Cash at bank and in hand	**58.2**	**58.2**	57.6	57.6
Short term deposits	**98.1**	**98.1**	104.7	104.7
Short term investment deposits	**9.1**	**9.1**	7.2	7.2
Loans due from joint ventures	**5.4**	**3.5**	26.5	24.8
Unquoted equity investments available for sale	**3.4**	**3.4**	3.2	3.2
Deposits receivable	**1.4**	**1.7**	1.3	1.3
Trade receivables	**35.5**	**35.5**	31.8	31.8
Trade receivables due from joint ventures and associates	**0.7**	**0.7**	0.1	0.1
Other receivables	**6.4**	**6.4**	13.2	13.2
	218.2	**216.6**	245.6	243.9
Financial Liabilities				
Bank overdrafts	**(0.4)**	**(0.4)**	(0.8)	(0.8)
Short-term loans, bonds and borrowings	**(113.9)**	**(113.9)**	(136.7)	(136.7)
Long-term loans, bonds and borrowings	**(304.0)**	**(302.5)**	(283.0)	(283.0)
Finance lease liabilities	**(0.1)**	**(0.1)**	(2.2)	(2.1)
Trade payables	**(17.0)**	**(17.0)**	(16.4)	(16.4)
Amounts owed to associates	**(2.1)**	**(2.1)**	(1.7)	(1.7)
Other creditors including taxation and social security	**(21.5)**	**(21.5)**	(24.0)	(24.0)
Other non-current liabilities	**(5.6)**	**(4.5)**	(5.4)	(4.4)
	(464.6)	**(462.0)**	(470.2)	(469.1)
Total unrecognised gains/(losses)		**1.0**		(0.6)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps bank valuations are used.

Interest bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for similar lease agreements. The estimated fair values reflect changes in interest rates.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Interest rates used for determining fair value

Prevailing market interest rates are used to discount cash flows to determine the fair value of financial assets and liabilities.

18. FINANCIAL INSTRUMENTS (CONTINUED)

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.

	2007 £m	2006 £m
Expiring in one year or less	**60.5**	69.2
Expiring after more than one year but not more than two years	**–**	61.7
Expiring after more than two years but not more than five years	**66.6**	25.5
Expiring after more than five years	**13.9**	–
Total undrawn committed borrowing facilities	**141.0**	156.4

Security

Included within the Group's total bank loans and overdrafts of £169.1m (2006: £190.5m) are £22.5m (2006: £101.1m) of secured loans and overdrafts. Of total bonds and notes payable of £249.2m (2006: £230.0m), £36.6m (2006: £41.8m) are secured notes.

Loans, bonds and notes are secured on land and buildings with a carrying value of £245.3m (2006: £690.2m) and an assignment of insurance proceeds in respect of insurances over the mortgaged properties.

19. EMPLOYEE BENEFITS

Pension arrangements

The Group operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. The most significant funds are described below:

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. During 2007, as appointed by the Trustees of the Plan, Russell Investments Ltd (formerly known as The Frank Russell Company Limited) and Legal and General Investment Management Limited were the investment managers of the Plan. The assets of the Plan are held separately from those of the Group.

The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 6 April 2005 and this has been updated on an approximate basis to 31 December 2007. The contributions of the Group during the year were 20.5% of pensionable salary, plus enhanced contributions of £1.1m per annum to remove the plan's deficit. The same rate of contributions are expected to be paid during 2008.

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 mortality, the discount rate and the rates of increase in salaries and pensions.

Korea

The Group operates a defined benefit pension plan for its employees in Korea. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2007. The contributions of the Group were 10.9% (2006: 17.0%) 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.

Taiwan

The Group operates a defined benefit pension plan for its employees in Taiwan. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2007. The contributions of the Group were 6% (2006: 6%) 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.

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

	2007 UK	**2007 Korea**	**2007 Taiwan**	2006 UK	2006 Korea	2006 Taiwan
Inflation rate	**3.20%**	**2.50%**	**–**	3.10%	2.30%	–
Discount rate*	**5.90%**	**7.00%**	**2.75%**	5.23%	5.00%	2.50%
Rate of salary increase	**3.70%**	**5.00%**	**3.00%**	3.60%	5.00%	3.00%
Rate of pension increases	**3.20%**	**–**	**–**	3.10%	–	–
Annual expected return on plan assets	**7.24%**	**5.00%**	**2.75%**	6.17%	4.00%	2.50%

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily 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 expected annual return on UK plan assets for 2007 of 7.24% has been calculated using a 7.70% return on equity (representing 75% of plan assets) and a 5.90% return on bonds (representing 25% of plan assets).

* The discount rate used in respect of the UK pension scheme of 5.90% (2006: 5.23%) was based on the yield of the Merrill Lynch over-15 year AA rated corporate bond index.

19. EMPLOYEE BENEFITS (CONTINUED)

Amounts recognised on the balance sheet are as follows:

	2007 UK £m	2007 Korea £m	2007 Taiwan £m	2007 Other £m	2007 Total £m	2006 UK £m	2006 Korea £m	2006 Taiwan £m	2006 Other £m	2006 Total £m
Present value of funded obligations	**31.5**	**5.3**	**6.4**	**0.5**	**43.7**	31.5	5.9	6.3	0.4	44.1
Fair value of plan assets	**(22.8)**	**(6.3)**	**(1.7)**	**–**	**(30.8)**	(21.3)	(6.3)	(1.5)	–	(29.1)
Plan deficit/(surplus)	**8.7**	**(1.0)**	**4.7**	**0.5**	**12.9**	10.2	(0.4)	4.8	0.4	15.0

Changes in the present value of defined benefit obligations are as follows:

	2007 UK £m	2007 Korea £m	2007 Taiwan £m	2007 Other £m	2007 Total £m	2006 UK £m	2006 Korea £m	2006 Taiwan £m	2006 Other £m	2006 Total £m
Balance at 1 January	**31.5**	**5.9**	**6.3**	**0.4**	**44.1**	29.5	6.2	6.5	0.4	42.6
Current service cost	**0.5**	**1.0**	**0.2**	**0.1**	**1.8**	0.4	1.1	0.3	–	1.8
Members contributions	**0.1**	**–**	**–**	**–**	**0.1**	0.1	–	–	–	0.1
Interest cost	**1.7**	**0.3**	**0.1**	**–**	**2.1**	1.4	0.4	0.2	–	2.0
Benefits paid	**(0.9)**	**(1.9)**	**(0.2)**	**–**	**(3.0)**	(0.4)	(2.6)	(0.3)	–	(3.3)
Actuarial losses/(gains)	**(1.4)**	**0.1**	**–**	**–**	**(1.3)**	0.5	1.1	0.2	–	1.8
Foreign exchange adjustments	**–**	**(0.1)**	**–**	**–**	**(0.1)**	–	(0.3)	(0.6)	–	(0.9)
Balance at 31 December	**31.5**	**5.3**	**6.4**	**0.5**	**43.7**	31.5	5.9	6.3	0.4	44.1

Changes in the fair value of plan assets are as follows:

	2007 UK £m	2007 Korea £m	2007 Taiwan £m	2007 Other £m	2007 Total £m	2006 UK £m	2006 Korea £m	2006 Taiwan £m	2006 Other £m	2006 Total £m
Balance at 1 January	**21.3**	**6.3**	**1.5**	**–**	**29.1**	18.9	6.3	1.4	–	26.6
Expected return on plan assets	**1.3**	**0.2**	**–**	**–**	**1.5**	1.1	0.2	0.1	–	1.4
Group contributions	**1.6**	**1.9**	**0.4**	**–**	**3.9**	1.2	2.6	0.5	–	4.3
Members' contributions	**0.1**	**–**	**–**	**–**	**0.1**	0.1	–	–	–	0.1
Benefits paid	**(0.9)**	**(1.9)**	**(0.2)**	**–**	**(3.0)**	(0.4)	(2.6)	(0.3)	–	(3.3)
Experience gains/(losses)	**(0.6)**	**–**	**–**	**–**	**(0.6)**	0.4	–	–	–	0.4
Foreign exchange adjustments	**–**	**(0.2)**	**–**	**–**	**(0.2)**	–	(0.2)	(0.2)	–	(0.4)
Balance at 31 December	**22.8**	**6.3**	**1.7**	**–**	**30.8**	21.3	6.3	1.5	–	29.1
Actual return of plan assets	**0.7**	**0.2**	**–**	**–**	**0.9**	1.5	0.2	0.1	–	1.8

The Group expects £3.8m in contributions to be paid to the defined benefit plans in 2008.

