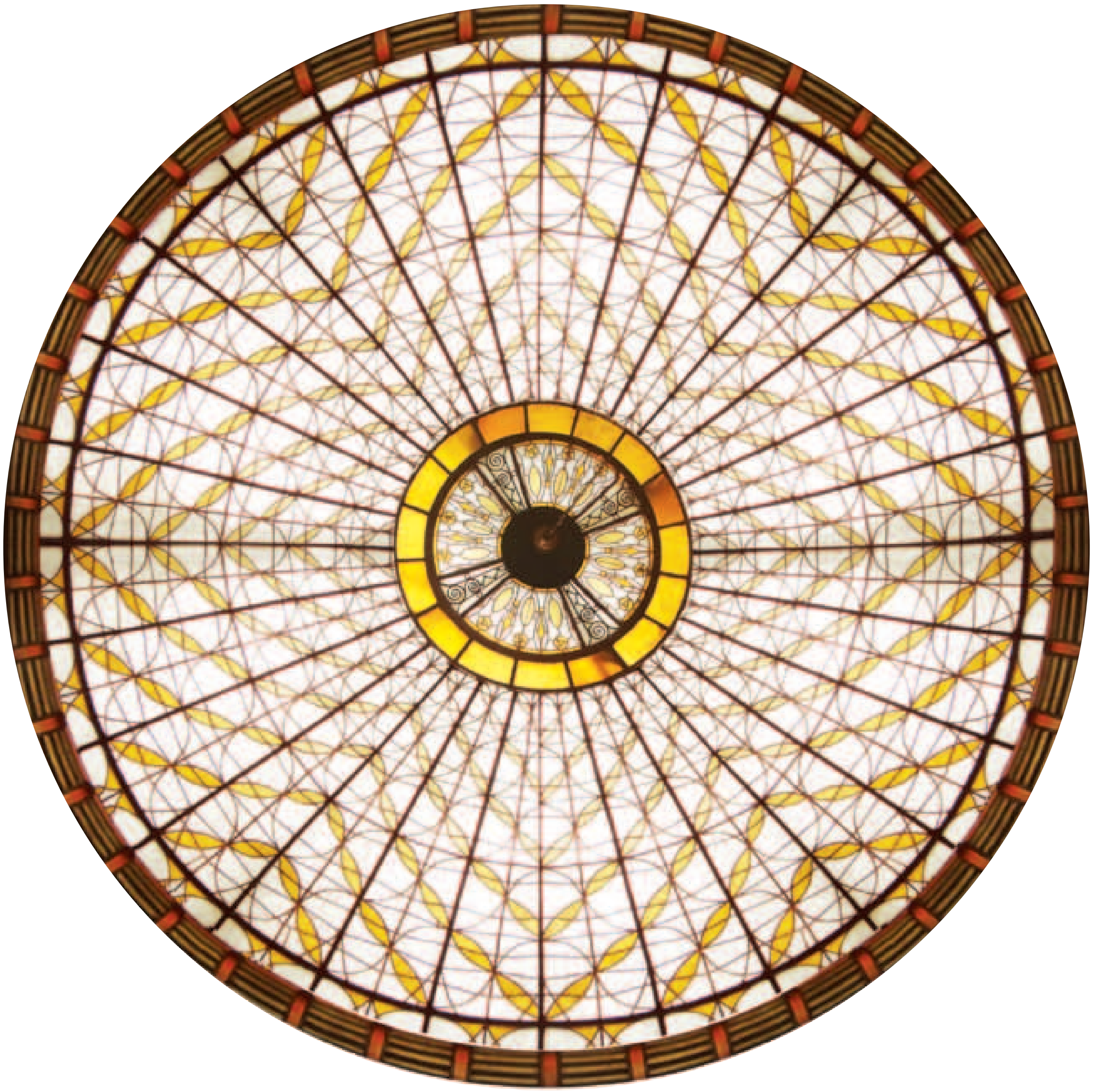
MILLENNIUM & COPTHORNE HOTELS plc

The Art Of Exceptional Hospitality



2010

Annual Report & Accounts

A heart of gold…

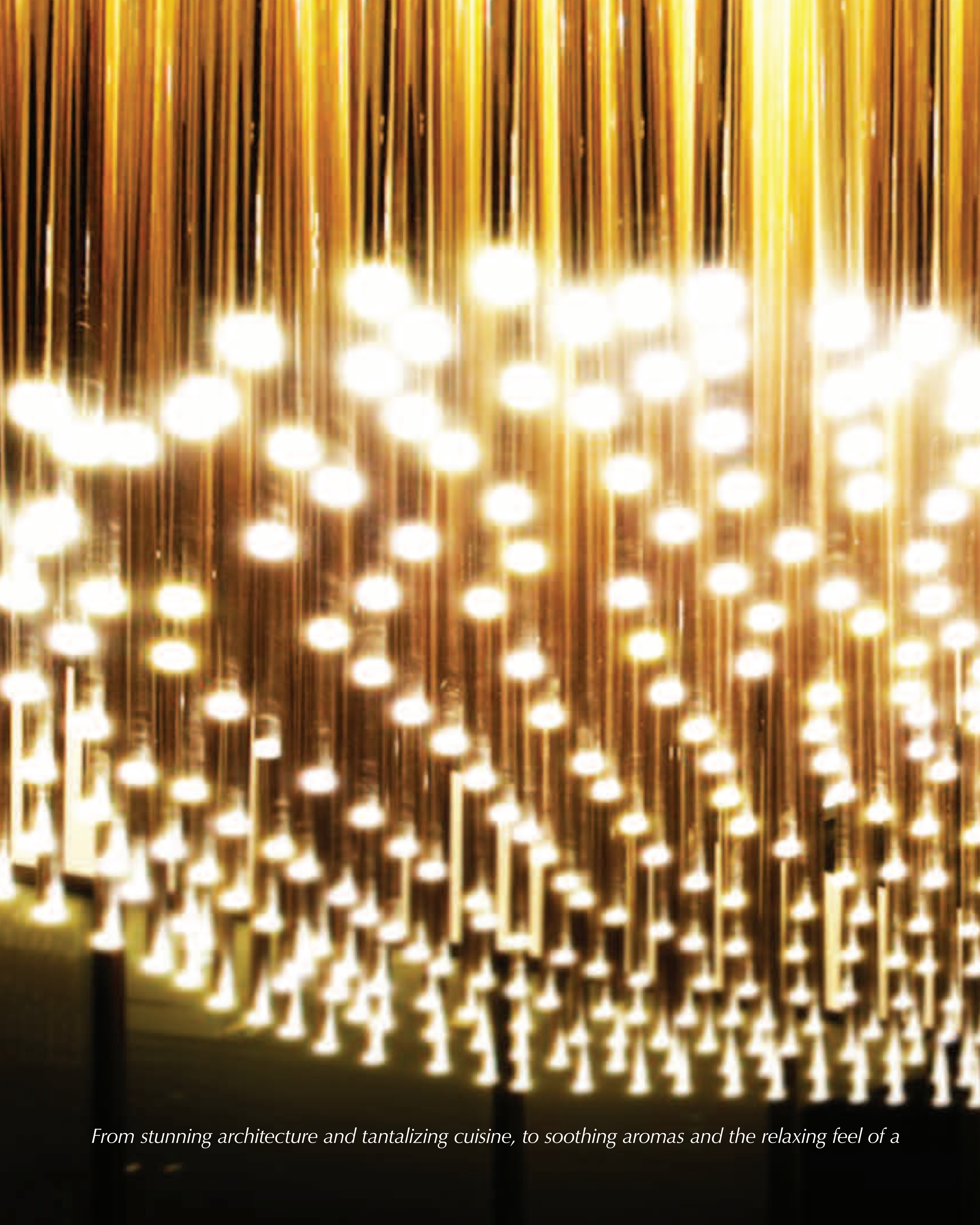
The Millennium & Copthorne Hotels Group believes in providing world class standards of hospitality. We offer our guests impeccable service and high quality facilities at over one hundred well appointed and conveniently located hotels in Asia, Australasia, Europe and North America. Come and experience a world of wonder with us.

CONTENTS

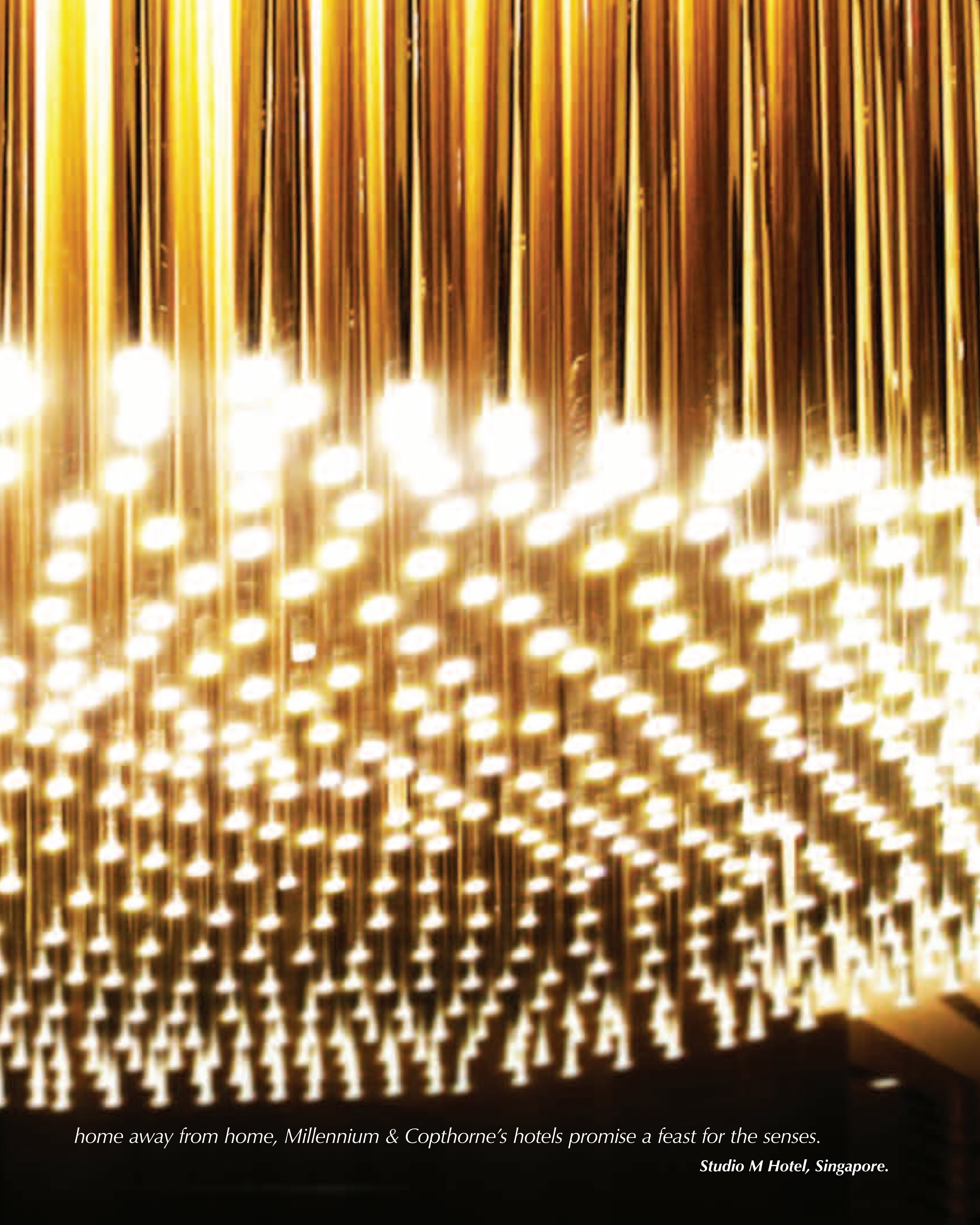
Cover photo:
Draw inspiration and let your imagination take flight with exquisite architectural features like the glass dome of the Millennium Hotel Paris Opera.

Achieving excellence is an unending journey and at Millennium & Copthorne, we believe in taking hospitality to new heights.

Millennium Bailey's Hotel London Kensington, UK.



From stunning architecture and tantalizing cuisine, to soothing aromas and the relaxing feel of a



home away from home, Millennium & Copthorne's hotels promise a feast for the senses.

Studio M Hotel, Singapore.

Turn your dreams into reality in sumptuous style at one of our Millennium hotels.

Millennium Biltmore Hotel Los Angeles, USA.

From breakfast to brunch to dinner, each dish is meticulously crafted,

blending the freshest ingredients with the most passionate culinary minds.

Grand Hyatt Taipei, Taiwan.


Grand Millennium Beijing, China.

Whether business or pleasure, every detail is taken care of at Millennium & Copthorne Hotels.

Grand Millennium Dubai, United Arab Emirates.

Indulge in an array of recreational facilities and services to meet your every need.

Nothing beats a good night's sleep. Lay your worries to rest

Grand Millennium Sukhumvit Bangkok, Thailand.

All work and no play makes for a dull trip so hit the fairways and take a couple of swings.

Millennium Resort Scottsdale McCormick Ranch, USA.

ONE FAMILY, WORLDWIDE LOCATIONS

Millennium & Copthorne Hotels:

103*
Hotels

29,532
Rooms

17
Countries

Maritim Hotels:
Our hospitality marketing alliance partner has 50 hotels with 14,427 rooms in 7 countries.

USA
Anchorage
Boston
Boulder
Buffalo
Chicago
Cincinnati
Durham
Los Angeles
Minneapolis
Nashville
New York (3)
Scottsdale
St Louis
Other United States (4)

Europe
Aberdeen
Birmingham
Cardiff
Gatwick (2)
Glasgow
Hannover
London (7)
Manchester
Merry Hill Dudley
Newcastle
Paris (2)
Plymouth
Reading (2)
Sheffield
Slough Windsor
Stuttgart

Middle East
Abu Dhabi (3)
Doha
Dubai (3)
Kuwait

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)
Blenheim
Christchurch (4)
Hokianga
Kingsgate Hotels & Resorts (8)
Masterton
New Plymouth
Queenstown (3)
Rotorua (2)
Taupo
Wellington (2)

Facing Page:
By row, top to bottom, from left to right:

1. Millennium Bostonian Hotel Boston USA
2. Millennium UN Plaza New York USA
3. Millennium Biltmore Hotel Los Angeles USA
4. Millennium Hotel London Mayfair UK
5. Grand Millennium Beijing China
6. Grand Millennium Sukhumvit Bangkok Thailand
7. Orchard Hotel Singapore
8. Grand Copthorne Waterfront Hotel Singapore
9. Grand Millennium Dubai UAE
10. Millennium Paris Opera France
11. Copthorne Hotel Auckland City New Zealand
12. Copthorne Hotel Wellington Oriental Bay New Zealand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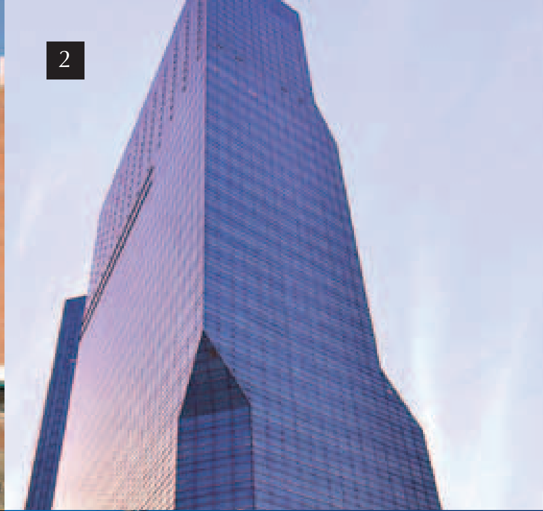
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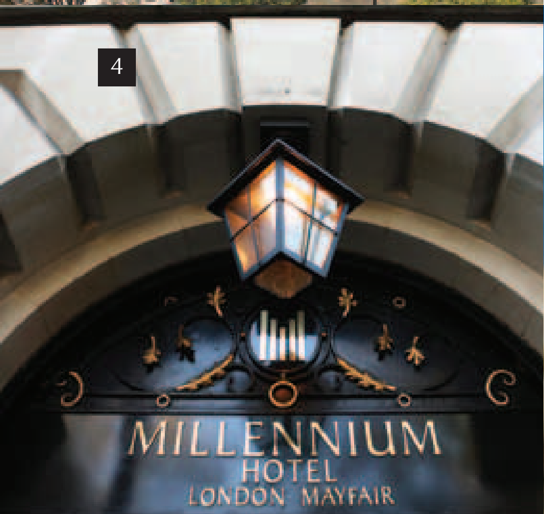
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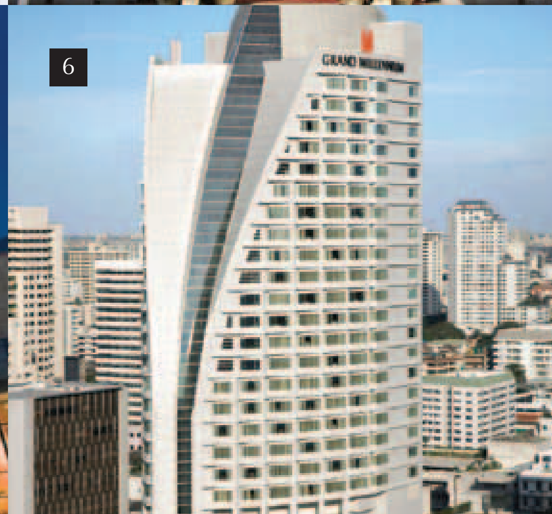
MILLENNIUM
HOTEL
LONDON MAYFAIR


5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7


8
GRAND COPTHORNE


9


10


11
COPTHORNE


12

PERFORMANCE HIGHLIGHTS

£ millions (unless otherwise stated)	2010	Reported Currency Change %	Constant Currency[1] Change %	2009
RevPAR	**£61.06**	13.9%	10.7%	£53.62
Revenue – total	**743.7**	13.7%	10.0%	654.0
Revenue – hotels	**734.0**	13.5%	9.9%	646.9
Headline operating profit[2]	**144.1**	47.0%	38.4%	98.0
Profit before tax	**128.6**	57.0%	46.6%	81.9
Headline profit before tax[2]	**128.5**	52.6%	42.5%	84.2
Basic earnings per share	**30.9p**	34.9%		22.9p
Dividend	**10.0p**	60.0%		6.25p

(1) For comparability, statistics for 2009 have also been translated at 2010 average exchange rates

(2) For definitions refer to page 31

- RevPAR (in constant currency terms) increased in all regions. Singapore 29.3%, London 7.9%, Rest of Europe 4.6%, New York 8.8%, Regional US 5.2%, Rest of Asia 8.7% and New Zealand 5.3%.
- Strong cash flows from operating activities of £166.9m (2009: £83.4m). Net debt reduced from £202.5m to £165.7m and gearing of 8.5% (2009: 11.6%).
- Conversion rate was 54.1% excluding sales and marketing expenditure on the Orchid hotel redevelopment project (63.9% at hotel GOP level), reflecting strict cost discipline in improved trading environment.
- Dilution of interest in CDLHT to 34.8% from 39.0% gave rise to a non-cash £7.2m pre-tax profit.
- Final dividend of 7.92p which, taken with the interim dividend of 2.08p brings the total dividend for the year to 10.0p (2009: 6.25p).
- Good progress on asset management initiatives, including Orchid redevelopment, land sale in Malaysia and refurbishment plans for key hotels.
- First Sponsor Capital Limited dispute with former subsidiary shareholder was settled.
- Additional 40% interest in Grand Millenium Beijing was acquired, resulting in it becoming a 70% subsidiary.

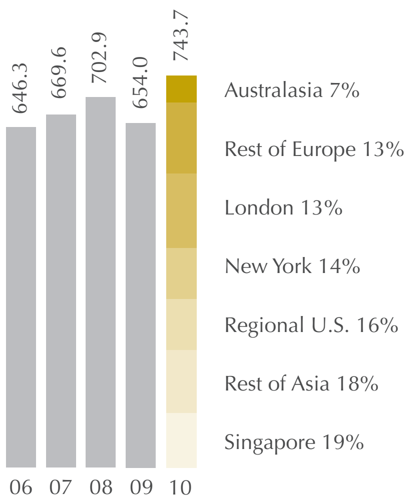
BUSINESS OVERVIEW

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

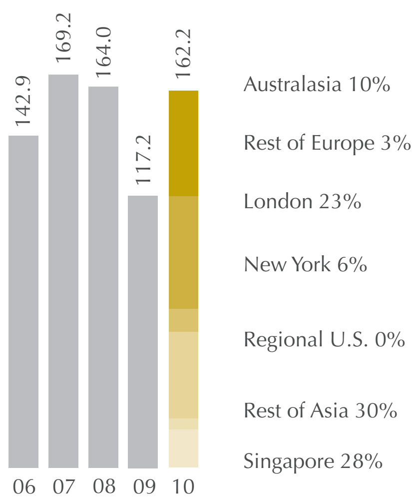
The Group operates hotels under four main brands – Grand Millennium (five star properties in premium locations in major gateway cities), Millennium (four star deluxe and five star properties in premium locations, also in major gateway cities), Copthorne (mid-scale properties in major regional business centres and resort locations) and Kingsgate (principally located in New Zealand with properties in all major cities). For management reporting purposes, hotels are grouped under seven geographical areas: London, New York, Singapore, Regional US, Rest of Europe, Rest of Asia and Australasia.

The Group's business model is designed to deliver superior long-term returns to shareholders through profitable operation of hotels and effective management of its property asset portfolio.

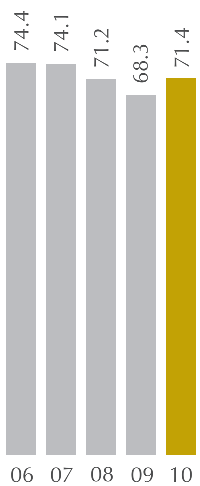
Group Revenue (£m)[1]



Headline Operating Profit (£m)[2]

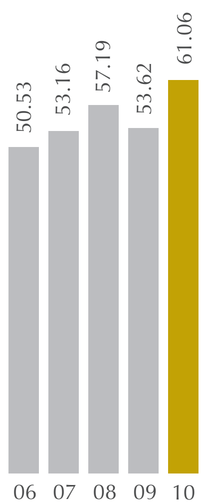


Occupancy (%)



Average Room Rate (£)[1]

RevPAR (£)[1]



1. Reported currency
2. Headline operating profit excluding central costs and, for 2007, a £9.6m write-down of the Sunnyvale property in Regional US

"The Group performed well during 2010, delivering a strong operating result and making good progress on its asset management initiatives. Changes we have introduced at the operating level have strengthened the Group, enabling us to find ways to increase revenues whilst continuing to control costs."

2010 was a successful year for the Group, with profits before tax increasing by 57.0% to £128.6 million (2009: £81.9 million) and earnings per share up 34.9% to 30.9 pence (2009: 22.9 pence).

Management focused on driving increases in revenue per available room (RevPAR) across all of our regions. This was due to two key factors: first, the location of the Group's highest revenue-generating hotels in gateway destinations that were quickest to respond to recovery; and second, a revitalised management structure, enabling our hotel leadership teams to optimise the balance between room rate and occupancy.

Management also succeeded in maintaining strict cost discipline throughout the year, enabling a high proportion of increased revenue to feed through to profits. The Group's core strategy of owning as well as managing most of its hotels gives it a considerable degree of flexibility when managing direct costs.

Financial Performance

Average Group RevPAR for the year was £61.06, an increase of 10.7% over 2009 at constant rates of exchange. Amongst our gateway cities the strongest RevPAR improvements were in Singapore, which enjoyed a strong V-shaped recovery over the year (up 29.3%). London (up 7.9%) was more stable over the past two years, having experienced only a small drop (2.5%) in RevPAR during 2009. New York was up 8.8%, compared to 2009.

General economic recovery played a key role in our improved performance. However it was also driven by a dynamic combination of local rate and occupancy strategies that varied throughout the year according to general economic conditions and local factors. On a consolidated basis, occupancy contributed 46.7% of RevPAR growth whilst rate produced 53.3%.

In constant currency terms revenue increased by 10.0% to £743.7 million. A high proportion of the cost savings achieved by the Group in anticipation of the severe downturn in 2009 were maintained during 2010, although variable costs increased as a result of greater customer demand for food and hospitality services and in rental charges in Singapore. Operating costs, including hotel fixed charges, non-hotel expenses, central costs, and excluding redundancy costs and impairment, in constant currency terms rose by 5.9% over the year to £628.7 million.

The good revenue performance combined with successful cost control resulted in a 47.0% increase in headline operating profits to £144.1 million (2009: £98.0 million). Headline profit before tax rose by 52.6% to £128.5 million (2009: £84.2 million). Profit before tax increased by 57.0% to £128.6 million (2009: £81.9 million) and headline earnings per share increased by 48.3% to 30.1 pence (2009: 20.3 pence).

Financial Position

The Group anticipated the likelihood of constrained credit markets several years ago and continued to pursue a debt reduction strategy during 2010. We believe that low gearing puts the Company in a strong and flexible position to meet future challenges and take advantage of opportunities.

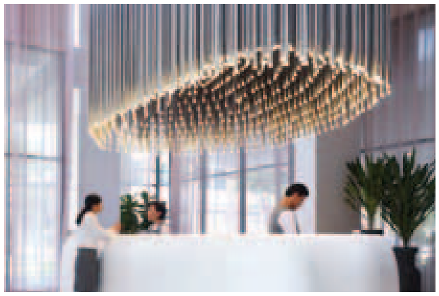
Over the year, the Group generated £166.9 million from operating activities (2009: £83.4 million) reflecting improved performance together with successful cost control. At 31 December 2010 the Group had cash reserves of £251.9 million (2009: £135.5 million) and total undrawn committed bank facilities of £152.4 million, most of which are unsecured. The average duration of Group debt is 24 months (2009: 27 months).

The Group exercised its option to increase its equity ownership in the Grand Millennium Beijing Hotel, from 30.0% to 70.0%. The acquisition was in keeping with our strategy to make selective acquisitions when favourable opportunities arise. This resulted in the Group's net debt increasing by £75.0 million. Overall, net debt reduced over the year to £165.7 million (2009: £202.5 million). Gearing improved to 8.5% (2009: 11.6%). Net interest expense for the year was £5.9 million (2009: £7.3 million).

The net book value of the Group's unencumbered assets at 31 December 2010 was £2,088.6 million (2009: £1,891.6 million) representing 88.7% (2009: 87.8%) of all fixed assets and investment properties.

Asset Management

The Group's asset management strategy is focused on enhancing the performance of each of the Group's individual property assets and assessing which asset management options will deliver best value for our shareholders. Management focus is concentrated on the 20% or so of properties in the Group's portfolio that generate 80% or more of Group earnings, with a view to developing a structured and phased investment programme to enhance returns on certain prime-location assets in the portfolio. The Group has commenced execution of detailed refurbishment plans at the Millennium Seoul Hilton and the Grand Hyatt Taipei and is drawing up plans for refurbishment of the Millennium UN Plaza. Plans are underway to re-position the Millennium Mayfair after the London Olympics in 2012. Additional projects are being considered. In each case the Group is establishing optimal timing of refurbishment work to minimise revenue impact and capex costs. The locations of



The launch of our new Studio M brand during 2010 got off to a strong start with the first branded hotel in Singapore achieving good levels of occupancy following its official opening on 17 June.

these properties are such that the Group expects each to attract a higher proportion of premium rate customers following refurbishment, thereby increasing hotel earnings and profitability.

The Group announced on 15 September 2010 that it had entered into an agreement to sell a parcel of land adjacent to the Grand Millennium Kuala Lumpur for a consideration of RM210 million (£44.2 million). The sale, which achieved a very good price in current market conditions, is contingent on the Malaysian authorities' approval of changes to the land title on such terms and conditions that are acceptable to the company. The purchasers have paid CDL Hotels (Malaysia) Sdn. Bhd. a deposit amounting to 10% of the consideration price and have agreed to pay certain amounts on specified future dates with the remainder payable on completion, which is expected to occur before the end of the second quarter of 2012. The Group's carrying value of the land is RM42.8 million (£9.0 million). Based on this value, the sale is expected to result in a pre-tax profit on completion of RM164.1 million (£34.5 million) after transaction costs. Until completion our interest in the land will be held on the balance sheet at book value.

The Group announced on 16 June 2010 that it had signed a collective sales agreement ("CSA") with other unit-holders in Tanglin Shopping Centre, a shopping-cum-office development situated within the Orchard prime tourist district in Singapore, in which the Group has a 34% interest in the total strata area. The CSA requirement for 80% of unit-holders to agree for the sale process to proceed was attained. However, the first open tender which carries a very high reserve price for the collective sale of the property did not receive any bid. The sales committee will assess the situation and decide the next course of action.

The launch of our new Studio M brand during 2010 got off to a strong start with the first branded hotel in Singapore achieving good levels of occupancy following its official opening on 17 June 2010. The hotel was EBITDA-positive within the first three months of operation, which is unusual for a new property in the hospitality industry. Studio M is a mid-range brand, offering guests contemporary accommodation with high technology specifications and connectivity. The success of the project is encouraging and further Studio M projects are being considered.

Development of a mid-range hotel in Chennai, India resumed during the course of the year, after plans were suspended in the wake of the 2009 recession. Construction of the 144-room Studio M hotel is scheduled for completion in 2013. This will mark a small but significant extension of the Group's activities, being our first hotel on the fast-growing Indian sub-continent.

In November the Group began marketing the Glyndebourne luxury condominium development, to be built on the site of the Copthorne Orchid. The Orchid is one of our oldest hotels in Singapore and located in a part of the city that has become increasingly residential over the years. Converting the site will be sympathetic to its location, as demonstrated by the very high take-up of options on the development. Booking fees relating to the purchase for each unit were collected. By 31 December 2010 sale and purchase agreements had been signed for 137 out of a total 150 apartments. Should buyers who have signed S&P agreements not proceed with the purchase of the apartments, the Group would have the choice of either forfeiting 20% of the purchase price or pursuing other remedies at law. The development is expected to complete no later than 2015.

Excluding redundancy and sales and marketing costs associated with the redevelopment, the hotel contributed £4.9 million million to pre-tax profits in 2010. It is scheduled to close in March 2011. Sales and marketing costs including show flat construction costs and sales commissions of £4.3 million were expensed to the income statement in 2010. There was no recognition of revenue from the development during the year as recognition is only on completion of sale of units.

Pipeline

The Group has signed four management contracts in the Middle East this year. The new hotels – in Jordan, Oman, Qatar and the United Arab Emirates – will offer 993 rooms on completion between 2011 and 2012. The Group's worldwide pipeline has 25 hotels offering 7,006 rooms, which are mainly management contracts.

CDL Hospitality Trusts REIT

The Group's interest in its real estate investment trust associate, CDL Hospitality Trusts ("CDLHT") was diluted from 39.0% to 34.8% during 2010. The dilution occurred when CDLHT raised capital through a private placement of 116.96 million stapled securities, priced at S$1.71 each, raising new capital of S$196.7 million net of fees (gross: S$200 million). Proceeds were used by CDLHT to pay down debt. The Group's share of net proceeds was greater than its share of net tangible assets diluted by the issue, resulting in a non-cash accounting gain of £7.2 million. As at 31 December 2010, the Group's interest in CDLHT was 34.9%.

