Millennium & Copthorne Hotels plc
Annual report and accounts 2011

MILLENNIUM & COPTHORNE
HOTELS plc

Millennium & Copthorne Hotels plc Annual report and accounts 2011

Contents

We value feedback and welcome any questions or comments you should have regarding this publication.

Please email us at:
companysecretary@millenniumhotels.co.uk

or write to:
The Group Company Secretary
Millennium & Copthorne Hotels plc
Scarsdale Place
London
W8 5SR
United Kingdom

What we do

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

The Group provides world class standards of hospitality. We offer our guests impeccable service and high quality facilities at over one hundred well-appointed and conveniently located hotels in Asia, Australasia, Europe and North America.

Our vision

Our vision is to be the leading global hospitality real estate ownership group in our chosen gateway cities and emerging markets.

Our mission

Our mission is to provide superior long-term returns to our shareholders through profitable management of hotels – with consistent service delivery, lean operations and a motivated workforce – and effective management of our property asset portfolio.

Cover photo: Grand Copthorne Waterfront Hotel Singapore.

Designed by: Linnett Webb Jenkins
Managed by: Imprima

Highlights of the year

Performance highlights

£millions (unless otherwise stated)	2011	2010	Reported currency change %	Constant currency change[1] %
RevPAR	**£64.81**	£61.06	**6.1**	**5.8**
Revenue – total	**820.5**	743.7	**10.3**	**9.5**
Revenue – hotels	**765.2**	734.0	**4.3**	**3.5**
Headline operating profit[2]	**199.8**	144.1	**38.7**	**36.2**
Profit before tax	**193.3**	128.6	**50.3**	**47.2**
Headline profit before tax[2]	**184.7**	128.5	**43.7**	**40.0**
Basic earnings per share	**51.0p**	30.9p	**65.0**	
Dividend	**16.5p**	10.0p	**65.0**	

Operational highlights

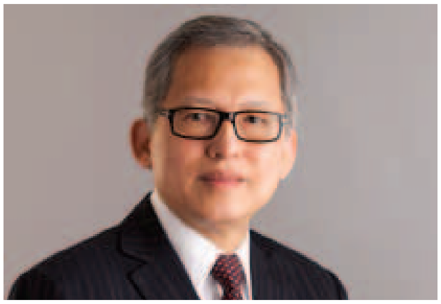
- Overall RevPAR (in constant currency terms) rose by 5.8% primarily driven by an increase in room rate.
- On a like-for-like basis[3] Group RevPAR increased by 5.5% with London RevPAR increasing 8.8% and Singapore and New York both increasing by 6.1%.
- Headline profit before tax increased by 43.7% to £184.7m (2010: £128.5m), including a gain of £34.0m from the sale of development land in Kuala Lumpur (KL). Excluding KL land, headline profit before tax increased by 17.3% to £150.7m (2010: £128.5m).
- The sale and leaseback of Studio M to CDL Hospitality Trusts REIT resulted in a £17.4m gain.
- Profit before tax increased by 50.3% to £193.3m (2010: £128.6m), including KL land and Studio M profits.
- Strong cash flows from operating activities of £166.6m (2010: £166.9m). Net debt reduced to £100.2m (31 December 2010: £165.7m) and gearing was 4.8% (31 December 2010: 8.5%).
- Dividends of 16.5p per share for the year, up 65.0%.

1 For comparability, statistics for 2010 have been translated at 2011 average exchange rates.

2 For definitions refer to page 18.

3 Like-for-like Singapore RevPAR excludes Studio M hotel for the first six months of 2011 and 2010 (Studio M hotel opened in March 2010, but is not fully comparable for the full year) and Copthorne Orchid (closed in April 2011 for development into condominiums) and for the Group like-for-like also excludes Millennium Hotel & Resort Stuttgart (lease expired in August 2011) and the three Christchurch hotels (closed in February 2011 due to earthquake damage) and includes Grand Millennium Beijing for both years (although only fully consolidated from 15 November 2010 when the Group's interest increased from 30% to 70%).

Chairman's statement



Kwek Leng Beng
Chairman

"2011 was a record year for the Group in terms of revenues and profits. This was a result of a strong hotel operating performance combined with significant gains from asset management activities."

2011 was a record year for the Group in terms of revenues and profits. This was a result of a strong hotel operating performance combined with significant gains from asset management activities. Profit before tax rose by 50.3% to £193.3m (2010: £128.6m). Basic earnings per share increased by 65.0% to 51.0p (2010: 30.9p).

As in past years, our hotel operating strategy concentrated on maximising revenues from each hotel by achieving an optimal balance between occupancy and room rate, whilst maintaining strict control of cost. This is reflected in the Group's hotel gross operating margin increasing by 1.6 percentage points to 38.7% (2010: 37.1%). In constant currency terms, global RevPAR grew by 5.8% to £64.81 (2010: £61.28), driven primarily by an increase in room rate. Like for like, RevPAR increased by 5.5%.

Our gateway cities performed well. Like-for-like RevPAR grew by 8.8% in London, 6.1% in Singapore (excluding Copthorne Orchid for the full year and Studio M for the first half of the year) and 6.1% in New York. RevPAR increased in every region, with the exception of the UK outside of London, where trading conditions continued to be challenging. The Rugby World Cup in New Zealand helped Australasia to increase RevPAR by 5.3%, excluding the impact of three hotel closures in Christchurch due to earthquake damage in February 2011.

The Group recorded two significant asset management gains during the year. The sale of Studio M in Singapore to the real estate investment trust associate, CDL H-REIT, was completed in May 2011, resulting in a £17.4m pre-tax profit and we completed the sale of land adjacent to the Grand Millennium Kuala Lumpur in August 2011, providing a pre-tax profit of £34.0m. Other asset management initiatives are proceeding well, as detailed below.

Financial Performance

Headline profit before tax increased by 43.7% to £184.7m (2010: £128.5m) and headline operating profit increased by 38.7% to £199.8m (2010: £144.1m). Both these measures of profit performance were buoyed by the £34.0m profit from sale of land in Kuala Lumpur.

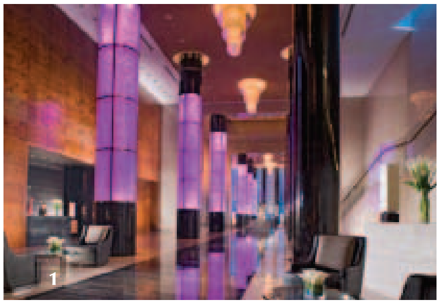
A number of additional factors affected year-on-year comparisons. These include the following:

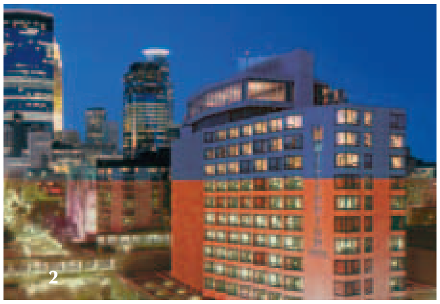
- Closure of the Copthorne Orchid on 1 April 2011, prior to its demolition and redevelopment of the site into a condominium complex;
- Consolidation of the results of the Grand Millennium Beijing since November 2010 (when the Group's stake was increased from 30% to 70%);
- Closure of the three Christchurch hotels following the New Zealand earthquake;
- Opening of Studio M towards the end of the first quarter of 2010 and its subsequent sale and leaseback to the REIT in May 2011; and
- Expiry of the lease in Stuttgart in August 2011 which included a £10.1m year-on-year impact of the release of a dilapidation provision.

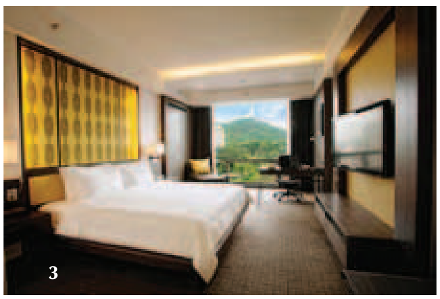
Excluding all of these factors, headline operating profit increased by 8.0% to £160.0m (2010: £148.2m), reflecting improved hotel trading performance coupled with tight cost control.

Financial Position

The Group strengthened its financial position during the year with net debt falling to £100.2m (2010: £165.7m) principally through strong cash flows from operating







1 Grand Millennium Beijing was named "most popular business hotel, 2011" by China's Hotel Professional Manager magazine.

2 The Millennium Hotel Minneapolis was the strongest RevPAR performer in 2011 amongst the Group's US Regional hotels.

3 Refurbishment of guest rooms at the Millennium Seoul Hilton helped to increase the hotel's fourth quarter 2011 RevPAR by 8.4%.

Financial Position continued

activities. Gearing improved to 4.8% (2010: 8.5%). At 31 December 2011, the Group had cash reserves of £332.2m and total undrawn committed bank facilities of £184.3m. Most of the facilities are unsecured with unencumbered assets representing 87.3% of the Group's fixed assets and investment properties.

Dividend

The Board is recommending a dividend of 14.42p per share comprising a final dividend of 10.42p (2010: 7.92p) per share plus a special dividend of 4.0p per share. Together with the interim dividend of 2.08p per share (2010: 2.08p), the total dividend of 16.5p per share represents an increase of 65.0% over last year's total of 10.0p. The dividend reflects both growth in profit after tax and the Group's future investment needs.

Asset Management

The Group completed the acquisition of a prime-location land site in the Ginza district of Tokyo, Japan on 30 September 2011, where it intends to construct a 325-room deluxe hotel. Construction of the hotel is expected to complete by 2014. An agreement has been entered into with Mitsui Fudosan Co., Ltd ("MFC") setting out the indicative principal terms by which MFC is granted a fixed-term master lease of the hotel. The purchase price for the site was ¥9.5bn (£79.6m), and with construction and other related costs estimated at a preliminary ¥5.06bn (£39.9m), results in a total cost for land site and development of the investment property of ¥14.56bn (£119.5m). The acquisition is significant for the Group and will add a further gateway city destination to our global hospitality portfolio.

Development of The Glyndebourne, a condominium project in Singapore, started in the second quarter of 2011, following closure of the Copthorne Orchid Hotel on 1 April 2011. Of the 150 apartments for sale since the end of October 2010, buyers have signed sales and purchase agreements for 144 units as at 20 February 2012 with sales value of S$522.5m (£257.5m), representing a price of over S$2,000 (£985) per square foot. Sales proceeds collected to date total S$138.2m (£68.1m) representing circa 27% of the sales value. Revenue and development costs will appear in the income statement on completion, which is expected to be no later than 2015. Including land costs, development projects of this nature in Singapore typically attract an average profit margin of circa 20%.

The Millennium Seoul Hilton completed the first phase of its refurbishment programme - the renovation of 249 rooms – at the end of the second quarter 2011. RevPAR performance by the hotel accelerated as a result of this investment, with quarterly RevPAR increasing by 8.4% to £113.10 in the last three months of the year. The renovation of the ballroom at Grand Hyatt Taipei is completed. It is undergoing re-cladding of its façade and will commence renovation of the guest rooms in the third quarter of 2012. The refurbishment at Orchard Hotel Singapore was completed at the end of the third quarter of 2011. We are close to awarding construction contracts for the west wing refurbishment at the Millennium UN Plaza, with completion expected by September 2012. Refurbishment plans for the Millennium Mayfair are being developed.

A collective sales agreement with other unit-holders in the Tanglin Shopping Centre, Singapore expired on 26 September 2011. The Group will, together with other unit-holders, re-consider its position at a later date.

4 Renovation of the Claymore Wing at the Orchard Hotel Singapore was completed in the third quarter of 2011.

5 Refurbishment plans for the Millennium Hotel London Mayfair are being developed.

6 Copthorne Hotel Auckland City: one of the Group's hotels playing host to visiting spectators at the Rugby World Cup Final in October 2011. The tournament helped to boost the Australasian region's like-for-like RevPAR by 5.3%.

Asset management continued

In August 2011, the Group completed the sale of 29,127 square feet of development land adjacent to the Grand Millennium Kuala Lumpur to Urusharta Cemerlang (KL) Sdn Bhd for a consideration of RM215.1m (£44.2m) and this resulted in a pre-tax profit of £34.0m.

First Sponsor Capital Limited ("FSCL")

In November 2011, FSCL successfully tendered for two parcels of land in Chengdu at an all in net cost of approximately US$130m. The total area of land is approximately 270,500 square metres and will be developed as a residential and commercial development, including a hotel and convention centre.

As at 12 February 2012, 711 out of 726 residential units of the Chengdu City Spring project have been sold either under sale and purchase or option agreements. 98.6% of the sales proceeds have been collected for those residential units sold under sale and purchase agreements. In addition, 527 of the 709 commercial units launched for sale in July 2011 have been sold either under sale and purchase or option agreements with 65.1% of the sales proceeds having been collected. Revenue and profit recognition requirement of the residential units is expected to be met in 2012. Proceeds from the residential and commercial sales will finance the development of a 195-room hotel, M Hotel Chengdu, which will be franchised by the Group.

At 31 December 2011, the investment properties of FCSL were subject to external professional valuation on an open-market existing use basis. The Group's share of the uplift in the value of the transferred properties and the investment properties at the end of the year was £9.2m (2010: £4.8m).

CDL Hospitality Trusts REIT

On 3 May 2011, the Group completed the sale and leaseback of the Studio M hotel to the REIT associate, CDLHT, for a cash consideration of S$154.0m (£75.7m). This gave rise to a total realised pre-tax profit from the disposal of S$35.4m (£17.4m). Total unrealised pre-tax profit from the disposal is S$19.1m (£9.4m) which has been credited to the balance sheet as investment in joint ventures and associates, arising from the Group's then 35.1% interest in the stapled securities of CDLHT.

For the year ended 31 December 2011, the Group's share of CDLHT's net revaluation surplus of investment properties was £10.5m (2010: £4.4m).

CDLHT is continuing its strategy to opportunistically pursue acquisitions whilst maintaining a disciplined approach to investment activities.

Pipeline

The Group opened two hotels in the Middle East, both under management contract. The Group's worldwide pipeline has 30 hotels offering 6,607 rooms, which are mainly management contracts.

Directors and Management

Wong Hong Ren was appointed as Chief Executive Officer of the Company on 27 June 2011 succeeding Richard Hartman. Richard Hartman has announced his intention not to stand for re-election to the Board at the Annual General Meeting in May 2012. The Board extends its thanks for his valuable contribution to the Group.

Kwek Leng Joo retired as a non-executive Director on 6 May 2011. He was replaced by Kwek Eik Sheng, who had been an alternate Director to Kwek Leng Joo since April 2008.

"The results for 2011 reflect the hard work and expertise of our management, driving the owner/operator strategy that has been a hallmark of the Group since its creation in 1996."

Directors and Management continued

Connal Rankin retired from the Board for health reasons on 27 June 2011. Mr. Rankin had been an independent non-executive Director on the Company's Board since December 2007 and latterly served as Chairman of the Remuneration Committee. We thank Mr Rankin for his services. On the same date, Alexander Waugh, an independent non-executive Director of the Company since June 2009 was appointed Chairman of the Remuneration Committee.

Ian Batey, 75, was appointed an independent non-executive Director of the Company on 15 August 2011 to replace Mr. Rankin. Mr Batey was the founder of Batey Ads, a prominent Asian advertising agency, and brings a wealth of experience to the Board in the field of brand development.

The Company is in the process of recruiting a Chief Financial Officer, following Wong Hong Ren's appointment as Chief Executive Officer.

Employees

The Group's employees have worked hard throughout the year to help us deliver a robust performance in a challenging year. On behalf of the Board, I would like to thank them for their contribution to the business.

Outlook

The results for 2011 reflect the hard work and expertise of our management, driving the owner/operator strategy that has been a hallmark of the Group since its creation in 1996. We will continue to deploy this strategy in the current year, exploiting asset management opportunities and managing the operation of our hotels in a disciplined, analytical and profitable manner thereby optimising total long-term returns for our shareholders. In 2012 we are focused on improving customer service and driving sales across the Group through enhanced yield management and cross-regional collaboration. The Group is implementing plans to improve trading performance in those hotels that are currently generating weaker returns, especially in parts of the US.

Refurbishment of key properties, which has already yielded trading benefits as a result of work completed at the Millennium Seoul Hilton, will continue over the next two years, with the aim of developing our brands and enhancing yield. These and other asset management initiatives will help the Group to sustain and build financial performance.

We see signs that the US market is improving slowly. Europe is facing a difficult period, although we do not anticipate significant declines in trading. On a like-for-like basis, Group RevPAR in the first six weeks of this year increased by 3.4% with London increasing by 10.6%, Singapore (like-for-like excluding Copthorne Orchid) increasing by 8.9% and New York decreasing by 1.6%, although the performance in the first six weeks is not indicative for the year.

Kwek Leng Beng
Chairman
21 February 2012

Strategy and business model

Hotel Operations

The Group's hotel operating strategy is interlinked with asset management because it controls the yield characteristics on the Group's asset portfolio, through driving revenues and maintaining disciplined control of costs.

Management applies sophisticated analysis, supported by technology, to achieve an optimum balance between hotel occupancy and room rates in all market conditions.

A high proportion of the Group's operating functions are de-centralised, so that local management can respond quickly to local markets. This factor also enables the Group to maintain a low level of central overhead costs.

Managed and franchised hotels form a relatively small part of the Group's business. These are primarily in strategically significant locations, where the Group wishes to develop and maintain a presence – for example to promote cross selling opportunities – but does not see an immediate commercial advantage in asset ownership.

Asset Management

The Group's asset management strategy compares the long-term return on its existing hotel assets against a range of alternative investments. Asset management initiatives tend to be opportunistic, increasing returns for the Group's shareholders over the longer term and thus representing an intrinsic part of the Group's value.

Where returns from an individual hotel are not competitive, the Group will seek to enhance profitability through a variety of means, including management re-focus and investment in the asset (to enhance yield); or disposal of the asset/identification of alternative uses such as condominium development (to enhance capital value).

In the case of new asset acquisition opportunities, the Group sets competitive hurdles to ensure that return on investment criteria are satisfied.

The Group's investment in CDL H-REIT (Singapore) and First Sponsor Capital Limited (China) further support the asset management strategy, providing opportunities to acquire, develop and dispose of attractive assets in a capital efficient manner.

The Group is an **owner-operator** of high quality branded hotels in diverse locations attractive to business and leisure customers, with a particular focus on significant **gateway cities** and Asian emerging markets.

The Group's owner-operator business model has been consistently **cash generative** and **profitable** since the Company's formation in 1996. The model is designed to maximise **long-term total returns** to shareholders through **interlinked hotel operating** and **asset management** strategies, led by a talented and highly skilled **management team**, with experience in both disciplines.

Asset management

We manage our substantial portfolio of property assets with the aim of delivering good long-term returns to our shareholders, primarily by well-managed operation of our hotels.

Copthorne Hotel & Resort Bay of Islands

We adjust the scale and nature of the portfolio over time through disciplined, creative thinking about investment and asset development, alternative use strategies, opportunistic asset disposals and acquisitions.

Sound asset management helped the Group to achieve high levels of profitability in 2011, whilst maintaining a strong balance sheet with gearing of 4.8% at 31 December 2011.

1 **Disposal of land in Kuala Lumpur**

In August 2011, the Group sold a 29,127 square feet parcel of land adjoining the Grand Millennium Kuala Lumpur to a Malaysian company, Urusharta Cemerlang (KL) Sdn Bhd for RM215m (£44.2m). This was an opportunistic sale at a competitive price, resulting in a profit before tax for the Group of £34.0m, based on carrying value.

2 **Sale of Studio M, Singapore to CDLHT**

The Group sold a 20-year extendible lease on its Studio M hotel in Singapore to an associate company, CDL Hospitality Real Estate Investment Trust (CDL H-REIT) for S$154m (£75.7m) in May 2011. This resulted in a pre-tax profit of S$35.4m (£17.4m) and – reflecting the Group's part ownership of CDL H-REIT – an unrealised pre-tax profit of S$19.1m (£9.4m) credited to the balance sheet.
The Group continues to benefit from the success of Studio M through leasing back and managing the hotel and through its 35.2% holding in CDL H-REIT.

3 **Redevelopment of Copthorne Orchid, Singapore**

One of the Group's Singapore hotels, Copthorne Orchid Hotel Singapore, was closed to guests from April 2011, after which construction work was commenced to re-develop the site into luxurious condominium apartments, The Glyndebourne. The development is an example of the Group's approach to identifying alternative use strategies where, as in this case, prospects for the hotel's operating returns were diminishing. 150 condominiums will be built on the site of the Copthorne Orchid, of which 144 units have been sold under sales and purchase agreements, leaving six apartments remaining to be sold. The sales value of the 144 units is S$522.5m (£257.5m), representing a price of over S$2,000 (£985) per square foot. Sales proceeds collected as at 20 February 2012 total S$138.2m (£68.1m) representing circa 27% of the sales value. Revenue and development costs will appear in the income statement on completion, which is expected to be no later than 2015.

1 Grand Millennium Kuala Lumpur

2 Studio M Singapore

3 Plan of The Glyndebourne, Singapore


4


5


6

4 **Expansion in Japan**

The Group acquired a hotel development site in the premium Ginza district of Tokyo in September 2011. This was our first investment in the Japanese hospitality market and adds one of the world's most important business and leisure destinations to our existing range of gateway cities. A new 325-room deluxe hotel is scheduled for completion on the site by 2014 at an estimated total investment cost of just under ¥15bn (approximately £119m). Project managers for the development are Mitsui Fudosan Co., Ltd, one of Japan's largest comprehensive real estate companies. The hotel will be co-branded under the Millennium and Mitsui Garden hotel brands.

5 **Gateway city refurbishments**

The Group has identified a number of its key gateway city hotels as likely to earn increased revenues and profits as a result of refurbishment. The Millennium Seoul Hilton completed the first phase of its refurbishment programme – renovation of 249 rooms – in the first half of 2011. RevPAR performance by the hotel accelerated as a result of this investment, with quarterly RevPAR increasing by 8.4% to £113.10 in the last three months of the year. The Group has similar work underway at The Grand Hyatt Taipei. Construction contracts for the refurbishment at the Millennium UN Plaza are about to be awarded, with completion expected in 2012. Refurbishment plans for the Millennium Mayfair are being developed.

6 **Joint venture in China**

In China the Group is developing new hotel assets through its joint venture investment in FSCL. FSCL's Chengdu City Spring residential project is nearly complete, with 711 out of 726 residential units sold either under sale and purchase or option agreements. 98.6% of the sales proceeds have been collected for those residential units sold under sale and purchase agreements. In addition, 527 of the 709 commercial units launched for sale in July 2011 have been sold either under sale and purchase or option agreements with 65.1% of the sales proceeds having been collected. Proceeds from the residential and commercial sales will finance development of a 195-room hotel, M Hotel Chengdu, which will be franchised by the Group.