The fair values of plan assets in each category are as follows:

	2007 UK £m	2007 Korea £m	2007 Taiwan £m	2007 Other £m	2007 Total £m	2006 UK £m	2006 Korea £m	2006 Taiwan £m	2006 Other £m	2006 Total £m
Equity	**17.1**	**–**	**–**	**–**	**17.1**	16.0	–	–	–	16.0
Bonds	**5.6**	**–**	**–**	**–**	**5.6**	5.2	–	–	–	5.2
Cash	**0.1**	**6.3**	**1.7**	**–**	**8.1**	0.1	6.3	1.5	–	7.9
	22.8	**6.3**	**1.7**	**–**	**30.8**	21.3	6.3	1.5	–	29.1

19. EMPLOYEE BENEFITS (CONTINUED)

The expense recognised in the income statement is as follows:

	2007 UK £m	2007 Korea £m	2007 Taiwan £m	2007 Other £m	2007 Total £m	2006 UK £m	2006 Korea £m	2006 Taiwan £m	2006 Other £m	2006 Total £m
Current service cost	**0.5**	**1.0**	**0.2**	**0.1**	**1.8**	0.4	1.1	0.3	–	1.8
Interest cost on obligation	**1.7**	**0.3**	**0.1**	**–**	**2.1**	1.4	0.4	0.2	–	2.0
Expected return on plan assets	**(1.3)**	**(0.2)**	**–**	**–**	**(1.5)**	(1.1)	(0.2)	(0.1)	–	(1.4)
	0.9	**1.1**	**0.3**	**0.1**	**2.4**	0.7	1.3	0.4	–	2.4

The total cost is recognised in the following items in the income statement:	2007 £m	2006 £m
Cost of sales	**1.2**	1.2
Administrative expenses	**1.2**	1.2
	2.4	2.4

The income/(expense) recognised in the statement of recognised income and expense is as follows:

	2007 UK £m	2007 Korea £m	2007 Taiwan £m	2007 Other £m	2007 Total £m	2006 UK £m	2006 Korea £m	2006 Taiwan £m	2006 Other £m	2006 Total £m
Actual return less expected return on plan assets	**(0.6)**	**–**	**–**	**–**	**(0.6)**	0.4	–	–	–	0.4
Experience gains/(losses) on plan liabilities	**0.2**	**(0.8)**	**–**	**–**	**(0.6)**	1.6	(0.9)	–	–	0.7
Changes in demographic and financial assumptions underlying the present value of plan liabilities	**1.2**	**0.7**	**–**	**–**	**1.9**	(2.1)	(0.2)	(0.2)	–	(2.5)
	0.8	**(0.1)**	**–**	**–**	**0.7**	(0.1)	(1.1)	(0.2)	–	(1.4)

Actuarial (gains)/losses recognised directly in equity are as follows:	2007 £m	2006 £m
Cumulative as at 1 January	**7.1**	5.7
Actuarial (gains)/losses recognised during the year	**(0.7)**	1.4
Cumulative as at 31 December	**6.4**	7.1

The principal cause for the UK Plan actuarial gain in 2007 is the higher discount rate applied to obligations net of an increase in mortality rates used. The 2006 actuarial loss was principally a result of the mortality rates used. Mortality rates used reflect an industry wide recognition that life expectancy has increased. The life expectancies underlying the value of the accrued liabilities for the UK Plan, based on retirement age of 65, are as follows:

	2007 Years	2006 Years
Males	**25**	22
Females	**28**	25

Trend analysis

	2007 UK £m	2007 Korea £m	2007 Taiwan £m	2007 Other £m	2007 Total £m
Present value of funded obligations	**31.5**	**5.3**	**6.4**	**0.5**	**43.7**
Fair value of plan assets	**(22.8)**	**(6.3)**	**(1.7)**	**–**	**(30.8)**
Plan deficit/(surplus)	**8.7**	**(1.0)**	**4.7**	**0.5**	**12.9**
Experience gains/(losses) on plan liabilities	**1.4**	**(0.1)**	**–**	**–**	**1.3**
Experience losses on plan assets	**(0.6)**	**–**	**–**	**–**	**(0.6)**

19. EMPLOYEE BENEFITS (CONTINUED)

Trend analysis (continued)

	2006 UK £m	2006 Korea £m	2006 Taiwan £m	2006 Other £m	2006 Total £m
Present value of funded obligations	31.5	5.9	6.3	0.4	44.1
Fair value of plan assets	(21.3)	(6.3)	(1.5)	–	(29.1)
Plan deficit/(surplus)	10.2	(0.4)	4.8	0.4	15.0
Experience losses on plan liabilities	(0.5)	(1.1)	(0.2)	–	(1.8)
Experience gains on plan assets	0.4	–	–	–	0.4

	2005 UK £m	2005 Korea £m	2005 Taiwan £m	2005 Other £m	2005 Total £m
Present value of funded obligations	29.5	6.2	6.5	0.4	42.6
Fair value of plan assets	(18.9)	(6.3)	(1.4)	–	(26.6)
Plan deficit/(surplus)	10.6	(0.1)	5.1	0.4	16.0
Experience gains/(losses) on plan liabilities	(6.3)	2.5	(0.7)	–	(4.5)
Experience gains/(losses) on plan assets	2.3	(0.2)	–	–	2.1

	2004 UK £m	2004 Korea £m	2004 Taiwan £m	2004 Other £m	2004 Total £m
Present value of funded obligations	21.7	8.3	5.5	0.4	35.9
Fair value of plan assets	(15.4)	(5.5)	(1.7)	–	(22.6)
Plan deficit	6.3	2.8	3.8	0.4	13.3
Experience gains/(losses) on plan liabilities	(2.3)	(1.5)	0.3	–	(3.5)
Experience gains on plan assets	0.2	–	–	–	0.2

Share-based payments

The Group operates a number of share option schemes which are designed to link remuneration to the future performance of the Group. Details of these schemes are given in the Directors' Remuneration Report.

In accordance with the Group's accounting policy O (iv), on share-based payment transactions, the fair value of share options and long-term incentive awards are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the share options and long-term incentive awards.

The charge to the income statement in the year was £0.8m (2006: £0.6m).

The Group applied IFRS 2 to its active employee share-based payment arrangements at 1 January 2005 except for equity-settled employee share-based payment arrangements granted before 7 November 2002. The Group has granted employee equity-settled share-based payments in 2006 and 2007. The adoption of IFRS 2 is equity neutral for equity-settled transactions.

19. EMPLOYEE BENEFITS (CONTINUED)

Share-based payments (continued)

(i) Millennium & Copthorne Hotels plc Long-Term Incentive Plan

Performance Share Awards under this scheme are awarded to executive Directors and senior management of the Group.

Date of Award	Awards outstanding as at 1 Jan 2007	Awards awarded during the year	Awards vested during the year	Awards forfeited during the year	Awards expired during the year	Awards outstanding as at 31 Dec 2007	Vesting date
01.09.2006	266,152	–	4,984	60,313	–	200,855	01.09.2009
27.03.2007	–	360,015	–	176,007	–	184,008	27.03.2010
18.09.2007	–	75,012	–	–	–	75,012	18.09.2010
	266,152	435,027	4,984	236,320	–	459,875	

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

Share options under this scheme are granted to executive Directors and senior management of the Group.

Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2007	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options outstanding as at 31 Dec 2007	Proceeds on exercise of options during the year: Credited to share capital £'000	Proceeds on exercise of options during the year: Credited to share premium £'000	Exercise Period
Part I									
10.03.2003	1.9350	39,275	–	20,837	3,801	14,637	6	34	10.03.2006 – 09.03.2013
16.03.2004	2.9167	51,764	–	31,195	10,284	10,285	9	81	16.03.2007 – 15.03.2014
24.03.2005	3.9842	37,645	–	–	7,529	30,116	–	–	24.03.2008 – 23.03.2015
Part II									
10.03.2003	1.9350	547,242	–	97,669	20,258	429,315	29	159	10.03.2006 – 09.03.2013
16.03.2004	2.9167	332,919	–	273,361	–	59,558	82	715	16.03.2007 – 15.03.2014
24.03.2005	3.9842	352,725	–	20,993	96,549	235,183	6	77	24.03.2008 – 23.03.2015
		1,361,570	–	444,055	138,421	779,094	132	1,066	

(iii) Millennium & Copthorne Hotels Executive Share Option Scheme

No further share options are granted under this scheme.

Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2007	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 Dec 2007	Proceeds on exercise of options during the year: Credited to share capital £'000	Proceeds on exercise of options during the year: Credited to share premium £'000	Exercise Period
Part A										
05.03.1998	4.6087	6,509	–	–	–	–	6,509	–	–	05.03.2001 – 04.03.2008
15.03.2002	3.2250	8,527	–	8,527	–	–	–	2	25	15.03.2005 – 14.03.2012
		15,036	–	8,527	–	–	6,509	2	25	

Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2007	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 Dec 2007	Proceeds on exercise of options during the year: Credited to share capital £'000	Proceeds on exercise of options during the year: Credited to share premium £'000	Exercise Period
Part B										
14.03.2001	4.3250	69,364	–	–	–	–	69,364	–	–	14.03.2004 – 13.03.2008
20.03.2001	4.3500	6,024	–	6,024	–	–	–	2	24	20.03.2004 – 19.03.2008
15.03.2002	3.2250	88,941	–	–	–	–	88,941	–	–	15.03.2005 – 14.03.2009
		164,329	–	6,024	–	–	158,305	2	24	

19. *EMPLOYEE BENEFITS (CONTINUED)*

Share-based payments (continued)

(iv) Millennium & Copthorne Hotels Sharesave Scheme and 2006 Sharesave Scheme

Share options under this scheme are granted to UK based executive Directors and employees.

								Proceeds on exercise of options during the year		
Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2007	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 Dec 2007	Credited to share capital £'000	Credited to share premium £'000	Exercise Period
08.05.2001	3.1360	5,915	–	–	–	5,915	–	–	–	01.07.2006 – 31.12.2006
21.05.2002	2.9200	19,488	–	17,221	–	–	2,267	5	45	01.07.2007 – 31.12.2007
28.04.2003	1.5040	13,942	–	–	–	13,942	–	–	–	01.07.2006 – 31.12.2006
28.04.2003	1.5040	60,277	–	1,840	2,184	344	55,909	1	2	01.07.2008 – 31.12.2008
20.04.2004	2.3400	45,016	–	40,507	–	805	3,704	12	82	01.07.2007 – 31.12.2007
20.04.2004	2.3400	25,566	–	–	–	139	25,427	–	–	01.07.2009 – 31.12.2009
23.03.2005	3.0800	51,171	–	–	18,391	615	32,165	–	–	01.07.2008 – 31.12.2008
23.03.2005	3.0800	31,111	–	–	2,146	–	28,965	–	–	01.07.2010 – 31.12.2010
19.06.2006	3.2500	71,888	–	–	23,580	805	47,503	–	–	01.08.2009 – 31.01.2010
19.06.2006	3.2500	38,724	–	–	4,953	–	33,771	–	–	01.08.2011 – 31.01.2012
26.03.2007	5.2000	–	31,919	–	2,178	–	29,741	–	–	01.07.2010 – 31.12.2010
26.03.2007	5.2000	–	22,094	–	3,149	–	18,945	–	–	01.07.2012 – 31.12.2012
		363,098	54,013	59,568	56,581	22,565	278,397	18	129	

The weighted average share price at the date of exercise of share options in the year was £6.66 (2006: £4.70).