CDLHT's strategy – to invest in a diversified portfolio of earnings-accretive real estate, primarily in the hospitality sector, is complementary to the Group's operational and asset management objectives. Benefits to the Group include a more efficient balance sheet and diversification of revenue through fee income from managing the REIT and some of its individual hotels. The Group pays lease rentals to CDLHT for the hotels which it leases. Three of these hotels – Orchard, M and Copthorne King's – were sold to the REIT by the Group in 2006.

The REIT also offers a flexible platform through which the Group can extend its hospitality interests. In 2010 the REIT acquired five hotels with 1,139 rooms in Australia: the Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth, all of which were bought from and leased back to Accor. As REIT Manager, the Group earned £1 million as an acquisition fee for this transaction.

At 31 December 2010 CDLHT owned eleven hotels with 3,942 rooms, as well as a shopping centre connected to the Orchard Hotel.

China

The Group regards the hospitality market in the People's Republic of China as a significant strategic development opportunity. Its first managed hotel in China – the Millennium Hongqiao in Shanghai – opened in 2006, and today it has six hotels with 2,295 rooms in the country, five of which are managed/franchised. The one owned hotel is the award-winning Grand Millennium Beijing, in which the Group exercised an option to increase its equity holding from 30% to 70% in November 2010 at a purchase price of £26.2 million comprising £18.4 million of cash and £7.8 million of deferred consideration.

In addition to its owned, managed and franchised hotels, the Group has a 41.2% effective interest in First Sponsor Capital Limited ("FSCL"). FSCL is a majority shareholder in Idea Valley Investment Holdings Ltd ("IVIHL") which conducts property and hospitality-related business in the China provinces of Guangdong and Sichuan. The Group regards FSCL as an effective and capital-efficient platform to grow its hospitality interests in China.

Development of the Cityspring project in Chengdu, Sichuan Province is progressing well. As at 27 January 2011, 5 out of 6 residential blocks had been formally launched. 569 sale and purchase agreements totalling in excess of US$80 million and 25 option agreements were signed. This represents a sale rate of approximately 98% of the 608 units formally launched. Revenue and profit recognition for this project is expected by the end of 2011. The Cityspring project is a mixed development totalling more than 80,000 square metres and includes a 124 room mid-scale hotel that is intended to be managed by the Group. The development is scheduled for completion in 2012.

For the year ended 2010, the Group's effective share of FSCL's net profit after tax and minority interest was £0.3 million. The Group's share of FSCL's provision for assets write-off and legal expenses was £2.3 million (mainly incurred in FSCL's dispute with a former shareholder of IVIHL), and the Group's attributable share of fair value gain for investment properties was £4.8 million. As announced on 5 January 2011, the dispute was resolved through a settlement agreement signed on 31 December 2010. Under the terms of the settlement agreement, the joint venture agreement with the former shareholder Cheung would be terminated and all legal actions commenced by all parties withdrawn. The joint venture agreement has been terminated and the parties are in the process of withdrawing all legal actions. FSCL has to-date bought out Cheung's entire stake in IVIHL, thereby increasing its stake to 95% and regained control of two remaining companies previously under his control. Recovery of the Hainan hotel and another small business will not be pursued. The Group and the Board of Millennium & Copthorne Hotels New Zealand Limited consider the settlement to be a favourable outcome and in the best interests of shareholders. Most of the transactions under the settlement have been completed and those transactions to be accounted for in FY2011 do not have any material adverse P&L impact.

Settlement of the dispute enables FSCL to renew its focus on value creation through mixed development opportunities in China. These include the proposed acquisition of additional land in Chengdu, for which it is raising US$100 million of fresh capital financing. During the year, the Group together with its New Zealand subsidiary provided US$25.0 million of new financing, primarily for the purchase of the Chengdu land, and plans to invest a further US$25 million. As M&C funded the portion of the cash call that the New Zealand subsidiary did not take up, the Group's effective interest in FSCL has increased from 39.8% to 41.2%.

Board Changes

Christopher Sneath retired from the Board at the Company's Annual General Meeting in May, 2010. He was succeeded as Chairman of the Audit Committee by Nicholas George who took up his appointment on 25 March 2010. Mr Sneath had served on the Board since 1999. We thank him for his valuable contribution to the Group during that time.

Kwek Leng Joo has advised the Board of his intention to retire as a Director at the Company's Annual General Meeting to be held on 6 May 2011. We thank him for his contribution to the Group, where he has been a non-executive Director since its flotation on the London Stock Exchange in 1996. Kwek Eik Sheng (29), who has been an alternate director to Kwek Leng Joo since April 2008, will join the Board as a non-executive Director at the conclusion of the Annual General Meeting. Kwek Eik Sheng is Assistant General Manager and Head, Corporate Development at City Developments Limited in Singapore.

As previously announced, Richard Hartman, Group Chief Executive Officer, will retire from that role in 2011, upon the appointment of his successor. Mr. Hartman will thereafter remain on the Board of the Group as a non-executive Director.

Dividend

The Board has proposed a final dividend of 7.92 pence per ordinary share, bringing the total dividend for the year to 10.0 pence per share.

Employees

On behalf of the Board, I would like to thank all our employees for their dedication and commitment to the success of the Group in what has been a demanding year.

Outlook

The current year will present both challenges and opportunities. Though conditions appear more favourable than this time last year, there are uncertainties that have yet to be dealt with in the world economy, including re-capitalisation of banks, the changing economic balance between East and West and the evident fiscal strains within the Eurozone. How these issues will be resolved and the commercial impacts of that resolution are not clear. However, we remain confident that our owner/operator business model, our low gearing and the strength and geographical diversity of our assets place the Group in a sound competitive position for 2011.

While it is too early to predict trading performance for the current year, the opening weeks have been encouraging. In the first 5 weeks of trading this year Group RevPAR increased by 4.5% like-for-like in spite of some significant seasonal factors adversely affecting the period.

Kwek Leng Beng
CHAIRMAN

15 February 2011

BUSINESS REVIEW – OPERATING

The business review describes the main trends and factors underlying the development, performance and position of the Group during the year ended 31 December 2010, as well as those likely to affect the Group's future development, performance and position.

PRINCIPAL ACTIVITY

The principal activity of the Group is ownership and management of hotels in Asia, Australasia, Europe and North America.

The company operates the hotels under four core brands:

Grand Millennium: Five star properties in premium locations in major gateway cities;

Millennium: Four star deluxe and five star properties in premium locations, also in major gateway cities;

Copthorne: Mid-scale properties in major regional business centres and resort locations;

Kingsgate: Principally located in New Zealand, Kingsgate is that country's largest leisure hotel group with properties in all major cities on both islands.

Hotel, Room Count by brand

	Hotels			Rooms		
	2010	2009	Change	**2010**	2009	Change
Grand Millennium	**5**	4	1	**2,473**	1,657	816
Millennium	**39**	40	(1)	**13,897**	14,158	(261)
Copthorne	**34**	35	(1)	**7,083**	7,128	(45)
Kingsgate	**14**	14	–	**1,436**	1,425	11
Other M&C	**5**	4	1	**1,882**	1,522	360
Third Party	**6**	7	(1)	**2,761**	3,234	(473)
Total Group	**103**	104	(1)	**29,532**	29,124	408

Hotel, Pipeline by brand

	Hotels			Rooms		
	2010	2009	Change	**2010**	2009	Change
Grand Millennium	**2**	2	–	**1,298**	1,423	(125)
Millennium	**14**	13	1	**3,942**	3,700	242
Copthorne	**3**	3	–	**394**	480	(86)
Kingsgate	**4**	3	1	**892**	752	140
Other M&C	**2**	6	(4)	**480**	2,006	(1,526)
Total Group	**25**	27	(2)	**7,006**	8,361	(1,355)

For management reporting purposes, hotels are grouped under seven geographical areas: New York, Regional US, London, rest of Europe, Singapore, rest of Asia and Australasia.

BUSINESS REVIEW – OPERATING

BUSINESS MODEL & STRATEGY

The Group's business model is designed to deliver superior long-term returns to shareholders through profitable operation of hotels and effective management of its property asset portfolio.

The business is geographically diversified, with hotels attractively located in key business and leisure destinations.

Management has a flat structure with low central overheads and a strong cadre of general managers at hotel and regional level. It uses a range of analytical management tools to optimise revenue within the context of local competitive conditions in each city and region of operation and applies rigorous techniques to ensure strong control of margins and costs, thus maximising yield and cash flow in all market conditions.

The Group's asset management initiatives currently focus on maximising value in the asset portfolio through various means, including capital investment/refurbishment and re-development. The Group also reviews sale and acquisition opportunities on a regular basis. In all cases, the Group's asset management strategy sets high hurdle rates of return and rigorously tests each asset management proposal so as to satisfy management that such returns can be delivered.

Hotel, Room Count Analysed by region

		Hotels			Rooms	
as at 31 December	**2010**	2009	Change	**2010**	2009	Change
New York	**3**	3	–	**1,755**	1,746	9
Regional US	**16**	16	–	**5,554**	5,727	(173)
London	**7**	7	–	**2,493**	2,487	6
Rest of Europe	**18**	18	–	**3,227**	3,231	(4)
Middle East	**8**	8	–	**2,991**	2,416	575
Singapore	**6**	5	1	**2,750**	2,390	360
Rest of Asia	**16**	17	(1)	**7,256**	7,594	(338)
Australasia	**29**	30	(1)	**3,506**	3,533	(27)
Total Group	**103**	104	(1)	**29,532**	29,124	408

Hotel, Pipeline Analysed by region

Pipeline		Hotels			Rooms	
as at 31 December	**2010**	2009	Change	**2010**	2009	Change
Regional US	**–**	1	(1)	**–**	250	(250)
Rest of Europe	**–**	3	(3)	**–**	639	(639)
Middle East	**23**	20	3	**6,618**	6,743	(125)
Singapore	**–**	1	(1)	**–**	365	(365)
Rest of Asia	**2**	2	–	**388**	364	24
Total Group	**25**	27	(2)	**7,006**	8,361	(1,355)

Hotel, Room Count analysed by ownership type

Owned and leased	**68**	66	2	**20,992**	20,288	704
Managed	**20**	19	1	**5,375**	4,526	849
Franchised	**11**	13	(2)	**1,556**	1,883	(327)
Investment	**4**	6	(2)	**1,609**	2,427	(818)
Total Group	**103**	104	(1)	**29,532**	29,124	408

BUSINESS MODEL & STRATEGY (CONTINUED)

Hotel, Pipeline analysed by ownership type

Pipeline as at 31 December	Hotels 2010	 2009	 Change	Rooms 2010	 2009	 Change
Owned or leased	**1**	3	(2)	**144**	735	(591)
Managed	**24**	24	–	**6,862**	7,626	(764)
Total Group	**25**	27	(2)	**7,006**	8,361	(1,355)

KEY PERFORMANCE INDICATORS – OPERATIONS

The Group uses a number of non-GAAP key performance indicators, considered by management to be a useful measure of operating performance:

- **Hotel Revenue** is the revenue from room sales, food and beverage sales, meetings and events sales, and rentals and other income.
- **Occupancy** shows rooms occupied by hotel guests, expressed as a percentage of rooms available for sale.
- **Average Room Rate** is the revenue from room sales divided by the number of room nights sold.
- **Revenue Per Available Room (RevPAR)** is the average room rate multiplied by the occupancy percentage.
- **Hotel Operating Profit** is the profit derived from hotel operations, excluding central/regional costs, other operating income/expense, impairment and results from joint ventures and associates.

The Board regularly monitors operating KPIs against agreed budgets and forecasts.

When comparing year on year, the Group strips out the effect of currency movements by translating all numbers to the current year's (i.e. 2010) average exchange rates.

CONSOLIDATED OPERATING PERFORMANCE

On a consolidated basis, the Group delivered a strong operating performance in 2010, with positive improvements registered on all key performance indicators.

The increase in RevPAR was driven by a concerted effort on the part of management to optimise the economic balance between rate and occupancy, helped by a general recovery in leisure and business travel that gathered pace throughout the year. RevPAR recovery was more marked in some regions than others, as discussed In the Performance by Region section below:

The movement in Hotel Operating Profit reflects RevPAR improvements combined with management's successful control of fixed and variable costs.

Group Operating Performance (non-GAAP)

Key Performance Indicator	**Reported Currency 2010**	2009	% Change	Constant Currency 2009	Constant Currency % Change
Hotel Revenue	**£734.0m**	£646.9m	13.5%	£668.1m	9.9%
Occupancy	**71.4%**	68.3%	3.1%	68.3%	3.1%
Average Room Rate	**£85.52**	£78.51	8.9%	£80.75	5.9%
RevPAR	**£61.06**	£53.62	13.9%	£55.15	10.7%
Hotel Operating Profit	**£134.6m**	£95.4m	41.1%	£100.6m	33.8%

BUSINESS REVIEW – OPERATING

PERFORMANCE BY REGION

For comparability, the following regional review is based on calculations in constant currency whereby 31 December 2009 average room rate, RevPAR, revenue and headline operating profit have been translated at 2010 average exchange rates.

UNITED STATES

New York

RevPAR increased by 8.8% to £129.53 (2009: £119.05) for the full year. Occupancy and rate both made contributions to this growth in all three hotels. Occupancy grew by 2.5 percentage points to 85.2% (2009: 82.7%), while rate increased by 5.6% to £152.03 (2009: £143.95). The Millenium Hilton achieved double digit growth while Millennium Broadway was close to achieving double digit growth.

By the end of the year, the Group's New York properties were still trading at a discount to peak performance levels in 2008. This reflects in part the patchiness of economic recovery in the United States. Through its asset management strategy, the Group is examining ways to accelerate recovery to previous performance levels. Initially the Group's focus will be on refurbishment of the Millennium UN Plaza.

The final quarter however saw a slowing down of the growth of the first nine months, due in part to stronger comparatives in 2009. Occupancy fell in all three hotels by an aggregate of 1.9 percentage points to 84.5% (2009: 86.4%), offset by a 4.7% increase in rate to £177.75 (2009: £169.77). The resultant RevPAR was £150.20 (2009: £146.68), an increase of 2.4%. Whilst all three hotels experienced lower growth, management issues at the Millennium Broadway produced the lowest growth at this hotel. These issues have been resolved and the hotel is expected to resume improved trading in 2011.

Regional US

Regional US has shown improving growth all year and concluded the full year with a 5.2% increase in RevPAR to £37.22 (2009: £35.37). Growth was achieved through a 3.6% increase in rate to £65.64 (2009: £63.38) and a 0.9 percentage point increase in occupancy to 56.7% (2009: 55.8%). The region continued to produce a mixed set of results with double digit growth in some parts of the regional estate and decline in others. The best year-on-year performance was seen at the Group's hotels in Los Angeles, Boston and Cincinnati, all of which recorded revenue increases of more than 10% over the previous year. The Millennium Hotel Raleigh-Durham and Best Western Lakeside both suffered double-digit declines.

The fourth quarter was the best quarter of 2010 with an 11.2% RevPAR increase to £34.99 (2009: £31.46) primarily driven by a 7.2% increase in rate to £66.91 (2009: £62.43) being the primary driver. Occupancy increased by 1.9 percentage points to 52.3% (2009: 50.4%).

EUROPE

London

London continued to improve with a 7.9% RevPAR growth to £90.04 (2009: £83.45). The growth has all been in rate. Current average rate is £107.45, an 8.4% increase on 2009 (£99.11). Occupancy fell by 0.4 percentage points to 83.8% (2009: 84.2%). RevPAR growth ranged from low single digit to low double digit growth.

London produced the second highest RevPAR growth in the Group in the fourth quarter. Rate has been a factor in this growth in all five hotels and occupancy in three. RevPAR for the quarter was £97.91 (2009: £86.91) with rate growing 10.0% to £116.04 (2009: £105.47) and occupancy growing 1.8 percentage points to 84.2% (2009: 82.4%).

Rest of Europe

Full year RevPAR grew by 4.6% in the rest of Europe region to £51.03 (2009: £48.80). During the fourth quarter, RevPAR increased by a stronger 9.5% to £52.35 (2009: £47.82).

Regional UK

Regional UK performance weakened over the year with RevPAR falling by 1.1% to £44.80 (2009: £45.28). The reduction was due to average room rate decreasing by 3.5% to £61.45 (2009: £63.69), offset by a 1.8 percentage point increase in occupancy to 72.9% (2009: 71.1%). Pressure on rate was most acute in hotels at Aberdeen, Newcastle, Manchester and Plymouth, due to a combination of increased supply and contracting government expenditure.

PERFORMANCE BY REGION (CONTINUED)

The fourth quarter saw a modest return to growth with a 2.0% increase to £44.78 (2009: £43.92).

France & Germany

By contrast, RevPAR in France and Germany increased by 12.2% to £60.97 (2009: £54.33). A 4.5 percentage point increase in occupancy to 64.6% (2009: 60.1%) was complemented by a 4.4% increase in rate to £94.38 (2009: £90.40). All four hotels showed growth.

The sub-region reported strong RevPAR growth in the final quarter of 19.4% to £64.50 (2009: £54.01). This was through a combination of occupancy and rate growth. Occupancy increased by 6.4 percentage points to 68.1% (2009: 61.7%) while rate grew 8.2% to £94.72 (2009: £87.54). The lease in Stuttgart will expire in August 2011.

ASIA

RevPAR increased by 19.2% to £67.67 (2009: £56.75) driven by a 10.3% increase in average room rates to £85.55 (2009: £77.53) and a 5.9 percentage point occupancy increase to 79.1%.

Singapore

The strongest growth has come from Singapore which is seeing record visitor arrivals. RevPAR grew by 29.3%, the highest in the Group, to £81.36 (2009: £62.91) driven by occupancy which increased by 8.7 percentage points to 86.7% (2009: 78.0%) while rate saw an increase of 16.3% to £93.84 (2009: £80.66). All hotels have seen strong RevPAR growth and the two new integrated resorts in Sentosa and Marina Bay have not negatively impacted the region's performance.

The Group launched its new Studio M brand in the first half of the year. It has traded very well for a new opening and was EBITDA-positive within the first three months of operation.

Due to stronger comparatives, the RevPAR growth in the fourth quarter slowed down to a still impressive 22.4% with a 1.0 percentage point increase in occupancy and a 21.0% increase in rate.

Rest of Asia

RevPAR grew by 8.7% to £56.54 (2009: £52.03) driven by occupancy which increased by 3.5 percentage points to 73.0% (2009: 69.5%) and a 3.4% increase in rate to £77.45 (2009: £74.87). The most significant volume increase was in Heritage Manila.

In the final quarter RevPAR grew by 6.1% to £61.00 (2009: £57.49) driven by rate which grew 9.0% to £82.77 (2009: £75.95), offset by a 2.0 percentage point fall in occupancy to 73.7% (2009: 75.7%).

The Group stepped up its investment in the Grand Millennium Beijing from 30% to 70% on 15 November and as a result, commenced including that hotel's KPIs within the Group's KPIs. Excluding Grand Millennium Beijing, RevPAR in Rest of Asia grew by 8.8%.

AUSTRALASIA

New Zealand saw a recovery in RevPAR of 5.3% to £34.45 (2009: £32.72). There was increased demand in the region with occupancy up by 3.9 percentage points to 66.3% (2009: 62.4%) although pressure remains on rate as witnessed by the 0.9% fall to £51.96 (2009: £52.44) with rate decline in the majority of the hotels. Across the three brands, Copthorne and Millennium showed growth while Kingsgate was flat.

In the fourth quarter, RevPAR increased by 3.8% to £37.78 (2009: £36.39). There were contributions to this growth from both rate and occupancy. Rate increased by 1.2% to £55.07 (2009: £54.40) while occupancy increased by 1.7 percentage points to 68.6% (2009: 66.9%).

The Millennium Hotel Christchurch, the Copthorne Hotel Christchurch Central and the Copthorne Hotel Christchurch Durham Street were affected to varying degrees by the Canterbury earthquake on 4 September 2010. The Durham Street Hotel was closed to effect repairs and refurbishment which will be completed in February 2011. The hotel will be renamed as Copthorne Hotel Christchurch City upon reopening. The other two hotels suffered minor damage and remained open.

KEY PERFORMANCE INDICATORS – FINANCIAL

As with KPIs used to measure operating performance, the Group uses a number of non-GAAP measures, considered by management to be useful in presenting and analysing financial performance:

- **Headline operating profit** is operating profit adjusted to exclude: other operating income and expense, non-operating income and separately disclosed items of the Group and joint ventures and associates.

- **Headline earnings before interest, tax, depreciation and amortisation (EBITDA)** is EBITDA adjusted to exclude other operating income and expenses, non-operating income and separately disclosed items of the Group and of joint ventures and associates.

- **Headline profit before tax** is profit before tax adjusted to exclude other operating income and expenses, non-operating income and separately disclosed items of the Group and joint ventures and associates.

- **Headline profit after tax** is profit after tax adjusted to exclude: other operating income and expenses, non-operating income and separately disclosed items of the Group and of joint ventures and associates after tax; tax impact of changes in tax rates on opening deferred tax; and tax impact of changes in tax legislation.

- **Headline earnings per share** is Basic Earnings Per Share adjusted to exclude other operating income and expenses, non-operating income and separately disclosed items of the Group and joint ventures and associates (net of tax and non-controlling interests), tax allowances and tax impact of changes in tax rates on opening deferred taxes.

- **Free cash flow** is defined as the net increase in cash and cash equivalents less flows from financing activities and flows from the acquisition/disposal of subsidiaries, operations, joint ventures or associates. Free Cash Flow allows Management and external parties to evaluate the Group's liquidity and cash generated by its operations. It reflects the cash available to strengthen the balance sheet or to provide returns to shareholders in the form of dividends or share purchases. Reconciliation of free cash flow to the closest GAAP measure (Net Cash Inflow from Operating Activities) is provided on page 37.

- **Net debt** shows the Group's indebtedness and liquidity position and is calculated as the total of current and non-current interest-bearing loans, bonds and borrowings less cash and cash equivalents. Management considers that it is useful and necessary to communicate net debt to investors and other interested parties. It facilitates comparability of Group 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. There is no definition of net debt within International Financial Reporting Standards.

- **Gearing** is an Illustration of the Group's indebtedness relative to its equity value and is calculated as net debt as a percentage of total equity attributable to equity holders of the parent.

BUSINESS REVIEW – FINANCIAL

FINANCIAL PERFORMANCE

The review of financial performance Is based on the Group financial statements included on pages 71 to 140 of this annual report. The Group financial statements are prepared in compliance with International Financial Reporting Standards. Where the review makes reference to non-GAAP figures, reconciliation to GAAP is shown.

Financial Highlights

	2010 £m	2009 £m
Revenue	**743.7**	654.0
Headline EBITDA[1]	**176.8**	130.1
Headline operating profit[1]	**144.1**	98.0
Headline profit before tax	**128.5**	84.2
Other operating income[2]	**9.3**	–
Other operating expense[3]	**(5.2)**	(0.2)
Separately disclosed items included in administrative expenses[4]	**(25.0)**	(2.2)
Non-operating income[5]	**15.6**	–
Separately disclosed items – Share of joint ventures and associates[6]	**6.9**	0.6
Separately disclosed items – Share of interest, tax and non-controlling interests of joint ventures and associates	**(1.5)**	(0.5)
Profit before tax	**128.6**	81.9
Headline profit after taxation[1]	**95.4**	67.0
Basic earnings per share (pence)	**30.9p**	22.9p
Headline earnings per share (pence)[1]	**30.1p**	20.3p
Free cash flow	**148.0**	66.0
Net debt	**165.7**	202.5
Gearing (%)	**8.5%**	11.6%

Notes

1 The Group believes that headline EBITDA, headline operating profit, headline profit before tax, headline profit after tax and headline earnings per share, net debt and gearing provide useful and necessary information on underlying trends to shareholders, the investment community and are used by the Group for internal performance analysis. Reconciliation of these measures to the closest equivalent GAAP measures are shown above and in notes 5 and 11 to these financial statements.

	2010 £m	2009 £m
2 Other operating income		
Revaluation gain of investment properties	**9.3**	–
3 Other operating expense		
Revaluation deficit of investment properties	**(5.2)**	(0.2)
4 Separately disclosed items included in administrative expenses		
Goodwill written-off in respect of Beijing	**(8.1)**	–
Impairment	**(15.2)**	(2.2)
Redundancy costs	**(1.7)**	–
	(25.0)	(2.2)
5 Non-operating income		
Gain on dilution of interest in associate	**7.2**	–
Gain arising in respect of step up acquisition of Beijing	**8.4**	–
	15.6	–
6 Separately disclosed items – Share of joint ventures and associates		
Provision for asset write-off and legal costs in FSCL	**(2.3)**	–
Revaluation gain of investment properties	**9.2**	0.6
	6.9	0.6

FINANCIAL PERFORMANCE (CONTINUED)

Foreign currency translation

The Company publishes its Group Financial Statements in sterling. However, the majority of the Company's subsidiaries, joint ventures and associates report their revenue, costs, assets and liabilities in currencies other than sterling. The Company translates the revenue, costs, assets and liabilities of those subsidiaries, joint ventures and associates into sterling, and this translation of other currencies into sterling 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 sterling exchange rates of the other principal currencies in the Group.

	At 31 December	
Currency (=£)	**2010**	2009
US dollar	**1.541**	1.596
Singapore dollar	**1.993**	2.245
New Taiwan dollar	**45.461**	51.081
New Zealand dollar	**2.021**	2.253
Malaysian ringgit	**4.753**	5.473
Korean won	**1,757.50**	1,847.74
Euro	**1.172**	1.110

	Average for year ended 31 December	
Currency (=£)	**2010**	2009
US dollar	**1.547**	1.553
Singapore dollar	**2.111**	2.257
New Taiwan dollar	**48.531**	51.654
New Zealand dollar	**2.149**	2.461
Malaysian ringgit	**5.004**	5,472
Korean won	**1,792.11**	1,969.72
Euro	**1.164**	1.114

Financial Performance – year end overview

Headline operating profit increased by 47.0% to £144.1m (2009: £98.0m). Headline profit before tax rose by 52.6% to £128.5m (2009: £84.2m). The bigger increase in headline profit before tax was due to reduced net finance cost arising from lower interest rates and lower net debt. The smaller increase in headline earnings per share - up 48.3% to 30.1p (2009: 20.3p) – reflects the impact of a higher effective tax rate.

FINANCIAL PERFORMANCE (CONTINUED)

Financial Performance – year end overview (continued)

In constant currency terms, as shown in the table below, the operating profit variance of £32.5m represents a 48.0% conversion rate. This conversion rate has been adversely impacted by the expensing of £4.3m of sales and marketing expenditure on the Orchid hotel redevelopment into condominiums which will only produce revenue on completion. If this expenditure is excluded then the conversion rate is 54.1%. At hotel level the GOP conversion rate is 63.9%. This conversion rate illustrates the ongoing impact on Group profitability of strong cost management and various restructuring exercises over the last two years. The difference between the operating profit conversion and the hotel GOP is principally attributable to the aforementioned Orchid expenditure and secondly to variable rentals charged to the four Singapore hotels owned by CDLHT. These rentals are determined by both revenue and profit streams of the properties.

	Reported Currency				Constant Currency			
	2010	2009	Variance		**2010**	2009	Variance	
	£m	£m	£m	Change %	**£m**	£m	£m	Change %
Revenue	**743.7**	654.0	89.7	13.7%	**743.7**	675.9	67.8	10.0%
Expenses	**(628.7)**	(576.6)	(52.1)	9.0%	**(628.7)**	(593.4)	(35.3)	5.9%
Operating profit (excluding other operating income and expenses)	**115.0**	77.4	37.6	48.6%	**115.0**	82.5	32.5	39.4%
Share of joint ventures and associates	**29.1**	20.6	8.5	41.3%	**29.1**	21.6	7.5	34.7%
Headline operating profit	**144.1**	98.0	46.1	47.0%	**144.1**	104.1	40.0	38.4%

Reconciliation between headline operating profit, headline EBITDA, headline profit before tax all of which are non-GAAP measures, to profit before tax is shown in note 5 to the consolidated financial statements.

Taxation

The Group recorded a tax expense of £30.7m (2009: £7.3m) excluding the tax relating to joint ventures and associates, giving rise to an effective rate of 29.6% (2009: 10.8%). The higher effective rate is due primarily to the impact of a change in tax legislation in New Zealand, which has removed the ability to depreciate buildings for tax purposes, resulting in an increased deferred tax liability. This is partly offset by the impact of reduced tax rates applied to brought forward net deferred tax liabilities in Taiwan, New Zealand and the UK.

A tax charge of £4.4m (2009: £2.3m) relating to joint ventures and associates is included in the reported profit before tax.

FINANCIAL PERFORMANCE (CONTINUED)

Headline profit after tax

Reconciliation of profit after tax to headline profit after tax is shown below.

	Notes	2010 £m	2009 £m
Profit after tax		**97.9**	74.6
Adjustments for:			
Separately disclosed items (net of tax) – Group	7	**(1.6)**	2.4
Separately disclosed items (net of interest, tax and non-controlling interests) – Share of joint ventures and associates	7	**(5.4)**	(0.1)
Tax impact of changes in tax rates on opening deferred tax	10	**(7.4)**	(9.9)
Tax impact of changes in tax legislation	10	**11.9**	–
Headline profit after taxation		**95.4**	67.0

Earnings per share

Basic earnings per share was 30.9p (2009: 22.9p) and headline earnings per share increased to 30.1p (2009:20.3p). The table below reconciles basic earnings per share to headline earnings per share.

	2010 pence	2009 pence
Reported basic earnings per share	**30.9**	22.9
Other operating income and expense – Group	**(0.4)**	0.6
Share of joint ventures and associates other operating income and expense	**(1.8)**	–
Change in tax rates on opening deferred taxes	**(2.4)**	(3.2)
Changes in tax legislation	**3.8**	–
Headline earnings per share	**30.1**	20.3

FINANCIAL PERFORMANCE (CONTINUED)

Financial Position and Resources

	2010 £m	Restated 2009* £m	Change £m
Property, plant, equipment and lease premium prepayment	**2,257.2**	2,070.3	186.9
Investment properties	**94.9**	83.3	11.6
Investments in and loans to joint ventures and associates	**396.8**	326.4	70.4
Other non-current assets	**6.9**	6.4	0.5
Non-current assets	**2,755.8**	2,486.4	269.4
Current assets excluding cash	**177.6**	133.2	44.4
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	**(397.2)**	(282.8)	(114.4)
Net debt	**(165.7)**	(202.5)	36.8
Deferred tax liabilities	**(251.8)**	(230.6)	(21.2)
Net assets	**2,118.7**	1,903.7	215.0
Equity attributable to equity holders of the parent	**1,947.5**	1,752.3	195.2
Non-controlling interests	**171.2**	151.4	19.8
Total equity	**2,118.7**	1,903.7	215.0

Financial Position

The Group's balance sheet strengthened during 2010 with net debt reducing to £165.7m at 31 December 2010 from the 31 December 2009 position of £202.5m notwithstanding the addition of £75.0m relating to acquiring an additional 40% interest in Beijing Fortune Co., Ltd.