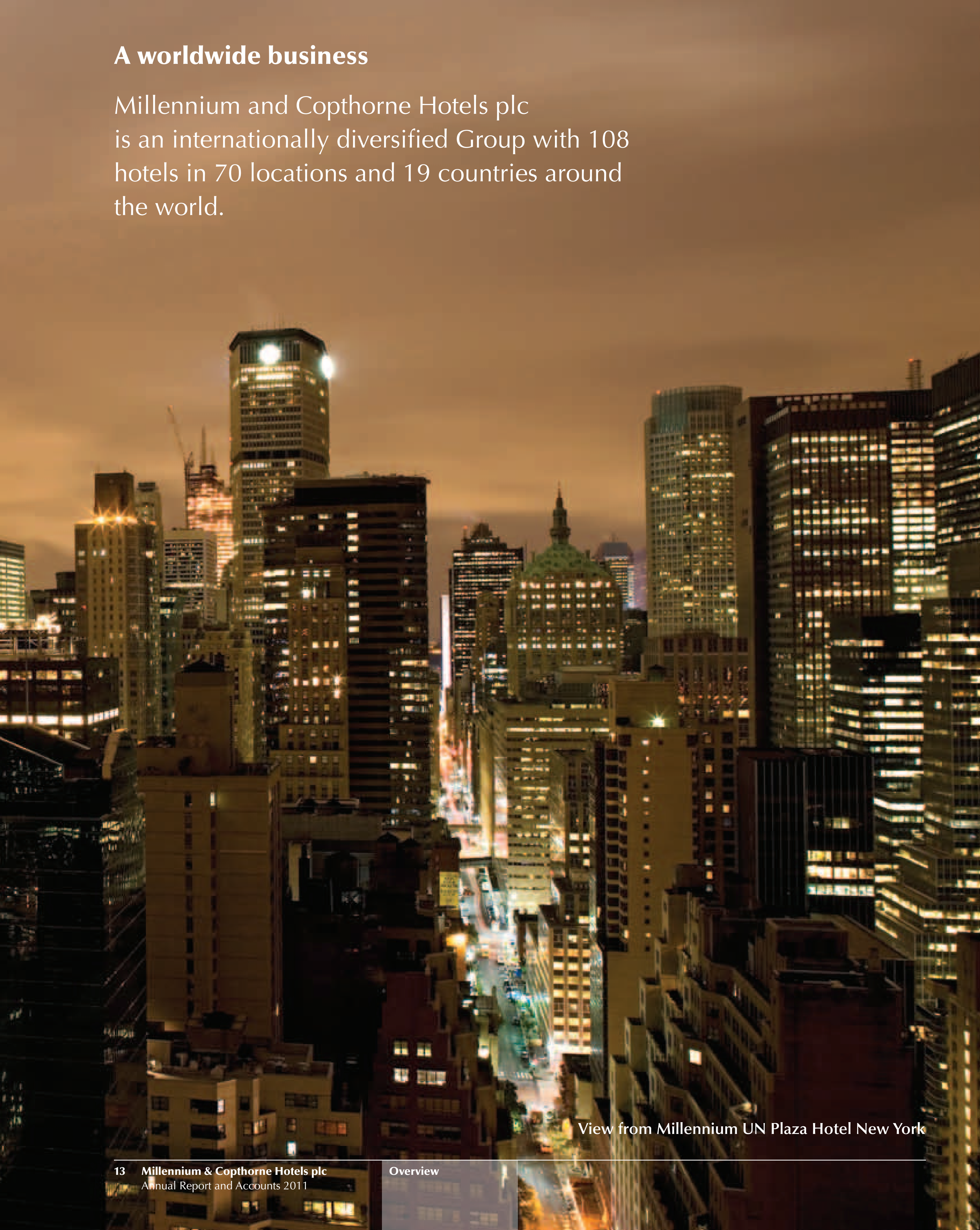
4 Ginza district of Tokyo

5 Millennium UN Plaza

6 Plan of Chengdu City Spring

A worldwide business

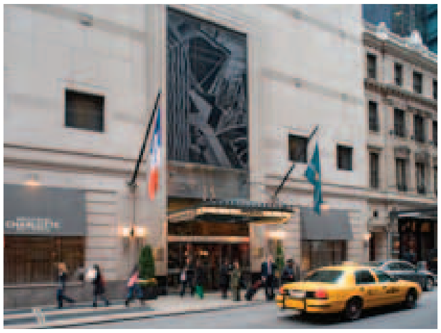
Millennium and Copthorne Hotels plc is an internationally diversified Group with 108 hotels in 70 locations and 19 countries around the world.

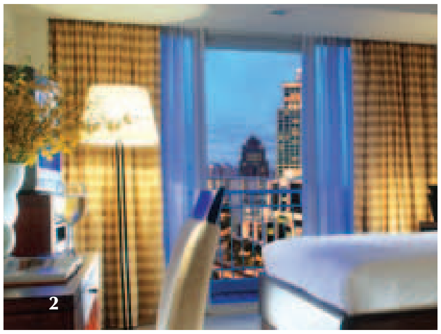


View from Millennium UN Plaza Hotel New York

We manage the business as four regions: Asia, Australasia, Europe (including the Middle East) and the United States of America, each of which contributes to Group revenues and profits.

The largest part of our business is concentrated in the key gateway cities of London, New York and Singapore. Other locations provide regional and global balance to the business, helping us to generate consistent returns to our investors.





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Revenue

Just over 50% of Group revenues came from Asia and Australasia in 2011, buoyed by asset disposal in Malaysia, as well as strong hotel performance.

Profit

47.8%[1] of headline operating profit came from the Group's key gateway cities of London, New York and Singapore. Profit in Rest of Asia included the sale of KL land.

Assets

The Group has a spread of assets around the world, enhancing the long-term stability of the business and balancing its exposure to risk. The majority – 87.3% at 31 December 2011 – of Group assets are unencumbered.

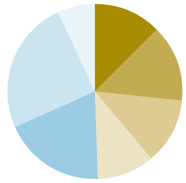
Gateway cities

1 New York: Millennium Broadway Hotel

2 Singapore: Copthorne King's Hotel

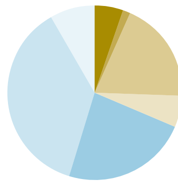
3 London: Millennium Hotel London Knightsbridge

Revenue per seven business segments 2011 (£m)



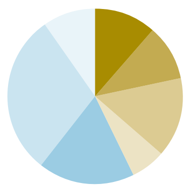
New York	**103.2**	**12.6%**
Regional US	**116.3**	**14.2%**
London	**100.9**	**12.3%**
Rest of Europe	**86.9**	**10.6%**
Singapore	**153.5**	**18.7%**
Rest of Asia	**204.1**	**24.8%**
Australasia	**55.6**	**6.8%**

Headline operating profit (£m)[1]



New York	**12.0**	**5.4%**
Regional US	**2.8**	**1.3%**
London	**42.2**	**19.1%**
Rest of Europe	**12.6**	**5.7%**
Singapore	**51.6**	**23.3%**
Rest of Asia	**81.5**	**36.9%**
Australasia	**18.3**	**8.3%**

Total assets (excluding cash and cash equivalents) (£m)



New York	**342.5**	**11.5%**
Regional US	**307.0**	**10.3%**
London	**438.3**	**14.7%**
Rest of Europe	**188.1**	**6.3%**
Singapore	**534.5**	**17.8%**
Rest of Asia	**891.5**	**29.8%**
Australasia	**286.8**	**9.6%**

[1]Headline operating profit excluding central costs

1

2

3

4

The Group aims to maximise return on its hotel assets with a sharp analytical focus on local and global market conditions. Regional and hotel management teams use a variety of sophisticated techniques to achieve an optimum balance between occupancy and room rates, whilst benchmarking performance and market share against comparable local competitors.

RevPAR (£)[1]

2011:	**64.81**
2010:	61.06
2009:	53.62
2008:	57.19
2007:	53.16

Total revenue (£m)[1]

2011:	**820.5**
2010:	743.7
2009:	654.0
2008:	702.9
2007:	669.6

Headline operating profit (£m)[1]

2011:	**199.8**
2010:	144.1
2009:	98.0
2008:	143.5
2007:	140.2

[1] Reported currency

Regional cities

1 Chicago: Millennium Knickerbocker Hotel

2 Paris: Millennium Hotel Paris Opéra

3 Dunedin: View from Kingsgate Hotel

4 Jakarta: Millennium Hotel Sirih Jakarta

Group at a glance

	Asia		Australasia	
Sub regions	Singapore Rest of Asia			
Hotels				
Hotel locations	Bangkok Beijing Chengdu Hong Kong Jakarta Kuala Lumpur Manila Penang	Phuket Qingdao Seoul Shanghai Singapore Taipei Wuxi Xiamen	Auckland Bay of Islands Blenheim Christchurch Dunedin Greymouth Hamilton Hokianga New Plymouth Oamaru	Palmerston North Queenstown Rotorua Taupo Te Anau Wairarapa Wanganui Wellington Whangarei
Number of hotels	22		34	
Number of rooms	9,974		4,935	
Hotel revenue 2011 (£m)	310.9		48.4	
Hotel assets (£m)[1]	769.5		150.1	
Occupancy (%)	77.4%		64.3%	
Average room rate (£)	93.83		58.38	
RevPAR (£)	72.58		37.56	
Gross operating profit margin (%)	46.3%		45.5%	
Properties				
Property locations	Tanglin Shopping Centre, Singapore The Glyndebourne, Singapore Land site in Tokyo		Landbank sites in New Zealand Zenith in Sydney	
Property revenue (£m)	46.7		7.2	
Property assets (£m)[1]	227.9		73.5	
Joint ventures and associates	**Name**		**Activity**	
	CDL Hospitality Trusts		Real estate investment trust	
	First Sponsor Capital Limited		Hotel and property development in China	
	New Unity Holdings Limited		Hotel owner	
	Fena Estate Company Limited		Hotel owner and operator	

1 Excluding joint ventures and associates

Europe		**USA**		**Global**
London Rest of Europe Middle East		New York Regional US		
Aberdeen Abu Dhabi Birmingham Cardiff Doha Dubai Dudley Gatwick Glasgow Hannover Kuwait	London Manchester Mecca Mussanah Newcastle Paris Plymouth Reading Sheffield Slough	Anchorage Avon Boulder Boston Buffalo Chicago Cincinnati	Los Angeles Minneapolis Nashville New York Raleigh Scottsdale St Louis	
33		19		108
8,812		7,311		31,032
187.8		218.1		765.2
626.4		620.6		2,166.6
74.9%		64.4%		70.8%
95.58		95.24		91.48
71.55		61.33		64.81
41.6%		23.8%		38.7%

–	Biltmore Court & Tower, Los Angeles Land site at Sunnyvale, California	
–	1.4	55.3
–	28.9	330.3

Ownership	**Activity locations**
35.2%	Singapore, Australia and New Zealand
39.3%	China
50.0%	Hong Kong
50.0%	Thailand

Key performance indicators

Operating

KPI		Description	Comment
Hotel revenue	**2011: £765.2m** 2010: £734.0m **+ 4.3%**	Revenue from room sales, food and beverage sales, meetings and events sales, rentals and other income.	Hotel revenue grew in Singapore, London and the US as a whole. Rest of Asia, excluding Beijing, remained flat whilst Rest of Europe declined due to increased competition and pressure on both room rates and occupancy.
Occupancy	**2011: 70.8%** 2010: 71.4% **- 0.6 percentage points**	Rooms occupied by hotel guests expressed as a percentage of rooms available for sale.	With the exception of hotels in the US, occupancy was marginally down which reflects a rate driven strategy.
Average room rate	**2011: £91.48** 2010: £85.52 **+ 7.0%**	Revenue from room sales divided by the number of room nights sold.	Apart from Rest of Europe, which is suffering from the downturn in the economy, average room rates improved due to carefully planned strategies to improve rates.
Revenue Per Available Room (RevPAR)	**2011: £64.81** 2010: £61.06 **+ 6.1%**	Average room rate multiplied by the occupancy percentage.	The 6.1% increase primarily reflects an increase in room rate. The Group had a good year against a backdrop of caution amongst business customers, which was particularly evident in the US and Europe.

Financial

KPI		Description	Comment
Headline operating profit	**2011: £199.8m** 2010: £144.1m **+ 38.7%**	Operating profit adjusted to exclude separately disclosed items[1] of the Group and of joint ventures and associates.	The 38.7% increase reflects a strong hotel operating performance with RevPAR growing 6.1% combined with significant gains from asset management activities and maintaining strict control of costs. In particular, the Group realised a £34.0m gain from the sale of development land in Kuala Lumpur and a favourable £10.1m year-on-year impact of the release of a dilapidation provision for the Stuttgart hotel whose lease expired on 31 August 2011.
Headline EBITDA (earnings before interest, tax, depreciation and amortisation)	**2011: £235.3m** 2010: £176.8m **+ 33.1%**	EBITDA adjusted to exclude separately disclosed items[1] of the Group and of joint ventures and associates.	The 33.1% increase reflects the strong growth in headline operating profit noted above.
Headline profit before tax	**2011: £184.7m** 2010: £128.5m **+ 43.7%**	Profit before tax adjusted to exclude separately disclosed items[1] of the Group and of joint ventures and associates.	The 43.7% increase reflects the strong growth in headline operating profit noted above.

Financial continued

KPI		Description	Comment
Headline earnings per share	**2011: 45.7p** 2010: 30.1p **+ 51.8%**	Basic earnings per share adjusted to exclude separately disclosed items[1] of the Group and of joint ventures and associates (net of interest, tax and non-controlling interests).	The 51.8% increase reflects the 43.7% increase in headline profit before tax and a reduced effective tax rate for a number of reasons that include: • Sale of Kuala Lumpur land; • Release of a dilapidation provision for the Stuttgart hotel whose lease expired on 31 August 2011; • A change in 2010 of New Zealand tax legislation, which removed the ability to depreciate buildings for tax purposes that resulted in an increased deferred tax liability in that year; • Reduced tax rates applied to brought forward net deferred tax liabilities in the UK and additionally for 2010 in Taiwan and New Zealand; and • Tax adjustments in respect of previous years.
Net debt	**2011: £100.2m** 2010: £165.7m **- 39.5%**	Total of current and non-current overdrafts, bank loans and bonds less cash and cash equivalents. Management consider that it is useful and necessary to communicate net debt to investors and other interested parties. It facilitates comparability of the Group indebtedness and liquidity with other companies, although the Group's measure of net debt may not be directly comparable to similar titled measures used by other companies. There is no definition of net debt within International Financial Reporting Standards.	The reduction in net debt of £65.5m was due to the following items: • Strong cash generation from operating activities of £166.6m; • Sale proceeds of £75.7m from sale and lease back of the Studio M Hotel, Singapore; and • Dividends from CDLHT of £17.8m; Which have been partially offset by: • Purchase of investment land site in the Ginza district of Tokyo, Japan for £81.1m less a £9.3m contribution from a non-controlling interest aligned to the land site development; • £26.4m of capital improvements to the hotel portfolio; • Investment in and loans to associates of £93.0m consisting of £5.4m investment in CDLHT and £87.6m investment in and loans to FSCL to fund purchase and development of land in China; • Loans from FSCL of £11.3m to on-lend to the Group's Beijing hotel via an entrusted loan arrangement; and • Dividends paid to both Group and non-controlling interests totalling £16.1m.
Gearing	**2011: 4.8%** 2010: 8.5% **- 3.7 percentage points**	Net debt as percentage of total equity attributable to equity holders of the parent. This is an illustration of the Group's indebtedness relative to its equity value.	Gearing was down 3.7 percentage points primarily due to a reduced level of net debt.

1 Separately disclosed items of the Group and of joint ventures and associates represent other operating income and expense, non-operating income together with impairment, goodwill written-off and redundancy costs that are included in administrative expenses.

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 2011, as well as those likely to affect the Group's future development, performance and position.

Hotel and room count analysed by brand

as at 31 December	Hotels 2011	Hotels 2010	Hotels Change	Rooms 2011	Rooms 2010	Rooms Change
Grand Millennium	**5**	5	–	**2,479**	2,473	6
Millennium	**39**	39	–	**13,756**	13,897	(141)
Copthorne	**31**	34	(3)	**6,403**	7,083	(680)
Kingsgate	**14**	14	–	**1,436**	1,436	–
Other M&C	**5**	5	–	**1,885**	1,882	3
Third Party	**14**	13	1	**5,073**	4,753	320
Total Group	**108**	110	(2)	**31,032**	31,524	(492)

Hotel pipeline by analysed brand

as at 31 December	Hotels 2011	Hotels 2010	Hotels Change	Rooms 2011	Rooms 2010	Rooms Change
Grand Millennium	**–**	2	(2)	**–**	1,298	(1,298)
Millennium	**18**	14	4	**4,237**	3,942	295
Copthorne	**6**	3	3	**1,178**	394	784
Kingsgate	**–**	4	(4)	**–**	892	(892)
Other M&C	**6**	2	4	**1,192**	480	712
Total Group	**30**	25	5	**6,607**	7,006	(399)

For management reporting purposes, hotels are grouped under seven geographical areas: New York, Regional US, London, Rest of Europe (including Middle East), Singapore, Rest of Asia and Australasia.

Hotel and room count analysed by region

as at 31 December	Hotels 2011	Hotels 2010	Hotels Change	Rooms 2011	Rooms 2010	Rooms Change
New York	**3**	3	–	**1,757**	1,755	2
Regional US	**16**	16	–	**5,554**	5,554	–
London	**7**	7	–	**2,493**	2,493	–
Rest of Europe	**16**	18	(2)	**2,696**	3,227	(531)
Middle East	**10**	8	2	**3,623**	2,991	632
Singapore	**6**	7	(1)	**2,714**	3,151	(437)
Rest of Asia	**16**	16	–	**7,260**	7,256	4
Australasia	**34**	35	(1)	**4,935**	5,097	(162)
Total Group	**108**	110	(2)	**31,032**	31,524	(492)

Hotel pipeline analysed by region

as at 31 December	Hotels 2011	Hotels 2010	Hotels Change	Rooms 2011	Rooms 2010	Rooms Change
Middle East	**26**	23	3	**5,700**	6,618	(918)
Rest of Asia	**4**	2	2	**907**	388	519
Total Group	**30**	25	5	**6,607**	7,006	(399)

Hotel and room count analysed by ownership type

as at 31 December	Hotels 2011	Hotels 2010	Hotels Change	Rooms 2011	Rooms 2010	Rooms Change
Owned or leased	**65**	68	(3)	**19,946**	20,992	(1,046)
Managed	**21**	20	1	**5,926**	5,375	551
Franchised	**11**	11	–	**1,559**	1,556	3
Investment	**11**	11	–	**3,601**	3,601	–
Total Group	**108**	110	(2)	**31,032**	31,524	(492)

Hotel pipeline analysed by ownership type

as at 31 December	Hotels 2011	Hotels 2010	Hotels Change	Rooms 2011	Rooms 2010	Rooms Change
Owned or leased	**1**	1	–	**325**	144	181
Managed	**28**	24	4	**6,087**	6,862	(775)
Franchised	**1**	–	1	**195**	–	195
Total Group	**30**	25	5	**6,607**	7,006	(399)

Consolidated operating performance

On a consolidated basis, the Group delivered a strong operating performance in 2011, with positive improvements registered by all key performance indicators with the exception of occupancy.

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

The movement in hotel operating profit reflects RevPAR improvements combined with management's successful control of fixed and variable costs.

	Group operating performance (non-GAAP)				
	Reported currency			Constant currency	
Key performance indicator	2011	2010	% Change	2010	% Change
Hotel revenue	**£765.2m**	£734.0m	4.3%	£739.3m	3.5%
Occupancy	**70.8%**	71.4%	(0.6%)	71.4%	(0.6%)
Average room rate	**£91.48**	£85.52	7.0%	£85.85	6.6%
RevPAR	**£64.81**	£61.06	6.1%	£61.28	5.8%
Hotel operating profit	**£156.6m**	£134.6m	16.3%	£137.0m	14.3%

PERFORMANCE BY REGION

For comparability, the following regional review is based on calculations in constant currency whereby 31 December 2010 average room rates, RevPAR, revenue and headline operating profit have been translated at 2011 average exchange rates.

UNITED STATES

New York

RevPAR increased by 6.1% to £132.44 (2010: £124.83) for the year ended 31 December 2011. Room rate was the driver for this growth showing a 5.7% increase to £154.86 (2010: £146.51) with occupancy increasing by 0.3 percentage points to 85.5% (2010: 85.2%). All three hotels saw an upturn in RevPAR with the highest RevPAR growth produced by the Millennium UN Plaza of 7.4%.

Regional US

RevPAR growth for the year was 5.7% to £37.91 (2010: £35.87). This growth was mainly driven by an increase in room rate of 4.3% to £66.00 (2010: £63.25) while occupancy improved by 0.7 percentage points to 57.4% (2010: 56.7%). The top RevPAR performers were Minneapolis and Lakeside, Orlando whilst at the bottom end were Anchorage and Durham.

EUROPE

London

London saw a growth in RevPAR in the year of 8.8% to £97.92 (2010: £90.02). This was a result of a rate-led strategy which succeeded in achieving an 11.8% increase in room rates to £120.10 (2010: £107.45). There was a decrease in occupancy of 2.3 percentage points to 81.5% (2010: 83.8%).

Regional UK

RevPAR fell by 5.1% to £42.48 (2010: £44.77) with occupancy decreasing 2.0 percentage points to 70.9% (2010: 72.9%) and average room rate falling by 2.5% to £59.92 (2010: £61.45). With the exception of one hotel, all Regional UK hotels experienced RevPAR declines and remain a challenge due to increased competition and pressure on room rates and occupancy.

France & Germany

RevPAR grew by 0.9% to £62.34 (2010: £61.78). On a like-for-like basis, excluding Stuttgart where the lease expired on 31 August 2011, RevPAR increased by 0.6% to £65.19 (2010: £64.83). This was due to an increase in occupancy of 3.1 percentage points to 67.7% (2010: 64.6%) whilst room rate fell by 4.0% to £96.23 (2010: £100.28).

ASIA

RevPAR increased by 3.6% to £72.58 (2010: £70.07). However, the two years are not directly comparable. Beijing was consolidated on 15 November 2010 following the acquisition of the Group's additional 40% interest, Studio M opened at the end of quarter one in 2010 and the Orchid closed on 1 April 2011. On a like-for-like basis, which includes Beijing and the latter six months of Studio M and excludes Orchid, RevPAR increased by 5.0% to £72.91 (2010: £69.44). This was mainly driven by a 4.6% increase in average room rate to £94.48 (2010: £90.31) whilst occupancy grew by 0.3 percentage points to 77.2% (2010: 76.9%).

Singapore

Singapore reported 11.5% increase in RevPAR to £95.20 (2010: £85.41). On a like-for-like basis, including the latter six months of Studio M and excluding Orchid, RevPAR increased by 6.1% to £99.15 (2010: £93.41). This was driven by a 6.7% increase in average room rate to £113.03 (2010: £105.94) and occupancy dipped by 0.5 percentage points to 87.7% (2010: 88.2%).

Rest of Asia

RevPAR for the year was almost flat with a 0.2% increase to £57.60 (2010: £57.47) whereas for 2010, Beijing is only included for six weeks. On a like-for-like basis, including Beijing for a full year in both periods, RevPAR grew by 3.8% to £57.60 (2010: £55.47), whilst the room rate increased by 2.8% to £81.10 (2010: £78.89). Occupancy increased by 0.7 percentage points to 71.0% (2010: 70.3%). There are two other factors impacting results: firstly, the aforementioned guest room renovations at the Seoul Hilton which overall resulted in a 4.8% fall in its RevPAR and, secondly, new competition opened in Taipei resulting in RevPAR falling by 2.8%.