The options outstanding at the year end have an exercise price in the range £1.504 to £5.20 and a weighted average contractual life of 4.06 years.

Measurement of fair value

The fair value of services received in return for share options and performance share awards granted are measured by reference to the fair value of share options and performance share awards granted. The estimate of the fair value of services received is measured on a stochastic model.

The option pricing model involves six variables:

- Exercise price
- Share price at grant
- Expected life (note (a) below)
- Expected volatility of share price (note (b) below)
- Risk free interest rate
- Expected dividend yield (note (c) below)

The following awards were granted in the current year and comparative year:

2007 Award	Date of grant	Awards/ options granted	Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk free interest rates
LTIP (Directors)	27.03.2007	360,015	6.7850	–	6.535	3	–	1.25%	–
LTIP (non-Directors)	18.09.2007	75,012	4.9025	–	4.655	3	–	1.73%	–
Sharesave Scheme (3 year)	26.03.2007	31,919	6.7250	5.200	2.238	3.25	20.5%	1.26%	5.31%
Sharesave Scheme (5 year)	26.03.2007	22,094	6.7250	5.200	2.789	5.25	28.1%	1.26%	5.21%

19. EMPLOYEE BENEFITS (CONTINUED)

Measurement of fair value (continued)

.

2006 Award	Date of grant	Awards/ options granted	Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk free interest rates
LTIP (Directors)	01.09.2006	67,834	4.5175	–	4.293	3	–	1.70%	–
LTIP (non-Directors)	01.09.2006	198,318	4.5175	–	4.293	3	–	1.70%	–
Sharesave Scheme (3 year)	19.06.2006	73,728	4.120	3.250	1.283	3.25	24.6%	1.87%	4.74%
Sharesave Scheme (5 year)	19.06.2006	43,677	4.120	3.250	1.620	5.25	32.3%	1.87%	4.71%

Note (a)

Directors: 30% exercise after 3 years if gain; 25% of the remainder in following years using reducing balance method; 1% exercise in years 4 to 10 (on reducing balance method); and the balance of options exercised at maturity (year 10) if "in the money".

Non-Directors: 45% after 3 years if gain; 25% of the remainder in following years using reducing balance method; 10% exercise in years 1 to 3 (straight line); 5% exercise on third anniversary; 5% exercise in years 4 to 10 (on reducing balance method); and the balance of options exercised at maturity (year 10) if "in the money".

Note (b)

The expected volatility is based upon the movement in the share price over a certain period until the grant date. The length of the period reviewed is commensurate with the expected term of the option granted.

Note (c)

The expected dividend yield is based upon dividends announced in the 12 months prior to grant calculated as a percentage of the share price on the date of grant.

20. PROVISIONS

	2007 £m	2006 £m
Balance at 1 January	**1.7**	2.0
Utilised during the year	**(0.3)**	(0.3)
Balance at 31 December	**1.4**	1.7
Analysed as:		
Non-current	**1.0**	1.3
Current	**0.4**	0.4
	1.4	1.7

The provisions relate to an onerous lease and the balance will be released over the life of the lease until 2014.

21. OTHER NON-CURRENT LIABILITIES

	2007 £m	2006 £m
Deferred income	**84.7**	86.3
Deferred property taxes	**0.6**	1.4
Other liabilities	**5.6**	5.4
	90.9	93.1

Note 8(c) explains how prepaid operating land lease income is recognised on the balance sheet as deferred income. At 31 December 2007 an amount of £85.9m is recognised on the balance sheet as deferred income, £84.7m in non-current creditors and £1.2m in current creditors (see note 23).

22. DEFERRED TAXATION

Movements in deferred tax liabilities and assets (prior to offsetting balances) during the year are as follows:

	At 1 January 2007 £m	Charged/(credited) to income statement Change in tax rate £m	Change in UK legislation £m	Other adjustment to opening provision[2] £m	Current year movement £m	Charged/ (credited) to reserves £m	Transfer to taxation provision[3] £m	Exchange on translation £m	**At 31 December 2007 £m**
Deferred tax liabilities									
Property assets[1]	240.3	(4.4)	(12.9)	(6.1)	6.1	(3.2)	3.4	(1.1)	**222.1**
Share of profits of associate	–	–	–	0.7	–	–	–	–	**0.7**
	240.3	(4.4)	(12.9)	(5.4)	6.1	(3.2)	3.4	(1.1)	**222.8**
Deferred tax assets									
Tax losses	(8.7)	–	–	(0.4)	2.7	–	–	–	**(6.4)**
Employee benefits[4]	(5.0)	0.3	–	(0.4)	(0.2)	0.6	–	(0.1)	**(4.8)**
Others	(2.0)	0.2	–	(3.3)	(0.6)	–	–	(0.1)	**(5.8)**
	(15.7)	0.5	–	(4.1)	1.9	0.6	–	(0.2)	**(17.0)**
Deferred tax liabilities	224.6	(3.9)	(12.9)	(9.5)	8.0	(2.6)	3.4	(1.3)	**205.8**

1 Property assets comprise plant, property and equipment, lease premium prepayment and investment properties.

2 £9.5m of deferred tax has been released due to under/(over) provisions in respect of prior years, the conclusion of reviews by tax authorities and other timing differences.

3 In relation to the disposal to CDLHT in 2006, an over provision of deferred tax totalling £3.4m has been recognised in 2007, see note 11(c).

4 Employee benefits comprise defined benefit pension schemes and share-based payment arrangements. In relation to £0.6m charged to reserves in 2007, there is a £1.2m charge relating to defined benefit pension schemes offset by a £0.6m credit relating to share-based payment arrangements.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same taxation authority.

In 2006, deferred tax liabilities totalling £9.1m and relating to the three hotels sold to CDLHT in that year, were released as a result of that transaction. The balance released represented the total of the brought forward balance at 1 January 2006 on the three properties (£7.6m) and the increase (charge) in the period to disposal (£1.6m), less a foreign exchange adjustment of £0.1m. The release of £9.1m was credited in part to the 2006 income statement (£5.4m), in part to reserves (£0.3m) and in part was deferred as part of the unreleased profit on disposal (£3.4m). As explained further in note 11, the tax element of the unrealised profit on the transaction, including the £3.4m deferred tax credit, has subsequently been credited to the income statement in 2007.

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

	2007 £m	2006 £m
Deductible temporary differences	**0.4**	1.1
Tax losses	**0.9**	0.6
	1.3	1.7
Adjustments due to:		
– Deductible temporary differences in respect of prior year	**3.1**	2.0
– Tax losses in respect of prior year	**5.9**	5.0
	10.3	8.7

The deductible temporary differences do not expire under current tax legislation. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in respective countries in which certain subsidiaries operate.

22. DEFERRED TAXATION (CONTINUED)

The gross tax losses with expiry dates are as follows:

	2007 £m	2006 £m
Expiry dates:		
– within 1 to 5 years	**2.5**	0.3
– after 5 years	**–**	–
– no expiry date	**30.3**	29.7
	32.8	30.0

At 31 December 2007, a deferred tax liability of £51.7m (2006 restated: £45.6m) relating to undistributed reserves of overseas subsidiaries and joint ventures of £323.6m (2006: £255.6m) has not been recognised because the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

23. TRADE AND OTHER PAYABLES

	2007 £m	2006 £m
Trade payables	**17.0**	16.4
Amounts owed to associates	**2.1**	1.7
Other creditors including taxation and social security		
– Social security and other taxes	**4.9**	4.4
– Value added tax and similar sales taxes	**8.8**	9.1
– Other creditors	**7.8**	10.5
Accruals	**61.2**	51.1
Deferred income	**9.6**	8.5
Rental and other deposits	**2.3**	2.1
	113.7	103.8

As explained in note 21, included in deferred income is an amount of £1.2m (2006: £1.2m) relating to prepaid operating land lease income by CDLHT.

The Group's exposure to currency and liquidity risks related to trade and other payables are disclosed in note 18.

24. RECONCILIATION OF EQUITY

	Share Capital £m	Share Premium £m	Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 January 2006	86.5	847.6	36.3	279.9	1,250.3
Total recognised income and expense	–	–	(73.9)	99.0	25.1
Dividends (*see below*)	–	–	–	(22.3)	(22.3)
Issue of shares in lieu of dividends	0.9	(0.9)	–	13.2	13.2
Share options exercised	0.2	2.0	–	–	2.2
Equity settled transactions	–	–	–	0.6	0.6
Balance at 31 December 2006	87.6	848.7	(37.6)	370.4	1,269.1
Balance at 1 January 2007	87.6	848.7	(37.6)	370.4	1,269.1
Total recognised income and expense	–	–	10.0	152.7	162.7
Dividends (see below)	–	–	–	(36.6)	(36.6)
Issue of shares in lieu of dividends	1.2	(1.2)	–	26.1	26.1
Share options exercised	0.1	1.3	–	–	1.4
Equity settled transactions	–	–	–	0.8	0.8
Balance at 31 December 2007	**88.9**	**848.8**	**(27.6)**	**513.4**	**1,423.5**

	2007 pence	2006 pence	2007 £m	2006 £m
Final ordinary dividend paid	**6.42**	5.62	**18.7**	16.2
Final special dividend paid	**4.00**	–	**11.7**	–
Interim dividend paid	**2.08**	2.08	**6.2**	6.1
	12.50	7.70	**36.6**	22.3

24. RECONCILIATION OF EQUITY (CONTINUED)

After the balance sheet date, the Directors proposed the following final ordinary dividend, which has not been provided for:

	2007 pence	2006 pence	2007 £m	2006 £m
Final ordinary dividend proposed	**10.42**	6.42	**30.9**	18.7
Final special dividend proposed	**–**	4.00	**–**	11.7

In respect of dividends paid in 2007 totalling £36.6m (2006: £22.3m), the Group offered shareholders the option of a scrip dividend. This resulted in dividend cash payments in 2007 of £10.5m (2006: £9.1m). The balance of £26.1m (2006: £13.2m) has been credited to reserves upon issue of the related share capital. The Group will again be offering shareholders the option of a scrip dividend.

