MILLENNIUM & COPTHORNE HOTELS plc

Annual Report & Accounts 2009

CONTENTS

Rationale:
This year, we take you on an extraordinary journey through some of Millennium & Copthorne's most celebrated establishments across the globe. Walk through grand lobbies, luxurious lounges, and saunter up meandering staircases, where exquisite guestrooms with breathtaking views await. In short, be captivated every step of the way.

Cover photo:
Come through our welcoming doors to experience Millennium & Copthorne hotels around the world. At the Millennium Hotel London Mayfair, your arrival heralds the beginning of an unforgettable journey.

Be captivated by the 1920's charm of the newly restored Millennium Knickerbocker Hotel Chicago.
USA

Mark the beginning of your stay at our hotel with a friendly welcome from our service staff.
Copthorne Hotel Qingdao
China

The Signature Welcome

What's in a "hello" that makes the difference between a greeting and heartwarming welcome? At Millennium & Copthorne, our flair for hospitality and endearing ways captivate and spell the start of a spectacular stay.

Leave All Your Cares At The Door

The moment you enter our doors, you are guaranteed a service level like no other. Our staff seeks to cater to your every need and will offer you the warmest welcome on your arrival.

Feel free to explore our hotels and leave your bags in the good hands of our hotel staff who will tend to them with their greatest care.
Grand Copthorne Waterfront Hotel
Singapore

Lounge in luxury at the Millennium Bostonian Hotel Boston. USA

Bask in sheer comfort

If building up the excitement for your trip is our focus, helping you unwind is our passion. Be reassured by elegant surroundings and a relaxing atmosphere where your worries quietly melt away. Enjoy your drinks in a delightful ambience that can only be Millennium & Copthorne.

Unwind at the Fancy Moose Lounge at the Millennium Alaskan Hotel Anchorage. USA

Be received by invigorating surroundings at the Grand Millennium Beijing lobby. China

Relax in ultimate refinement

Needless to say, the art of impeccable hospitality at its height must come with the best accommodation. Our rooms are the epitome of interior design flair and luxury. Equipped to take care of every creature comfort, you will find that there is no better place to take a break from the world than in one of our rooms.

Rest in the plush surroundings of The Signature Club Rooms at the Orchard Hotel.
Singapore

Feel at home at the Millennium Hotel Paris Opéra.
France

Enjoy cosy interiors at the Millennium Hotel London Knightsbridge.
UK

Meditate in Zen-inspired elegance at the Grand Millennium Beijing.
China

Prepare for unparalleled pampering at the Millennium Hongqiao Hotel Shanghai. China

Picturesque views for the discerning

The sheer perfection of our rooms is matched only by some of the most spectacular views in the world. Be it the magnificent UN Building from our Millennium UN Plaza Hotel New York in the US, or the Bangkok city skyline from our Grand Millennium Sukhumvit in Thailand, our hotels open a window to natural and urban landscapes which are worthy of a great painter's canvass.

Picturesque evening view from Copthorne Hotel Manchester overlooking the Salford Quay Waterfront. UK

Breathtaking views of Lake Taupo from The Trophy Room Restaurant at the Copthorne Hotel Taupo. New Zealand

Amenities for success

At Millennium & Copthorne, we understand the need for clockwork efficiency and style when it comes to successful business meetings and important functions. We offer a wealth of facilities which include presidential suites and VIP rooms, to suit every guest for every function where our hotels are located. Doing business can be a pleasure and making your event a success is our mantra.




Presidential suites equipped with exclusive meeting spaces at the Millennium UN Plaza Hotel New York. USA

Artfully crafted canapés provide a welcome break between meetings at the Grand Copthorne Waterfront Hotel Singapore. Singapore

Receive VIPs in oriental style at the Millennium Wuxi. China

Business meeting rooms at the Grand Millennium Dubai. UAE

Lofty glass ceilings make The Conservatory, at the Millennium Gloucester Hotel and Conference Centre, a favourite wedding venue.
UK

The art of indulgence and pampering perfected

From exclusive serviced apartments such as the La Residenza at the Grand Copthorne Waterfront Hotel Singapore, to our idyllic pools at the Millennium Resort Patong Phuket, Millennium & Copthorne has perfected the art of pampering. With facilities that are well-tuned to your every need and spa services of impeccable standards, you will leave our hotels feeling relaxed and rejuvenated.

Live in style at serviced apartments at the Grand Copthorne Waterfront Hotel Singapore.
Singapore

Relax by the poolside of the Millennium Resort Patong Phuket.
Thailand

A Memorable Stay

The Antidote is an exclusive spa centre at the Grand Millennium Sukhumvit Bangkok which infuses science with a healing touch, to offer the ultimate in indulgence and relaxation.
Thailand

One Experience

Millennium & Copthorne Hotels comprise 104* hotels with 29,124 rooms in 17 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 (2)
Doha
Dubai (3)
Kuwait (2)
Sharjah

Asia
Bangkok
Beijing
Chengdu
Hainan
Hong Kong (2)
Jakarta
Kuala Lumpur
Manila
Penang
Phuket
Qingdao
Seoul
Shanghai
Singapore (5)
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(2)
Wellington (2)

* In addition to the 104 hotels that are open, there are 27 hotels that are in the pipeline.

Around The World.

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

1	2	3	4
5	6	7	8
9	10	11	12

1. Millennium Bostonian Hotel Boston USA
2. Millennium UN Plaza Hotel New York USA
3. Millennium Biltmore Hotel Los Angeles USA
4. Millennium Hotel London Mayfair UK
5. Grand Millennium Beijing China
6. Millennium Harbourview Hotel Xiamen China
7. Grand Millennium Sukhumvit Bangkok Thailand
8. M Hotel Singapore
9. Grand Millennium Kuala Lumpur Malaysia
10. Grand Millennium Dubai UAE
11. Millennium Hotel Paris Opéra France
12. Copthorne Hotel Auckland City New Zealand

Performance Highlights

- RevPAR was £53.62. London was resilient with RevPAR only marginally down by 2.5% for the year. RevPAR decline in New York and Singapore slowed in the fourth quarter.
- Implementation of profit protection plan achieved 55.0% recovery rate.
- Basic earnings per share up due to lower one-off costs and lower tax charge.
- Strong cash flows from operations of £83.4m, net debt reduced from £285.1m to £202.5m and gearing of 11.6%.
- Dividend: a second interim dividend of 4.17p, making a total dividend for the year of 6.25p (2008: 6.25p) per share.

£ millions (unless otherwise stated)	2009	Reported Currency Change %	Constant Currency[1] Change %	2008
RevPAR	£53.62	(6.2%)	(16.3%)	£57.19
Revenue	654.0	(7.0%)	(16.8%)	702.9
Headline operating profit	98.0	(31.7%)	(38.8%)	143.5
Profit before tax	81.9	(20.3%)	(31.9%)	102.8
Basic earnings per share	22.9p	7.5%		21.3p

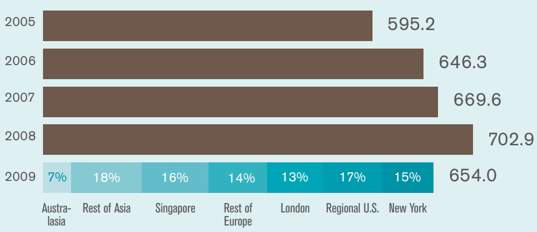
[1] For comparability, statistics for 2008 have been translated at 2009 average exchange rates

Business Overview

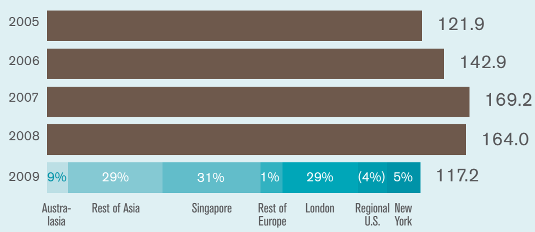
The principal activity of the Group is ownership and management of hotels around the world. These are operated in seven main geographical areas: New York, Regional US, London, Rest of Europe, Singapore, Rest of Asia and Australasia.

The Group primarily operates under four brands: Grand Millennium, Millennium, Copthorne and Kingsgate, focusing on the development of the Grand Millennium, Millennium and Copthorne brands, which are used for its four star deluxe or five star properties. The Kingsgate brand is mainly located in New Zealand.

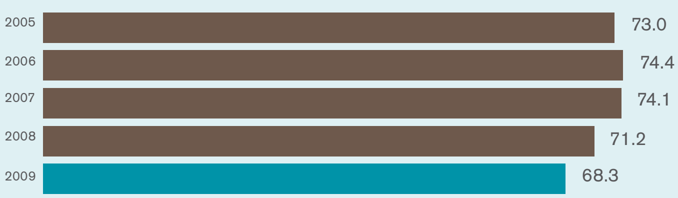
Group Revenue (£m)[1]



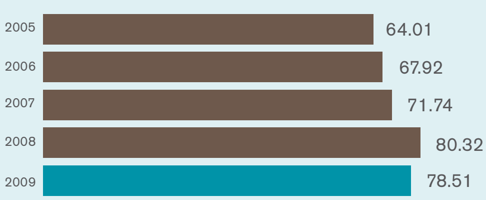
Headline Operating Profit (£m)[1,2]



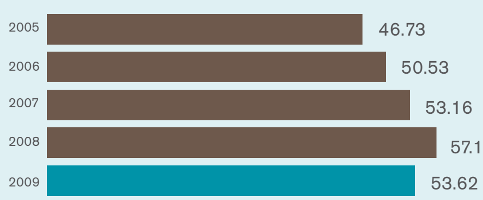
Occupancy (%)



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 development property in Regional US

Chairman's Statement

Despite the challenging economic conditions, the Group delivered a solid performance for 2009. This is largely due to tough, prudent and analytical management, which has served us well in navigating through stormy seas to calmer waters. We have benefitted from the ownership of a wide geographical spread of properties which has smoothed the overall impact of the economic crisis.

Performance

2009 was a tough year for the hotel industry as the hospitality market suffered under the economic crisis. The year began with sharp RevPAR declines in most markets. Signs of abatement appeared in the third quarter, while the fourth quarter decline in RevPAR fell to only 7.6%. This resulted in an overall RevPAR decrease of 16.3% for the year ended 31 December 2009.

In New York, the severe RevPAR decline of 37.8% in the first quarter was reduced in successive quarters to a decline of 11.7% in the fourth, resulting in a RevPAR decline for the year of 28.2%. In Singapore, where both corporate and leisure numbers have fallen since mid-2008, the second quarter RevPAR decline of 44.5% has eased to 18.9% in the fourth quarter with a resultant RevPAR decline of 31.8% for the year. However, our Singapore hotels continue to generate a good gross operating profit margin of 49.8% notwithstanding the fact that food and beverage operations are significant contributors to revenue.

At the other end of the scale, performance in London remained resilient with RevPAR only marginally down by 2.5% for the year, and is ahead of the overall London market.

The rest of Asia region finished with a single digit decline in RevPAR of only 5.6% for the year, and finished the final quarter with a 3.2% increase, led by a strong performance at the Millennium Seoul Hilton.

We responded quickly to the RevPAR decline, implementing our profit protection plan which focuses on cost control and cash management. At constant rates of exchange, for 2009 we succeeded in delivering savings of £72.7m in operating costs (including hotel fixed charges, non-hotel expenses and central costs) against a revenue fall of £132.2m resulting in a recovery rate of 55.0% (the recovery at hotel level was 51.1%). This has been achieved through a combination of head-count reduction, a careful redesign of key processes, basic attention to detail, and solid performances by our hotel management teams.

In reported currency terms, headline operating profit fell by £45.5m to £98.0m (2008: £143.5m) while headline profit before tax fell by £41.7m to £84.2m

(2008: £125.9m) and headline earnings per share were reduced by 30.2% to 20.3p (2008: 29.1p).

Profit before tax of £81.9m, helped by a weak sterling, was 20.3% below the previous year (2008: £102.8m). Excluding the beneficial impact of foreign currency translation, profit before tax fell by 31.9%. Basic earnings per share increased by 7.5% to 22.9p (2008: 21.3p) as a result of the lower effective tax rate.

Financial Position

The Group's ability to analyse the economic cycle has enabled it to anticipate market instabilities and to pursue a policy of debt reduction, which has strengthened its balance sheet, despite the tough economic conditions. Net debt reduced by £82.6m to £202.5m (2008: £285.1m) and all of the facilities that matured in 2009 were refinanced from other existing facilities and surplus cash. The Group generated £66.0m (2008: £46.6m) free cash flow. At 31 December 2009 the Group had cash reserves of £135.5m and total undrawn committed bank facilities of £178.8m available. The net book value of the Group's unencumbered properties as at 31 December 2009 was £1,891.6m (31 December 2008: £1,986.2m). Most of the facilities are clean and the unencumbered assets represent 87.8% of our fixed assets and investment properties. Gearing further improved to 11.6% (31 December 2008: 16.4%) which is substantially lower than the hospitality sector generally.

As a result of debt repayment and lower interest rates, net interest expense decreased to £7.3m (2008: £10.0m). Average interest rate of borrowings reduced from 3.72% to 2.49% and average remaining tenure of borrowings decreased from 30 months to 27 months.

Development

During the year the Group opened three new hotels under management contract; one in Europe (the 158-room Copthorne Hotel Sheffield), and two in China (the 306-room Millennium Wuxi and the 343-room Millennium Chengdu, which soft opened in December). The 299-room owned hotel, Wynfield Inn Orlando Convention Centre (US), was closed and the management contract for the 304-room Millennium Oyoun Hotel Sharm el Sheikh (Egypt) ended.

The Group also announced the signing of a further 15 management contracts, with two in the UK, six in the United Arab Emirates, three in Iraq, two in Saudi Arabia, one in Yemen and one in Taiwan. These properties are due to open between 2010 and 2013 and account for 4,368 additional rooms, bringing the number of rooms in the Group's worldwide pipeline to 8,361 rooms (27 hotels).

In November 2009 the Group unveiled the new Studio M brand aimed at the discerning guest, which offers both urban contemporary style and access to integrated technology and high connectivity. Our first Studio M hotel in Singapore is scheduled to soft-open in the second quarter of 2010.

In line with the Group's asset management initiatives, the Group has obtained provisional permission to redevelop Copthorne Orchid Hotel Singapore into condominiums. This is expected to generate cash and profit from an alternative use of an asset and save an estimated £10 million of maintenance expenditure required to retain the property in its current use.

CDLHT our 39.5% owned REIT associate, today completed the acquisition of five hotels in Australia comprising 1,139 rooms. Novotel Brisbane, Mecure Brisbane, Ibis Brisbane, Mecure Perth and Ibis Perth will be purchased for A$175.0m (£97.6m), which will bring the REIT's total portfolio of hotels to eleven. The five acquired hotels remain leased to Accor.

Chairman's Statement

Board Changes

During the year we announced some changes to the independent non-executive directors.

Viscount Thurso and Charles Kirkwood retired from the Board having both served since 2002. We wish them well for the future and extend our thanks for their contribution, support and the benefit of their experience. Christopher Keljik took on the responsibilities of the senior independent director and Connal Rankin became chairman of the Board's Remuneration Committee.

We welcomed to the Board His Excellency Shaukat Aziz, Alexander Waugh and Nicholas George. Their collective experience has added breadth and diversity to the Board together with fresh ideas and new ways of thinking.

In March 2009 we announced Christopher Sneath's intention to retire from the Board having served on the Board since 1999. Mr Sneath is the chairman of the Board's Audit Committee and, as previously announced, Nicholas George will be Mr Sneath's successor in that role.

Dividend

The Board has declared a second interim dividend of 4.17p per share bringing the total dividend for the year to 6.25p per share (2008: 6.25p). The second interim dividend is in lieu of the final dividend.

Looking Forward

In 2009, the Group delivered a solid performance, despite the economic conditions which were particularly difficult in the first half of the year. The Group's financial position has strengthened. When the trading environment improves we expect that our tight control of operating expenditure will deliver benefits through our owner-operator business model. We are encouraged by the signs of stability in some of our markets, while conditions remain challenging in others. In the first 5 weeks of trading this year Group RevPar increased by 3.5% with New York increasing by 4.3%, Singapore increasing by 18.8% and London declining by 7.6%, although it is too early to predict the trading performance for 2010.

Finally, I would like to thank all our staff for their formidable efforts in 2009 and to express my sincere gratitude to our shareholders for their continued enthusiasm and for remaining, as ever, confident in their expectation of good results for 2010 and beyond.

Kwek Leng Beng
CHAIRMAN
18 February 2010

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 2009 as well as those likely to affect the Group's future development, performance and position.

The business review is divided into the following sections:

- Operating
- Financial
- Risk Factors
- Non-GAAP Information

The principal activity of the Group is ownership and management of hotels around the world. These are operated in seven main geographical areas: New York, Regional US, London, Rest of Europe, Singapore, Rest of Asia, and Australasia.

The Group owns, operates, manages and franchises hotels with significant operations in London, New York and Singapore.

The Group primarily operates under four brands: Grand Millennium, Millennium, Copthorne and Kingsgate, focusing on the development of Grand Millennium, Millennium and Copthorne brands, which are used for its four star deluxe or five star properties. The Kingsgate brand is mainly used in New Zealand.

Performance By Region

For comparability, the following regional review is based on calculations in constant currency whereby 2008 average room rate, RevPAR, revenue, gross operating profit and headline operating profit have been translated at 2009 average exchange rates.

United States

New York

New York, along with Singapore, was one of the two regions in the Group's portfolio where the impact of the economic crisis was most strongly felt in 2009. RevPAR was £118.62 (2008: £165.30) a fall of 28.2% for the year. The fall in New York was primarily rate led with a fall of 26.5% to £143.43 (2008: £195.16). Occupancy was more stable with a fall of only 2.0 percentage points to 82.7% (2008: 84.7%). There was still demand in the city, but this has had to be driven through different, lower yielding channels. The decline was particularly noticeable at the Millennium Broadway and Millenium Hilton hotels. In the former, in addition to the corporate market, a sizeable proportion of business is derived from the meetings and events business which in an economic downturn, one of the easier expenses for companies to cut back on. This had a consequent impact on food and beverage revenues. The downtown located Millenium Hilton on the other hand had much more exposure to the banking sector.

New York was first impacted by the downturn in the final quarter of 2008, and comparables in the final quarter show that the rate of decline has slowed significantly. RevPAR in the final quarter fell by 11.7% to £142.20 (2008: £160.98). This was still driven by a 17.7% fall in rate to £164.58 (2008: £199.97) offset by a 5.9 percentage point increase in occupancy to 86.4% (2008: 80.5%).

Regional US

RevPAR fell by 11.0% to £35.24 (2008: £39.59). The 2009 figures were enhanced by the 2008 refurbishments at our hotels in Boston and Chicago, and by the January 2009 closure of the Wynfield Inn which traded at a much lower rate than the rest of the region. If these hotels are excluded from both years' results, the like-for-like (LFL) RevPAR fell by 19.8% which more accurately reflects the general level of decline. This LFL fall was the result of a 7.0 percentage point fall in occupancy and a 9.5% fall in average room rates to £57.75 (2008: £63.84).

As with New York, falls in the final quarter were much reduced, with LFL RevPAR down 12.4% to £25.62 (2008: £29.23) driven primarily by rate which fell by 9.1% to £52.61 (2008: £57.88).

Europe

London

London has proven to be the most resilient of the Group's markets throughout the year. Despite the economic conditions, London RevPAR only fell by 2.5% to £83.45 (2008: £85.55), with a 2.2% fall in rate to £99.11 (2008: £101.36) and a marginal fall in occupancy to 84.2% (2008: 84.4%). When Millennium, the Group's core brand in London is taken in isolation, the RevPAR fall is only 0.3%, driven by a 2.4% fall in rate and a 1.7 percentage point increase in occupancy. This is partly the result of putting more emphasis on the internet channels and selective rate and occupancy strategies in the different London hotels to best match the opportunities available. Also helping London is the weakness of sterling making London a more attractive destination than previously for overseas visitors. London also had the highest hotel gross operating profit margin of 52.7%.

The year in London finished on a strong note, with RevPAR showing a 1.9% increase in the final quarter to £86.91 (2008: £85.28). The growth was driven by a 4.5% increase in rate to £105.47 (2008: £100.92) at the expense of a 2.1 percentage point fall in occupancy.

Rest of Europe

The strength shown by London was not repeated in the Rest of Europe and RevPAR fell by 16.5% to £49.73 (2008: £59.56). The 11.5% fall in rate to £74.33 (2008: £84.01) played a bigger part than the 4.0 percentage point fall in occupancy to 66.9%, but the combined fall shows there was weakness in both demand and room rate.

Regional UK

RevPAR fell 14.8% to £45.28 primarily driven by a 12.3% fall in rate to £63.69 (2008: £72.64) and a 2.1 percentage point fall in occupancy to 71.1% (2008: 73.2%). Every hotel produced a lower RevPAR than 2008, but shortfalls showed some distinct variations throughout the UK with Aberdeen and the South East, in particular Gatwick producing the largest shortfalls. The final quarter was marginally better, with a RevPAR fall of 13.1%, but this decrease is not enough to indicate that the corner has been turned in Regional UK.

France & Germany

Our presence in these two countries remains limited to four hotels. RevPAR fell by 18.7% to £56.75 through falls in occupancy and rate. Occupancy fell by 7.1 percentage points to 60.1% (2008: 67.2%) while rate fell by 9.0% to £94.43 (2008: £103.82). The decline in the final quarter was slightly higher at 20.4% reflecting the fact that our markets face challenges.

Middle East

Twelve new management contracts were signed in the year, eleven of which are new build hotels and one contract involving a change of flag to Millennium. The hotels are due to open between 2010 and 2013. Two pipeline contracts were cancelled. No new hotels were opened in 2009, and the Millennium Oyoun Hotel Sharm el Sheikh contract was terminated.

Asia

RevPAR fell by 20.1% to £52.81 (2008: £66.11) driven by a 17.3% fall in average room rates to £72.14 (2008: £87.21) and a 2.6 percentage point occupancy fall to 73.2%.

Singapore

Singapore has suffered the largest percentage RevPAR fall of the Group's seven main geographic segments at 31.8%. Full year RevPAR was £58.84 (2008: £86.24) driven by a 26.9% fall in rate to £75.43 (2008: £103.16)

Business Review – Operating

and an occupancy fall of 5.6 percentage points to 78.0% (2008: 83.6%). This steep fall can be partly attributed to the accelerated rate of growth in Singapore since 2003, where RevPAR has risen by a compound annual growth rate of 27.4% (2003–2008).

The RevPAR decline reached its peak in the second quarter with a fall of 44.5% which has gradually fallen over the second half of the year, finishing with an 18.9% decline in the fourth quarter.

Rest of Asia

After London, the Rest of Asia showed the smallest RevPAR decline of 5.6% to £48.19 (2008: £51.04). Lower average rate was the primary driver of this decline as rates fell by 4.9% to £69.34 (2008: £72.91) while occupancy fell by 0.5 percentage points to 69.5%. Three of the six hotels showed an improvement in RevPAR with the most significant contribution coming from the Group's property in Seoul which benefited from an influx of foreign visitors, especially from Japan as a result of the weaker Korean Won.

The region finished the final quarter as the strongest in the Group with a 3.2% increase in RevPAR to £52.65 (2008: £51.00). This growth was witnessed in five hotels, with only the Copthorne Orchid Penang showing a small decline.

The Group's presence in China increased by two hotels: The Millennium Wuxi opened its doors in June, while the Millennium Chengdu soft opened in December. Both properties are managed and not consolidated into the Group's RevPAR statistics.

The Group's share of losses after interest, tax and non-controlling interests from our two joint venture hotels in Beijing and Bangkok was £1.2m (2008: £5.1m). The Group's investment in The Grand Millennium Beijing and Grand Millennium Sukhumvit were both fully written down in 2008. No losses are being recognised for the Beijing property while those in Bangkok have been limited to the levels of further funding in 2009.