AUSTRALASIA

RevPAR at £37.56 was 2.1% up on last year (2010: £36.80). RevPAR excluding the three Christchurch hotels that were closed following an earthquake was up 5.3% from last year at £37.02 (2010: £35.17), the main driver being growth of 7.6% in average room rate to £58.05 (2010: £53.97). Occupancy declined by 1.4 percentage points to 63.8% (2010: 65.2%).

The earthquake resulted in three Christchurch hotels namely Millennium Hotel Christchurch (leased), Copthorne Hotel Christchurch Central (owned) and Copthorne Hotel Christchurch City (leased) being closed down by Civil Defence Emergency Management. Copthorne Hotel Christchurch City was demolished in late 2011 and, accordingly, the net book value was fully written down. A settlement was reached with the insurers on the building and assets and the funds were received in the fourth quarter. In relation to the Millennium Hotel Christchurch and Copthorne Hotel Christchurch Central, management is still awaiting the structural engineering reports as these hotels remain inaccessible. The impact on the two hotels cannot yet be reasonably quantified and consequently no provision for asset write-off has yet been made. Both hotels are insured for material damage and business interruption.

Business review – financial

Financial performance

The review of financial performance is based on the Group financial statements included on pages 67 to 134 of this annual report. The Group financial statements are prepared in compliance with International Financial Reporting Standards. Where the review makes reference to non-GAAP figures, reconciliation to GAAP is shown.

Financial highlights

	2011 £m	2010 £m
Revenue	**820.5**	743.7
Headline EBITDA[1]	**235.3**	176.8
Headline operating profit[1]	**199.8**	144.1
Headline profit before tax[1]	**184.7**	128.5
Other operating income[2]	**1.0**	9.3
Other operating expense[3]	**(0.1)**	(5.2)
Separately disclosed items included in administrative expenses[4]	**(29.9)**	(25.0)
Non-operating income[5]	**20.5**	15.6
Separately disclosed items – Share of joint ventures and associates[6]	**19.5**	6.9
Separately disclosed items – Share of interest, tax and non-controlling interests of joint ventures and associates	**(2.4)**	(1.5)
Profit before tax	**193.3**	**128.6**
Headline profit after tax[1]	**146.9**	95.4
Basic earnings per share (pence)	**51.0p**	30.9p
Headline earnings per share (pence)[1]	**45.7p**	30.1p
Net debt[1]	**100.2**	165.7
Gearing[1] **(%)**	**4.8%**	8.5%

Notes

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

		2011 £m	2010 £m
2	**Other operating income**		
	Revaluation gain of investment properties	**1.0**	9.3
3	**Other operating expense**		
	Revaluation deficit of investment properties	**(0.1)**	(5.2)
4	**Separately disclosed items included in administrative expenses**		
	Impairment	**(29.9)**	(15.2)
	Goodwill written-off in respect of Beijing	**–**	(8.1)
	Redundancy costs	**–**	(1.7)
		(29.9)	(25.0)

		2011 £m	2010 £m
5	**Non-operating income**		
	Profit on sale and leaseback of Studio M hotel	**17.4**	–
	Profit on disposal of subsidiary	**1.7**	–
	Gain arising on disposal of leasehold property	**1.2**	–
	Gain on disposal of stapled securities in CDLHT	**0.2**	7.2
	Gain arising in respect of step up acquisition of Beijing	**–**	8.4
		20.5	15.6
6	**Separately disclosed items – Share of joint ventures and associates**		
	Disposal of subsidiaries in FSCL group	**(0.2)**	(2.3)
	Revaluation gain of investment properties	**19.7**	9.2
		19.5	6.9

Foreign currency translation

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

	At 31 December	
Currency (=£)	**2011**	2010
US dollar	**1.572**	1.541
Singapore dollar	**2.030**	1.993
New Taiwan dollar	**46.644**	45.461
New Zealand dollar	**2.018**	2.021
Malaysian ringgit	**4.974**	4.753
Korean won	**1,808.82**	1,757.50
Chinese renminbi	**9.762**	10.132
Euro	**1.199**	1.172
Japanese yen	**121.892**	126.540

	Average for year ended 31 December	
Currency (=£)	**2011**	2010
US dollar	**1.606**	1.547
Singapore dollar	**2.011**	2.111
New Taiwan dollar	**46.979**	48.531
New Zealand dollar	**2.011**	2.149
Malaysian ringgit	**4.895**	5.004
Korean won	**1,771.54**	1,792.11
Chinese renminbi	**10.269**	10.446
Euro	**1.149**	1.164
Japanese yen	**127.259**	136.200

Financial Performance – year end overview

For the year ended 31 December 2011, profit before tax increased by 50.3% to £193.3m (2010: £128.6m). The headline operating profit increase of 38.7% to £199.8m (2010: £144.1m) was impacted by several factors. These include the following:

- The sale of development land in Kuala Lumpur;
- Closure of the Copthorne Orchid on 1 April 2011, prior to its demolition and redevelopment of the site into a condominium complex;
- Consolidation of the results of the Grand Millennium Beijing since November 2010 (when the Group's stake was increased from 30% to 70%);
- Closure of the three Christchurch hotels following the New Zealand earthquake;
- Opening of Studio M towards the end of the first quarter of 2010 and its subsequent sale and leaseback to the REIT in May 2011; and
- Expiry of the lease in Stuttgart in August 2011 which included a £10.1m year-on-year impact of the release of a dilapidation provision.

Excluding these factors, the headline operating profit increased by 8.0% to £160.0m (2010: £148.2m), which reflects both improved hotel trading performance coupled with tight cost control.

Basic earnings per share increased by 65.0% to 51.0p (2010: 30.9p), reflecting both higher profit and a lower effective tax rate.

The impact of foreign exchange movements is shown below and in constant currency terms the operating profit variance of £53.9m represents a 75.8% profit conversion rate. The conversion masks the impact of items noted above. Excluding the revenue and operating results of these factors, the conversion rate is 38.5%. At the hotel level, the GOP conversion is 77.2% and if similarly adjusted to exclude these factors is 66.1%.

The difference between the operating profit and hotel GOP conversion rates is principally attributable to variable rentals charged to the five Singapore hotels owned by CDLHT. These rentals are determined by both revenue and profit streams of the properties.

	Reported currency			Constant currency		
	2011 £m	2010 £m	Variance £m	**2011 £m**	2010 £m	Variance £m
Revenue	**820.5**	743.7	76.8	**820.5**	749.4	71.1
Expenses	**(649.5)**	(628.7)	(20.8)	**(649.5)**	(632.3)	(17.2)
Operating profit before share of joint ventures and associates (and excluding other operating income and expenses and separately disclosed items)	**171.0**	115.0	56.0	**171.0**	117.1	53.9
Share of joint ventures and associates operating profit	**28.8**	29.1	(0.3)	**28.8**	29.6	(0.8)
Headline operating profit	**199.8**	144.1	55.7	**199.8**	146.7	53.1

Taxation

The Group recorded a tax expense of £28.2m (2010: £30.7m) excluding the tax relating to joint ventures and associates, giving rise to an effective tax rate of 18.1% (2010: 29.6%). The effective tax rate has been affected by a number of factors which include the following items:

- Separately disclosed items of the Group;
- Sale of Kuala Lumpur land;
- Release of a dilapidation provision for the Stuttgart hotel whose lease expired on 31 August 2011;
- A change in 2010 of New Zealand tax legislation, which removed the ability to depreciate buildings for tax purposes that resulted in an increased deferred tax liability in that year;
- Reduced tax rates applied to brought forward net deferred tax liabilities in the UK and additionally for 2010 in Taiwan and New Zealand; and
- Tax adjustments in respect of previous years.

Excluding the impact of the items noted above, the Group's underlying effective tax rate is 27.7% (2010: 28.9%).

A tax charge of £5.4m (2010: £4.4m) relating to joint ventures and associates is included in the reported profit before tax.

Headline profit after tax

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

	2011 £m	2010 £m
Profit after tax	**165.1**	97.9
Adjustments for:		
Separately disclosed items (net of tax) – Group	**1.7**	(1.6)
Separately disclosed items (net of interest, tax and non-controlling interests) – Share of joint ventures and associates	**(17.1)**	(5.4)
Tax impact of changes in tax rates on opening deferred tax	**(2.8)**	(7.4)
Tax impact of changes in tax legislation	**–**	11.9
Headline profit after tax	**146.9**	95.4

Earnings per share

Basic earnings per share was 51.0p (2010: 30.9p) and headline earnings per share increased to 45.7p (2010: 30.1p). The table below reconciles basic earnings per share to headline earnings per share.

	2011 pence	2010 pence
Reported basic earnings per share	**51.0**	30.9
Separately disclosed items – Group	**0.5**	(0.4)
Separately disclosed items – Share of joint ventures and associates	**(4.9)**	(1.8)
Change in tax rates on opening deferred taxes	**(0.9)**	(2.4)
Changes in tax legislation	**–**	3.8
Headline earnings per share	**45.7**	30.1

Dividends

The Board is recommending a dividend of 14.42p per share comprising a final dividend of 10.42p (2010: 7.92p) per share plus a special dividend of 4.0p per share. Together with the interim dividend of 2.08p per share (2010: 2.08p), the total dividend of 16.5p per share represents an increase of 65.0% over last year's total of 10.0p. The dividend reflects both growth in profit after tax and the Group's future investment needs. Subject to approval by shareholders at the Annual General Meeting to be held on 3 May 2012, the final and special dividend will be paid on 18 May 2012 to shareholders on the register on 23 March 2012.

Financial position and resources

	2011 £m	2010 £m	Change £m
Property, plant, equipment and lease premium prepayment	**2,091.4**	2,257.2	(165.8)
Investment properties	**173.9**	94.9	79.0
Investments in and loans to joint ventures and associates	**473.7**	396.8	76.9
Other non-current assets	**7.8**	6.9	0.9
Non-current assets	**2,746.8**	2,755.8	(9.0)
Current assets excluding cash	**241.9**	177.6	64.3
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	**(404.5)**	(397.2)	(7.3)
Net debt	**(100.2)**	(165.7)	65.5
Deferred tax liabilities	**(236.4)**	(251.8)	15.4
Net assets	**2,247.6**	2,118.7	128.9
Equity attributable to equity holders of the parent	**2,066.5**	1,947.5	119.0
Non-controlling interests	**181.1**	171.2	9.9
Total equity	**2,247.6**	2,118.7	128.9

Financial position

The Group's balance sheet strengthened during 2011 with net debt reducing to £100.2m at 31 December 2011 from the 31 December 2010 position of £165.7m.

Non-current assets

Property, plant, equipment and lease premium prepayment

Property, plant and equipment and lease premium prepayment decreased by £165.8m. The main contributors to the decrease were: £29.6m adverse exchange movements; sale of Studio M Hotel with a net book value of £48.4m; disposal of a leasehold interest in Copthorne Hotel Christchurch with a net book value of £2.3m; £47.0m transfer of Copthorne Orchid Hotel into development properties following its closure on 1 April; depreciation and amortisation charges of £35.5m; and impairment charge of £29.4m in relation to eight hotels in Regional UK, four hotels in Regional US, one hotel in New Zealand and land in India. These were partially offset by £26.4m in hotel portfolio improvements.

The Group states land and buildings 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. Based on external valuations conducted at 31 December 2011 on 32.5% (based on net book value) of the Group's hotel portfolio, a valuation surplus of £90.5m is estimated but this has not been recorded in the financial statements.

Investment properties

Investment properties increased by £79.0m due to additions of £81.3m of which £81.1m relates to acquisition of a land site in the Ginza district of Tokyo, Japan, £0.9m of net revaluation gain and £3.2m of adverse exchange movement.

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 £76.9m.

	2011 £m
Share of profits/(losses) analysed:	
– Operating profit before other operating income and expense	**28.8**
– Separately disclosed items	**19.5**
– Interest, tax and non-controlling interests	**(10.8)**
	37.5
Dilution of interest in an associate	**(0.6)**
Additions – CDLHT management and acquisition fees paid in stapled units	**5.4**
– FSCL (see note (a))	**19.3**
– Loans to FSCL (see note (a))	**50.9**
Dividends received from associates	**(17.8)**
Unrealised gain on transactions with associates (see note (b))	**(9.4)**
Share of other reserve movements	**(4.7)**
Foreign exchange adjustment	**(3.7)**
Total movement	**76.9**

(a) The Group injected a further US$30m (£19.3m) of capital into FSCL through its 70.22% owned Millennium & Copthorne Hotels New Zealand Limited sub-group. This resulted in the Group's effective interest in FSCL falling to 39.3%. In addition, the Group also provided loans totalling US$80.0m (£50.9m) which, in conjunction with the capital injection, has been used to fund the purchase and development of land sites in China.

Not shown in the movement table above, the Group also made a £18.1m short-term loan to FSCL which is shown in current assets, and subsidiaries of FSCL provided a loan via an entrustment loan agreement of £11.8m to Beijing Fortune Hotel Co Ltd (a 70% subsidiary of the Group) which is shown in non-current liabilities.

(b) In line with the Group's accounting policy, transactions with associates are eliminated to the extent of the Group's interest in the entity. The £9.4m deduction from the Group's share of associate net assets represents the unrealised profit element from disposing of Studio M Hotel to CDLHT in which the Group had a 35.1% interest at the relevant time. The total pre-tax profit from the sale of Studio M Hotel was £26.8m of which £17.4m has been recorded in the consolidated income statement under non-operating income.

Liquidity and capital resources

Cash flow and net debt

At 31 December 2011, the Group's net debt was £65.5m lower than at 31 December 2010 at £100.2m (2010: £165.7m). A summary of the consolidated cash flow is set out below:

	2011 £m	2010 £m
Cash flows from operating activities before changes in working capital and provisions	**207.8**	146.9
Changes in working capital and provisions	**8.6**	49.1
Interest and tax paid	**(49.8)**	(29.1)
Cash generated from operating activities	**166.6**	166.9
Acquisition of property, plant and equipment, lease premium prepayment and investment properties	**(107.7)**	(18.9)
Proceeds from sale of property, plant and equipment	**78.7**	–
Investment in and loans to associates	**(93.0)**	(20.1)
Loans from associate	**11.3**	–
Dividends received from associate	**17.8**	15.2
Proceeds from sale of shares in associate	**0.8**	–
Dividends paid		
– to equity holders of the parent	**(11.2)**	(4.1)
– to non-controlling interests	**(4.9)**	(2.6)
Purchase of own shares	**–**	(2.2)
Acquisition of subsidiary, net of cash acquired	**–**	(12.6)
Acquisition of subsidiary, borrowings taken on	**–**	(62.4)
Capital contribution from non-controlling interests	**9.3**	–
Proceeds from issue of share capital	**0.9**	0.2
Translation adjustments	**(3.1)**	(22.6)
Decrease in net debt	**65.5**	36.8
Opening net debt	**(165.7)**	(202.5)
Closing net debt	**(100.2)**	(165.7)

The net cash inflow from operating activities before changes in working capital and provisions was £207.8m, an increase of £60.9m reflecting higher profit before tax.

Changes in working capital and provisions include the impact of redeveloping the Orchid hotel in Singapore into condominiums, with deposits and stage payments from the buyers on the 96% of the apartments now sold. As the development unfolds, further cash calls on the buyers will be forthcoming under terms of the sale and purchase agreements. The project is expected to be self-funding.

Acquisition of property, plant and equipment, lease premium prepayment and investment properties includes an £81.1m acquisition of a land site in the Ginza district of Tokyo, Japan; other investment properties of £0.2m and £26.4m in hotel portfolio improvements.

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.

	2011 £m	2010 £m
Cash and cash equivalents (as per the consolidated statement of cash flows)	**275.3**	251.5
Bank overdrafts (included as part of borrowings)	**56.9**	0.4
Cash and cash equivalents (as per the consolidated statement of financial position)	**332.2**	251.9
Interest-bearing loans, bonds and borrowings		
– Non-current	**(311.6)**	(323.7)
– Current	**(120.8)**	(93.9)
Net debt	**(100.2)**	(165.7)

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

Reconciliation of net cash flow to movement in net debt

	2011 £m	2010 £m
Net debt at beginning of year	**(165.7)**	(202.5)
Net increase in cash and cash equivalents per the consolidated statement of cash flows	**29.2**	101.4
Net decrease in loans	**39.4**	20.4
New borrowings in respect of subsidiary acquired in the year	**–**	(62.4)
Translation adjustments	**(3.1)**	(22.6)
Movements in net debt	**65.5**	36.8
Net debt at end of year	**(100.2)**	(165.7)
Gearing (%)	**4.8%**	8.5%

Financial structure

Group interest cover ratio, excluding share of results of joint ventures and associates, other operating income and expense, non-operating income and separately disclosed items of the Group improved to 25.5 times from 19.5 times in 2010. The increase in net finance cost of £0.8m principally reflects interest on Beijing's net external debt acquired on acquisition in November 2010 offset by the repayment of borrowings.

At 31 December 2011, the Group had £332.2m cash and £184.3m of undrawn and committed facilities, comprising revolving credit facilities which provide the Group with financial flexibility. Most of the facilities are unsecured with unencumbered assets representing 87.3% of fixed assets and investment properties. At 31 December 2011, total borrowing amounted to £432.4m of which £83.5m was drawn under £112.4m of secured bank facilities.

Future funding

Of the Group's total facilities of £666.8m, £192.0m matures during the next 12 months; comprising £37.0m committed revolving credit facilities, £105.5m of uncommitted facilities and overdrafts subject to annual renewal, £42.3m unsecured bonds and £7.2m secured loans. Plans for refinancing the 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.

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 measures exclude other operating income and expense, non-operating income and separately disclosed items of the Group together with the Group's share of separately disclosed items of joint ventures and associates. In addition, for headline profit after tax and headline earnings per share, these measures exclude related tax, and in the case of headline earnings per share, excludes related non-controlling interests of the aforementioned items. The Group believes that it is both useful and necessary to report these measures for the following reasons:

- They are measures used by the Group for internal performance analysis; and
- They are useful in connection with discussions with the investment analyst community.

Reconciliations of these measures to the closest equivalent GAAP measures, operating profit and earnings per share, are provided in notes 5 and 11 on pages 86 and 97, respectively.

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 32).

Management of Risk

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

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

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

Risk Factors

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

In general, the geographical spread of the Group provides a natural hedge against many of the principal risks identified on the following pages.

	Risk and potential impact	Mitigating activities	Status
Events that Adversely Impact Domestic or International Travel	Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localised to a particular country, region or could have a wider international perspective. Reduced demand will impact on revenues and operational profitability.	The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.	Stable
Political and economic developments	Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risks include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets.	Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short. Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimise these exposures to the greatest extent possible.	Increasing
The Hotel Industry Supply and Demand Cycle	The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room-supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance.	The Group has management systems in place designed to create flexibility in the operating cost base so as to optimise operating profits in volatile trading conditions, such as the profit protection plans initiated during previous market down-turns.	Increasing
Human Resources	Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude.	Development and maintenance of a Group culture, recognition systems, compensation and benefits arrangements, training and development all play leading roles in minimising this risk. The Group has appropriate systems for recruitment, reward and compensation and performance management. Labour relations are actively managed on a regional and local basis.	Increasing
Management Agreements	An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focusing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward.	The Group has developed a management team in the Middle East region that has the necessary skills and resources to pursue this element of the Group's strategy.	Increasing

	Risk and potential impact	Mitigating activities	Status
Joint Ventures and subsidiaries with minority shareholders	The Group has entered into a number of joint ventures in certain markets and is therefore subject to the risk of non-performance on the part of the minority partners especially when the strategic objectives of the partners are not fully aligned.	For these joint ventures, the Group has appointed representatives who are assigned responsibilities to manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.	Stable
Treasury Risk	The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. Credit risk arises from the risk of financial loss if a financial counterparty fails to meet its contractual obligations in respect of its deposits or short-term investments.	Foreign currency transactions exposure is primarily managed through funding of purchases from operating income streams arising in the same currency. Interest rate hedges are used to manage interest rate risk to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing of such hedges. Investments in short-term instruments are with counterparties approved by the Board taking into account the counterparty's credit rating and a maximum limit as to the amount that may be deposited.	Stable
Tax Risk	The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences to the Group's profits. Similarly the Group's interpretation and application of various tax laws may be challenged. Tax authorities in many jurisdictions are increasing their focus on corporate tax affairs in order to maximise tax receipts.	Tax planning advice is obtained by the Group to ensure that Group companies are compliant with appropriate law and that tax exposure is appropriately managed. The Board and Audit Committee receive regular updates on tax management issues.	Stable
Compliance and Litigation	The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements. In addition the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or from the provision of services. In certain countries where the Group operates, particularly in emerging markets, local practices and the legal environment may be such that it is sometimes difficult for the Group to enforce its legal rights.	The Group continues to monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships. During the year the Group has implemented a detailed Group-wide training and compliance programme in connection with the UK's Bribery Act.	Increasing
Health, Safety and Management	As a significant property owner and operator of hotels in multiple jurisdictions, the Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.	Our policy is for regional management to implement health and safety management systems that are compliant with OHSAS 18001. Details of progress made in improving the Group's management systems are contained in the Corporate Social Responsibility report on pages 39 and 41.	Stable

	Risk and potential impact	Mitigating activities	Status
Intellectual Property Rights and Brands	Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The trend towards managing third-party properties, primarily in the Middle East region increases the risk that product quality may not be delivered in accordance with the Group's standards. This may increase the Group's exposure to litigation, increase risks to reputation, reduce revenues and become an inhibiting factor on ongoing development.	Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Management seeks to ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.	Stable
Property Ownership	The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires ongoing investment in the form of preventative maintenance, refurbishment, significant 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 developing property specific asset management plans which focus on the capital requirements of each property in terms of regular maintenance and product enhancement. The Group has rigorous management systems to monitor major capital projects to ensure they are properly managed and delivered on time and within budgeted parameters.	Stable
Insurance	Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the markets' underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.	The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile and after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers' security ratings.	Stable
Information Technology Systems and Infrastructure	In order to maintain its competitiveness within the market place the Group will need to ensure its IT support systems deliver the necessary trading platforms and provide management with accurate and timely information.	The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. Crisis management and disaster recovery plans are in place for business critical systems. During the year management has undertaken a review of the Group's existing IT infrastructure and of the current and future IT needs of the business. Following this review management are prioritising the implementation of necessary IT systems.	Increasing
Data privacy	A significant proportion of the Group's operating revenue is received from customers through credit card transactions and the Group has an obligation to keep secure customers' credit card and other personal details. Non-compliance with data privacy regulations, which differ by jurisdiction, could result in fines and/or other damages being incurred. Additionally, the payment card industry requires the Group to comply with data security standards (PCI-DSS) as a condition in credit card merchant agreements. Failure to comply with these standards could result in contractual penalties and withdrawal of credit card payment faciltiies.	During the last year the Group has committed significant resources to achievement and maintenance of the necessary IT infrastructure, operating control and training associated with data privacy and PCI-DSS.	Increasing

Corporate social responsibility

Responsible Hospitality

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

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

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

Responsibility to Employees

For the year to 31 December 2011, the average number of Group employees, worldwide in 19 countries, was 10,912.