25. MINORITY INTERESTS

	2007 £m	2006 £m
Balance at 1 January	**123.0**	127.5
Total recognised income and expense	**17.5**	(2.3)
Dividends paid	**(2.2)**	(2.2)
Capital contribution from minority interests	**1.9**	–
Share buy back of minority interests	**(10.0)**	–
Balance at 31 December	**130.2**	123.0

26. SHARE CAPITAL

	Number of 30p shares authorised	Number of 30p shares allotted, called up and fully paid
Balance at 1 January 2007	1,000,000,000	291,830,526
Issue of ordinary shares on exercise of share options	–	518,174
Issue of ordinary shares in lieu of dividends	–	4,027,750
Balance at 31 December 2007	1,000,000,000	296,376,450

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 1,222,305 ordinary shares remain outstanding and are exercisable at varying dates between now and 23 March 2015 at exercise prices between 150.4p and 520p. In addition, awards made under the Long-term Incentive Plan over 459,875 ordinary shares remained unvested and may potentially vest between now and 18 September 2010.

During the year Millennium & Copthorne Hotels plc 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 520p on expiry of the savings contract.

27. FINANCIAL COMMITMENTS

	2007 £m	2006 £m
(a) Capital commitments at the end of the financial year which are contracted but not provided for	**30.8**	12.9

The Group's share of the capital commitments of joint ventures are shown in note 11 on page 93.

	2007 £m	2006 £m
(b) Total commitments under non-cancellable operating lease rentals are payable by the Group as follows:		
– less than one year	**26.2**	27.0
– between one and five years	**89.9**	91.4
– more than five years	**254.8**	275.2
	370.9	393.6

Included in the above are the following commitments of the Group to CDLHT under non-cancellable operating lease rentals that relate to the fixed portion due to CDLHT over the remaining tenure of the initial 20-year lease term in respect of the four REIT properties. The amounts due are as follows:

	2007 £m	2006 £m
– less than one year	**9.2**	8.8
– between one and five years	**36.7**	35.1
– more than five years	**124.0**	127.7
	169.9	171.6

27. FINANCIAL COMMITMENTS (CONTINUED)

	2007 £m	2006 £m
(c) The Group leases out its property under operating leases. The future minimum lease rentals receivable by the Group under non-cancellable leases are as follows:		
– less than one year	**6.6**	6.8
– between one and five years	**12.5**	14.1
– more than five years	**11.8**	11.7
	30.9	32.6

During the year ended 31 December 2007, £3.1m was recognised as rental income in the income statement (2006: £3.4m) and £0.3m in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment property (2006: £0.3m).

28. CONTINGENCIES AND SUBSEQUENT EVENTS

(a) In the course of operations the Group is routinely exposed to potential liabilities for claims made by employees and contractual or tortious claims made by third parties. No material losses are anticipated from such exposures. The Group has insurance cover up to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of its operations. Otherwise the Group generally carries its own risk. The Group believes that the provisions carried on the balance sheet are sufficient to cover these risks.

(b) There are no subsequent events to the balance sheet date which either require adjustment to or disclosure within these consolidated financial statements.

29. RELATED PARTIES

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 30), joint ventures and associates (see note 11) and with its Directors and executive officers.

Transactions with ultimate holding company, related companies and associates

The Group also has a related party relationship with certain subsidiaries of Hong Leong Investment Holdings Pte. Ltd., the ultimate holding and controlling company of Millennium & Copthorne Hotels plc and which holds 53% of the Company's shares via City Developments Limited, the intermediate holding company of the Group. During 2007 the Group had the following transactions with those subsidiaries as noted below:

The Group deposited certain surplus cash with Hong Leong Finance Limited, a subsidiary undertaking of the Group, on normal commercial terms. Interest income of £0.2m (2006: £0.2m) was received during the year. As at 31 December 2007, £12.3m (2006: £5.6m) of cash was deposited with Hong Leong Finance Limited.

City Hotels Pte. Ltd. provided a shareholder loan to Fena Estate Co., Ltd., its 50% owned joint venture. The initial facility, arranged in 2005 for 350m Thai Baht (£5.2m), was extended by a further 100m Thai baht (£1.5m) in March 2007. At 31 December 2007, £341.1m Thai baht (£5.1m) (2006: 313.0m Thai Baht (£4.5m)) had been drawn down on this facility. The loan attracts interest at 4.5% per annum and interest of £0.3m was charged in the year to 31 December 2007 (2006: £0.1m). This interest is rolled up into the carrying value of the loan.

Rents of £0.2m (2006: £0.2m) were paid to City Developments Limited in respect of office space used by Millennium and Copthorne International Limited in the King's Centre in Singapore. In the same property, rentals were also paid to City Developments Limited in respect of the Grand Shanghai restaurant amounting to £0.1m (2006: £0.1m).

Property management fees of £0.1m (2006: £0.1m) were paid to City Developments Limited in respect of property management and accounting services provided in relation to the Tanglin Shopping Centre in Singapore.

Richfield Hospitality Inc ("RHI"), formerly 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 £0.2m (2006: £0.3m) was charged by RHI during the year and, at 31 December 2007, £nil (2006: £nil) was due to RHI.

For the year ended 31 December 2007, fees paid/payable by the Group to Hong Leong Management Services Pte Ltd ("HLMS"), a subsidiary of Hong Leong Investment Holding Pte. Ltd amounted to £0.4m, the entire amount of which was outstanding at the year end. This comprises £0.2m charged by HLMS pursuant to a legal services agreement entered into with the Company and Millennium & Copthorne International Limited in 2003, and £0.2m charged by HLMS pursuant to an investment management and consultancy services agreement entered into during 2007.

For the year ended 31 December 2006, fees paid/payable by the Group to HLMS amounted to £1.0m, the entire amount of which was outstanding at 31 December 2006. This included £0.3m charged by HLMS to the Group in respect of assistance and advice on the sale and leaseback transaction with CDLHT, £0.2m for legal services rendered, and £0.5m for consultancy services rendered.

29. RELATED PARTIES (CONTINUED)

Transactions between the Group and its associates and joint ventures are disclosed below:

In July 2006, the Group completed the sale of long leasehold interests in three of its Singapore hotels to CDLHT, an associate. Refer to further description of the principal activities of CDLHT in note 30. These hotels were the Orchard Hotel (including the connected shopping centre), and M Hotel which were both sold on 75-year leases and Copthorne King's Hotel for the remaining 61 years of a 99-year lease. CDLHT also acquired the Grand Copthorne Waterfront Hotel, a Group-managed hotel from City Developments Limited under a 75-year lease. All four hotels excluding the shopping centre were leased back to the Group for an initial term of 20 years, each renewable at the Group's option for an additional term of 20 years.

Under the terms of the master lease agreements for the four hotels, the Group is obliged to pay CDLHT an annual rental for the duration of the term (initial and extended term) of each lease agreement comprising the following:-

- A fixed rent and a service charge for each hotel. The aggregate of the fixed rent and service charge for the hotels is £8.8m (S$26.4m) comprising £3.5m, (S$10.3m), £2.4m (S$7.2m), £2.0m (S$6.1m) and £0.9m (S$2.8m) for Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel, respectively;
- A variable rent computed based on the sum of 20% of each hotel's revenue for the prevailing financial year and 20% of each hotel's gross operating profit for the prevailing financial year, less the sum of the fixed rent and the service charge. Should the calculation of the variable rent yield a negative figure, the variable rent is deemed to be zero.

The rents paid/payable under the leases referred to above are as follows, the amounts for 2006 being from the inception of the leases on 19 July 2006 to 31 December 2006.

	2007 £m	2006 £m
Copthorne King's Hotel	**3.0**	1.1
Orchard Hotel	**8.1**	3.3
M Hotel	**4.6**	1.9
Grand Copthorne Waterfront	**6.7**	2.7
	22.4	9.0

Contingent rents recognised by the Group and included in the above amounted to £13.6m (S$41.0m) (2006: £5.0m (S$14.4m).

The Group acts as H-REIT manager and HBT Trustee Manager with their fees having a performance-based element. The H-REIT manager is entitled to receive a base fee of 0.25% per annum of the value of the H-REIT Deposited Property as well as an additional performance fee of 5% per annum of H-REIT's Net Property Income in the relevant financial year. 80% of the H-REIT Manager's fees will be paid in stapled securities for the first five years. In addition acquisition fees are payable, 100% in stapled securities at a rate of 1.0% of the value of new properties deposited with H-REIT. For the year to 31 December 2007 the fees paid in stapled securities totalled S$8.2m (£2.7m) (2006: S$3.1m, £1.0m). The balance payable in cash was S$1.5m (£0.5m) (2006: S$0.8m, £0.3m) of which S$0.3m (£0.1m) is outstanding at 31 December 2007.

Transactions with key management personnel

Directors of the Company and their immediate relatives control 0.0038 per cent of the voting shares of the Company.

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf or a defined contribution plan depending on the date of commencement of employment. In accordance with the terms of the defined benefit plan, Directors and executive officers retire at the age of 65 and are entitled to receive annual payments equivalent to 1/60th of their pensionable salary, subject to an earnings cap, for each year of pensionable service until the date of retirement. The defined contribution plan does not have a specified pension payable on retirement and benefits are determined by the extent to which the individual's fund can buy an annuity in the market at retirement.

Executive officers also participate in the Group's share option programme, long-term incentive plan and the Group's sharesave schemes (note 19).