AUSTRALASIA

In New Zealand, where we operate under the Millennium, Copthorne and Kingsgate brands, RevPAR fell by 11.8% to £28.58 (2008: £32.42). Occupancy fell by 4.1 percentage points to 62.4% (2008: 66.5%) and average rate fell by 6.1% to £45.80 (2008: £48.75). Average rate fell in every hotel with falls of between 1.0% and 12.7%. The Copthorne brand was the most resilient due to a better ability to hold occupancy, although this was at the expense of rate which had the largest fall of the three brands.

Hotel operating profit benefited from a £1.2m one-off dilapidations provision release in the third quarter.

With a fall of 8.2% to £32.90 (2008: £35.83) the final quarter of the year was the best quarter and was the second consecutive quarter of declining RevPAR falls. New Zealand is also moving in the right direction, although not with the same momentum as some of the other regions.

The Group's land and property development operations in New Zealand have seen another year of minimal sales in 2009 with a small overall increase in revenue and a resultant profit of £0.8m (2008: £0.7m).

Business Review – Operating

Key Performance Indicators
Hotels

Hotel revenue:	Reported Currency 2009 £m	Reported Currency 2008 £m	Reported Currency Growth %	Constant Currency 2008 £m	Constant Currency Growth %
New York	**95.6**	112.3	(14.9%)	134.4	(28.9%)
Regional US	**110.8**	110.7	0.1%	132.4	(16.3%)
London	**88.0**	93.8	(6.2%)	93.8	(6.2%)
Rest of Europe	**92.9**	104.6	(11.2%)	110.4	(15.9%)
Singapore	**102.8**	115.0	(10.6%)	133.9	(23.2%)
Rest of Asia	**116.1**	114.9	1.0%	126.4	(8.1%)
Australasia	**40.7**	44.8	(9.2%)	47.2	(13.8%)
Total Group	**646.9**	696.1	(7.1%)	778.5	(16.9%)

Hotel operating profit/(loss):	Reported Currency 2009 £m	Reported Currency 2008 £m	Reported Currency Growth %	Constant Currency 2008 £m	Constant Currency Growth %
New York	**5.3**	26.9	(80.3%)	32.2	(83.5%)
Regional US	**(3.5)**	2.4	n/m	2.9	n/m
London	**33.7**	34.4	(2.0%)	34.4	(2.0%)
Rest of Europe	**1.6**	14.7	(89.1%)	14.9	(89.3%)
Singapore	**21.9**	28.8	(24.0%)	33.6	(34.8%)
Rest of Asia	**26.7**	29.0	(7.9%)	31.9	(16.3%)
Australasia	**9.7**	9.3	4.3%	9.8	(1.0%)
Total Group	**95.4**	145.5	(34.4%)	159.7	(40.3%)

Occupancy:	2009 %	2008 %	Percentage point change
New York	**82.7**	84.7	(2.0)
Regional US	**55.8**	59.9	(4.1)
London	**84.2**	84.4	(0.2)
Rest of Europe	**66.9**	70.9	(4.0)
Singapore	**78.0**	83.6	(5.6)
Rest of Asia	**69.5**	70.0	(0.5)
Australasia	**62.4**	66.5	(4.1)
Total Group	**68.3**	71.2	(2.9)

Average Room Rate:	Reported Currency 2009 (£)	Reported Currency 2008 (£)	Reported Currency Growth %	Constant Currency 2008 (£)	Constant Currency Growth %
New York	**143.43**	163.08	(12.0%)	195.16	(26.5%)
Regional US	**63.15**	55.23	14.3%	66.09	(4.4%)
London	**99.11**	101.36	(2.2%)	101.36	(2.2%)
Rest of Europe	**74.33**	79.60	(6.6%)	84.01	(11.5%)
Singapore	**75.43**	88.59	(14.9%)	103.16	(26.9%)
Rest of Asia	**69.34**	66.08	4.9%	72.91	(4.9%)
Australasia	**45.80**	46.29	(1.1%)	48.75	(6.1%)
Total Group	**78.51**	80.32	(2.3%)	90.00	(12.8%)

n/m not meaningful

Business Review – Operating

RevPAR:	**Reported Currency 2009 £**	Reported Currency 2008 £	Reported Currency Growth %	Constant Currency 2008 £	Constant Currency Growth %
New York	**118.62**	138.13	(14.1%)	165.30	(28.2%)
Regional US	**35.24**	33.08	6.5%	39.59	(11.0%)
London	**83.45**	85.55	(2.5%)	85.55	(2.5%)
Rest of Europe	**49.73**	56.44	(11.9%)	59.56	(16.5%)
Singapore	**58.84**	74.06	(20.6%)	86.24	(31.8%)
Rest of Asia	**48.19**	46.26	4.2%	51.04	(5.6%)
Australasia	**28.58**	30.78	(7.1%)	32.42	(11.8%)
Total Group	**53.62**	57.19	(6.2%)	64.08	(16.3%)

Hotel, Room Count and Pipeline

Hotel and room count as at 31 December	Hotels **2009**	Hotels 2008	Hotels Change	Rooms **2009**	Rooms 2008	Rooms Change
Analysed by region:						
New York	**3**	3	–	**1,746**	1,746	–
Regional US	**16**	17	(1)	**5,727**	6,025	(298)
London	**7**	7	–	**2,487**	2,487	–
Rest of Europe	**18**	17	1	**3,231**	3,073	158
Middle East	**8**	9	(1)	**2,416**	2,689	(273)
Singapore	**5**	5	–	**2,390**	2,390	–
Rest of Asia	**17**	15	2	**7,594**	6,913	681
Australasia	**30**	30	–	**3,533**	3,477	56
Total Group	**104**	103	1	**29,124**	28,800	324
Analysed by ownership type:						
Owned and leased	**66**	67	(1)	**20,288**	20,610	(322)
Managed	**19**	17	2	**4,526**	4,011	515
Franchised	**13**	13	–	**1,883**	1,807	76
Investment	**6**	6	–	**2,427**	2,372	55
Total Group	**104**	103	1	**29,124**	28,800	324
Analysed by brand:						
Grand Millennium	**4**	4	–	**1,657**	1,666	(9)
Millennium	**41**	40	1	**14,571**	14,222	349
Copthorne	**35**	34	1	**7,128**	6,950	178
Kingsgate	**14**	14	–	**1,425**	1,375	50
Other	**10**	11	(1)	**4,343**	4,587	(244)
Total Group	**104**	103	1	**29,124**	28,800	324

Business Review – Operating

Hotel, Room Count and Pipeline (continued)

Pipeline as at 31 December	Hotels 2009	Hotels 2008	Hotels Change	Rooms 2009	Rooms 2008	Rooms Change
Analysed by region:						
Regional US	**1**	1	–	**250**	250	–
Rest of Europe	**3**	2	1	**639**	340	299
Middle East	**20**	10	10	**6,743**	3,418	3,325
Singapore	**1**	1	–	**365**	370	(5)
Rest of Asia	**2**	3	(1)	**364**	790	(426)
Total Group	**27**	17	10	**8,361**	5,168	3,193
Analysed by ownership type:						
Owned or leased	**3**	3	–	**735**	740	(5)
Managed	**24**	14	10	**7,626**	4,428	3,198
Total Group	**27**	17	10	**8,361**	5,168	3,193
Analysed by brand:						
Grand Millennium	**2**	–	2	**1,423**	–	1,423
Millennium	**13**	10	3	**3,700**	3,555	145
Copthorne	**3**	1	2	**480**	140	340
Kingsgate	**3**	2	1	**752**	478	274
Other M&C	**6**	4	2	**2,006**	995	1,011
Total Group	**27**	17	10	**8,361**	5,168	3,193

During the year the Group opened three new hotels under management contract; one in Europe, the 158-room Copthorne Hotel, Sheffield and two in China, the 306-room Millennium Wuxi and finally, the 343-room Millennium Chengdu which soft opened in December. The 299-room owned hotel, Wynfield Inn Orlando Convention Centre (US) was closed and the management contract for the 304-room Millennium Oyoun Hotel Sharm el Sheikh (Egypt) terminated.

The Group also announced the signing of a further 15 management contracts, with two in the UK, six in the United Arab Emirates, three in Iraq, two in Saudi Arabia, one in Yemen and one in Taiwan. These properties are due to open between 2010 and 2013 and account for 4,368 additional rooms. This brings the number of rooms in the Group's worldwide pipeline to 8,361 rooms (27 hotels).

Business Review – Financial

Financial Review

Introduction

The following review is based on the Group Financial Statements included on pages 62 to 119 in this Annual Report.

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

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

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

	At 31 December	
Currency (=£)	**2009**	2008
US dollar	**1.596**	1.474
Singapore dollar	**2.245**	2.132
New Taiwan dollar	**51.081**	49.295
New Zealand dollar	**2.253**	2.563
Malaysian ringgit	**5.473**	5.139
Korean won	**1,847.74**	1,878.41
Euro	**1.110**	1.052

	Average for year ended 31 December	
Currency (=£)	**2009**	2008
US dollar	**1.553**	1.859
Singapore dollar	**2.257**	2.628
New Taiwan dollar	**51.654**	59.464
New Zealand dollar	**2.461**	2.592
Malaysian ringgit	**5,472**	6.200
Korean won	**1,969.72**	1,995.67
Euro	**1.114**	1.261

Property, Plant And Equipment

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

Taxation

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

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

Key Performance Indicators

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

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

The Group uses a number of primary measures to assess its performance. A number of these measures at Group level are presented on a like-for-like basis which provides an assessment of the underlying growth excluding the impact of business acquisitions and disposals and changes in exchange rates. Financial measures presented on a like-for-like basis are Non-GAAP financial measures. For more information on these measures and the basis of calculation see "Non-GAAP Information" on page 39.

Revenue

Review of revenue of the Group's principal markets for the years 2009 and 2008 is provided in the section headed "Business Review – Operating".

Revenue based measures

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

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

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

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

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

Hotel operating profit

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

Headline operating profit

Headline operating profit is used by the Group for performance analysis as it represents the underlying operating profitability of the Group. The basis of calculation, along with an analysis of why the Group believes it to be a useful measure, is provided in the section titled "Non-GAAP Information" on page 39.

Business Review – Financial

Headline EBITDA
Headline earnings before interest, tax, depreciation and amortisation (EBITDA) is calculated as headline operating profit before depreciation and amortisation.

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

Headline profit after tax
Headline profit after tax is calculated as headline profit before tax less tax which excludes the impact of change in tax rates on opening deferred taxation.

Headline earnings per share
Headline earnings per share is calculated as basic earnings per share before other operating income/expenses (of Group and share of joint venture and associates), impairment (net of tax), effect of major tax legislation changes and change in tax rates on opening deferred taxes. Details of excluded items are disclosed in note 12 to the Consolidated Financial Statements and in the business review – financial on page 33.

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

Net debt
Net debt is calculated as the total of current and non-current interest-bearing loans, bonds and borrowings less cash and cash equivalents. It is a Non-GAAP measure since it is not defined under 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.

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

Business Review – Financial

Financial and Operating Highlights

	2009 £m	2008 £m
Revenue	**654.0**	702.9
Operating profit	**89.2**	112.8
Headline operating profit [1]	**98.0**	143.5
Profit before tax	**81.9**	102.8
Adjustments for:		
Other operating income of the Group [2]	**–**	(31.4)
Other operating expense of the Group [3]	**0.2**	–
Other operating (income)/expense of joint ventures and associates (net of tax, interest and non-controlling interests) [4]	**(0.1)**	19.4
Impairment [5]	**2.2**	35.1
Headline profit before tax [1]	**84.2**	125.9
Income tax expense	**(7.3)**	(31.9)
Adjustment for:		
Change in tax rates on opening deferred tax	**(9.9)**	(4.2)
Headline profit after tax [1]	**67.0**	89.8
Profit for the year	**74.6**	70.9
Basic earnings per share (pence)	**22.9p**	21.3p
Headline earnings per share (pence) [1]	**20.3p**	29.1p
Net debt	**202.5**	285.1
Gearing (%)	**11.6%**	16.4%

Notes

1 The Group believes that headline operating profit, headline profit before tax, headline profit after tax and headline earnings per share provide useful and necessary information on underlying trends to shareholders, the investment community and are used by the Group for internal performance analysis. Reconciliation of these measures to the closest equivalent GAAP measures are shown in notes 5 and 12 to these financial statements and in the business review financial section on pages 28 to 36.

2 Other operating income of the Group for the year ended 31 December 2008 represented a non-refundable cash deposit paid by the prospective buyer of CDL Hotels (Korea) Limited with one principal asset, the Millennium Seoul Hilton Hotel. The deposit was forfeited as the buyer was unable to finalise its financing arrangements and, consequently, the agreement for the disposal was terminated. This resulted in the Group recording a £31.4m gain.

3 Other operating expense of the Group for the year ended 31 December 2009 represents a loss of £0.2m on fair value adjustment to the Tanglin Shopping Centre, an investment property of the Group.

4 Other operating income of joint ventures and associates for the year ended 31 December 2009 primarily represents the Group's share of fair value adjustments of investment properties of First Sponsor Capital Limited of £0.6m net of £0.5m related interest, tax and non-controlling interests. For the year ended 31 December 2008, the other operating expense comprised a loss of £20.4m which represented the Group's share of the revaluation deficit of investment properties of CDL Hospitality Trusts ("CDLHT"), the Group's associate in a Singapore-listed REIT; and a gain of £3.6m representing the Group's share of net revaluation surplus of investment property of First Sponsor Capital Limited ("FSCL") net of £2.6m of related interest, tax and non-controlling interests.

5 Impairment for the year ended 31 December 2009 represents additional funding in the Group's 50% joint venture in Bangkok being fully written down by £1.3m and a £0.9m impairment of land in India. Impairment for the year ended 31 December 2008 comprised the Group's 30% and 50% investment in Beijing and Bangkok respectively being fully written down by an aggregate of £19.6m; a £8.1m aggregate write down of six hotels in the US and UK as well as land in India; and a £7.4m impairment of land at Sunnyvale.

Business Review – Financial

Summary Results

Foreign exchange movements have enhanced the Group's year-on-year results but have also masked what was otherwise a creditable performance in mitigating the impact of the £48.9m downturn in revenue. Headline operating profit, which is the Group's measure of the underlying operating profit, fell by £45.5m from £143.5m to £98.0m suggesting minimal recovery of costs.

When the 2008 figures are restated at 2009 exchange rates, the true cost recovery picture can be seen. At constant rates of exchange the revenue variance increases by £83.3m to £132.2m and the operating profit variance increases by £12.7m to £59.5m leading to a further reduction in expenses (including hotel fixed charges, non-hotel expenses and central costs) of £70.6m to £72.7m. This is a 55.0% recovery, while at hotel level the recovery is 51.1%. This cost recovery reflects the impact that the profit protection plan and the various restructuring exercises have had on the Group's profitability. The table below summarises the exchange impact on revenue and expenses.

		Reported Currency				Constant Currency		
	2009 £m	2008 £m	Variance £m	Change %	**2009 £m**	2008 £m	Variance £m	Change %
Revenue	**654.0**	702.9	(48.9)	(7.0%)	**654.0**	786.2	(132.2)	(16.8%)
Expenses	**(576.6)**	(578.7)	2.1	0.4%	**(576.6)**	(649.3)	72.7	11.2%
Operating profit (excluding impairment)	**77.4**	124.2	(46.8)	(37.7%)	**77.4**	136.9	(59.5)	(43.5%)
Share of joint ventures and associates	**20.6**	19.3	1.3	6.7%	**20.6**	23.1	(2.5)	(10.8%)
Headline operating profit	**98.0**	143.5	(45.5)	(31.7%)	**98.0**	160.0	(62.0)	(38.8%)

Included in the £72.7m of savings were £56.8m from hotel gross operating expenditure, £10.5m from hotel fixed charges, £2.2m from property operations and £3.2m from central costs. A large element of the saving in fixed charges (which included rent) is due to the variable element of rent agreements for the four Singapore hotels in the REIT.

Profit before tax fell by 20.3% to £81.9m (2008: £102.8m) and headline profit before tax reduced by 33.1% to £84.2m (2008: £125.9m). Basic earnings per share increased by 7.5% to 22.9p (2008: 21.3p).

Headline Operating Profit

Reconciliation between profit before tax, headline profit before tax and headline operating profit is shown below:

	2009 £m	2008 £m
Profit before tax	**81.9**	102.8
Adjusted to exclude:		
Other operating (income)/expense	**–**	(31.4)
Profit on aborted sale of CDL Hotels (Korea) Limited	**–**	(31.4)
Share of other operating expense/(income) of joint ventures and associates	**(0.1)**	19.4
Fair value adjustments to CDLHT and FSCL investment property	**(0.6)**	16.8
Interest, tax and non-controlling interests	**0.5**	2.6
Other operating expense – Group	**0.2**	–
Impairment	**2.2**	35.1
Joint ventures investments and loans	**1.3**	19.6
Hotels and land	**0.9**	8.1
Other property	**–**	7.4
Headline profit before tax	**84.2**	125.9
Add back:		
Share of results of joint ventures and associates		
– interest, tax and non-controlling interests on operating income	**6.5**	7.6
Net finance expense	**7.3**	10.0
Headline operating profit	**98.0**	143.5

Business Review – Financial

Other Operating Income
There is no other operating income for the year ended 31 December 2009. For the year ended 31 December 2008, the Group recorded a £31.4m gain on the aborted sale of CDL Hotels (Korea) Limited, a wholly-owned subsidiary of the Company with one principal asset, the Millennium Seoul Hilton Hotel. A non-refundable cash deposit paid by the buyer was forfeited as the buyer was unable to complete the transaction.

Share of Profits/(Losses) in Joint Ventures and Associates
In 2009 the Group's share of the profits of joint ventures and associates including share of other operating income/expenses and net of interest, tax and non-controlling interests, was a profit of £14.2m (2008: £19.9m loss). The principal causes of the loss in 2008 are (i) a charge of £20.4m which represents the Group's share of the revaluation deficit of investment properties of CDLHT, its associate in a Singapore listed REIT, (ii) a charge of £12.2m for impairment on the Group's 50% joint venture in China (Beijing Fortune Hotel Co. Ltd) and (iii) partly offset by a £3.6m revaluation surplus in the Group's other associate, FSCL.

Non-Cash Impairment of Investments and Other Assets
The Directors undertook an annual review of the carrying value of the hotels and property assets for indications of impairment and where appropriate external valuations were also undertaken. In 2009, an impairment charge of £0.9m was made in relation to land in India, whilst in 2008 an impairment charge of £8.1m was made and related to 6 hotels in US and UK as well as land in India.

Revaluation of Investment Properties
The Group's investment properties were valued at 31 December 2009 and a £0.2m (2008: £nil) revaluation deficit was recorded on Tanglin Shopping Centre and there was a £0.6m uplift representing the Group's share of fair value adjustmentrs of FSCL investment properties. In 2008, included in the other operating expense of joint ventures and associates are (i) a loss of £20.4m which represents the Group's share of the revaluation deficit of investment properties of CDLHT, the Group's associate in a Singapore-listed REIT and (ii) a gain of £3.6m which represents the Group's share of revaluation surplus of investment properties of FSCL.

Net Finance Expense
Group interest cover ratio, excluding share of results of joint ventures and associates and other operating income, declined from 12.4 times in 2008 to 10.6 times in 2009. The decrease in net finance cost of £2.7m reflects a decrease in net exchange gain of £2.8m offset by a reduction in net interest expenses of £5.5m.

Taxation
The Group recorded a tax expense of £7.3m (2008: £31.9m) excluding the tax relating to joint ventures and associates, giving rise to an effective rate of 10.8% (2008: 26.0%). The lower effective tax rate is due to a combination of lower corporate tax rates in a number of jurisdictions, in particular Taiwan and Korea, profit mix and prior year adjustments. Excluding the impact of changes in corporate tax rates on brought forward deferred taxes and prior year adjustments, the Group's effective underlying tax rate on headline profit before tax excluding joints ventures and associates is 33.2% (2008: 30.2%).

A tax charge of £2.3m (2008: £2.8m) relating to joint ventures and associates is included in the reported profit before tax.

Business Review – Financial

Earnings Per Share

Basic earnings per share increased to 22.9p (2008: 21.3p) and headline earnings per share reduced to 20.3p (2008: 29.1p). The table below reconciles basic earnings per share to headline earnings per share.

	2009 pence	2008 pence
Reported basic earnings per share	**22.9**	21.3
Other operating (income)/expense		
– Group	**–**	(10.5)
– Share of joint ventures and associates	**(0.1)**	6.5
Other operating expense – Group	**0.1**	–
Impairment (net of tax and non-controlling interests)	**0.6**	9.8
Change in tax legislation on hotel tax allowances	**–**	3.4
Change in tax rates on opening deferred taxes	**(3.2)**	(1.4)
Headline earnings per share	**20.3**	29.1

Dividends

The Board has declared a second interim dividend of 4.17p per share in lieu of a final dividend, resulting in a total dividend for the year of 6.25p (2008: 6.25p). The 2009 dividend is covered 3.6 times by profit attributable to shareholders (2008: 3.4 times). The second interim dividend will be paid on 31 March 2010 to shareholders on the register on 5 March 2010. The ex-dividend date of the Company's shares is 3 March 2010.

Financial Position and Resources

	2009 £m	2008 £m	Change £m
Property, plant, equipment and lease premium prepayment	**2,069.5**	2,163.5	(94.0)
Investment properties	**83.3**	79.3	4.0
Investments in and loans to joint ventures and associates	**326.4**	338.7	(12.3)
Other non-current assets	**6.4**	6.7	(0.3)
Non-current assets	**2,485.6**	2,588.2	(102.6)
Current assets excluding cash	**134.0**	132.3	1.7
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	**(282.8)**	(296.4)	13.6
Net debt	**(202.5)**	(285.1)	82.6
Deferred tax liabilities	**(230.6)**	(258.1)	27.5
Net assets	**1,903.7**	1,880.9	22.8
Equity attributable to equity holders of the parent	**1,752.3**	1,737.5	14.8
Non-controlling interests	**151.4**	143.4	8.0
Total equity	**1,903.7**	1,880.9	22.8

Business Review – Financial

Financial Position

Our balance sheet has been further strengthened despite the tough economic conditions. Net debt reduced by £82.6m to £202.5m (2008: £285.1m) and all of the facilities that matured in 2009 were refinanced from other existing facilities and surplus cash. The Group generated £66.0m (2008: £46.6m) free cash flow. At 31 December 2009 the Group had cash reserves of £135.5m and total undrawn committed bank facilities of £178.8m available. Most of the facilities are clean and the unencumbered assets represent 87.8% of our fixed assets and investment properties. Gearing reduced to 11.6% (31 December 2008: 16.4%).

As a result of debt repayment and lower interest rates, net interest expense decreased to £7.3m (2008: £10.0m). Average interest rate of borrowings reduced from 3.72% to 2.49% and average remaining tenure of borrowings decreased from 30 months to 27 months.

Non-current assets

Property, plant, equipment and lease premium prepayment

Property, plant, equipment and lease premium prepayment decreased by £94.0m. The main contributor to the decrease was a £65.6m effect of exchange movements. The Group also invested £15.6m to improve its hotel portfolio which included an additional £7.7m on construction of Studio M, a new 365-room hotel in Singapore that will open during 2010. The balance of £7.9m reflecting the Group's tight controls on capital expenditure.

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 2006. Based on external valuations conducted at 31 December 2009 on 41.6% (based on net book value) of the Group's hotel portfolio, a valuation surplus of £171.0m is estimated but this has not been recorded in the accounts.

Investment properties

Investment properties increased by £4.0m due to a £10.3m transfer made from property, plant and equipment to investment properties for the residential component of the Sunnyvale site, net of £0.2m negative fair value adjustment and £6.1m adverse exchange movements.