Our employees are the foundation of our business. We aim to retain a knowledgeable, skilled and diverse workforce which is motivated and appropriately rewarded. Following the publication in February 2011 of the Davies Report, Women on Boards, the Board published a statement on workforce diversity, including gender diversity, which is available on the Group's website at www.millenniumhotels.com/corporate/investor_relations/downloads/board_diversity_policy.pdf

We aim to ensure that everyone who works for the Group has the right skills and knowledge to do their jobs and encourage employees to gain industry-relevant qualifications where appropriate. In addition to encouraging employees to gain additional qualifications and supporting career development, the Group supports hospitality education around the world by providing workplace experience to students where appropriate schemes operate.

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

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

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

Staff by function

Function	**2011**	2010
Hotel Operating Staff	**8,565**	8,960
Management/Administration	**1,365**	1,219
Sales and Marketing	**398**	500
Repairs and Maintenance	**584**	553
Total	**10,912**	11,232

Responsibility to Employees continued

Staff by Gender (%)

Gender	2011	2010
% Male	**53.35**	53.29
% Female	**46.65**	46.71

Staff by Age (%)

Age Range	2011	2010
Below 30	**48.19**	44.08
30-50	**44.49**	45.72
Above 50	**7.32**	10.20

A Healthy Workplace

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

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

In the USA an improved health and safety training programme was implemented during the first quarter of 2011. The training is designed to improve the health, welfare, security and safety of our employees and guests and includes topics related to prevention of accidents and injuries. The European region has invested in and implemented a new dedicated health and safety IT system. We are planning to roll-out this new system to other operating regions.

Responsibility to the Environment

The Group seeks to minimise its impact on the environment. Our Responsible Hospitality policies aim to ensure operational compliance with all relevant environmental legislation in all of those countries where we operate. The Group aims to achieve compliance with the environmental management system ISO 14001.

In 2011, the European region's environmental management system achieved formal accreditation to the ISO 14001 standard. Our UK properties were awarded the Carbon Trust Standard in recognition of achievements in measuring, managing and reducing carbon emissions. The M Hotel in Singapore received the coveted Green Hotel Award by the Association of Southeast Asian Nations. Many of our New Zealand hotels have received the Qualmark Enviro Award.

We are continually assessing our environmental impact and actively seeking ways to reduce it through improvements in our hotel's operating infrastructure and modifying working practices aimed at reducing energy consumption, reducing water consumption and reducing the amount of waste produced from our hotels. Management also works with our suppliers to minimise the environmental impact of their activities. Environmental performance is also being integrated into the operational objectives of general managers and other managerial staff.

Responsibility to the Environment continued

The Group monitors the carbon footprint for all of its owned and managed properties. Details of our carbon footprint are summarised below. Accurate measurement of our carbon footprint is an integral part of objective setting for hotels noted above, with energy consumption being the single largest element of our footprint. The Board has set a target for the Group's energy consumption to be reduced by 10% over the two-year period ending 31 December 2012 and management is working towards this target.

	Total			LFL[2]		
	2011	2010[1]	+/-	**2011**	2010[1]	+/-
Global carbon footprint (tonnes CO_2)	**308,822**	317,884	-2.85%	**299,503**	308,121	-2.80%
Emissions per room (tonnes CO_2)	**12.9**	12.9	–	**12.9**	13.2	-2.27%

1 2010 reported numbers have been adjusted to reflect changes in carbon factors during the year.

2 Like-for-like comparisions are provided to reflect movements in the Group's hotel portfolio.

Responsibility to the Wider Community

As owners as well as operators, the Group recognises that it plays a role in those communities in which our hotels are based, providing employment directly and indirectly and paying property taxes to local governments.

The Group encourages its hotels to reach out to local communities and become involved in community projects. Our staff members devote their time and energy to projects and our hotels donate facilities and resources in accordance with our charity policy. During the year staff members in all regions have been involved in a wide range of events and activities linked to projects to benefit children's charities; health and wellbeing charities and initiatives; the environment; charities for elderly and infirm; and educational support. We have forged strong relationships with educational establishments, both local to our hotels and further afield, offering opportunities for young people to experience work in the hospitality industry and encouraging management staff to become involved with local schools and colleges by becoming governors.

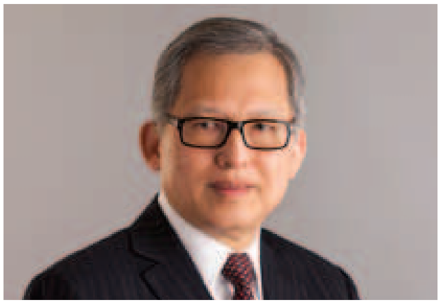
At Group level we donated £35,000 during 2011 (2010: £42,000) to a range of charitable organisations. We were pleased to announce that we entered into a nominated charity relationship with the British Heart Foundation and will be working with this charity on fund raising over the next two years.

Our procurement teams are working on sustainability initiatives with the supply chain. We are increasing our efforts to work with suppliers that have proven CSR credentials. We are introducing systems to help trace supplies to sustainable sources and, in the case of meat products, ensure that producers use farming methods with high animal welfare standards.

Looking Forward

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

Directors



Kwek Leng Beng

Title	Chairman and Chairman of the Nominations Committee
Appointment	February 1995
Age	71
Committees	N

Kwek Leng Beng has been the Chairman of Millennium & Copthorne Hotels plc since its incorporation.

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

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

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

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

Mr Kwek 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 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.

Wong Hong Ren

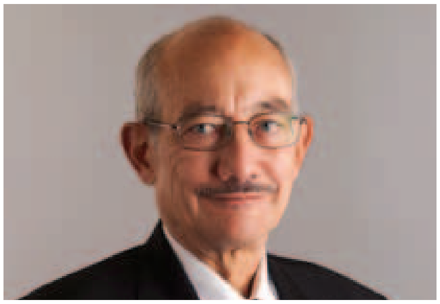
Title	Group Chief Executive Officer
Appointment	March 1996
Age	60

Wong Hong Ren joined Millennium & Copthorne Hotels plc as a non-executive Director at the flotation of the Group in 1996 and has been an Executive Director since April 2001. He was appointed Chief Executive Officer of the Company on 27 June 2011. Mr Wong is Chairman of Millennium & Copthorne New Zealand Limited and CDL Investments New Zealand Limited, both of which are listed on the New Zealand stock exchange. He is also the non-executive Chairman of M&C REIT Management Limited which manages the Singapore listed CDL Hospitality Trusts.

Kwek Leng Peck

Title	Non-Executive Director
Appointment	October 1995
Age	55
Committees	N

Kwek Leng Peck joined Millennium & Copthorne Hotels plc prior to 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.



Richard Hartman

Title	Non-Executive Director
Appointment	May 2008
Age	66

Richard Hartman joined the Board of Millennium & Copthorne Hotels plc on 7 May 2008. He retired as Group Chief Executive on 27 June 2011.

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.

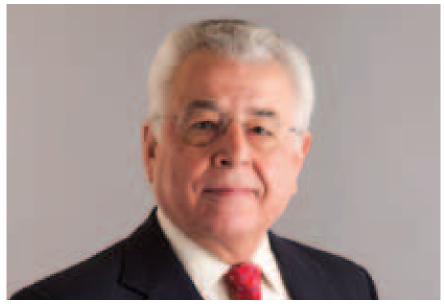
His Excellency Shaukat Aziz

Title	Independent Non-Executive Director
Appointment	June 2009
Age	62
Committees	R N

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

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

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



Christopher Keljik OBE

Title	Senior Independent Non-Executive Director
Appointment	May 2006
Age	63
Committees	A R N

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

A Member of the Audit Committee
R Member of the Remuneration Committee
N Member of the Nominations Committee

Non- Executive Directors

Alexander Waugh

Title	Independent Non-Executive Director and Chairman of the Remuneration Committee
Appointment	June 2009
Age	48
Committees	A R N

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.

Nicholas George

Title	Independent Non-Executive Director and Chairman of the Audit Committee
Appointment	June 2009
Age	58
Committees	A R

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

Kwek Eik Sheng

Title	Non-Executive Director
Appointment	May 2011
Age	30

Kwek Eik Sheng was appointed to the Board in May 2011. He has been with the Hong Leong Group since 2006, before joining City Developments Limited in 2009, where he is currently Head of Corporate Development.

He holds a Bachelor of Engineering in Electrical and Electronics Engineering from Imperial College of Science, Technology and Medicine and a MPhil in Finance from Judge Business School, Cambridge University.

Ian Batey

Title	Independent Non-Executive Director
Appointment	August 2011
Age	76

Mr Batey was appointed to the Board in August 2011. An accomplished brand specialist, he launched his advertising agency, Batey Ads, in Singapore in 1972. Under his leadership, Batey Ads became SE Asia's largest independent advertising group, responsible for the development of many iconic Asian brands including Singapore Airlines and Raffles Hotel. The agency has since become part of Grey Singapore, a subsidiary of WPP plc.

Mr Batey has been widely recognised for his contribution to the advertising industry and to the wider community, culminating in 1999 with the first Lifetime Achievement Award to be bestowed by the Institute of Advertising Singapore.

Directors' report

The Directors present their report for the financial year ended 31 December 2011. 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 2011 and is set out on pages 20 to 38. 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. A description of the Group's business model is included on pages 6 and 7 as required by Code provision C.1.2 of the UK Corporate Governance Code.

Results and Dividends

The profit on ordinary activities before taxation was £193.3m (2010: £128.6m). An interim dividend of 2.08p per share was paid on 7 October 2011. The Directors are recommending a final dividend of 10.42p per share (2010: 7.92p) and a special dividend of 4.0p per share (2010: nil), which will, if approved at the annual general meeting, be paid on 18 May 2012 to shareholders on the register on 23 March 2012. Total dividends relating to the year are expected to amount to £52.3m. The Company will be offering a scrip dividend alternative in respect of the final dividend.

Employees

During the year the average number of people employed by the Group was 10,912 (2010: 11,232).

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

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

Further details on employee involvement are included in the Corporate Social Responsibility report on pages 39 to 41.

Share Capital

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

Details of shares issued pursuant to the Group's share-based incentive schemes are shown in the notes to the accounts on pages 121 to 123.

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

At the Company's annual general meeting in May 2011 the Directors were authorised to allot shares up to a nominal amount of £31,329,470 and to allot such shares up to this nominal amount in connection with a rights issue and otherwise to allot shares for cash on a non pre-emptive basis up to a nominal amount of £4,699,420. In addition, the Company was authorised to make market purchases of up to 10% of the Company's issued share capital. All of these authorities remained in effect as at 31 December 2011.

The voting rights attached to the Company's ordinary shares are not restricted and there are no restrictions on the transfer of the Company's shares. None of the Company's shares carry special rights with regard to control of the Company. Neither the

Share Capital continued

Company nor its Directors are aware of any agreements between shareholders that could result in restrictions on the transfer of shares or on voting rights.

Substantial Shareholdings

As at 21 February 2012, the Company had received details of the following material shareholdings in its issued share capital. Save as disclosed below, no changes to the material shareholdings listed have been reported to the Company between 31 December 2011 and the date of this report.

	Number of shares	% of issued share capital
City Developments Limited	174,433,158	54.93
Schroders plc†	15,490,857	4.88
Aberdeen Asset Management plc	15,451,769	4.87
Prudential plc*	12,141,915	3.82

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

Schroder Investment Management Limited	15,151,069	4.77

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

The Prudential Assurance Company Limited	12,127,405	3.82

As at 31 December 2011, the notified material interests of Prudential plc were as follows:

	Number of shares	% of issued share capital
Prudential plc	19,349,935	6.09
M&G Group Limited	19,335,425	6.09
M&G Limited	19,335,425	6.09
M&G Investment Management Limied	19,299,754	6.08
The Prudential Assurance Company Limited	18,956,243	5.97

Directors

Biographical details of Directors are shown on pages 42 to 44. The Company's Articles of Association contain provisions concerning the appointment and replacement of Directors.

Details of the share interests of Directors are shown on pages 59 and 60. 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 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 24 days (2010: 25 days). At the year end, the Company had £nil trade creditors (2010: £nil).

Corporate Social Responsibility

Details of the Group's wider approach to managing its Corporate Social Responsibility ("CSR") can be found on pages 39 to 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 35 to 38.

To ensure the delivery of the Board's policies in respect of health, safety, and the environment, Wong Hong Ren, 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 35 to 38, and in note 22 to the consolidated 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 35 to 38. The financial position of the Group, its cash flows, liquidity position and debt facilities are described in the Business Review – Financial on pages 25 to 33. In addition, note 22 to the consolidated financial statements sets out the Group's policies and processes for measuring and managing risk from its use of financial instruments in relation to credit risk, liquidity risk and market risk (both currency and interest rate-related). Further details of the Group's cash balances and borrowings are included in notes 20 and 21 to the consolidated financial statements.

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

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

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

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 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in June 2010, except for Code provision B.7.1 requiring the annual election by shareholders. The Board had agreed that it would apply provision B.7.1 with effect from the Annual General Meeting in 2012. 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 succession planning.

The Board currently comprises the Chairman, one executive Director, five independent non-executive Directors and three other non-executive Directors, two of whom are appointees of the majority shareholder, City Developments Limited. Each Director is expected to fulfill 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 B.1.1. There have been no significant changes in the Chairman's external commitments since the last annual report.

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

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

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

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

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

Kwek Leng Joo retired from the Board on 6 May 2011 and Connal Rankin retired from the Board 27 June 2011 after a period of illness. Kwek Eik Sheng and Ian Batey were appointed directors on 6 May 2011 and 15 August 2011, respectively.

The Board continued

All of the directors, with the exception of Richard Hartman, will stand for election at the forthcoming Annual General Meeting.

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.com/corporate/investor_relations/board_committees.html. The Company Secretary acts as secretary to all standing committees of the Board.

Audit Committee

Chair – Nicholas George

Review of the Year

Examples of matters considered by the Committee during the year include:

- *Group compliance with PCI security compliance*
- *Ongoing reviews of the Group's risk management process*
- *Approval and adoption of a policy on non-audit fees*
- *Consideration of the Bribery Act compliance, policies and processes to ensure adequate procedures are in place*
- *In conjunction with the remuneration committee, a review of performance conditions and targets used for long-term incentives*

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

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

The Audit Committee is responsible for reviewing the independence and objectivity of the external auditor and has reported to the Board that it considers that the auditor's independence and objectivity has been maintained. Audit independence and objectivity are safeguarded by the Audit Committee monitoring and approving, when appropriate, the nature of any non-audit work and the levels of fees paid. The Committee has established a formal policy on non-audit services consistent with the FRC's Audit Committee Guidance published in December 2010. A copy of the policy is available, on request, from the Company Secretary or on the Group's website www.millenniumhotels.com/corporate/investor_relations/downloads/non-audit_services_policy_-_version_1_-_jan_2012.pdf. Details of fees paid to KPMG Audit plc and its associates are shown in note 6 to the accounts.

Audit Committee continued

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

Chair – Alexander Waugh

Review of the Year

Examples of matters considered by the Committee during the year include:

- *Review of executive Directors' and senior managements' salaries and benefits*
- *Agreeing compensation arrangements for the new Chief Executive Officer*
- *A review and revision of the performance conditions used for the long-term incentive plan*
- *Review of short-term bonus arrangements and targets*

The Remuneration Committee consists entirely of independent non-executive Directors. It is responsible for considering and making recommendations to the Board, within agreed terms of reference, on the Company's remuneration policies, determining the remuneration packages of executive Directors and the operation of the Company's employee share-based incentive schemes. The Group Chief Executive Officer would normally be invited to attend meetings, if appropriate, but would not be present when his own remuneration is discussed. The Committee takes independent advice as deemed necessary. The Directors' Remuneration Report is given on pages 54 to 62, where further details of remuneration strategy are given. The fees paid to non-executive Directors are considered by the full Board, having regard to any relevant advice received.

Nominations Committee

Chair – Kwek Leng Beng

Review of the Year

Examples of matters considered by the Committee during the year include:

- *Succession planning for the outgoing Chief Executive Officer*
- *Ongoing succession planning for Board members, including the Chief Financial Officer, and senior management positions*

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

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	5 (8)	na	na	na
Wong Hong Ren	8 (8)	na	na	na
Christopher Keljik	8 (8)	5 (5)	7 (8)	1 (1)
Shaukat Aziz	7 (8)	na	4 (8)	na
Nicholas George	7 (8)	5 (5)	8 (8)	na
Kwek Leng Joo	1 (2)	na	na	na
Kwek Leng Peck	4 (8)	na	na	1 (1)
Alexander Waugh	8 (8)	2 (3)	8 (8)	1 (1)
Kwek Eik Sheng	6 (6)	na	na	na
Ian Batey	3 (3)	na	na	na
Connal Rankin †	– (4)	– (2)	– (4)	– (1)

†Connal Rankin was unable to attend Board and Committee meetings held due to ill health.

Evaluation Process

During the year an internal Board evaluation process has been undertaken, facilitated by the Directors completing on-line questionnaires. The evaluation process focuses on key themes including:

- Board composition and expertise
- The operation of Board Committees
- Strategic and operational oversight
- Risk management and internal controls
- Succession planning and Human Resource management

Feedback from the evaluation process is compiled by the Company Secretary and is considered by the Board. The Board plans to have an externally facilitated evaluation in 2012.

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 35 to 38.

Internal Control System continued

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

Primary responsibility for the operation of the system of internal controls is delegated to executive management. The effectiveness of the operation of the internal control system is reviewed by an internal audit function and, where appropriate, by the Company's external auditor, who report to management and to the Audit Committee. In addition, responsibility is delegated to executive management to monitor the effectiveness of the systems of control in managing identified risks as established by the Board. The internal audit department reviews the effectiveness of key internal controls as part of its standard work programme, and individual reports are issued to appropriate senior management. These reports are summarised and distributed to the Audit Committee, the Group Chief Executive Officer, senior management of the Group and the external auditor. They are subsequently reviewed by the Audit Committee, which ensures that, where necessary, recommendations on appropriate corrective action are drawn to the attention of the full Board.

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

- The Group's strategic direction is regularly reviewed by the Board, which sets business objectives for the Group. Annual plans and performance targets for each region are set by the executive management team and reviewed by the Board on a geographical basis in the light of overall objectives;
- Within the financial and overall objectives for the Group, agreed by the Board, the day-to-day management is delegated to the Group Chief Executive Officer and executive management. The executive management team receives a monthly summary of the results from the business and carries out regular operational reviews with business managers to ensure appropriate pursuit of the overall objectives and management of the primary risks of the Group.

Communication with Shareholders

General presentations are made after the announcement of final and half-yearly results. There is a programme of meetings with 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 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 Thursday, 3 May 2012 at the Millennium Hotel London Mayfair, Grosvenor Square, London W1K 2HP.

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

By order of the board

Adrian Bushnell
Company Secretary
21 February 2012

Directors' remuneration report

Strategy

The Remuneration Committee has delegated authority from the Board to consider and approve the salaries, incentives and other benefit arrangements of the executive Directors and to oversee the Company's share-based incentive schemes. The Committee also monitors the level and structure of remuneration for senior executives who are not board members.

The Remuneration Committee

The Committee, currently comprises four members who are all independent non-executive Directors: Alexander Waugh (Chairman), Christopher Keljik, Shaukat Aziz and Nicholas George. Connal Rankin served on the Committee until his retirement from the Board on 27 June 2011.

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 by the Committee or involvement in 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, AonHewitt Limited (operating through the brand New Bridge Street and which is ultimately owned by Aon Corporation), who advised it on various matters, including the operation of the Company's share-based incentive schemes and executive remuneration arrangements. The Company has separately received advice on the accounting treatment of share options required by IFRS2: Share-based payments. Other than this, neither New Bridge Street (nor any other part of Aon Corporation) provides any other services to the Company.

The Committee believes that to promote the long-term success of the Company a good remuneration policy must attract, retain and motivate the highest calibre of executive to manage the Company in a demanding environment. The policy of the Committee is to provide remuneration that is comparable to that of other international companies with a significant proportion based on achievement of both Company and individual performance targets. Performance targets are designed to be stretching and to align the interests of executives and shareholders while ensuring that inappropriate risk taking is neither encouraged nor rewarded.

The total remuneration of executive Directors for the year ahead will continue to comprise the following:

Package element	Purpose
Base salary	• Fixed cash compensation based on level of responsibility, individual performance, experience and market conditions
Annual bonus	• Variable cash-based incentive to drive operational performance using stretching financial targets and personal objectives
Performance share awards	• Variable share-based incentive to drive long-term growth in Earnings Per Share ("EPS") and Total Shareholder Return ("TSR") performance
Pension	• Fixed cash contributions to a Company sponsored pension plan or cash contribution to the executive, to promote long-term retirement planning
Other benefits	• Provision of cost effective benefits consistent with market practice

Directors' Remuneration

Levels of pay and benefits are set to reflect the performance of the Group against pre-determined budgets, the personal contribution of each Director, as well as market and competitive conditions. The Human Resources department ensures that the Committee is aware of pay and conditions throughout the Group and that these are taken into account when framing the executive Directors' remuneration policy. The Committee remains mindful of the Best Practice Provisions on the Design of Performance Related Remuneration under Schedule A of the Corporate Governance Code.

Base Salary

Base salaries are set at levels that measure each executive Director's performance, experience and market practice against those Directors from similar international companies. Base salary levels are reviewed annually or to reflect a significant change in role.

Wong Hong Ren's salary was reviewed by the Committee with effect from 1 April 2011 and increased to £425,000 per annum, his previous salary having remained unaltered since 2005. On becoming Chief Executive Officer on 27 June 2011, his salary was increased to £650,000 reflecting his increased time commitment and responsibility. His salary will not be reviewed again until 2013. Wong Hong Ren resigned from his roles in the Hong Leong group of companies and no longer receives any remuneration from the Hong Leong Group.

Richard Hartman became a non-executive Director following his retirement as Chief Executive Officer on 27 June 2011. As a non-executive Director he receives a fee of £45,000 per annum. Mr Hartman has agreed to provide consultancy services to the Group, as and when required, for which he will be paid a consultancy fee of £1,600 per day. No such consultancy services were provided during the year.

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 as well as the personal performance and individual contribution of the executive Directors.

To provide additional focus on performance-related pay and to ensure that remuneration arrangements take full account of the highly competitive international market in which the Company seeks to recruit and retain top quality executive talent, the Committee increased the Chief Executive's Officer's maximum bonus payable under the scheme for the Chief Executive Office to 150% of base salary from 27 June 2011. The maximum bonus for other executive Director's remain 100% of base salary. The annual bonus plan structure is summarised in the table below:

	Chief Executive Officer	Other executive Directors
Maximum Bonus[1]	150%	100%
Financial target	Headline PBT	Headline PBT
• Stretch bonus[2]	112.5%	75%
• On-target bonus	56.25%	37.5%
Personal performance and contribution	Agreed objectives	Agreed objectives
• Potential bonus	37.5%	25%

1 All percentage stated are in respect of base salary.

2 The stretch-bonus would be paid for achievement of 105% or more of the agreed financial target.

In the event that bonuses are found to have been paid on the basis of any material over-statement of financial performance, the Committee will consider appropriate means of redress through bonus "clawback". 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 2011 trading year, the financial targets set were not achieved and, accordingly, that element of bonus was not awarded. The Committee has awarded bonuses for achievement of personal objectives. Part of Wong Hong Ren's remuneration package,

Annual Bonus continued

agreed on his appointment as Chief Executive Officer, included a one-off award to reflect cessation of entitlements under his former remuneration arrangements with the Hong Leong Group.