Non-current assets

Property, plant, equipment and lease premium prepayment

Property, plant, equipment and lease premium prepayment increased by £186.9m, the main contributors to the increase were; £108.9m through acquiring an additional 40% interest in Beijing Fortune Co., Ltd resulting in the Group's interest increasing to 70%**; £103.9m effect of exchange movements; £14.0m to improve its hotel portfolio and £7.4m on completing construction of the 360-room Studio M, in Singapore which opened in March 2010; a depreciation charge of £32.7m and; an impairment charge of £14.6m was made in relation to 6 hotels each in Regional UK and Regional US.

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. Since 2005, external professional open market valuations on certain of the Group's hotel portfolio have taken place at each year end covering the entire Group's hotel portfolio over a three year period. An external valuation was carried out on those properties that were principally last valued in 2007. Based on external valuations conducted at 31 December 2010 on 31.2% (based on net book value) of the Group's hotel portfolio, a valuation surplus of £117.0m is estimated but this has not been recorded in the accounts.

Investment properties

Investment properties increased by £11.6m and were due to £4.1m of fair value adjustments and £7.5m of favourable exchange movement.

* Refer to note 2.2 on page 79.

** Refer to note 31 on page 132.

FINANCIAL PERFORMANCE (CONTINUED)

Investments in and loans to joint ventures and associates

The table below reconciles the movement of investments in joint ventures and associates of £70.4m.

	2010 £m
Share of profits analysed:	
– Operating profit before other operating income/(expense) and impairment	**29.1**
– Other operating income	**6.9**
– Interest, tax and non-controlling interests	**(11.2)**
	24.8
Gain on dilution of interest in an associate	**7.2**
Additions – CDLHT management fees paid in stapled units	**3.7**
– Additional investment in First Sponsor Capital Limited	**16.4**
Dividends received from associates	**(15.2)**
Foreign exchange adjustment	**33.5**
Total movement	**70.4**

Liquidity and Capital Resources

Cash flow and net debt

At 31 December 2010 the Group's net debt was £36.8m lower than 2009 at £165.7m (2009: £202.5m). A summary of the consolidated cash flow is set out below:

	2010 £m	2009 £m
Cash flows from operating activities before changes in working capital and provisions	**146.9**	111.5
Changes in working capital and provisions	**49.1**	(0.3)
Interest and tax paid	**(29.1)**	(27.8)
Cash generated from operating activities	**166.9**	83.4
Acquisition of property, plant and equipment	**(18.9)**	(17.5)
Proceeds from sale of property, plant and equipment	**–**	0.1
Free cash flow	**148.0**	66.0
Investment in and loans to joint ventures and associates	**(20.1)**	(5.2)
Dividends received from associates	**15.2**	12.5
Dividends paid		
– to equity holders of the parent	**(4.1)**	(4.0)
– to non-controlling interests	**(2.6)**	(2.6)
Purchase of own shares	**(2.2)**	–
Acquisition of subsidiary, net of cash acquired	**(12.6)**	–
Acquisition of subsidiary, borrowings taken on	**(62.4)**	–
Proceeds from issue of share capital	**0.2**	0.1
Translation adjustment	**(22.6)**	15.8
Decrease in net debt	**36.8**	82.6
Opening net debt	**(202.5)**	(285.1)
Closing net debt	**(165.7)**	(202.5)

FINANCIAL PERFORMANCE (CONTINUED)

Liquidity and Capital Resources (continued)

Cash flow and net debt (continued)

The net cash inflow from operating activities was £146.9m, an increase of £35.4m reflecting higher profit before tax.

Free cash flow is the amount of cash generated by the business after meeting its obligations for interest, tax and after capital expenditure on property, plant and equipment. For 2010 free cash flow was £148.0m, an increase of 124.2% over 2009. This principally reflected the higher operating profit and a reduced level of working capital. The Group's free cash flow measure is not defined in IFRS and may not be directly comparable with similarly described measures used by other companies. The table above reconciles cash flows from operating activities, which is the closest equivalent IFRS measure to free cash flow.

Changes in working capital and provisions include the impact of the early stages of redeveloping the Orchid hotel in Singapore into condominiums. A show flat was constructed and a marketing campaign launched in the final quarter. By the end of 2010, £41.5m of deposits had been collected over 90% of the apartments, which will be available to purchasers no later than 2015. In addition £21.2m of development expenditure comprising mostly development charge to the Singapore authorities was capitalised. As the development unfolds further cash calls on the buyers will be forthcoming under terms of the purchase granted to make the development self-funding. Other deposits received were £4.4m in relation to a parcel of land adjacent to the Grand Millennium Kuala Lumpur.

The completion of the Group's planned increase in equity ownership in the Grand Millennium Beijing from 30.0% to 70.0%, resulted in the Group's net debt increasing by £75.0m (comprising cash consideration of £18.4m less cash acquired of £5.8m and borrowing taken on of £62.4m). Overall, net debt reduced over the year to £165.7m (2009: £202.5m).

Analysis of net debt and gearing is provided below. Gearing is defined as net debt as a percentage of total equity attributable to equity holders of the parent.

	2010 £m	2009 £m
Net Debt		
Cash and cash equivalents (as per cash flow statement)	**251.5**	134.9
Bank overdrafts (included as part of borrowings)	**0.4**	0.6
Cash and cash equivalents (as per the consolidated statement of financial position)	**251.9**	135.5
Interest-bearing loans, bonds and borrowings		
– Non-current	**(323.7)**	(233.0)
– Current	**(93.9)**	(105.0)
Net debt	**(165.7)**	(202.5)

A summary reconciliation of movements in net debt is shown below.

Reconciliation of net cash flow to movement in net debt

	2010 £m	2009 £m
Net debt at beginning of year	**(202.5)**	(285.1)
Increase/(decrease) in cash and cash equivalents per the consolidated cash flow statement	**101.4**	(67.0)
Net decrease in loans	**20.4**	133.8
New borrowings in respect of subsidiary acquired in the year	**(62.4)**	–
Translation adjustments	**(22.6)**	15.8
Movements in net debt	**36.8**	82.6
Net debt at end of year	**(165.7)**	(202.5)
Gearing (%)	**8.5%**	11.6%

FINANCIAL PERFORMANCE (CONTINUED)

Reconciliation of net cash flow to movement in net debt (continued)

Financial structure

Group interest cover ratio, excluding share of results of joint ventures and associates, other operating income and expense, non-operating income and separately disclosed items of the Group improved to 19.5 times from 10.6 times in 2009. The decrease in net finance cost of £1.4m reflects lower interest rates and repayment of borrowing as a result of repatriation of cash from overseas.

At 31 December 2010, the Group had £251.9m cash and £152.4m of undrawn and committed facilities available, comprising revolving credit facilities which provide the Group with financial flexibility. Most of the facilities are unsecured with encumbered assets representing 11.2% of fixed assets and investment properties. At 31 December 2010, total borrowing amounted to £417.6m of which £83.4m was drawn under £112.0m of secured bank facilities.

Future funding

Of the Group's total facilities of £620.3m, £213.7m matures during 2011, comprising £81.2m committed facilities (of which £70.8m is currently undrawn) and £49.2m of uncommitted facilities and overdrafts subject to annual renewal, £59.6m unsecured bonds and £23.7m unsecured term loans. Plans for refinancing of maturing facilities are underway.

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.

Management of Risk

The Group's risk management activity is directed by the Executive Management Committee, led by the Chief Executive Officer. Risk identification workshops are facilitated by the Head of Risk and Internal Audit to identify the risks faced by the business. Risk registers are compiled, and periodically updated, which map the nature of the risks relative to their likelihood of occurrence and severity and associated trends.

Individual management committee members are assigned responsibility for devising risk treatment plans to eliminate, minimise or transfer risks. The Chief Executive Officer and Executive Management Committee undertake regular reviews of the risk register and progress with risk management plans.

Overall responsibility for the risk management process adopted by the Group lies with the Board. On behalf of the Board the Audit Committee reviews the effectiveness of the Group's risk management processes and other internal controls. The Head of Risk and Internal Audit provides the Audit Committee with a quarterly update of risk management activity and the risk register.

Risk Factors

In this section we describe the principal risks that could have a material effect on the Group's business activities. We provide information on the nature of the risk, actions taken to mitigate risk exposure and an indication of whether the type of risk is increasing, reducing or remains largely unchanged. Not all potential risks are listed below. 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 potential 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.

In general, the geographical spread of the Group provides a natural hedge against many of the principal risks identified below:

Risk and potential impact	Mitigating activities	Status
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.	Stable

Risk and potential impact	Mitigating activities	Status
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 risks 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.	Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short. Management are continually vigilant to political and economic developments and seek to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimise these exposures to the greatest extent possible.	Stable
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 management systems in place designed to create flexibility in the operating cost base so as to optimise operating profits in volatile trading conditions, such as the profit protection plans initiated during the market down-turn in 2008/2009.	Stable
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. The Group has appropriate systems for recruitment, reward and compensation and performance management.	Increasing
Management Agreements An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focussing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. 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 has developed a management team in the Middle East region that has the necessary skills and resources to pursue this element of the Group's strategy.	Stable
Joint Ventures and subsidiaries with minority shareholders. The Group has entered into a number of joint ventures in certain markets and is therefore subject to the risk of non performance on the part of the minorities partners especially when the strategic objectives of the partners are not fully aligned.	For these joint ventures, the Group has appointed representatives who are assigned responsibilities to manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.	Stable

Risk and potential impact	Mitigating activities	Status
Treasury Risk The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and 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. Credit risk arises from the risk of financial loss if a financial counterparty fails to meet its contractual obligations in respect of its deposits or short-term investments.	The Group's principal policy, wherever possible, is to maintain a natural hedge wherever liabilities are matched with assets denominated in the same currency. Foreign currency transactions exposure is primarily managed through funding of purchases from operating income streams arising in the same currency. Interest rate hedges 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 of such hedges. Investments in short-term instruments are with counterparties approved by the Board taking into account the counterparty's credit rating and a maximum limit as to the amount that may be deposited.	Stable
Tax Risk 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. Tax authorities in many jurisdictions are increasing their focus on corporate tax affairs in order to maximise tax receipts.	Tax planning advice is obtained by the Group to ensure that Group companies are compliant with appropriate law and that tax exposure is appropriately managed.	Increasing
Compliance and Litigation The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements. In addition the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or from the provision of services. In certain countries where the Group operates, local practices and the legal environment may be such that it is sometimes difficult for the Group to enforce its legal rights.	The Group continues to monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships.	Increasing
Health, Safety and Management As a significant property owner and operator of hotels in multiple jurisdictions, the Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.	Our policy is for regional management to implement health and safety management systems that are compliant with OHSAS 18001. Progress continues to be made in improving the Group's management systems details of which are contained in the Corporate Social Responsibility report on pages 46 to 48.	Stable

Risk and potential impact	Mitigating activities	Status
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. 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 trend towards managing third-party properties, primarily in the Middle East, 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.	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. Management seeks to ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.	Stable
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.	The Group has formalised its asset management capability and is developing property specific asset management plans which focus on the capital requirements of each property in terms of regular maintenance and product enhancement.	Decreasing
Insurance 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.	The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile and 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. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers' security ratings.	Stable

Risk and potential impact	Mitigating activities	Status
Information Technology Systems and Infrastructure In order to maintain its competitiveness within the market place the Group will need to ensure its IT support systems deliver the necessary trading platforms and provide management with accurate and timely information.	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. Crisis management and disaster recovery plans are in place for business critical systems. During the year management has undertaken a review of the Group's existing IT infrastructure and of the current and future IT needs of the business. Following this review management are prioritising the implementation of necessary IT systems.	Increasing

BUSINESS REVIEW – NON-GAAP INFORMATION

Non-GAAP Information

Presentation of headline operating profit, headline EBITDA, headline profit before tax, headline profit after tax and headline earnings per share

In presenting the Group's profitability, headline operating profit, headline EBITDA, headline profit before tax, headline profit after tax and headline earnings per share are calculated. These exclude other operating income, expense, non-operating income and separately disclosed items of the Group together with share of other separately disclosed items of joint ventures and associates. In addition, for headline profit after tax and headline earnings per share these measures additionally exclude related tax and in the case of headline earnings per share excludes related non-controlling interests of the aforementioned items. 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
- They are useful in connection with discussions with the investment analyst community.

Reconciliation of these measures to the closest equivalent GAAP measure, operating profit is provided in note 5 on page 91.

Cash flow measures

In presenting and discussing the Group's 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;
- 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 discussions 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 37.

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.

Gearing

Gearing is defined as net debt as a percentage of total equity attributable to equity holders of the parent (see page 38).

Responsible Hospitality

We understand that our customers, investors, employees and suppliers actively choose their relationships with the Group. Increasingly, this choice depends on the degree to which we demonstrate corporate social responsibility: behaving ethically and legally, treating our employees with respect and consideration, finding ways to minimise our impact on the environment and doing what we can to improve the lives of those in the wider community around us.

Aside from its social contribution as a profitable, taxpaying enterprise, the Group recognises that delivering good long-term returns to shareholders requires it to demonstrate commitment to corporate social responsibility. To this end, the Board has adopted - and reviews regularly - a number of policies, collectively referred to as Responsible Hospitality.

The Board also recognises the need to communicate to stakeholders its progress on executing these policies.

Responsibility to Employees

For the year to 31 December 2010 the average number of Group employees, worldwide in 17 countries, was 11,232.

Our employees are the foundation of our business. The Group aims to retain a knowledgeable and skilled workforce which feels suitably rewarded and motivated. We aim to ensure that everyone who works for the Group has the right skills and knowledge to do their jobs and encourage employees to gain industry-relevant qualifications where appropriate.

Some of our hotels were recognised individually by industry groups for their progress on delivering against this policy last year. For example, in March, the Copthorne Hotel London Gatwick received a Gatwick Diamond Business Award for its commitment to developing people and skills. Similarly, the Copthorne King's Hotel Singapore was recognised in April as Most Supportive Employer for Workforce Skills Qualification at the World Gourmet Summit.

In addition to encouraging employee qualifications and development, the Group supports hospitality education around the world by providing workplace experience to students where appropriate schemes operate. For example, in collaboration with the Italian Chamber of Commerce, six-month work placements for Italian students are being trialled at a London hotel.

The Group maintains a code of high ethical standards, which it expects all of its employees to adhere to. It will not tolerate anti-competitive practices, bribery, fraud or other forms of corruption and has "whistle-blowing" policies in place to ensure that any occurrence of such can be identified and dealt with appropriately and swiftly.

When employees develop health problems we aim to support them so as to promote a swift return to work wherever possible. We aim, wherever it is possible to do so, to rehabilitate staff who have suffered a problem or disability that interferes with their ability to work. For those who cannot be accommodated, we are committed to arranging a sensitively-managed departure.

The Group has adopted a formal Human Rights policy which supports our commitment to International Labour Organisation standards and the UN Global Compact on human rights and labour and to providing equal opportunities in employment without discrimination.

Staff by function

Function	2010	2009
Hotel Operating Staff	**8,960**	8,809
Management/Administration	**1,219**	1,255
Sales and Marketing	**500**	519
Repairs and Maintenance	**553**	548
Total	**11,232**	11,131

Staff by Gender (%)

Gender	2010	2009
% Male	**53.29**	48.84
% Female	**46.71**	51.16

Staff by Age (%)

Age Range	2010	2009
Below 30	**44.08**	36.03
30-50	**45.72**	45.18
Above 50	**10.20**	18.79

A Healthy Workplace

Maintaining high standards of health and safety is vital to the Group, both in terms of protecting employees and suppliers visiting our premises and assuring the satisfaction of our guests. The Group seeks to comply with legal requirements regarding health and safety in every city and region in which it operates.

The Group aims to achieve compliance with the occupational health and safety assessment specification OHSAS 18001. OHSAS 18001 is an internationally recognised assessment specification for occupational health and safety management systems, which provides a framework to identify and control health and safety risks, reduce the potential for accidents, aid legislative compliance and improve overall performance. In 2011, the Group's European region aims to achieve formal accreditation to the OHSAS 18001 standard.

During 2010, the Group implemented reporting systems to ensure accurate recording of incidents occurring in all of its European hotels, while health, safety and food hygiene standards are evaluated by external auditors. During 2010 we conducted a full analysis of health and safety training needs in our European destinations and are rolling out a training programme in 2011 to meet those training needs that have been identified. In the USA an improved health and safety training programme is being implemented during the first quarter of 2011. The training is designed to improve the health, welfare, security and safety of our employees and guests and includes topics related to prevention of accidents and injuries, as well as compliance with US federally mandated Occupational Safety and Health training and OHSAS 18001.

Responsibility to the Environment

The Group seeks to minimise its impact on the environment. Our Responsible Hospitality policies aim to ensure operational compliance with all relevant environmental legislation in all of those countries where we operate. The Group aims to achieve compliance with the environmental management system ISO 14001. In 2011, the Group's European region aims to achieve formal accreditation to the ISO 14001 standard.

During 2010, the M Hotel in Singapore received the coveted Green Hotel Award by the Association of Southeast Asian Nations. Many of our New Zealand hotels have been given the Qualmark Enviro Award. In September 2010 our UK properties were awarded the Carbon Trust Standard in recognition of achievements in measuring, managing and reducing carbon emissions by 2% across the UK estate since 2007. This reflects several carbon reduction initiatives over the past three years, including the installation of energy-efficient lighting and water supplies. During 2011 we aim to improve the monitoring of utility consumption in the UK by installing automated meter reading. This will benefit both our environmental and financial performance.

The Group continues to investigate new methods of waste disposal as we pursue our policy aim to cease adding to landfill sites. In late 2010, one of our London hotels undertook a three-month trial of a new recycling system that converts food waste to a high quality, organic and completely sterile compost. The system is still being evaluated and, if successful, will be rolled out to all London hotels during 2011. Alternative food waste disposal systems are being considered for other hotel operations in regional UK.

Management also works with suppliers to minimise the environmental impact of their activities. These include agreeing suppliers' delivery schedules so that product orders are consolidated, the number of product deliveries is reduced with a corresponding reduction in 'road miles' driven to restock the Group's properties. The Group encourages its general managers and staff to identify similar environmentally responsible initiatives at all times.

The Group has now established a consistent and reliable carbon footprint for all of its owned and managed properties. This is an important step forward in our environmental management initiatives because it provides an accurate measure of carbon emissions for each property which will enable target setting for future reductions in emissions. Most of the Group's carbon footprint emanates from its consumption of energy. The Board has set a target for the Group's energy consumption to be reduced by 10% over the two-year period ending 31 December 2012.

	2010	2009	+/-
Global carbon footprint (tonnes CO_2)	329,581	329,012	+0.17%
Emissions per room night (kg CO_2)	50.70	52.98	-4.29%

Responsibility to the wider Community

As owners as well as operators, the Group recognises that it plays a role in those communities in which our hotels are based, providing employment directly and indirectly and paying property taxes to local governments. In addition, the Group encourages its individual hotels to reach out to local communities through volunteering by staff and through provision of free space to nominated charities for their fund-raising events.

At Group level we donated £42,000 to a range of charitable organisations during 2010 (2009: £85,000). These included ORBIS, the Haiti Relief Fund, the Child Cancer Foundation and the Red Cross. In 2011, we plan to focus our central charitable giving on one or two key charities nominated by staff over a period of two to three years. This will enable our chosen charities to plan and achieve more with the funds we donate.

Our supplier policies seek to favour fair trade sourcing wherever possible.

Looking Forward

As a major hotel owner and operator, we recognise the Group's impact on society cannot be measured by financial performance alone. It will continue to commit time and resources in order to refine operating practices and improve performance from a CSR perspective. The Group considers that this will enhance Millennium & Copthorne's reputation for Responsible Hospitality, will strengthen our relationship with customers, employees and suppliers and will support our aim to add value for our shareholders.

BOARD OF DIRECTORS

Kwek Leng Beng, 70#
Chairman and Chairman of the 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 bring together people, cultures and ideas from around the world.

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 a worldwide staff strength 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 role in Las Vegas Sands Corporation's successful bid for Singapore's high profile Integrated Resorts project at Marina Bay.

BOARD OF DIRECTORS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1. Richard Hartman, 65
Group Chief Executive Officer
Richard Hartman joined the Board of Millennium & Copthorne Hotels plc on 7 May 2008. He has over 40 years experience in the hotel and restaurant industry. From 1999 he held senior positions at InterContinental Hotels Group (formerly known as Six Continents Hotels Group and Bass Hotels & Resorts) where he was a main Board Director from 2003 until 2007, most recently as Managing Director of InterContinental Hotels Group, Europe, Middle East and Africa with responsibility for over 600 hotels. Previously he was Managing Director of InterContinental Hotels Group, Asia Pacific between 1998 and 2003, where he increased the company portfolio, and led the US$346m acquisition of the IC Hong Kong (former Regent of Hong Kong) making it the second largest hotel chain in Asia Pacific.

Prior to joining InterContinental Hotels Group in 1999 he was President of ITT Sheraton North America between 1993 and 1998, where he led a turnaround in performance, repositioning the Sheraton North America as a premier brand of choice, and President of ITT Sheraton Asia Pacific between 1985 and 1992.

During his tenure as President of Sheraton's Asia Pacific Division, he successfully executed an aggressive development strategy, growing the Division, substantially increasing earnings and firmly establishing Sheraton as one of the three leading hotel chains in Asia and the market leader in Australia, New Zealand and South Pacific.

2. Wong Hong Ren, 59
Executive Director
Wong Hong Ren joined Millennium & Copthorne Hotels plc as a non-executive Director at the flotation of the Group. He is the Executive Vice President (Group Investment) of Hong Leong Management Services Pte Limited in Singapore. Mr Wong was appointed as an Executive Director of the Company in April 2001.

3. Kwek Leng Joo, 57
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 with extensive experience in property development and investment. Within the Hong Leong Group, he holds directorships in most of the listed companies, including Hong Leong Finance Limited. He also serves as an Executive Director for City e-Solutions Limited.

Mr Kwek contributes actively to the business community through several public and civic appointments.

4. Kwek Leng Peck, 54#
Non-Executive Director
Kwek Leng Peck joined Millennium & Copthorne Hotels plc at the flotation of the Group. He holds directorships on most of the listed companies within the Hong Leong Group, including City Developments Limited, Hong Leong Finance Limited and China Yuchai International Limited. He also serves as an Executive Director/CEO for Hong Leong Asia Limited and is the non-executive Chairman of Tasek Corporation Berhad.

5. His Excellency Shaukat Aziz, 61±
Independent Non-Executive Director
Shaukat Aziz was appointed to the Board in June 2009. His Excellency was the first Prime Minister of Pakistan to complete a full term in office and served from 2004 – 2007, following five years as Finance Minister from 1999.

Pre-politics, an internship at Citibank marked the beginning of a 30-year career in global finance, encompassing roles in Pakistan, Greece, United States, United Kingdom, Malaysia, the Philippines, Jordan, Saudi Arabia, and Singapore. He headed Citigroup's global Private Banking Division and has held a number of senior positions such as Corporate Planning Officer for Citicorp, Head of Corporate and Investment Banking for Asia, Chief Country Officer in Malaysia and in Jordan. He has also served as a board member of various Citibank subsidiaries, including Citicorp Islamic Bank and the Saudi American Bank.

He is a member of several boards and advisory boards for profit and non-profit organizations and a frequent speaker on economic, political and diplomatic matters.

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6. Christopher Keljik OBE, 62±*#

Senior Independent Non-Executive Director

Christopher Keljik was appointed to the Board in May 2006. He is a Chartered Accountant and is also a non-executive Director of Foreign & Colonial Investment Trust plc, Henderson TR Pacific Investment Trust plc. He was an Executive Director of Standard Chartered plc with responsibilities for Africa, the Middle East, South Asia, the UK and the Americas. During his 29 year career at Standard Chartered he held a number of senior positions working in London, Singapore, New York and Hong Kong in corporate finance, treasury, risk and general management.

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7. Connal Rankin, 69±*#

Independent Non-Executive Director and Chairman of the Remuneration Committee

Connal Rankin was appointed to the Board in December 2007. He 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 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 and in April 2010 retired as a Director from the Board of Neptune Orient Lines Ltd.

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8. Alexander Waugh, 47#±

Independent Non-Executive Director

Alexander Waugh was appointed to the Board in June 2009. He is a world renowned author, literary critic and composer. He has commercial experience in event management, the media industry and is the founder of a successful publishing business.

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9. Nicholas George, 57±*

Independent Non-Executive Director and Chairman of the Audit Committee

Nicholas George was appointed to the Board in June 2009. He is a Chartered Accountant and is a Director of LGT Capital Partners (UK) Limited. Notably in 2003, Nicholas was a founding partner of KGR Capital, a leading Asian Fund of Funds Specialist that was sold to LGT in 2008. He currently holds the position of Chairman at euNetworks Limited and also sits on the Board of GK Goh Holdings Limited, both companies are listed on the Singapore Stock Exchange. In addition, he is a Director of Aberdeen New Dawn Investment Trust plc which is listed on the London Stock Exchange. He has over 30 years of experience in investment banking and was a Managing Director of JP Morgan Securities (previously Jardine Fleming) in Asia from 1993 to 2002 and a Managing Director of HSBC Securities in Asia from 2002 to 2003.

± 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 2010. This Directors' Report is deemed to be the 'management report' required to be published in accordance with DTR4.1.8R.

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 2010 and is set out on pages 26 to 45. Those sections, which form part of this Directors' Report, 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 £128.6m (2009: £81.9m). An interim dividend of 2.08p per share was paid on 8 October 2010. The Directors are recommending a final dividend of 7.92p per share (2009: 6.25p), which will, if approved at the annual general meeting, be paid on 20 May 2011 to shareholders on the register on 25 March 2011. Total dividends relating to the year are expected to amount to £24.8m. 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 11,232 (2009: 11,131).

Millennium & Copthorne Hotels plc operates in various countries and values highly the rich ethnic and cultural diversity of its people by nurturing a working environment that recognises, develops and values 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.

Further details on employee involvement are included in the Corporate Social Responsibility report on pages 46 to 48.

Share Capital

The issued share capital of the Company, together with details of the movements in the Company's share capital during the year, are shown in note 29 to the consolidated 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 126 to 128.

Rights and obligations attaching to the Company's ordinary shares are set out in the Companies Articles of Association, a copy of which can be obtained from Companies House or by writing to the Company Secretary. Amendments to the Company's Articles of Association can be made by Special resolution of the shareholders.

At the Company's annual general meeting in May 2010 the Directors were authorised to allot shares up to a nominal amount of £30,974,058 and to allot such shares up to this nominal amount in connection with a rights issue and otherwise to allot shares for cash on a non pre-emptive basis up to a nominal amount of £4,646,108. In addition, the Company was authorised to make market purchases of up to 10% of the Company's issued share capital. All of these authorities remained in effect as at 31 December 2010.

The voting rights attached to the Company's ordinary shares are not restricted and there are no restrictions on the transfer of the Company's shares. None of the Company's shares carry special rights with regard to control of the Company. Neither the Company nor its Directors are aware of any agreements between shareholders that could result in restrictions on the transfer of shares or on voting rights.

Substantial Shareholdings

As at 15 February 2011, the Company had received details of the following material shareholdings in its issued share capital. No changes to the material shareholdings listed below have been reported to the Company between 31 December 2010 and the date of this report.

	Number of shares	% of issued share Capital
City Developments Limited	169,062,345	53.96
Prudential plc*	22,206,858	7.09
Aberdeen Asset Management plc	15,451,769	4.93
Schroders plc†	15,490,857	4.94

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

M&G Group Limited	22,206,858	7.09%
M&G Limited	22,206,858	7.09%
M&G Investment Management Limited	22,171,731	7.08%
The Prudential Assurance Company Limited	21,564,772	6.88%

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

Schroder Investment Management Limited	15,151,069	4.84%

Directors

Biographical details of Directors are shown on pages 49 to 51. The Company's Articles of Association contain provisions concerning the appointment and replacement of Directors.

Details of the share interests of Directors are shown on page 65. No changes to these interests occurred between the year end and the date of this report.

Indemnities

The Company has provided each of its Directors and Alternate Directors with a qualifying third-party indemnity, as defined in section 234 of the Companies Act 2006. In addition, the Company has provided qualifying pension scheme indemnities to the directors of Millennium & Copthorne Pension Trustee Limited which acts as trustee to the Group's UK pension plan. These indemnities remain in force as at 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 in place policies which outline the standards of behaviour required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements. The Board of Directors has implemented an anti-bribery policy which prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement. Whistle-blowing procedures are in place to enable employees to raise concerns about any activity they consider to be unlawful, is a breach of authority, falls below accepted standards or practice, amounts to improper conduct or could damage the Group's reputation. 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 25 days (2009: 21 days). At the year end, the Company had £nil trade creditors (2009: £nil).

Corporate Social Responsibility

Details of the Group's wider approach to managing its Corporate Social Responsibility ("CSR") can be found on pages 46 to 48 which include details of charitable donations made during the year. The CSR report is deemed to be part of the Directors' Report. The Board takes 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. Significant short and long term risks have been identified and assessed and 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 40 to 44.

To ensure the delivery of the Board's policies in respect of health, safety, and the environment, Richard Hartman, in his capacity as Group Chief Executive Officer, has been identified as the Board member responsible for these areas.

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 – Risk Factors on pages 40 to 44, and in note 22 to the financial statements.

Going Concern

Information on the principal risks and uncertainties that the Group faces throughout its global operations are included in Business Review Risk Factors on pages 40 to 44. The financial position of the Group, its cash flows, liquidity position and debt facilities are described in the Business Review – Financial on pages 31 to 39. In addition, note 22 to the consolidated financial statements sets out the Group's policies and processes for measuring and managing risk from its use of financial instruments in relation to credit risk; liquidity risk and market risk (both currency and interest rate-related). Further details of the Group's cash balances and borrowings are included in notes 20 and 21 to the consolidated financial statements.

In assessing whether the Group is a going concern, the Directors follow a review process which is consistent with the principles set out in the guidance published by the Financial Reporting Council: "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009".

Cash flow forecasts for the Group have been prepared for a period in excess of twelve months from the date of approval of these consolidated financial statements. These forecasts reflect an assessment of current market conditions. The forecasts completed on this basis show that the Group will be able to operate within the current committed debt facilities and show continued compliance with the financial covenants. In addition, management has considered various mitigating actions that could be taken in the event that market conditions are worse than their current assessment. Such measures include further reduction in costs and in capital expenditure.

On the basis of the exercise as described above and the available committed debt facilities, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Group and the Company.

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 compliant with the provisions of the Combined Code ("the Code") issued by the Financial Reporting Council in June 2008. A copy of the Code is available from the Financial Reporting Council (www.frc.org.uk). The Board will report in the 2011 Annual Report on its compliance with the Corporate Governance Code issued by the Financial Reporting Council in June 2010.