Sunnyvale residences were transferred from property, plant and equipment (under the scope of IAS16) at 1 January 2009 to investment properties (IAS 40). This was required under changes to improve the annual reporting process that the IASB instigated for investment property under construction.

Investments in and loans to joint ventures and associates

The table below reconciles the movement of investments in and loans to joint ventures and associates of £12.3m.

	2009 £m
Share of profits/(losses) analysed:	
– Operating profit before other operating income/(expense) and impairment	**20.6**
– Other operating income	**0.6**
– Interest, tax and non-controlling interests	**(7.0)**
	14.2
Impairment (Bangkok)	**(1.3)**
Additions (CDLHT management fees paid in stapled units)	**2.9**
Dividends received from associates	**(12.5)**
Loan to joint venture	**2.3**
Other movements	**0.3**
Foreign exchange adjustment	**(18.2)**
Total movement	**(12.3)**

Impairment represents the full-write down of additional funding in the Group's 50% investment in Bangkok.

Business Review – Financial

Liquidity and Capital Resources

Cash flow and net debt

At 31 December 2009 the Group's net debt was £82.6m lower than 2008 at £202.5m (2008: £285.1m). The factors contributing to this decrease are shown in the table below.

	2009 £m	2008 £m
Cash flows from operating activities before changes in working capital, provisions, interest and tax	**111.5**	154.9
Changes in working capital and provisions	**(0.3)**	(7.8)
Interest and tax paid	**(27.8)**	(36.7)
Acquisition of property, plant and equipment	**(17.5)**	(64.6)
Proceeds from sale of property, plant and equipment	**0.1**	0.8
Free cash flow	**66.0**	46.6
Investment in and loans to joint ventures and associates	**(5.2)**	(27.8)
Proceeds less expenses from aborted sale of CDL Hotels (Korea) Limited	**–**	27.3
Dividends received from associates	**12.5**	12.3
Dividends paid – to equity holders of the parent	**(4.0)**	(15.0)
– to non-controlling interests	**(2.6)**	(3.4)
Share buy back of non-controlling interests	**–**	(9.4)
Other movements (primarily foreign exchange)	**15.9**	(53.6)
Decrease/(increase) in net debt	**82.6**	(23.0)
Opening net debt	**(285.1)**	(262.1)
Closing net debt	**(202.5)**	(285.1)

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.

	2009 £m	2008 £m
Net Debt		
Cash and cash equivalents (as per cash flow statement)	**134.9**	209.3
Bank overdrafts (included as part of borrowings)	**0.6**	2.8
Cash and cash equivalents (as per the consolidated statement of financial position)	**135.5**	212.1
Interest-bearing loans, bonds and borrowings		
– Non-current	**(233.0)**	(415.1)
– Current	**(105.0)**	(82.1)
Net debt	**(202.5)**	(285.1)
Gearing (%)	**11.6%**	16.4%

The Group invested £15.6m (£17.5m cash outflow in 2009) in its properties and, as previously noted, this included £7.7m on construction of Studio M, a new 365-room hotel in Singapore. Investments in and loans to joint ventures and associates of £5.2m comprise additional investments in CDLHT of £2.9m (management fees paid in stapled units) and a loan to Bangkok of £2.3m. Other movements in net debt of £15.9m principally reflect the effects of exchange rate fluctuations on net debt.

Business Review – Financial

Financial structure

Group interest cover ratio, excluding share of results of joint ventures and associates and other operating income, was high at 10.6 times in 2009. The decrease in net finance cost of £2.7m reflects a decrease in net exchange gain of £2.8m offset by a reduction in net interest expenses of £5.5m.

At 31 December 2009, the Group had £135.5m cash and £178.8m of undrawn and committed facilities available, comprising revolving credit facilities which provide the Group with financial flexibility. The net book value of the Group's unencumbered properties as at 31 December 2009 was £1,891.6m (31 December 2008: £1,986.2m). At 31 December 2009, total borrowing amounted to £338.0m of which £51.8m was drawn under £76.3m of secured bank facilities.

Future funding

Of the Group's total facilities of £535.8m, £154.0m matures during 2010, comprising £88.0m committed facilities (of which £31.8m is currently undrawn), £17.8m of overdrafts subject to annual renewal, £22.2m unsecured bonds and £26.0m secured notes. 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.

Business Review – Risk Factors

Management of Risk

The Group's risk management activity is directed by the Executive Management Committee, led by the Group 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, severity and associated trends.

Individual management committee members are assigned responsibility for devising risk treatment plans to eliminate, minimise or transfer risks. The Group 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.

Risk Factors

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

Political and Economic Developments

Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risk could include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets. 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 is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity and implement steps to minimise exposure to the greatest extent possible.

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.

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.

The Ability to Borrow and Satisfy Debt Covenants

The Group utilises a variety of financial instruments to fund its operational cash requirements and to maintain balance sheet efficiency. The availability of funds is determined by conditions prevalent in the capital markets and its assessment of the Group. If the Group does not meet the financial performance expected by the market or fails to meet specific covenants in facility agreements, it may have existing facilities withdrawn, may not be able to secure future funding or it may not secure future funding on terms it finds favourable. The Group maintains relationships with a number of banks and other financial institutions designed to create a wide pool of potential funders. Notwithstanding the strength of the Group's relationships with its banking partners, the availability of future funding may be influenced by factors beyond the Group's control such as unforeseen economic events having an impact on credit market liquidity.

Litigation

The Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements, the provision of services or failure to comply with regulatory requirements, such as health and safety regulations. The Group has processes in place to manage the risks associated with its various contractual relationships and appropriate compliance programmes necessary to provide assurance in respect of regulatory obligations.

Intellectual Property Rights and Brands

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

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 a management team in the Middle East region with the necessary skills and resources to pursue this element of the Group's strategy.

Business Review – Risk Factors

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, performance management and succession planning.

Information Technology Systems and Infrastructure

The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. In order to maintain its competitiveness within the market place the Group needs to ensure its IT support systems deliver the necessary trading platforms and provide management with accurate and timely information. Planned investment in new systems is undertaken following periodic needs analysis which consider matters such as system obsolescence, business efficiency and system security. Crisis management and disaster recovery plans are in place for business critical systems.

Property Ownership

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

Insurance

The Group maintains insurance cover appropriate to its risk profile after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the markets' underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. 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. 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.

Tax and Treasury 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, with the possible result that the Group is required to pay unforeseen tax liabilities. The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value. Interest rate derivatives are used to manage interest rate risk, to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing of such derivatives. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. The Group extends lines of credit to its customers and has liquid short-term investments with various counterparties. Credit control processes exist to set appropriate credit limits for customers, assess their credit worthiness and monitor payments against agreed terms. Investments in short-term instruments are with such 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.

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/expenses and impairment of the Group, and share of other operating income/expenses of joint ventures and associates, fair value adjustments to investment properties and related tax 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 on page 31.

Like-for-like growth

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

- it provides additional information on the underlying growth of the business without the effect of factors unrelated to the operating performance of the business; and
- it is used by the Group for internal performance analysis.

Cash flow measures

In presenting and discussing the Group'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. However, it does reflect the cash available for such discretionary activities, to strengthen the balance sheet or to provide returns to shareholders in the form of dividends or share purchases;
- free cash flow facilitates comparability of results with other companies, although the Group's measure of free cash flow may not be directly comparable to similarly titled measures used by other companies; and
- it is useful in connection with 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 35.

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 35).

Corporate Social Responsibility

Introduction

Responsible Hospitality

This report describes our activities regarding safety, health and the environment, our employees and the wider community. It provides information on our performance, engagement with stakeholders and addresses the environmental and social impacts that are pertinent to our business. This report primarily reflects what is happening within our European operations and will, in due course, be expanded to report on our activities in all our operating regions.

Our Group represents more than just the day to day operation of quality hotel assets. We are aware of the impact that we have environmentally, socially and economically. We believe that people are going to become increasingly conscious of the choices they make and we want those people to opt for Millennium & Copthorne; because we are becoming, and will be seen as becoming, a responsible choice.

Strategy and Values

We believe that all our stakeholders make a choice in staying with us, supplying us with food or investing in our shares; a choice that reflects our responsibility values of outstanding services, open mindedness and respect. Our Responsible Hospitality strategy is still being developed and whilst much effort has been made to collate the information in this report we recognise that there is still much work to be done. With this report we are setting targets not only to improve our social and environmental performance but also to start tracking and measuring our efforts where possible. We aim to keep our stakeholders abreast of our activities and performance so demonstrating our commitment to be a Responsible Hospitality company. We will continue to invest time and resources to sustain our responsibility activities and initiatives. We are working towards an ecologically and socially sustainable society and we are beginning to incorporate this into everything we do.

During 2008 we started to formalise our approach to Corporate and Social Responsibility (CSR) and developed an outline corporate responsibility framework and began to roll out our aims and policies for safety, health and environmental performance. The economic turmoil in our major trading markets experienced in 2009 meant that the primary focus of management attention was directed to the Group's operational performance. As a consequence some of the CSR activity planned for 2009 was temporarily put back and will be pursued in 2010. The Group has established a CSR committee, comprising the Group Chief Executive Officer, Company Secretary and Global Head of Human Resources. This committee is charged with maintaining momentum of the Group's CSR initiatives. We are continuing to work towards attaining ISO 14001 accreditation for the Environmental Management System (EMS) that operates in our European hotels and accreditation of our health and safety management systems to OHSAS 18001.

Responsible Hospitality and the Environment

The Group has continued to benefit from its relationship with the Carbon Trust. In conjunction with the Carbon Trust, the Group engaged Enviros as consultants to provide advice on refining processes for calculating our carbon footprint. This project will establish working methodologies which are consistent with international Greenhouse Gas protocols and set out our framework for metering and monitoring. These processes are being developed in the UK and will then be rolled-out to our other operations around the globe, ensuring a consistency of approach and reliability of available management information. The project will also assist in meeting the Group's obligations towards complying with the UK's Carbon Reduction Commitment legislation.

Following this review we have established that the carbon footprint of the Group's UK hotels was:

	Tonnes CO_2 emissions	
2007	2008	**2009**
40,224	39,226	**38,643**

Responsible Hospitality and our Social impacts

Our employees represent the foundation of our business and as such, we strongly believe in cultivating and enhancing this valuable human asset. We are committed to creating a positive workplace where employees work in an inclusive environment and are rewarded fairly. The Group has a workforce of approximately 11,000 employees the bulk of which are deployed as hotel operating staff. In addition to upholding the International Labour Organisation and UN Global Compact on human rights and labour, the Group practices fair employment with a policy to provide equality of opportunity for all without discrimination.

Staff Breakdown	**2009**	2008
Hotel Operating Staff	**8,809**	10,186
Management/Administration	**1,255**	1,376
Sales and Marketing	**519**	575
Repairs and Maintenance	**548**	641
Total	**11,131**	12,778
Gender		
% Male	**48.84**	49.64
% Female	**51.16**	50.36
Age in years		
% Below 30	**36.03**	40.84
% 30-50	**45.18**	44.98
% Above 50	**18.79**	14.18

We are proud of having a strong workforce with a diverse background and we value highly the rich ethnic and cultural diversity of our people. The strength and success of our Group is not attributed to any one individual but to the competent and resilient team that works together in harmony.

We also recognise the benefit of having a well trained workforce and offer a wide variety of internally managed programmes covering human resource issues and industry specific training including recognised qualifications. We support our employees that wish to further their academic studies through sponsorship of part time academic or certifiable courses and we regularly take placement students to facilitate knowledge sharing and young professional development within the hospitality industry.

Responsible Hospitality and our impact on the wider Community

We have extensive links with the community through partnerships established by employees and management, at hotels and at a corporate level. Across the Group, staff and management are involved with a range of charitable organisations and the Group donated £85,000 to charities during the last financial year. Our employees are actively encouraged and we provide sponsorship programmes for them to get involved with volunteering and fundraising.

Through consultations at our hotels, team members take part and get involved in active initiatives for effectively helping local communities rather than making monetary donations. We want to create the right values that we share with our team members, guests and suppliers which will help further our efforts with the aim of being a responsible company in a responsible industry.

Corporate Social Responsibility

Beyond our business operations we believe in giving back to society and that's why we are putting in place a range of plans and activities to foster environmental and community harmony in the areas we serve. We have begun our journey and now have a top level commitment to our stakeholders as a Responsible Hospitality Company. We are working towards creating greater transparency and accountability to our stakeholders.

Richard Hartman

GROUP CHIEF EXECUTIVE OFFICER
18 February 2010

Board of Directors

Kwek Leng Beng, 69#
CHAIRMAN AND CHAIRMAN OF NOMINATIONS COMMITTEE
Kwek Leng Beng has been the Chairman of Millennium & Copthorne Hotels plc since its incorporation.

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

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

Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, US), where students have an opportunity to pursue career education in business, hospitality, culinary arts or technology; Honorary Doctorate from Oxford Brookes University (UK) whose citation traced how Mr Kwek, who joined the family business in the early 1960s, had gone on to establish an international reputation for his leadership of the Hong Leong Group, as well as being an active supporter of higher education in Singapore.

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

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

Mr Kwek has distinguished himself in property investment and development, hotel ownership and management, financial services and industrial enterprises. Today, he sits on the flagship of a multi-billion empire worth over US$20 billion in diversified premium assets worldwide, with an annual turnover of US$4.55 billion and stocks traded on six of the world's stock markets. He currently heads 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

1. Richard Hartman
2. Wong Hong Ren
3. Kwek Leng Joo
4. Kwek Leng Peck

Richard Hartman, 64
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.

Wong Hong Ren, 58
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.

Kwek Leng Joo, 56
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.

An Honorary President of the Singapore Chinese Chamber of Commerce and Industry, Mr Kwek contributes actively to the community through many public and civic appointments.

Kwek Leng Peck, 53#
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 for Hong Leong Asia Limited and is the non-executive Chairman of Tasek Corporation Berhad.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Board of Directors

5. Christopher Keljik
6. Connal Rankin
7. HE Shaukat Aziz
8. Alexander Waugh
9. Nicholas George
10. Christopher Sneath


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Christopher Keljik OBE, 61±*#
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.


6

Connal Rankin, 68±*
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. He is a Director of Neptune Orient Lines Ltd, a publicly quoted company listed on the Singapore Stock Exchange.


7

His Excellency Shaukat Aziz, 60±
INDEPENDENT NON-EXECUTIVE DIRECTOR
Shaukat Aziz was appointed to the Board in June 2009. He was Prime Minister of Pakistan from 2004 to 2007 having previously been Pakistan's Finance Minister from 1999. Mr Aziz had a long and successful career with Citibank, which he joined in 1969, and held a number of senior positions including Corporate Planning Officer for Citicorp, Head of Corporate and Investment Banking for Asia, Chief Country Officer in Malaysia and in Jordan as a board member of various Citibank subsidiaries, including Citicorp Islamic Bank and the Saudi American Bank.


8

Alexander Waugh, 46#
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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Nicholas George, 56±*
INDEPENDENT NON-EXECUTIVE DIRECTOR
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. He also sits on the Boards of GK Goh Holdings Limited and euNetworks Limited, both of which are listed on the Singapore Stock Exchange and 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.


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Christopher Sneath, 76*
INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE AUDIT COMMITTEE
Christopher Sneath joined Millennium & Copthorne Hotels plc in March 1999. He is a Chartered Accountant and, until his retirement in 1994, he was a senior partner of KPMG. He was a non-executive Director of Spirax-Sarco Engineering plc until 2002.

± 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 2009. 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 2009 and is set out on pages 23 to 39. 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 £81.9m (2008: £102.8m). An interim dividend of 2.08p per share was paid on 9 October 2009. The Board has declared a second interim dividend of 4.17p per share in lieu of a final dividend resulting in a total dividend for the year of 6.25p (2008: 6.25p). The second interim dividend will be paid on 31 March 2010 to shareholders on the register on 5 March 2010. Total dividends relating to the year are expected to amount to £19.2m. The Company will be offering a scrip dividend alternative in respect of the second interim dividend.

Employees
During the year the average number of people employed by the Group was 11,131 (2008: 12,778).

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

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

Further details on employee involvement are included in the Corporate Social Responsibility report on pages 40 and 41.

Share Capital
The authorised and issued share capital of the Company, together with details of the movements in the Company's issued share capital during the year, are shown in note 30 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 108 to 110.

At the Company's annual general meeting in May 2009 the Directors were authorised to a) issue relevant securities (as defined in section 80 Companies Act 1985) of nominal share capital amount of up to £30,225,986; b) allot equity securities (as defined in section 84 Companies Act 1985) in connection with a rights issue (as defined in the Listing Rules of the United Kingdom Listing Authority) of ordinary shares up to an aggregate nominal amount of £30,225,986; c) allot shares, other than on a pre-emptive basis, of a nominal share capital amount of £4,533,897. In addition, the Company was authorised to make market purchases of up to 10% of the Company's issued share capital. All of the authorities noted above remained in effect as at 31 December 2009.

Substantial Shareholdings
As at 18 February 2010, the Company had received details of the following notifiable interests in its issued share capital:

	Number of shares	% of Issued share Capital
City Developments Limited	166,665,348	53.81
Prudential plc*	22,206,858	7.17
Aberdeen Asset Management plc	15,093,433	4.87
Schroders plc†	15,490,857	5.00

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

M&G Group Limited	22,206,858	7.17%
M&G Limited	22,206,858	7.17%
M&G Investment Management Limited	22,171,731	7.16%
The Prudential Assurance Company Limited	21,564,772	6.96%

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

Schroder Investment Management Limited	15,151,069	4.89%

Directors
Biographical details of Directors are shown on pages 42 to 44. Details of the share interests of Directors are shown on page 57.

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 23 days purchases (2008: 21 days). At the year end, the Company had £nil trade creditors (2008: £nil).

Directors' Report

Corporate Social Responsibility

Details of the Group's wider approach to managing its Corporate Social Responsibility ("CSR") can be found on pages 40 and 41 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 37 and 38.

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 37 and 38, and in note 23 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 37 and 38. The financial position of the Group, its cash flows, liquidity position and debt facilities are described in the Business Review – Financial on pages 28 to 36. In addition, note 23 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 21 and 22 to the consolidated financial statements.

The Directors have prepared cash flow forecasts for the Group 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.

Directors' Report – Governance

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 Revised Combined Code ("the Code") issued by the Financial Reporting Council in June 2008, save that a) between 6 May 2009 and 16 June 2009 the number of independent non-executive Directors fell below the number required to satisfy Code provision A.3.2 and b) following Viscount Thurso's retirement from the Board on 6 May 2009 the position of Senior Independent Director remained vacant until Christopher Keljik was appointed to the role on 16 June 2009. A copy of the Code is available from the Financial Reporting Council (www.frc.org.uk).

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 planning succession.

The Board currently comprises the Chairman and two non-executive Directors, who are Directors of the majority shareholder, City Developments Limited, a senior independent non-executive Director, five 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 42 to 44 identify the Chairman, Senior Independent Director, the Chairman of the Board's standing committees and other Directors considered by the Board to be independent, having taken consideration of the factors set out in Code provision A.3.1. There have been no significant changes in the Chairman's external commitments since the last annual report.

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

All Directors have access to the advice of the Company Secretary, who is responsible for ensuring the Board procedures and applicable rules and regulations are observed. In addition, the Directors are able, if necessary, to take independent professional advice at the Company's expense. There is the opportunity for non-executive Directors to meet separately with the Chairman.

The Chairman, in conjunction with the Company Secretary, is also responsible for ensuring that new Directors receive appropriate training at the Company's expense where specific expertise is required in the course of the exercise of their duties. All Directors receive a Board Compendium detailing matters relating to Board procedures.

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.

Non-executive Directors are appointed for a specific term and re-appointment is not a matter of course as each Director's position is reviewed as they approach re-appointment. Succession planning is considered by the Nominations Committee as appropriate.

Christopher Keljik and Wong Hong Ren will retire by rotation at the forthcoming annual general meeting and will stand for re-election.

Viscount Thurso and Charles Kirkwood retired from the Board on 6 May 2009. His Excellency Shaukat Aziz, Nicholas George and Alexander Waugh were appointed to the Board on 16 June 2009 and will stand for election as Directors at the forthcoming annual general meeting.

In March 2009 the Company announced that Christopher Sneath, who has been an independent non-executive Director since 1999 and is Chairman of the Audit Committee, intended to retire from the Board. Mr Sneath is expected to retire either at or prior to the Annual General Meeting in 2010, and will be succeeded as Chairman of the Audit Committee by Nicholas George.

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

- Reviewing the Group's internal control and risk management procedures;
- Consideration of the appointment of the external auditor and to make appropriate recommendations through the Board to the shareholders to consider at the annual general meeting;
- Agreement of the detailed scope of the external audit prior to the commencement of their works; reviewing the scope and results of the audit and its cost effectiveness; and recommendation of the audit fee to the Board;
- Monitoring the integrity, prior to submission to the Board, of periodic financial statements, annual accounts, reports to shareholders and any other public announcement concerning the Company's financial

Directors' Report – Governance

position, corporate governance statements and statements on the Group's system of internal controls;

- Ensuring that arrangements are in place for employees to raise concerns, in confidence, about possible fraud risk or wrongdoing in financial reporting or other matters;

- Monitoring and reviewing the effectiveness of the internal audit function; agreeing the annual work plan and being satisfied itself that the function has the proper resources to enable it to satisfactorily complete such work plans; review status reports from the internal audit; considering management's response to any major finding and providing support, if necessary, for any follow-up action required; and ensuring that the function obtains free and unrestricted access to all Group activities, records, property and personnel necessary to fulfil its agreed objectives.

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

The external auditor and head of internal audit normally attend all Audit Committee meetings. 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 package of executive Directors and the operation of the Company's employee share-based incentive schemes. The Group Chief Executive Officer would normally be invited to attend meetings, if appropriate, but would not be present when his own remuneration is discussed. The Committee takes independent advice as deemed necessary. The Directors' Remuneration Report is given on pages 50 to 57, where further details of remuneration strategy are given. The fees paid to non-executive Directors are considered by the full Board, having regard to any relevant advice received.

Nominations Committee

The Nominations Committee is chaired by the Group Chairman and includes three independent non-executive Directors and meets as necessary. On behalf of the Board, the Committee reviews the structure, size and composition of the Board, considers succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Group and what skills and expertise are needed on the Board in future. The Committee is responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise.

Board and Committee Meetings

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

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

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominations Committee Meetings
Kwek Leng Beng (Chairman)	8 (8)	na	na	1 (1)
Richard Hartman	8 (8)	na	na	na
Wong Hong Ren	8 (8)	na	na	na
The Viscount Thurso	1 (2)	4 (4)	3 (3)	na
Christopher Keljik	8 (8)	7 (7)	5 (5)	1 (1)
HE Shaukat Aziz	4 (5)	na	2 (2)	na
Christopher Sneath	8 (8)	7 (7)	3 (3)	1 (1)
Nicholas George	5 (5)	3 (3)	2 (2)	na
Kwek Leng Joo	3 (8)	na	na	na
Kwek Leng Peck	4 (8)	na	na	na
Charles Kirkwood	2 (2)	na	1 (3)	na
Connal Rankin	6 (8)	4 (7)	5 (5)	1 (1)
Alexander Waugh	5 (5)	na	na	na

Kwek Eik Sheng attended five Board meeting 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 37 and 38.

The Board confirms that, in accordance with the Turnbull guidance, there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process is reviewed by the Audit Committee on behalf of the Board and has been in place for the year under review, and up to the date of the approval of the Annual Report.

Primary responsibility for the operation of the system of internal controls is delegated to executive management. The effectiveness of the operation of the internal control system is reviewed by an internal audit function and, where appropriate, by the Company's external auditor, who report to management and to the Audit Committee. In addition, responsibility is delegated to an executive committee to monitor the effectiveness of the systems of control in managing identified risks as established by the Board. The internal audit department reviews the effectiveness of key internal controls as part of its standard work programme, and individual

Directors' Report – Governance

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. A regular programme of meetings exists 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 Wednesday, 5 May 2010 at the Copthorne Tara Hotel Kensington London.