The executive Directors' annual bonus opportunity for 2012 will be structured as described on page 55. These targets will reflect the increased bonus opportunity now available.

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 incentives is regularly reviewed by the Committee to ensure that it aligns best market practice with the particular circumstances of the Company.

The Company operates a Long-Term Incentive Plan ("LTIP") for the executive Directors and other senior executives as well as the Sharesave Scheme for all UK based employees. Details of the LTIP and a brief summary of the Sharesave Scheme are shown on pages 58 to 60. There is no current intention to make further awards under the Company's Executive Share Option Scheme.

During the year the Committee undertook a further review of the LTIP's performance conditions and concluded that the targets needed recalibrating to ensure the LTIP continued to incentivise executive management and align their interests with those of shareholders. The revised targets include stretching EPS targets to drive operating performance and adding TSR targets to drive long-term shareholder value.

Performance against targets is subject to independent third party verification.

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 and aims to avoid rewarding poor performance.

The following table provides more detail on the executive Director's 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
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

†Details of Richard Hartman's contract relate to his period as Chief Executive Officer up to 27 June 2011. Following his retirement as Chief Executive Officer, Mr Hartman became a non-executive Director engaged on a rolling letter of appointment which may be terminated by either party on one month's notice.

Other Benefits

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

External Appointments

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

Non-Executive Directors

Fees paid to non-executive Directors are determined by the Board as a whole taking account of time commitment and responsibilities. Fees cease immediately in the event of the non-executive ceasing to be a Director. Non-executive Directors are not entitled to bonuses, benefits or pension scheme contributions or to participate in any share scheme operated by the Company.

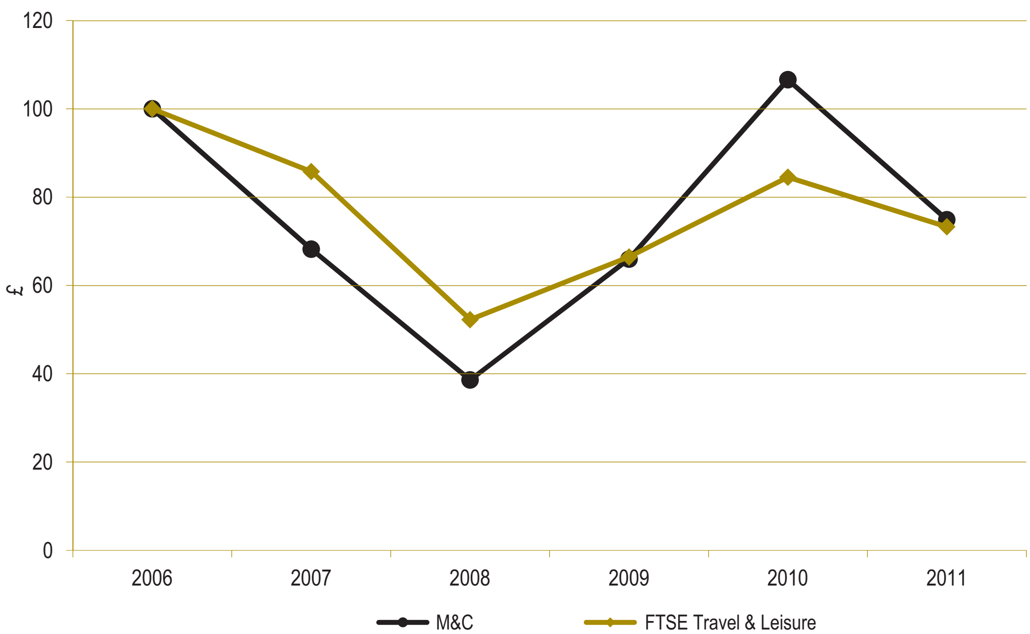
City Developments Limited nominates Kwek Leng Beng, Kwek Leng Peck and Kwek Eik Sheng as Directors under the terms of the Co-operation Agreement dated 18 April 1996, as amended.

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

Performance Graph

The graph below illustrates the performance of the Company and a broad equity market index over the past five years. As the Company is a constituent of the FTSE All Share Travel & Leisure Index, the Directors consider this index to be the most appropriate broad equity market index against which the Company's performance should be compared for these purposes. Performance is measured by Total Shareholder Return (share price growth plus dividends reinvested).

Total Shareholder Return ("TSR")



The graph shows the value, by the end of 2011, of £100 invested in ordinary 30p shares of Millennium & Copthorne Hotels plc on 31 December 2006 compared with £100 invested in the FTSE All Share Travel & Leisure Index. The other points plotted are the values at the financial year-ends.

Audited Information

Share Options

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

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

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

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

ii) Millennium & Copthorne Hotels Long-Term Incentive Plan

The Millennium & Copthorne Hotels Long-Term Incentive Plan was adopted in 2006. Under the terms of the LTIP, the Company is permitted to make both Performance Share Awards of shares worth up to a 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. LTIP awards are not subject to re-testing.

LTIP awards 2008 to 2010

The performance conditions applying to Performance Share Awards made from 2008 to 2010 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.

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%

The Committee having considered the extent to which performance conditions had been met in respect of LTIP awards made on 25 June 2008, determined that the performance conditions had not been met and the awards lapsed.

The LTIP award made on 30 March 2009 is due to vest on 30 March 2012. Based on the Company's EPS growth for the three years ended 31 December 2011, the Committee has determined that the Performance Share Awards will vest in full.

LTIP awards 2011

The Committee has revised the performance conditions applying to the LTIP. Performance Share Awards made under the LTIP from 2011 are subject to performance conditions comprising both EPS growth and relative TSR performance.

Share Options continued

EPS Performance Condition

Up to half of the Performance Share Awards will vest on the third anniversary of the award being made subject to growth of the Company's EPS achieving the targets as set out in the vesting schedule shown in the table below.

EPS growth target	Percentage of one half of an Award that vests (i.e. expressed as a percentage of one half of the total number of shares originally subject to an Award)
EPS growth of less than an average of RPI plus 4% per annum	0%
EPS growth of an average of RPI plus 4% per annum	25%
EPS growth of an average of RPI plus 4% per annum to 10% per annum	25% – 100% (pro-rated)
EPS growth of an average of RPI plus 10% per annum or more	100%

These targets are considered challenging in light of current and expected future general economic and trading conditions and provide a good balance to the relative TSR-based conditions described below.

TSR Performance Condition

The remaining half of each Performance Share Award is subject to a performance condition that compares the Company's TSR against the TSR of each company within a comparator group comprising those companies within the FTSE 250 index (excluding investment trusts) over a period of three financial years beginning with the financial year in which the Award is granted.

Up to half of the Performance Share Awards will vest on the third anniversary of the award subject to the Company's TSR over the Performance Period being at least at the median of a ranking of the TSR of the comparator group over the same period. If it is achieved, that part of an Award that is subject to the TSR Performance Condition will vest as shown in the table below:

Rank of the Company's TSR against the TSR of the members of the comparator group	Percentage of one half of an Award that vests (i.e. expressed as a percentage of one half of the total number of shares originally subject to an Award)
Below median	0%
Median	25%
Between median and upper quartile	On a straight-line basis between 25% and 100%
Upper quartile or above	100%

iii) Millennium & Copthorne Hotels Sharesave Scheme

The Company also operates the Millennium & Copthorne Hotels Sharesave Scheme which is an Inland Revenue approved scheme and under which the UK-based executive Directors and Group employees are eligible to participate. It is intended that similar plans will be launched for US-based and Singapore-based employees.

Directors' Interests in Share-based Incentives

Executive Share Option Schemes

Name of Director		Date granted	Options held at 01/01/2011	Options exercised during year	Options held at 31/12/2011	Exercise price	Dates from which options may be exercised	Expiry date
Wong Hong Ren	Unapproved	10.03.2003	32,248	32,248	–	£1.9350	10.03.2007	09.03.2013
	Unapproved	10.03.2003	91,783	91,783	–	£1.9350	10.03.2008	09.03.2013
	Unapproved	16.03.2004	44,999	44,999	–	£2.9167	16.03.2007	15.03.2014
	Unapproved	24.03.2005	75,297	75,297	–	£3.9842	24.03.2008	23.03.2015

Performance conditions attaching to these options are those specified for the 2003 Scheme as detailed on page 58.

Long-Term Incentive Awards

Name of Director	Date awarded	**Awards held at 01/01/2011**	Awards made during the year	Awards vested during the year	Awards lapsed during the year	**Awards held at 31/12/2011**	Market price of shares on date of award	Vesting date
Wong Hong Ren	25.06.2008	**86,455**	–	–	86,455	**–**	£3.5675	25.06.2011
	30.03.2009	**174,165**	–	–	–	**174,165**	£1.6950	30.03.2012
	16.09.2010	**56,936**	–	–	–	**56,936**	£5.2550	16.09.2013
	28.11.2011	**–**	256,430	–	–	**256,430**	£3.9410	28.11.2014
Richard Hartman†	25.06.2008	**237,752**	–	–	237,752	**–**	£3.5675	25.06.2011
	30.03.2009	**478,955**	–	–	–	**478,955**	£1.6950	30.03.2012

† Richard Hartman retired as Chief Executive Officer on 27 June 2011 and remains a non-executive Director of the Company. Long-term incentive awards made to Mr Hartman are unaffected by his retirement and vesting is subject to applicable performance conditions in accordance with the rules of the Long-Term Incentive Plan.

Performance conditions attaching to the Company's Long-Term Incentive Plan are as detailed on page 58.

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

Awards of share-based incentives will either be satisfied by the issue of new shares or through market purchase of shares. LTIP awards made in 2010 will be satisfied via the Millennium & Copthorne Hotels plc Employment Benefit Trust 2006 (the "EBT"). As at 31 December 2011 the EBT held 399,500 shares in trust representing approximately 0.126% of the Company's issued share capital. All awards made under the Company's share schemes conform to institutional dilution guidelines.

The market price of ordinary shares at 31 December 2011 was £4.065 and the range during the year was £3.712 to £6.005. Aggregate gains made by Directors on exercise of share options in 2011 were £564,131.52 (2010: £nil). The aggregate value of Directors' LTIP awards vesting during the year was £nil (2010: £nil).

Pensions

Richard Hartman was a member of the defined contribution section of the Millennium & Copthorne Pension Plan ("the Plan") until 31 December 2010. Accordingly, the Company did not make contributions to the Plan on Mr Hartman's behalf during 2011. Contributions made in 2010 were £110,000, being 20% of base salary.

With effect from his appointment as Chief Executive Officer, Wong Hong Ren received a cash allowance in lieu of participation in the Group's pension plans. The cash allowance is equal to 20% of base salary and is inclusive of contributions made by the Company to Singapore's Central Provident Fund ("CPF") on Mr Wong's behalf. During the year the cash allowance (including CPF contribution) amounted to £67,000.

Directors' Emoluments

	Notes	Salaries and fees 2011 £000	Bonus 2011 £000	Benefits 2011 £000	Total emoluments 2011 £000	Total emoluments 2010 £000
Executives						
Wong Hong Ren	1	**536**	**670**	**16**	**1,222**	654
Richard Hartman	5	**173**	**38**	**–**	**211**	1,133
Non-Executives						
Kwek Leng Beng (Chairman)	1, 2, 3	**219**	**–**	**–**	**219**	108
Kwek Eik Sheng (from 6 May 2011)		**29**	**–**	**–**	**29**	–
Kwek Leng Peck	1	**63**	**–**	**–**	**63**	48
Christopher Keljik		**50**	**–**	**–**	**50**	45
Shaukat Aziz		**45**	**–**	**–**	**45**	41
Alexander Waugh		**50**	**–**	**–**	**50**	41
Nicholas George		**55**	**–**	**–**	**55**	49
Ian Batey (from 15 August 2011)		**17**	**–**	**–**	**17**	–
Former directors						
Kwek Leng Joo (up to 6 May 2011)	1, 4	**39**	**–**	**–**	**39**	53
Connal Rankin (up to 27 June 2011)		**27**	**–**	**–**	**27**	49
Total		**1,303**	**708**	**16**	**2,027**	2,221

The total remuneration, including gains on the exercise of share options and the market value of vested LTIP awards of £564,000 (2010: £nil), paid to the highest paid Director, was £1,786,000 (2010: £1,133,000).

Notes

1 Salaries and fees shown are inclusive of sums receivable by the Directors from the Company and any of its subsidiary undertakings.

2 The Group owns a flat in London used by the Chairman for business purposes only.

3 In 2010, the Chairman waived £75,000 of his Director's fee which was paid in full in 2011.

4 Kwek Leng Joo continues to hold directorships in various Group subsidiaries.

5 Richard Hartman was Chief Executive Officer until 27 June 2011.

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 2011 Number of shares	31 December 2010 Number of shares
Executives		
Wong Hong Ren	**158,499**	67,834
Non-Executives		
Kwek Leng Beng (Chairman)	**–**	–
Kwek Leng Peck	**–**	–
Kwek Eik Sheng	**–**	–
Christopher Keljik	**30,464**	30,000
Shaukat Aziz	**–**	–
Alexander Waugh	**–**	–
Nicholas George	**5,000**	–
Richard Hartman	**40,000**	40,000
Ian Batey	**–**	–

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 2011 and the date of this report.

On behalf of the Board

Alexander Waugh
Chairman of the Remuneration Committee
21 February 2012

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

Directors' responsibility statement

Each of the Directors, the names of whom are set out on pages 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 21 February 2012.

Wong Hong Ren
Chief Executive Officer
21 February 2012

Report of the auditor

We have audited the financial statements of Millennium & Copthorne Hotels plc for the year ended 31 December 2011 set out on pages 67 to 140. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 63, 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, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 47, in relation to going concern;
- the part of the Corporate Governance statement on page 48 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Steve Masters (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

21 February 2012

Financial statements

Contents

Consolidated income statement

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Revenue	5	**820.5**	743.7
Cost of sales		**(318.3)**	(303.4)
Gross profit		**502.2**	440.3
Administrative expenses	6	**(361.1)**	(350.3)
Other operating income	7	**1.0**	9.3
Other operating expense	7	**(0.1)**	(5.2)
		142.0	94.1
Share of profit of joint ventures and associates	15	**37.5**	24.8
Operating profit		**179.5**	118.9
Analysed between:			
Headline operating profit		**199.8**	144.1
Net revaluation gain of investment properties	7	**0.9**	4.1
Impairment	7	**(29.9)**	(15.2)
Goodwill written-off in respect of Beijing	7	**–**	(8.1)
Redundancy costs	7	**–**	(1.7)
Separately disclosed items – share of joint ventures and associates	7	**19.5**	6.9
Interest, tax and non-controlling interests – share of joint ventures and associates	15	**(10.8)**	(11.2)
Non-operating income		**20.5**	15.6
Analysed between:			
Profit on sale and leaseback of Studio M Hotel	7	**17.4**	–
Profit on disposal of subsidiary	7	**1.7**	–
Gain arising on disposal of leasehold property	7	**1.2**	–
Gain on disposal of stapled securities in CDLHT	7	**0.2**	7.2
Gain arising in respect of step up acquisition of Beijing	7	**–**	8.4
Finance income		**5.5**	8.8
Finance expense		**(12.2)**	(14.7)
Net finance expense	9	**(6.7)**	(5.9)
Profit before tax	5	**193.3**	128.6
Income tax expense	10	**(28.2)**	(30.7)
Profit for the year		**165.1**	97.9
Attributable to:			
Equity holders of the parent		**160.9**	96.2
Non-controlling interests		**4.2**	1.7
		165.1	97.9
Basic earnings per share (pence)	11	**51.0p**	30.9p
Diluted earnings per share (pence)	11	**50.8p**	30.7p

The financial results above derive from continuing activities.

Notes on page 74 to 134 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Profit for the year		**165.1**	97.9
Other comprehensive (expense)/income:			
Foreign currency translation differences – foreign operations		**(25.8)**	97.3
Foreign currency translation differences – equity accounted investees		**(3.7)**	33.5
Net gain/(loss) on hedge of net investments in foreign operations		**3.9**	(16.9)
Defined benefit plan actuarial (losses)/gains	23	**(2.3)**	1.1
Share of associates and joint ventures other reserve movements		**(4.8)**	–
Effective portion of changes in fair value of cashflow hedges		**0.3**	(0.8)
Income tax on income and expense recognised directly in equity	10	**2.4**	(1.2)
Other comprehensive (expense)/income for the year, net of tax		**(30.0)**	113.0
Total comprehensive income for the year		**135.1**	210.9
Total comprehensive income attributable to:			
Equity holders of the parent		**129.6**	199.9
Non-controlling interests		**5.5**	11.0
Total comprehensive income for the year		**135.1**	210.9

Consolidated statement of financial position

As at 31 December 2011

	Notes	2011 £m	2010* £m
Non-current assets			
Property, plant and equipment	12	**2,044.1**	2,185.7
Lease premium prepayment	13	**47.3**	71.5
Investment properties	14	**173.9**	94.9
Investments in joint ventures and associates	15	**422.8**	396.8
Loans due from associate		**50.9**	–
Other financial assets	16	**7.8**	6.9
		2,746.8	2,755.8
Current assets			
Inventories	17	**4.0**	4.5
Development properties	18	**148.3**	103.3
Lease premium prepayment	13	**1.4**	1.8
Trade and other receivables	19	**70.1**	68.0
Loans due from associate		**18.1**	–
Cash and cash equivalents	20	**332.2**	251.9
		574.1	429.5
Total assets		**3,320.9**	3,185.3
Non-current liabilities			
Loans due to associate		**(11.8)**	–
Interest–bearing loans, bonds and borrowings	21	**(311.6)**	(323.7)
Employee benefits	23	**(17.5)**	(16.7)
Provisions	24	**(7.8)**	(8.2)
Other non-current liabilities	25	**(186.7)**	(165.1)
Deferred tax liabilities	26	**(236.4)**	(251.8)
		(771.8)	(765.5)
Current liabilities			
Interest-bearing loans, bonds and borrowings	21	**(120.8)**	(93.9)
Trade and other payables	27	**(146.0)**	(162.2)
Other current financial liabilities		**(0.9)**	(1.3)
Provisions	24	**(7.6)**	(11.7)
Income taxes payable		**(26.2)**	(32.0)
		(301.5)	(301.1)
Total liabilities		**(1,073.3)**	(1,066.6)
Net assets		**2,247.6**	2,118.7

Notes on page 74 to 134 form an integral part of these financial statements.

* Certain amounts previously included in the trade and other payables have now been represented as provisions. The comparatives have been represented accordingly. This has no impact on net assets in either 2010 or 2011.

	Note	**2011 £m**	2010 £m
Equity			
Issued share capital		**95.3**	94.0
Share premium		**844.3**	844.7
Translation reserve		**262.5**	290.4
Cash flow hedge reserve		**(0.5)**	(0.8)
Treasury share reserve	30	**(2.2)**	(2.2)
Retained earnings		**867.1**	721.4
Total equity attributable to equity holders of the parent		**2,066.5**	1,947.5
Non-controlling interests		**181.1**	171.2
Total equity		**2,247.6**	2,118.7

These financial statements were approved by the Board of Directors on 21 February 2012 and were signed on its behalf by:

Kwek Leng Beng
Chairman

Wong Hong Ren
Chief Executive Officer

Consolidated statement of changes in equity

For the year ended 31 December 2011

	Share capital £m	Share premium £m	Trans–lation reserve £m	Cash flow hedge reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding non–controlling interests £m	Non–controlling interests £m	Total equity £m
Balance at 1 January 2010	92.9	845.6	185.8	–	–	628.0	1,752.3	151.4	1,903.7
Profit	–	–	–	–	–	96.2	96.2	1.7	97.9
Total other comprehensive income	–	–	104.6	(0.8)	–	(0.1)	103.7	9.3	113.0
Total comprehensive income for the year	–	–	104.6	(0.8)	–	96.1	199.9	11.0	210.9
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends paid to equity holders	–	–	–	–	–	(19.4)	(19.4)	–	(19.4)
Issue of shares in lieu of dividends	1.1	(1.1)	–	–	–	15.3	15.3	–	15.3
Own shares purchased	–	–	–	–	(2.2)	–	(2.2)	–	(2.2)
Dividends paid – non-controlling interests	–	–	–	–	–	–	–	(2.6)	(2.6)
Share-based payment transactions (net of tax)	–	–	–	–	–	1.4	1.4	–	1.4
Share options exercised	–	0.2	–	–	–	–	0.2	–	0.2
Total contributions by and distributions to owners	1.1	(0.9)	–	–	(2.2)	(2.7)	(4.7)	(2.6)	(7.3)
Total changes in ownership interests in subsidiaries:									
Non-controlling interests arising on acquisition of 40% interest in Beijing with a change in control	–	–	–	–	–	–	–	11.4	11.4
Total transactions with owners	1.1	(0.9)	–	–	(2.2)	(2.7)	(4.7)	8.8	4.1
Balance as at 31 December 2010	94.0	844.7	290.4	(0.8)	(2.2)	721.4	1,947.5	171.2	2,118.7
Balance at 1 January 2011	**94.0**	**844.7**	**290.4**	**(0.8)**	**(2.2)**	**721.4**	**1,947.5**	**171.2**	**2,118.7**
Profit	**–**	**–**	**–**	**–**	**–**	**160.9**	**160.9**	**4.2**	**165.1**
Total other comprehensive income	**–**	**–**	**(27.9)**	**0.3**	**–**	**(3.7)**	**(31.3)**	**1.3**	**(30.0)**
Total comprehensive income for the year	**–**	**–**	**(27.9)**	**0.3**	**–**	**157.2**	**129.6**	**5.5**	**135.1**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends paid to equity holders	**–**	**–**	**–**	**–**	**–**	**(31.3)**	**(31.3)**	**–**	**(31.3)**
Issue of shares in lieu of dividends	**1.2**	**(1.2)**	**–**	**–**	**–**	**20.1**	**20.1**	**–**	**20.1**
Dividends paid – non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4.9)**	**(4.9)**
Share-based payment transactions (net of tax)	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**
Share options exercised	**0.1**	**0.8**	**–**	**–**	**–**	**–**	**0.9**	**–**	**0.9**
Contribution by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9.3**	**9.3**
Total contributions by and distributions to owners	**1.3**	**(0.4)**	**–**	**–**	**–**	**(11.5)**	**(10.6)**	**4.4**	**(6.2)**
Total transactions with owners	**1.3**	**(0.4)**	**–**	**–**	**–**	**(11.5)**	**(10.6)**	**4.4**	**(6.2)**
Balance as at 31 December 2011	**95.3**	**844.3**	**262.5**	**(0.5)**	**(2.2)**	**867.1**	**2,066.5**	**181.1**	**2,247.6**

Consolidated statement of cash flows

For the year ended 31 December 2011

	2011 £m	2010 £m
Cash flows from operating activities		
Profit for the year	**165.1**	97.9
Adjustments for:		
Depreciation and amortisation	**35.5**	32.7
Share of profit of joint ventures and associates	**(37.5)**	(24.8)
Separately disclosed items – Group	**8.5**	5.3
Equity settled share-based transactions	**1.3**	(0.8)
Finance income	**(5.5)**	(8.8)
Finance expense	**12.2**	14.7
Income tax expense	**28.2**	30.7
Operating profit before changes in working capital and provisions	**207.8**	146.9
Increase in inventories, trade and other receivables	**(3.5)**	(7.9)
Decrease/(increase) in development properties	**1.0**	(21.4)
Increase in trade and other payables	**12.4**	79.6
Decrease in provisions and employee benefits	**(1.3)**	(1.2)
Cash generated from operations	**216.4**	196.0
Interest paid	**(9.0)**	(7.0)
Interest received	**3.3**	2.0
Income tax paid	**(44.1)**	(24.1)
Net cash generated from operating activities	**166.6**	166.9
Cash flows from investing activities		
Dividends received from associate	**17.8**	15.2
Increase in loans due from associate	**(68.3)**	–
Increase in investment in associate	**(24.7)**	(20.1)
Proceeds from sale of shares in associate	**0.8**	–
Net proceeds from sale of property, plant and equipment	**78.7**	–
Acquisition of subsidiary, net of cash acquired	**–**	(12.6)
Acquisition of property, plant and equipment, lease premium prepayment and investment properties	**(107.7)**	(18.9)
Net cash used in investing activities	**(103.4)**	(36.4)
Balance carried forward	**63.2**	130.5

	2011 £m	2010 £m
Balance brought forward	**63.2**	130.5
Cash flows from financing activities		
Proceeds from issue of share capital	**0.9**	0.2
Repayment of borrowings	**(89.7)**	(90.2)
Drawdown of borrowings	**51.1**	71.1
Payment of transaction costs related to loans and borrowings	**(0.8)**	(1.3)
Repurchase of own shares	**–**	(2.2)
Dividends paid to non-controlling interests	**(4.9)**	(2.6)
Increase in loan from associate	**11.3**	–
Capital contribution from non-controlling interests	**9.3**	–
Dividends paid to equity holders of the parent	**(11.2)**	(4.1)
Net cash used in financing activities	**(34.0)**	(29.1)
Net increase in cash and cash equivalents	**29.2**	101.4
Cash and cash equivalents at the beginning of year	**251.5**	134.9
Effect of exchange rate fluctuations on cash held	**(5.4)**	15.2
Cash and cash equivalents at end of year	**275.3**	251.5
Reconciliation of cash and cash equivalents		
Cash and cash equivalents shown in the consolidated statement of financial position	**332.2**	251.9
Overdraft bank accounts included in borrowings	**(56.9)**	(0.4)
Cash and cash equivalents for cash flow statement purposes	**275.3**	251.5

Notes to the consolidated financial statements

1 Corporate information

The consolidated financial statements of the Group for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on 21 February 2012. The Company is a limited company incorporated in England and Wales whose shares are publicly traded. The registered office is located at Victoria House, Victoria Road, Horley, Surrey, RH6 7AF, United Kingdom.