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; communications with shareholders and approval of certain group-wide policies including health, safety and environment policies, treasury policy, ethics policy, anti-bribery policy and whistle-blowing procedures. 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 succession planning.

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, 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 49 to 51 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 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.

The Board has established agreed procedures for managing potential conflicts of interest. These procedures and any potential conflicts authorised in accordance with section 175(4) Companies Act 2006, as permitted by the Company's Articles of Association, are reviewed by the Board at least annually. The Board is satisfied that the procedures for managing potential conflicts remain effective.

Succession planning for non-executive Directors is considered by the Nomination Committee as appropriate.

Kwek Leng Beng and Connal Rankin will retire by rotation at the forthcoming annual general meeting and will stand for re-election.

Kwek Leng Joo has advised the Board of his intention to retire with effect from the conclusion of the Annual General Meeting.

Christopher Sneath, who had been an independent non-executive Director since 1999 retired from the Board on 5 May 2010.

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 website at www.millenniumhotels.co.uk. The Company Secretary acts as secretary to all standing committees of the Board.

Audit Committee

The Audit Committee consists entirely of independent non-executive Directors. The Committee Chairman was Christopher Sneath until 24 March 2010 and was succeeded by Nicholas George. It is considered that Nicholas George has recent and relevant financial experience as required by the Code. The duties of the Audit Committee include:

- Reviewing the effectiveness of 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 audit; 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 wrong doing 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 responsible for reviewing the independence and objectivity of the external auditor and has reported to the Board that it considers that the auditor's independence and objectivity has been maintained. Audit independence and objectivity are safeguarded by the Audit Committee monitoring and approving, when appropriate, the nature of any non-audit work and the levels of fees paid. The Committee has reviewed the FRC's Audit Committee Guidance published in December 2010 and has noted the specific inclusion of guidance on non-audit services. The Committee will establish a formal policy on non-audit services consistent with this guidance.

The external auditor and head of internal audit normally attend all Audit Committee meetings. Executive Directors 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 Connal Rankin 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, determining the remuneration packages 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 59 to 65, 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 Kwek Leng Beng and comprises a majority of 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.

During the year, the Nominations Committee has met to consider the search for a successor to Richard Hartman who announced his intention to retire as Chief Executive Officer. The search for Mr Hartman's successor is ongoing and an announcement will be made in due course.

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)	8 (8)	na	na	2 (2)
Richard Hartman	7 (8)	na	na	na
Wong Hong Ren	8 (8)	na	na	na
Christopher Keljik	8 (8)	6 (6)	5 (5)	2 (2)
HE Shaukat Aziz	6 (8)	na	2 (5)	na
Christopher Sneath	2 (2)	3 (3)	na	na
Nicholas George	8 (8)	5 (6)	4 (5)	na
Kwek Leng Joo*	3 (8)	na	na	na
Kwek Leng Peck	2 (8)	na	na	2 (2)
Connal Rankin	7 (8)	6 (6)	5 (5)	2 (2)
Alexander Waugh	8 (8)	na	na	2 (2)

*Kwek Eik Sheng attended five Board meetings as alternate for Kwek Leng Joo.

Evaluation Process

The Board evaluation process has been conducted by the Directors completing on-line questionnaires which solicit views on the Board governance processes, the operation of standing committees and a self assessment of individual Directors' performances. Feedback from the evaluation process is compiled by the Company Secretary and a report is prepared for consideration by the Board. In addition, the performance of executive and non-executive Directors is assessed annually by the Chairman. During the year, the Chairman and independent non-executive Directors met without the executive Directors in attendance. Evaluation of the Chairman is conducted by the independent non-executive Directors led by the senior independent non-executive Director.

Internal Control System

The Board is responsible for the Group's system of internal control, including the Company's financial reporting process and the Group's process for preparation of consolidated accounts, 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 40 to 44.

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 executive management 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 the Audit Committee, the Group Chief Executive Officer, senior management of the Group 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 region are set by the executive management team and reviewed by the Board on a geographical basis 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 final and half-yearly results. There is a programme of meetings with major institutional shareholders to review the Group's performance and prospects. In addition, the senior independent non-executive 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.

Auditor

In accordance with Section 489 of the Companies Act 2006, 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 10:00 am on Friday, 6 May 2011 at the Millennium Hotel London Mayfair, Grosvenor Square, London W1K 2HP.

A detailed explanation of each item of non-routine business to be considered at the annual general meeting is included with the Notice of Meeting.

By order of the board

Adrian Bushnell
Company Secretary
15 February 2011

Strategy

The Remuneration Committee has delegated authority from the Board to consider and approve the salaries, incentives 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 executives who are not board members.

The Remuneration Committee

The current members of the Committee, all of whom are independent non-executive Directors, are Connal Rankin (Chairman), Christopher Keljik, His Excellency Shaukat Aziz, Alexander Waugh and Nicholas George.

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, Hewitt New Bridge Street, (a trading name of Aon Hewitt Limited which is ultimately owned by Aon Corporation), who advised it on various matters, including the operation of the Company's share-based incentive schemes and executive remuneration arrangements. 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 payments. Other than this, neither Hewitt New Bridge Street (nor any other part of Aon Corporation) provide any other services to the Company.

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 noted in the 2009 annual report, the Committee has undertaken a review of rewards for executive Directors and senior executives. The Committee has concluded that the structure and quantum of remuneration is generally consistent with market practice and that the remuneration policy meets the needs of the business and is aligned with the group's strategic goals. The Committee did find that level of annual bonus opportunity was below market norms and the annual bonus scheme has been amended accordingly, details of which are shown below.

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 performance of the Company while ensuring that inappropriate risk taking is neither encouraged nor rewarded.

Directors' Remuneration

In establishing the remuneration policy for the executive Directors, 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 Group against pre-determined budgets, the individual contribution of each Director and market and competitive conditions. The Human Resources department ensures that the Committee is aware of pay and conditions throughout the Group and that these are taken into account when framing the executive Directors' remuneration policy. The Committee remains mindful of the Best Practice Provisions on the Design of Performance Related Remuneration under Schedule A of the Combined Code.

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 the personal performance and individual contribution of the executive Directors. The maximum bonus payable under the scheme for 2010 is up to 100% of base salary. Up to 75% of base salary is payable for achievement of agreed financial targets relating to headline EBITDA performance. Up to 25% of base salary is payable by reference to each executive Director's personal performance and individual contribution. In the event that bonuses were subsequently found to have been paid on the basis of any material over-statement of financial performance, the Committee will consider appropriate means of redress. The Committee may consider the payment of a special bonus in circumstances where individuals have had a direct role in generating substantial additional value for shareholders. For the 2010 trading year the financial targets set were achieved in full, accordingly, that element of bonus was awarded. In addition the Committee awarded a bonus of 25% of base salary reflecting the executive Directors' personal performance and contribution to the Company's success over the year.

The targets that were set last year took account of the increased bonus opportunity that was introduced.

It is intended that the executive Directors' annual bonus opportunity for 2011 will be structured in a similar manner.

Share-based Incentive Arrangements

Share-based incentive schemes are designed to link remuneration to the future performance of the Group. The 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. Having conducted a review during the course of the year the Committee considers that the grant levels, performance criteria and vesting schedules remain appropriate. Details of individual schemes for Directors and employees are given below.

The Company operates a Long-Term Incentive Plan ("LTIP") for the executive Directors and other senior executives and the Sharesave Scheme for all UK based employees. Details of the LTIP and a brief summary of the Sharesave Scheme are shown on pages 62 and 63. 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.

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 is 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
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 £35,000 ceases on the date he ceases to be a Director.
Richard Hartman	7 April 2008 (appointed 7 May 2008)	12 months' written notice to be given by the Company at any time and six months by the executive.	12 months' salary.

Other Benefits

Other benefits comprise a motor vehicle or an appropriate allowance and insurances for life, personal accident, disability and family medical cover.

External Appointments

The Company recognises that executive Directors may be invited to become non-executive Directors of other companies and that such appointments can broaden their knowledge and experience, to the benefit of the Group. Fees payable to executive Directors in connection with such external appointments would be retained by them with the approval of the Committee.

Non-Executive Directors

Fees paid to non-executive Directors are determined by the Board as a whole taking account of time commitment and responsibilities. Fees cease immediately in the event of the non-executive ceasing to be a Director. 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.

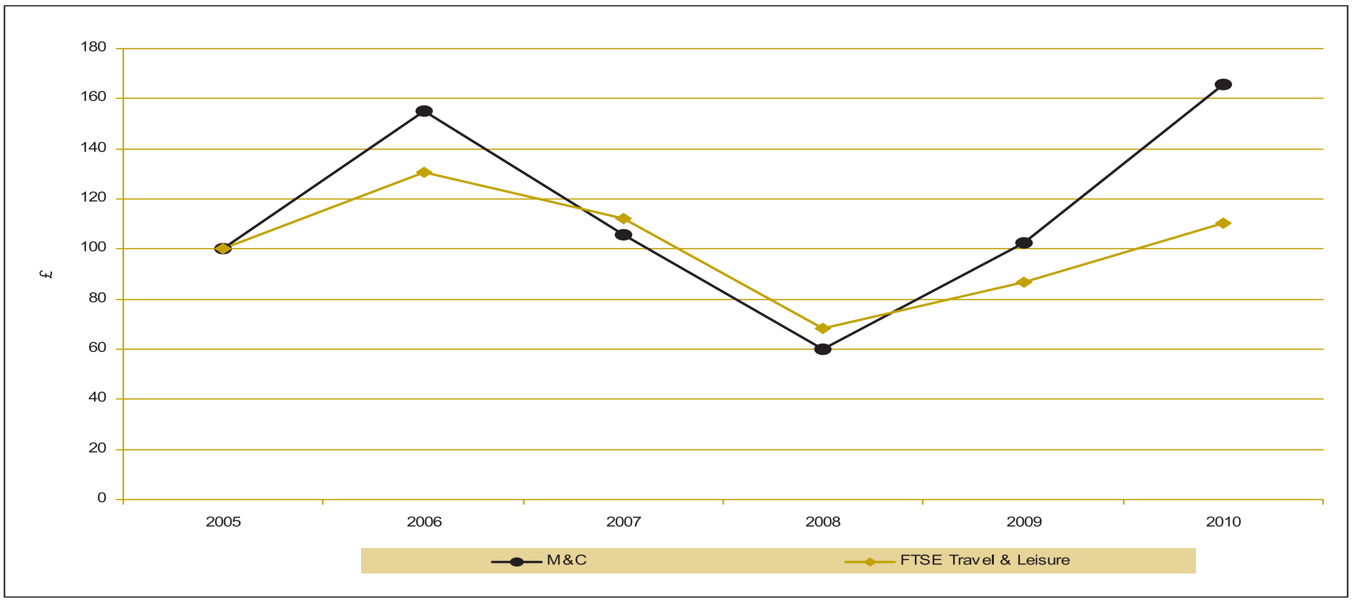
City Developments Limited nominates Kwek Leng Beng, Kwek Leng Joo and Kwek Leng Peck as Directors under the terms of the Co-operation Agreement dated 18 April 1996, as amended. In accordance with the Company's Articles of Association, Kwek Leng Joo has appointed Kwek Eik Sheng as his alternate.

The independent non-executive Directors each have rolling letters of appointment which may be terminated by either party on one month's notice.

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 & 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 2010, of £100 invested in ordinary 30p shares of Millennium & Copthorne Hotels plc on 31 December 2005 compared with £100 invested in the FTSE All Share Travel & Leisure Index. The other points plotted are the values at the financial year-ends.

Audited Information

Share Options

i) 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 exercise of options, granted in the past under the 2003 Scheme were subject to the achievement of stretching performance targets. Earnings per share ("EPS") targets were chosen at the time of the grant as the Committee believed that participants in the 2003 Scheme should be incentivised to deliver significant earnings growth which, in turn, should return substantial shareholder value. The EPS performance conditions in respect of all outstanding share options have been met. Accordingly all share options are fully exercisable.

No further awards have been made under the terms of the 2003 Scheme since 2005. It is currently not intended that further awards will be made under the 2003 Scheme.

ii) Millennium & Copthorne Hotels Long-Term Incentive Plan

The Millennium & Copthorne Hotels Long-Term Incentive Plan was adopted 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. EPS targets have been chosen so that participants are again incentivised to deliver significant earnings growth which, in turn should return substantial shareholder value.

The performance condition applying to existing 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%

Performance against all such conditions is subject to independent verification.

It is currrently intended that similar performance conditions will be applied to future awards, the details of which will be fully disclosed in future Remuneration reports.

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

iii) 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-based Incentives

Executive Share Option Schemes

Name of Director		Date granted	**Options held at 01/01/2010**	Options lapsed during year	**Options held at 31/12/2010**	Exercise price	Dates from which options may be exercised	Expiry date
Wong Hong Ren	Unapproved	10.03.2003	32,248	–	32,248	£1.9350	10.03.2007	09.03.2013
	Unapproved	10.03.2003	91,783	–	91,783	£1.9350	10.03.2009	09.03.2013
	Unapproved	16.03.2004	44,999	–	44,999	£2.9167	16.03.2007	15.03.2014
	Unapproved	24.03.2005	75,297	–	75,297	£3.9842	24.03.2009	23.03.2015

Performance conditions attaching to these options are those specified for the 2003 Scheme as detailed on page 62.

Long-Term Incentive Awards

Name of Director	Date awarded	**Awards held at 01/01/2010**	Awards made during the year	Awards vested during the year	Awards lapsed during the year	**Awards held at 31/12/2010**	Market price of shares on date of award	Vesting date
Wong Hong Ren	27.03.2007	44,736	–	–	44,736	–	£6.7850	N/A
	25.06.2008	86,455	–	–	–	86,455	£3.5675	25.06.2011
	30.03.2009	174,165	–	–	–	174,165	£1.6950	30.03.2012
	16.09.2010	–	56,936	–	–	56,936	£5.2550	16.09.2013
Richard Hartman	25.06.2008	237,752	–	–	–	237,752	£3.5675	25.06.2011
	30.03.2009	478,955	–	–	–	478,955	£1.6950	30.03.2012

Performance conditions attaching to the Company's Long-Term Incentive Plan are as detailed on page 62.

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

Awards of share-based incentives will either be satisfied by the issue of new shares or through market purchase of shares. LTIP awards made in 2010 will be satisfied via the Millennium & Copthorne Hotels plc Employment Benefit Trust 2006 (the "EBT"). As at 31 December 2010 the EBT held 400,952 shares in trust representing approximately 0.128% of the Company's issued share capital. All awards made under the Company's share schemes conform to institutional dilution guidelines.

The market price of ordinary shares at 31 December 2010 was £5.905 and the range during the year was £3.685 to £5.905. Aggregate gains made by Directors on exercise of share options in 2010 were £nil (2009: £nil). The aggregate value of Directors' LTIP awards vesting during the year was £nil (2009: £357,343).

Pensions

Richard Hartman is a member of the defined contribution section of the Millennium & Copthorne Pension Plan ("the Plan"). The Company makes contributions to the Plan on Mr Hartman's behalf equal to 20% of base salary. During the year contributions amounting to £110,000 were made by the Company.

No pension is provided for Mr Wong Hong Ren.

DIRECTORS' REMUNERATION REPORT

Directors' Emoluments

	Note	Salaries and fees 2010 £000	Bonus 2010 £000	Benefits 2010 £000	Compensation for loss of office 2010 £000	Total emoluments 2010 £000	Total emoluments 2009 £000
Executives							
Richard Hartman		**550**	**550**	**33**	**–**	**1,133**	687
Wong Hong Ren	1, 2	**349**	**300**	**5**	**–**	**654**	412
Non-Executives							
Kwek Leng Beng (Chairman)	2, 3, 4	**108**	**–**	**–**	**–**	**108**	74
Christopher Sneath (up to 5 May 2010)		**15**	**–**	**–**	**–**	**15**	30
Kwek Leng Joo	2	**53**	**–**	**–**	**–**	**53**	41
Kwek Leng Peck	2	**48**	**–**	**–**	**–**	**48**	37
Christopher Keljik		**45**	**–**	**–**	**–**	**45**	30
Connal Rankin		**49**	**–**	**–**	**–**	**49**	30
His Excellency Shaukat Aziz		**41**	**–**	**–**	**–**	**41**	16
Alexander Waugh		**41**	**–**	**–**	**–**	**41**	16
Nicholas George		**49**	**–**	**–**	**–**	**49**	16
Former Director							
John Arnett	5	**–**	**–**	**–**	**125**	**125**	272
Total		**1,348**	**850**	**38**	**125**	**2,361**	1,661

The total remuneration, including gains on the exercise of share options and the market value of vested LTIP awards of £nil (2009: £nil), paid to the highest paid Director, was £1,133,000 (2009: £687,000)

Notes

1. Salaries and fees paid to Wong Hong Ren include a fee of £35,000 (2009: £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. The Chairman waived part of his agreed Directors fee. The portion waived amounted to £75,000 for the year.

5. John Arnett was a Director of the Company until 12 December 2008 and left the Group with effect from 27 April 2009. Under the terms of a separation agreement with Mr Arnett, the Group agreed to pay $337,500 (£218,000) in bi-weekly instalments over a six month period of which $143,000 (£93,000) was paid in 2009 and the balance being paid in 2010. All employment costs associated with Mr Arnett have been translated to sterling using the Company's average exchange rate for 2010 of US$1.547: £1.

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 2010 Number of shares	31 December 2009 or date of appointment Number of shares
Executives		
Wong Hong Ren	67,834	67,834
Richard Hartman	40,000	40,000
Non-Executives		
Kwek Leng Beng (Chairman)	–	–
Kwek Leng Peck	–	–
Kwek Leng Joo	–	–
Christopher Keljik	30,000	30,000
Connal Rankin	–	–
His Excellency Shaukat Aziz	–	–
Alexander Waugh	–	–
Nicholas George	–	–

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 2010 and the date of this report.

On behalf of the Board

Alexander Waugh
Independent non-executive Director
15 February 2011

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 they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. 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 IFRSs 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 adequate accounting records that are sufficient to show and explain the parent company's transactions and 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 2006. 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 Statement that complies 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 financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the Directors, the names of whom are set out on pages 49 to 51 of this Annual Report, confirms that to the best of his knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The statement of Directors' Responsibilities was approved by the Board of Directors on 15 February 2011.

Wong Hong Ren
Director
15 February 2011

REPORT OF THE AUDITOR

We have audited the financial statements of Millenium & Copthorne Hotels plc for the year ended 31 December 2010 set out on pages 71 to 146. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 66, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 54, in relation to going concern;
- the part of the Corporate Governance Statement on pages 55 to 58 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

REPORT OF THE AUDITOR

Richard Hathaway (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

15 February 2011

SHAREHOLDER INFORMATION

Analysis of shareholders as at 31 January 2011

Number of shares	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
1 – 10,000	705	72.16%	880,054	0.28%
10,001 – 25,000	49	5.01%	801,325	0.26%
25,001 – 50,000	55	5.63%	1,998,020	0.64%
50,001 – 100,000	34	3.48%	2,518,839	0.80%
100,001 – 500,000	83	8.50%	19,541,552	6.24%
500,001 – 1,000,000	27	2.76%	18,713,625	5.97%
1,000,001 – Highest	24	2.46%	268,833,330	85.81%
Total	977	100.00%	313,286,745	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 our website www.millenniumhotels.co.uk which provides information about the Group's properties and room availability together with announcements made by the Group.

Electronic Communication

Registering for online communication gives shareholders more control of their shareholding. The registration process is via our registrar's secure website www.shareview.com.

Once registered shareholders are able to:

- elect how we communicate with them;
- amend their details;
- amend the way dividends are received; and
- buy or sell shares online.

This does not mean shareholders can no longer receive paper copies of documents. We are able to offer a range of services and tailor communication to meet our shareholders' needs.

Registered Office

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

Registered in England and Wales No: 3004377

Corporate Headquarters

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

Financial Calendar

Dividend record date	25 March 2011
First quarter's results announcement	6 May 2011
Annual general meeting	6 May 2011
2010 final dividend payment	20 May 2011
Interim results announcement	4 August 2011
2011 interim dividend payable	7 October 2011
Third quarter's results announcement	3 November 2011

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 Bank of Tokyo-Mitsubishi UFJ Mizuho Corporate Bank Ltd

Registrar Equiniti Limited

FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 £m	Restated* 2009 £m
Revenue	5	**743.7**	654.0
Cost of sales		**(303.4)**	(279.0)
Gross profit		**440.3**	375.0
Administrative expenses	6	**(350.3)**	(299.8)
Other operating income	7	**9.3**	–
Other operating expense	7	**(5.2)**	(0.2)
		94.1	75.0
Share of profit of joint ventures and associates	15	**24.8**	14.2
Operating profit		**118.9**	89.2
Analysed between:			
Headline operating profit		**144.1**	98.0
Goodwill written-off in respect of Beijing	7	**(8.1)**	–
Net revaluation gain/(deficit) of investment properties	7	**4.1**	(0.2)
Impairment	7	**(15.2)**	(2.2)
Redundancy costs	7	**(1.7)**	–
Separately disclosed items – share of joint ventures and associates	7	**6.9**	0.6
Share of interest, tax and non-controlling interests of joint ventures and associates	15	**(11.2)**	(7.0)
Non-operating income		**15.6**	–
Analysed between:			
Gain on dilution of interest in associate	7	**7.2**	–
Gain arising in respect of step up acquisition of Beijing	7	**8.4**	–
Finance income		**8.8**	3.0
Finance expense		**(14.7)**	(10.3)
Net finance expense	9	**(5.9)**	(7.3)
Profit before tax		**128.6**	81.9
Income tax expense	10	**(30.7)**	(7.3)
Profit for the year		**97.9**	74.6
Attributable to:			
Equity holders of the parent		**96.2**	70.1
Non-controlling interests		**1.7**	4.5
		97.9	74.6
Basic earnings per share (pence)	11	**30.9p**	22.9p
Diluted earnings per share (pence)	11	**30.7p**	22.9p

The financial results above derive from continuing activities.

Notes on page 78 to 140 form an integral part of these financial statements.

* Refer to note 2 for details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** **£m**	Restated* 2009 £m
Profit for the year		**97.9**	74.6
Other comprehensive income:			
Foreign currency translation differences – foreign operations		**97.3**	(43.6)
Foreign currency translation differences – equity accounted investees		**33.5**	(18.2)
Net (loss)/gain on hedge of net investments in foreign operations		**(16.9)**	18.1
Defined benefit plan actuarial gains/(losses)	23	**1.1**	(6.5)
Share of associate's other reserve movements		**–**	0.3
Effective portion of changes in fair value of cashflow hedges		**(0.8)**	–
Income tax on income and expenses recognised directly in equity		**(1.2)**	3.0
Other comprehensive income/(expense) for the year, net of tax		**113.0**	(46.9)
Total comprehensive income for the year		**210.9**	27.7
Total comprehensive income attributable to:			
Equity holders of the parent		**199.9**	17.1
Non-controlling interests		**11.0**	10.6
Total comprehensive income for the year		**210.9**	27.7

* Refer to note 2 for details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 £m	Restated* 2009 £m	Restated* 2008 £m
Non-current assets				
Property, plant and equipment	12	**2,185.7**	2,045.1	2,138.2
Lease premium prepayment	13	**71.5**	25.2	26.1
Investment properties	14	**94.9**	83.3	79.3
Investments in joint ventures and associates	15	**396.8**	326.4	338.7
Other financial assets	16	**6.9**	6.4	6.7
		2,755.8	2,486.4	2,589.0
Current assets				
Inventories	17	**4.5**	4.2	4.9
Development properties	18	**103.3**	72.3	63.2
Lease premium prepayment	13	**1.8**	0.6	0.5
Trade and other receivables	19	**68.0**	56.1	62.9
Cash and cash equivalents	20	**251.9**	135.5	212.1
		429.5	268.7	343.6
Total assets		**3,185.3**	2,755.1	2,932.6
Non-current liabilities				
Interest-bearing loans, bonds and borrowings	21	**(323.7)**	(233.0)	(415.1)
Employee benefits	23	**(16.7)**	(18.1)	(12.8)
Provisions	24	**(0.4)**	(0.6)	(0.9)
Other non-current liabilities	25	**(165.1)**	(112.2)	(118.6)
Deferred tax liabilities	26	**(251.8)**	(230.6)	(258.1)
		(757.7)	(594.5)	(805.5)
Current liabilities				
Interest-bearing loans, bonds and borrowings	21	**(93.9)**	(105.0)	(82.1)
Trade and other payables	27	**(181.5)**	(122.0)	(133.3)
Other current financial liabilities		**(1.3)**	–	–
Provisions	24	**(0.2)**	(0.2)	(0.3)
Income taxes payable		**(32.0)**	(29.7)	(30.5)
		(308.9)	(256.9)	(246.2)
Total liabilities		**(1,066.6)**	(851.4)	(1,051.7)
Net assets		**2,118.7**	1,903.7	1,880.9

Notes on page 78 to 140 form an integral part of these financial statements.

*Refer to note 2 for details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	2010 £m	Restated 2009 £m	Restated 2008 £m
Equity			
Issued share capital	**94.0**	92.9	90.7
Share premium	**844.7**	845.6	847.7
Translation reserve	**290.4**	185.8	230.8
Cash flow hedge reserve	**(0.8)**	–	–
Treasury share reserve	**(2.2)**	–	–
Retained earnings	**721.4**	628.0	568.3
Total equity attributable to equity holders of the parent	**1,947.5**	1,752.3	1,737.5
Non-controlling interests	**171.2**	151.4	143.4
Total equity	**2,118.7**	1,903.7	1,880.9

These financial statements were approved by the Board of Directors on 15 February 2011 and were signed on its behalf by:

Kwek Leng Beng
CHAIRMAN

Wong Hong Ren
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital £m	Share premium £m	Translation reserve £m	Cash flow hedge reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding non-controlling interests £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2009	90.7	847.7	235.6	–	–	563.5	1,737.5	143.4	1,880.9
Profit	–	–	–	–	–	70.1	70.1	4.5	74.6
Total other comprehensive income	–	–	(49.8)	–	–	(3.2)	(53.0)	6.1	(46.9)
Total comprehensive income for the year	–	–	(49.8)	–	–	66.9	17.1	10.6	27.7
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends paid to equity holders	–	–	–	–	–	(19.0)	(19.0)	–	(19.0)
Issue of shares in lieu of dividends	2.2	(2.2)	–	–	–	15.0	15.0	–	15.0
Dividends paid – non-controlling interests	–	–	–	–	–	–	–	(2.6)	(2.6)
Share-based payment transactions	–	–	–	–	–	1.6	1.6	–	1.6
Share options exercised	–	0.1	–	–	–	–	0.1	–	0.1
Total contributions by and distributions to owners	2.2	(2.1)	–	–	–	(2.4)	(2.3)	(2.6)	(4.9)
Total transactions with owners	2.2	(2.1)	–	–	–	(2.4)	(2.3)	(2.6)	(4.9)
Balance as at 31 December 2009	92.9	845.6	185.8	–	–	628.0	1,752.3	151.4	1,903.7
Balance at 1 January 2010	**92.9**	**845.6**	**185.8**	**–**	**–**	**628.0**	**1,752.3**	**151.4**	**1,903.7**
Profit	**–**	**–**	**–**	**–**	**–**	**96.2**	**96.2**	**1.7**	**97.9**
Total other comprehensive income	**–**	**–**	**104.6**	**(0.8)**	**–**	**(0.1)**	**103.7**	**9.3**	**113.0**
Total comprehensive income for the year	**–**	**–**	**104.6**	**(0.8)**	**–**	**96.1**	**199.9**	**11.0**	**210.9**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends paid to equity holders	**–**	**–**	**–**	**–**	**–**	**(19.4)**	**(19.4)**	**–**	**(19.4)**
Issue of shares in lieu of dividends	**1.1**	**(1.1)**	**–**	**–**	**–**	**15.3**	**15.3**	**–**	**15.3**
Own shares purchased	**–**	**–**	**–**	**–**	**(2.2)**	**–**	**(2.2)**	**–**	**(2.2)**
Dividends paid – non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2.6)**	**(2.6)**
Share-based payment transactions (net of tax)	**–**	**–**	**–**	**–**	**–**	**1.4**	**1.4**	**–**	**1.4**
Share options exercised	**–**	**0.2**	**–**	**–**	**–**	**–**	**0.2**	**–**	**0.2**
Total contributions by and distributions to owners	**1.1**	**(0.9)**	**–**	**–**	**(2.2)**	**(2.7)**	**(4.7)**	**(2.6)**	**(7.3)**
Total changes in ownership interests in subsidiaries:									
Non-controlling interests arising on acquisition of 40% interest in Beijing with a change in control	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11.4**	**11.4**
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11.4**	**11.4**
Total transactions with owners	**1.1**	**(0.9)**	**–**	**–**	**(2.2)**	**(2.7)**	**(4.7)**	**8.8**	**4.1**
Balance as at 31 December 2010	**94.0**	**844.7**	**290.4**	**(0.8)**	**(2.2)**	**721.4**	**1,947.5**	**171.2**	**2,118.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 **£m**	2009 £m
Cash flows from operating activities		
Profit for the year	**97.9**	74.6
Adjustments for:		
Depreciation and amortisation	**32.7**	32.1
Share of profit of joint ventures and associates	**(24.8)**	(14.2)
Separately disclosed items – Group	**5.3**	2.4
Loss on sale of property, plant and equipment	**–**	0.4
Equity settled share-based transactions	**(0.8)**	1.6
Finance income	**(8.8)**	(3.0)
Finance expense	**14.7**	10.3
Income tax expense	**30.7**	7.3
Operating profit before changes in working capital and provisions	**146.9**	111.5
(Increase)/decrease in inventories, trade and other receivables	**(7.9)**	3.8
Increase in development properties	**(21.4)**	(2.7)
Increase/(decrease) in trade and other payables	**79.6**	(0.1)
Decrease in provisions and employee benefits	**(1.2)**	(1.3)
Cash generated from operations	**196.0**	111.2
Interest paid	**(7.0)**	(10.3)
Interest received	**2.0**	2.3
Income tax paid	**(24.1)**	(19.8)
Net cash generated from operating activities	**166.9**	83.4
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**–**	0.1
Dividends received from associates	**15.2**	12.5
Increase in loan to joint venture	**–**	(2.3)
Increase in investment in joint ventures and associates	**(20.1)**	(2.9)
Acquisitions of subsidiary, net of cash acquired	**(12.6)**	–
Acquisition of property, plant and equipment, and lease premium prepayment	**(18.9)**	(17.5)
Net cash used in investing activities	**(36.4)**	(10.1)
Balance carried forward	**130.5**	73.3

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 £m	2009 £m
Balance brought forward	**130.5**	73.3
Cash flows from financing activities		
Proceeds from issue of share capital	**0.2**	0.1
Repayment of borrowings	**(90.2)**	(170.0)
Drawdown of borrowings	**71.1**	36.2
Payment of transaction costs related to loans and borrowings	**(1.3)**	–
Repurchase of own shares	**(2.2)**	–
Dividends paid to non-controlling interests	**(2.6)**	(2.6)
Dividends paid to equity holders of the parent	**(4.1)**	(4.0)
Net cash used in financing activities	**(29.1)**	(140.3)
Net increase/(decrease) in cash and cash equivalents	**101.4**	(67.0)
Cash and cash equivalents at the beginning of year	**134.9**	209.3
Effect of exchange rate fluctuations on cash held	**15.2**	(7.4)
Cash and cash equivalents at end of year	**251.5**	134.9
Reconciliation of cash and cash equivalents		
Cash and cash equivalents shown in the consolidated statement of financial position	**251.9**	135.5
Bank overdrafts (included in borrowings)	**(0.4)**	(0.6)
Cash and cash equivalents for cash flow statement purposes	**251.5**	134.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 15 February 2011. The Company is a limited company incorporated in Great Britain whose shares are publicly traded. The registered office is located at Victoria House, Victoria Road, Horley, Surrey, RH6 7AF, United Kingdom.