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
18 February 2010

Directors' Remuneration Report

Strategy

The Remuneration Committee has delegated authority from the Board to consider and approve the salaries, incentive and other benefit arrangements of the executive Directors and to oversee the Company's share-based incentive schemes. The Committee also monitors the level and structure of remuneration of senior executives who are not board members. A review of rewards' strategy is currently being undertaken. Any change to the elements of Executive Directors' packages implemented subsequent to this review will be fully disclosed in the Remuneration Report for 2010.

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 and Nicholas George. Viscount Thurso was chairman of the committee until 6 May 2009. Charles Kirkwood and Christopher Sneath served as members of the Committee until 6 May 2009 and 16 June 2009 respectively.

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 Hewitt Associates Limited), who advised the Committee 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 payment. Other than this, they have no other relationship with 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 a result, the total remuneration of executive Directors for the year ahead will continue to comprise base salaries, short-term annual bonuses placed around similar levels for comparable companies, and long-term share schemes as explained below. Overall, the policy of the Committee is to provide remuneration opportunities linked to the future performance of the Company.

Directors' Remuneration

In establishing the remuneration policy for the executive Directors of the Company, the Committee intends that a significant proportion of Directors' remuneration be related to individual and corporate performance through the use of annual bonus and share-based incentives. Levels of pay and benefits are set which reflect the performance of the Group against pre-determined budgets, the individual contribution of each Director and market and competitive conditions. The Group's Head of Human Resources will ensure 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. Awards under incentive schemes take into consideration both market and competitive conditions.

Base Salary

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

Annual Bonus

The Group operates a non-pensionable annual bonus scheme for executive Directors awarded on the basis of the achievement of agreed profit targets and personal objectives established by the Committee on an annual basis. The maximum bonus payable under the scheme for 2009 is up to 80% of base salary comprising: up to 60% of base salary for achievement of agreed financial targets relating to EBITDA performance and up to 20% of base salary for achievement of personal objectives. The annual bonus award policy is currently being considered as part of the rewards' strategic review referred to above. 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 2009 trading year the financial targets set were not achieved and, accordingly, that element of bonus was not awarded. The Committee awarded bonus for achievement of personal objectives.

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. 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 page 54. 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.

Directors' Remuneration Report

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.

Directors' Remuneration Report

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

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

Non-Executive Directors
The non-executive Directors are appointed for a specific term and re-appointment is not a matter of course as each Director's position is reviewed as they approach re-appointment.

Fees paid to non-executive Directors are determined by the Board as a whole taking account of time commitment and responsibilities. Fees 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 have letters of appointment renewable annually. Their appointments are for terms of twelve months from the commencement dates shown below:

	Appointment commencement date
Christopher Sneath	7 March 2009
Christopher Keljik	3 May 2009
Connal Rankin	7 May 2009
His Excellency Shaukat Aziz	16 June 2009
Alexander Waugh	16 June 2009
Nicholas George	16 June 2009

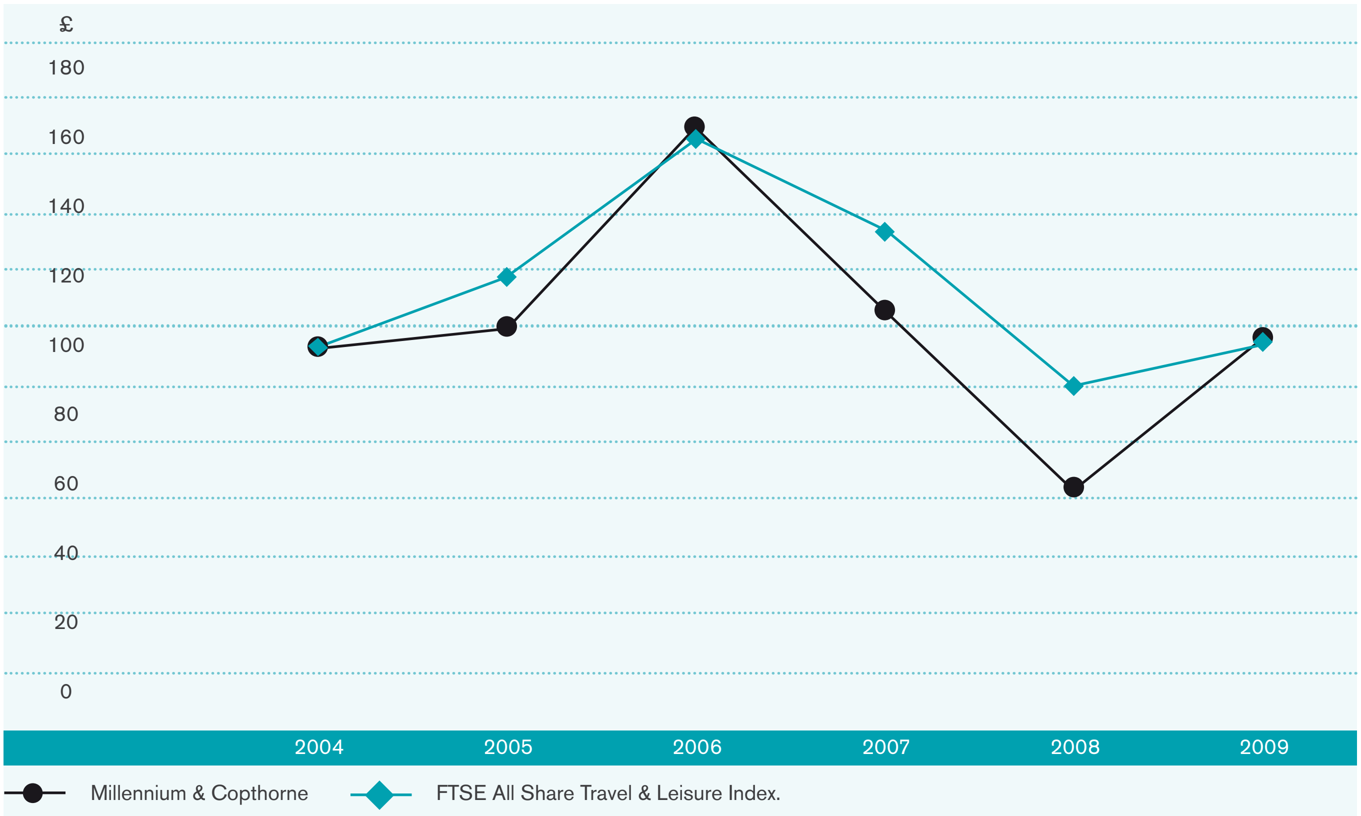
Directors' Remuneration Report

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 2009, of £100 invested in ordinary 30p shares of Millennium & Copthorne Hotels plc on 31 December 2004 compared with £100 invested in the FTSE All Share Travel & Leisure Index. The other points plotted are the values at the financial year-ends.

Directors' Remuneration Report

Audited Information

Share Options

i) Millennium & Copthorne Hotels Executive Share Option Scheme

No further options have been granted under the Millennium & Copthorne Hotels Executive Share Option Scheme (the "1996 Scheme") which expired.

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

The Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (the "2003 Scheme") provides for the grant of both approved and unapproved options. Under the 2003 Scheme options over shares worth up to two times base salary may be granted each year (although, in exceptional circumstances, such as in a recruitment situation, this limit is four times base salary).

The exercise of options, granted under the 2003 Scheme, is 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.

iii) 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. Consistent with the performance measures for the Company's executive share options schemes, EPS targets have been chosen so that participants are incentivised to deliver significant earnings growth which, in turn should return substantial shareholder value. Performance targets for future awards are subject to the strategic review of rewards referred to above.

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.

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

iv) Millennium & Copthorne Hotels Sharesave Scheme

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

Directors' Remuneration Report

Directors' Interests In Share-based Incentives

Executive Share Option Schemes

Name of Director		Date granted	Options held at 01/01/2009	Options lapsed during year	Options held at 31/12/2009	Exercise price	Dates from which options may be exercised	Expiry date
Wong Hong Ren	Unapproved[1]	15.03.2002	83,720	83,720	–	£3.2250	15.03.2005	14.03.2009
	Unapproved[2]	10.03.2003	32,248	–	32,248	£1.9350	10.03.2007	09.03.2013
	Unapproved[2]	10.03.2003	91,783	–	91,783	£1.9350	10.03.2008	09.03.2013
	Unapproved[2]	16.03.2004	44,999	–	44,999	£2.9167	16.03.2007	15.03.2014
	Unapproved[2]	24.03.2005	75,297	–	75,297	£3.9842	24.03.2008	23.03.2015

1 Performance conditions attaching to these options are those specified for the 1996 Scheme as detailed on page 54.

2 Performance conditions attaching to these options are those specified for the 2003 Scheme as detailed on page 54.

Long-Term Incentive Awards[3]

Name of Director	Date awarded	Awards held at 01/01/2009	Awards made during the year	Awards vested during the year	Awards lapsed during the year	Awards held at 31/12/2009	Market price of shares on date of award	Vesting date
Wong Hong Ren	01.09.2006	67,834	–	67,834	–	–	£4.4225	01.09.2009
	27.03.2007	44,736	–	–	–	44,736	£6.7850	27.03.2010
	25.06.2008	86,455	–	–	–	86,455	£3.8500	25.06.2011
	30.03.2009	–	174,165	–	–	174,165	£1.7225	30.03.2012
Richard Hartman	25.06.2008	237,752	–	–	–	237,752	£3.8500	25.06.2011
	30.03.2009	–	478,955	–	–	478,955	£1.7225	30.03.2012
Former Director John Arnett	27.03.2007	34,073	–	34,073	–	–	£6.7850	27.03.2010
	25.06.2008	66,043	–	–	66,043	–	£3.8500	25.06.2011

3 Performance conditions attaching to the Company's Long-Term Incentive Plan are as detailed on page 54.

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

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

The market price of ordinary shares at 31 December 2009 was £3.707 and the range during the year was £1.695 to £3.990. Aggregate gains made by Directors on exercise of share options in 2009 were £nil (2008: £nil). The aggregate value of Directors' LTIP awards vesting during the year was £357,343 (2008: £nil) details of which are shown in the table below.

Name of Director	Date of vesting	Shares vested	Market price of shares on date of vesting	Aggregate market value of vested shares on vesting date
Wong Hong Ren	01.09.2009	67,834	£3.6500	£247,594
Former Director John Arnett	06.08.2009	34,073	£3.2210	£109,749

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.

John Arnett participated in a 401k plan operated by the Group in the USA. During the year contributions amounting to £4,000 were made by the Group on Mr Arnett's behalf.

No pension is provided for Mr Wong Hong Ren.

Directors' Remuneration Report

Directors' Emoluments

	Note	Salaries and fees 2009 £000	Bonus 2009 £000	Benefits[5] 2009 £000	Compensation for loss of office 2009 £000	Total emoluments 2009 £000	Total emoluments 2008 £000
Executives							
Richard Hartman		**550**	**110**	**27**	**–**	**687**	509
Wong Hong Ren	1, 2	**343**	**69**	**–**	**–**	**412**	473
Non-Executives							
Kwek Leng Beng (Chairman)	2, 3	**74**	**–**	**–**	**–**	**74**	71
Christopher Sneath		**30**	**–**	**–**	**–**	**30**	30
Kwek Leng Joo	2	**41**	**–**	**–**	**–**	**41**	39
Kwek Leng Peck	2	**37**	**–**	**–**	**–**	**37**	35
Christopher Keljik		**30**	**–**	**–**	**–**	**30**	30
Connal Rankin		**30**	**–**	**–**	**–**	**30**	30
His Excellency Shaukat Aziz (from 16 June 2009)		**16**	**–**	**–**	**–**	**16**	–
Alexander Waugh (from 16 June 2009)		**16**	**–**	**–**	**–**	**16**	–
Nicholas George (from 16 June 2009)		**16**	**–**	**–**	**–**	**16**	–
Former Directors							
The Viscount Thurso (up to 6 May 2009)		**10**	**–**	**–**	**–**	**10**	35
Charles Kirkwood (up to 6 May 2009)		**10**	**–**	**–**	**–**	**10**	30
John Arnett	4	**145**	**–**	**34**	**92**	**271**	334
Total		**1,348**	**179**	**61**	**92**	**1,680**	1,616

The total remuneration, including gains on the exercise of share options and the market value of vested LTIP awards of £nil (2008: £nil), paid to the highest paid Director, was £687,000 (2008: £509,000)

Notes

1. Salaries and fees paid to Wong Hong Ren include a fee of £35,000 (2008: £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. In 2008, Mr. Wong was awarded additional salary of £62,500 for the period he acted as Interim Chief Executive Officer.
2. Salaries and fees shown are inclusive of sums receivable by the Directors from the Company and any of its subsidiary undertakings.
3. The Group owns a flat in London used by the Chairman for business purposes only.
4. John Arnett was a director of the Company until 12 December 2008 and thereafter continued as the Regional Head of the Group's US region. Following a management restructure of the US region, Mr Arnett left the Group with effect from 27 April 2009. Under the terms of a separation agreement with Mr Arnett, the Group will pay $337,500 (£217,000) in bi-weekly instalments over a six month period of which $143,000 (£92,000) was paid in 2009 with the balance being paid in 2010. Mr Arnett's salary shown in the table above is for his services for the period to 27 April 2009 plus an allowance for accrued vacation amounting to $76,000 (£49,000). All employment costs associated with Mr Arnett have been translated to sterling using the Company's average exchange rate for 2009 of US$1.553: £1.
5. Excludes pension contributions shown on page 55.

Directors' Remuneration Report

Directors' Share Interests

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

	31 December 2009 Number of shares	31 December 2008 or date of appointment Number of shares
Executives		
Wong Hong Ren	**67,834**	–
Richard Hartman	**40,000**	40,000
Non-Executives		
Kwek Leng Beng (Chairman)	**–**	–
Kwek Leng Peck	**–**	–
Kwek Leng Joo	**–**	–
Christopher Sneath	**10,576**	10,262
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 2009 and the date of this report.

On behalf of the Board

Connal Rankin

CHAIRMAN OF THE REMUNERATION COMMITTEE
18 February 2010

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 Millennium & Copthorne Hotels plc group of companies (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 International Financial Reporting Standards (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 (incorporating a Corporate Governance Statement) and Directors' Remuneration Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of 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 42 to 44 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 18 February 2010.

Wong Hong Ren

DIRECTOR
18 February 2010

Report of the Auditor

Independent Auditor Report to the Members of Millennium & Copthorne Hotels plc

We have audited the financial statements of Millennium & Copthorne Hotels plc (Group and Company) for the year ended 31 December 2009 set out on pages 62 to 124. The Directors are responsible for preparing the Annual Report and the Millennium & Copthorne Hotels plc Group and Parent Company financial statements in accordance with applicable law and regulations. 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 58, 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/UKP.

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 2009 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 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 46, in relation to going concern; and
- the part of the Corporate Governance Statement set out on page 47 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Richard Hathaway (Senior Statutory Auditor) for and on behalf of
KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

18 February 2010

Shareholder Information

Analysis of shareholders as at 31 January 2010

Number of shares	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
1 – 10,000	733	73.52	971,702	0.31
10,001 – 25,000	60	6.02	984,306	0.32
25,001 – 50,000	44	4.41	1,650,159	0.53
50,001 – 100,000	42	4.21	3,012,264	0.98
100,001 – 500,000	67	6.72	14,958,375	4.83
500,001 – 1,000,000	23	2.31	15,213,589	4.91
1,000,001 – Highest	28	2.81	272,926,859	88.12
Total	**997**	**100.00**	**309,717,254**	**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 is 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

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

Financial Calendar

Dividend record date	5 March 2010
2009 second interim dividend payment	31 March 2010
First quarter's results announcement	5 May 2010
Annual general meeting	5 May 2010
Interim results announcement	5 August 2010
2010 interim dividend payable	8 October 2010
Third quarter's results announcement	4 November 2010

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
Registrar	Equiniti Limited

Financial Statements

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Consolidated Income Statement
For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Revenue	5	**654.0**	702.9
Cost of sales		**(279.0)**	(285.5)
Gross profit		**375.0**	417.4
Administrative expenses	6	**(300.0)**	(316.1)
Other operating income	7	**–**	31.4
		75.0	132.7
Share of profit/(loss) of joint ventures and associates	16	**14.2**	(19.9)
Analysed between:			
Operating profit before other income/expense and impairment		**20.6**	19.3
Impairment		**–**	(12.2)
Other operating income		**0.6**	3.6
Other operating expense		**–**	(20.4)
Interest, tax and non-controlling interests		**(7.0)**	(10.2)
Operating profit		**89.2**	112.8
Analysed between:			
Headline operating profit		**98.0**	143.5
Other operating income – Group		**–**	31.4
Other operating expense – Group		**(0.2)**	–
Share of joint venture and associates			
– Other operating income		**0.6**	–
– Other operating expenses		**–**	(16.8)
Impairment	8		
– Joint ventures investments and loans		**(1.3)**	(19.6)
– Hotels and land		**(0.9)**	(8.1)
– Other property		**–**	(7.4)
Share of interest, tax and non-controlling interests of joint ventures and associates		**(7.0)**	(10.2)
Finance income		**3.0**	12.0
Finance expense		**(10.3)**	(22.0)
Net finance expense	10	**(7.3)**	(10.0)
Profit before tax		**81.9**	102.8
Income tax expense	11	**(7.3)**	(31.9)
Profit for the year		**74.6**	70.9
Attributable to:			
Equity holders of the parent		**70.1**	64.0
Non-controlling interests		**4.5**	6.9
		74.6	70.9
Earnings per share			
Basic earnings per share (pence)	12	**22.9p**	21.3p
Diluted earnings per share (pence)	12	**22.9p**	21.3p

The financial results above derive from continuing activities.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Profit for the year		**74.6**	70.9
Other comprehensive income:			
Foreign exchange translation differences on net investment in foreign operations		**(43.7)**	284.0
Defined benefit plan actuarial (losses)/gains, net of tax credit of £1.5m (2008: tax charge of £0.3m)		**(5.0)**	0.6
Share of associate's other reserve movements		**0.3**	(0.1)
Income tax relating to other components of other comprehensive income	11	**1.5**	(1.8)
Other comprehensive income for the year, net of tax		**(46.9)**	282.7
Total comprehensive income for the year		**27.7**	353.6
Total comprehensive income attributable to:			
Equity holders of the parent		**17.1**	325.9
Non-controlling interests		**10.6**	27.7
Total comprehensive income for the year		**27.7**	353.6

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Property, plant and equipment	13	**1,975.9**	2,067.7
Lease premium prepayment	14	**93.6**	95.8
Investment properties	15	**83.3**	79.3
Investments in joint ventures and associates	16	**326.4**	338.7
Other financial assets	17	**6.4**	6.7
		2,485.6	2,588.2
Current assets			
Inventories	18	**4.2**	4.9
Development properties	19	**72.3**	63.2
Lease premium prepayment	14	**1.4**	1.3
Trade and other receivables	20	**56.1**	62.9
Cash and cash equivalents	21	**135.5**	212.1
		269.5	344.4
Total assets		**2,755.1**	2,932.6
Non-current liabilities			
Interest-bearing loans, bonds and borrowings	22	**(233.0)**	(415.1)
Employee benefits	24	**(18.1)**	(12.8)
Provisions	25	**(0.6)**	(0.9)
Other non-current liabilities	26	**(112.2)**	(118.6)
Deferred tax liabilities	27	**(230.6)**	(258.1)
		(594.5)	(805.5)
Current liabilities			
Interest-bearing loans, bonds and borrowings	22	**(105.0)**	(82.1)
Trade and other payables	28	**(122.0)**	(133.3)
Provisions	25	**(0.2)**	(0.3)
Income taxes payable		**(29.7)**	(30.5)
		(256.9)	(246.2)
Total liabilities		**(851.4)**	(1,051.7)
Net assets		**1,903.7**	1,880.9

Consolidated Statement of Financial Position
As at 31 December 2009

	2009 £m	2008 £m
Equity		
Issued share capital	**92.9**	90.7
Share premium	**845.6**	847.7
Translation reserve	**185.8**	230.8
Retained earnings	**628.0**	568.3
Total equity attributable to equity holders of the parent	**1,752.3**	1,737.5
Non-controlling interests	**151.4**	143.4
Total equity	**1,903.7**	1,880.9

These financial statements were approved by the Board of Directors on 18 February 2010 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 2009

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total excluding non-controlling interests £m	Non-controlling interests £m	Total equity £m
Balance as at 1 January 2008	88.9	848.8	(27.6)	513.4	1,423.5	130.2	1,553.7
Total comprehensive income for the year	–	–	258.4	67.5	325.9	27.7	353.6
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid to equity holders	–	–	–	(37.2)	(37.2)	–	(37.2)
Issue of shares in lieu of dividends	1.7	(1.7)	–	22.2	22.2	–	22.2
Dividends paid – non-controlling interests	–	–	–	–	–	(3.4)	(3.4)
Share-based payment transactions	–	–	–	1.1	1.1	–	1.1
Share options exercised	0.1	0.6	–	–	0.7	–	0.7
Total contributions by and distributions to owners	1.8	(1.1)	–	(13.9)	(13.2)	(3.4)	(16.6)
Total changes in ownership interests in subsidiaries	–	–	–	1.3	1.3	(11.1)	(9.8)
Total transactions with owners	1.8	(1.1)	–	(12.6)	(11.9)	(14.5)	(26.4)
Balance as at 31 December 2008	90.7	847.7	230.8	568.3	1,737.5	143.4	1,880.9
Balance at 1 January 2009	**90.7**	**847.7**	**230.8**	**568.3**	**1,737.5**	**143.4**	**1,880.9**
Reclassification	**–**	**–**	**4.8**	**(4.8)**	**–**	**–**	**–**
Balance at 1 January 2009 (restated)	**90.7**	**847.7**	**235.6**	**563.5**	**1,737.5**	**143.4**	**1,880.9**
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**

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 £m	2008 £m
Cash flows from operating activities		
Profit for the year	**74.6**	70.9
Adjustments for:		
Depreciation and amortisation	**32.1**	30.0
Share of (profit)/losses of joint ventures and associates	**(14.2)**	19.9
Impairment	**2.2**	22.9
Other operating expense	**0.2**	–
Loss/(profit) on sale of property, plant and equipment	**0.4**	(0.4)
Profit from aborted sale of a subsidiary	**–**	(31.4)
Equity settled share-based transactions	**1.6**	1.1
Finance income	**(3.0)**	(12.0)
Finance expense	**10.3**	22.0
Income tax expense	**7.3**	31.9
Operating profit before changes in working capital and provisions	**111.5**	154.9
Decrease in inventories, trade and other receivables	**3.8**	10.0
Increase in development properties	**(2.7)**	(6.2)
Decrease in trade and other payables	**(0.1)**	(10.9)
Decrease in provisions and employee benefits	**(1.3)**	(0.7)
Cash generated from operations	**111.2**	147.1
Interest paid	**(10.3)**	(18.7)
Interest received	**2.3**	4.8
Income tax paid	**(19.8)**	(22.8)
Net cash generated from operating activities	**83.4**	110.4
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**0.1**	0.8
Investment in financial assets	**–**	10.6
Proceeds less expenses from aborted sale of a subsidiary	**–**	27.3
Dividends received from associates	**12.5**	12.3
Acquisitions of non-controlling interests	**–**	(1.9)
Increase in loan to joint venture	**(2.3)**	(2.3)
Increase in investment in joint ventures and associates	**(2.9)**	(25.5)
Acquisition of property, plant and equipment, and lease premium prepayment	**(17.5)**	(64.6)
Net cash used in investing activities	**(10.1)**	(43.3)
Balance carried forward	**73.3**	67.1

Consolidated Statement of Cash Flows
For the year ended 31 December 2009

	2009 £m	2008 £m
Balance brought forward	**73.3**	67.1
Cash flows from financing activities		
Proceeds from issue of share capital	**0.1**	0.7
Repayment of borrowings	**(170.0)**	(134.4)
Drawdown of borrowings	**36.2**	101.8
Share buy back of non-controlling interests	**–**	(9.4)
Dividends paid to non-controlling interests	**(2.6)**	(3.4)
Dividends paid to equity holders of the parent	**(4.0)**	(15.0)
Net cash used in financing activities	**(140.3)**	(59.7)
Net (decrease)/increase in cash and cash equivalents	**(67.0)**	7.4
Cash and cash equivalents at the beginning of year	**209.3**	155.9
Effect of exchange rate fluctuations on cash held	**(7.4)**	46.0
Cash and cash equivalents at end of year	**134.9**	209.3
Reconciliation of cash and cash equivalents		
Cash and cash equivalents shown in the consolidated statement of financial position	**135.5**	212.1
Overdraft bank balances included in borrowings	**(0.6)**	(2.8)
Cash and cash equivalents for cash flow statement purposes	**134.9**	209.3

Notes to the Consolidated Financial Statements

1 CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 18 February 2010. 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 indentifies headline operating profit, other operating income/expense and impairment of the Group together with the other operating income/expense, interest, tax and non-controlling interest elements of its share of joint ventures and associates profit/loss for the year. 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 2009

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2009.