2.1 Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except that investment properties and, from 1 January 2005, derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale, are stated at their fair value. Hotel properties are stated at cost or deemed cost. Deemed cost is calculated based on the hotel's frozen valuation as at 1 January 2004. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. The Group's income statement and segmental analysis separately identifies headline operating profit, other operating income and expense, non-operating income and other separately disclosed items of the Group together with separately disclosed items of joint ventures and associates. This is in accordance with 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. 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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2011.

(i) Subsidiaries

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

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

The Group's investment in its associates and joint ventures is accounted for using the equity method. An associate is an entity in which the Group has significant influence but not control over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

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

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

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

2.1 Basis of preparation continued

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 associates and joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and joint ventures and its carrying value and recognises the amount in the income statement.

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

Upon loss of joint control and provided the former jointly-controlled 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 jointly-controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in the income statement. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

(iii) Transactions eliminated on consolidation

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

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

Amendments to IAS 32 – Financial Instruments: Disclosure and Presentation

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

IAS 24 (revised 2010) – Related Party Disclosures

Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement

The adoption of these accounting standards and interpretations has not had a significant impact on the consolidated financial statements of the Group.

2.3 Summary of significant accounting policies

A Business combinations and goodwill

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

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

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

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 'Financial Instruments: Recognition and Measurement' either in the income statement or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured and its subsequent settlement shall be accounted for within equity.

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

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

B Foreign currency

(i) Foreign currency translation

The financial statements of each of the Group's businesses are prepared in the functional currency applicable to that business. Transactions in foreign currencies other than the functional currency are translated at the foreign exchange rate ruling at the date of the transaction.

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

(ii) Financial statements of foreign operations

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

(iii) Net investment in foreign operations

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

2.3 Summary of significant accounting policies continued

C Derivative financial instruments

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

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

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

D Hedges

(i) Cash flow hedges

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

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

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

(ii) Hedge of monetary assets and liabilities

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

(iii) Hedge of net investment in foreign operation

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

2.3 Summary of significant accounting policies continued

E Property, plant and 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
Software	up to 8 years
Motor vehicles	4 years

No residual values are ascribed to building surface finishes and services. Residual values ascribed to building core depend on the nature, location and tenure of each property.

(iii) Subsequent costs

Capital expenditure on major projects is recorded separately within property, plant and equipment as capital work in progress. Once the project is complete the balance is transferred to the appropriate fixed asset categories. Capital work in progress is not depreciated.

Interest attributable to funds used to finance the construction or acquisition of new hotels or major extensions to existing hotels is capitalised gross of tax relief and added to the cost of the hotel core.

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

F Leases

(i) Leased assets

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

The equivalent liability, categorised as appropriate, is included within current or non-current liabilities. Assets are depreciated over the shorter of the lease term and their useful economic lives. Finance charges are allocated to accounting periods over the period of the lease to produce constant rates of return on the outstanding balance.

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.

2.3 Summary of significant accounting policies continued

(ii) Lease premium

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

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

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

G Impairment

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

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

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

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

H Investment properties

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

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

2.3 Summary of significant accounting policies continued

property, the property is accounted for in the Group's financial statements as part of CDLHT's property, plant and equipment with the Group's share of CDLHT's results for the period incorporating an appropriate depreciation charge.

I Inventories

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

J Development properties

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

K Cash and cash equivalents

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

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

L Borrowings

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

M Income tax

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

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

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

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

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

2.3 Summary of significant accounting policies continued

N Employee benefits

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

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

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

The Group recognises actuarial gains and losses within the consolidated statement of comprehensive income in the period in which they occur.

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

(iv) Share-based payment transactions
The share-based incentive schemes allow the Group's employees to acquire shares of Millennium & Copthorne Hotels plc.

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

The cost of equity-settled transactions 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 11).

2.3 **Summary of significant accounting policies** continued

O Provisions

A provision is recognised on the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. Further details on provisions are given in note 24.

P Revenue and its recognition

Revenue comprises:

- Income from the ownership and operation of hotels – recognised at the point at which the accommodation and related services are provided;
- Management fees – earned from hotels managed by the Group, usually under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability; recognised when earned on an accrual basis under the terms of the contract;
- Franchise fees – received in connection with licensing of the Group's brand names, usually under long-term contracts with the hotel owner. The Group charges franchise royalty fees as a percentage of room revenue; recognised when earned on an accrual basis under the terms of the agreement;
- REIT manager's management fees – earned from CDLHT and recognised on an accrual basis based on the applicable formula as described in note 34;
- Income from property rental – recognised on a straight-line basis over the lease term, lease incentives granted are recognised as an integral part of the total rental income; and
- Development property sales – recognised when the significant risks and rewards of ownership have passed, which is usually when legal title transfers depending on jurisdictions.

Q Dividend distribution

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

R Operating segment information

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

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

2.3 Summary of significant accounting policies continued

S Non-current assets held-for-sale

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

T Other financial assets and liabilities

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

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

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

U Related parties

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

3 Accounting estimates and judgements

Management has discussed with the Audit Committee 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 property, plant and equipment and investment properties, investments in and loans to associates and joint ventures and development properties. The recovery of these assets is dependent on future cash flows receivable and the provision of future services or goods by third parties.

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

3 Accounting estimates and judgements continued

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 20 to 38. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Business Review on pages 25 to 33 and in the key performance indicators on pages 18 and 19. In addition, note 22 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources and plans for refinancing maturing facilities are underway.

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

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

Defined benefit pension plans

The Group operates a number of defined benefit pension plans. As set out in note 23, the calculation of the present value of the Group's defined benefit obligations at each period end is subject to significant estimation. An appropriately qualified, independent actuary is used to undertake this calculation. The assumptions made by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not necessarily be borne out in practice. The valuation of scheme assets is based on their fair value at the balance sheet date. As these assets are not intended to be sold in the short term, their values may be subject to significant change before they are realised. In reviewing the work of the independent actuary, management was required to exercise judgement to satisfy themselves that appropriate weight had been afforded to macro economics factors. Details of the assumptions used are set out in note 23.

Taxation

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

Investment in CDLHT

In 2006, the Group acquired a 39.1% interest in CDLHT, a stapled security listed on the Singapore Exchange Securities Trading Limited, comprising a hotel real estate investment trust ("REIT") and a business trust. The business trust is dormant. The Group's interest in CDLHT at 31 December 2011 was 35.2%. CDLHT is not considered to be a special purpose entity under Standing Interpretations Committee 12: Consolidation – Special Purpose Entities and the Group does not have, by virtue of its unit holdings, the power to control a majority of the voting rights of the units of CDLHT. However, as further noted in note 34, the Group acts as REIT Manager (through a wholly-owned company) under the terms of the trust deed constituting the REIT. The Directors have therefore given careful consideration to the Group's interest in and relationship with CDLHT for the purposes of assessing whether it should be consolidated in accordance with IAS 27 'Consolidation and Separate Financial Statements'.

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

3 Accounting estimates and judgements continued

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 35.2% of CDLHT units and representation on the Board of the REIT Manager, the Group equity accounts for its interest in CDLHT as an associate.

Lease backs from CDLHT

In July 2006 the Group completed the sale of long leasehold interest in three of its Singapore hotels to CDLHT, an associate and comprising a REIT and a business trust. 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 together with a conference centre. 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. The conference centre lease was for five years from July 2006 and was renewed for a further five years during 2011.

In May 2011, the Group completed the sale of the remaining term of a 99-year long leasehold interest (commencing February 2007) in the Studio M Hotel Singapore to CDLHT. The hotel was leased back for an initial term of 20 years, renewable at the Group's option for three consecutive terms totaling 50 years.

Under the terms of the master lease agreements for the four hotels acquired in 2006, and in May 2011 for the Studio M Hotel, the Group is obliged to pay CDLHT an annual rental for the duration of the term (initial and extended term) of each lease agreement comprising the following:

- A fixed rent and service charge for each hotel; and
- A variable rent computed based on the sum of 20% (30% for Studio M) of each hotel's revenue 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.

Although the Group has the option to lease each building asset for a further period of 20-50 years, there remains a substantial proportion of the asset's economic life for which the Group will not benefit from the asset. In addition, the present value of the minimum lease payments over the potential term of the 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'.

Any prepaid operating land lease income arising from the sale of the hotel is recognised on the statement of financial position as deferred income, and is amortised over the 75-year term of the lease. At 31 December 2011, an amount of £115.2m is recognised on the statement of financial position as deferred income, £113.5m in non-current liabilities and £1.7m in trade and other payables and an amount of £1.7m has been credited to the 2011 consolidated income statement.

In relation to profit recorded on disposals, and in accordance with the Group's accounting policy, unrealised gains resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. In the case of the sale and leaseback of the Studio M Hotel on 3 May 2011 to CDLHT for a cash consideration of S$154.0m (£75.7m), it gave rise to a total realised pre-tax profit from the disposal of S$35.4 (£17.4m). Total unrealised pre-tax profit from the disposal of S$19.1m (£9.4m) has been credited to the statement of financial position as investment in joint ventures and associates, arising from the Group's then 35.1% interest in the stapled securities of CDLHT.

Investment properties

The Group holds a number of investment properties and accounts for such properties in accordance with the accounting policy set out on page 79. CDLHT owns hotel assets which are leased to both the Group and external third parties with lease rentals and related charges varying according to the agreement involved. The Group accounts for such hotel assets in its financial statements in accordance with the accounting policy set out on pages 79 and 80.

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

3 **Accounting estimates and judgements** continued

not a property is owner-occupied is a matter of judgement, involving consideration of various factors such as, the length of the agreement involved, the powers of intervention and level of influence on financial and operating decisions held by the Group or CDLHT, and the extent of the Group or CDLHT's interest in the profits and cash flows generated by the relevant properties.

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

Land leases classification

The Group holds a number of hotels with leases of land that are determined to have an indefinite economic life are classified as a finance lease, even if at the end of the lease term title does not pass to the lessee. In determining the lease of land status as to finance or operating lease the following factors were considered:

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

4 New standards and interpretations not yet adopted

An EU-endorsed amendment to the standard 'Amendments to IFRS 7 Financial Instruments: Disclosures' has been issued, but is not yet effective.

The adoption of this amendment is not expected to have a significant impact on the consolidated financial statements of the Group.

5 Operating segment information

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

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

Geographical segments

The hotel and operations are managed on a worldwide basis and operate in seven principal geographical areas as follows:
- New York
- Regional US
- London
- Rest of Europe (including the Middle East)
- Singapore
- Rest of Asia
- Australasia

The segments reported reflect the operating segment information included in the internal reports that the Chief Operating Decision Maker ("CODM"), which is 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. Each operating segment has a Chief Operating Officer ("COO") or equivalent who is directly accountable for the functioning of the segment and who maintains regular contact with the Chief Executive Officer and Chairman 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.

5 Operating segment information continued

Segment results

	2011								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central costs £m	Total Group £m
Revenue									
Hotel	103.2	114.9	100.9	86.9	151.1	159.8	48.4	–	765.2
Property operations	–	1.4	–	–	2.4	44.3	7.2	–	55.3
Total revenue	103.2	116.3	100.9	86.9	153.5	204.1	55.6	–	820.5
Hotel gross operating profit	30.1	21.8	56.2	22.0	83.4	60.6	22.0	–	296.1
Hotel fixed charges[1]	(18.1)	(18.2)	(14.0)	(9.4)	(47.7)	(21.6)	(10.5)	–	(139.5)
Hotel operating profit	12.0	3.6	42.2	12.6	35.7	39.0	11.5	–	156.6
Property operations operating profit/(loss)	–	(0.8)	–	–	(0.2)	34.0	2.6	–	35.6
Central costs	–	–	–	–	–	–	–	(21.2)	(21.2)
Share of joint ventures and associates operating profit	–	–	–	–	16.1	8.5	4.2	–	28.8
Headline operating profit/(loss)	12.0	2.8	42.2	12.6	51.6	81.5	18.3	(21.2)	199.8
Add back depreciation and amortisation	4.7	7.5	5.1	3.8	1.3	9.8	2.4	0.9	35.5
Headline EBITDA[2]	16.7	10.3	47.3	16.4	52.9	91.3	20.7	(20.3)	235.3
Depreciation and amortisation									(35.5)
Share of interest, tax and non–controlling interests of joint ventures and associates									(8.4)
Net finance expense									(6.7)
Headline profit before tax									184.7
Separately disclosed items – Group[3]									(8.5)
Separately disclosed items – Share of joint ventures and associates									19.5
Separately disclosed items – Share of joint ventures and associates interest, tax and non-controlling interests									(2.4)
Profit before tax									193.3

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

2 EBITDA is earnings before interest, tax, depreciation and amortisation.

3 Included within separately disclosed items – Group is a £29.9m impairment charge. An impairment charge of £15.8m was made in relation to eight Regional UK hotels in Rest of Europe, £8.2m in relation to four hotels in Regional US, £1.0m in relation to one hotel in New Zealand and £4.4m in relation to land in India. A £0.5m impairment charge was made within Rest of Asia on interest relating to a shareholder loan to the Group's 50% investment in Bangkok.

5 Operating segment information continued

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

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

2 EBITDA is earnings before interest, tax, depreciation and amortisation.

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

5 Operating segment information continued

Segmental assets, liabilities and capital expenditure

	2011							
	New York £m	**Regional US £m**	**London £m**	**Rest of Europe £m**	**Singapore £m**	**Rest of Asia £m**	**Australasia £m**	**Total Group £m**
Hotel operating assets	**342.5**	**278.1**	**438.3**	**188.1**	**144.5**	**625.0**	**150.1**	**2,166.6**
Hotel operating liabilities	**(11.7)**	**(41.5)**	**(25.8)**	**(21.2)**	**(140.1)**	**(47.6)**	**(7.7)**	**(295.6)**
Investment in and loans due from joint ventures and associates	**–**	**–**	**–**	**–**	**174.2**	**95.0**	**63.2**	**332.4**
Loans due to associate	**–**	**–**	**–**	**–**	**–**	**(11.8)**	**–**	**(11.8)**
Total hotel operating net assets	**330.8**	**236.6**	**412.5**	**166.9**	**178.6**	**660.6**	**205.6**	**2,191.6**
Property operating assets	**–**	**28.9**	**–**	**–**	**146.8**	**81.1**	**73.5**	**330.3**
Property operating liabilities	**–**	**(0.1)**	**–**	**–**	**(69.4)**	**(0.7)**	**(0.7)**	**(70.9)**
Investments in and loans due from associate	**–**	**–**	**–**	**–**	**69.0**	**90.4**	**–**	**159.4**
Total property operating net assets	**–**	**28.8**	**–**	**–**	**146.4**	**170.8**	**72.8**	**418.8**
Deferred tax liabilities								**(236.4)**
Income taxes payable								**(26.2)**
Net debt								**(100.2)**
Net assets								**2,247.6**
Capital expenditure	**2.1**	**3.3**	**3.7**	**2.5**	**0.3**	**93.3***	**2.5**	**107.7**

* Includes £81.1m of investment property in Japan

	2010							
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
Hotel operating assets	354.2	297.3	439.7	207.7	245.2	634.9	157.1	2,336.1
Hotel operating liabilities	(9.9)	(30.5)	(22.8)	(31.1)	(153.1)	(61.3)	(9.1)	(317.8)
Investment in joint ventures and associates	–	–	–	–	173.2	92.6	62.9	328.7
Total hotel operating net assets	344.3	266.8	416.9	176.6	265.3	666.2	210.9	2,347.0
Property operating assets	–	29.0	–	–	87.6	9.8	74.1	200.5
Property operating liabilities	–	(0.1)	–	–	(42.2)	(4.4)	(0.7)	(47.4)
Investment in associate	–	–	–	–	–	68.1	–	68.1
Total property operating net assets	–	28.9	–	–	45.4	73.5	73.4	221.2
Deferred tax liabilities								(251.8)
Income taxes payable								(32.0)
Net debt								(165.7)
Net assets								2,118.7
Capital expenditure	0.4	3.8	0.9	1.7	7.7	4.7**	2.2	21.4

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

5 **Operating segment information** continued

Geographic information

	2011 £m	2010 £m
Revenue from external customers		
United States	**219.5**	219.8
Singapore	**153.4**	143.3
United Kingdom	**147.4**	141.7
New Zealand	**55.6**	53.5
Taiwan	**52.3**	51.3
South Korea	**49.3**	50.3
Malaysia (sale of land)	**44.2**	–
China	**21.2**	2.0
Germany	**20.4**	27.5
Malaysia	**16.7**	16.3
France	**15.8**	15.9
Philippines	**10.5**	9.7
Indonesia	**6.6**	5.4
Other	**7.6**	7.0
Total revenue per consolidated income statement	**820.5**	743.7

The revenue information above is based on the location of the business. The £820.5m (2010: £743.7m) revenue is constituted of £765.2m (2010: £734.0m) of hotel revenue and by £55.3m (2010: £9.7m) of property operations revenue. The property operations revenue comprises £44.2m (2010: £nil) from Malaysia, £7.2m (2010: £5.7m) from New Zealand, £2.4m (2010: £2.4m) from Singapore and other countries £1.5m (2010: £1.6m).

	2011 £m	2010 £m
Non-current assets		
United States	**632.9**	659.7
United Kingdom	**567.7**	582.6
Singapore	**426.5**	475.2
Taiwan	**237.3**	240.4
China	**197.3**	180.5
New Zealand	**156.8**	164.0
South Korea	**146.3**	144.6
Hong Kong	**95.0**	89.7
Japan	**79.8**	–
Malaysia	**67.4**	70.0
Australia	**47.2**	45.6
France	**41.6**	43.5
Philippines	**37.8**	38.7
Indonesia	**12.9**	16.1
Other	**0.3**	5.2
Total non-current assets per consolidated statement of financial position	**2,746.8**	2,755.8

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

6 Administrative expenses

The following items are included within administrative expenses:

	2011 £m	2010 £m
(a) Included in administrative expenses is the auditor's remuneration, for audit and non-audit services as follows:		
Auditor's remuneration		
Statutory audit services:		
– Annual audit of the Company and consolidated financial statements	**0.4**	0.4
– Audit of subsidiary companies	**1.3**	1.2
	1.7	1.6
Non-audit related services:		
– Further assurance services relating to accounting advice	**0.1**	0.2
– Other services relating to taxation	**0.7**	0.4
	0.8	0.6
	2.5	2.2

In addition to the above, fees in respect of the annual audit of the Millennium & Copthorne UK pension plan were £0.01m (2010: £0.01m).

	2011 £m	2010 £m
(b) Impairment (note 7)	**29.9**	15.2
(c) Repairs and maintenance	**35.9**	34.9
(d) Depreciation	**34.1**	31.3
(e) Lease premium amortisation	**1.4**	1.4
(f) Rental paid/payable under operating leases		
– land and buildings	**52.1**	45.8
– plant and machinery	**5.6**	5.6

Rental paid/payable under operating leases with regard to land and buildings includes rentals relating to the lease arrangements with CDLHT on five Singapore hotels (2010: four hotels) and a conference centre. Details of these lease arrangements and rents payable thereon are given in note 32.

7 Separately disclosed items

	Notes	2011 £m	2010 £m
Other operating income			
Revaluation gain of investment properties	(a)	**1.0**	9.3
Other operating expense			
Revaluation deficit of investment properties	(a)	**(0.1)**	(5.2)
Separately disclosed items included in administrative expenses			
Impairment	(b)	**(29.9)**	(15.2)
Goodwill written-off in respect of Beijing	(c)	**–**	(8.1)
Redundancy costs	(d)	**–**	(1.7)
		(29.9)	(25.0)
Non-operating income			
Profit on sale and leaseback of Studio M Hotel	(e)	**17.4**	–
Profit on disposal of subsidiary	(f)	**1.7**	–
Gain arising on disposal of leasehold property	(g)	**1.2**	–
Gain on disposal of stapled securities in CDLHT	(h)	**0.2**	7.2
Gain arising in respect of step up acquisition of Beijing	(c)	**–**	8.4
		20.5	15.6
Separately disclosed items – Group		**(8.5)**	(5.3)
Separately disclosed items – share of joint ventures and associates			
Revaluation gain of investment properties	(i)	**19.7**	9.2
Disposal of subsidiaries in FSCL group	(j)	**(0.2)**	(2.3)
		19.5	6.9

(a) Revaluation of investment properties

At the end of 2011, the Group's investment properties were subject to external professional valuation on an open-market existing use basis. Based on these valuations, together with such considerations as the Directors consider appropriate, the Tanglin Shopping Centre recorded an uplift in value of £1.0m, Biltmore Court & Tower recorded a decrease in value of £0.1m and Sunnyvale residences recorded no change. In 2010, the Tanglin Shopping Centre recorded an uplift in value of £9.3m whereas Biltmore Court & Tower and Sunnyvale residences recorded decreases in value of £1.9m and £3.3m, respectively.