2.1 BASIS OF PREPARATION

The consolidated 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 expense, non-operating income and other separately disclosed items of the Group together with separately disclosed items of joint ventures and associates. This is in accordance with the 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 fitted measures used by other companies. The Directors intend to follow such presentation on a consistent basis in the future. The financial statements are presented in the Company's functional currency of sterling, rounded to the nearest hundred thousand.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRSs as adopted by the EU.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2010.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Investments in associates and jointly controlled entities (equity accounted investees)

The Group's investment in its associates and joint ventures is accounted for using the equity method. An associate is an entity 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.

Under the equity method, the investment in associates and joint ventures is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate and joint venture. Goodwill relating to the associate and joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate and joint venture. Where there has been a change recognised directly in the equity of the associate and joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The share of profit of associates and joint ventures is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and joint venture and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates and joint ventures.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.1 BASIS OF PREPARATION (CONTINUED)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates and joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and joint ventures and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over associates and joint ventures, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations as of 1 January 2010:

Amendment to IFRS 2 – Share-based payments

IFRS 3 (Revised 2008) – Business Combinations

IAS 27 (Amended 2008) – Consolidated and Separate Financial Statements

Amendments to IAS 39 – Financial Instruments

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

Improvements to IFRSs (issued April 2009)

Improvement to IFRSs (issued April 2009) included amendments to IAS 17 'Leases'. IAS 17 was amended so that leases of land with an indefinite economic life need not be classified as an operating lease. A land lease with a lease term of several decades may be classified as a finance lease, even if at the end of the lease term title does not pass to the lessee. Certain land leases had been reclassified from operating leases to finance leases. Previously these operating leases had a lease premium prepayment held on the Statement of Financial Position, which were amortised over the lease term. With the amendment to IAS 17, the lease premium prepayments have been reclassified to Land and Buildings and the 2009 and 2008 comparative consolidated statements of financial position have been restated accordingly. As at 31 December 2009 cost of £95.9m (31 December 2008 £96.4m) and accumulated amortisation of £26.7m (31 December 2008 £25.9m) was reclassified from non-current and current lease premium prepayment to property plant and equipment. There was no effect on the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows.

The 2009 comparatives for the consolidated income statement have been restated to present information to enhance the readers understanding of the Group's performance for the year whereby operating profit is now analysed into more appropriate captions with no impact on overall operating profit.

IFRS 3 (revised) was applied to the acquisition of Beijing Fortune Co., Ltd. Further details can be found on note 31.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured and its subsequent settlement shall be accounted for within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed and is allocated to each of the Group's hotels that are expected to benefit from the combination. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Transaction costs directly attributable to the acquisition are charged to the income statement.

B Foreign currency

(i) Foreign currency translation

The financial statements of each of the Group's businesses are prepared in the functional currency applicable to that business. Transactions in foreign currencies other than the functional currency 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

On consolidation, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C 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.

D 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 is still 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E Property, plant, equipment and depreciation

(i) Recognition and measurement

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 property, plant and equipment is 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.

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.

(ii) Depreciation

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.

(iii) Subsequent costs

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 stated at their deemed costs as at 1 January 2008 and subsumed into the costs of the hotel buildings. Subsequent renewals and replacements of such stocks and new supplies upon initial hotel opening are written off as incurred to the income statement.

F 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 current or non-current liabilities. 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.

As a result of the adoption of the amendment to IAS17 Leases, a number of land leases previously categorised in lease premium prepayment are determined to be finance leases were transferred to property, plant and equipment.

Rentals payable by the Group under 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Leases (continued)

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 incurred in earning the lease income are recognised as an expense.

(ii) Lease premium

On occasion the Group makes and receives initial payments on entering both into long and short leases of land and buildings. Where payment for leased land is equivalent to the purchase of the freehold interest the lease is classified as a finance lease. All other payments for leases of land are classified as operating.

On the statement of financial position, financial lease payment attributable to the land is recorded on as property plant and equipment and those for operating leases, the land is recorded as a lease premium prepayment. Both lease types are charged to the income statement on a straight line basis over the term of the lease. Interest attributable to funds to finance the purchase of lease of land is capitalised gross of tax relief and added to the cost of lease.

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

G Impairment

The carrying amounts of the Group's assets, other than investment properties, inventories, employee benefit assets and deferred tax assets are reviewed 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 permissible 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 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 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.

H 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.

As a result of the adoption of the amendment to IAS 40, as at 1 January 2009 the Group has reclassified investment properties under construction from "property, plant and equipment" to "investment properties".

An external independent valuer, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Investment properties (continued)

The Group's associate 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/expenses 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.

I 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.

J 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.

K 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.

L 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.

M 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 substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for using the balance sheet 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; and (ii) 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N 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 Comprehensive Income 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 the terms of the Group's obligations.

(iv) Share-based payment transaction

The share-based incentive schemes allow the Group's employees to acquire shares of Millennium & Copthorne Hotels plc.

The cost of equity-settled transaction with employees for awards granted after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 23.

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Employee benefits (continued)

(iv) Share-based payment transaction (continued)

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 11).

O 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.

P 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 34;
- 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.

Q 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R Operating segment information

Disclosure of segmental information is principally presented in respect of the Group's geographical segments. The segments reported reflect the operating information included in internal reports that the Chief Operating Decision Maker ("CODM"), the Board, regularly reviews. Further details are given in note 5.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Discrete financial information is reported to and is reviewed by the CODM on a geographical basis. A Chief Operating Officer ("COO") or equivalent is responsible for one or more geographical segments and is accountable for the functioning of the segment and who maintains regular contact with executive members of the CODM to discuss the operational and financial performance. The CODM makes decisions about allocation of resources to the regions managed by the COO.

Segment results that are reported to the CODM 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, cash and cash equivalents, net finance expense, taxation balances and corporate expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

S Non-current assets held-for-sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale. Generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to property, plant and equipment and lease premium prepayment, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

T 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 impairment.

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

U 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.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discussed with the Audit Committee on the 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 contingencies 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. Key estimates and judgements have been made in the following areas:

Asset carrying values

Management performs an assessment at each balance sheet date of assets across the Group where risk of impairment has been identified. Key judgement areas include the carrying values of land and buildings, investments in and loans to associates and joint ventures and development properties. The recovery of these assets is dependent on future cash flows receivable and the provision of future services or goods by third parties.

Where risk of impairment has been identified an impairment review has been performed on property, plant and equipment, lease premium prepayments and investments in and loans to joint ventures and associates held across the Group on a cash generating basis. Where appropriate, external evaluations are also undertaken. The impairment review is performed on a 'value in use' basis which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and appropriate growth rates. The discount rates used reflect appropriate sensitivities involved in the assessment. Discount rates used for impaired properties are disclosed in note 12.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 31 to 39. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Business Review on pages 31 to 39. In addition, note 22 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources and has plans to renew its expiring facilities,

Cash flow forecasts for the Group have been prepared for a period in excess of twelve months from the date of approval of these consolidated financial statements. These forecasts reflect an assessment of current market conditions. The forecasts completed on this basis show that the Group will be able to operate within the current committed debt facilities and show continued compliance with the financial covenants. In addition, management has considered various mitigating actions that could be taken in the event that market conditions are worse than their current assessment. Such measures include further reduction in costs and in capital expenditure. On the basis of the exercise as described above and the available committed debt facilities, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Group and the Company.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Defined benefit pension plans

The Group operates a number of defined benefit pension plans. As set out in note 23, 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 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. In reviewing the work of the independent actuary, management was required to exercise judgement to satisfy themselves that appropriate weight had been afforded to macroeconomic factors. Details of the assumptions used are set out in note 23.

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

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 2010 was 34.9%. 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 34, 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.

Management have judged that 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 34.9% 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, the Group entered into sale and lease back arrangements in respect of three hotels in Singapore. As further explained in note 34 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.

The prepaid operating land lease income is recognised on the statement of financial position as deferred income, and is being amortised over the 75 years of the lease. At 31 December 2010 an amount of £119.0m is recognised on the statement of financial position as deferred income, £117.3m in non-current liabilities and £1.7m in current creditors and an amount of £1.7m has been credited to the 2010 income statement.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Lease backs from CDLHT continued

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 pages 83 and 84. 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 pages 83 and 84.

Judgement is required in assessing 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/expense 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.

Land leases classification

Improvement to IFRSs (issued April 2009) included amendments to IAS 17 'Leases'. IAS 17 was amended so that Leases of land with an indefinite economic life need not be classified as an operating lease. A Land lease with a lease term of several decades may be classified as a finance lease, even if at the end of the lease term title does not pass to the lessee. Certain land leases had been reclassified from operating leases to finance leases. Previously these operating leases had a lease premium prepayment held on the Statement of Financial Position, which were amortised over the lease term. In determining the lease of land status as to finance or operating lease the following factors were considered:

- transfer of ownership
- purchase options
- present value of minimum lease payments in comparison to fair value of land

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations have been issued but not yet effective. These include:

Amendments to IAS 32 – Financial Instruments: Disclosure and Presentation

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

IAS 24 (revised 2009) – Related Party Disclosures

Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement

None of these are expected to have a significant impact on the consolidated financial statements of the Group.

5. OPERATING SEGMENT INFORMATION

Disclosure of segmental information is principally presented in respect of the Group's geographical segments.

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, cash and cash equivalents, net finance expense, taxation balances and corporate expenses.

Geographical Segments

The principal activity of the Group is the ownership and management of hotels around the world. The hotel and operations are managed on a worldwide basis and operate in seven principal geographical areas:

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

The segments reported reflect the operating segment information included in the internal reports that the Chief Operating Decision Maker ('CODM'), the Board, regularly reviews.

5. OPERATING SEGMENT INFORMATION (CONTINUED)

The reportable segments are aligned with the structure of the Group's internal organisation which is based according to geographical region. Discrete financial information is reported to and is reviewed by the CODM on a geographical basis. A Chief Operating Officer ("COO") or equivalent is responsible for one or more geographical segments, is accountable for the functioning of the segment and maintains regular contact with executive members of the CODM to discuss the operational and financial performance. The CODM makes decisions about allocation of resources based on all five reported segment profits contained in the segmental results to the regions managed by the COO.

Segment results

	2010								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel	102.3	116.0	93.5	94.6	140.9	137.6	49.1	–	734.0
Property operations	–	1.5	–	–	2.4	0.1	5.7	–	9.7
Total Revenue	102.3	117.5	93.5	94.6	143.3	137.7	54.8	–	743.7
Hotel Gross Operating Profit	28.4	20.0	50.1	25.3	76.1	53.8	18.6	–	272.3
Hotel fixed charges[1]	(18.1)	(19.2)	(13.0)	(21.1)	(41.5)	(16.6)	(8.2)	–	(137.7)
Hotel operating profit	10.3	0.8	37.1	4.2	34.6	37.2	10.4	–	134.6
Property operations operating profit/(loss)	–	(0.7)	–	–	(2.7)	–	1.9	–	(1.5)
Central costs	–	–	–	–	–	–	–	(18.1)	(18.1)
Share of joint ventures and associates	–	–	–	–	13.1	12.0	4.0	–	29.1
Headline operating profit/(loss)	10.3	0.1	37.1	4.2	45.0	49.2	16.3	(18.1)	144.1
Add back depreciation and amortisation	5.0	8.8	4.8	3.8	2.1	5.3	2.0	0.9	32.7
Headline EBITDA[2]	15.3	8.9	41.9	8.0	47.1	54.5	18.3	(17.2)	176.8
Depreciation and amortisation									(32.7)
Share of interest, tax and non-controlling interests of joint ventures and associates – operating profit									(9.7)
Net finance expense									(5.9)
Headline profit before tax									128.5
Separately disclosed items – Group[3]									(5.3)
Separately disclosed items – Share of joint ventures and associates									6.9
Separately disclosed items – Share of interest, tax and non-controlling interests of joint ventures and associates									(1.5)
Profit before tax									128.6

1 Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.

2 Earnings before interest, tax, depreciation and amortisation

3 Included within separately disclosed items – Group is a £15.2 million impairment charge. An impairment charge of £8.8 million was made in relation to 6 Regional UK hotels in Rest of Europe and £5.8 million was made in relation to 6 hotels in Regional US. Also a £0.6 million impairment charge was made within Rest of Asia on additional shareholder loan and interest in the Group's 50% investment in Bangkok.

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment results

	2009 (restated[4])								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore[3] £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel	95.6	110.8	88.0	92.9	102.8	116.1	40.7	–	646.9
Property operations	–	1.5	–	–	2.3	0.1	3.2	–	7.1
Total Revenue	95.6	112.3	88.0	92.9	105.1	116.2	43.9	–	654.0
Hotel Gross Operating Profit	24.3	18.3	46.4	23.8	51.2	42.2	15.3	–	221.5
Hotel fixed charges[1]	(19.0)	(21.8)	(12.7)	(22.2)	(29.3)	(15.5)	(5.6)	–	(126.1)
Hotel operating profit/(loss)	5.3	(3.5)	33.7	1.6	21.9	26.7	9.7	–	95.4
Property operations operating profit/(loss)	–	(1.2)	–	–	1.7	(0.1)	0.8	–	1.2
Central costs	–	–	–	–	–	–	–	(19.2)	(19.2)
Share of joint ventures and associates	–	–	–	–	11.3	8.0	1.3	–	20.6
Headline operating profit/(loss)	5.3	(4.7)	33.7	1.6	34.9	34.6	11.8	(19.2)	98.0
Add back depreciation and amortisation	5.2	9.4	5.2	3.9	0.3	5.3	1.7	1.1	32.1
Headline EBITDA[2]	10.5	4.7	38.9	5.5	35.2	39.9	13.5	(18.1)	130.1
Depreciation and amortisation									(32.1)
Share of interest, tax and non-controlling interests of joint ventures and associates – operating profit									(6.5)
Net finance expense									(7.3)
Headline profit before tax									84.2
Separately disclosed items – Group[3]									(2.4)
Separately disclosed items – Share of joint ventures and associates									0.6
Separately disclosed items – Share of interest, tax and non-controlling Interest of joint ventures and associates									(0.5)
Profit before tax									81.9

1 Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.

2 Earnings before interest, tax, depreciation and amortisation

3 Included within separately disclosed items – Group is a £2.2 million impairment charge. An impairment charge of £0.9 million Rest of Asia was made in relation to land in India and a £1.3 million impairment charge was made on additional shareholder loan and interest in the Group's 50% investment in Bangkok.

4 Operations of the REIT in Australasia of £1.3m previously recorded in the Singapore segment have been reclassified.

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Segmental assets, liabilities and capital expenditure

	2010							
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
Hotel operating assets	**354.2**	**297.3**	**439.7**	**207.7**	**245.2**	**634.9**	**157.1**	**2,336.1**
Hotel operating liabilities	**(9.9)**	**(30.5)**	**(22.8)**	**(31.1)**	**(153.1)**	**(61.3)**	**(9.1)**	**(317.8)**
Investment in and loans to joint ventures and associates	**–**	**–**	**–**	**–**	**173.2**	**160.7**	**62.9**	**396.8**
Total hotel operating net assets	**344.3**	**266.8**	**416.9**	**176.6**	**265.3**	**734.3**	**210.9**	**2,415.1**
Property operating assets	**–**	**29.0**	**–**	**–**	**87.6**	**9.8**	**74.1**	**200.5**
Property operating liabilities	**–**	**(0.1)**	**–**	**–**	**(42.2)**	**(4.4)**	**(0.7)**	**(47.4)**
Total property operating net assets	**–**	**28.9**	**–**	**–**	**45.4**	**5.4**	**73.4**	**153.1**
Deferred tax liabilities								**(251.8)**
Income taxes payable								**(32.0)**
Net debt								**(165.7)**
Net assets								**2,118.7**
Capital expenditure	**0.4**	**3.8**	**0.9**	**1.7**	**7.7**	**4.7***	**2.2**	**21.4**

*Excludes £108.9m of property, plant and equipment and lease premium prepayment acquired on acquisition of Beijing Fortune Co., Ltd.

	2009							
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
Hotel operating assets	346.9	295.8	443.5	216.6	210.5	480.1	140.6	2,134.0
Hotel operating liabilities	(9.8)	(29.5)	(22.8)	(25.5)	(125.0)	(33.1)	(5.1)	(250.8)
Investment in and loans to joint ventures and associates	–	–	–	–	175.3	131.6	19.5	326.4
Total hotel operating net assets	337.1	266.3	420.7	191.1	260.8	578.6	155.0	2,209.6
Property operating assets	–	33.0	–	–	50.8	8.1	67.3	159.2
Property operating liabilities	–	(0.1)	–	–	(1.3)	–	(0.9)	(2.3)
Total property operating net assets	–	32.9	–	–	49.5	8.1	66.4	156.9
Deferred tax liabilities								(230.6)
Income taxes payable								(29.7)
Net debt								(202.5)
Net assets								1,903.7
Capital expenditure	0.9	2.8	1.1	0.8	7.9	1.4	0.7	15.6

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographic information

	2010 £m	2009 £m
Revenue from external customers		
United States	**219.8**	207.9
Singapore	**143.3**	105.1
United Kingdom	**141.7**	136.7
New Zealand	**53.5**	42.8
Taiwan	**51.3**	43.9
South Korea	**50.3**	43.7
Germany	**27.5**	26.2
Malaysia	**16.3**	14.4
France	**15.9**	15.0
Philippines	**9.7**	8.5
Indonesia	**5.4**	4.2
Other	**9.0**	5.6
Total revenue per consolidated income statement	**743.7**	654.0

The revenue information above is based on the location of the business. The £743.7m (2009: £654.0m) revenue is constituted by £734.0m (2009: £646.9m) of hotel revenue and by £9.7m (2009: £7.1m) from property operations. The property operations revenue comprises £5.7m (2009: £3.2m) from New Zealand, £2.4m (2009: £2.3m) from Singapore and other countries £1.6m (2009: £1.6 m).

	2010 £m	2009 £m
Non-current assets		
United States	**659.7**	659.2
United Kingdom	**582.6**	599.9
Singapore	**475.2**	429.0
Taiwan	**240.4**	214.8
China	**180.5**	51.1
New Zealand	**164.0**	151.8
South Korea	**144.6**	139.8
Hong Kong	**89.7**	80.5
Malaysia	**70.0**	60.9
Australia	**45.6**	0.4
France	**43.5**	46.9
Philippines	**38.7**	35.9
Indonesia	**16.1**	11.5
Other	**5.2**	4.7
Total non-current assets per consolidated statement of financial position	**2,755.8**	2,486.4

Non-current assets for this purpose consist of property, plant and equipment, lease premium prepayment, investment properties, investments in joint ventures and associates and other financial assets.

6. ADMINISTRATIVE EXPENSES

The following items are included within administrative expenses:

	2010 **£m**	2009 £m
(a) Included in administrative expenses is the auditor's remuneration, for audit and non-audit services as follows:		
Auditor's remuneration		
Statutory audit services:		
– Annual audit of the Company and consolidated accounts	**0.4**	0.4
– Audit of subsidiary companies	**1.2**	0.8
	1.6	1.2
Non-audit related services:		
– Further assurance services relating to accounting advice	**0.2**	0.2
– Other services relating to taxation	**0.4**	0.4
	0.6	0.6
	2.2	1.8

In addition to the above, fees in respect of the annual audit of the Millennium & Copthorne UK pension plan were £0.1m (2009: £0.1m).

	2010	2009
(b) Impairment (note 7)	**15.2**	2.2
(c) Repairs and maintenance	**34.9**	33.0
(d) Depreciation	**31.3**	31.0
(e) Lease premium amortisation	**1.4**	1.1
(f) Rental paid/payable under operating leases		
– land and buildings	**45.8**	37.3
– plant and machinery	**5.6**	5.6

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 and a conference centre. Details of these lease arrangements and rents payable thereon are given in note 34.

7. SEPARATELY DISCLOSED ITEMS

	Notes	2010 £m	2009 £m
Other operating income			
Revaluation gain of investment properties	(a)	**9.3**	–
Other operating expense			
Revaluation deficit of investment properties	(a)	**(5.2)**	(0.2)
Separately disclosed items included in administrative expenses			
Goodwill written-off in respect of Beijing	(b)	**(8.1)**	–
Impairment	(c)	**(15.2)**	(2.2)
Redundancy costs	(d)	**(1.7)**	–
		(25.0)	(2.2)
Non-operating income			
Gain on dilution of interest in associate	(e)	**7.2**	–
Gain arising in respect of step up acquisition of Beijing	(b)	**8.4**	–
		15.6	–
Separately disclosed items – Group		**(5.3)**	(2.4)
Separately disclosed items – share of joint ventures and associates			
Provision for asset write-off and legal costs in FSCL	(f)	**(2.3)**	–
Revaluation gain of investment properties	(g)	**9.2**	0.6
		6.9	0.6

(a) Revaluation of investment properties

At end of 2010, the Group's investment properties were subject to external professional valuation on an open market existing use basis. Tanglin Shopping Centre recorded uplift in value of £9.3m whereas Biltmore Court & Tower and Sunnyvale residences recorded decreases in value of £1.9m and £3.3m respectively. In 2009 Tanglin Shopping Centre recorded a decrease in value of £0.2m and both Biltmore Court & Tower and Sunnyvale residences recorded no change.

(b) Gain on acquisition of subsidiary

On 15 November 2010, Beijing Fortune Co., Ltd. ("Beijing Fortune") which owns and operates the Grand Millennium Hotel Beijing became a 70% owned subsidiary following the Group exercising an option to buy an additional 40% interest from Beijing Xiangjiang Xinli Real Estate Development Co., Ltd. The Group previously held a 30% interest in Beijing Fortune and accounted for its share of the results and net assets in accordance with IAS 31, Interests in Joint Ventures. A £0.3m net gain arose on the transaction which consisted of a £8.4m gain from revaluing the previously held 30% interest net of a £8.1m write-off of goodwill arising from the acquired 40% interest.

(c) Impairment

The Directors undertook an annual review of the carrying value of hotels and property assets for indication of impairment and where appropriate, external valuations were also undertaken (see note 12). An impairment charge of £14.6m was made in relation to 6 hotels each in Regional UK and Regional US and a £0.6m impairment charge made on additional shareholder loan and interest in the Group's 50% investment in Bangkok. In 2009, an impairment charge of £0.9m was made in relating to land in India and £1.3m on additional shareholder loan and interest in Bangkok.

In the previous year end review of those hotels now being impaired, the value of those hotels was based on a planned recovery of trading post the economic downturn in 2008 and 2009. With trading recovery not as strong as expected in Regional US and Regional UK, this has resulted in an impairment charge for a number of our hotels.

7. SEPARATELY DISCLOSED ITEMS (CONTINUED)

(d) Redundancy costs

Following a decision to redevelop the Orchid Hotel Singapore into apartments, a £1.7m provision was recorded in relation to redundancy costs announced to its workforce during 2010, associated with its closure anticipated during the first quarter of 2011.

(e) Gain on dilution of interest in associate

On 1 July 2010, CDLHT announced the issue of 116,960,000 new stapled securities, priced at S$1.71 each, pursuant to a private placement, and raising net proceeds of S$196.7m (S$200.0m gross). Proceeds were applied to pay down debt. The Group's interest in CDLHT fell to 34.77% from its pre-issuance interest of 39.03%, which resulted in a non-cash gain of S$15.0m (£7.2m). The gain arises from the Group's share of proceeds being greater than its share of net tangible assets diluted by the issue.

(f) Provision for asset write-off and legal costs in FSCL

The £2.3m charge represents the Group's share of provision against assets write-off and legal costs in First Sponsor Capital Limited ("FSCL").

(g) Revaluation gain of investment properties

At end of 2010, the investment properties of CDL Hospitality Trusts ("CDLHT"), the Group's associate in a Singapore-listed REIT, and those of First Sponsor Capital Limited ("FSCL") were subject to external professional valuation on an open market existing use basis. The Group's share of CDLHT's and FSCL's net revaluation surplus of investment properties was £4.4m and £4.8m respectively. In 2009, the Group's share of FSCL's revaluation surplus of investment properties was £0.6m and CDLHT recorded no change.

8. PERSONNEL EXPENSES

	2010 £m	2009 £m
Wages and salaries	**226.9**	208.4
Compulsory social security contributions	**33.3**	31.3
Contributions to defined contribution schemes	**9.2**	9.1
Defined benefit pension (credit)/cost – recorded in the statement of comprehensive income	**(1.1)**	6.5
Defined benefit pension costs – recorded in the income statement	**2.5**	2.0
Equity settled share-based payment transactions	**(0.8)**	1.6
	270.0	258.9

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

	2010 Number	2009 Number
Hotel operating staff	**8,960**	8,809
Management/administration	**1,219**	1,255
Sales and marketing	**500**	519
Repairs and maintenance	**553**	548
	11,232	11,131

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 59 to 65.

9. NET FINANCE EXPENSE

	2010 £m	2009 £m
Interest income	**2.2**	2.0
Interest receivable from joint ventures	**0.5**	0.4
Foreign exchange gain	**6.1**	0.6
Finance income	**8.8**	3.0
Interest expense	**(8.5)**	(9.7)
Foreign exchange loss	**(6.2)**	(0.6)
Finance expense	**(14.7)**	(10.3)
Net finance expense	**(5.9)**	(7.3)

10. INCOME TAX EXPENSE

	2010 £m	2009 £m
Current tax		
Corporation tax charge for the year	**29.6**	23.0
Adjustment in respect of prior years	**(4.5)**	(3.1)
Total current tax expense	**25.1**	19.9
Deferred tax (note 26)		
Origination and reversal of timing differences	**(5.1)**	3.4
Effect of change in tax rate on opening deferred taxes	**(7.4)**	(9.9)
Benefits/(utilisation) of tax losses recognised	**0.2**	(3.1)
Change in tax legislation	**11.9**	–
Under/(over) provision in respect of prior years	**6.0**	(3.0)
Total deferred tax charge/(credit)	**5.6**	(12.6)
Total income tax charge in the income statement	**30.7**	7.3
UK	**7.1**	7.8
Overseas	**23.6**	(0.5)
Total income tax charge in the income statement	**30.7**	7.3

The Group recorded a tax expense of £30.7m (2009: £7.3m) excluding the tax relating to joint ventures and associates, giving rise to an effective rate of 29.6% (2009: 10.8%). The higher effective rate is due primarily to the impact of a change in legislation in New Zealand, which removed the ability to depreciate buildings for tax purposes, resulting in an increased deferred tax liability. This is partly offset by the impact of reduced tax rates applied to brought forward net deferred tax liabilities in Taiwan, New Zealand and the UK.

Excluding the impact of separately disclosed items of the Group within profit before tax, changes in corporate tax rates on brought forward deferred taxes, changes in tax legislation and adjustments in respect of previous years, the Group's underlying effective tax rate is 28.9% (2009: 33.2%).

A tax charge of £4.4m (2009: £2.3m) relating to joint ventures and associates is included in the reported profit before tax.

Major adjustment factors affecting the 2010 tax expense:

Effect of changes in tax rates

The credit of £7.4m relates to reduction in tax rate in Taiwan, New Zealand and the UK on opening deferred taxes.

10. INCOME TAX EXPENSE (CONTINUED)

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.

Income tax reconciliation

	2010 £m	2009 £m
Profit before income tax in income statement	**128.6**	81.9
Less share of profits of joint ventures and associates[1]	**(24.8)**	(14.2)
Profit on ordinary activities excluding share of joint ventures and associates	**103.8**	67.7
Income tax on ordinary activities at the standard rate of UK tax of 28.0% (2009: 28.0%)	**29.1**	19.0
Tax exempt income	**(5.3)**	(1.6)
Non deductible expenses	**4.8**	5.1
Recognition of deferred tax on share of undistributed associate's profit	**(0.2)**	–
Current year losses for which no deferred tax asset was recognised	**0.7**	0.8
Unrecognised deferred tax assets	**1.0**	1.3
Recognition of previously unrecognised tax losses	**(0.2)**	(1.0)
Effect of higher tax rates on other operating expense	**(3.0)**	–
Other effect of tax rates in foreign jurisdictions	**(2.2)**	(0.3)
Effect of change in tax rates on opening deferred taxes	**(7.4)**	(9.9)
Changes in tax legislation	**11.9**	–
Other adjustments to tax charge in respect of prior years[2]	**1.5**	(6.1)
	30.7	7.3

1 The effective rate of tax for joint ventures and associates before other operating (expense)/income is 16.9% (2009: 12.5%). This is lower than the standard rate of UK tax of 28.0% (2009: 28.0%), due to lower rates of corporation tax being applicable in the jurisdictions in which the entities operate and the effects of tax exempt income.

2 Comprising £4.5m credit (2009: £3.1m credit) in respect of current tax and £6.0m charge (2009: £3.0m credit) in respect of deferred tax.