(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)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(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 2009:

- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- Revised IAS 23 Borrowing Costs effective 1 January 2009
- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009, early adoption)

Notes to the Consolidated Financial Statements

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 23. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 23.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. Management concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in note 5 including the related revised comparative information.

IAS 23 Borrowing Costs

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Group has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009. During the 12 months to 31 December 2009, £0.1m of borrowing costs have been capitalised on qualifying assets included in capital work in progress (note 13).

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The impact on the 2009 financial year was immaterial.

Use of estimates and judgements

The preparation of the financial statements in conformity with Adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Business combinations and goodwill

Business combinations from 1 January 2009

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 until it is finally settled 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.

Business combinations prior to 1 January 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill that was attributed to the hotel's assets.

Notes to the Consolidated Financial Statements

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Investment in associates and joint ventures

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 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.

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 retaining 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 retaining 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 are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

C Foreign currency

(i) Foreign currency translation

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

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

(ii) Financial statements of foreign operations

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

(iii) Net investment in foreign operations

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

Notes to the Consolidated Financial Statements

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Derivative financial instruments

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

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

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

E Hedges

(i) Cash flow hedges

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

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

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction 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.

F 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.

Notes to the Consolidated Financial Statements

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

G Leases

(i) Leased assets

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

The equivalent liability, categorised as appropriate, is included within 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.

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.

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

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

H Impairment

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

Notes to the Consolidated Financial Statements

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I Investment properties

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

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".

Investment properties under construction are carried at cost less impairment if the fair value cannot be determined reliably until such time as the fair value becomes reliably determinable or completion is completed (whichever the earlier). The Group has adopted this approach with Sunnyvale residences and has not taken any fair value adjustment.

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.

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.

J Inventories

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

K Development properties

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

L Cash and cash equivalents

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

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

M Borrowings

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

N Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or 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 liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: (i) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; 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.

Notes to the Consolidated Financial Statements

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
O Employee benefits
(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement.

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

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

The Group recognises actuarial gains and losses within the Consolidated Statement of 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 24.

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.

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 12).

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

Notes to the Consolidated Financial Statements

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q Revenue and its recognition

Revenue comprises:

- Income from the ownership and operation of hotels – recognised at the point at which the accommodation and related services are provided;
- Management fees – earned from hotels managed by the Group, usually under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability; recognised when earned on an accrual basis under the terms of the contract;
- Franchise fees – received in connection with licensing of the Group's brand names, usually under long-term contracts with the hotel owner. The Group charges franchise royalty fees as a percentage of room revenue; recognised when earned on an accrual basis under the terms of the agreement;
- REIT manager's management fees – earned from CDLHT and recognised on an accrual basis based on the applicable formula as described in note 33;
- Income from property rental – recognised on a straight line basis over the lease term, lease incentives granted are recognised as an integral part of the total rental income; and
- Land, development property and property sales – recognised when legal title transfers provided the related significant risk and rewards of ownership have passed by that date.

R Dividend distribution

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

S Operating segment information

The Group has adopted IFRS 8 *Operating Segments*. 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.

T 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.

U Other financial assets and liabilities

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

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

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

V Related parties

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

Notes to the Consolidated Financial Statements

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 13.

Going concern

For the last several years the Group has had a history of profitable operations and ready access to financial resources, and in general, management concluded that the going concern basis of accounting is appropriate without detailed analysis. However, given the current uncertain economic conditions which include recessionary pressures that have an impact on the Group's revenues, operating costs and profitability, management have estimated a wide range of factors relating to current and expected profitability, have considered sensitivities around potential trading levels and covenant compliance, reviewed debt repayment schedules, and potential sources of replacement financing before they can satisfy themselves that the going concern basis is appropriate.

Defined benefit pension plans

The Group operates a number of defined benefit pension plans. As set out in note 24, 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 24.

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 2009 was 39.5%. CDLHT is not considered to be a special purpose entity under Standing Interpretations Committee 12: Consolidation – Special Purpose Entities and the Group does not have, by virtue of its unit holdings, the power to control a majority of the voting rights of the units of CDLHT. However, as further noted in note 33, 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 39.5% of CDLHT units and representation on the Board of the REIT Manager, the Group equity accounts for its interest in CDLHT as an associate.

Notes to the Consolidated Financial Statements

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 33 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 2009 an amount of £107.1m is recognised on the statement of financial position as deferred income, £105.6m in non-current liabilities and £1.5m in current creditors and an amount of £1.5m has been credited to the 2009 income statement.

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

Investment property

The Group holds a number of investment properties and accounts for such properties in accordance with the accounting policy set out on page 74. CDLHT owns hotel assets which are leased to both the Group and external third parties with lease rentals and related charges varying according to the agreement involved. The Group accounts for such hotel assets in its financial statements in accordance with the accounting policy set out on page 74.

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.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements:

IASB/IFRIC documents not yet endorsed as at 31 December 2009

- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires that accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which will become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

- Revised IFRS 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

  – The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.

  – Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.

  – Transaction costs, other than share and debt issue costs, will be expensed as incurred.

  – Any pre-existing interest in the acquiree will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which will become mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

Notes to the Consolidated Financial Statements

5. OPERATING SEGMENT INFORMATION

The Group has adopted IFRS 8 *Operating Segments* for its 2009 consolidated financial statements. 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. These are operated in seven main geographical areas:

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

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

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

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 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.

Notes to the Consolidated Financial Statements

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment Results

	New York 2009 £m	Regional US 2009 £m	London 2009 £m	Rest of Europe 2009 £m	Singapore 2009 £m	Rest of Asia 2009 £m	Australasia 2009 £m	Central Costs 2009 £m	Total Group 2009 £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 operating profit	–	–	–	–	12.6	8.0	–	–	20.6
Headline operating profit/(loss)	5.3	(4.7)	33.7	1.6	36.2	34.6	10.5	(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	36.5	39.9	12.2	(18.1)	130.1
Depreciation and amortisation									(32.1)
Share of interest, tax and non-controlling interests of joint ventures and associates other operating income									(6.5)
Net finance expense									(7.3)
Headline profit before tax									84.2
Other operating expense – Group									(0.2)
Other operating income – share of joint ventures and associates									0.6
Share of interest, tax and non-controlling interests of joint ventures and associates other operating income									(0.5)
Impairment									
– Joint ventures investments and loans									(1.3)
– Hotels									(0.9)
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

Notes to the Consolidated Financial Statements

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment Results (continued)

	New York 2008 £m	Regional US 2008 £m	London 2008 £m	Rest of Europe 2008 £m	Singapore[3] 2008 £m	Rest of Asia[3] 2008 £m	Australasia 2008 £m	Central Costs 2008 £m	Total Group 2008 £m
Revenue									
Hotel	112.3	110.7	93.8	104.6	115.0	114.9	44.8	–	696.1
Property operations	–	1.5	–	–	1.8	0.6	2.9	–	6.8
Total Revenue	112.3	112.2	93.8	104.6	116.8	115.5	47.7	–	702.9
Hotel Gross Operating Profit	43.6	20.9	46.8	31.8	62.2	43.2	17.7	–	266.2
Hotel fixed charges[1]	(16.7)	(18.5)	(12.4)	(17.1)	(33.4)	(14.2)	(8.4)	–	(120.7)
Hotel operating profit	26.9	2.4	34.4	14.7	28.8	29.0	9.3	–	145.5
Property operations operating profit/(loss)	–	(2.0)	–	–	1.1	(0.5)	0.6	–	(0.8)
Central costs	–	–	–	–	–	–	–	(20.5)	(20.5)
Share of joint ventures and associates operating profit	–	–	–	–	12.4	6.9	–	–	19.3
Headline operating profit/(loss)	26.9	0.4	34.4	14.7	42.3	35.4	9.9	(20.5)	143.5
Add back depreciation and amortisation	4.8	7.7	5.4	3.9	0.4	5.3	1.6	0.9	30.0
Headline EBITDA[2]	31.7	8.1	39.8	18.6	42.7	40.7	11.5	(19.6)	173.5
Depreciation and amortisation									(30.0)
Share of interest, tax and non-controlling interests of joint ventures and associates other operating income									(7.6)
Net finance expense									(10.0)
Headline profit before tax									125.9
Other operating income – Group									31.4
Other operating income – share of joint ventures and associates									3.6
Other operating expense – share of joint ventures and associates									(20.4)
Share of interest, tax and non-controlling interest of joint ventures and associates other operating income									(2.6)
Impairment									
– Joint ventures investments and loans									(19.6)
– Hotels									(8.1)
– Other property									(7.4)
Profit before tax									102.8

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 Restated – formerly Singapore and Rest of Asia were aggregated

Notes to the Consolidated Financial Statements

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Segmental assets, liabilities and capital expenditure

As at 31 December 2009	**New York 2009 £m**	**Regional US 2009 £m**	**London 2009 £m**	**Rest of Europe 2009 £m**	**Singapore 2009 £m**	**Rest of Asia 2009 £m**	**Australasia 2009 £m**	**Total Group 2009 £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**	**151.1**	**–**	**326.4**
Total hotel operating net assets	**337.1**	**266.3**	**420.7**	**191.1**	**260.8**	**598.1**	**135.5**	**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**

As at 31 December 2008	New York 2008 £m	Regional US 2008 £m	London 2008 £m	Rest of Europe 2008 £m	Singapore[3] 2008 £m	Rest of Asia[3] 2008 £m	Australasia 2008 £m	Total Group 2008 £m
Hotel operating assets	378.5	350.3	447.9	233.9	175.2	529.3	127.4	2,242.5
Hotel operating liabilities	(10.3)	(34.9)	(19.2)	(18.8)	(128.4)	(47.1)	(7.3)	(266.0)
Investment in and loans to joint ventures and associates	–	–	–	–	183.7	155.0	–	338.7
Total hotel operating net assets	368.2	315.4	428.7	215.1	230.5	637.2	120.1	2,315.2
Property operating assets	–	25.1	–	–	54.2	7.7	55.5	142.5
Property operating liabilities	–	(0.9)	–	–	(0.5)	(0.7)	(1.0)	(3.1)
Total property operating net assets	–	24.2	–	–	53.7	7.0	54.5	139.4
Deferred tax liabilities								(258.1)
Income taxes payable								(30.5)
Net debt								(285.1)
Net assets								1,880.9
Capital expenditure	4.1	26.5	5.4	1.6	7.8	6.0	15.1	66.5

Notes to the Consolidated Financial Statements

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographic information

	2009 £m	2008 £m
Revenue from external customers		
United States	**207.9**	224.5
United Kingdom	**136.7**	151.3
Singapore	**105.1**	116.8
Taiwan	**43.9**	45.3
South Korea	**43.7**	42.5
New Zealand	**42.8**	46.8
Germany	**26.2**	28.0
France	**15.0**	16.0
Malaysia	**14.4**	13.4
Philippines	**8.5**	8.7
Indonesia	**4.2**	3.9
Other	**5.6**	5.7
Total revenue per consolidated income statement	**654.0**	702.9

The revenue information above is based on the location of the business.

	2009 £m	2008 £m
Non-current assets		
United States	**659.1**	725.5
United Kingdom	**599.2**	606.1
Singapore	**429.0**	443.3
Taiwan	**214.8**	225.5
New Zealand	**151.8**	134.4
South Korea	**139.8**	138.2
Hong Kong	**80.5**	82.9
Malaysia	**60.9**	65.3
China	**51.1**	55.0
France	**46.9**	53.4
Philippines	**35.9**	42.6
Indonesia	**11.5**	9.8
Other	**5.1**	6.2
Total non-current assets per consolidated statement of financial position	**2,485.6**	2,588.2

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.

Notes to the Consolidated Financial Statements

6. ADMINISTRATIVE EXPENSES

The following items are included within administrative expenses:

	2009 £m	2008 £m
Included in administrative expenses is the auditor's remuneration, for audit and non-audit services as follows:		
(a) Auditor's remuneration		
Statutory audit services:		
– Annual audit of the Company and consolidated accounts	**0.4**	0.3
– Audit of subsidiary companies	**0.8**	0.9
	1.2	1.2
Non-audit related services:		
– Further assurance services relating to accounting advice	**0.2**	0.2
– Other services relating to taxation	**0.4**	0.8
	0.6	1.0
	1.8	2.2

In addition to the above, fees in respect of the annual audit of the Millennium & Copthorne UK pension plan were £0.1m (2008: £0.1m). Fees relating to the aborted disposal of CDL Hotels (Korea) Limited were £0.2m in 2008.

	2009 £m	2008 £m
(b) Impairment (note 8)	**2.2**	22.9
(c) Repairs and maintenance	**33.0**	31.7
(d) Depreciation	**31.0**	28.8
(e) Lease premium amortisation	**1.1**	1.2
(f) Rental paid/payable under operating leases		
– land and buildings	**37.3**	41.3
– plant and machinery	**5.6**	5.1

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 33.

7. OTHER OPERATING INCOME

There is no other operating income for the year ended 31 December 2009. For the year ended 31 December 2008, the Group recorded a £31.4m gain on the aborted sale of CDL Hotels (Korea) Limited, a wholly-owned subsidiary of the Company with one principal asset, the Millennium Seoul Hilton Hotel. A non-refundable cash deposit paid by the buyer was forfeited as the buyer was unable to complete the transaction.

Notes to the Consolidated Financial Statements

8. IMPAIRMENT

	Notes	2009 £m	2008 £m
Impairment			
– Joint venture investments and loans	(a)	**(1.3)**	(19.6)
– Hotels and land	(b)	**(0.9)**	(8.1)
– Other property	(c)	**–**	(7.4)
		(2.2)	(35.1)

(a) *Joint venture investments and loans*
Impairment for 2009 represents a partial write-down of the additional investment in the Group's 50% investment in Bangkok. For 2008, the carrying value of the Group's investment in Beijing and Bangkok were written down by an aggregate of £19.6m and comprise £12.2m investments and a £7.4m provision for loans. These followed a review of the difficult economic conditions and over-supplied hotel situation in Beijing post the Olympics and the unstable political conditions affecting business in Thailand.

(b) *Hotels and land*
The Directors undertook an annual review of the carrying value of the hotels and property assets for indications of impairment and, where appropriate, external valuations were also undertaken. An impairment charge of £0.9m relates to land in India. In 2008, an impairment charge of £8.1m was made which related to 6 hotels in US and UK, land in India and a provision for demolition of a hotel.

(c) *Other property*
In 2008, an impairment charge of £7.4m was made in respect of Sunnyvale based on an external professional valuation obtained.

9. PERSONNEL EXPENSES

	2009 £m	2008 £m
Wages and salaries	**208.4**	212.1
Compulsory social security contributions	**31.3**	29.5
Contributions to defined contribution schemes	**9.1**	8.3
Defined benefit pension costs/(credit) – recorded in the statement of comprehensive income	**6.5**	(0.9)
Defined benefit pension costs – recorded in the income statement	**2.0**	2.1
Equity settled share-based payment transactions	**1.6**	1.1
	258.9	252.2

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

	2009 Number	2008 Number
Hotel operating staff	**8,809**	10,186
Management/administration	**1,255**	1,376
Sales and marketing	**519**	575
Repairs and maintenance	**548**	641
	11,131	12,778

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 50 to 57.

Notes to the Consolidated Financial Statements

10. NET FINANCE EXPENSE

	2009 £m	2008 £m
Interest income	2.0	5.5
Interest receivable from joint ventures	0.4	0.3
Foreign exchange gain	0.6	6.2
Finance income	**3.0**	12.0
Interest expense	(9.7)	(18.6)
Foreign exchange loss	(0.6)	(3.4)
Finance expense	**(10.3)**	(22.0)
Net finance expense	**(7.3)**	(10.0)

11. INCOME TAX EXPENSE

	2009 £m	2008 £m
Current tax		
Corporation tax charge for the year	23.0	27.8
Adjustment in respect of prior years	(3.1)	5.0
Total current tax expense	19.9	32.8
Deferred tax (note 27)		
Origination and reversal of timing differences	3.4	(0.9)
Reduction in tax rate	(9.9)	(4.2)
(Utilisation)/benefits of tax losses recognised	(3.1)	2.3
Over provision in respect of prior years	(3.0)	(8.4)
Change in UK tax legislation in respect of the removal of claw back on hotel tax allowance	–	10.3
Total deferred tax credit	(12.6)	(0.9)
Total income tax charge in the income statement	**7.3**	31.9
UK	7.8	14.5
Overseas	(0.5)	17.4
Total income tax charge in the income statement	**7.3**	31.9

The Group has recorded an income tax expense of £7.3m (2008: £31.9m) excluding the tax relating to joint ventures and associates, giving rise to an effective rate of 10.8% (2008: 26.0%). The lower effective tax rate is due to a combination of lower corporate tax rates in a number of jurisdictions, in particular Taiwan and Korea, profit mix and prior year adjustments. Excluding the impact of changes in corporate tax rates on brought forward deferred taxes and adjustments in respect of previous years, the Group's underlying effective tax rate is 33.2% (2008: 30.2%).

A tax charge of £2.3m (2008: £2.8m) relating to joint ventures and associates is included in the reported profit before tax.

Notes to the Consolidated Financial Statements

11. INCOME TAX EXPENSE (CONTINUED)

Major adjustment factors affecting the 2009 tax expense:

Effect of changes in tax rates

The credit of £9.9m relates to reduction in tax rate in Taiwan and Korea.

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

	2009 £m	2008 £m
Profit before tax in income statement	**81.9**	102.8
(Less)/add share of (profits)/losses of joint ventures and associates[1]	**(14.2)**	19.9
Profit on ordinary activities excluding share of joint ventures and associates	**67.7**	122.7
Income tax on ordinary activities at the standard rate of UK tax of 28.0% (2008: 28.5%)	**19.0**	35.0
Tax exempt income	**(1.6)**	(3.2)
Non deductible expenses	**5.1**	3.0
Recognition of deferred tax on share of undistributed associate's profit	**–**	2.0
Current year losses for which no deferred tax asset was recognised	**0.8**	0.2
Unrecognised deferred tax assets relating to impairment	**1.3**	0.6
Recognition of previously unrecognised tax losses	**(1.0)**	–
Effect of lower tax rates of other operating income	**–**	(9.0)
Effect of higher tax rates on impairment	**–**	(1.4)
Other effect of tax rates in foreign jurisdictions	**(0.3)**	2.0
Effect of change in tax rates on opening deferred taxes	**(9.9)**	(4.2)
Effect of change in UK tax legislation in respect of the removal of claw back on hotel allowances	**–**	10.3
Other adjustments to tax charge in respect of prior years[2]	**(6.1)**	(3.4
	7.3	31.9

1 The effective rate of tax for joint ventures and associates before other operating (expense)/income is 12.5% (2008: 17.7%). This is lower than the standard rate of UK tax of 28.0% (2008: 28.5%), 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 £3.1m credit (2008: £5.0m charge) in respect of current tax and £3.0m credit (2008: £8.4m credit) in respect of deferred tax.

Income tax recognised directly in equity

	2009 £m	2008 £m
Taxation credit/(expense) arising on defined benefit pension schemes	**1.5**	(0.3)
Income tax relating to other components of other comprehensive income:		
Taxation expense arising from unrealised foreign exchange	**–**	(0.2)
Taxation credit/(expense) arising on share-based incentive schemes	**1.5**	(1.6)
	1.5	(1.8)

Notes to the Consolidated Financial Statements

12. EARNINGS PER SHARE

Earnings per share are calculated using the following information:

All amounts in £m unless otherwise stated	**2009**	2008
(a) Basic		
Profit for year attributable to holders of the parent	**70.1**	64.0
Weighted average number of shares in issue (m)	**306.1**	300.0
Basic earnings per share (pence)	**22.9p**	21.3p
(b) Diluted		
Profit for year attributable to holders of the parent	**70.1**	64.0
Weighted average number of shares in issue (m)	**306.1**	300.0
Potentially dilutive share options under Group's share option schemes (m)	**0.6**	0.1
Weighted average number of shares in issue (diluted) (m)	**306.7**	300.1
Diluted earnings per share (pence)	**22.9p**	21.3p
(c) Headline earnings per share		
Profit for year attributable to holders of the parent	**70.1**	64.0
Adjustments for:		
Other operating income (net of tax)	**–**	(31.4)
Fair value adjustments of investment property	**0.2**	–
Impairment (net of tax and non-controlling interests)	**1.8**	29.1
Share of other operating (income)/expenses of joint ventures and associates (nil tax)	**(0.1)**	19.6
Change in UK tax legislation on hotel tax allowances	**–**	10.3
Change on tax rates on opening deferred tax	**(9.9)**	(4.2)
Adjusted profit for the year attributable to holders of the parent	**62.1**	87.4
Weighted average number of shares in issue (m)	**306.1**	300.0
Headline earnings per share (pence)	**20.3p**	29.1p
(d) Diluted headline earnings per share		
Adjusted profit for the year attributable to the holders of the parent	**62.1**	87.4
Weighted average number of shares in issue (diluted) (m)	**306.7**	300.1
Diluted headline earnings per share (pence)	**20.2p**	29.1p

Notes to the Consolidated Financial Statements

13. 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 1 January 2008		1,678.0	3.1	70.4	155.6	1,907.1
Additions		20.1	28.2	4.4	13.8	66.5
Transfer from development properties	(a)	–	20.9	–	–	20.9
Transfer from lease premium prepayment	(b)	0.6	–	–	–	0.6
Transfers		31.6	(24.5)	2.7	(9.8)	–
Disposals		(0.1)	–	(0.9)	(4.7)	(5.7)
Foreign exchange adjustments		292.3	2.7	27.4	44.4	366.8
Balance at 31 December 2008		2,022.5	30.4	104.0	199.3	2,356.2
Balance at 1 January 2009		2,022.5	30.4	104.0	199.3	2,356.2
Additions		1.5	9.1	2.4	2.6	15.6
Transfer to investment properties	(c)	–	(15.9)	–	–	(15.9)
Transfers		1.3	(0.9)	0.4	(0.8)	–
Disposal		(0.3)	–	(0.4)	(17.1)	(17.8)
Foreign exchange adjustments		(60.8)	(0.7)	(3.7)	(8.7)	(73.9)
Balance at 31 December 2009		**1,964.2**	**22.0**	**102.7**	**175.3**	**2,264.2**
Depreciation						
Balance as at 1 January 2008		67.5	–	23.8	106.8	198.1
Charge for the year		8.2	–	4.0	16.6	28.8
Impairment	(f)	7.7	7.4	–	–	15.1
Transfer from lease premium prepayment	(b)	0.1	–	–	–	0.1
Disposals		–	–	(0.8)	(4.5)	(5.3)
Foreign exchange adjustments		15.1	–	3.3	33.3	51.7
Balance at 31 December 2008		98.6	7.4	30.3	152.2	288.5
Balance at 1 January 2009		98.6	7.4	30.3	152.2	288.5
Transfer to investment properties	(c)	–	(5.6)	–	–	(5.6)
Charge for the year		9.7	–	4.4	16.9	31.0
Impairment	(f)	0.9	–	–	–	0.9
Disposal		–	–	(0.4)	(16.8)	(17.2)
Foreign exchange adjustments		(3.3)	(0.1)	0.3	(6.2)	(9.3)
Balance at 31 December 2009		**105.9**	**1.7**	**34.6**	**146.1**	**288.3**
Carrying amounts						
At 31 December 2009		**1,858.3**	**20.3**	**68.1**	**29.2**	**1,975.9**
At 31 December 2008		1,923.9	23.0	73.7	47.1	2,067.7
At 1 January 2008		1,610.5	3.1	46.6	48.8	1,709.0

(a) Transfer from development properties

In 2008, a transfer of £20.9m was made from development properties to property, plant and equipment relating to the Sunnyvale development. An impairment charge of £7.4m was made on reclassification based on an external valuation obtained.