(b) Impairment

The Directors undertook their annual review of the carrying value of hotels and property assets for indication of impairment and where appropriate, external valuations were also undertaken. As a result of this review, an impairment charge of £29.4m was made for the year ended 31 December 2011, consisting of £15.8m in relation to eight Regional UK hotels in Rest of Europe, £8.2m for four hotels in Regional US, £1.0m in relation to one hotel in New Zealand and £4.4m in relation to land in India within Rest of Asia. A £0.5m impairment charge also was made during the year ended 31 December 2011 relating to interest on a shareholder loan to the Group's 50% investment in Bangkok. For 2010, the total impairment charge was £15.2m consisting of £8.8m in relation to six Regional UK hotels, £5.8m for six hotels in Regional US and £0.6m relating to the shareholder loan and interest in the Group's 50% investment in Bangkok.

(c) Gain on acquisition of subsidiary

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

7 Separately disclosed items continued

(d) Redundancy costs

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

(e) Profit on sale and leaseback of Studio M Hotel

On 3 May 2011, the Group completed the sale and leaseback of the Studio M Hotel to its REIT associate CDLHT for cash consideration of S$154.0m (£75.7m), and this gave rise to a total realised pre-tax profit from the disposal of S$35.4m (£17.4m) which was recorded for the year ended 31 December 2011. Total unrealised pre-tax profit from the disposal is S$19.1m (£9.4m) which has been credited to the balance sheet as investment in joint ventures and associates, arising from the Group's then 35.1% interest in the stapled securities of CDLHT.

(f) Profit on disposal of subsidiary

For the year ended 31 December 2011, the Group recorded a £1.7m gain from the disposal of CDL Hotels (Phils.) Corporation, a Philippines based company principally providing management services to Grand Plaza Hotel Corporation, owner of The Heritage Hotel in the Philippines (refer to note 31 to the consolidated financial statements).

(g) Gain arising on disposal of leasehold property

Following the earthquake in Christchurch, New Zealand, the Copthorne Hotel Christchurch City was closed down by Civil Defence Emergency Management. The Copthorne Hotel Christchurch City was demolished in late 2011 and, accordingly, the net book value was fully written down in third quarter 2011. A settlement was reached with the insurers and owner on the building and assets and the funds were received in fourth quarter 2011. Consequently, £1.2m was recognised as a gain arising on disposal of leasehold property in the income statement. This gain was the difference between the compensation received and the carrying value of the leased property.

(h) Gain on disposal of stapled securities in CDLHT

In June 2011, the Group disposed of 760,000 stapled securities in CDLHT for S$1.6m (£0.8m) which net of the carrying value of the stapled securities and the dilution impact totalling S$1.2m (£0.6m) resulted in a net gain of S$0.4m (£0.2m).

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

(i) Revaluation gain of investment properties

During the year ended 31 December 2011, certain investment properties of FSCL group were transferred to development properties at fair value. At 31 December 2011, the investment properties were subject to external professional valuation on an open-market existing use basis. The Group's share of the uplift in the value of the transferred properties at the date of transfer and of the investment properties at the end of 2011 was £9.2m (2010: £4.8m).

For the year ended 31 December 2011, the Group's share of CDLHT's net revaluation surplus of investment properties was £10.5m (2010: £4.4m).

(j) Disposal of subsidiaries in FSCL

For the year ended 31 December 2011, FSCL recorded £0.2m of losses from the disposal of subsidiaries. In 2010, the £2.3m charge represents the Group's share of provision against asset write-off and legal costs in FSCL relating to the disposal of subsidiaries.

8 Personnel expenses

	2011 £m	2010 £m
Wages and salaries	**225.7**	226.9
Compulsory social security contributions	**33.5**	33.3
Contributions to defined contribution schemes	**9.9**	9.2
Defined benefit pension cost/(credit) – recorded in the statement of comprehensive income	**2.4**	(1.1)
Defined benefit pension costs – recorded in the income statement	**2.3**	2.5
Equity-settled share-based payment transactions	**1.3**	(0.8)
	275.1	270.0

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

	2011 Number	2010 Number
Hotel operating staff	**8,565**	8,960
Management/administration	**1,365**	1,219
Sales and marketing	**398**	500
Repairs and maintenance	**584**	553
	10,912	11,232

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 54 to 62.

9 Net finance expense

	2011 £m	2010 £m
Interest income	**3.7**	2.2
Interest receivable from joint ventures	**0.5**	0.5
Foreign exchange gain	**1.3**	6.1
Finance income	**5.5**	8.8
Interest expense	**(10.1)**	(8.5)
Foreign exchange loss	**(2.1)**	(6.2)
Finance expense	**(12.2)**	(14.7)
Net finance expense	**(6.7)**	(5.9)

10 Income tax expense

	2011 £m	2010 £m
Current tax		
Corporation tax charge for the year	**46.3**	29.6
Adjustment in respect of prior years	**(7.5)**	(4.5)
Total current tax expense	**38.8**	25.1
Deferred tax (note 26)		
Origination and reversal of timing differences	**(8.9)**	(5.1)
Effect of change in tax rate on opening deferred taxes	**(2.8)**	(7.4)
Benefits of tax losses recognised	**3.1**	0.2
Change in tax legislation	**–**	11.9
(Over)/under provision in respect of prior years	**(2.0)**	6.0
Total deferred tax (credit)/charge	**(10.6)**	5.6
Total income tax charge in the consolidated income statement	**28.2**	30.7
UK	**(2.0)**	7.1
Overseas	**30.2**	23.6
Total income tax charge in the consolidated income statement	**28.2**	30.7

The Group recorded a tax expense of £28.2m (2010: £30.7m) excluding the tax relating to joint ventures and associates, giving rise to an effective tax rate of 18.1% (2010: 29.6%). The effective tax rate has been affected by a number of factors which include the following items:

- Separately disclosed items of the Group;
- Sale of Kuala Lumpur land;
- Release of a dilapidation provision for the Stuttgart hotel whose lease expired on 31 August 2011;
- A change in 2010 of New Zealand tax legislation, which removed the ability to depreciate buildings for tax purposes that resulted in an increased deferred tax liability in that year;
- Reduced tax rates applied to brought forward net deferred tax liabilities in the UK and additionally for 2010 in Taiwan and New Zealand; and
- Tax adjustments in respect of previous years.

Excluding the impact of the items noted above, the Group's underlying effective tax rate is 27.7% (2010: 28.9%).

A tax charge of £5.4m (2010: £4.4m) relating to joint ventures and associates is included in the reported profit before tax.

Effect of changes in tax rates

The credit in 2011 of £2.8m (2010: £7.4m) relates to a reduction in the tax rate in the UK (2010: Taiwan, New Zealand and UK) on opening deferred taxes. With regard to the UK, a reduction to 26% in the rate applicable from 1 April 2011, and a further reduction to 25% in the rate applicable from 1 April 2012 were substantially enacted during the year and this has reduced the deferred tax liability as at 31 December 2011, now calculated at 25%.

The UK budget on 23 March 2011 also announced further annual reductions in rate by 1% to 23% by 1 April 2014. If enacted, such further reductions in rate would further reduce the future tax charge and deferred tax liabilities, the impact of which has not been fully assessed but is not anticipated to have a material impact on the financial statements.

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

10 Income tax expense continued

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

	2011 £m	2010 £m
Profit before income tax in income statement	**193.3**	128.6
Less share of profits of joint ventures and associates[1]	**(37.5)**	(24.8)
Profit on ordinary activities excluding share of joint ventures and associates	**155.8**	103.8
Income tax on ordinary activities at the standard rate of UK tax of 26.5% (2010: 28.0%)	**41.3**	29.1
Tax exempt income	**(4.4)**	(5.3)
Non-deductible expenses	**8.5**	4.8
Recognition of deferred tax on share of undistributed associate's profit	**0.6**	(0.2)
Current year losses for which no deferred tax asset was recognised	**1.1**	0.7
Unrecognised deferred tax assets	**(2.1)**	1.0
Recognition of previously unrecognised tax losses	**(0.9)**	(0.2)
Effect of tax rates on separately disclosed items	**(3.3)**	(3.0)
Other effect of tax rates in foreign jurisdictions	**(0.3)**	(2.2)
Effect of change in tax rates on opening deferred taxes	**(2.8)**	(7.4)
Changes in tax legislation	**–**	11.9
Other adjustments to tax charge in respect of prior years[2]	**(9.5)**	1.5
Income tax expense per consolidated income statement	**28.2**	30.7

1 The effective rate of tax for joint ventures and associates before separately disclosed items is 11.7% (2010: 16.9%). This is lower than the standard rate of UK tax of 26.5% (2010: 28.0%), due to lower rates of corporation tax being applicable in the jurisdictions in which the entities operate and the effects of tax exempt income.

2 Comprising £7.5m credit (2010: £4.5m credit) in respect of current tax and £2.0m credit (2010: £6.0m charge) in respect of deferred tax.

Income tax on income and expense recognised directly in equity

	2011 £m	2010 £m
Taxation credit/(expense) arising on defined benefit pension schemes	**0.6**	(0.5)
Taxation expense arising from cash flow hedging	**–**	(0.2)
Taxation credit/(expense) other	**1.8**	(0.5)
	2.4	(1.2)

11 Earnings per share

Earnings per share are calculated using the following information:

	2011	2010
(a) Basic		
Profit for year attributable to holders of the parent (£m)	**160.9**	96.2
Weighted average number of shares in issue (m)	**315.6**	311.8
Basic earnings per share (pence)	**51.0p**	30.9p
(b) Diluted		
Profit for year attributable to holders of the parent (£m)	**160.9**	96.2
Weighted average number of shares in issue (m)	**315.6**	311.8
Potentially dilutive share options under Group's share option schemes (m)	**1.3**	1.2
Weighted average number of shares in issue (diluted) (m)	**316.9**	313.0
Diluted earnings per share (pence)	**50.8p**	30.7p
(c) Headline earnings per share (pence)		
Profit for year attributable to holders of the parent (£m)	**160.9**	96.2
Adjustments for:		
Separately disclosed items – Group (net of tax and non-controlling interests) (£m)	**1.7**	(1.6)
Share of separately disclosed items of joint ventures and associates (net of tax and non-controlling interests) (£m)	**(15.7)**	(5.4)
Changes in tax rates on opening deferred tax (£m)	**(2.8)**	(7.4)
Changes in tax legislation (£m)	**–**	11.9
Adjusted profit for the year attributable to holders of the parent (£m)	**144.1**	93.7
Weighted average number of shares in issue (m)	**315.6**	311.8
Headline earnings per share (pence)	**45.7p**	30.1p
(d) Diluted headline earnings per share (pence)		
Adjusted profit for the year attributable to the holders of the parent (£m)	**144.1**	93.7
Weighted average number of shares in issue (diluted) (m)	**316.9**	313.0
Diluted headline earnings per share (pence)	**45.5p**	29.9p

12 Property, plant and equipment

	Notes	Land and buildings £m	Capital work in progress £m	Fixtures, fittings and equipment £m	Plant and machinery and vehicles £m	Total £m
Cost						
Balance at 1 January 2010		2,060.1	22.0	102.7	175.3	2,360.1
Additions		6.9	5.1	2.2	7.2	21.4
Acquisition	(a)	46.2	–	10.8	6.9	63.9
Transfers		12.2	(18.3)	1.5	4.6	–
Disposal		–	(0.2)	(5.2)	(7.2)	(12.6)
Foreign exchange adjustments		96.7	4.0	6.3	10.6	117.6
Balance at 31 December 2010		2,222.1	12.6	118.3	197.4	2,550.4
Balance at 1 January 2011		2,222.1	12.6	118.3	197.4	2,550.4
Additions		1.6	13.4	3.4	8.0	26.4
Transfer to development properties		(41.6)	–	(6.5)	(1.0)	(49.1)
Transfers		(5.2)	(9.9)	4.3	10.8	–
Disposal – to REIT		(15.0)	–	(4.9)	(5.6)	(25.5)
Disposal – other		(2.8)	–	(5.0)	(19.9)	(27.7)
Written off		–	–	(14.0)	(44.5)	(58.5)
Foreign exchange adjustments		(30.8)	(0.1)	(3.3)	(2.8)	(37.0)
Balance at 31 December 2011		**2,128.3**	**16.0**	**92.3**	**142.4**	**2,379.0**
Accumulated depreciation						
Balance at 1 January 2010		132.6	1.7	34.6	146.1	315.0
Charge for year		11.3	–	4.0	16.8	32.1
Impairment	(b)	14.6	–	–	–	14.6
Transfers		1.7	(1.7)	–	–	–
Disposal		–	–	(5.2)	(7.0)	(12.2)
Foreign exchange adjustments		3.7	–	6.2	5.3	15.2
Balance at 31 December 2010		163.9	–	39.6	161.2	364.7
Balance at 1 January 2011		163.9	–	39.6	161.2	364.7
Charge for the year		11.7	–	6.0	16.4	34.1
Impairment	(b)	28.2	1.2	–	–	29.4
Transfer to development properties		(1.1)	–	–	(1.0)	(2.1)
Transfers		0.6	–	(0.8)	0.2	–
Disposal – to REIT		–	–	(0.2)	(0.3)	(0.5)
Disposal – other		(1.3)	–	(5.0)	(19.9)	(26.2)
Written off		–	–	(14.0)	(44.5)	(58.5)
Foreign exchange adjustments		(2.3)	–	(1.6)	(2.1)	(6.0)
Balance at 31 December 2011		**199.7**	**1.2**	**24.0**	**110.0**	**334.9**
Carrying amounts						
At 31 December 2011		**1,928.6**	**14.8**	**68.3**	**32.4**	**2,044.1**
At 31 December 2010		2,058.2	12.6	78.7	36.2	2,185.7

12 Property, plant and equipment (continued)

(a) Acquisition

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

(b) Impairment

Property, plant and equipment are reviewed for impairment based on each cash generating unit ("CGU"). The CGUs are individual hotels. The carrying value of individual hotels was compared to the recoverable amount of the hotels, which was predominantly based on value-in-use. For 2011, where indicators of impairment were present, the Group estimated value-in-use through creation of discounted cash flow models, based on future trading performance expected by management. The underlying basis for the impairment model involves each hotel's projected cash flow for the financial year ending 31 December 2012, extrapolated to incorporate individual assumptions in respect of revenue growth (principally factoring in room rate and occupancy growth) and major expense lines. Where appropriate, the Directors sought guidance on value through a registered independent appraiser with an appropriately recognised professional qualification and recent experience in the location and category of the hotel being valued.

On the basis of both external and internal valuations in 2011, the Group recorded an impairment charge of £29.9m within administrative expenses as shown in note 6 which comprises a £29.4m charge relating to property, plant and equipment and a £0.5m charge relating to impairment of additional interest on the shareholder loan in the 50% owned joint venture investment in Thailand. The £29.4m impairment charge was made in relation to eight Regional UK hotels, four Regional US hotels and one New Zealand hotel all primarily as a result of reduced trading performance, and land in India following a decision not to proceed with building two hotels as a result of changing market conditions. For 2010, the Group recorded an impairment charge of £15.2m within administrative expenses which comprised £14.6m relating to six hotels in Regional UK and six hotels in Regional US and a £0.6m charge relating to impairment of the additional shareholder loan and interest in the 50% owned joint venture investment in Thailand. The 2011 impairment charge and the estimated recoverable amount was based on the properties' value in use, determined using discount rates ranging from 6.0% to 13.0% (2010: 6.5% to 14.5%).

(c) Land and buildings

Land and buildings includes long leasehold building assets with a book value of £445.0m (2010: £463.6m). The net book value of land and buildings held under short leases was £54.3m (2010: £67.9m), in respect of which depreciation of £5.7m (2010: £2.6m) was charged during the year.

Interest of £nil (2010: £nil) has been capitalised within land and buildings during the year. The cumulative capitalised interest within land and buildings is £4.4m (2010: £4.4m).

(d) Pledged assets

At year-end, the net book value of assets pledged as collateral for secured loans was £288.6m (2010: £265.3m). The security for the loans is by way of charges on the properties of Group companies concerned.

(e) Key assumptions used by the external appraisers

The key assumptions used were as follows:

Pre-tax discount rate – The discount rate is based on the country in which the hotel is located and is adjusted for risks associated with the hotel. Discount rates ranged from 9.75% to 13.0% in the US, 9.25% to 12.5% in Europe, 6.0% to 8.5% in Asia and 9.0% to 11.0% in New Zealand.

Occupancy rate – The occupancy growth rates ranged from 0% to 10% in the US, 0% to 5% in Europe, 0% to 4% in Asia and 1% to 6% in New Zealand.

Average room rate – The average room growth rates ranged from 3% to 9% in the US, 3% to 5% in Europe, 3% to 6% in Asia and 1% to 3% in New Zealand.

(f) 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 certain hotels in Regional UK, Regional US, Asia and New Zealand as their fair value currently exceeds their carrying value only by a small percentage.

13 Lease premium prepayment

	2011 £m	2010 £m
Cost		
Balance at 1 January	**76.5**	28.1
Disposal (note a)	**(26.2)**	–
Acquisition (note b)	**–**	45.0
Foreign exchange adjustments	**1.1**	3.4
Balance at 31 December	**51.4**	76.5
Amortisation		
Balance at 1 January	**3.2**	2.3
Charge for the year	**1.4**	0.6
Disposal (note a)	**(2.0)**	–
Foreign exchange adjustments	**0.1**	0.3
Balance at 31 December	**2.7**	3.2
Carrying amount	**48.7**	73.3
Analysed between:		
Amount due after more than one year included in non-current assets	**47.3**	71.5
Amount due within one year included in current assets	**1.4**	1.8
	48.7	73.3

(a) Disposal

The disposals comprise the sale of Studio M Hotel and the disposal of a leasehold interest in Copthorne Hotel Christchurch.

(b) Acquisition

The addition in 2010 represents the acquisition of leasehold land in acquiring a 70% interest in Beijing Fortune Hotel Co Ltd – refer to note 31.

14 Investment properties

Investment properties owned by the Group comprise offices and a shopping-cum-office complex, a land site allocated for the future construction of condominiums (Sunnyvale residences) and a land site in the Ginza district of Tokyo, Japan.

Movements in the year analysed as:

	2011			2010		
	Completed investment property £m	**Investment properties under construction £m**	**Total £m**	Completed investment property £m	Investment property under construction £m	Total £m
Balance at 1 January	**88.3**	**6.6**	**94.9**	73.7	9.6	83.3
Subsequent expenditure	**0.2**	**81.1**	**81.3**	–	–	–
Adjustment to fair value	**0.9**	**–**	**0.9**	7.4	(3.3)	4.1
Foreign exchange adjustment	**(1.7)**	**(1.5)**	**(3.2)**	7.2	0.3	7.5
Balance at 31 December	**87.7**	**86.2**	**173.9**	88.3	6.6	94.9

Analysed as:

	2011				2010			
		Investment properties under construction				Investment properties under construction		
	Offices and a shopping-cum-office complex £m	**Residential £m**	**Hotel £m**	**Total £m**	Offices and a shopping-cum-office complex £m	Residential £m	Hotel £m	Total £m
Completed investment property	**87.7**	**–**	**–**	**87.7**	88.3	–	–	88.3
Investment property under construction	**–**	**6.5**	**79.7**	**86.2**	–	6.6	–	6.6
Balance at 31 December	**87.7**	**6.5**	**79.7**	**173.9**	88.3	6.6	–	94.9

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 2011, 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 (SEA) Pte Ltd
Biltmore Court & Tower, Los Angeles	Sequoia Hotel Advisors, LLC
Sunnyvale residences	Sequoia Hotel Advisors, LLC

Based on these valuations, together with such considerations as the Directors consider appropriate, the Tanglin Shopping Centre recorded an uplift in value of £1.0m, Biltmore Court & Tower recorded a decrease in value of £0.1m and Sunnyvale residences recorded no change. In 2010, Tanglin Shopping Centre recorded an uplift in value of £9.3m whereas Biltmore Court & Tower and Sunnyvale residences recorded decreases in value of £1.9m and £3.3m, respectively.

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

15 Investments in joint ventures and associates

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

	Effective Group interest 2011	2010
Joint ventures		
New Unity Holdings Limited	**50.0%**	50.0%
Fena Estate Company Limited	**50.0%**	50.0%
Associates		
CDL Hospitality Trusts ("CDLHT") – see note (a) below	**35.2%**	34.9%
First Sponsor Capital Limited ("FSCL")	**39.3%**	41.2%

	Joint ventures 2011 £m	Associates 2011 £m	Total 2011 £m	Joint ventures 2010 £m	Associates 2010 £m	Total 2010 £m
Share of net assets/cost						
Balance at 1 January	**89.5**	**307.3**	**396.8**	80.3	246.1	326.4
Share of profit for the year	**6.9**	**30.6**	**37.5**	6.3	18.5	24.8
Additions (see note (b))	**–**	**24.7**	**24.7**	–	20.1	20.1
Gain on dilution of investment (see note (c))	**–**	**(0.6)**	**(0.6)**	–	7.2	7.2
Gain on revaluation of step acquisition	**–**	**–**	**–**	–	8.4	8.4
Reclassification as a subsidiary (see note (d) below)	**–**	**–**	**–**	–	(8.4)	(8.4)
Unrealised profit on sale of Studio M hotel to CDLHT (see note (e))	**–**	**(9.4)**	**(9.4)**	–	–	–
Dividends received	**–**	**(17.8)**	**(17.8)**	–	(15.2)	(15.2)
Foreign exchange adjustments	**(1.4)**	**(2.3)**	**(3.7)**	2.9	30.6	33.5
Other movements	**–**	**(4.7)**	**(4.7)**	–	–	–
Balance at 31 December	**95.0**	**327.8**	**422.8**	89.5	307.3	396.8
Share of profit for the year						
Operating profit before separately disclosed items	**13.9**	**14.9**	**28.8**	12.2	16.9	29.1
Separately disclosed items (see note (f))	**–**	**19.5**	**19.5**	–	6.9	6.9
Interest, tax and non-controlling interests	**(7.0)**	**(3.8)**	**(10.8)**	(5.9)	(5.3)	(11.2)
Analysed between:						
Interest	**–**	**(1.7)**	**(1.7)**	(0.1)	(2.9)	(3.0)
Tax	**(2.6)**	**(2.8)**	**(5.4)**	(2.1)	(2.3)	(4.4)
Non-controlling interests	**(4.4)**	**0.7**	**(3.7)**	(3.7)	(0.1)	(3.8)
	6.9	**30.6**	**37.5**	6.3	18.5	24.8

15 Investments in joint ventures and associates continued

Notes

(a) CDLHT is quoted on the Singapore Exchange Securities Trading Limited and as at 31 December 2011 its share price was S$1.545 (2010: S$2.08). For the Group's 35.2% (2010: 34.9%) interest, this equates to a market capitalisation of £258.2m (2010: £348.0m).

(b) Additions – associates
The Group received stapled units in CDLHT in lieu of payment of management fees and an acquisition fee amounting to £5.4m in 2011 (2010: £3.7m) and in 2011 invested £19.3m (2010: £16.4m) in FSCL.