Income tax on income and expense recognised directly in equity

	2010 £m	2009 £m
Taxation (expense)/credit arising on defined benefit pension schemes	**(0.5)**	1.5
Taxation expense arising from cash flow hedging	**(0.2)**	–
Taxation expense other	**(0.5)**	–
	(1.2)	1.5

11. EARNINGS PER SHARE

Earnings per share are calculated using the following information:

All amounts in £m unless otherwise stated	2010	2009
(a) Basic		
Profit for year attributable to holders of the parent (£m)	**96.2**	70.1
Weighted average number of shares in issue (m)	**311.8**	306.1
Basic earnings per share (pence)	**30.9p**	22.9p
(b) Diluted		
Profit for year attributable to holders of the parent (£m)	**96.2**	70.1
Weighted average number of shares in issue (m)	**311.8**	306.1
Potentially dilutive share options under Group's share option schemes (m)	**1.2**	0.6
Weighted average number of shares in issue (diluted) (m)	**313.0**	306.7
Diluted earnings per share (pence)	**30.7p**	22.9p
(c) Headline earnings per share (pence)		
Profit for year attributable to holders of the parent (£m)	**96.2**	70.1
Adjustments for:		
Separately disclosed items – Group (net of tax and non-controlling interests) (£m)	**(1.6)**	2.0
Share of separately disclosed items of joint ventures and associates (net of tax and non-controlling interests) (£m)	**(5.4)**	(0.1)
Changes in tax rates on opening deferred tax (£m)	**(7.4)**	(9.9)
Changes in tax legislation (£m)	**11.9**	–
Adjusted profit for the year attributable to holders of the parent (£m)	**93.7**	62.1
Weighted average number of shares in issue (m)	**311.8**	306.1
Headline earnings per share (pence)	**30.1p**	20.3p
(d) Diluted headline earnings per share (pence)		
Adjusted profit for the year attributable to the holders of the parent (£m)	**93.7**	62.1
Weighted average number of shares in issue (diluted) (m)	**313.0**	306.7
Diluted headline earnings per share (pence)	**29.9p**	20.2p

12. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings £m	Capital work in progress £m	Fixtures, fittings and equipment £m	Plant and machinery and vehicles £m	Total £m
Cost						
Balance at 31 December 2008 (as previously stated)		2,022.5	30.4	104.0	199.3	2,356.2
Reclassification from lease premium prepayment	(a)	96.4	–	–	–	96.4
Balance at 31 December 2008 (restated)		2,118.9	30.4	104.0	199.3	2,452.6
Balance at 1 January 2009 (restated)		2,118.9	30.4	104.0	199.3	2,452.6
Additions		1.5	9.1	2.4	2.6	15.6
Transfer to investment properties	(b)	–	(15.9)	–	–	(15.9)
Transfers		1.3	(0.9)	0.4	(0.8)	–
Disposals		(0.3)	–	(0.4)	(17.1)	(17.8)
Foreign exchange adjustments		(61.3)	(0.7)	(3.7)	(8.7)	(74.4)
Balance at 31 December 2009 (restated)		2,060.1	22.0	102.7	175.3	2,360.1
Balance at 1 January 2010		2,060.1	22.0	102.7	175.3	2,360.1
Additions		6.9	5.1	2.2	7.2	21.4
Acquisition	(c)	46.2	–	10.8	6.9	63.9
Transfers		12.2	(18.3)	1.5	4.6	–
Disposal		–	(0.2)	(5.2)	(7.2)	(12.6)
Foreign exchange adjustments		96.7	4.0	6.3	10.6	117.6
Balance at 31 December 2010		**2,222.1**	**12.6**	**118.3**	**197.4**	**2,550.4**
Depreciation						
Balance as at 31 December 2008 (as previously stated)		98.6	7.4	30.3	152.2	288.5
Reclassification from lease premium prepayment	(a)	25.9	–	–	–	25.9
Balance at 31 December 2008 (restated)		124.5	7.4	30.3	152.2	314.4
Balance at 1 January 2009 (restated)		124.5	7.4	30.3	152.2	314.4
Transfer to investment properties	(b)	–	(5.6)	–	–	(5.6)
Charge for year		10.6	–	4.4	16.9	31.9
Impairment	(f)	0.9	–	–	–	0.9
Disposals		–	–	(0.4)	(16.8)	(17.2)
Foreign exchange adjustments		(3.4)	(0.1)	0.3	(6.2)	(9.4)
Balance at 31 December 2009 (restated)		132.6	1.7	34.6	146.1	315.0
Balance at 1 January 2010		132.6	1.7	34.6	146.1	315.0
Charge for the year		11.3	–	4.0	16.8	32.1
Impairment	(d)	14.6	–	–	–	14.6
Transfer		1.7	(1.7)	–	–	–
Disposal		–	–	(5.2)	(7.0)	(12.2)
Foreign exchange adjustments		3.7	–	6.2	5.3	15.2
Balance at 31 December 2010		**163.9**	**–**	**39.6**	**161.2**	**364.7**
Carrying amounts						
At 31 December 2010		**2,058.2**	**12.6**	**78.7**	**36.2**	**2,185.7**
At 31 December 2009 (restated)		1,927.5	20.3	68.1	29.2	2,045.1
At 1 January 2009 (restated)		1,994.4	23.0	73.7	47.1	2,138.2
At 31 December 2008 (restated)		1,994.4	23.0	73.7	47.1	2,138.2

(a) Reclassification from lease premium prepayment

As a result of amendments to IAS 17 Leases, a number of land leases previously categorised in lease premium prepayment are determined to be finance leases and were transferred to property, plant and equipment.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Transfer to investment properties

In 2009, as a result of the adoption of the amendment to IAS 40, the Group reclassified investment properties under construction (Sunnyvale residences) to investment properties at a net book value of £10.3m.

(c) Acquisition

In November 2010, Beijing Fortune Co., Ltd became a 70.0% owned subsidiary following an option to buy an additional 40.0%. The acquired assets have been accounted for at fair value (refer to note 31).

(d) Impairment

Property, plant and equipment are reviewed for impairment based on each cash generating unit (CGU). The CGUs are individual hotels. The carrying value of individual hotels was compared to the recoverable amount of the hotels, which was predominantly based on value-in-use. For 2010, where indicators of impairment were present, the Group estimated value-in-use through creation of discounted cash flow models, based on future trading performance expected by management. The underlying basis for the impairment model involves each hotel's projected cash flow for the financial year ending 31 December 2011, extrapolated to incorporate individual assumptions in respect of revenue growth (principally factoring in room rate and occupancy growth) and major expense lines. Where appropriate, the Directors sought guidance on value through a registered independent appraiser with an appropriately recognised professional qualification and recent experience in location and category of the hotel being valued.

On the basis of both external and internal valuations in 2010, the Group recorded an impairment charge of £15.2m within administrative expenses as shown in note 6 and comprises a £14.6m charge relating to property, plant and equipment and a £0.6m charge relating to impairment of additional shareholder loan and interest in 50% owned joint venture investment in Thailand. The £14.6m impairment charge was made in relation to 6 hotels in the regional UK and 6 hotels in the regional US. For 2009, the Group recorded an impairment charge of £0.9m within administrative expenses in relation to land in India based on an external valuation. The 2010 impairment charge and the estimated recoverable amount was based on the properties' value in use, determined using discount rates ranging from 6.5% to 14.5%.

In the previous year end review of those hotels now being impaired, the value of the hotels was based on a planned recovery of trading post the economic downturn in 2008 and 2009. With recovery not as strong as expected in Regional US and Regional UK, this has resulted in an impairment charge for a number of our hotels.

(e) Land and buildings

Land and buildings includes long leasehold building assets with a book value of £463.6m (2009 (restated): £420.5m) of which assets held under finance leases have a net book value of £68.6m (2009: £69.2m). The net book value of land and buildings held under short leases was £67.9m (2009: £21.6m), in respect of which depreciation of £2.6m (2009: £1.7m) was charged during the year.

Interest of £nil (2009: £0.1m) has been capitalised within land and buildings during the year. The cumulative interest within land and buildings is £4.4m (2009: £4.4m).

(f) Pledged assets

At year-end, the net book value of assets pledged as collateral for secured loans was £265.3m (2009: £262.6m). The security for the loans is by way of charges on the properties of Group companies concerned.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Key assumptions used by the external appraisers

The key assumptions used were:

Pre-tax discount rate – The discount rate is based on the country in which the hotel is located and adjusted for risks associated with the hotel. Discount rates ranged from 9.75% to 13.5% in the United States, 10.0% to 11.25% in Europe, 6.5% to 8.5% in Asia and, 8.75% to 10.25% in New Zealand.

Revenue growth – The revenue annual compound growth rates ranged from 3.8% to 9.0% in the United States, 2.7% to 3.7% in Europe, 2.6% to 9.3% in Asia and, 0.7% to 2.9% in New Zealand.

Sensitivities

The Group's impairment review is sensitive to changes in the key assumptions used, most notably the discount rates and revenue growth assumptions. Based on the Group's sensitivity analysis, a reasonable possible change in a single factor could result in impairment in a small number of our hotels in Regional UK and Regional US as their fair value currently exceeds their carrying value only by a small percentage.

13. LEASE PREMIUM PREPAYMENT

	2010 £m	Restated 2009 £m
Cost		
Balance at 1 January	**28.1**	125.0
Reclassification to property, plant and equipment	**–**	(96.4)
Balance at 1 January (restated)	**28.1**	28.6
Acquisition (note b)	**45.0**	–
Foreign exchange adjustments	**3.4**	(0.5)
Balance at 31 December	**76.5**	28.1
Amortisation		
Balance at 1 January	**2.3**	27.9
Reclassification to property, plant and equipment	**–**	(25.9)
Balance at 1 January (restated)	**2.3**	2.0
Charge for the year	**0.6**	0.2
Foreign exchange adjustments	**0.3**	0.1
Balance at 31 December	**3.2**	2.3
Carrying amount	**73.3**	25.8
Analysed between:		
Amount due after more than one year included in non-current assets	**71.5**	25.2
Amount due within one year included in current assets	**1.8**	0.6

(a) Reclassification to property plant and equipment

As a result of amendments to IAS 17 Leases, a number of land leases determined to be finance leases were transferred to property, plant equipment.

(b) Acquisition

The addition represents the acquisition of leasehold land in acquiring a 70% interest in Beijing Fortune Co Ltd – refer to note 31.

14. INVESTMENT PROPERTIES

Investment properties owned by the Group comprises offices and a shopping-cum-office complex together with a land site allocated for the future construction of condominiums (Sunnyvale residences).

Movements in the year analysed as:

	2010 Completed investment property £m	**2010** Investment property under construction £m	**2010** Total £m	2009 Completed investment property £m	2009 Investment property under construction £m	2009 Total £m
Balance at 1 January	**73.7**	**9.6**	**83.3**	79.3	–	79.3
Transfers from property, plant and equipment (see note below)	**–**	**–**	**–**	–	10.3	10.3
Adjustment to fair value	**7.4**	**(3.3)**	**4.1**	(0.2)	–	(0.2)
Foreign exchange adjustment	**7.2**	**0.3**	**7.5**	(5.4)	(0.7)	(6.1)
Balance at 31 December	**88.3**	**6.6**	**94.9**	73.7	9.6	83.3

Analysed as:

	2010 Offices and a shopping-cum-office complex £m	**2010** Residential £m	**2010** Total £m	2009 Offices and a shopping-cum-office complex £m	2009 Residential £m	2009 Total £m
Completed investment property	**88.3**	**–**	**88.3**	73.7	–	73.7
Investment property under construction	**–**	**6.6**	**6.6**	–	9.6	9.6
Balance at 31 December	**88.3**	**6.6**	**94.9**	73.7	9.6	83.3

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.

Note

As a result of the adoption of the amendment to IAS 40, as at 1 January 2009 the Group has reclassified investment properties under construction (Sunnyvale residences) from "property, plant and equipment" to "investment properties", at net book value of £10.3 million, which represents the net book value as at 31 December 2009.

14. INVESTMENT PROPERTIES (CONTINUED)

At the end of 2010, those Group investment properties were subject to external professional valuation on an open market existing use basis by the following accredited independent valuers:

Property	Valuer
Tanglin Shopping Centre, Singapore	DTZ Debenham Tie Leung
Biltmore Court & Tower, Los Angeles	Sequoia Hotel Advisors, LLC
Sunnyvale residences	Sequoia Hotel Advisors, LLC

Tanglin Shopping Centre recorded uplift in value of £9.3m whereas Biltmore Court & Tower and Sunnyvale residences recorded decreases in value of £1.9m and £3.3m respectively. In 2009 Tanglin Shopping Centre recorded a decrease in value of £0.2m and both Biltmore Court & Tower and Sunnyvale residences recorded no change.

Further details in respect of investment property rentals are given in note 32.

15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	Effective Group interest	
	2010	2009
Joint Ventures		
New Unity Holdings Limited	**50.0%**	50.0%
Fena Estate Company Limited	**50.0%**	50.0%
Beijing Fortune Hotel Co. Ltd (transferred to subsidiary undertaking in November 2010 when effective interest increased to 70%)	–	30.0%
Associates		
CDL Hospitality Trusts ("CDLHT") – see note (a) below	**34.9%**	39.5%
First Sponsor Capital Limited ("FSCL")	**41.2%**	39.8%

15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

	Joint Ventures 2010 £m	Associates 2010 £m	Total 2010 £m	Joint Ventures 2009 £m	Associates 2009 £m	Total 2009 £m
Share of net assets/cost						
Balance at 1 January	**80.3**	**246.1**	**326.4**	82.8	255.9	338.7
Share of profits for the year	**6.3**	**18.5**	**24.8**	3.0	11.2	14.2
Additions (see note (b) below)	**–**	**20.1**	**20.1**	–	2.9	2.9
Gain on dilution of investment (see note (c) below)	**–**	**7.2**	**7.2**	–	–	–
Gain on revaluation of step acquisition (refer to note 31)	**8.4**	**–**	**8.4**	–	–	–
Reclassification as a subsidiary (see note (d) below)	**(8.4)**	**–**	**(8.4)**	–	–	–
Capitalisation of loan	**–**	**–**	**–**	1.0	–	1.0
Dividends received	**–**	**(15.2)**	**(15.2)**	–	(12.5)	(12.5)
Foreign exchange adjustments	**2.9**	**30.6**	**33.5**	(6.5)	(11.7)	(18.2)
Other movements	**–**	**–**	**–**	–	0.3	0.3
Balance at 31 December	**89.5**	**307.3**	**396.8**	80.3	246.1	326.4
Share of profit for the year						
Operating profit before separately disclosed items	**12.2**	**16.9**	**29.1**	7.8	12.8	20.6
Separately disclosed items (see note (e) below)	**–**	**6.9**	**6.9**	–	0.6	0.6
Interest, tax and non-controlling interests	**(5.9)**	**(5.3)**	**(11.2)**	(4.8)	(2.2)	(7.0)
Analysed between:						
Interest	**(0.1)**	**(2.9)**	**(3.0)**	(0.8)	(2.0)	(2.8)
Tax	**(2.1)**	**(2.3)**	**(4.4)**	(1.6)	(0.7)	(2.3)
Non-controlling interests	**(3.7)**	**(0.1)**	**(3.8)**	(2.4)	0.5	(1.9)
	6.3	**18.5**	**24.8**	3.0	11.2	14.2

Notes

(a) CDLHT is quoted on the Singapore Exchange Securities Trading Limited and as at 31 December 2010 its share price was S$2.08 (2009: S$1.75). For the Group's 34.9% (2009: 39.5%) interest, this equates to a market capitalisation of £348.0m (2009: £257.4m).

(b) Additions – associates

The Group received stapled units in CDLHT in lieu of payment of management fees amounting to £3.7m in 2010 (2009: £2.9m) and in 2010 invested £16.4m (2009: £nil) in FSCL.

(c) Gain on dilution of investment

On 1 July 2010, CDLHT announced the issue of 116,960,000 new stapled securities, priced at S$1.71 each, pursuant to a private placement, and raising net proceeds of S$196.7m (S$200.0m gross). Proceeds were applied to pay down debt. The Group's interest in CDLHT fell to 34.77% from its pre-issuance interest of 39.03%, which resulted in a non-cash gain of S$15.0m (£7.2m). The gain arises from the Group's share of proceeds being greater than its share of net tangible assets diluted by the issue.

(d) On 15 November 2010 the Group gained control of Beijing Fortune Co., Ltd and from this date was consolidated as a subsidiary.

(e) Separately disclosed items.

At end of 2010, the investment properties of CDL Hospitality Trusts ("CDLHT"), the Group's associate in a Singapore-listed REIT, and those of First Sponsor Capital Limited ("FSCL") were subject to external professional valuation on an open market existing use basis. The Group's share of CDLHT's and FSCL's net revaluation surplus of investment properties were £4.4m (2009: £nil), and £4.8m (2009: £0.6m) respectively. In 2009, the Group's share of FSCL's revaluation surplus of investment properties was £0.6m and CDLHT recorded no change. In addition the Group's share of provision against asset write off and legal costs in FSCL were £2.3m (2009: £nil).

15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

	2010 £m	2009 £m
Summary information on joint ventures – 100%		
Revenue	**90.9**	76.8
Expenses	**(78.2)**	(70.7)
Profit for the year	**12.7**	6.1
Assets		
Non-current assets	**315.8**	403.6
Current assets	**64.1**	58.6
Total assets	**379.9**	462.2
Liabilities		
Non-current liabilities	**(111.6)**	(219.1)
Current liabilities	**(26.4)**	(35.6)
Total liabilities	**(138.0)**	(254.7)
Total assets less total liabilities	**241.9**	207.5
Less non-controlling share of net assets	**(62.4)**	(53.2)
Net assets – 100%	**179.5**	154.3

	2010 £m	2009 £m
Summary information on associates – 100%		
Revenue	**78.4**	60.5
Surplus on revaluation of investment properties	**22.2**	1.8
Other operating expense	**(4.6)**	–
Expenses	**(45.1)**	(34.4)
Profit/(loss) for the year	**50.9**	27.9
Assets		
Non-current assets	**906.4**	702.6
Current assets	**205.1**	73.1
Total assets	**1,111.5**	775.7
Liabilities		
Non-current liabilities	**(204.3)**	(137.2)
Current liabilities	**(75.5)**	(30.6)
Total liabilities	**(279.8)**	(167.8)
Total assets less total liabilities	**831.7**	607.9
Less non-controlling share of net assets	**(15.7)**	(16.2)
Net assets – 100%	**816.0**	591.7

At 31 December 2010 the Group's share of the total capital commitments of joint ventures amounted to £0.2m (2009: £nil). At 31 December 2010, joint ventures and associates had no significant contingent liabilities (2009: £nil).

16. OTHER FINANCIAL ASSETS

	2010 £m	2009 £m
Other financial assets included within non-current assets comprise:		
Unquoted equity investments available-for-sale	**4.6**	4.4
Deposits receivable	**2.3**	2.0
	6.9	6.4

17. INVENTORIES

	2010 £m	2009 £m
Consumables	**4.5**	4.2

18. DEVELOPMENT PROPERTIES

	2010 £m	2009 £m
Development properties comprise:		
Development land for resale		
– New Zealand landbank	**43.1**	38.5
– Kuala Lumpur	**9.1**	7.8
Development property		
– Zenith	**29.9**	26.0
– Glyndebourne (redevelopment of Copthorne Orchid hotel)	**21.2**	–
	103.3	72.3

19. TRADE AND OTHER RECEIVABLES

	2010 £m	2009 £m
Trade receivables due from joint ventures and associates	**0.6**	1.3
Trade receivables	**30.6**	28.7
Other receivables	**11.7**	7.2
Prepayments and accrued income	**25.1**	18.9
	68.0	56.1

Trade receivables are shown net of an impairment allowance of £1.1m (2009: £1.2m) and arise 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 22.

20. CASH AND CASH EQUIVALENTS

	2010 £m	2009 £m
Cash at bank and in hand	**77.6**	52.0
Short term deposits	**174.3**	83.5
Cash and cash equivalents on the statement of financial position	**251.9**	135.5
Bank overdrafts (included in borrowings)	**(0.4)**	(0.6)
Cash and cash equivalents shown in the cash flow statement	**251.5**	134.9

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 22.

21. INTEREST-BEARING LOANS, BONDS AND BORROWINGS

	2010 £m	2009 £m
Included within non-current liabilities:		
Bank loans	**139.5**	59.8
Bonds payable	**184.2**	173.2
	323.7	233.0

	2010 £m	2009 £m
Included within current liabilities:		
Bank loans and overdrafts	**34.3**	56.8
Notes payable	**–**	26.0
Bonds payable	**59.6**	22.2
	93.9	105.0

Further details in respect of financial liabilities are given in note 22.

22. 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, such that the exposure to a single counterparty is minimised.

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.

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

	Carrying value	
	2010 £m	2009 £m
Cash at bank and in hand (see note 20)	**77.6**	52.0
Short-term deposits (see note 20)	**174.3**	83.5
Unquoted equity investments available-for-sale (see note 16)	**4.6**	4.4
Deposits receivable (see note 16)	**2.3**	2.0
Trade receivables (see note 19)	**30.6**	28.7
Trade receivables due from joint ventures and associates (see note 19)	**0.6**	1.3
Other receivables (see note 19)	**11.7**	7.2
	301.7	179.1

22. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Carrying value	
	2010	2009
	£m	£m
New York	**5.2**	4.5
Regional US	**3.3**	2.5
London	**0.3**	0.3
Rest of Europe	**6.0**	6.7
Singapore	**7.1**	5.1
Rest of Asia	**5.1**	4.3
Australasia	**3.6**	5.3
Total Group	**30.6**	28.7

The ageing of trade receivables at the reporting date was:

	Gross Receivable		Impairment Allowance		Carrying value	
	2010	2009	**2010**	2009	**2010**	2009
	£m	£m	**£m**	£m	**£m**	£m
Not past due	**16.1**	12.3	**–**	(0.1)	**16.1**	12.2
Past due 0 – 30 days	**10.8**	10.6	**–**	–	**10.8**	10.6
Past due 31 – 60 days	**3.0**	3.4	**–**	(0.3)	**3.0**	3.1
Past due 61 – 90 days	**0.9**	0.7	**(0.4)**	(0.3)	**0.5**	0.4
More than 90 days	**0.9**	2.9	**(0.7)**	(0.5)	**0.2**	2.4
Total Group	**31.7**	29.9	**(1.1)**	(1.2)	**30.6**	28.7

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

	2010	2009
	£m	£m
Balance at 1 January	**1.2**	1.9
Impairment (write-back)/recognised	**–**	(0.1)
Written-off	**(0.1)**	(0.6)
Balance at 31 December	**1.1**	1.2

22. FINANCIAL INSTRUMENTS (CONTINUED)

	Contractual maturities of financial assets 2010				
	Total £m	6 months or less £m	6 months – 1 year £m	1-5 years £m	More than 5 years £m
Financial Assets					
Fixed rate:					
Sterling	22.2	22.2	–	–	–
US dollar	5.0	5.0	–	–	–
Korean won	15.0	15.0	–	–	–
Singapore dollar	75.9	75.9	–	–	–
New Taiwan dollar	34.4	34.4	–	–	–
Australian dollar	11.8	11.8	–	–	–
New Zealand dollar	7.7	7.7	–	–	–
Malaysian ringgit	9.2	9.2	–	–	–
Euro	7.9	7.9	–	–	–
Others	5.7	5.7	–	–	–
Non-interest bearing:					
Sterling	1.5	1.5	–	–	–
US dollar	22.3	17.7	–	–	4.6
Korean won	0.1	0.1	–	–	–
Singapore dollar	23.3	21.0	–	–	2.3
New Taiwan dollar	0.5	0.5	–	–	–
Malaysian ringgit	1.0	1.0	–	–	–
Euro	9.3	9.3	–	–	–
Chinese renminbi	2.7	2.7	–	–	–
Others	3.3	3.3	–	–	–
Total	258.8	251.9	–	–	6.9
Represented by:					
Cash and cash equivalents	251.9				
Other financial assets (non-current)	6.9				
	258.8				

22. FINANCIAL INSTRUMENTS (CONTINUED)

	Contractual maturities of financial assets 2009				
	Total £m	6 months or less £m	6 months – 1 year £m	1-5 years £m	More than 5 years £m
Financial Assets					
Fixed rate:					
Sterling	11.3	11.3	–	–	–
US dollar	6.2	6.2	–	–	–
Korean won	9.6	9.6	–	–	–
Singapore dollar	10.2	10.2	–	–	–
New Taiwan dollar	24.8	24.8	–	–	–
Australian dollar	9.6	9.6	–	–	–
New Zealand dollar	5.2	5.2	–	–	–
Malaysian ringgit	2.1	2.1	–	–	–
Euro	11.5	11.5	–	–	–
Others	5.5	5.5	–	–	–
Non-interest bearing:					
Sterling	2.0	2.0	–	–	–
US dollar	18.0	13.6	–	–	4.4
Korean won	0.1	0.1	–	–	–
Singapore dollar	15.4	13.4	–	–	2.0
New Taiwan dollar	0.4	0.4	–	–	–
Malaysian ringgit	1.5	1.5	–	–	–
Euro	3.3	3.3	–	–	–
Others	5.2	5.2	–	–	–
Total	141.9	135.5	–	–	6.4
Represented by:					
Cash and cash equivalents	135.5				
Other financial assets (non-current)	6.4				
	141.9				

(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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

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

		Contractual maturities of financial liabilities					
31 December 2010	Carrying amount £m	Contractual cash flows £m	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	**83.9**	**104.9**	**6.3**	**25.8**	**3.7**	**11.0**	**58.1**
Unsecured loans	**89.5**	**91.4**	**0.5**	**3.6**	**71.0**	**16.3**	**–**
Unsecured bonds	**243.8**	**247.5**	**60.6**	**0.7**	**77.0**	**109.2**	**–**
Bank overdrafts	**0.4**	**0.4**	**–**	**0.4**	**–**	**–**	**–**
Trade and other payables							
Trade payables	**21.1**	**21.1**	**21.1**	**–**	**–**	**–**	**–**
Amounts owed to associates	**3.2**	**3.2**	**3.2**	**–**	**–**	**–**	**–**
Other creditors	**8.9**	**8.9**	**8.9**	**–**	**–**	**–**	**–**
Interest rate swaps designated as cash flow hedges	**0.5**	**0.5**	**–**	**0.5**	**–**	**–**	**–**
Forward cross currency contracts designated as cash flow hedges	**0.8**	**0.8**	**–**	**–**	**–**	**0.8**	**–**
Other non-current liabilities	**6.3**	**6.3**	**–**	**–**	**0.8**	**4.8**	**0.7**
	458.4	**485.0**	**100.6**	**31.0**	**152.5**	**142.1**	**58.8**

		Contractual maturities of financial liabilities					
31 December 2009	Carrying amount £m	Contractual cash flows £m	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	25.2	26.7	2.0	0.4	22.4	1.9	–
Unsecured loans	90.8	92.1	0.4	55.0	18.8	17.9	–
Secured notes	26.0	26.1	26.1	–	–	–	–
Unsecured bonds	173.2	210.0	1.0	1.0	56.1	151.9	–
Bank overdrafts	0.6	0.6	–	0.6	–	–	–
Fixed Rate Financial Liabilities							
Unsecured bonds	22.2	22.5	22.5	–	–	–	–
Trade and other payables							
Trade payables	17.8	17.8	17.8	–	–	–	–
Amounts owed to associates	2.8	2.8	2.8	–	–	–	–
Other creditors	5.6	5.6	5.6	–	–	–	–
Other non-current liabilities	6.6	6.6	–	1.0	0.3	5.3	–
	370.8	410.8	78.2	58.0	97.6	177.0	–

22. 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 precedents to the availability of these facilities are all satisfied at the balance sheet date.

	2010 £m	2009 £m
Expiring in one year or less	70.9	31.8
Expiring after more than one year but not more than two years	25.6	65.3
Expiring after more than two years but not more than five years	55.9	81.7
Total undrawn committed borrowing facilities	152.4	178.8

Security

Included within the Group's total bank loans and overdrafts of £173.8m (2009: £116.6m) are £84.3m (2009: £25.8m) of secured loans and overdrafts. Of total bonds and notes payable of £243.8m (2009: £221.4m), £nil (2009: £26.0m) are secured notes.

Loans, bonds and notes are secured on land and buildings with a carrying value of £265.3m (2009: £262.6m) and an assignment of insurance proceeds in respect of insurances over the mortgaged properties.

At 31 December 2010, the Group had £152.4m of undrawn and committed facilities available, comprising committed revolving credit facilities which provide the Group with financial flexibility.

Of the Group's total facilities of £620.3m, £213.7m matures during 2011, comprising £81.2m committed facilities (of which £70.8m is currently undrawn), £49.2m of uncommitted facilities and overdrafts subject to annual renewal, £59.6m unsecured bonds and £23.7m secured term loans. Plans for refinancing of maturing facilities are underway.

(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 the functional currencies of the respective Group entities. The currencies giving rise to this risk are primarily US dollars, Singapore dollars, New Zealand 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 are designated as hedged against corresponding financial liabilities in the same currency.

22. FINANCIAL INSTRUMENTS (CONTINUED)

Net investment hedging

The group has US$213.2m (2009: US$229m) US dollar loans and S$208.5m (2009: S$219.0m) Singapore dollar loans designated as hedges of corresponding respective proportions of its net investment in foreign operations whose functional currency is US dollars and Singapore dollars. The risk being hedged is the foreign currency exposure on the carrying amount of the net assets of the foreign operation upon consolidation. The fair value of the hedging instruments as at 31 December 2010 was £242.9m (2009 : £241.1m).

There was no ineffectiveness recognised in the Consolidated Income Statement that arose from hedges of net investments in foreign operations.

An analysis of borrowings by currency and their fair values as at the balance sheet date is given below:

	31 December 2010		31 December 2009	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Singapore dollar	**108.2**	**108.2**	97.1	97.1
US dollar	**225.1**	**225.1**	189.1	189.1
New Zealand dollar	**24.1**	**24.1**	24.0	24.0
Korean won	**–**	**–**	26.0	26.0
Malaysian ringgit	**–**	**–**	1.8	1.8
Chinese renminbi	**60.2**	**60.2**	–	–
	417.6	**417.6**	338.0	338.0

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 transaction 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. Further details of foreign exchange derivatives in place at 31 December 2010 (2009: £nil) are provided below:

Cash flow hedges

During the year, a number of forward cross currency swaps were executed to hedge the foreign currency risk in respect of the repayment in February 2013 of a US$30m loan using Korean Won. This loan was extended to a subsidiary in Korea, whose functional currency is Korean Won. The proceeds of the US dollar loan were converted into Korean Won on inception, and the risk being hedged is the variability of the cash flow associated with the repayment of the US$30m loan principal on its maturity date in February 2013, arising from movement of Korean Won against the US dollar over that 3-year period.

The hedge is designated as a cash flow hedge, which is considered to be highly effective.

The carrying value of the hedging instruments is restated to its fair value at each reporting date, with the effective portion of changes in fair value since inception being taken to a cash flow hedge reserve. The loss recognised in Other Comprehensive Income during the year in respect of the change in fair value of these hedging instruments was £0.4m (2009: nil).

22. FINANCIAL INSTRUMENTS (CONTINUED)

Amounts recognised in equity are recycled to the income statement to offset gains and losses when the underying debt instrument is retranslated at the exchange rate applicable at each period end, and there was no ineffectiveness recognised in the year as a charge in the Consolidated Income Statement.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
Sterling	**2010**	2009	**2010**	2009
US dollar	**1.547**	1.553	**1.541**	1.596
Singapore dollar	**2.111**	2.257	**1.993**	2.245
New Taiwan dollar	**48.531**	51.654	**45.461**	51.081
New Zealand dollar	**2.149**	2.461	**2.021**	2.253
Malaysia ringgit	**5.004**	5.472	**4.753**	5.473
Korean won	**1,792.11**	1,969.72	**1,757.5**	1,847.74
Euro	**1.164**	1.114	**1.172**	1.110
Chinese renminbi	**10.446**	10.613	**10.132**	10.845

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 25% strengthening of sterling against the following currencies at 31 December 2010 (31 December 2009: 25%) would have decreased equity and profit or loss before tax by the amounts shown below:

	31 December 2010		31 December 2009	
	Equity £m	**Profit before tax £m**	Equity £m	Profit before tax £m
US dollar	**(103.4)**	**0.7**	(100.4)	0.7
Singapore dollar	**(80.1)**	**(15.5)**	(66.1)	(7.5)
New Taiwan dollar	**(44.8)**	**(2.5)**	(38.3)	(1.7)
New Zealand dollar	**(34.8)**	**(2.2)**	(29.6)	(2.2)
Malaysia ringgit	**(15.6)**	**(1.3)**	(11.6)	(1.0)
Korean won	**(27.4)**	**(3.4)**	(21.2)	(2.7)
Euro	**(8.4)**	**0.6**	(10.2)	1.5
Chinese renminbi	**(21.9)**	**0.2**	–	–
	(336.4)	**(23.4)**	(277.4)	(12.9)

A 25 percent weakening of sterling against the above currencies at 31 December 2010 (31 December 2009: 25 percent) 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.