(b) Transfer from lease premium prepayment

In 2008, a transfer of £0.5m was made from lease premium prepayment to property, plant and equipment relating to the net book value of the former leasehold interest of Copthorne Hotel Auckland Harbour City for which the freehold interest was acquired in 2008.

(c) Transfer to investment properties

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

(d) Land and buildings

Land and buildings includes long leasehold building assets with a book value of £351.3m (2008: £354.4m) and assets held under finance leases with a net book value of £1.7m (2008: £nil). The net book value of land and buildings held under short leases was £21.6m (2008: £21.0m), in respect of which depreciation of £1.7m (2008: £1.6m) was charged during the year.

Notes to the Consolidated Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Interest of £0.1m (2008: £0.3m) has been capitalised within land and buildings during the year. The cumulative interest within land and buildings is £4.4m (2008: £4.4m).

(e) Pledged assets

At year-end, the net book value of assets pledged as collateral for secured loans was £262.6m (2008: £257.9m). The security for the loans is by way of charges on the properties of Group companies concerned.

(f) Impairment

In 2009 the Group recorded an impairment charge of £0.9m within administrative expenses in relation to land in India based on an external valuation. For 2008, the Group recorded an impairment charge of £15.1m within administrative expenses as shown in note 8 and comprises a charge relating to property, plant and equipment. The impairment charge comprised £7.7m for 6 hotels in the UK and US and land in India and £7.4m relating to the Sunnyvale development. The 2008 impairment charge and the estimated recoverable amount was based on the properties' value in use, determined using discount rates ranging from 10.5% to 12.5%.

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 2009, where indicators of impairment were present, the Group estimated value-in-use using a discounted cash flow model, 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 2010, extrapolated to incorporate individual assumptions in respect of revenue growth (principally factoring in room rate and occupancy growth) and major expense lines.

For those hotels that showed value in use approximating to book value, the Directors sought guidance on value through a registered independent appraiser with an appropriate recognised professional qualification and recent experience in location and category of the hotel being valued.

As a result of the analysis, the Board concluded that no impairment was required for 2009.

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 10.0% to 14.5% in the United States, 10.0% to 13.0% in Europe, 7.0% to 14.0% in Asia and, 8.75% to 14.5% in New Zealand.

Revenue growth – The revenue annual compound growth rates ranged from 2.7% to 18.8% in the United States, 1.4% to 9.0% in Europe, 3.9% to 6.9% in Asia and, 0.7% to 6.1% 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 the UK provinces and Regional US as their fair value currently exceeds their carrying value only by a small percentage.

14. LEASE PREMIUM PREPAYMENT

	2009 £m	2008 £m
Cost		
Balance at 1 January	**125.0**	118.0
Additions	**–**	0.2
Transfer to property, plant and equipment (note 13 (b))	**–**	(0.6)
Disposal	**–**	(0.4)
Foreign exchange adjustments	**(1.0)**	7.8
Balance at 31 December	**124.0**	125.0
Amortisation		
Balance at 1 January	**27.9**	26.9
Transfer to property, plant and equipment (note 13 (b))	**–**	(0.1)
Charge for the year	**1.1**	1.2
Disposal	**–**	(0.4)
Foreign exchange adjustments	**–**	0.3
Balance at 31 December	**29.0**	27.9
Carrying amount	**95.0**	97.1
Analysed between:		
Amount due after more than one year included in non-current assets	**93.6**	95.8
Amount due within one year included in current assets	**1.4**	1.3

Notes to the Consolidated Financial Statements

15. INVESTMENT PROPERTIES

As at 31 December 2008, investment properties owned by the Group include office and commercial space and comprised only completed investment properties. Investment properties under construction were carried at cost less impairment and presented within property, plant and equipment.

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 2008.

Investment properties under construction are carried at cost less impairment if the fair value cannot be determined reliably until such time as the fair value becomes reliably determinable or completion is completed (whichever is the earlier). The Group has adopted this approach with Sunnyvale residences and has not taken any fair value adjustment.

Movements in the year analysed as:

	2009			2008		
	Completed investment property £m	**Investment property under construction £m**	**Total £m**	Completed investment property £m	Investment property under construction £m	Total £m
Balance at 1 January	**79.3**	**–**	**79.3**	58.2	–	58.2
Transfers from property, plant and equipment	**–**	**10.3**	**10.3**	–	–	–
Adjustment to fair value	**(0.2)**	**–**	**(0.2)**	–	–	–
Foreign exchange adjustment	**(5.4)**	**(0.7)**	**(6.1)**	21.1	–	21.1
Balance at 31 December	**73.7**	**9.6**	**83.3**	79.3	–	79.3

Analysed as:

	2009			2008		
	Offices and a shopping-cum-office complex £m	**Residential £m**	**Total £m**	Offices and a shopping-cum-office complex £m	Residential £m	Total £m
Completed investment property	**73.7**	**–**	**73.7**	79.3	–	79.3
Investment property under construction	**–**	**9.6**	**9.6**	–	–	–
Balance at 31 December	**73.7**	**9.6**	**83.3**	79.3	–	79.3

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.

At the end of 2009, 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

Based on these valuations, together with such considerations as the Directors considered appropriate, the Tanglin Shopping Centre recorded a decrease in value of £0.2m which was charged to the income statement in accordance with the Group's accounting policy and the Biltmore Court & Tower recorded no change in 2009. In 2008 both the Tanglin Shopping Centre and the Biltmore Court & Tower recorded no change.

Further details in respect of investment property rentals are given in note 31.

Notes to the Consolidated Financial Statements

16. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	Effective Group interest 2009	2008
Joint Ventures		
New Unity Holdings Limited	**50.0%**	50.0%
Fena Estate Company Limited	**50.0%**	50.0%
Beijing Fortune Hotel Co. Ltd	**30.0%**	30.0%
Associates		
CDL Hospitality Trusts ("CDLHT") – see note (a) below	**39.5%**	39.0%
First Sponsor Capital Limited ("FSCL")	**39.8%**	39.8%

	Joint Ventures 2009 £m	**Associates 2009 £m**	**Total 2009 £m**	Joint Ventures 2008 £m	Associates 2008 £m	Total 2008 £m
Share of net assets/cost						
Balance at 1 January	**82.8**	**255.9**	**338.7**	65.3	182.3	247.6
Share of profits/(losses) for the year	**3.0**	**11.2**	**14.2**	(10.7)	(9.2)	(19.9)
Additions (see note (b) below)	**–**	**2.9**	**2.9**	–	25.5	25.5
Capitalisation of loan	**1.0**	**–**	**1.0**	2.2	–	2.2
Dividends received	**–**	**(12.5)**	**(12.5)**	–	(12.3)	(12.3)
Tax provision on dividends received	**–**	**–**	**–**	–	(1.2)	(1.2)
Foreign exchange adjustments	**(6.5)**	**(11.7)**	**(18.2)**	26.0	70.9	96.9
Other movements	**–**	**0.3**	**0.3**	–	(0.1)	(0.1)
Balance at 31 December	**80.3**	**246.1**	**326.4**	82.8	255.9	338.7
Share of profit for the year						
Operating profit before impairment and other operating income	**7.8**	**12.8**	**20.6**	8.4	10.9	19.3
Impairment and other operating income/(expense) (see note (c))	**–**	**0.6**	**0.6**	(12.2)	(16.8)	(29.0)
Interest	**(0.8)**	**(2.0)**	**(2.8)**	(1.8)	(1.7)	(3.5)
Tax	**(1.6)**	**(0.7)**	**(2.3)**	(1.7)	(1.1)	(2.8)
Non-controlling interests	**(2.4)**	**0.5**	**(1.9)**	(3.4)	(0.5)	(3.9)
	3.0	**11.2**	**14.2**	(10.7)	(9.2)	(19.9)

Notes

(a) CDLHT is quoted on the Singapore Exchange Securities Trading Limited and as at 31 December 2009 its share price was S$1.75 (2008: S$0.73). For the Group's 39.5% (2008: 39.0%) interest, this equates to a market capitalisation of £257.4m (2008: £110.0m).

(b) Additions – associates
The Group received stapled units in CDLHT in lieu of payment of management fees amounting to £2.9m in 2009 (2008: £2.5m) and in 2008 invested £23.0m in FSCL. No further investment in FSCL was made in 2009.

(c) Impairment and other operating income/(expense)
For 2009, the Group recorded a £1.3m impairment charge for the partial write-down of additional investment in the Group's 50% investment in Bangkok. The 2008 comparatives represents (i) £12.2m impairment of joint venture following a review of the difficult economic conditions and over supplied hotel situation in Beijing post the Olympics (ii) the Group's £20.4m share of a revaluation deficit of investment properties of CDLHT, which the Group deems to be non-owner occupied properties and (iii) the Group's £3.6m share of a net revaluation surplus of investment properties of FSCL which the Group deems to be non-owner occupied properties.

Notes to the Consolidated Financial Statements

16. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	2009 £m	2008 £m
Summary information on joint ventures – 100%		
Revenue	**76.8**	88.9
Impairment of hotel	**–**	(40.6)
Expenses	**(70.7)**	(88.3)
Profit/(loss) for the year	**6.1**	(40.0)
Assets		
Non-current assets	**403.6**	435.6
Current assets	**58.6**	53.8
Total assets	**462.2**	489.4
Liabilities		
Non-current liabilities	**(219.1)**	(226.5)
Current liabilities	**(35.6)**	(51.3)
Total liabilities	**(254.7)**	(277.8)
Total assets less total liabilities	**207.5**	211.6
Less non-controlling share of net assets	**(53.2)**	(52.5)
Net assets – 100%	**154.3**	159.1

	2009 £m	2008 £m
Summary information on associates – 100%		
Revenue	**60.5**	55.1
Net surplus/(deficit) on revaluation of investment properties	**1.8**	(45.3)
Expenses	**(34.4)**	(33.9)
Profit/(loss) for the year	**27.9**	(24.1)
Assets		
Non-current assets	**702.6**	713.8
Current assets	**73.1**	109.1
Total assets	**775.7**	822.9
Liabilities		
Non-current liabilities	**(137.2)**	(145.1)
Current liabilities	**(30.6)**	(47.4)
Total liabilities	**(167.8)**	(192.5)
Total assets less total liabilities	**607.9**	630.4
Less non-controlling share of net assets	**(16.2)**	(7.5)
Net assets – 100%	**591.7**	622.9

At 31 December 2009 the Group's share of the total capital commitments of joint ventures amounted to £nil (2008: £0.6m). At 31 December 2009, joint ventures and associates had no significant contingent liabilities (2008: £nil).

Notes to the Consolidated Financial Statements

17. OTHER FINANCIAL ASSETS

	2009 £m	2008 £m
Other financial assets included within non-current assets comprise:		
Unquoted equity investments available-for-sale	**4.4**	4.7
Deposits receivable	**2.0**	2.0
	6.4	6.7

18. INVENTORIES

	2009 £m	2008 £m
Consumables	**4.2**	4.9

19. DEVELOPMENT PROPERTIES

	2009 £m	2008 £m
Development properties comprise:		
Development land for resale	**38.5**	33.3
Development property	**33.8**	29.9
	72.3	63.2

20. TRADE AND OTHER RECEIVABLES

	2009 £m	2008 £m
Trade receivables due from joint ventures and associates	**1.3**	2.2
Trade receivables	**28.7**	36.4
Other receivables	**7.2**	7.8
Prepayments and accrued income	**18.9**	16.5
	56.1	62.9

Trade receivables are shown net of an impairment allowance of £1.2m (2008: £1.9m) 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 23.

21. CASH AND CASH EQUIVALENTS

	2009 £m	2008 £m
Cash at bank and in hand	**52.0**	59.6
Short term deposits	**83.5**	152.5
Cash and cash equivalents on the statement of financial position	**135.5**	212.1
Bank overdrafts (included in borrowings)	**(0.6)**	(2.8)
Cash and cash equivalents shown in the cash flow statement	**134.9**	209.3

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 23.

Notes to the Consolidated Financial Statements

22. INTEREST-BEARING LOANS, BONDS AND BORROWINGS

	2009 £m	2008 £m
Included within non-current liabilities:		
Bank loans	**59.8**	171.6
Notes payable	**–**	34.0
Bonds payable	**173.2**	209.5
	233.0	415.1

	2009 £m	2008 £m
Included within current liabilities:		
Bank loans and overdrafts	**56.8**	5.6
Notes payable	**26.0**	–
Bonds payable	**22.2**	76.5
	105.0	82.1

Further details in respect of financial liabilities are given in note 23.

23. 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.

Notes to the Consolidated Financial Statements

23. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Carrying value	
	2009 £m	2008 £m
Cash at bank and in hand (see note 21)	**52.0**	59.6
Short-term deposits (see note 21)	**83.5**	152.5
Unquoted equity investments available-for-sale (see note 17)	**4.4**	4.7
Deposits receivable (see note 17)	**2.0**	2.0
Trade receivables (see note 20)	**28.7**	36.4
Trade receivables due from joint ventures and associates (see note 20)	**1.3**	2.2
Other receivables (see note 20)	**7.2**	7.8
	179.1	265.2

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

	Carrying value	
	2009 £m	2008 £m
New York	**4.5**	5.9
Regional US	**2.5**	4.6
London	**0.3**	0.3
Rest of Europe	**6.7**	8.6
Singapore	**5.1**	7.5
Rest of Asia	**4.3**	4.5
Australasia	**5.3**	5.0
Total Group	**28.7**	36.4

The ageing of trade receivables at the reporting date was:

	Gross Receivable		Impairment Allowance		Carrying value	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Not past due	**12.3**	13.2	**(0.1)**	–	**12.2**	13.2
Past due 0 – 30 days	**10.6**	15.5	**–**	–	**10.6**	15.5
Past due 31 – 60 days	**3.4**	5.0	**(0.3)**	(0.5)	**3.1**	4.5
Past due 61 – 90 days	**0.7**	1.5	**(0.3)**	(0.7)	**0.4**	0.8
More than 90 days	**2.9**	3.1	**(0.5)**	(0.7)	**2.4**	2.4
Total Group	**29.9**	38.3	**(1.2)**	(1.9)	**28.7**	36.4

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

	2009 £m	2008 £m
Balance at 1 January	**1.9**	1.4
Impairment (write-back)/recognised	**(0.1)**	0.5
Written-off	**(0.6)**	–
Balance at 31 December	**1.2**	1.9

Notes to the Consolidated Financial Statements

23. 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	–	–	–
Others	21.1	19.1	–	–	2.0
Non-interest bearing:					
Sterling	2.0	2.0	–	–	–
US dollar	18.0	13.6	–	–	4.4
Korean won	0.1	0.1	–	–	–
Singapore dollar	13.4	13.4	–	–	–
New Taiwan dollar	0.4	0.4	–	–	–
Others	10.0	10.0	–	–	–
Total	141.9	135.5	–	–	6.4
Represented by:					
Cash and cash equivalents	135.5				
Other financial assets (non-current)	6.4				
	141.9				

Notes to the Consolidated Financial Statements

23. FINANCIAL INSTRUMENTS (CONTINUED)

	Contractual maturities of financial assets 2008				
	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	0.1	0.1	–	–	–
US dollar	26.8	26.8	–	–	–
Korean won	8.6	8.6	–	–	–
Singapore dollar	95.7	95.7	–	–	–
New Taiwan dollar	26.2	26.2	–	–	–
Australian dollar	7.7	6.3	1.4	–	–
New Zealand dollar	6.4	6.4	–	–	–
Others	24.5	22.5	–	–	2.0
Non-interest bearing:					
Sterling	0.2	0.2	–	–	–
US dollar	7.6	2.9	–	–	4.7
Korean won	0.3	0.3	–	–	–
Singapore dollar	7.9	7.9	–	–	–
New Taiwan dollar	0.3	0.3	–	–	–
Others	6.5	6.5	–	–	–
Total	218.8	210.7	1.4	–	6.7
Represented by:					
Cash and cash equivalents	212.1				
Other financial assets (non-current)	6.7				
	218.8				

(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.

Notes to the Consolidated Financial Statements

23. 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.

31 December 2009	**Contractual maturities of financial liabilities**						
	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**	**–**

31 December 2008	Contractual maturities of financial liabilities						
	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	29.4	34.5	0.9	0.9	5.4	23.2	4.1
Unsecured loans	145.0	153.5	4.3	1.6	69.8	77.8	–
Secured notes	34.0	36.4	1.0	1.0	34.4	–	–
Unsecured bonds	262.5	279.7	64.7	18.3	58.9	137.8	–
Bank overdrafts	2.8	2.8	0.1	2.7	–	–	–
Fixed Rate Financial Liabilities							
Unsecured bonds	23.5	24.4	0.4	0.4	23.6	–	–
Trade and other payables							
Trade payables	16.4	16.4	16.4	–	–	–	–
Amounts owed to associates	2.7	2.7	2.7	–	–	–	–
Other creditors	8.6	8.6	8.6	–	–	–	–
Other non-current liabilities	5.8	5.8	–	–	0.5	4.6	0.7
	530.7	564.8	99.1	24.9	192.6	243.4	4.8

Notes to the Consolidated Financial Statements

23. FINANCIAL INSTRUMENTS (CONTINUED)

Undrawn committed borrowing facilities

Undrawn borrowing facilities are available to the Group with the maturities as set out in the following table.

The conditions precedent to the availability of these facilities are all satisfied at the balance sheet date.

	2009 £m	2008 £m
Expiring in one year or less	**31.8**	78.7
Expiring after more than one year but not more than two years	**65.3**	32.5
Expiring after more than two years but not more than five years	**81.7**	71.6
Expiring after more than five years	**–**	5.8
Total undrawn committed borrowing facilities	**178.8**	188.6

Security

Included within the Group's total bank loans and overdrafts of £116.6m (2008: £177.2m) are £25.8m (2008: £29.9m) of secured loans and overdrafts. Of total bonds and notes payable of £221.4m (2008: £320.0m), £26.0m (2008: £34.0m) are secured notes.

Loans, bonds and notes are secured on land and buildings with a carrying value of £262.6m (2008: £257.9m) and an assignment of insurance proceeds in respect of insurances over the mortgaged properties.

At 31 December 2009, the Group had £178.8m 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 £535.8m, £154.0m matures during 2010, comprising £88.0m committed facilities (of which £31.8m is currently undrawn), £17.8m overdrafts subject to annual renewal, £22.2m unsecured bonds, and £26.0m secured notes.

(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 is designated as hedged against corresponding financial liabilities in the same currency.

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

	31 December 2009		31 December 2008	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Sterling	**–**	**–**	22.0	22.0
Singapore dollar	**97.1**	**97.1**	174.8	174.1
US dollar	**189.1**	**189.1**	236.4	236.4
New Zealand dollar	**24.0**	**24.0**	24.9	24.9
Korean won	**26.0**	**26.0**	34.0	34.0
Malaysian ringgit	**1.8**	**1.8**	5.1	5.1
	338.0	**338.0**	497.2	496.5

Notes to the Consolidated Financial Statements

23. FINANCIAL INSTRUMENTS (CONTINUED)

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. As at 31 December 2009 and 31 December 2008 no such contracts were in place.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
Sterling	**2009**	2008	**2009**	2008
US dollar	**1.553**	1.859	**1.596**	1.474
Singapore dollar	**2.257**	2.628	**2.245**	2.132
New Taiwan dollar	**51.654**	59.464	**51.081**	49.295
New Zealand dollar	**2.461**	2.592	**2.253**	2.563
Malaysia ringgit	**5.472**	6.200	**5.473**	5.139
Korean won	**1,969.72**	1,995.67	**1,847.74**	1,878.41
Euro	**1.114**	1.261	**1.110**	1.052

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 percent strengthening of sterling against the following currencies at 31 December 2009 (31 December 2008: 25 percent) would have decreased equity and profit or loss before tax by the amounts shown below:

	31 December 2009		31 December 2008	
	Equity £m	**Profit before tax £m**	Equity £m	Profit before tax £m
US dollar	**(100.4)**	**0.7**	(100.8)	(10.9)
Singapore dollar	**(66.1)**	**(7.5)**	(27.8)	(2.2)
New Taiwan dollar	**(38.3)**	**(1.7)**	(48.3)	(2.4)
New Zealand dollar	**(29.6)**	**(2.2)**	(41.5)	(3.1)
Malaysia ringgit	**(11.6)**	**(1.0)**	(12.0)	(0.8)
Korean won	**(21.2)**	**(2.7)**	(24.8)	(2.3)
Euro	**(10.2)**	**1.5**	(17.1)	(0.5)
	(277.4)	**(12.9)**	(272.3)	(22.2)

A 25 percent weakening of sterling against the above currencies at 31 December 2009 (31 December 2008: 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

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

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

Interest rate derivatives are used to manage interest rate risk, to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing for such derivatives. Where used, interest rate derivatives are classified as cash flow hedges and stated at fair value within the Group's balance sheet. As at 31 December 2009 no interest rate derivatives were in place (2008: £nil).

Notes to the Consolidated Financial Statements

23. FINANCIAL INSTRUMENTS (CONTINUED)

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 2009		Year ended 31 December 2008	
	1% increase £m	**1% decrease £m**	1% increase £m	1% decrease £m
Variable rate financial assets	**1.1**	**(1.1)**	1.2	(1.2)
Variable rate financial liabilities	**(4.3)**	**4.3**	(4.7)	4.7
Cash flow sensitivity (net)	**(3.2)**	**3.2**	(3.5)	3.5

(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.

	2009 Book Value £m	**2009 Fair Value £m**	2008 Book Value £m	2008 Fair Value £m
Financial Assets				
Cash and cash equivalents				
Cash at bank and in hand	**52.0**	**52.0**	59.6	59.6
Short term deposits	**83.5**	**83.5**	152.5	152.5
Available for sale financial assets				
Unquoted equity investments available for sale	**4.4**	**4.4**	4.7	4.7
Loans and receivables				
Deposits receivable	**2.0**	**2.2**	2.0	2.8
Trade receivables	**28.7**	**28.7**	36.4	36.4
Trade receivables due from joint ventures and associates	**1.3**	**1.3**	2.2	2.2
Other receivables	**7.2**	**7.2**	7.8	7.8
	179.1	**179.3**	265.2	266.0
Financial Liabilities				
Bank overdrafts	**(0.6)**	**(0.6)**	(2.8)	(2.8)
Short-term loans, bonds and borrowings	**(104.4)**	**(104.4)**	(79.3)	(79.3)
Long-term loans, bonds and borrowings	**(233.0)**	**(233.0)**	(415.1)	(414.4)
Trade payables	**(17.8)**	**(17.8)**	(16.4)	(16.4)
Amounts owed to associates	**(2.8)**	**(2.8)**	(2.7)	(2.7)
Other creditors	**(5.6)**	**(5.6)**	(8.6)	(8.6)
Other non-current liabilities	**(6.6)**	**(6.1)**	(5.8)	(4.8)
	(370.8)	**(370.3)**	(530.7)	(529.0)

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.