The key management personnel compensations are as follows:

	2007 £m	2006 £m
Short-term employee benefits	**3.8**	2.8
Other long-term benefits	**–**	0.1
Termination payments	**0.6**	–
Share-based payment	**0.8**	0.7
	5.2	3.6

Total remuneration is included in personnel expenses (note 4)

29. RELATED PARTIES (CONTINUED)

	2007 £m	2006 £m
Directors*	**2.5**	1.7
Executives	**2.7**	1.9
	5.2	3.6

* The Directors' remuneration reported in the "Directors' Remuneration Report" (see pages 55 to 62) focuses, so far as concerns pension benefits, on changes in accrued benefits rather than the profit and loss charge for individuals. In context of this analysis, the amount above reflects benefits paid.

30. SIGNIFICANT INVESTMENTS

The companies listed below are those which were part of the Group at 31 December 2007 and which, in the opinion of the Directors, significantly affected the Group's results and net assets during the year. The Directors consider that those companies not listed are not significant in relation to the Group as a whole.

These companies operate principally in the country in which they are incorporated and are held indirectly unless stated otherwise.

	Effective Group interest	Country of incorporation	Principal Activity
Anchorage-Lakefront Limited Partnership	100%	USA	Hotel owner
Bostonian Hotel Limited Partnership	100%	USA	Hotel owner
CDL (New York) LLC	100%	USA	Hotel owner
CDL Hotels (Chelsea) Limited	100%	England and Wales	Hotel owner and operator
CDL Hotels (Korea) Limited	100%	Korea	Hotel owner and operator
CDL Hotels (Malaysia) Sdn. Bhd	100%	Malaysia	Hotel owner and operator
CDL Hotels (UK) Limited	100%	England and Wales	Hotel owner and operator
CDL Hotels USA Inc	100%	USA	Hotel investment holding company
CDL Investments New Zealand Limited	45%	New Zealand	Investment and property management company
CDL West 45th Street LLC	100%	USA	Hotel owner
Chicago Hotel Holdings, Inc	100%	USA	Hotel owner and operator
City Hotels Pte. Ltd.	100%	Singapore	Hotel operator and investment holding company
Copthorne Hotel (Birmingham) Limited	100%	England and Wales	Hotel owner and operator
Copthorne Hotel (Gatwick) Limited	100%	England and Wales	Hotel owner and operator
Copthorne Hotel (Manchester) Limited	100%	England and Wales	Hotel owner and operator
Copthorne Hotel (Newcastle) Limited	94%	England and Wales	Hotel owner and operator
Copthorne Hotel (Slough) Limited	100%	England and Wales	Hotel owner and operator
Copthorne Hotels Limited	100%	England and Wales	Hotels investment holding company
Copthorne Hotel Holdings Limited	100%	England and Wales	Hotels investment holding company
Copthorne Orchid Hotel Singapore Pte Ltd	100%	Singapore	Hotel owner and operator
Gateway Regal Holdings LLC	100%	USA	Hotel owner and operator
Grand Plaza Hotel Corporation	66%	Philippines	Hotel owner and operator and investment holding company
Harbour View Hotel Pte. Ltd.	100%	Singapore	Hotel operator
Hong Leong Hotel Development Limited	80%	Taiwan	Hotel owner and operator
Hong Leong Hotels Pte Ltd	100%	Cayman Islands	Investment holding company
Hospitality Group Limited	49%	New Zealand	Holding company
Hospitality Holdings Pte Ltd	100%	Singapore	Investment holding company
Kings Tanglin Shopping Pte. Ltd	100%	Singapore	Property owner
London Britannia Hotel Limited	100%	England and Wales	Hotel owner and operator
London Tara Hotel Limited	100%	England and Wales	Hotel owner and operator
M&C Crescent Interests, LLC	100%	USA	Property owner
M&C Hotel Interest, Inc	100%	USA	Hotel management services company
M&C Hotels France SAS	100%	France	Hotel owner

30. SIGNIFICANT INVESTMENTS (CONTINUED)

	Effective Group interest	Country of incorporation	Principal Activity
M&C REIT Management Limited	100%	Singapore	REIT investment management services
Millennium & Copthorne Hotels New Zealand Limited	70%	New Zealand	Hotel investment holding company
Millennium & Copthorne International Limited	100%	Singapore	Hotels and resorts management
Quantum Limited	49%	New Zealand	Holding company
Republic Hotels & Resorts Limited	100%	Singapore	Hotel operator and investment holding company
RHM-88, LLC	100%	USA	Hotel owner and operator
WHB Biltmore LLC	100%	USA	Hotel owner and operator
Joint ventures			
New Unity Holdings Limited	50%	British Virgin Islands	Investment holding company
Fena Estate Co., Ltd.	50%	Thailand	Investment holding company
Beijing Fortune Hotel Co Limited	30%	China	Hotel owner
Associates			
CDL Hospitality Trusts	38.5%	Singapore	See note below
First Sponsor Capital Limited	35%	British Virgin Islands	Investment holding company

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 Millennium & Copthorne Hotels plc Annual Return.

Note
CDL Hospitality Trusts is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT"), a real estate investment trust, and CDL Hospitality Business Trust ("HBT"), a business trust. H-REIT has an investment strategy of investing directly or indirectly, in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real-estate related assets in relation to the foregoing.

HBT is a business trust which is dormant. It exists primarily as a "master lessee of last resort" and will become active if H-REIT is unable to appoint a master lessee for any of the hotels in its portfolio at the expiry of the relevant master lease agreement or for a newly acquired hotel. HBT may also become active if it undertakes certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT.

31. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discussed, with the Audit Committee, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

The preparation of financial statements under IFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and the reported amount of revenue and expenses during the year. The Group evaluates its estimates and assumptions on an ongoing basis. Such estimates and judgements are based upon historical experience and other factors it believes to be reasonable under the circumstances, which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

Certain critical accounting policies, among others, affect the Group's more significant estimates and assumptions used in preparing the consolidated financial statements. Actual results could differ from the Group's estimates and assumptions.

Asset carrying values

Land and buildings are stated at cost or deemed cost less depreciation and any provision for impairment. The assessment for possible revaluation and impairment requires the Group to make certain judgements, including property valuations and future cash flows from the respective properties and investments. A review of recoverability of property valuations and investment carrying values is made whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable.

Defined benefit pension plans

The Group operates a number of defined benefit pension plans. As set out in note 19, the calculation of the present value of the Group's defined benefit obligations at each period end is subject to significant estimation. An appropriately qualified, independent actuary is used to undertake this calculation. The assumptions made by the actuary are the best estimates chosen from a range of possible actuarial

31. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

assumptions, which due to the timescale covered, may not necessarily be borne out in practice. The valuation of scheme assets is based on their fair value at the balance sheet date. As these assets are not intended to be sold in the short-term, their values may be subject to significant change before they are realised.

Taxation

The Group has, from time-to-time, contingent tax liabilities arising from trading and corporate transactions. After taking appropriate external professional advice, the Group makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measureable.

Investment in CDLHT

As set out in note 11, in 2006 the Group acquired a 39.1% interest in CDLHT, a stapled security listed on the Singapore Exchange Securities Trading Limited, comprising a hotel real estate investment trust (REIT) and a business trust. The business trust is dormant. The Group's interest in CDLHT at 31 December 2007 was 38.5%. CDLHT is not considered to be a special purpose entity under Standing Interpretations Committee 12: Consolidation – Special Purpose Entities, and the Group does not have, by virtue of its unit holdings, the power to control a majority of the voting rights of the units of CDLHT. However, as further noted in note 29, the Group acts as REIT Manager (through a wholly owned company), under the terms of the trust deed constituting the REIT. The Directors have therefore given careful consideration to the Group's interest in and relationship with CDLHT for the purposes of assessing whether it should be consolidated in accordance with IAS 27: Consolidation and Separate Financial Statements.

A subsidiary of the Group, M&C REIT Management Limited, in its capacity as REIT Manager, has the power to govern the financial and operating policies of the REIT. However, there are certain substantive kick-out rights that prevent the Group from exercising the power to control the majority of the Board of the REIT Manager so as to be able to govern the financial and operating policies of the REIT.

The Group does not therefore control CDLHT and it is not a subsidiary of the Group. Because of the significant influence that the Group has by way of its holding of 38.5% of CDLHT units and representation on the Board of the REIT Manager, the Group equity accounts for its interest in CDLHT as an associate.

Lease backs from CDLHT

As part of the transactions with CDLHT in 2006 and as explained in note 8(c), the Group entered into sale and lease back arrangements in respect of three hotels in Singapore. As further explained in note 29, the Group entered into 20 year leases with CDLHT for each of the hotel buildings with variable rent based on the hotels' performance (but subject to a fixed minimum rental), and with an option granted to the Group to renew for a further 20 years on the same rental terms.

Although the Group has the option to lease the building assets for a total of 40 years, there remains a substantial proportion of the assets' economic lives for which the Group will not benefit from the assets. In addition, the present value of the minimum lease payments for the 40-year potential term of the three leases do not constitute substantially all of the fair value of the leased assets, and the variable rent structure is such that the Group does not retain significant risks and rewards of ownership of the assets.

Accordingly, the Group has classified the lease back arrangements as operating leases in accordance with IAS 17: Leases

In addition, the Group's lease of the Grand Copthorne Waterfront Hotel from CDLHT as part of the 2006 transactions entered with CDLHT has also been similarly accounted for by the Group as an operating lease for the same reasons noted above.

Investment property

The Group holds a number of investment properties and accounts for such properties in accordance with the accounting policy set out on page 75. CDLHT owns hotel assets which are leased to both the Group and external third parties with lease rentals and related charges varying according to the agreement involved. The Group accounts for such hotel assets in its financial statements in accordance with the accounting policy set out on page 75.