(ii) Interest rate risk and interest rate swaps

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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

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, and the Group actively monitors the need and timing for such derivatives. Where used, interest rate derivatives are classified as cash flow, hedges and stated at fair value within the Group's balance sheet. Further details of interest rate derivatives in place at 31 December 2010 (2009: £nil) are provided below:

Cash flow hedge

Borrowings at floating rates expose the Group to interest rate risk. During the year, the Group entered into a number of interest rate swaps to fix the interest relating to the payment of quarterly interest charges arising on floating rate unsecured bonds totalling US$50m, and designated it as a cash flow hedge. The risk being hedged is the variability of cash flows arising from movements in interest rates. The hedge is in place until the loans mature in March 2013. The fair value of the interest rate swaps as at 31 December 2010 was a £0.5m liability (2009: £nil).

The cash flows occur on a quarterly basis until the loan balance matures in March 2013 and the hedge is designated as a cash flow hedge, which is considered to be highly effective. The carrying value of the hedging instruments is restated to its fair value at each reporting date, with the effective portion of changes in fair value since inception being taken to a cash flow hedge reserve. The loss recognised in Other Comprehensive Income during the year in respect of the change in fair value of these hedging instruments was £0.4m (2009: nil). There was no ineffectiveness recognised in the Consolidated Income Statement that arose from this cash flow hedge.

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 2010		Year ended 31 December 2009	
	1% increase £m	**1% decrease £m**	1% increase £m	1% decrease £m
Variable rate financial assets	**0.9**	**(0.9)**	1.1	(1.1)
Variable rate financial liabilities	**(3.6)**	**3.6**	(4.3)	4.3
Cash flow sensitivity (net)	**(2.7)**	**2.7**	(3.2)	3.2

22. 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.

	2010 Book Value £m	**2010 Fair Value £m**	2009 Book Value £m	2009 Fair Value £m
Financial Assets				
Cash and cash equivalents				
Cash at bank and in hand	**77.6**	**77.6**	52.0	52.0
Short term deposits	**174.3**	**174.3**	83.5	83.5
Available for sale financial assets				
Unquoted equity investments available for sale	**4.6**	**4.6**	4.4	4.4
Loans and receivables				
Deposits receivable	**2.3**	**3.1**	2.0	2.2
Trade receivables	**30.6**	**30.6**	28.7	28.7
Trade receivables due from joint ventures and associates	**0.6**	**0.6**	1.3	1.3
Other receivables	**11.7**	**11.7**	7.2	7.2
	301.7	**302.5**	179.1	179.3
Financial Liabilities				
Bank overdrafts	**(0.4)**	**(0.4)**	(0.6)	(0.6)
Short-term loans, bonds and borrowings	**(93.5)**	**(93.5)**	(104.4)	(104.4)
Long-term loans, bonds and borrowings	**(323.7)**	**(323.7)**	(233.0)	(233.0)
Trade payables	**(21.1)**	**(21.1)**	(17.8)	(17.8)
Amounts owed to associates	**(3.2)**	**(3.2)**	(2.8)	(2.8)
Other creditors	**(8.9)**	**(8.9)**	(5.6)	(5.6)
Other non-current liabilities	**(6.3)**	**(6.2)**	(6.6)	(6.1)
	(457.1)	**(457.0)**	(370.8)	(370.3)

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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

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.

Available-for-sale financial assets – unquoted equity investments

Fair value is estimated using appropriate valuation techniques.

Fair value hierarchy

As at 31 December 2010, the Group held certain financial instruments measured at fair value.
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value	**2010 £m**	Level 1 £m	Level 2 £m	Level 3 £m
Available for sale financial assets				
Unquoted equity investments available for sale	**4.6**	–	–	4.6

	2009 £m	Level 1 £m	Level 2 £m	Level 3 £m
Available for sale financial assets				
Unquoted equity investments available for sale	4.4	–	–	4.4

Liabilities measured at fair value	**2010 £m**	Level 1 £m	Level 2 £m	Level 3 £m
Other current financial assets				
Interest rate swaps designated as cash flow hedges	**0.5**	–	0.5	–
Forward cross currency contracts designated as cash flow hedges	**0.8**	–	0.8	–
	1.3	–	1.3	–

There are no liabilities measured at fair value for 2009.

During the reporting period ended 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measures.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective for managing its capital is to ensure that Group entities will be able to continue as a going concern while maximising the return to shareholders, as well as sustaining the future development of its business. In order to maintain or adjust the capital structure, the Group may alter the total amount of dividends paid to shareholders, return capital to shareholders, issue new shares, draw down additional debt or reduce debt.

The Group's capital structure consists of debt, which includes the loans and borrowings disclosed in note 21, cash and cash equivalents (note 20) and the equity attributable to the parent, comprising share capital, reserves and retained earnings, as disclosed in the consolidated statement of changes in equity. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23. 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 their UK employees, which was set up in 1993. The scheme is a funded defined benefit arrangement with different categories of membership. As appointed by the Trustee of the Plan, Newton Investment Management Limited, Legal & General Investment Management Limited and Ignis Asset Management Limited were 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 2008 and this has been updated on an approximate basis to 31 December 2010. The contributions of the Group during the year were 21.6% of pensionable salary, plus enhanced contributions of £1.4m per annum to remove the Plan's deficit.

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 2010. The contributions of the Group were 9.9% (2009: 5.2%) 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 2010. The contributions of the Group were 6% (2009: 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:

	2010 UK	**2010 Korea**	**2010 Taiwan**	2009 UK	2009 Korea	2009 Taiwan
Inflation rate	**3.6%**	**–**	**–**	3.7%	–	–
Discount rate*	**5.4%**	**5.0%**	**1.75%**	5.7%	6.0%	2.25%
Rate of salary increase	**4.1%**	**4.0%**	**2.5%**	4.2%	4.0%	2.5%
Rate of pension increases	**3.6%**	**–**	**–**	3.7%	–	–
Annual expected return on plan assets	**6.4%**	**5.0%**	**1.75%**	6.7%	5.0%	2.25%

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 values 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 2010 of 6.4% (2009: 6.7%) has been calculated using a 6.8% (2009: 7.1%) return on equity representing 72% (2009: 73%) of plan assets and a 5.4% (2009: 5.7%) return on bonds representing 28% (2009: 27%) of plan assets.

* The discount rate used in respect of the UK pension scheme of 5.4% (2009: 5.7%) was based on the yield of the Merrill Lynch over-15 year AA rated corporate bond index.

23. EMPLOYEE BENEFITS (CONTINUED)

Amounts recognised on the balance sheet are as follows:

	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Other £m	2010 Total £m	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m
Present value of funded obligations	35.9	5.8	8.9	0.9	51.5	34.7	5.4	7.3	0.7	48.1
Fair value of plan assets	(26.1)	(6.2)	(2.5)	–	(34.8)	(22.2)	(5.7)	(2.1)	–	(30.0)
Plan deficit/(surplus)	9.8	(0.4)	6.4	0.9	16.7	12.5	(0.3)	5.2	0.7	18.1

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

	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Other £m	2010 Total £m	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m
Balance at 1 January	34.7	5.4	7.3	0.7	48.1	26.6	5.8	7.7	0.6	40.7
Current service cost	0.6	0.9	0.3	0.1	1.9	0.4	1.0	0.3	0.1	1.8
Interest cost	1.9	0.3	0.2	–	2.4	1.7	0.4	0.1	(0.1)	2.1
Benefits paid	(1.6)	(1.3)	(0.4)	–	(3.3)	(1.4)	(1.8)	(0.3)	(0.1)	(3.6)
Actuarial losses/(gains)	0.3	0.2	0.6	–	1.1	7.4	0.1	(0.3)	0.2	7.4
Foreign exchange adjustments	–	0.3	0.9	0.1	1.3	–	(0.1)	(0.2)	–	(0.3)
Balance at 31 December	35.9	5.8	8.9	0.9	51.5	34.7	5.4	7.3	0.7	48.1

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

	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Other £m	2010 Total £m	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m
Balance at 1 January	22.2	5.7	2.1	–	30.0	19.3	6.6	2.0	–	27.9
Expected return on plan assets	1.5	0.3	–	–	1.8	1.5	0.3	0.1	–	1.9
Group contributions	1.6	1.2	0.5	–	3.3	1.8	0.6	0.5	–	2.9
Members' contributions	0.1	–	–	–	0.1	0.1	–	–	–	0.1
Benefits paid	(1.6)	(1.3)	(0.4)	–	(3.3)	(1.4)	(1.8)	(0.3)	0.1	(3.4)
Experience gains	2.3	–	–	–	2.3	0.9	–	–	–	0.9
Foreign exchange adjustments	–	0.3	0.3	–	0.6	–	–	(0.2)	(0.1)	(0.3)
Balance at 31 December	26.1	6.2	2.5	–	34.8	22.2	5.7	2.1	–	30.0
Actual return on plan assets	3.8	0.3	–	–	4.1	2.4	0.3	0.1	–	2.8

The Group expects £3.1m in contributions to be paid to the defined benefit plans in 2011.

23. EMPLOYEE BENEFITS (CONTINUED)

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

	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Other £m	2010 Total £m	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m
Equity	18.7	–	–	–	18.7	16.1	–	–	–	16.1
Bonds	7.2	–	–	–	7.2	6.0	–	–	–	6.0
Cash	0.2	6.2	2.5	–	8.9	0.1	5.7	2.1	–	7.9
	26.1	6.2	2.5	–	34.8	22.2	5.7	2.1	–	30.0

The expense recognised in the income statement is as follows:

	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Other £m	2010 Total £m	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m
Current service cost	0.6	0.9	0.3	0.1	1.9	0.4	1.0	0.3	0.1	1.8
Interest cost on obligation	1.9	0.3	0.2	–	2.4	1.7	0.4	0.1	(0.1)	2.1
Expected return on plan assets	(1.5)	(0.3)	–	–	(1.8)	(1.5)	(0.3)	(0.1)	–	(1.9)
	1.0	0.9	0.5	0.1	2.5	0.6	1.1	0.3	–	2.0

Total cost is recognised within the following items in the income statement:	2010 £m	2009 £m
Cost of sales	1.0	1.0
Administrative expenses	1.4	1.0
	2.5	2.0

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

	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Other £m	2010 Total £m	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m
Actual return less expected return on plan assets	2.3	–	–	–	2.3	0.9	–	–	–	0.9
Experience gains/(losses) on plan liabilities	0.8	(0.2)	(0.1)	–	0.5	(0.5)	(0.1)	–	(0.2)	(0.8)
Changes in demographic and financial assumptions underlying the present value of plan liabilities	(1.1)	–	(0.5)	–	(1.6)	(6.9)	–	0.3	–	(6.6)
	2.0	(0.2)	(0.6)	–	1.2	(6.5)	(0.1)	0.3	(0.2)	(6.5)

Actuarial losses recognised directly in equity are as follows:	2010 £m	2009 £m
Cumulative as at 1 January	12.0	5.5
Actuarial (gains)/losses recognised during the year	(1.2)	6.5
Cumulative as at 31 December	10.8	12.0

23. EMPLOYEE BENEFITS (CONTINUED)

The principal causes for the UK Plan actuarial gains in 2010 as a decrease in inflation, a rise in equity values, a change to Consumer Prices Index from Retail Prices Index to determine pension increases offset by a fall in bond yields. The principal cause for actuarial losses in 2009 was an increase in inflation, a fall in bond yields and equity values. 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:

	2010 Years	2009 Years
Males	**25**	25
Females	**28**	28

Trend analysis

	2010 UK £m	**2010 Korea £m**	**2010 Taiwan £m**	**2010 Other £m**	**2010 Total £m**
Present value of funded obligations	**35.9**	**5.8**	**8.9**	**0.9**	**51.5**
Fair value of plan assets	**(26.1)**	**(6.2)**	**(2.5)**	**–**	**(34.8)**
Plan deficit/(surplus)	**9.8**	**(0.4)**	**6.4**	**0.9**	**16.7**
Actuarial losses on plan liabilities	**(0.3)**	**(0.2)**	**(0.6)**	**–**	**(1.1)**
Experience gains on plan assets	**2.3**	**–**	**–**	**–**	**2.3**

Trend analysis (continued)

	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m
Present value of funded obligations	34.7	5.4	7.3	0.7	48.1
Fair value of plan assets	(22.2)	(5.7)	(2.1)	–	(30.0)
Plan deficit/(surplus)	12.5	(0.3)	5.2	0.7	18.1
Actuarial (losses)/gains on plan liabilities	(7.4)	(0.1)	0.3	(0.2)	(7.4)
Experience gains on plan assets	0.9	–	–	–	0.9

	2008 UK £m	2008 Korea £m	2008 Taiwan £m	2008 Other £m	2008 Total £m
Present value of funded obligations	26.6	5.8	7.7	0.6	40.7
Fair value of plan assets	(19.3)	(6.6)	(2.0)	–	(27.9)
Plan deficit/(surplus)	7.3	(0.8)	5.7	0.6	12.8
Actuarial gains on plan liabilities	6.7	–	0.4	–	7.1
Experience losses on plan assets	(6.1)	–	(0.1)	–	(6.2)

23. EMPLOYEE BENEFITS (CONTINUED)

	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
Actuarial gains/(losses) on plan liabilities	1.4	(0.1)	–	–	1.3
Experience losses on plan assets	(0.6)	–	–	–	(0.6)

	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
Actuarial gains/(losses) on plan liabilities	(0.5)	(1.1)	(0.2)	–	(1.8)
Experience gains on plan assets	0.4	–	–	–	0.4

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 N (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 credit to the income statement for the year was £0.8m (2009: charge of £1.6m).

The Group applied IFRS 2 to its active employee share-based payment arrangements at 1 January 2005 except for arrangements granted before 7 November 2002.

(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 2010	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 2010	Credited to share capital £'000	Credited to share premium £'000	Vesting date
27.03.2007	105,057	–	–	(105,057)	–	–	–	–	27.03.2010
18.09.2007	28,675	–	–	(28,675)	–	–	–	–	18.09.2010
25.06.2008	588,344	–	–	(80,758)	–	507,586	–	–	25.06.2011
30.03.2009	1,497,206	–	–	(288,399)	–	1,208,807	–	–	30.03.2012
16.09.2010	–	700,212	–	(45,170)	–	655,042	–	–	16.09.2013
	2,219,282	700,212	–	(548,059)	–	2,371,435	–	–	

23. EMPLOYEE BENEFITS (CONTINUED)

(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 2010	Options exercised during the year	Options expired during the year	Options forfeited during the year	Options outstanding as at 31 Dec 2010	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 1 (Approved)									
10.03.2003	1.9350	10,708	–	–	–	10,708	–	–	10.03.2006 – 09.03.2013
16.03.2004	2.9167	10,285	–	–	–	10,285	–	–	16.03.2007 – 15.03.2014
24.03.2005	3.9842	15,058	–	–	–	15,058	–	–	24.03.2008 – 23.03.2015
Part II (Unapproved)									
10.03.2003	1.9350	177,711	(53,680)	–	–	124,031	16	88	10.03.2006 – 09.03.2013
16.03.2004	2.9167	59,558	(5,144)	–	–	54,414	2	13	16.03.2007 – 15.03.2014
24.03.2005	3.9842	189,990	(14,645)	–	–	175,345	4	54	24.03.2008 – 23.03.2015
		463,310	(73,469)	–	–	389,841	22	155	

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

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

Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2010	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 2010	Proceeds on options during the year: Credited to share capital £'000	Proceeds on options during the year: Credited to share premium £'000	Exercise Period
Period										
20.04.2004	2.3400	13,133	–	–	–	(13,133)	–	–	–	01.07.2009–31.12.2009
23.03.2005	3.0800	–	–	–	–	–	–	–	–	01.07.2008–31.12.2008
23.03.2005	3.0800	11,155	–	(4,503)	(1,073)	–	5,579	1	13	01.07.2010–31.12.2010
19.06.2006	3.2500	19,839	–	–	–	(19,839)	–	–	–	01.08.2009–31.01.2010
19.06.2006	3.2500	22,382	–	–	(1,188)	(1,981)	19,213	–	–	01.08.2011–31.01.2012
26.03.2007	5.2000	9,184	–	(581)	–	(726)	7,877	–	3	01.07.2010–31.12.2010
26.03.2007	5.2000	6,798	–	–	–	–	6,798	–	–	01.07.2012–31.12.2012
20.03.2008	3.2800	36,976	–	–	(7,372)	–	29,604	–	–	01.07.2011–31.12.2011
20.03.2008	3.2800	6,143	–	–	(614)	–	5,529	–	–	01.07.2013–31.12.2013
01.04.2009	1.5400	181,179	–	(423)	(7,365)	(765)	172,626	–	1	01.08.2012–31.01.2013
01.04.2009	1.5400	59,950	–	–	(8,535)	–	51,415	–	–	01.08.2014–31.01.2015
01.04.2010	3.3000	–	47,025	(151)	(8,305)	(2,599)	35,970	–	–	01.08.2013–31.01.2014
01.04.2010	3.3000	–	18,088	–	(9,517)	–	8,571	–	–	01.08.2015–31.01.2016
		366,739	65,113	(5,658)	(43,969)	(39,043)	343,182	1	17	

The weighted average share price at the date of exercise of share options in the year was £4.65 (2009: £3.46).

The options outstanding at the year end have an exercise price in the range £1.54 to £5.20 and a weighted average contractual life of 1.82 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.

23. EMPLOYEE BENEFITS (CONTINUED)

The option pricing model involves six variables:

- Exercise price
- Share price at grant
- Expected life
- Expected volatility of share price
- Risk-free interest rate
- Expected dividend yield

Measurement of fair value (continued)

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

2010 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)	16.09.2010	56,936	5.25	–	5.07	3.00	–	1.19%	–
LTIP (non-Directors)	16.09.2010	643,276	5.25	–	5.07	3.00	–	1.19%	–
Sharesave Scheme (3 year)	01.04.2010	47,025	4.90	3.30	2.24	3.25	48.0%	1.27%	1.91%
Sharesave Scheme (5 year)	01.04.2010	18,088	4.90	3.30	2.33	5.25	39.8%	1.27%	2.76%

2009 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)	30.03.2009	653,120	1.70	–	1.52	3.00	–	3.69%	–
LTIP (non-Directors)	30.03.2009	950,607	1.70	–	1.52	3.00	–	3.69%	–
Sharesave Scheme (3 year)	01.04.2009	210,168	1.81	1.54	0.55	3.25	43.3%	3.45%	1.73%
Sharesave Scheme (5 year)	01.04.2009	61,575	1.81	1.54	0.54	5.25	36.0%	3.45%	2.34%

24. PROVISIONS

	2010 £m	2009 £m
Balance at 1 January	**0.8**	1.2
Utilised during the year	**(0.2)**	(0.4)
Balance at 31 December	**0.6**	0.8
Analysed as:		
Non-current	**0.4**	0.6
Current	**0.2**	0.2
	0.6	0.8

The provision relates to an onerous lease and it will be released over the life of the lease until 2014.

25. OTHER NON-CURRENT LIABILITIES

	2010 £m	2009 £m
Deferred income	**158.8**	105.6
Other liabilities	**6.3**	6.6
	165.1	112.2

Note 3 (section entitled 'Lease backs from CDLHT') explains how prepaid operating land lease income is recognised as deferred income. At 31 December 2010 an amount of £119.0m is recognised in the statement of financial position as deferred income, £117.3m in non-current liabilities and £1.7m in trade and other payables (see note 27). In addition, at 31 December 2010 £41.5m (2009: £nil) was received as deposits for sale of condominiums under the future redevelopment of the Copthorne Orchid hotel which is due for completion by 2015.

26. DEFERRED TAXATION

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

		Charged/(credited) to income statement							
	At 1 January 2010 £m	Change in tax rate £m	Change in legislation[2] £m	Other adjustment to opening provision[3] £m	Current year movement £m	Charged/ (credited) to reserves £m	Acquisition £m	Exchange on translation £m	**At 31 December 2010 £m**
Deferred tax liabilities									
Property assets[1]	252.8	(7.9)	11.9	5.9	(4.4)	–	3.9	12.5	**274.7**
Share of profits of associate	–	–	–	0.3	(0.2)	–	–	–	**0.1**
	252.8	(7.9)	11.9	6.2	(4.6)	–	3.9	12.5	**274.8**
Deferred tax assets									
Tax losses	(9.7)	0.1	–	(3.7)	0.2	–	–	0.2	**(12.9)**
Employee benefits[4]	(6.4)	0.3	–	(0.3)	0.1	(1.7)	–	–	**(8.0)**
Others	(6.1)	0.1	–	3.8	(0.6)	0.7	–	–	**(2.1)**
	(22.2)	0.5	–	(0.2)	(0.3)	(1.0)	–	0.2	**(23.0)**
Deferred tax liabilities	230.6	(7.4)	11.9	6.0	(4.9)	(1.0)	3.9	12.7	**251.8**

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

2 £11.9m of deferred tax arises from a change in New Zealand tax legislation which removed the ability to depreciate buildings for tax purposes, resulting in an increased deferred tax liability.

3 £6.0m of deferred tax has been charged due to under provisions in respect of prior years, the conclusion of reviews by tax authorities and other timing differences.

4 Employee benefits comprise defined benefit pension schemes and share-based payment arrangements. In relation to £1.7m credited to reserves in 2010, there is a £0.5m charge relating to defined benefit pension schemes and a £2.2m 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.

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.

26. DEFERRED TAXATION (CONTINUED)

	2010 £m	2009 £m
Deductible temporary differences	**1.0**	1.3
Tax losses	**0.5**	(0.1)
	1.5	1.2
Adjustments due to:		
– Deductible temporary differences in respect of prior year	**4.7**	3.6
– Tax losses in subsidiary acquired	**3.6**	–
– Tax losses in respect of prior year	**10.6**	10.0
	20.4	14.8

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 the respective countries in which certain subsidiaries operate.

The gross tax losses with expiry dates are as follows:

	2010 £m	2009 £m
Expiry dates:		
– within 1 year	**17.7**	2.3
– after 5 years	**2.0**	–
– no expiry date	**57.0**	54.4
	76.7	56.7

At 31 December 2010, a deferred tax liability of £6.3m (2009: £3.7m) relating to undistributed reserves of overseas subsidiaries, associates and joint ventures of £504.1m (2009: £481.9m) 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.

27. TRADE AND OTHER PAYABLES

	2010 £m	2009 £m
Trade payables	**21.1**	17.8
Amounts owed to associates	**3.2**	2.8
Other creditors including taxation and social security		
– Social security and other taxes	**5.0**	4.7
– Value added tax and similar sales taxes	**11.5**	8.7
– Other creditors	**8.9**	5.6
Accruals	**103.3**	67.9
Deferred income	**13.2**	11.0
Rental and other deposits	**3.1**	3.5
Deposit on sale of land	**4.4**	–
Contingent consideration (refer to note 31)	**7.8**	–
	181.5	122.0

As explained in note 25, included in deferred income is an amount of £1.7m (2009: £1.5m) 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 22.

28. DIVIDENDS

	2010 pence	2009 pence	2010 £m	2009 £m
Final ordinary dividend paid	**–**	4.17	**–**	12.6
Second interim dividend paid	**4.17**	–	**12.9**	–
Interim ordinary dividend paid	**2.08**	2.08	**6.5**	6.4
	6.25	6.25	**19.4**	19.0

After 31 December 2010, the Directors declared the following final ordinary dividend, which has not been provided for:

	2010 pence	2009 pence	2010 £m	2009 £m
Second interim ordinary dividend declared	**–**	4.17	**–**	12.9
Final ordinary dividend	**7.92**	–	**24.8**	–

In respect of dividends paid in 2010 totalling £19.4m (2009: £19.0m), the Group offered shareholders the option of a scrip dividend. This resulted in dividend cash payments in 2010 of £4.1m (2009: £4.0m). The balance of £15.3m (2009: £15.0m) 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 for the final ordinary declared dividend of 7.92p per share.

29. SHARE CAPITAL

	Number of 30p shares allotted, called up and fully paid
Balance at 1 January 2010	309,717,254
Issue of ordinary shares on exercise of share options	79,127
Issue of ordinary shares in lieu of dividends	3,490,364
Balance at 31 December 2010	313,286,745

All of the share capital is equity share capital. Ordinary shares issued in lieu of dividends have been accounted for as a bonus issue of shares.

At the year end options over 733,023 ordinary shares remain outstanding and are exercisable between now and 31 January 2016 at exercise prices between £1.54 and £5.20. In addition, awards made under the Long-Term Incentive Plan over 2,371,435 ordinary shares remain unvested and may potentially vest between 25 June 2011 and 16 September 2013.

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 330p on expiry of the savings contract.

30. RESERVES

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow instruments related to the hedged transactions that have not yet occurred (net of tax).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the company's net investment in foreign operations (net of tax).

Treasury share reserve

An employee benefit trust established by the Group held 400,952 shares at 31 December 2010 (2009: nil shares) to satisfy the vesting of awards under the Long-Term Incentive Plan. During the year 400,952 shares were purchased by the trust. At 31 December 2010, the cost of shares held by the trust was £2,182,986 (2009: £nil), whilst the market value of these shares at 31 December 2010 was £2,367,622 (2009: £nil). Shares held by the trust are treated as treasury shares, are deducted from equity, do not receive dividends and are excluded from the calculations of earnings per share.

31. ACQUISITIONS

Beijing Fortune Co., Limited

On 15 November 2010, Beijing Fortune Co., Ltd. ("Beijing Fortune") which owns and operates the Grand Millennium Hotel Beijing became a 70% owned subsidiary following the Group exercising an option to buy an additional 40% interest from Beijing Xiangjiang Xinli Real Estate Development Co., Ltd. Consideration paid for the additional equity was RMB 189m (£18.4m). The Group previously held a 30% interest in Beijing Fortune and accounted for its share of the results and net assets in accordance with IAS 31, Interests in Joint Ventures.

At 31 December 2008 the Group impaired the full carrying value of its investment in Beijing Fortune following a review of the difficult economic conditions and over-supplied hotel situation in Beijing post the 2008 Olympics and it ceased to equity account for the Group's share of Beijing Fortune results up to the date it acquired the additional 40% interest.

31. ACQUISITIONS (CONTINUED)

	Book value £m	Accounting policy alignments £m	Fair value adjustments £m	Fair value £m
Property, plant and equipment	63.3	0.4	0.2	63.9
Lease premium prepayments – long term	28.7	–	15.1	43.8
Inventories	0.2	–	–	0.2
Lease premium prepayment – short term	0.8	–	0.4	1.2
Trade and other receivables	1.3	–	–	1.3
Cash and cash equivalents	5.8	–	–	5.8
Trade and other payables	(12.0)	–	–	(12.0)
Borrowings	(62.4)	–	–	(62.4)
Deferred tax liabilities	–	–	(3.9)	(3.9)
	25.7	0.4	11.8	37.9
Non-controlling interests (based on share of net assets)	(7.7)	(0.1)	(3.6)	(11.4)
Net assets acquired	18.0	0.3	8.2	26.5
Goodwill (footnote 1)				8.1
Fair value of net assets acquired and goodwill arising				34.6

Components of costs of acquisitions	
Fair value of consideration for initial 30% shareholding in 2006	14.4
Losses under equity method of initial 30% shareholding	(2.2)
Impairment of investment at 31 December 2008	(12.2)
Carrying value before step acquisition	–
Gain on revaluation of step acquisition (footnote 2)	8.4
Tax indemnity to former shareholders of the 40% shareholding in 2010 (footnote 3)	7.8
Cash paid on acquisition of 40% shareholding in 2010	18.4
Total cost of acquisition	34.6
Consideration satisfied by:	
Cash paid on acquisition of 40% shareholding in 2010	18.4
Fair value of the tax indemnity to former shareholders of the 40% shareholding in 2010 (footnote 3)	7.8
Fair value of net assets contributed to Beijing Fortune joint venture for initial 30% shareholding in 2006	8.4
Total cost of acquisition	34.6

Footnote 1

In 2006 when the initial 30% interest in Beijing Fortune was acquired and in 2007 when the option price for the additional 40% interest and the subsequent tax indemnity (see footnote 3) was agreed, the ultimate value of the Group's interest in the hotel was expected to be considerably in excess of its cost. However, after the opening of the hotel in April 2008 and the difficult economic conditions and over supplied hotel situation in Beijing post 2008 Olympics, the trading and value of the hotel fell. Although the hotel's value has subsequently increased, as reflected in the revaluation gain on step up (see Note 2), it has not yet attained the level originally anticipated.

Upon completion of the acquisition, management conducted an impairment review on the goodwill arising of £8.1m which is allocated to the hotel acquired along with the hotel's property, plant and equipment and lease premium prepayments. It was determined that the recoverable value of the acquired business should be based on the aggregate of the fair value of the hotel's identifiable assets and liabilities as shown on the table above which supported their carrying value. The goodwill arising from the acquisition reflects the strategic development opportunities in this region and is not supported by the recoverable value of the hotel. The goodwill has accordingly been written-off and charged to the income statement.

31. ACQUISITIONS (CONTINUED)

Footnote 2

The £8.4m gain on step up has been credited to the income statement. The gain is derived from the fair value of net assets acquired of £11.4m, being 30% of £37.9m adjusted to exclude a control premium, less the carrying cost of the original investment of £nil.

Footnote 3

The £7.8m represents the fair value of a liability for additional costs of securing the land on which the hotel is sited. The transfer of land attracts land appreciation tax and foreign enterprise income tax not originally factored into the land sale price. A definitive framework agreement to purchase the original 30% interest and then take up an option to purchase an additional 40% interest was later supplemented (in September 2007) with a deed of indemnity to remedy the tax issue. Under the terms of that indemnity, it is only applicable in the event that the Group's interest steps up to 70% and represents 70% of the total tax liability.

Summary impact of acquisition of additional 40% interest on income statement

	£m
Gain on revaluation of step acquisition	8.4
Goodwill written-off	(8.1)
Credit to income statement	0.3

Transaction costs of £0.2m have been included in administration expenses.

Adjustments made to identifiable assets and liabilities on acquisition are to reflect their fair value and are not provisional.