Notes to the Consolidated Financial Statements

23. FINANCIAL INSTRUMENTS (CONTINUED)

Interest bearing loans and borrowings
Fair value is calculated based on discounted expected future principal and interest cash flows.

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

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

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

Available-for-sale financial assets – unquoted equity investments
Fair value is estimated using appropriate valuation techniques.

Fair value hierarchy

As at 31 December 2009, 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

	31 December 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**

There are no liabilities measured at fair value.

During the reporting period ended 31 December 2009, 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 22, cash and cash equivalents (note 21) 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.

Notes to the Consolidated Financial Statements

24. 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 employee, which was set up in 1993. The scheme is a funded defined benefit arrangement with different categories of membership. During 2009, 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 2009. 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 2009. The contributions of the Group were 5.2% (2008: 8.8%) 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 2009. The contributions of the Group were 6% (2008: 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:

	2009 UK	**2009 Korea**	**2009 Taiwan**	2008 UK	2008 Korea	2008 Taiwan
Inflation rate	**3.7%**	**–**	**–**	3.1%	–	–
Discount rate*	**5.7%**	**6.0%**	**2.25%**	6.5%	7.75%	2.75%
Rate of salary increase	**4.2%**	**4.0%**	**2.5%**	3.6%	5.0%	3.0%
Rate of pension increases	**3.7%**	**–**	**–**	3.1%	–	–
Annual expected return on plan assets	**6.7%**	**5.0%**	**2.25%**	7.5%	5.0%	2.75%

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 2009 of 6.7% (2008: 7.5%) has been calculated using a 7.1% (2008: 8.0%) return on equity representing 73% (2008: 67%) of plan assets and a 5.7% (2008: 6.5%) return on bonds representing 27% (2008: 33%) of plan assets.

* The discount rate used in respect of the UK pension scheme of 5.7% (2008: 6.5%) was based on the yield of the Merrill Lynch over-15 year AA rated corporate bond index.

Amounts recognised on the balance sheet are as follows:

	2009 UK £m	**2009 Korea £m**	**2009 Taiwan £m**	**2009 Other £m**	**2009 Total £m**	2008 UK £m	2008 Korea £m	2008 Taiwan £m	2008 Other £m	2008 Total £m
Present value of funded obligations	**34.7**	**5.4**	**7.3**	**0.7**	**48.1**	26.6	5.8	7.7	0.6	40.7
Fair value of plan assets	**(22.2)**	**(5.7)**	**(2.1)**	**–**	**(30.0)**	(19.3)	(6.6)	(2.0)	–	(27.9)
Plan deficit/(surplus)	**12.5**	**(0.3)**	**5.2**	**0.7**	**18.1**	7.3	(0.8)	5.7	0.6	12.8

Notes to the Consolidated Financial Statements

24. EMPLOYEE BENEFITS (CONTINUED)

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

	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m	2008 UK £m	2008 Korea £m	2008 Taiwan £m	2008 Other £m	2008 Total £m
Balance at 1 January	26.6	5.8	7.7	0.6	40.7	31.5	5.3	6.4	0.5	43.7
Current service cost	0.4	1.0	0.3	0.1	1.8	0.6	0.9	0.3	0.1	1.9
Interest cost	1.7	0.4	0.1	(0.1)	2.1	1.9	0.3	0.1	–	2.3
Benefits paid	(1.4)	(1.8)	(0.3)	0.1	(3.4)	(0.7)	(0.7)	(0.7)	–	(2.1)
Actuarial losses/(gains)	7.4	0.1	(0.3)	(0.1)	7.1	(6.7)	–	(0.4)	–	(7.1)
Foreign exchange adjustments	–	(0.1)	(0.2)	0.1	(0.2)	–	–	2.0	–	2.0
Balance at 31 December	34.7	5.4	7.3	0.7	48.1	26.6	5.8	7.7	0.6	40.7

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

	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m	2008 UK £m	2008 Korea £m	2008 Taiwan £m	2008 Other £m	2008 Total £m
Balance at 1 January	19.3	6.6	2.0	–	27.9	22.8	6.3	1.7	–	30.8
Expected return on plan assets	1.5	0.3	0.1	–	1.9	1.7	0.3	0.1	–	2.1
Group contributions	1.8	0.6	0.5	–	2.9	1.5	0.7	0.5	–	2.7
Members' contributions	0.1	–	–	–	0.1	0.1	–	–	–	0.1
Benefits paid	(1.4)	(1.8)	(0.3)	0.1	(3.4)	(0.7)	(0.7)	(0.7)	–	(2.1)
Experience gains/(losses)	0.9	–	–	–	0.9	(6.1)	–	(0.1)	–	(6.2)
Foreign exchange adjustments	–	–	(0.2)	(0.1)	(0.3)	–	–	0.5	–	0.5
Balance at 31 December	22.2	5.7	2.1	–	30.0	19.3	6.6	2.0	–	27.9
Actual return on plan assets	2.4	0.3	0.1	–	2.8	(4.4)	0.3	–	–	(4.1)

The Group expects £2.8m in contributions to be paid to the defined benefit plans in 2010.

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

	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m	2008 UK £m	2008 Korea £m	2008 Taiwan £m	2008 Other £m	2008 Total £m
Equity	16.1	–	–	–	16.1	12.5	–	–	–	12.5
Bonds	6.0	–	–	–	6.0	6.6	–	–	–	6.6
Cash	0.1	5.7	2.1	–	7.9	0.2	6.6	2.0	–	8.8
	22.2	5.7	2.1	–	30.0	19.3	6.6	2.0	–	27.9

Notes to the Consolidated Financial Statements

24. EMPLOYEE BENEFITS (CONTINUED)

The expense recognised in the income statement is as follows:

	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m	2008 UK £m	2008 Korea £m	2008 Taiwan £m	2008 Other £m	2008 Total £m
Current service cost	**0.4**	**1.0**	**0.3**	**0.1**	**1.8**	0.6	0.9	0.3	0.1	1.9
Interest cost on obligation	**1.7**	**0.4**	**0.1**	**(0.1)**	**2.1**	1.9	0.3	0.1	–	2.3
Expected return on plan assets	**(1.5)**	**(0.3)**	**(0.1)**	**–**	**(1.9)**	(1.7)	(0.3)	(0.1)	–	(2.1)
	0.6	**1.1**	**0.3**	**–**	**2.0**	0.8	0.9	0.3	0.1	2.1

Total cost is recognised within the following items in the income statement:	2009 £m	2008 £m
Cost of sales	**1.0**	0.9
Administrative expenses	**1.0**	1.2
	2.0	2.1

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

	2009 UK £m	2009 Korea £m	2009 Taiwan £m	2009 Other £m	2009 Total £m	2008 UK £m	2008 Korea £m	2008 Taiwan £m	2008 Other £m	2008 Total £m
Actual return less expected return on plan assets	**0.9**	**–**	**–**	**–**	**0.9**	(6.1)	–	(0.1)	–	(6.2)
Experience gains/(losses) on plan liabilities	**(0.5)**	**(0.2)**	**–**	**(0.1)**	**(0.8)**	1.3	–	–	–	1.3
Changes in demographic and financial assumptions underlying the present value of plan liabilities	**(6.9)**	**–**	**0.3**	**–**	**(6.6)**	5.4	–	0.4	–	5.8
	(6.5)	**(0.2)**	**0.3**	**(0.1)**	**(6.5)**	0.6	–	0.3	–	0.9

Actuarial losses recognised directly in equity are as follows:	2009 £m	2008 £m
Cumulative as at 1 January	**5.5**	6.4
Actuarial gains recognised during the year	**6.5**	(0.9)
Cumulative as at 31 December	**12.0**	5.5

Notes to the Consolidated Financial Statements

24. EMPLOYEE BENEFITS (CONTINUED)

The principal cause for the UK Plan actuarial losses in 2009 is an increase in inflation, a fall in bond yields and equity values. The principal cause for actuarial gains in 2008 was a higher discount rate applied to the liabilities net of an increase in mortality rate. 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:

	2009 Years	2008 Years
Males	**25**	25
Females	**28**	28

Trend analysis

	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**
Experience (losses)/gains on plan liabilities	**(7.4)**	**(0.1)**	**0.3**	**0.1**	**(7.1)**
Experience losses 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
Experience gains on plan liabilities	6.7	–	0.4	–	7.1
Experience losses on plan assets	(6.1)	–	(0.1)	–	(6.2)

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

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

Notes to the Consolidated Financial Statements

24. EMPLOYEE BENEFITS (CONTINUED)

Share-based payments

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

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

The charge to the income statement for the year was £1.6m (2008: £1.1m).

The Group applied IFRS 2 to its active employee share-based payment arrangements at 1 January 2005 except for equity-settled employee share-based payment arrangements granted before 7 November 2002. The Group has granted employee equity-settled share-based payments in 2006, 2007, 2008 and 2009. The adoption of IFRS 2 is equity neutral for equity-settled transactions.

(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 2009	Awards awarded during the year	Awards vested during the year	Awards forfeited during the yeart	Awards expired during he year	Awards outstanding as at 31 Dec 2009	Credited to share capital £'000	Credited to share premium £'000	Vesting date
01.09.2006	162,722	–	(158,482)	(4,240)	–	–	48	–	01.09.2009
27.03.2007	142,887	–	(36,577)	(1,253)	–	105,057	11	–	27.03.2010
18.09.2007	54,222	–	–	(25,547)	–	28,675	–	–	18.09.2010
25.06.2008	717,772	–	–	(129,428)	–	588,344	–	–	25.06.2011
30.03.2009	–	1,603,727	–	(106,521)	–	1,497,206	–	–	30.03.2012
	1,077,603	1,603,727	(195,059)	(266,989)	–	2,219,282	59	–	

(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 2009	Options exercised during the year	Options expired during the year	Options forfeited during the year	Options outstanding as at 31 Dec 2009	Proceeds on exercise of options during the year: Credited to share capital £'000	Proceeds on exercise of options during the year: Credited to share premium £'000	Exercise Period
Part I									
10.03.2003	1.9350	12,000	(1,292)	–	–	10,708	–	2	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									
10.03.2003	1.9350	223,867	(16,299)	(29,857)	–	177,711	5	27	10.03.2006 – 09.03.2013
16.03.2004	2.9167	59,558	–	–	–	59,558	–	–	16.03.2007 – 15.03.2014
24.03.2005	3.9842	189,990	–	–	–	189,990	–	–	24.03.2008 – 23.03.2015
		510,758	(17,591)	(29,857)	–	463,310	5	29	

Notes to the Consolidated Financial Statements

24. EMPLOYEE BENEFITS (CONTINUED)

Share-based payments (continued)

(iii) Millennium & Copthorne Hotels Executive Share Option Scheme

No further share options are granted under this scheme.

Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2009	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 2009	Exercise Period
Part B								
15.03.2002	3.2250	88,941	–	–	–	(88,941)	–	15.03.2005 – 14.03.2009

(iv) 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 2009	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 2009	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
Period										
20.04.2004	2.3400	25,427	–	(9,500)	–	(2,794)	13,133	3	19	01.07.2009 – 31.12.2009
23.03.2005	3.0800	10,885	–	–	–	(10,885)	–	–	–	01.07.2008 – 31.12.2008
23.03.2005	3.0800	23,600	–	–	(10,836)	(1,609)	11,155	–	–	01.07.2010 – 31.12.2010
19.06.2006	3.2500	31,516	–	(7,191)	(3,336)	(1,150)	19,839	2	21	01.08.2009 – 31.01.2010
19.06.2006	3.2500	26,837	–	–	(2,772)	(1,683)	22,382	–	–	01.08.2011 – 31.01.2012
26.03.2007	5.2000	15,866	–	–	(5,120)	(1,562)	9,184	–	–	01.07.2010 – 31.12.2010
26.03.2007	5.2000	10,760	–	–	(2,013)	(1,949)	6,798	–	–	01.07.2012 – 31.12.2012
20.03.2008	3.2800	63,540	–	(434)	(24,668)	(1,462)	36,976	–	1	01.07.2011 – 31.12.2011
20.03.2008	3.2800	34,512	–	–	(20,995)	(7,374)	6,143	–	–	01.07.2013 – 31.12.2013
01.04.2009	1.5400	–	210,168	(32)	(28,957)	–	181,179	–	–	01.08.2012 – 31.01.2013
01.04.2009	1.5400	–	61,575	–	(1,625)	–	59,950	–	–	01.08.2014 – 31.01.2015
		242,943	271,743	(17,157)	(100,322)	(30,468)	366,739	5	41	

The weighted average share price at the date of exercise of share options in the year was £3.46 (2008: £3.79).

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 3.12 years.

Measurement of fair value

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

The option pricing model involves six variables:

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

Notes to the Consolidated Financial Statements

24. EMPLOYEE BENEFITS (CONTINUED)

Measurement of fair value (continued)

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

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	–	3.69%	–
LTIP (non-Directors)	30.03.2009	950,607	1.70	–	1.52	3	–	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%

2008 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)	25.06.2008	390,250	3.57	–	3.21	3	–	3.5%	–
LTIP (non-Directors)	25.06.2008	344,337	3.57	–	3.21	3	–	3.5%	–
Sharesave Scheme (3 year)	20.03.2008	81,856	3.88	3.28	0.97	3.25	27.5%	3.22%	3.83%
Sharesave Scheme (5 year)	20.03.2008	36,560	3.88	3.28	1.09	5.25	28.1%	3.22%	3.92%

Note (a)

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

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

Note (b)

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

Note (c)

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

25. PROVISIONS

	2009 £m	2008 £m
Balance at 1 January	**1.2**	1.4
Utilised during the year	**(0.4)**	(0.2)
Balance at 31 December	**0.8**	1.2
Analysed as:		
Non-current	**0.6**	0.9
Current	**0.2**	0.3
	0.8	1.2

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

Notes to the Consolidated Financial Statements

26. OTHER NON-CURRENT LIABILITIES

	2009 £m	2008 £m
Deferred income	**105.6**	112.8
Other liabilities	**6.6**	5.8
	112.2	118.6

Note 3 (section entitled 'Lease backs from CDLHT') explains how prepaid operating land lease income is recognised as deferred income. At 31 December 2009 an amount of £107.1m is recognised in the statement of financial position as deferred income, £105.6m in non-current liabilities and £1.5m in trade and other payables (see note 28).

27. 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 2009 £m	Change in tax rate £m	Other adjustment to opening provision[2] £m	Current year movement £m	Charged/ (credited) to reserves £m	Exchange on translation £m	**At 31 December 2009 £m**
Deferred tax liabilities							
Property assets[1]	276.0	(10.2)	(3.5)	3.2	–	(12.7)	**252.8**
Share of profits of associate	0.7	–	(0.7)	–	–	–	**–**
	276.7	(10.2)	(4.2)	3.2	–	(12.7)	**252.8**
Deferred tax assets							
Tax losses	(8.5)	–	1.4	(3.1)	–	0.5	**(9.7)**
Employee benefits[3]	(3.6)	0.2	0.5	(0.5)	(3.0)	–	**(6.4)**
Others	(6.5)	0.1	(0.7)	0.7	–	0.3	**(6.1)**
	(18.6)	0.3	1.2	(2.9)	(3.0)	0.8	**(22.2)**
Deferred tax liabilities	258.1	(9.9)	(3.0)	0.3	(3.0)	(11.9)	**230.6**

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

2 £3.0m of deferred tax has been released due to over provisions in respect of prior years, the conclusion of reviews by tax authorities and other timing differences.

3 Employee benefits comprise defined benefit pension schemes and share-based payment arrangements. In relation to £3.0m credited to reserves in 2009, there is a £1.5m credit relating to defined benefit pension schemes and a £1.5m 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.

Notes to the Consolidated Financial Statements

27. DEFERRED TAXATION (CONTINUED)

	2009 £m	2008 £m
Deductible temporary differences	**1.3**	0.6
Tax losses	**(0.1)**	0.2
	1.2	0.8
Adjustments due to:		
– Deductible temporary differences in respect of prior year	**3.6**	3.4
– Tax losses in respect of prior year	**10.0**	9.6
	14.8	13.8

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:

	2009 £m	2008 £m
Expiry dates:		
– within 1 to 5 years	**2.3**	5.9
– after 5 years	**–**	–
– no expiry date	**54.4**	47.3
	56.7	53.2

At 31 December 2009, a deferred tax liability of £3.7m (2008: £83.7m) relating to undistributed reserves of overseas subsidiaries, associates and joint ventures of £481.9m (2008: £674.2m) 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.

The reduction in the unrecognised deferred tax liability year-on-year arises as a result of a change in UK tax legislation exempting dividends from overseas subsidiaries, such that the tax impact of distributing profits now arises solely from overseas withholding taxes, where applicable.

28. TRADE AND OTHER PAYABLES

	2009 £m	2008 £m
Trade payables	**17.8**	16.4
Amounts owed to associates	**2.8**	2.7
Other creditors including taxation and social security		
– Social security and other taxes	**4.7**	5.5
– Value added tax and similar sales taxes	**8.7**	9.7
– Other creditors	**5.6**	8.6
Accruals	**67.9**	76.1
Deferred income	**11.0**	11.4
Rental and other deposits	**3.5**	2.9
	122.0	133.3

As explained in note 26, included in deferred income is an amount of £1.5m (2008: £1.6m) 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 23.

Notes to the Consolidated Financial Statements

29. DIVIDENDS

	2009 pence	2008 pence	2009 £m	2008 £m
Final ordinary dividend paid	**4.17**	10.42	**12.6**	30.9
Interim ordinary dividend paid	**2.08**	2.08	**6.4**	6.3
	6.25	12.50	**19.0**	37.2

After 31 December 2009, the Directors declared the following second interim ordinary dividend, which has not been provided for:

	2009 pence	2008 pence	2009 £m	2008 £m
Second interim ordinary dividend declared	**4.17**	–	**12.9**	–
Final ordinary dividend	**–**	4.17	**–**	12.6

In respect of dividends paid in 2009 totalling £19.0m (2008: £37.2m), the Group offered shareholders the option of a scrip dividend. This resulted in dividend cash payments in 2009 of £4.0m (2008: £15.0m). The balance of £15.0m (2008: £22.2m) has been credited to reserves upon issue of the related share capital. The Group will again be offering shareholders the option of a scrip dividend for the second interim ordinary declared dividend of 4.17p per share.

30. SHARE CAPITAL

	Number of 30p shares authorised	Number of 30p shares allotted, called up and fully paid
Balance at 1 January 2009	1,000,000,000	302,259,861
Issue of ordinary shares on exercise of share options		229,807
Issue of ordinary shares in lieu of dividends		7,227,586
Balance at 31 December 2009	1,000,000,000	309,717,254

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 830,049 ordinary shares remain outstanding and are exercisable between now and 23 March 2015 at between £1.54 and £5.20. In addition, awards made under the Long-Term Incentive Plan over 2,219,282 ordinary shares remain unvested and may potentially vest between 31 December 2009 and 30 March 2012.

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 154p on expiry of the savings contract.

Notes to the Consolidated Financial Statements

31. FINANCIAL COMMITMENTS

	2009 £m	2008 £m
(a) Capital commitments at the end of the financial year which are contracted but not provided for	**9.0**	34.7

The Group's share of the capital commitments of joint ventures are shown in note 16 on page 93.

(b) Total commitments under non-cancellable operating lease rentals are payable by the Group as follows:

	2009 £m	2008 £m
– less than one year	**30.3**	31.6
– between one and five years	**90.4**	102.3
– more than five years	**278.3**	312.8
	399.0	446.7

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:

	2009 £m	2008 £m
– less than one year	**11.9**	12.5
– between one and five years	**47.1**	49.5
– more than five years	**135.8**	155.4
	194.8	217.4

(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:

	2009 £m	2008 £m
– less than one year	**1.9**	6.9
– between one and five years	**3.0**	13.1
– more than five years	**7.7**	12.3
	12.6	32.3

During the year ended 31 December 2009 £5.0m was recognised as rental income in the income statement (2008: £3.8m) and £0.5m in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment property (2008: £0.4m).

32. 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.

Notes to the Consolidated Financial Statements

33. 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% (2008: 53%) of the Company's shares via City Developments Limited ("CDL") the intermediate holding company of the Company. During the year ended 31 December 2009 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 £0.02m (2008: £0.1m) was received during the year. As at 31 December 2009 £3.5m (2008: £13.6m) of cash was deposited with Hong Leong Finance Limited.

Rents of £0.3m (2008: £0.2m) 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 (2008: £0.1m).

Property management fees of £0.07m (2008: £0.06m) were paid to CDL in respect of property management and accounting services provided in relation to the Tanglin Shopping Centre in Singapore.

Property development management services of £nil (2008: £0.2m) for the Millennium Residence development project in Malaysia were provided by Palmerston Holdings Sdn. Bhd., a 51% owned subsidiary of CDL on the Group's behalf. At 31 December 2009 £nil (2008: £0.2m) was outstanding.

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 (2008: £0.2m) was charged by RHI during the period and as at 31 December 2009, £0.02m (2008: £0.03m) was due to RHI.

For the year ended 31 December 2009, fees paid/payable by the Group to Hong Leong Management Services Pte Ltd ("HLMS"), a subsidiary of Hong Leong amounted to £0.6m (2008: £1.2m). The fees for 2008 included consultancy fees relating to the aborted sale of CDL Hotels (Korea) Limited, details of which are given in note 7. At 31 December 2009, £0.6m (2008: £0.5m) of fees payable was outstanding.

Management fees totalling £0.03m (2008: £0.06m) were received from CDL in respect of maintenance; fees and expenses of £0.05m (2008: £0.5m) relating to the purchase of utensils, 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 (2008: £0.02m) was charged during the year and as at 31 December 2009 £0.003m (2008: £0.003m) was due to the Group.

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 (2008: £0.2m). This lease is for 5 years from July 2006.

Notes to the Consolidated Financial Statements

33. RELATED PARTIES (CONTINUED)

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

	Fixed rent & service charge £m	Variable rent £m	**Total 2009 £m**	Total 2008 £m
Copthorne King's Hotel	1.2	1.9	**3.1**	3.9
Orchard Hotel	4.6	5.2	**9.8**	11.0
M Hotel	2.7	2.7	**5.4**	6.1
Grand Copthorne Waterfront Hotel	3.2	4.8	**8.0**	8.9
Conference centre	0.2	–	**0.2**	0.2
	11.9	14.6	**26.5**	30.1

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. 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. For the year to 31 December 2009 the fees paid in stapled securities totalled S$6.5m (£2.9m) (2008: S$7.3m (£2.8m)). The balance payable in cash was S$1.6m (£0.7m) (2008: S$1.8m (£0.7m)) of which £0.1m (2008: £0.1m) was outstanding at 31 December 2009. £0.1m (2008: £0.1m) interest receivable was 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 500m Thai Baht (£10.4m) (2008: 450m Thai Baht (£8.8m)) to Fena Estate Company Limited ("Fena"), its 50% owned joint venture. At 31 December 2009, 499m Thai Baht (£9.4m) (2008: 450m Thai Baht (£8.8m)) had been drawn on this facility. The loan attracts interest at 4.5% (2008: 4.5%) per annum and interest of £0.4m (2008: £0.3m) was accrued for in the financial year. This 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 £0.3m (2008: £0.4m).

In addition, the Group provided a further US$2.0m (£1.3m) operator loan facility to Fena which was fully drawn down as at 31 December 2009. Interest of 0.75% to 2.5% per annum was charged during 2009.

The Group provided hotel management services to Beijing Fortune Hotel Co. Ltd ("BFHC"), its 30% owned joint venture. A total of £0.5m (2008: £0.2m) was charged to BFHC during the year, all of which was outstanding at 31 December 2009 (2008: £0.2m). In addition, as at 31 December 2009 BFHC owed £0.1m (2008: £0.8m) 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.