The Group is required to consider whether the relevant hotel assets held by CDLHT are owner-occupied or not, for the purposes of assessing whether IAS 40, Investment Property is applicable and whether therefore, accounting for the relevant hotels as investment properties is appropriate for the purposes of the Group's financial statements. The question of whether or not a property is owner-occupied is a matter of judgement, involving consideration of various factors such as, the length of the agreement involved, the powers of intervention and level of influence on financial and operating decisions held by the Group or CDLHT, and the extent of the Group or CDLHT's interest in the profits and cash flows generated by the relevant properties.

Where the indicators are such that on balance, CDLHT is, in the Group's opinion, shown to be a passive investor, the relevant hotel property is accounted for in accordance with IAS 40 and the Group accounts for its share of the fair value change through the income statement as a share of other operating income of the associate. Where indicators are of an owner-occupied property, the hotel is classified as part of CDLHT's property, plant and equipment with the Group's share of CDLHT's results for the period incorporating an appropriate depreciation charge.

Company Balance Sheet

AS AT 31 DECEMBER 2007

	Notes	2007 £m	2006 £m
Fixed assets			
Investments	(D)	**1,558.9**	1,523.3
Current assets			
Amounts owed by subsidiary undertakings falling due within one year		**26.3**	15.4
Corporation tax		**–**	0.4
Other debtors		**–**	0.2
Cash at bank and in hand		**0.6**	14.2
		26.9	30.2
Creditors: amounts falling due within one year	(E)	**(95.6)**	(106.7)
Net current liabilities		**(68.7)**	(76.5)
Creditors: amounts falling due after more than one year	(F)	**(488.4)**	(442.5)
Net assets		**1,001.8**	1,004.3
Capital and reserves			
Called up share capital	(G), (H)	**88.9**	87.6
Share premium account	(H)	**848.8**	848.7
Profit and loss account	(H)	**64.1**	68.0
Equity shareholders' funds	(H)	**1,001.8**	1,004.3

These financial statements were approved by the Board of Directors on 19 February 2008 and were signed on its behalf by:

Kwek Leng Beng
CHAIRMAN

Wong Hong Ren
DIRECTOR

Notes to the Company Financial Statements

(A) ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of accounting

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Company has taken advantage of the exemption contained in FRS 8 'Related Parties' and has, therefore, not disclosed transactions with Group entities.

Accounting convention and basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom (UK GAAP).

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 £6.8m (2006: £10.7m).

Under Financial Reporting Standard No 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement as its cash flows are included within the published consolidated cash flow statement of Millennium & Copthorne Hotels plc.

Investments

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

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.

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 on income and expenditure are included in tax computations in periods different from their inclusion in the financial statements.

Foreign exchange

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

The Company uses a fair value hedging model to designate bank loans and bonds held in overseas currencies as hedging instruments against designated overseas investments held in the same currency. Under such fair value hedges, both the hedged item and the hedging instrument are retranslated with the exchange differences in both cases being recorded in the income statement as they arise at each period end.

Share based payment

FRS 20 requires that the fair value of share options granted to employees be recognised as an expense with a corresponding increase in equity. However, during the current and prior year, the Company had no employees and only issued share options to employees of its operating subsidiaries. Consequently, no profit and loss change has been recorded in the current or prior year.

Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are appropriately authorised and approved for payment and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the financial statement.

(B) DIRECTORS' REMUNERATION AND EMPLOYEES

Details of Directors' remuneration in the current and prior year is given on pages 55 to 62 of the Directors' remuneration report.

The Company had no employees.

Details of share options issued by the Company are given in note 19 to the consolidated financial statements and note (G).

The Company is the principal member of the UK Group pension scheme, the Millennium & Copthorne Pension Plan, which provides benefits based on final pensionable pay. As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, the scheme has been accounted for, in these financial statements as if it were a defined contribution scheme (as permitted by FRS 17 'Retirement benefits'). Details of the plan are given in note 19 to the consolidated financial statements.

(C) DIVIDENDS

Details of dividends paid and proposed in the current and prior year are given in note 24 to the Group financial statements.

(D) INVESTMENTS

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
Cost and net book value at 1 January 2007	1,126.5	396.8	1,523.3
Additions	40.7	(10.2)	30.5
Foreign exchange adjustments	5.1	–	5.1
At 31 December 2007	**1,172.3**	**386.6**	**1,558.9**

There were no provisions made against investments in subsidiary undertakings.

The Company's subsidiary undertakings at 31 December 2007 are listed below. All of the subsidiary undertakings have coterminous year ends.

Subsidiary Name	Effective Interest	Country of Incorporation	Principal Activity
Millennium & Copthorne (Austrian Holdings) Limited	100%	England and Wales	Investment holding
Millennium Hotel Holdings EMEA Limited	100%	England and Wales	Investment holding
Copthorne Hotel Holdings Limited	100%	England and Wales	Hotel investment holding company
Millennium & Copthorne Share Trustees Limited	100%	England and Wales	Trustee holding
Millennium Hotels London Limited	100%	England and Wales	Hotel investment
M&C Hotels Holdings Limited	100%	England and Wales	Investment holding
M&C Hotels Holdings USA Limited	100%	Cayman Islands	Investment holding

(E) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £m	2006 £m
Bank loans	**58.4**	84.9
Bonds payable	**26.0**	10.0
Amounts owed to parent and fellow subsidiary undertakings	**8.6**	7.1
Corporation tax	**0.2**	–
Other creditors	**–**	0.4
Accruals and deferred income	**2.4**	4.3
	95.6	106.7

(F) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £m	2006 £m
Bonds payable	**186.6**	177.8
Amounts owed to parent and fellow subsidiary undertakings	**301.8**	264.7
	488.4	442.5

Bank loans and bonds are repayable as follows:	2007 £m	2006 £m
Between one and two years	**56.3**	25.9
Between two and five years	**130.3**	151.9
	186.6	177.8

(G) SHARE CAPITAL

	Number of 30p shares authorised	Number of 30p shares allotted, called up and fully paid
Balance at 1 January 2007	1,000,000,000	291,830,526
Issue of ordinary shares on exercise of share options	–	518,174
Issue of ordinary shares in lieu of dividends	–	4,027,750
Balance at 31 December 2007	1,000,000,000	296,376,450

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 1,222,305 ordinary shares remain outstanding and are exercisable at varying dates between now and 23 March 2015 at exercise prices between 150.4p and 520p. In addition, awards made under the Long-term Incentive Plan over 459,875 ordinary shares remained unvested and may potentially vest between now and 18 September 2010.

During the year Millennium & Copthorne Hotels plc 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 520p on expiry of the savings contract.

(H) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Profit and loss account £m	Total 2007 £m	Total 2006 £m
Balance at 1 January	87.6	848.7	68.0	**1,004.3**	1,001.0
Profit for the financial year	–	–	6.8	**6.8**	10.7
Dividends	–	–	(36.6)	**(36.6)**	(22.3)
Issue of shares in lieu of dividends	1.2	(1.2)	26.1	**26.1**	13.2
Share options exercised	0.1	1.3	–	**1.4**	2.2
Foreign exchange adjustments	–	–	(0.2)	**(0.2)**	(0.5)
Balance at 31 December	**88.9**	**848.8**	**64.1**	**1,001.8**	1,004.3

(I) CONTINGENT LIABILITIES, COMMITMENTS AND SUBSEQUENT EVENTS

In the course of managing its investments the Company is routinely exposed to potential liabilities for contractual or tortious claims by third parties. The Company has insurance cover up to certain limits for major claims in connection with legal liabilities in the course of its operations. Otherwise the Company carries its own risk. The Company believes that the provisions carried on the balance sheet are sufficient to cover these risks.

The Company had no capital commitments at the end of the financial year for which no provision has been made.

There are no events subsequent to the balance sheet date which require adjustment to our disclosure within these financial statements.

(J) 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 intermediate 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.

Key Operating Statistics

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 Reported currency	2006 Constant currency*	2006 Reported currency
Occupancy %			
New York	**86.6**		86.5
Regional US	**66.5**		67.3
TOTAL US	**71.2**		71.7
London	**84.5**		87.0
Rest of Europe	**72.4**		73.3
TOTAL EUROPE	**77.8**		79.4
Asia	**77.1**		76.1
Australasia	**69.3**		69.6
TOTAL GROUP	**74.1**		74.4
Average Room Rate (£)			
New York	**150.20**	131.79	143.34
Regional US	**50.59**	47.20	51.33
TOTAL US	**78.62**	70.78	76.98
London	**97.31**	85.63	85.63
Rest of Europe	**73.99**	71.18	71.05
TOTAL EUROPE	**85.22**	78.21	78.14
Asia	**63.08**	56.03	59.07
Australasia	**42.67**	41.27	39.72
TOTAL GROUP	**71.74**	65.15	67.92
Rev PAR (£)			
New York	**130.07**	114.00	123.99
Regional US	**33.64**	31.77	34.55
TOTAL US	**55.98**	50.75	55.19
London	**82.23**	74.50	74.50
Rest of Europe	**53.57**	52.17	52.08
TOTAL EUROPE	**66.30**	62.10	62.04
Asia	**48.63**	42.64	44.95
Australasia	**29.57**	28.72	27.65
TOTAL GROUP	**53.16**	48.47	50.53
Gross Operating Profit Margin (%)			
New York	**40.6**		37.7
Regional US	**23.9**		23.7
TOTAL US	**32.0**		30.3
London	**50.4**		47.6
Rest of Europe	**31.3**		29.9
TOTAL EUROPE	**40.6**		38.1
Asia	**42.4**		39.6
Australasia	**40.7**		41.9
TOTAL GROUP	**38.3**		36.0

* For comparability the 31 December 2006 Average Room Rate and RevPAR have been translated at 2007 average exchange rates.