Results of acquisition from date of acquisition until 31 December 2010

	Revenue £m	Headline Operating profit £m	Profit £m
Beijing Fortune Company Limited	2.0	(0.1)	(0.6)

If the acquisition had occurred on 1 January 2010 the results of the Group for the period would have been as follows:

	Revenue £m	Headline Operating profit £m	Profit £m
Group results for the period	743.7	144.1	128.6
Beijing Fortune Company Limited	14.8	(1.5)	(5.6)
Group results for the period if acquisition had occurred on 1 January 2010	758.5	142.6	123.0

32. FINANCIAL COMMITMENTS

	2010 £m	2009 £m
(a) Capital commitments at the end of the financial year which are contracted but not provided for	**1.7**	9.0

The Group's share of the capital commitments of joint ventures are shown in note 15 on page 108.

	2010 £m	2009 £m
(b) Total commitments under non-cancellable operating lease rentals are payable by the Group as follows:		
– less than one year	**30.3**	30.3
– between one and five years	**98.0**	90.4
– more than five years	**289.2**	278.3
	417.5	399.0

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 that commenced in July 2006 in respect of the four REIT hotels and the fixed rental for the remaining term of a 5-year lease from July 2006 in respect of a conference centre. The amounts due are as follows:

	2010 £m	2009 £m
– less than one year	**13.5**	11.9
– between one and five years	**53.1**	47.1
– more than five years	**139.5**	135.8
	206.1	194.8

(c) The Group leases out its properties under operating leases. The future minimum lease rentals receivable by the Group under non-cancellable leases are as follows:

– less than one year	**1.9**	1.9
– between one and five years	**3.0**	3.0
– more than five years	**5.8**	7.7
	10.7	12.6

During the year ended 31 December 2010 £5.3m was recognised as rental income in the income statement (2009: £5.0m) and £0.5m in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment property (2009: £0.5m).

33. CONTINGENCIES AND SUBSEQUENT EVENTS

(a) In the course of its 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. There were no contingent liabilities or guarantees other than those arising in the ordinary course of business and on these no material losses are anticipated. 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 accruals and provisions carried on the balance sheet are sufficient to cover these risks.

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

34. RELATED PARTIES

Identity of related parties

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. All transactions with related parties were entered into in the normal course of business and at arm's length.

The Group has a related party relationship with certain subsidiaries, joint ventures, associates and with its Directors and executive officers.

Transactions with ultimate holding company, and other related companies

The Group has a related party relationship with certain subsidiaries of Hong Leong Investment Holdings Pte Ltd ("Hong Leong"), which is the ultimate holding and controlling company of Millennium & Copthorne Hotels plc and holds 53% (2009: 53%) of the Company's shares via City Developments Limited ("CDL") the intermediate holding company of the Company. During the year ended 31 December 2010 the Group had the following transactions with those subsidiaries of Hong Leong as noted below:

The Group deposited certain surplus cash with Hong Leong Finance Limited, a subsidiary undertaking of Hong Leong, on normal commercial terms. Interest income of £0.002m (2009: £0.02m) was received during the year. As at 31 December 2010 £15.5m (2009: £3.5m) of cash was deposited with Hong Leong Finance Limited.

Rents of £0.3m (2009: £0.3m) were paid to CDL 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 CDL in respect of the Grand Shanghai restaurant amounting to £0.2m (2009: £0.2m).

Property management fees of £0.08m (2009: £0.07m) were paid to CDL in respect of property management and accounting services provided in relation to the Tanglin Shopping Centre in Singapore.

For the year ended 31 December 2010, fees of £1.6m was paid to CDL Management Service Pte Ltd, a wholly-owned subsidiary of CDL for services n respect of marketing, project management and accounting and administrative services for the Glyndebourne project. In addition, legal fees of £0.0003m was paid to Messrs Foo & Quek in respect of the said project. A controlling partner of Messrs Foo & Quek is a director of CDL.

Richfield Hospitality Inc ("RHI"), a 85% owned company of City e-Solutions Limited (a subsidiary of Hong Leong) and 15% by the Group, provided reservations, accounting and information technology services to the Group. A total of £0.2m (2009: £0.2m) was charged by RHI during the period and as at 31 December 2010, £0.07m (2009: £0.02m) was due to RHI.

For the year ended 31 December 2010, fees paid/payable by the Group to Hong Leong Management Services Pte Ltd ("HLMS"), a subsidiary of Hong Leong amounted to £0.5m (2009: £0.6m). At 31 December 2010, £0.5m (2009: £0.6m) of fees payable was outstanding.

Management fees totalling £0.2m (2009: £0.03m) were received from CDL in respect of maintenance; fees and expenses of £0.1m (2009: £0.05m) relating to car parking, leasing commission and professional services were paid to CDL.

The Group provided hotel maintenance services to HL Global Enterprises Limited, a subsidiary of Hong Leong. A total of £0.02m (2009: £0.02m) was charged during the year and as at 31 December 20101 £0.002m (2009: £0.003m) was due to the Group.

34 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 note 3 for a further description of the principal activities of CDLHT. 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 CDL 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) comprising the following:

- A fixed rent and a service charge for each hotel; and
- 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.

In addition to the lease of the four hotels mentioned above, the Group also leased a conference centre from CDLHT at a fixed annual rent of £0.2m (2009: £0.2m). This lease is for 5 years from July 2006.

The rents paid/payable under the leases referred to above for the year are as follows:

	Total 2010 £m	Total 2009 £m
Copthorne King's Hotel	**4.2**	3.1
Orchard Hotel	**12.7**	9.8
M Hotel	**7.3**	5.4
Grand Copthorne Waterfront Hotel	**10.3**	8.0
	34.5	26.3

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 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. For the year to 31 December 2010 the fees paid in stapled securities totalled £3.7m (2009: £2.9m). The balance payable in cash was £1.0m (2009: £0.7m) of which £0.2m (2009: £0.1m) was outstanding at 31 December 2010. In addition acquisition fees are payable, in stapled securities and/or cash at a rate of 1.0% of the value of new properties deposited with H-REIT. Acquisition fees of £1.0m (2009: £nil) were paid in cash.

Interest receivable of £0.04m (2009: (£0.1m) accrued in the year on the rent deposit paid to the REIT.

City Hotels Pte. Ltd, a 100% subsidiary of the Group, provided a shareholder loan facility of 503m Thai Baht (£10.8m) (2009: 500m Thai Baht (£9.4m)) to Fena Estate Company Limited ("Fena"), its 50% owned joint venture. At 31 December 2010, 503m Thai Baht (£10.8m) (2009: 499m Thai Baht (£9.4m)) had been drawn on this facility. The loan attracts interest at 4.5% (2009: 4.5%) per annum and interest of £0.6m (2009: £0.4m) was accrued for in the financial year. This interest is rolled up into the carrying value of the loan.

In addition, the Group provided a further US$2.0m (£1.5m) operator loan facility to Fena which was fully drawn down as at 31 December 2010. The loan attracts interest of 0.75% per annum (2009: 0.75% to 2.5%). The interest is rolled up into the carrying value of the loan.

Management fees were charged to Fena in respect of Grand Millennium Sukhumvit Bangkok totalling £0.4m (2009: £0.3m).

34. RELATED PARTIES (CONTINUED)

The Group provided hotel management services to Beijing Fortune Hotel Co. Ltd ("BFHC"), a 30% owned joint venture up to 15 November 2010 when the Group acquired an additional 40% interest. A total of £0.5m (2009: £0.5m) was charged to BFHC during the year. £0.5m was outstanding at 31 December 2009. In addition, as at 31 December 2009 BFHC owed £0.1m to the Group on account of certain hotel operating and other related expenses that had been paid by the Group on its behalf to third parties.

The Group has a related party relationship with Mr Ali Al Zaabi, a non-controlling shareholder of its operations in the Middle East. Expenses of £0.2m (2009: £0.2m) were charged to the Group in respect of Mr Al Zaabi's remuneration and other expenses of which £nil (2009: £nil) was outstanding at 31 December 2010. In addition £0.2m (2009: £0.3m) of incentive management fees and sales and marketing fees were charged to the Kingsgate Abu Dhabi Hotel which is owned by Mr Al Zaabi. At 31 December 2010, £0.4m of fees relating to 2010 and 2009 were outstanding (2009: £0.2m).

Transactions with key management personnel

The beneficial interest of the Directors in the ordinary shares of the Company was 0.044% (2009: 0.048%).

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, 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 the 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.

The key management personnel compensations are as follows:

	2010 £m	2009 £m
Short-term employee benefits	**5.3**	3.6
Other long-term benefits	**0.1**	0.2
Share-based payment	**(0.8)**	1.5
	4.6	5.3

	2010 £m	2009 £m
Directors*	**2.4**	1.7
Executives	**2.2**	3.6
	4.6	5.3

* The Directors' remuneration reported in the "Directors' Remuneration Report" on pages 59 to 65 focuses, so far as concerns pension benefits, on changes in accrued benefits rather than the income statement charge for individuals. In the context of this analysis, the amount above reflects benefits paid.

35 SIGNIFICANT INVESTMENTS

The companies listed below are those which were part of the Group at 31 December 2010 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
Beijing Fortune Co. Ltd	70%	China	Hotel owner and operator
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%	Republic of 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	81%	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
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

	Effective Group interest	Country of incorporation	Principal Activity
Millennium & Copthorne Middle East Holdings Limited	51%	Hong Kong	Hotel management service company
Quantum Limited	49%	New Zealand	Holding company
Republic Hotels & Resorts Limited	100%	Singapore	Hotel operator and investment holding company
Republic Iconic Hotel Pte Ltd	100%	Singapore	Hotel owner and operator
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 Company Limited	50%	Thailand	Investment holding company
Associates			
CDL Hospitality Trusts	34.9%	Singapore	See note below
First Sponsor Capital Limited	41.2%	British Virgin Islands	Investment holding company

Due to non-controlling 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.

COMPANY BALANCE SHEET

As at 31 December 2010

	Notes	**2010 £m**	Restated 2009 £m
Fixed assets			
Investments	(D)	**1,718.4**	1,673.3
Current assets			
Amounts owed by subsidiary undertakings falling due within one year		**50.1**	5.7
Other debtors		**0.9**	4.4
Cash at bank and in hand		**22.5**	7.5
		73.5	17.6
Creditors: amounts falling due within one year	(E)	**(78.6)**	(74.9)
Net current liabilities		**(5.1)**	(57.3)
Creditors: amounts falling due after more than one year	(F)	**(652.4)**	(586.1)
Net assets		**1,060.9**	1,029.9
Capital and reserves			
Called up share capital	(G), (H)	**94.0**	92.9
Share premium account	(H)	**844.7**	845.5
Profit and loss account	(H)	**124.4**	91.5
Own share reserve	(H)	**(2.2)**	–
Shareholders' funds	(H)	**1,060.9**	1,029.9

These financial statements were approved by the Board of Directors on 15 February 2011 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.

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 408 of the Companies Act 2006 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 £37.4m (2009: £19.0m).

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.

The consolidated financial statements of the Group contain financial instruments disclosures and comply with FRS 29 Financial Instruments Disclosures. Consequently the Company has taken advantage of certain exemptions in FRS 29 from the requirement to present separate financial instrument disclosures for the Company.

The Company is also exempt under the terms of the revised FRS 8 Related Party Disclosures from disclosing related party transactions with wholly-owned subsidiaries within the Group.

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 currency

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.

(A) ACCOUNTING POLICIES (CONTINUED)

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 profit and loss account as they arise at each period end.

The Directors reviewed the accounting treatment of the unhedged part of the investment and decided it is appropriate to recognise this at historical cost. The retranslation previously recognised in reserves has been reclassified accordingly.

Share-based payment

With the amendments to FRS 20, the Company has changed its accounting policy in respect of group settled arrangements. Where the Company is the settling entity for employees of subsidiaries, who receive share based payments, but the beneficiary of the services is the subsidiary, the Company has recognised this as an increase in investment in the subsidiary. Accordingly the comparative for investments has been restated.

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 statements.

Treasury shares held by employee benefit trust

Transactions of the company sponsored employee benefits trust are included in the parent company financial statements. In particular, the trust's repurchase of shares in the company are debited directly to equity.

(B) DIRECTORS' REMUNERATION AND EMPLOYEES

Details of Directors' remuneration in the current and prior year is given on pages 59 to 65 of the Directors' Remuneration Report.

The Company had no employees.

Details of share options issued by the Company are given in note 23 to the consolidated financial statements and note (G).

The Company is the principal employer 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 23 to the consolidated financial statements.

(C) DIVIDENDS

Details of dividends paid and proposed in the current and prior year are given in note 28 to the consolidated financial statements.

(D) INVESTMENTS

	Shares in Subsidiary undertakings £m	Loans to subsidiary undertakings £m	Group settled arrangements £m	Total £m
Cost and net book value at 1 January 2010	1,299.8	368.3	–	1,668.1
Investment relating to share-based payments	–	–	5.2	5.2
Restated	1,299.8	368.3	5.2	1,673.3
Additions	24.0	2.8	–	26.8
Capital contributions relating to share-based payments	–	–	(0.8)	(0.8)
Foreign exchange adjustments	18.2	0.9	–	19.1
At 31 December 2010	1,342.0	372.0	4.4	1,718.4

There were no provisions made against investments in subsidiary undertakings.

(D) INVESTMENTS (CONTINUED)

The Company's subsidiary undertakings at 31 December 2010 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
			Hotel investment holding company
Copthorne Hotel Holdings Limited	100%	England and Wales	
Millennium & Copthorne Share Trustee Limited	100%	England and Wales	Trustee company
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
Millennium & Copthorne (Jersey) Limited	0.01%	Jersey	Investment holding

(E) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £m	2009 £m
Bank loans	–	44.9
Bonds payable	59.6	22.2
Amounts owed to subsidiary undertakings	12.3	3.9
Other payables	0.3	–
Corporation tax	3.7	1.7
Accruals and deferred income	2.7	2.2
	78.6	74.9

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

	2010 £m	2009 £m
Bank loans	70.7	18.0
Bonds payable	184.2	173.2
Amounts owed to subsidiary undertakings	397.5	394.9
	652.4	586.1

Bank loans and bonds are repayable as follows:

	2010 £m	2009 £m
Between one and two years	43.2	54.4
Between two and five years	212.2	136.8
	255.4	191.2

(G) SHARE CAPITAL

	Number of 30p shares, allotted, called up and fully paid
Balance at 1 January 2010	309,717,254
Issue of ordinary shares on exercise of share options	79,127
Issue of ordinary shares in lieu of dividends	3,490,364
Balance at 31 December 2010	313,286,745

The authorised share capital stood at £300,000,000 throughout the year. All of the share capital is equity share capital. Ordinary shares issued in lieu of dividends have been accounted for as a bonus issue of shares.

At the year end options over 733,023 ordinary shares remain outstanding and are exercisable between now and 31 January 2016 at exercise prices between £1.54 and £5.20. In addition, awards made under the Long-Term Incentive Plan over 2,371,435 ordinary shares remain unvested and may potentially vest between 25 June 2011 and 16 September 2013.

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 330p on expiry of the savings contract.

(H) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Profit and loss account £m	Own share reserve £m	**Total 2010 £m**	Restated Total 2009 £m
Balance at 1 January	92.9	845.6	91.5	–	**1,030.0**	1,028.1
Share-based payment transactions	–	–	–	–	**–**	3.7
Restated	92.9	845.6	91.5	–	**1,030.0**	1,031.8
Profit for the financial year	–	–	37.4	–	**37.4**	19.0
Dividends	–	–	(4.1)	–	**(4.1)**	(19.0)
Issue of shares in lieu of dividends	1.1	(1.1)	–	–	**–**	15.0
Share options exercised	–	0.2	–	–	**0.2**	0.1
Own share purchased	–	–	–	(2.2)	**(2.2)**	–
Share-based payment transactions	–	–	(0.8)	–	**(0.8)**	1.5
Foreign exchange adjustments	–	–	0.4	–	**0.4**	(18.4)
Balance at 31 December	94.0	844.7	124.4	(2.2)	**1,060.9**	1,030.0

(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 or disclosure within these financial statements.

NOTES TO THE COMPANY 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.

(K) RELATED PARTIES

For the year ended 31 December 2010, fees paid/payable by the Company to HLMS, a subsidiary of Hong Leong amounted to £0.5m (2009: £0.6m). At 31 December 2010, £0.5m (2009: £0.6m) of fees payable was outstanding.

KEY OPERATING STATISTICS

For the year ended 31 December 2010

	2010 Reported currency	2009 Constant currency*	2009 Reported currency
Occupancy %			
New York	**85.2**		82.7
Regional US	**56.7**		55.8
TOTAL US	**63.6**		62.2
London	**83.8**		84.2
Rest of Europe	**69.7**		66.9
TOTAL EUROPE	**75.9**		74.6
Singapore	**86.7**		78.0
Rest of Asia	**73.0**		69.5
TOTAL ASIA	**79.1**		73.2
Australasia	**66.3**		62.4
TOTAL GROUP	**71.4**		68.3
Average Room Rate (£)			
New York	**152.03**	143.95	143.43
Regional US	**65.64**	63.38	63.15
TOTAL US	**93.78**	89.06	88.73
London	**107.45**	99.11	99.11
Rest of Europe	**73.22**	72.94	74.33
TOTAL EUROPE	**89.93**	86.02	86.71
Singapore	**93.84**	80.66	75.43
Rest of Asia	**77.45**	74.87	69.34
TOTAL ASIA	**85.55**	77.53	72.14
Australasia	**51.96**	52.44	45.80
TOTAL GROUP	**85.52**	80.75	78.51
Rev PAR (£)			
New York	**129.53**	119.05	118.62
Regional US	**37.22**	35.37	35.24
TOTAL US	**59.64**	55.40	55.19
London	**90.04**	83.45	83.45
Rest of Europe	**51.03**	48.80	49.73
TOTAL EUROPE	**68.26**	64.17	64.69
Singapore	**81.36**	62.91	58.84
Rest of Asia	**56.54**	52.03	48.19
TOTAL ASIA	**67.67**	56.75	52.81
Australasia	**34.45**	32.72	28.58
TOTAL GROUP	**61.06**	55.15	53.62
Gross Operating Profit Margin (%)			
New York	**27.8**		25.4
Regional US	**17.2**		16.5
TOTAL US	**22.2**		20.6
London	**53.6**		52.7
Rest of Europe	**26.7**		25.6
TOTAL EUROPE	**40.1**		38.8
Singapore	**54.0**		49.8
Rest of Asia	**39.1**		36.3
TOTAL ASIA	**46.6**		42.7
Australasia	**37.9**		37.6
TOTAL GROUP	**37.1**		34.2

* For comparability, the 31 December 2009 Average Room Rate and RevPAR have been translated at average exchange rates for the year ended 31 December 2010.

GROUP FINANCIAL RECORD

INCOME STATEMENT	2010 £m	Restated* 2009 £m	Restated* 2008 £m	Restated* 2007 £m	Restated* 2006 £m
Revenue	**743.7**	654.0	702.9	669.6	646.3
Group operating profit	**118.9**	89.2	81.4	166.4	143.0
Non-operating income	**15.6**	–	31.4	5.1	11.2
Net finance expense	**(5.9)**	(7.3)	(10.0)	(14.1)	(24.0)
Income tax (expense)/credit	**(30.7)**	(7.3)	(31.9)	2.1	(22.1)
Profit for the year	**97.9**	74.6	70.9	159.5	108.1
CASH FLOW					
Cash generated from operations	**196.0**	111.2	147.1	160.2	144.5

STATEMENT OF FINANCIAL POSITION	2010 £m	Restated* 2009 £m	Restated* 2008 £m	2007 £m	2006 £m
Property, plant, equipment and lease premium prepayment	**2,257.2**	2,070.3	2,164.3	1,799.0	1,774.5
Investment properties	**94.9**	83.3	79.3	58.2	49.6
Investments and loans in joint ventures and associates	**396.8**	326.4	338.7	253.0	142.0
Other financial assets	**6.9**	6.4	6.7	4.8	4.5
Non-current assets	**2,755.8**	2,486.4	2,589.0	2,115.0	1,970.6
Current assets excluding cash	**177.6**	133.2	131.5	142.9	138.2
Borrowings net of cash	**(165.7)**	(202.5)	(285.1)	(262.1)	(260.4)
Deferred tax liabilities	**(251.8)**	(230.6)	(258.1)	(205.8)	(224.6)
Provisions and other liabilities	**(397.2)**	(282.8)	(296.4)	(236.3)	(231.7)
NET ASSETS	**2,118.7**	1,903.7	1,880.9	1,553.7	1,392.1
Share capital and share premium	**938.7**	938.5	938.4	937.7	936.3
Reserves	**1,008.8**	813.8	799.1	485.8	332.8
Total equity attributable to equity holders	**1,947.5**	1,752.3	1,737.5	1,423.5	1,269.1
Non-controlling interests	**171.2**	151.4	143.4	130.2	123.0
TOTAL EQUITY	**2,118.7**	1,903.7	1,880.9	1,553.7	1,392.1

KEY OPERATING STATISTICS	2010	2009	2008	2007	2006
Gearing %	**9%**	12%	16%	18%	21%
Earnings per share (pence)	**30.9p**	22.9p	21.3p	50.7p	34.5p
Dividends per share (pence)[1]	**10.0p**	6.25p	6.25p	12.50p	12.50p
Hotel gross operating profit margin (%)	**37.1%**	34.2%	38.2%	38.3%	36.0%
Occupancy (%)	**71.4%**	68.3%	71.2%	74.1%	74.4%
Average room rate (£)	**£85.52**	£78.51	£80.32	£71.74	£67.92
RevPAR (£)	**£61.06**	£53.62	£57.19	£53.16	£50.53

1 Dividends per share includes ordinary dividends and special dividends
* Refer to note 2.2 on page 79.

MAJOR GROUP PROPERTIES

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Asia				
Grand Millennium Beijing Fortune Plaza, 7 Dongsanhuan Middle Road Chaoyang District, Beijing 100020 PRC	Leasehold to year 2046 (hotel) Leasehold to year 2056 (underground car park)	9,268	502	70
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	7,349	400	80
Millennium Seoul Hilton 395 Namdaemun-ro 5-Ga, Chung-gu, Seoul, South Korea	Freehold	18,760	681	100
Copthorne Orchid Hotel Penang Tanjung Bungah, 11200 Penang, Malaysia	Freehold	10,329	307	100
Grand Millennium Kuala Lumpur 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	Freehold	7,620	459	100
The Heritage Hotel Manila Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines	Fee simple	9,888	450	66
Copthorne Orchid Hotel Singapore# 214 Dunearn Road, Singapore	Freehold	16,629	440	100
Studio M Hotel Singapore 3 Nanson Road, Singapore	99 year lease commencing Feb 2007	2,932	360	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	81
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

Hotel to be closed and redeveloped into condiminiums after March 2011.

MAJOR GROUP PROPERTIES

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Europe				
Copthorne Hotel Aberdeen 122 Huntly Street, Aberdeen, AB10 1SU, Scotland	Freehold	1,302	87	83
Copthorne Hotel Birmingham Paradise Circus, Birmingham B3 3HJ, England	Freehold	2,188	211	100
Copthorne Hotel Cardiff-Caerdydd Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	26,305	135	100
Copthorne Hotel Effingham 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 Hannover Würzburger Strasse 21, 30800 Hannover-Laatzen, Germany	Short leasehold to year 2014	13,165	222	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	7,535	833	100
Millennium Bailey's Hotel London Kensington 140 Gloucester Road, London SW7 4QH, England	Freehold	1,923	211	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

MAJOR GROUP PROPERTIES

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Europe (Continued)				
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	100
Millennium Hotel London Mayfair Grosvenor Square, Mayfair, London W1K 2HP England	Leasehold to year 2096	4,260	336	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
Millennium Hotel & Resort Stuttgart Plieninger Strasse 100, 70567 Stuttgart, Germany	Short leasehold to year 2011	39,094	450	100
North America				
Millennium Alaskan Hotel Anchorage 4800 Spenard Road, Anchorage, AK 99517 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 Harvest House Boulder 1345 28th Street Boulder, CO 80302, USA	Freehold	64,019	269	100
Millennium Hotel Buffalo 2040 Walden Avenue Buffalo, NY 14225, USA	Leased to year 2012 (with two 10-year options)	31,726	300	100
Millennium Knickerbocker Hotel Chicago 163 East Walton Place, Chicago, IL 60611 USA	Freehold	2,007	306	100
Millennium Hotel Cincinnati 150 West Fifth Street, Cincinnati, OH 45202, USA	Freehold	6,839	872	100
Millennium Hotel Durham 2800 Campus Walk Avenue, Durham, NC 27705, USA	Freehold	42,814	316	100

MAJOR GROUP PROPERTIES

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
North America (Continued)				
Millennium Hotel Minneapolis 1313 Nicollet Mall, Minneapolis, MN 55403, USA	Leased to year 2030	4,537	321	100
Millennium Maxwell House Nashville 2025 Rosa L. Parks Boulevard, Nashville TN 37228, USA	Leased to year 2030 (with two 10-year options)	36,421	287	100
Millennium Broadway Hotel New York 145 West 44th Street, New York, NY10036, USA	Freehold	2,122	750	100
Millennium UN Plaza Hotel New York 1 UN Plaza, 44th Street at 1st Avenue, New York 10017, USA	East tower freehold/ West tower leased to year 2079	4,554	436	100
Millennium Hotel St. Louis 200 South 4th Street, St Louis, MO 63102-1804, USA	Freehold	17,033	780	100
Millennium Resort Scottsdale McCormick Ranch 7401 North Scottsdale Road, Scottsdale, AZ 85208, USA	Leased to year 2033 (with two 10-year options)	32,819	125	100
Millenium Hilton 55 Church Street, New York, NY 10007, USA	Freehold	1,680	569	100
Best Western Lakeside 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747, USA	Freehold	93,796	475	100
Comfort Inn Vail Beaver Creek 161 West Beaver Creek Boulevard, Avon, CO 81620, USA	Freehold	11,209	146	100
Eldorado Hotel & Spa 309 West San Francisco Street, Santa Fe, NM 87501, USA	Indirect interest	7,349	219	20
Pine Lake Trout Club 17021 Chillicothe Road, Chagrin Falls OH 44023, USA	Freehold	331,121	6	100

MAJOR GROUP PROPERTIES

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Australasia				
Copthorne Hotel Auckland City 150 Anzac Avenue Auckland, New Zealand	Perpetual/Leasehold Land	2,495	110	49
Copthorne Hotel Auckland Harbour City 196-200 Quay Street Auckland, New Zealand	Freehold	2,407	187	70
Copthorne Hotel Christchurch Central 776 Colombo Street, Christchurch, New Zealand	Freehold	2,154	142	70
Copthorne Hotel Christchurch City Corner Durham & Kilmore Streets Christchurch, New Zealand	Leasehold to year 2015	1,734	161	49
Copthorne Hotel & Resort Bay of Islands Tau Henare Drive, Paihia New Zealand	Leasehold to year 2021 (with a 30 year option)	62,834	180	34
Copthorne Hotel & Resort Queenstown Lakefront Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	18,709	241	70
Copthorne Hotel Wellington Oriental Bay 100 Oriental Parade, Wellington, New Zealand	Freehold	3,904	118	49
Kingsgate Hotel Dunedin 10 Smith Street, Dunedin, New Zealand	Freehold	2,193	55	49
Kingsgate Hotel Greymouth 32 Mawhera Quay, Greymouth, New Zealand	Freehold/Perpetual leasehold land	2,807	98	70
Kingsgate Hotel Palmerston North 110 Fitzherbert Avenue Palmerston North, New Zealand	Freehold	15,514	151	49
Kingsgate Hotel Parnell Auckland 92-102 Gladstone Road, Parnell, Auckland, New Zealand	Leasehold to year 2012	7,650	114	49
Kingsgate Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	35,935	136	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
Millennium Hotel Christchurch 14 Cathedral Square, Christchurch New Zealand	Leasehold to year 2015	1,417	179	70

MAJOR GROUP PROPERTIES

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Australasia (Continued)				
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

Owned by CDLHT

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Asia				
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	35
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	574	35
M Hotel Singapore* 81 Anson Road, Singapore	20-year lease commencing 19.07.2006 and extendable for a further 20 years held by CDLHT and a freehold reversionary interest held by the Group	2,134	413	35
Novotel Clarke Quay 177A River Valley Road, Singapore	97 year lease expiring May 2077	12,925	401	35
Orchard Hotel Singapore* 442 Orchard Road, Singapore	20-year lease commencing 19.07.06 and extendable for a further 20 years held by CDLHT and a freehold reversionary interest held by the Group	8,588	653	35

* Leased by the Group from CDLHT

MAJOR GROUP PROPERTIES

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Australia				
Novotel Hotel Brisbane 200 Creek Street Brisbane, Queensland	Volumetric freehold	1,956	296	35
Mercure & Ibis Hotel Brisbane 85-87 North Quay/ 27 Turbot Street Brisbane, Queensland	Interconnected at ground level, situated on one freehold title	3,845	194/218	35
Mercure Hotel Perth 10 Irwin Street Perth, Western Australia	Strata freehold	757	239	35
Ibis Hotel Perth 334 Murray Street Perth, Western Australia	Freehold	1,480	192	35
New Zealand				
Rendezvous Hotel Auckland Corner of Vincent Street and Mayoral Drive, Auckland, New Zealand	Freehold	5,910	452	35

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 21,133 square metres Class "B" lettable office space within the Biltmore hotel structure and the Tower which has 12,156 square metres of Class "A" office space. 299 car park spaces are allocated to the two office spaces.	Freehold	34,289	100
Owned by First Sponsor Capital Limited Group			
Humen International Cloth Centre Located in Boyong Village, Guangdong, China. Comprising 145 commercial units and 11 serviced apartments.	Leasehold to year 2063	3,466	39
Fuogang City Spring Located in Shijiao District, Guangdong, China. Comprising 2 blocks of commercial buildings.	Leasehold to year 2075	25,005	27
Chengdu City Spring Located in Chengdu Hi-Tech Industrial Development Zone, Sichuan Province, China. Comprising 2 blocks of commercial buildings with SOHO's, a 124-room hotel and retail shops.	Leasehold to year 2049	81,405	39

MILLENNIUM & COPTHORNE HOTELS WORLDWIDE

Hotel

ASIA

China

Copthorne Hotel Qingdao
Grand Millennium Beijing
Millennium Hotel Chengdu
Millennium Harbourview Hotel Xiamen
Millennium Hongqiao Hotel Shanghai
Millennium Hotel Wuxi

Hong Kong

Hotel Nikko Hong Kong
JW Marriott Hotel Hong Kong

Indonesia

Millennium Hotel Sirih Jakarta

South 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
Studio M Singapore

Taiwan

Grand Hyatt Taipei

Thailand

Grand Millennium Sukhumvit Bangkok
Millennium Resort Patong, Phuket

AUSTRALASIA

New Zealand

Copthorne Hotel Auckland City
Copthorne Hotel Auckland Harbour City
Copthorne Hotel Christchurch Central
Copthorne Hotel Christchurch City
Copthorne Hotel Commodore Christchurch Airport
Copthorne Hotel Grand Central New Plymouth
Copthorne Hotel Marlborough
Copthorne Hotel Wellington Oriental Bay
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Produced by: Group Corporate Affairs
Hong Leong Group Singapore
Design by: Sedgwick Richardson
Managed by: Imprima