During 2008 Millennium & Copthorne Hotel Holdings (Hong Kong) Limited a 100% subsidiary of the Group, provided a guarantee to the Bank of East Asia (China) Limited that it will pay on demand, 30% of principal, interest and costs on loan facilities totalling RMB 500m (£49.5m) given to BFHC. At 31 December 2009 RMB 500m (£46.1m) of the facility has been drawn down.

The Group's hotels purchased £nil (2008: £0.04m) of hotel supplies and operating equipment during the year from Thakral Corporation Limited, an associate of Hong Leong. As at 31 December 2009 £nill (2008: £nil) was due by the Group to Thakral Corporation Limited.

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 (2008: £0.2m) were charged to the Group in respect of Mr Al Zaabi's remuneration and other expenses of which £nil (2008: £0.2m) was outstanding at 31 December 2009. In addition £0.3m (2008: £0.2m) of incentive management fees were charged to the Kingsgate Abu Dhabi Hotel which is owned by Mr Al Zaabi of which £0.2m (2008: £0.1m) was outstanding at 31 December 2009.

Notes to the Consolidated Financial Statements

33. RELATED PARTIES (CONTINUED)

Transactions with key management personnel

The beneficial interest of the Directors in the ordinary shares of the Company was 0.048% (2008: 0.027%).

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:

	2009 £m	2008 £m
Short-term employee benefits	**3.6**	2.8
Other long-term benefits	**0.2**	0.1
Share-based payment	**1.5**	1.0
	5.3	3.9

	2009 £m	2008 £m
Directors*	**1.7**	1.6
Executives	**3.6**	2.3
	5.3	3.9

* The Directors' remuneration reported in the "Directors' Remuneration Report" on pages 50 to 57 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.

Notes to the Consolidated Financial Statements

34. SIGNIFICANT INVESTMENTS

The companies listed below are those which were part of the Group at 31 December 2009 and which, in the opinion of the Directors, significantly affected the Group's results and net assets during the year. The Directors consider that those companies not listed are not significant in relation to the Group as a whole.

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

	Effective Group interest	Country of incorporation	Principal Activity
Anchorage-Lakefront Limited Partnership	100%	USA	Hotel owner
Bostonian Hotel Limited Partnership	100%	USA	Hotel owner
CDL (New York) LLC	100%	USA	Hotel owner
CDL Hotels (Chelsea) Limited	100%	England and Wales	Hotel owner and operator
CDL Hotels (Korea) Limited	100%	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	82%	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
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

Notes to the Consolidated Financial Statements

34. SIGNIFICANT INVESTMENTS (CONTINUED)

	Effective Group interest	Country of incorporation	Principal Activity
Joint ventures			
New Unity Holdings Limited	50%	British Virgin Islands	Investment holding company
Fena Estate Company Limited	50%	Thailand	Investment holding company
Beijing Fortune Hotel Co. Ltd	30%	China	Hotel owner
Associates			
CDL Hospitality Trusts	39.5%	Singapore	See note below
First Sponsor Capital Limited	39.8%	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 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Investments	(D)	**1,668.1**	1,714.6
Current assets			
Amounts owed by subsidiary undertakings falling due within one year		**5.7**	19.0
Other debtors		**4.4**	0.1
Cash at bank and in hand		**7.5**	–
		17.6	19.1
Creditors: amounts falling due within one year	(E)	**(74.9)**	(93.7)
Net current liabilities		**(57.3)**	(74.6)
Creditors: amounts falling due after more than one year	(F)	**(586.1)**	(611.9)
Net assets		**1,024.7**	1,028.1
Capital and reserves			
Called up share capital	(G), (H)	**92.9**	90.7
Share premium account	(H)	**845.5**	847.7
Profit and loss account	(H)	**86.3**	89.7
Shareholders' funds	(H)	**1,024.7**	1,028.1

These financial statements were approved by the Board of Directors on 18 February 2010 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 £19.0m (2008: £20.4m).

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

Investments

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

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand less overdrafts payable on demand.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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

Foreign 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.

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

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

Dividend distribution

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

Notes to the Company Financial Statements

(B) DIRECTORS' REMUNERATION AND EMPLOYEES

Details of Directors' remuneration in the current and prior year is given on pages 50 to 57 of the Directors' Remuneration Report.

The Company had no employees.

Details of share options issued by the Company are given in note 24 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 24 to the consolidated financial statements.

(C) DIVIDENDS

Details of dividends paid and proposed in the current and prior year are given in note 29 to the consolidated financial statements.

(D) INVESTMENTS

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
Cost and net book value at 1 January 2009	1,336.2	378.4	1,714.6
Repayment	–	(1.6)	(1.6)
Foreign exchange adjustments	(36.4)	(8.5)	(44.9)
At 31 December 2009	**1,299.8**	**368.3**	**1,668.1**

There were no provisions made against investments in subsidiary undertakings.

The Company's subsidiary undertakings at 31 December 2009 are listed below. All of the subsidiary undertakings have coterminous year ends.

Subsidiary Name	Effective Interest	Country of Incorporation	Principal Activity
Millennium & Copthorne (Austrian Holdings) Limited	100%	England and Wales	Investment holding
Millennium Hotel Holdings EMEA Limited	100%	England and Wales	Investment holding
Copthorne Hotel Holdings Limited	100%	England and Wales	Hotel investment holding company
Millennium & Copthorne Share 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

(E) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £m	2008 £m
Bank loans	**44.9**	2.8
Bonds payable	**22.2**	76.5
Amounts owed to subsidiary undertakings	**3.9**	8.9
Amount owed to fellow subsidiary undertaking	**–**	0.5
Corporation tax	**1.7**	1.5
Accruals and deferred income	**2.2**	3.5
	74.9	93.7

Notes to the Company Financial Statements

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

	2009 £m	2008 £m
Bank loans	**18.0**	105.4
Bonds payable	**173.2**	209.5
Amounts owed to subsidiary undertakings	**394.9**	297.0
	586.1	611.9

Bank loans and bonds are repayable as follows:	**2009 £m**	2008 £m
Between one and two years	**54.4**	127.7
Between two and five years	**136.8**	187.2
	191.2	314.9

(G) SHARE CAPITAL

	Number of 30p shares authorised	Number of 30p shares, allotted, called up and fully paid
Balance at 1 January 2009	1,000,000,000	302,259,861
Issue of ordinary shares on exercise of share options		229,807
Issue of ordinary shares in lieu of dividends		7,227,586
Balance at 31 December 2009	1,000,000,000	309,717,254

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

At the year end options over 830,049 ordinary shares remain outstanding and are exercisable at varying dates between now and 23 March 2015 at exercise prices between £1.54 and £5.20. In addition, awards made under the Long-Term Incentive Plan of over 2,219,282 ordinary shares remained unvested and may potentially vest between 31 December 2009 and 30 March 2012.

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 154p on expiry of the savings contract.

(H) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Profit and loss account £m	**Total 2009 £m**	Total 2008 £m
Balance at 1 January	90.7	847.7	89.7	**1,028.1**	1,001.8
Profit for the financial year	–	–	19.0	**19.0**	20.4
Dividends	–	–	(19.0)	**(19.0)**	(37.2)
Issue of shares in lieu of dividends	2.2	(2.2)	15.0	**15.0**	22.2
Share options exercised	–	–	–	**–**	0.7
Foreign exchange adjustments	–	–	(18.4)	**(18.4)**	20.2
Balance at 31 December	92.9	845.5	86.3	**1,024.7**	1,028.1

Notes to the Company Financial Statements

(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.

(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 2009, fees paid/payable by the Company to HLMS, a subsidiary of Hong Leong amounted to £0.5m (2008: £1.2m). At 31 December 2009, £0.5m (2008: £0.5m) of fees payable was outstanding.

Key Operating Statistics
For the year ended 31 December 2009

	2009 Reported currency	2008 Constant currency*	2008 Reported currency
Occupancy %			
New York	**82.7**		84.7
Regional US	**55.8**		59.9
TOTAL US	**62.2**		65.6
London	**84.2**		84.4
Rest of Europe	**66.9**		70.9
TOTAL EUROPE	**74.6**		76.9
Singapore	**78.0**		83.6
Rest of Asia	**69.5**		70.0
TOTAL ASIA	**73.2**		75.8
Australasia	**62.4**		66.5
TOTAL GROUP	**68.3**		71.2
Average Room Rate (£)			
New York	**143.43**	195.16	163.08
Regional US	**63.15**	66.09	55.23
TOTAL US	**88.73**	104.60	87.41
London	**99.11**	101.36	101.36
Rest of Europe	**74.33**	84.01	79.60
TOTAL EUROPE	**86.71**	92.43	90.16
Singapore	**75.43**	103.16	88.59
Rest of Asia	**69.34**	72.91	66.08
TOTAL ASIA	**72.14**	87.21	76.72
Australasia	**45.80**	48.75	46.29
TOTAL GROUP	**78.51**	90.00	80.32
Rev PAR (£)			
New York	**118.62**	165.30	138.13
Regional US	**35.24**	39.59	33.08
TOTAL US	**55.19**	68.62	57.34
London	**83.45**	85.55	85.55
Rest of Europe	**49.73**	59.56	56.44
TOTAL EUROPE	**64.69**	71.08	69.33
Singapore	**58.84**	86.24	74.06
Rest of Asia	**48.19**	51.04	46.26
TOTAL ASIA	**52.81**	66.11	58.15
Australasia	**28.58**	32.42	30.78
TOTAL GROUP	**53.62**	64.08	57.19

* For comparability the 31 December 2008 Average Room Rate and RevPAR have been translated at 2009 average exchange rates.

Key Operating Statistics
For the year ended 31 December 2009

	2009 Reported currency	2008 Constant currency*	2008 Reported currency
Gross Operating Profit Margin (%)			
New York	**25.4**		38.8
Regional US	**16.5**		18.9
TOTAL US	**20.6**		28.9
London	**52.7**		49.9
Rest of Europe	**25.6**		30.4
TOTAL EUROPE	**38.8**		39.6
Singapore	**49.8**		52.9
Rest of Asia	**36.3**		37.4
TOTAL ASIA	**42.7**		45.8
Australasia	**37.6**		39.5
TOTAL GROUP	**34.2**		38.2

Group Financial Record

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
INCOME STATEMENT					
Revenue	**654.0**	702.9	669.6	646.3	595.2
Group operating profit	**75.0**	132.7	126.9	129.0	121.4
Share of profits/(losses) of joint ventures and associates	**14.2**	(19.9)	44.6	25.2	3.5
Net finance expense	**(7.3)**	(10.0)	(14.1)	(24.0)	(29.1)
Income tax (expense)/credit	**(7.3)**	(31.9)	2.1	(22.1)	(26.0)
Profit for the year	**74.6**	70.9	159.5	108.1	69.8
CASH FLOW					
Cash generated from operations	**111.2**	147.1	160.2	144.5	116.1

STATEMENT OF FINANCIAL POSITION	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Property, plant, equipment and lease premium prepayment	**2,069.5**	2,163.5	1,799.0	1,774.5	2,024.2
Investment properties	**83.3**	79.3	58.2	49.6	48.0
Investments and loans in joint ventures and associates	**326.4**	338.7	253.0	142.0	55.3
Other financial assets	**6.4**	6.7	4.8	4.5	2.2
Non-current assets	**2,485.6**	2,588.2	2,115.0	1,970.6	2,129.7
Current assets excluding cash	**134.0**	132.3	142.9	138.2	113.0
Borrowings net of cash	**(202.5)**	(285.1)	(262.1)	(260.4)	(480.4)
Deferred tax liabilities	**(230.6)**	(258.1)	(205.8)	(224.6)	(239.9)
Provisions and other liabilities	**(282.8)**	(296.4)	(236.3)	(231.7)	(144.6)
NET ASSETS	**1,903.7**	1,880.9	1,553.7	1,392.1	1,377.8
Share capital and share premium	**938.5**	938.4	937.7	936.3	934.1
Reserves	**813.8**	799.1	485.8	332.8	316.2
Total equity attributable to equity holders	**1,752.3**	1,737.5	1,423.5	1,269.1	1,250.3
Non-controlling interests	**151.4**	143.4	130.2	123.0	127.5
TOTAL EQUITY	**1,903.7**	1,880.9	1,553.7	1,392.1	1,377.8

KEY OPERATING STATISTICS	2009	2008	2007	2006	2005
Gearing %	**12%**	16%	18%	21%	38%
Earnings per share (pence)	**22.9p**	21.3p	50.7p	34.5p	21.3p
Dividends per share (pence)[1]	**6.25p**	6.25p	12.50p	12.50p	7.70p
Hotel gross operating profit margin (%)	**34.2%**	38.2%	38.3%	36.0%	34.4%
Occupancy (%)	**68.3%**	71.2%	74.1%	74.4%	73.0%
Average room rate (£)	**£78.51**	£80.32	£71.74	£67.92	£64.01
RevPAR (£)	**£53.62**	£57.19	£53.16	£50.53	£46.73

1 Dividends per share includes ordinary dividends and special dividends

Major Properties

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Asia				
Hotel Nikko Hong Kong 72 Mody Road, Tsimshatsui East Kowloon, Hong Kong	75-year term from 28.11.1984 and may be renewable for a further 75 years	2,850	463	48
JW Marriot Hotel, Hong Kong Pacific Place, 88 Queensway, Hong Kong	75-year term from 18.04.1985 and may be renewable for a further 75 years	10,690	602	25
Millennium Hotel Sirih Jakarta Jalan Fachrudin 3, Jakarta 10250, Indonesia	The title is held under a Hak Guna Bangunan (i.e. Right to Build) and a 40 year lease wef 14.04.1984 and 22.01.1986 for approximate site area of 7,137 sq. metres and 212 sq. metres respectively	7,349	390	80
The Heritage Hotel Manila Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines	Fee simple	9,888	450	66
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	7,899	459	100
Copthorne Orchid Hotel Singapore 214 Dunearn Road, Singapore	Freehold	16,629	440	100
Studio M 3 Nanson Road, Singapore (expected to soft open quarter 2 2010)	99 year lease commencing Feb 2007	2,932	365	100
Millennium Seoul Hilton 395 Namdaemun-ro 5-Ga, Chung-gu, Seoul, South Korea	Freehold	18,760	681	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	82
Grand Millennium Sukhumvit Bangkok Sukhumvit Soi 21, Asoke Road Bangkok, Thailand	30-year term from 02.02.2005 with option to renew for a further term of 30 years	5,053	325	50

Major Properties

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Asia (Continued)				
Grand Millennium Beijing 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	521	30
Owned by CDLHT				
Grand Copthorne Waterfront Hotel Singapore 392 Havelock Road, Singapore	20-year lease commencing 19.07.2006, and extendable for a further 20 years	10,860	574	39.5
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	39.5
Copthorne King's Hotel Singapore 403 Havelock Road, Singapore	20-year lease commencing 19.07.2006, extendable for a further 20 years	5,637	310	39.5
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	39.5
Novotel Clarke Quay* 177A River Valley Road, Singapore	97 year lease expiring May 2077	12,925	401	39.5
Owned by First Sponsor Capital Limited Group				
West Coast Resort Hainan Yingbin Peninsula, Hainan Province, China	60-year lease expiring January 2067	22,348	227 rooms and 16 villas	29.9

* Not leased by the Group from CDLHT.

Major Properties

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Europe				
Millennium Bailey's Hotel London Kensington 140 Gloucester Road, London SW7 4QH, England	Freehold	1,923	211	100
Millennium Hotel London Mayfair Grosvenor Square, Mayfair, London W1K 2HP England	Leasehold to year 2096	4,260	336	100
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	100
Millennium Gloucester Hotel & Conference Centre London Kensington Harrington Gardens London SW7 4LH, England	Freehold	6,348	610	100
Millennium Hotel Glasgow George Square, Glasgow G2 1DS, Scotland	Leasehold to year 2109	9,398	117	100
Millennium Hotel Paris Opéra 12 Boulevard Haussmann, 75009 Paris, France	Freehold	1,093	163	100
Millennium Hotel Paris Charles de Gaulle Zone Hoteliere, Allée du Verger, 95700 Roissy-en-France, France	Freehold	11,657	239	100
Millennium Hotel & Resort Stuttgart Plieninger Strasse 100, 70567 Stuttgart, Germany	Short leasehold to year 2011	39,094	451	100
Copthorne Hotel Hannover Würzburger Strasse 21, 30800 Hannover-Laatzen, Germany	Short leasehold to year 2014	13,165	222	100
Copthorne Hotel Aberdeen 122 Huntly Street, Aberdeen, AB10 1SU, Scotland	Freehold	1,302	89	83
Copthorne Hotel Birmingham Paradise Circus, Birmingham B3 3HJ, England	Freehold	2,188	212	100
Copthorne Hotel Cardiff-Caerdydd Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	26,305	135	100
Copthorne Hotel & Resort Effingham Park London Gatwick West Park Road, Copthorne, West Sussex RH10 3EU, England	Freehold	161,878	122	100
Copthorne Hotel London Gatwick Copthorne Way, Copthorne, West Sussex RH10 3PG, England	Freehold	404,694	227	100

Major Properties

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Europe (Continued)				
Copthorne Hotel Manchester Clippers Quay, Salford Quays Manchester M50 3SN, England	Leasehold to year 2135	9,800	166	100
Copthorne Hotel Merry Hill-Dudley The Waterfront, Level Street, Brierley Hill, Dudley, West Midlands DY5 1UR, England	Freehold	13,734	138	100
Copthorne Hotel Newcastle The Close, Quayside, Newcastle upon Tyne NE1 3RT, England	Freehold	9,200	156	94
Copthorne Hotel Plymouth Armada Way, Plymouth PL1 1AR, England	Leasehold to year 2110	1,853	135	100
Copthorne Hotel Slough-Windsor Cippenham Lane, Slough, Berkshire SL1 2YE, England	Freehold	6,880	219	100
Copthorne Tara Hotel London Kensington Scarsdale Place, Kensington, London W8 5SR, England	Freehold	19,860	833	100

Major Properties

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
North America				
Millennium Broadway Hotel New York 145 West 44th Street, New York, NY10036-4012, USA	Freehold	2,122	750	100
Millenium Hilton 55 Church Street, New York, NY 10007, USA	Freehold	1,680	569	100
Millennium Alaskan Hotel Anchorage 4800 Spenard Road, Anchorage, AK 99517-3236 USA	Freehold	20,639	248	100
Millennium Biltmore Hotel Los Angeles 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	11,331	683	100
Millennium Bostonian Hotel Boston 26 North Street At Faneuil Hall Marketplace, Boston MA 02109, USA	Freehold	2,796	201	100
Millennium Hotel Cincinnati 150 West Fifth Street, Cincinnati, OH 45202, USA	Freehold	6,839	872	97
Millennium Harvest House Boulder 1345 28th Street Boulder, CO 80302-6899, USA	Freehold	64,019	269	87
Millennium Knickerbocker Hotel Chicago 163 East Walton Place, Chicago, IL 60611 USA	Freehold	2,007	306	100
Millennium Maxwell House Nashville 2025 Metro Center Boulevard, Nashville TN 37228, USA	Leased to year 2030 (with two 10-year options)	36,421	287	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

Major 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 (with three 5-year options)	4,537	321	100
Millennium Hotel St. Louis 200 South 4th Street, St Louis, MO 63102-1804, USA	Freehold	17,033	780	100
Millennium UN Plaza Hotel New York 1 UN Plaza, 44th Street at 1st Avenue, New York 10017-3575, USA	Freehold/leased to year 2079	4,554	427	100
Millennium Hotel Durham 2800 Campus Walk Avenue, Durham, NC 27705-4479, USA	Freehold	42,814	313	100
Comfort Inn Beaver Creek 161 West Beaver Creek Boulevard, Avon, CO 81620-5510, USA	Freehold	11,209	146	100
Eldorado Hotel & Spa 309 West San Francisco Street, Santa Fe, NM 87501-2115, USA	Indirect interest	7,349	219	20
Pine Lake Trout Club 17021 Chillicothe Road, Chagrin Falls OH 44023-0282, USA	Freehold	331,121	6	100
Millennium Hotel Buffalo 2040 Walden Avenue Buffalo, NY 14225-5186, USA	Leased to year 2012 (with two 10-year options)	31,726	300	100
Best Western Lakeside 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747-1750, USA	Freehold	93,796	651	100

Major Properties

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Australasia				
Millennium Hotel Christchurch 14 Cathedral Square, Christchurch New Zealand	Leasehold to year 2010 (with a 5 year option)	1,417	179	70
Millennium Hotel Queenstown Corner Frankton Road & Stanley St., Queenstown, New Zealand	Freehold	7,453	220	49
Millennium Hotel Rotorua Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/Perpetual leasehold land	10,109	227	70
Copthorne Hotel Auckland 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 & Resort Bay of Islands Tau Henare Drive, Paihia New Zealand	Leasehold to year 2021 (with a 30 year option)	62,834	180	35
Copthorne Hotel Christchurch Central 776 Colombo Street, Christchurch, New Zealand	Freehold	2,154	142	70
Copthorne Hotel Christchurch Durham Street Corner Durham & Kilmore Streets Christchurch, New Zealand	Leasehold to year 2015	1,734	161	49
Copthorne Hotel Wellington Oriental Bay 100 Oriental Parade, Wellington, New Zealand	Freehold	3,904	118	49
Copthorne Hotel & Resort Queenstown Lakefront Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	18,709	241	70
Kingsgate Hotel Parnell Auckland 92-102 Gladstone Road, Parnell, Auckland, New Zealand	Leasehold to year 2010 (with a 2 year option)	7,650	114	49
Kingsgate Hotel Dunedin 10 Smith Street, Dunedin, New Zealand	Freehold	2,193	55	49

Major Properties

Hotels	Tenure	Approximate Site Area (sq. metres)	Number of Rooms	Effective Group Interest (%)
Australasia (Continued)				
Kingsgate Hotel Greymouth 32 Mawhera Quay, Greymouth, New Zealand	Freehold/Perpetual leasehold land	2,807	98	70
Kingsgate Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	35,935	136	49
Kingsgate Hotel Palmerston North 110 Fitzherbert Avenue Palmerston North, New Zealand	Freehold	15,514	151	49
Kingsgate Hotel Terraces Queenstown 88 Frankton Road, Queenstown, New Zealand	Freehold	4,713	85	49
Kingsgate Hotel Te Anau 20 Lakefront Drive, Te Anau, New Zealand	Freehold	8,819	94	70
Owned by CDLHT				
Rendezvous Hotel Auckland* Corner of Vincent Street and Mayoral Drive, Auckland, New Zealand	Freehold	5,910	455	39

Investment Properties (completed)

	Tenure	Approximate lettable strata area (sq. metres)	Effective Group Inerest (%)
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 service apartments.	Leasehold to year 2063	3,466	29.9
Fuogang City Spring Located in Shijiao District, Guangdong, China. Comprising 2 blocks of commercial buildings.	Leasehold to year 2075	25,005	20.9

* Not leased by the Group from CDLHT

Millennium & Copthorne Hotels Worldwide

Hotel

ASIA

China
Copthorne Hotel Qingdao
Grand Millennium Beijing
Millennium Chengdu
Millennium Harbourview Hotel Xiamen
Millennium Hongqiao Hotel Shanghai
Millennium Wuxi
West Coast Resort Hainan

Hong Kong
Hotel Nikko Hong Kong
JW Marriott Hotel Hong Kong

Indonesia
Millennium Hotel Sirih Jakarta

Korea
Millennium Seoul Hilton

Malaysia
Copthorne Orchid Hotel Penang
Grand Millennium Kuala Lumpur

Philippines
The Heritage Hotel Manila

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

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

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Millennium Hotel Paris Opéra

Germany
Copthorne Hotel Hannover
Millennium Hotel & Resort Stuttgart

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

USA
Best Western Lakeside
Comfort Inn Beaver Creek
Eldorado Hotel & Spa
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Millennium Hotel Buffalo
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Design by: Pinkocchio
Managed by: Imprima