Group Financial Record

	2007 £m	2006 £m	2005 £m	2004 £m	UK GAAP not restated under IFRS 2003 £m
INCOME STATEMENT					
Revenue	**669.6**	646.3	595.2	551.0	523.1
Group operating profit	**126.9**	129.0	121.4	125.0	54.8
Share of profit of joint ventures and associates	**44.6**	25.2	3.5	1.7	7.0
Net financing costs	**(14.1)**	(24.0)	(29.1)	(35.7)	(43.1)
Income tax credit/(expense)	**2.1**	(22.1)	(26.0)	(31.4)	(1.9)
Profit for the year	**159.5**	108.1	69.8	59.6	16.8
CASH FLOW					
Cash generated from operations	**160.2**	144.5	116.1	122.8	93.1

BALANCE SHEET

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Property, plant, equipment and lease premium payments	**1,799.0**	1,774.5	2,024.2	1,898.7	2,011.4
Investment properties	**58.2**	49.6	48.0	43.7	90.3
Investments and loans in joint ventures and associates	**253.0**	142.0	55.3	45.3	78.3
Other financial assets	**4.8**	4.5	2.2	2.8	2.8
Non-current assets	**2,115.0**	1,970.6	2,129.7	1,990.5	2,182.8
Current assets excluding cash	**142.9**	138.2	113.0	105.6	79.4
Borrowings net of cash	**(262.1)**	(260.4)	(480.4)	(483.0)	(685.3)
Deferred tax liabilities	**(205.8)**	(224.6)	(239.9)	(208.1)	(196.9)
Provisions and other liabilities	**(236.3)**	(231.7)	(144.6)	(144.0)	(125.3)
NET ASSETS	**1,553.7**	1,392.1	1,377.8	1,261.0	1,254.7
Share capital and share premium	**937.7**	936.3	934.1	932.0	930.6
Reserves	**485.8**	332.8	316.2	214.2	206.9
Total equity attributable to equity holders	**1,423.5**	1,269.1	1,250.3	1,146.2	1,137.5
Minority interests	**130.2**	123.0	127.5	114.8	117.2
TOTAL EQUITY	**1,553.7**	1,392.1	1,377.8	1,261.0	1,254.7

Group Financial Record

KEY OPERATING STATISTICS

	2007 £m	2006 £m	2005 £m	2004 £m	UK GAAP not restated under IFRS 2003 £m
Gearing %	**18%**	21%	38%	42%	53%
Earnings per share (pence)	**50.7p**	34.5p	21.3p	17.9p	3.9p
Dividends per share (pence)[1]	**12.50p**	12.50p	7.70p	12.50p	6.25p
Hotel gross operating profit margin (%)	**38.3%**	36.0%	34.4%	33.6%	32.1%
Occupancy (%)	**74.1%**	74.4%	73.0%	71.8%	65.1%
Average room rate (£)	**£71.74**	£67.92	£64.01	£60.59	£61.60
RevPAR (£)	**£53.16**	£50.53	£46.73	£43.50	£40.10

1 Dividends per share includes ordinary dividends and special dividends

It is not possible to show comparative results for a full 5 years because IFRS accounting policies only came into existence from 1 January 2004, the effective date of transition to IFRS. Details of previously reported figures are given in note 33 to the 2005 consolidated financial statements.

Notice of Annual General Meeting

The 2008 annual general meeting of Millennium & Copthorne Hotels plc (the "**Company**") will be held at the Millennium Hotel London Mayfair, Grosvenor Square, London W1K 2HP on Wednesday 7 May 2008 at 10.00 am to consider, and if thought fit, to pass the resolutions set out below. Resolutions 1 to 13 will be proposed as ordinary resolutions. Resolutions 14 to 16 will be proposed as special resolutions.

Ordinary Business

Resolution 1

That the Company's accounts, Directors' report and auditor's report for the year ended 31 December 2007 are received.

Resolution 2

That the final dividend of 10.42p per ordinary share recommended by the Directors in respect of the year ended 31 December 2007 payable on 16 May 2008 to holders of ordinary shares registered at the close of business on 25 March 2008 is declared.

Resolution 3

That Kwek Leng Beng is re-elected as a Director.

Resolution 4

That Kwek Leng Joo is re-elected as a Director.

Resolution 5

That John Arnett is elected as a Director.

Resolution 6

That Connal Rankin is elected as a Director.

Resolution 7

That KPMG Audit plc is re-appointed as the Company's auditor from the end of this meeting until the end of the next general meeting at which accounts are laid before the Company in accordance with the Companies Act 1985.

Resolution 8

That the Directors are authorised to determine the remuneration of the auditor.

Special Business

Resolution 9

That the Directors' Remuneration Report set out in the report and accounts for the year ended 31 December 2007 is approved.

Resolution 10

That the Directors are authorised to exercise the power in Article 129(A) of the Company's Articles of Association so that, to the extent determined by the Directors, the holders of ordinary shares be permitted to elect and receive new ordinary shares credited as fully paid instead of cash in respect of all or part of any dividend declared or paid at or after this meeting and before the start of the Company's annual general meeting in 2013.

Resolution 11

That the provisions of the Co-operation Agreement dated 18 April 1996, as amended – by which the Company agrees that it shall use all reasonable endeavours to ensure that any issue of voting securities (other than pursuant to an employee or executive share option scheme) for cash which takes place is carried out in a manner that provides City Developments Limited with an opportunity to acquire additional ordinary shares at the time of such proposed issue for cash in such amounts as are necessary to enable it to maintain its voting rights in the Company at the same level as is held immediately prior to such issue – be renewed for the period expiring at the conclusion of the Company's annual general meeting in 2009.

Resolution 12

That, in accordance with sections 366 and 367 of the Companies Act 2006 (the "2006 Act"), the Company and all companies that are subsidiaries of the Company at the time at which this resolution is passed or at any time during the period for which this resolution has effect are authorised to:

(a) make political donations to political parties or independent election candidates, as defined in sections 363 and 364 of the 2006 Act, not exceeding £100,000 in total;

(b) make political donations to political organisations other than political parties, as defined in sections 363 and 364 of the 2006 Act, not exceeding £100,000 in total; and

(c) incur political expenditure, as defined in section 365 of the 2006 Act, not exceeding £100,000 in total;

during the period beginning with the date of the passing of this resolution and ending on 30 June 2009 or, if sooner, the conclusion of the annual general meeting of the Company to be held in 2009. In any event, the aggregate amount of political donations and political expenditure made or incurred by the Company and its subsidiaries pursuant to this resolution shall not exceed £150,000.

Notice of Annual General Meeting

Resolution 13
That, in substitution for all existing unexercised authorities, the authority conferred on the Directors by article 4(B) of the Company's Articles of Association be renewed (unless previously renewed, varied or revoked) for a period ending on the earlier of 30 June 2009 or the date of the Company's next annual general meeting and for that period, the Section 80 Amount is £29,637,645.

Resolution 14
That, in substitution for all existing authorities, the authority conferred on the Directors by article 4(C) of the Company's Articles of Association be renewed (unless previously renewed, varied or revoked) for a period ending on the earlier of 30 June 2009 or the date of the Company's next annual general meeting and for that period, the Section 89 Amount is £4,445,646.

Resolution 15
That the Company is generally and unconditionally authorised to make market purchases (as defined in section 163(3) of the Companies Act 1985) of ordinary shares of 30p each in the capital of the Company on the following terms:

(a) the maximum number of ordinary shares which may be purchased is 29,637,645 (representing 10 per cent of the Company's issued share capital as at 19 February 2008);

(b) the minimum price, exclusive of costs, which may be paid for each ordinary share is 30p;

(c) the maximum price, exclusive of costs, which may be paid for each ordinary share is an amount equal to not more than 105 per cent of the average of the market value for the share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the share is contracted to be purchased;

(d) this authority expires (unless previously renewed, varied or revoked) on the earlier of 30 June 2009 or the date of the Company's next annual general meeting; and

(e) before this authority expires, the Company may make a contract to purchase its own shares under this authority which would or might involve the Company purchasing its own shares after this authority expires.

Resolution 16
That, with effect from conclusion of the meeting, the Articles of Association contained in the document produced to the meeting, and for the purpose of identification marked "A" and signed by the Chairman of the meeting, be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the current Articles of Association of the Company.

By order of the Board

Adrian Bushnell
COMPANY SECRETARY
19 February 2008

Registered Office
Victoria House
Victoria Road
Horley
Surrey RH6 7AF
United Kingdom

NOTES

1. A member of the Company entitled to attend, speak and vote at the meeting convened by the notice set out above may appoint a proxy to exercise all or any of his rights to attend, speak and vote at the meeting on his/her behalf. A proxy need not be a member of the Company. Appointment of a proxy will not subsequently preclude a member from attending and voting at the meeting in person if he or she so wishes. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares held by the member. To appoint more than one proxy you should contact the Company's Registrar at the following address: Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZL.

2. A form of proxy for use at the meeting is enclosed. To be valid, the form of proxy must be received by post or (during normal business hours only) by hand at the office of the Company's Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZL not later than 48 hours before the time appointed for holding the annual general meeting.

3. Information regarding electronic and CREST voting is shown below.

4. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

5. To be entitled to attend and vote at the meeting, and for the purposes of determining how many votes the member may cast, members must be entered in the Company's register of members at 6 pm on 5 May 2008 (or in the event of any adjournment 6 pm on the date which is two days before the time of the adjourned meeting). Changes to entries in the register of members after that time are disregarded in determining the rights of any person to attend and vote at the meeting.

6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

7. As at 18 February 2008 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 296,376,450 ordinary shares carrying one vote each. Therefore the total voting rights in the Company as at 18 February 2008 are 296,376,450.

8. The following documents may be inspected during business hours at the Corporate Office, Scarsdale Place, Kensington, London W8 5SR and at the Company's registered office on a weekday (public holidays excluded) until the time of the meeting and at the place of the annual general meeting from 15 minutes before the meeting until the end of the meeting:

   (a) copies of all service contracts between the Directors and the Company and the terms and conditions of appointment of non executive Directors;

   (b) a copy of new Articles of Association proposed to be adopted.

9. Members who wish to communicate with the Company in relation to the meeting should do so using the following means: (i) by writing to the Company Secretary at the registered office address; (ii) by writing to the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZL; or (iii) by using the Shareholder Helpline; 0871 3842343. No other methods of communication will be accepted. In particular you may not use any electronic address provided either in this notice of meeting or in any related documents to communicate with the Company for any purposes other than those expressly stated.

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 on the face of 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 Equiniti not later than 10.00am on 5 May 2008. Please note that any electronic communication sent to the Company or the Registrar 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 the Registrar's 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 Equiniti, Aspect house, Spencer Road, Lancing, West Sussex, BN99 6ZL to arrive no later than 10.00am on 5 May 2008. 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 7 May 2008 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Numbers 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 Euroclear'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 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 Euroclear 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 18 countries with a portfolio of 112 hotels.†

THE AMERICAS

United States
Millenium Hilton
Millennium Airport Hotel Buffalo
Millennium Alaskan Hotel Anchorage
Millennium Biltmore Hotel Los Angeles
Millennium Bostonian Hotel Boston
Millennium Broadway Hotel New York
Millennium Harvest House Boulder
Millennium Hotel Cincinnati
Millennium Hotel Durham
Millennium Hotel Minneapolis
Millennium Hotel St. Louis
Millennium Knickerbocker Hotel Chicago
Millennium Maxwell House Nashville
Millennium Resort Scottsdale McCormick Ranch
Millennium UN Plaza Hotel New York
Best Western Lakeside
Comfort Inn Beaver Creek
Eldorado Hotel & Spa
Pine Lake Trout Club
Sunnyvale*
Wynfield Inn Orlando Convention Center

EUROPE

France
Millennium Hotel Paris Charles de Gaulle
Millennium Hotel Paris Opéra

Germany
Copthorne Hotel Hannover
Millennium Hotel & Resort Stuttgart

UK
Copthorne Hotel Aberdeen
Copthorne Hotel Birmingham
Copthorne Hotel Cardiff Caerdydd
Copthorne Hotel at Chelsea Football Club
Copthorne Hotel & Resort Effingham Park London Gatwick
Copthorne Hotel London Gatwick
Copthorne Hotel Manchester
Copthorne Hotel Merry Hill Dudley
Copthorne Hotel Newcastle
Copthorne Hotel Plymouth
Copthorne Hotel Reading
Copthorne Hotel Sheffield*
Copthorne Hotel Slough Windsor
Copthorne Tara Hotel London Kensington
Millennium Bailey's Hotel London Kensington
Millennium Gloucester Hotel & Conference Centre London Kensington
Millennium Hotel at Chelsea Football Club
Millennium Hotel Glasgow
Millennium Hotel London Knightsbridge
Millennium Hotel London Mayfair
Millennium Hotel Southampton Ocean Village*
Millennium Madejski Hotel Reading

MIDDLE EAST

Egypt
Millennium Hotel & Resort Montazah, Sharm el Sheikh*
Millennium Oy Oun Hotel, Sharm el Sheikh

Kuwait
Al-Jahrah Copthorne Hotel & Resort*

Qatar
Millennium Hotel Doha

United Arab Emirates
Copthorne Hotel Dubai*
Kingsgate Abu Dhabi*
Millennium Airport Hotel Dubai
Millennium Executive Suites *
Millennium Hotel Abu Dhabi
Millennium Hotel Sharjah
Millennium Towers Dubai Hotel and Apartments*

ASIA

China
Copthorne Hotel Qingdao*
Grand Millennium Beijing*
Millennium Chengdu*
Millennium Harbour View Hotel Xiamen*
Millennium Hongqiao Hotel Shanghai
Millennium Wuxi*

Hong Kong
Hotel Nikko Hong Kong
JW Marriott Hotel Hong Kong

Indonesia
Millennium Hotel Sirih Jakarta

Korea
Millennium Seoul Hilton

Malaysia
Copthorne Orchid Hotel Penang
Grand Millennium Kuala Lumpur

Philippines
The Heritage Hotel Manila

Singapore
Copthorne King's Hotel Singapore#
Copthorne Orchid Hotel Singapore
Grand Copthorne Waterfront Hotel Singapore#
M Hotel Singapore#
Orchard Hotel Singapore#
New build hotel (to be named)*

Taiwan
Grand Hyatt Taipei

Thailand
Grand Millennium Sukhumvit Bangkok
Millennium Resort Patong Phuket

* Not open or operating under one of the Group's brands as at 31 December 2007
# Owned by CDLHT
† This excludes the Novotel Clarke Quay, Singapore and the Rendezvous Hotel Auckland, New Zealand which are owned by CDLHT, but not operated by the Group.

Millennium & Copthorne Hotels Worldwide

AUSTRALASIA

New Zealand

Copthorne Hotel & Resort Bay of Islands
Copthorne Hotel & Resort Hokianga
Copthorne Hotel & Resort Queenstown Lakefront
Copthorne Hotel & Resort Solway Park Wairarapa
Copthorne Hotel Auckland Anzac Avenue
Copthorne Hotel Auckland Harbour City
Copthorne Hotel Christchurch Central
Copthorne Hotel Christchurch Durham Street
Copthorne Hotel Commodore Christchurch Airport
Copthorne Hotel Grand Central New Plymouth
Copthorne Hotel Malborough
Copthorne Hotel Wellington Oriental Bay
Copthorne Hotel Taupo
Copthorne Hotel Wellington Plimmer Towers
Kingsgate Hotel Autolodge Paihia
Kingsgate Hotel Beachcomber Nelson
Kingsgate Hotel Brydone Oamura Christchurch
Kingsgate Hotel Dunedin
Kingsgate Hotel Greymouth
Kingsgate Hotel Hamilton
Kingsgate Hotel Palmerston North
Kingsgate Hotel Parnell Auckland
Kingsgate Hotel Portland Wellington
Kingsgate Hotel Rotorua
Kingsgate Hotel Te Anau
Kingsgate Hotel Terraces Queenstown
Kingsgate Hotel The Avenue Wanganui
Kingsgate Hotel Whangarei
Millennium Hotel & Resort Manuels Taupo
Millennium Hotel Christchurch
Millennium Hotel Queenstown
Millennium Hotel Rotorua

CORPORATE OFFICES

EUROPE

Millennium & Copthorne Hotels plc
Corporate Headquarters
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Kensington
London, W8 5SR
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Fax	(00) [44] (0) 20 7872 2460
Email	marketing@millenniumhotels.co.uk

THE AMERICAS

Millennium Hotels & Resorts
6560 Greenwood Plaza Blvd, Suite 300
Greenwood Village, CO 80111
USA

Tel	(00) [1] 303 779 2000
Fax	(00) [1] 303 779 2001
Email	mhrmarketing@mill-usa.com

ASIA

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390 Havelock Road
#02-01 King's Centre
Singapore 169662

Tel	(00) [65] 6737 1928
Fax	(00) [65] 6235 4138
Email	sales@millenniumhotels.com

AUSTRALASIA

Millennium & Copthorne Hotels New Zealand Limited
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280 Centre
280 Queen Street
Auckland 1010
New Zealand

Tel	(00) [64] (9) 309 4411
Fax	(00) [64] (9) 968 8970
Email	sales.marketing@millenniumhotels.co.nz

GLOBAL SALES OFFICES

EUROPE

France	(00) [33] (1) 4949 1617
Germany	(00) [49] (0) 6151 905 710
London	(00) [44] (0) 20 7872 2444

THE AMERICAS

Toll Free in US	(00) [1] (866) 866 8086
New York	(00) [1] (212) 789 7860

ASIA

Hong Kong	(00) [852] 2921 8328
Japan	(00) [81] (3) 3509 7021
Singapore	(00) [65] 6737 1928
Taipei	(00) [886] (2) 2729 0580
Beijing	(00) [86] (10) 8450 6883
For Asia:	reservations@millenniumhotels.com

AUSTRALASIA

Sydney	(00) [61] (2) 9358 5080
Australia	sales@millenniumhotels.com.au

NEW ZEALAND

Auckland	(00) [64] (9) 309 4411
Christchurch	(00) [64] (3) 365 1111
Wellington	(00) [64] (4) 473 3750

INTERNATIONAL RESERVATIONS NUMBERS

EUROPE

Please dial the following toll free number: 00 800 86 86 8086 for the following countries:
Austria
Belgium
Denmark
Finland (please dial prefix 990, rather than 00)
Germany (answered by Alliance Partner Maritim Hotels)
Ireland
Netherlands
Norway
Portugal
Spain
Sweden
Switzerland

France	0 800 90 95 86*
United Kingdom	0 800 41 47 41

MIDDLE EAST & NORTH AFRICA

Abu Dhabi	(00) [971] (0) 2 626 2700
Dubai	(00) [971] (0) 4 282 3464
	(00) [971] (0) 4 429 9999 Grand Millennium
	(00) [971] (0) 4 295 0500 Copthorne Dubai
Egypt	(0020) 100015851/2
Sharjah	(00) (971) (0) 6 556 6666

THE AMERICAS

Please dial 1 866 866 8086 for the following countries
Canada
Puerto Rico
United States
US Virgin Islands

ASIA

Hong Kong	800 96 2541
Indonesia	001 803 65 6541
Malaysia	1 800 80 1063
Singapore	65 6735 7575
Thailand	001 800 65 6544
Taiwan	0080 1 65 15 05 (toll free)

AUSTRALASIA

Toll free reservations to:

Australia	1 800 124 420
New Zealand	0 800 808 228/1 800 124 420
US	1 800 149 016
Rest of the World	1 800 147 803

For further information
Please visit our website http://www.millenniumhotels.co.uk.
Reservations may also be made through your travel planner, GDS Chain code: MU, or direct with the hotel.

* Millennium Hotels and Resorts Dedicated Line

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