(c) Gain on dilution of investment

In June 2011, the Group disposed of 760,000 stapled securities in CDLHT for S$1.6m (£0.8m) which net of the carrying value of the stapled securities and the dilution impact totalling S$1.2m (£0.6m) resulted in a gain of S$0.4m (£0.2m).

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

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

(e) On 3 May 2011, the Group completed the sale and leaseback of the Studio M Hotel to CDLHT for cash consideration of S$154.0m (£75.7m), and this gave rise to a total realised pre-tax profit from the disposal of S$35.4m (£17.4m) which was recorded for the year ended 31 December 2011. Total unrealised pre-tax profit from the disposal is S$19.1m (£9.4m) which has been credited to the balance sheet as investment in joint ventures and associates, arising from the Group's then 35.1% interest in the stapled securities of CDLHT.

(f) Separately disclosed items
During the year ended 31 December 2011, certain investment properties of FSCL were transferred to development properties at fair value. At 31 December 2011, the investment properties were subject to external professional valuation on an open-market existing use basis. The Group's share of the uplift in the value of the transferred properties and the investment properties at the end of the year was £9.2m. The Group's share of CDLHT's net revaluation surplus of investment properties was £10.5m. In addition, FSCL recorded £0.2m of losses from the disposal of subsidiaries.

For the year ended 31 December 2010, the Group's share of FSCL's and CDLHT's net revaluation surplus of investment properties was £4.8m and £4.4m, respectively. In addition, the Group's share of provision against asset write-off and legal costs in FSCL were £2.3m.

	2011 £m	2010 £m
Summary information on joint ventures – 100%		
Revenue	**99.4**	90.9
Expenses	**(85.6)**	(78.2)
Profit for the year	**13.8**	12.7
Assets		
Non-current assets	**306.1**	315.8
Current assets	**68.6**	64.1
Total assets	**374.7**	379.9
Liabilities		
Non-current liabilities	**(87.0)**	(111.6)
Current liabilities	**(36.7)**	(26.4)
Total liabilities	**(123.7)**	(138.0)
Total assets less total liabilities	**251.0**	241.9
Less non-controlling share of net assets	**(61.0)**	(62.4)
Net assets – 100%	**190.0**	179.5

15 Investments in joint ventures and associates continued

	2011 £m	2010 £m
Summary information on associates – 100%		
Revenue	**78.4**	78.4
Surplus on revaluation of investment properties	**48.3**	22.2
Other operating expense	**(0.4)**	(4.6)
Expenses	**(41.8)**	(45.1)
Profit for the year	**84.5**	50.9
Assets		
Non-current assets	**1,029.2**	906.4
Current assets	**341.4**	205.1
Total assets	**1,370.6**	1,111.5
Liabilities		
Non-current liabilities	**(281.4)**	(204.3)
Current liabilities	**(228.4)**	(75.5)
Total liabilities	**(509.8)**	(279.8)
Total assets less total liabilities	**860.8**	831.7
Less non-controlling share of net assets	**(5.9)**	(15.7)
Net assets – 100%	**854.9**	816.0

At 31 December 2011, the Group's share of the total capital commitments of joint ventures amounted to £nil (2010: £0.2m).
At 31 December 2011, the Group's joint ventures and associates had no significant contingent liabilities (2010: £nil).

16 Other financial assets

	2011 £m	2010 £m
Other financial assets included within non-current assets comprise:		
Unquoted equity investments available-for-sale	**4.6**	4.6
Deposits receivable	**3.2**	2.3
	7.8	6.9

17 Inventories

	2011 £m	2010 £m
Consumables	**4.0**	4.5

18 Development properties

	2011 £m	2010 £m
Development properties comprise:		
Development land for resale		
– New Zealand landbank	**43.7**	43.1
– Kuala Lumpur	**–**	9.1
Development property		
– Zenith	**29.5**	29.9
– Glyndebourne (redevelopment of Copthorne Orchid hotel)	**75.1**	21.2
	148.3	103.3

19 Trade and other receivables

	2011 £m	2010 £m
Trade receivables due from joint ventures and associates	**0.6**	0.6
Trade receivables	**36.0**	30.6
Other receivables	**12.6**	11.7
Prepayments and accrued income	**20.9**	25.1
	70.1	68.0

Trade receivables are shown net of an impairment allowance of £1.2m (2010: £1.1m) relating to the likely insolvencies of customers.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 22.

20 Cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and in hand	**148.3**	77.6
Short-term deposits	**183.9**	174.3
Cash and cash equivalents on the statement of financial position	**332.2**	251.9
Overdraft bank accounts included in borrowings	**(56.9)**	(0.4)
Cash and cash equivalents shown in the cash flow statement	**275.3**	251.5

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

21 Interest-bearing loans, bonds and borrowings

	2011 £m	2010 £m
Included within non-current liabilities:		
Bank loans	**172.9**	139.5
Bonds payable	**138.7**	184.2
	311.6	323.7

	2011 £m	2010 £m
Included within current liabilities:		
Bank loans and overdrafts	**78.5**	34.3
Bonds payable	**42.3**	59.6
	120.8	93.9

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

22 Financial instruments

Overview

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

- credit risk
- liquidity risk
- market risk

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

(a) Credit Risk

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

Exposure to credit risk is monitored on an ongoing basis, with credit checks 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 creditworthiness 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.

22 **Financial instruments** continued

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

	Carrying value 2011 £m	2010 £m
Cash at bank and in hand (see note 20)	**148.3**	77.6
Short-term deposits (see note 20)	**183.9**	174.3
Unquoted equity investments available-for-sale (see note 16)	**4.6**	4.6
Deposits receivable (see note 16)	**3.2**	2.3
Trade receivables (see note 19)	**36.0**	30.6
Trade receivables due from joint ventures and associates (see note 19)	**0.6**	0.6
Other receivables (see note 19)	**12.6**	11.7
Loans due from associate	**69.0**	–
	458.2	301.7

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

	Carrying value 2011 £m	2010 £m
New York	**5.5**	5.2
Regional US	**3.1**	3.3
London	**0.3**	0.3
Rest of Europe	**5.4**	6.0
Singapore	**11.8**	7.1
Rest of Asia	**7.6**	5.1
Australasia	**2.3**	3.6
Total Group	**36.0**	30.6

The ageing of trade receivables at the reporting date was:

	Gross receivable		Impairment allowance		Carrying value	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Not past due	**26.6**	16.1	**–**	–	**26.6**	16.1
Past due 0 – 30 days	**6.3**	10.8	**–**	–	**6.3**	10.8
Past due 31 – 60 days	**2.0**	3.0	**(0.5)**	–	**1.5**	3.0
Past due 61 – 90 days	**0.7**	0.9	**(0.1)**	(0.4)	**0.6**	0.5
More than 90 days	**1.6**	0.9	**(0.6)**	(0.7)	**1.0**	0.2
Total Group	**37.2**	31.7	**(1.2)**	(1.1)	**36.0**	30.6

22 Financial instruments continued

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

	2011 £m	2010 £m
Balance at 1 January	**1.1**	1.2
Impairment recognised	**0.1**	–
Written-off	**–**	(0.1)
Balance at 31 December	**1.2**	1.1

	Total £m	Contractual maturities of financial assets 2011 6 months or less £m	6 months – 1 year £m	1-5 years £m	More than 5 years £m
Financial assets					
Fixed rate:					
Sterling	**30.7**	**30.7**	**–**	**–**	**–**
US dollar	**15.1**	**15.1**	**–**	**–**	**–**
Korean won	**12.0**	**12.0**	**–**	**–**	**–**
Singapore dollar	**130.0**	**130.0**	**–**	**–**	**–**
New Taiwan dollar	**33.1**	**33.1**	**–**	**–**	**–**
Australian dollar	**11.0**	**11.0**	**–**	**–**	**–**
New Zealand dollar	**7.5**	**7.5**	**–**	**–**	**–**
Malaysian ringgit	**11.1**	**11.1**	**–**	**–**	**–**
Euro	**14.2**	**14.2**	**–**	**–**	**–**
Others	**16.7**	**16.7**	**–**	**–**	**–**
Floating rate:					
US dollar	**69.0**	**–**	**18.1**	**50.9**	**–**
Non-interest bearing:					
Sterling	**2.9**	**2.9**	**–**	**–**	**–**
US dollar	**19.1**	**14.5**	**–**	**–**	**4.6**
Singapore dollar	**26.4**	**23.2**	**–**	**0.1**	**3.1**
New Taiwan dollar	**0.6**	**0.6**	**–**	**–**	**–**
Malaysian ringgit	**1.1**	**1.1**	**–**	**–**	**–**
Euro	**2.3**	**2.3**	**–**	**–**	**–**
Others	**6.2**	**6.2**	**–**	**–**	**–**
	409.0	**332.2**	**18.1**	**51.0**	**7.7**
Represented by:					
Cash and cash equivalents	**332.2**				
Loans due from associate	**69.0**				
Other financial assets (non-current)	**7.8**				
	409.0				

22 Financial instruments continued

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

(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.

22 Financial instruments continued

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

31 December 2011	Carrying amount £m	Contractual cash flows £m	Contractual maturities of financial liabilities: 6 months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than 5 years £m
Floating rate financial liabilities							
Secured loans	**83.0**	**95.8**	**2.4**	**9.4**	**10.4**	**73.6**	**–**
Unsecured loans	**111.5**	**114.9**	**0.6**	**15.0**	**13.5**	**85.8**	**–**
Unsecured bonds	**181.0**	**183.3**	**25.5**	**18.5**	**139.3**	**–**	**–**
Bank overdrafts	**56.9**	**57.2**	**0.2**	**57.0**	**–**	**–**	**–**
Trade and other payables							
Trade payables	**21.1**	**21.1**	**21.1**	**–**	**–**	**–**	**–**
Amounts owed to associates	**3.7**	**3.7**	**3.7**	**–**	**–**	**–**	**–**
Other creditors	**16.1**	**16.1**	**16.1**	**–**	**–**	**–**	**–**
Interest rate swaps designated as cash flow hedges	**0.3**	**0.3**	**–**	**–**	**0.3**	**–**	**–**
Forward cross currency contracts designated as cash flow hedges	**0.6**	**0.6**	**–**	**–**	**0.6**	**–**	**–**
Non-current liabilities							
Loan due to associate	**11.8**	**14.2**	**0.4**	**0.4**	**0.9**	**12.5**	**–**
Other non-current liabilities	**7.0**	**7.0**	**–**	**–**	**0.8**	**5.6**	**0.6**
	493.0	**514.2**	**70.0**	**100.3**	**165.8**	**177.5**	**0.6**

31 December 2010	Carrying amount £m	Contractual cash flows £m	Contractual maturities of financial liabilities: 6 months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than 5 years £m
Floating rate financial liabilities							
Secured loans	83.9	104.9	6.3	25.8	3.7	11.0	58.1
Unsecured loans	89.5	91.4	0.5	3.6	71.0	16.3	–
Unsecured bonds	243.8	247.5	60.6	0.7	77.0	109.2	–
Bank overdrafts	0.4	0.4	–	0.4	–	–	–
Trade and other payables							
Trade payables	21.1	21.1	21.1	–	–	–	–
Amounts owed to associates	3.2	3.2	3.2	–	–	–	–
Other creditors	8.9	8.9	8.9	–	–	–	–
Interest rate swaps designated as cashflow hedges	0.5	0.5	–	0.5	–	–	–
Forward cross currency contracts designated as cashflow hedges	0.8	0.8	–	–	–	0.8	–
Non-current liabilities							
Other non-current liabilities	6.3	6.3	–	–	0.8	4.8	0.7
	458.4	485.0	100.6	31.0	152.5	142.1	58.8

22 Financial instruments continued

Undrawn committed borrowing facilities

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

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

	2011 £m	2010 £m
Expiring in one year or less	**22.3**	70.9
Expiring after more than one year but not more than two years	**69.1**	25.6
Expiring after more than two years but not more than five years	**92.9**	55.9
Total undrawn committed borrowing facilities	**184.3**	152.4

Security

Included within the Group's total bank loans and overdrafts of £251.4m (2010: £173.8m) are £83.5m (2010: £84.3m) of secured loans and overdrafts. Total bonds payable of £181.0m (2010: £243.8m) are unsecured.

Loans and bonds are secured on land and buildings with a carrying value of £288.6m (2010: £265.3m) and an assignment of insurance proceeds in respect of insurances over the mortgaged properties.

At 31 December 2011, the Group had £184.3m 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 £666.8m, £192.0m matures during 2012, comprising £37.0m committed revolving credit facilities (of which £22.3m is currently undrawn), £105.5m of uncommitted facilities and overdrafts subject to annual renewal, £42.3m unsecured bonds and £7.2m secured term loans. Plans for the refinancing of maturing facilities are underway.

(c) Market risk

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

The primary objectives of the treasury function are to provide secure and competitively priced funding for the activities of the Group and to identify and manage financial risks, including exposure to movements in interest and foreign exchange rates arising from those activities. If appropriate, the Group uses financial instruments and derivatives to manage these risks, as set out below.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on revenue, purchases, borrowings and cash deposits denominated in currencies other than the functional currencies of the respective Group entities. The currencies giving rise to this risk are primarily US dollars, Singapore dollars, New Zealand dollars, New Taiwan dollars, Korean won, Chinese renminbi, Japanese yen and Euro.

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

To mitigate foreign currency translation exposure, an appropriate proportion of net assets are designated as hedged against corresponding financial liabilities in the same currency.

Net investment hedging

The Group has US$175.0m (2010: US$213.2m) US dollar loans and S$202.0m (2010: S$208.5m) Singapore dollar loans designated as hedges of corresponding respective proportions of its net investment in foreign operations whose functional currency is US dollars and Singapore dollars. The risk being hedged is the foreign currency exposure on the carrying amount of the net assets of the foreign operation upon consolidation. The fair value of the hedging instruments as at 31 December 2011 was £210.8m (2010: £242.9m).

There was no ineffectiveness recognised in the consolidated income statement that arose from hedges of net investments in foreign operations.

22 Financial instruments continued

An analysis of borrowings by currency and their fair values as at 31 December is given below:

	31 December 2011 Book value £m	31 December 2011 Fair value £m	31 December 2010 Book value £m	31 December 2010 Fair value £m
Singapore dollar	**99.4**	**99.4**	108.2	108.2
US dollar	**177.1**	**177.1**	225.1	225.1
New Zealand dollar	**31.8**	**31.8**	24.1	24.1
Chinese renminbi	**51.7**	**51.7**	60.2	60.2
Japanese yen	**72.4**	**72.4**	–	–
	432.4	**432.4**	417.6	417.6

Exchange differences arising on foreign currency loans during each accounting period are recognised as a component of equity, to the extent that the hedge is effective. The foreign exchange exposure arising on the Group's net investment in its subsidiaries is expected to be highly effective in offsetting the exposure arising on the Group's foreign currency borrowings.

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

Hedging of transaction exposure is undertaken with approved counterparties and within designated limits, using spot or short-term forward contracts to buy or sell the currency concerned, once the timing and the underlying amount of exposure have been determined. Foreign exchange derivatives may also be used to hedge specific transaction exposure where appropriate. Further details of foreign exchange derivatives in place at 31 December 2011 are provided below.

Cash flow hedges

A number of forward cross currency swaps were executed in February 2010 to hedge the foreign currency risk in respect of the repayment in February 2013 of a US$30m loan using Korean won. This loan was extended to a subsidiary in Korea, whose functional currency is Korean won. The proceeds of the US dollar loan were converted into Korean won on inception, and the risk being hedged is the variability of the cash flow associated with the repayment of the US$30m loan principal on its maturity date in February 2013, arising from movement of Korean won against the US dollar over that three-year period.

The hedges are designated as a cash flow hedges, which are considered to be highly effective.

The carrying value of the hedging instruments is restated to its fair value at each reporting date, with the effective portion of changes in fair value since inception being taken to a cash flow hedge reserve. The gain recognised in other comprehensive income during the year in respect of the change in fair value of these hedging instruments was £0.2m (2010: £0.4m loss).

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

The following significant exchange rates applied during the year:

Sterling	Average rate 2011	Average rate 2010	Closing rate 2011	Closing rate 2010
US dollar	**1.606**	1.547	**1.572**	1.541
Singapore dollar	**2.011**	2.111	**2.030**	1.993
New Taiwan dollar	**46.979**	48.531	**46.644**	45.461
New Zealand dollar	**2.011**	2.149	**2.018**	2.021
Malaysia ringgit	**4.895**	5.004	**4.974**	4.753
Korean won	**1,771.54**	1,792.11	**1,808.82**	1,757.5
Chinese renminbi	**10.269**	10.446	**9.762**	10.132
Euro	**1.149**	1.164	**1.199**	1.172
Japanese yen	**127.259**	136.200	**121.892**	126.540

22 Financial instruments continued

Sensitivity analysis

With respect to the Group's foreign currency translation exposure, and assuming that all other variables, in particular interest rates, remain constant, it is estimated that a 10% strengthening of sterling against the following currencies at 31 December 2011 (31 December 2010: 10%) would have decreased equity and profit or loss before tax by the amounts shown below:

	31 December 2011		31 December 2010	
	Equity £m	Profit before tax £m	Equity £m	Profit before tax £m
US dollar	**(36.3)**	**0.2**	(28.3)	0.3
Singapore dollar	**(26.4)**	**(7.1)**	(26.6)	(6.2)
New Taiwan dollar	**(20.4)**	**(1.1)**	(20.4)	(1.0)
New Zealand dollar	**(17.2)**	**(1.0)**	(15.8)	(0.9)
Malaysia ringgit	**(6.4)**	**(3.9)**	(7.1)	(0.5)
Korean won	**(12.6)**	**(1.0)**	(12.5)	(1.4)
Euro	**(4.4)**	**(0.7)**	(3.8)	0.3
Chinese renminbi	**(12.7)**	**0.2**	(10.0)	0.1
Japanese yen	**(1.0)**	**0.1**	–	–
	(137.4)	**(14.3)**	(124.5)	(9.3)

A 10% weakening of sterling against the above currencies at 31 December 2011 (31 December 2010: 10%) would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk and interest rate swaps

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

The Group's policy is to maintain a mixture of its financial liabilities on a fixed and floating-rate basis with a greater emphasis on floating rates presently as this flexibility is 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, and the Group actively monitors the need and timing for such derivatives. Where used, interest rate derivatives are classified as cash flow hedges and stated at fair value within the Group's consolidated statement of financial position. Further details of interest rate derivatives in place at 31 December 2011 are provided below.

Cash flow hedges

Borrowings at floating rates expose the Group to interest rate risk. The Group has entered into a number of interest rate swaps to fix the interest relating to the payment of quarterly interest charges arising on floating rate unsecured bonds totalling US$50m, and designated these as cash flow hedges. The risk being hedged is the variability of cash flows arising from movements in interest rates. The hedges are in place until the bonds mature in March 2013. The fair value of the interest rate swaps as at 31 December 2011 was a £0.3m liability (2010: £0.5m liability).

The cash flows occur on a quarterly basis until the loan balance matures in March 2013 and the hedges are designated as cash flow hedges, which are considered to be highly effective. The carrying value of the hedging instruments is restated to its fair value at each reporting date, with the effective portion of changes in fair value since inception being taken to a cash flow hedge reserve. The gain recognised in other comprehensive income during the year in respect of the change in fair value of these hedging instruments was £0.1m (2010: £0.4m loss). There was no ineffectiveness recognised in the consolidated income statement that arose from this cash flow hedge.

22 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 2011 1% increase £m	Year ended 31 December 2011 1% decrease £m	Year ended 31 December 2010 1% increase £m	Year ended 31 December 2010 1% decrease £m
Variable rate financial assets	**2.3**	**(2.3)**	0.9	(0.9)
Variable rate financial liabilities	**(3.7)**	**3.7**	(3.6)	3.6
Cash flow sensitivity (net)	**(1.4)**	**1.4**	(2.7)	2.7

(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.

	2011 Book value £m	2011 Fair value £m	2010 Book value £m	2010 Fair value £m
Financial assets				
Cash and cash equivalents				
Cash at bank and in hand	**148.3**	**148.3**	77.6	77.6
Short-term deposits	**183.9**	**183.9**	174.3	174.3
Available for sale financial assets				
Unquoted equity investments available for sale	**4.6**	**4.6**	4.6	4.6
Loans and receivables				
Deposits receivable	**3.2**	**3.8**	2.3	3.1
Trade receivables	**36.0**	**36.0**	30.6	30.6
Trade receivables due from joint ventures and associates	**0.6**	**0.6**	0.6	0.6
Other receivables	**12.6**	**12.6**	11.7	11.7
Short-term loan due from associate	**18.1**	**18.1**	–	–
Long-term loan due from associate	**50.9**	**50.9**	–	–
	458.2	**458.8**	301.7	302.5
Financial liabilities				
Bank overdrafts	**(56.9)**	**(56.9)**	(0.4)	(0.4)
Short-term loans, bonds and borrowings	**(63.9)**	**(63.9)**	(93.5)	(93.5)
Long-term loans, bonds and borrowings	**(311.6)**	**(311.6)**	(323.7)	(323.7)
Trade payables	**(21.1)**	**(21.1)**	(21.1)	(21.1)
Amounts owed to associates	**(3.7)**	**(3.7)**	(3.2)	(3.2)
Other creditors	**(16.1)**	**(16.1)**	(8.9)	(8.9)
Long-term loan due to associate	**(11.8)**	**(11.8)**	–	–
Other non-current liabilities	**(7.0)**	**(6.8)**	(6.3)	(6.2)
Interest rate swaps designated as cash flow hedges	**(0.3)**	**(0.3)**	(0.5)	(0.5)
Forward cross currency contracts designated as cash flow hedges	**(0.6)**	**(0.6)**	(0.8)	(0.8)
	(493.0)	**(492.8)**	(458.4)	(458.3)

22 Financial instruments continued

Estimation of fair values

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

Derivatives

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

Interest-bearing loans and borrowings

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

Finance lease liabilities

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

Trade and other receivables/payables

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

Interest rates used for determining fair value

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

Available-for-sale financial assets – unquoted equity investments

Fair value is estimated using appropriate valuation techniques.

Fair value hierarchy

As at 31 December 2011, 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

22 Financial instruments continued

Assets measured at fair value	**2011 £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**
Available for sale financial assets				
Unquoted equity investments available for sale	**4.6**	**–**	**–**	**4.6**

	2010 £m	Level 1 £m	Level 2 £m	Level 3 £m
Available for sale financial assets				
Unquoted equity investments available for sale	4.6	–	–	4.6

Liabilities measured at fair value	**2011 £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**
Other current financial assets				
Interest rate swaps designated as cash flow hedges	**0.3**	**–**	**0.3**	**–**
Forward cross currency contracts designated as cash flow hedges	**0.6**	**–**	**0.6**	**–**
	0.9	**–**	**0.9**	**–**

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

During the year ended 31 December 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measures.

Capital management

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

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

23 Employee benefits

Pension arrangements

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

United Kingdom

The pension arrangements in the United Kingdom operate under the 'Millennium & Copthorne Pension Plan', which was set up in 1993. The plan operates a funded defined benefit arrangement together with a defined contribution plan, both with different categories of membership. The defined benefit section of the plan was closed to new entrants in 2001 and at the same time rights to a guaranteed minimum pension ("GMP") under the defined contribution scheme also ceased.

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 2011. The contributions of the Group during the year were 21.6% of pensionable salary, plus enhanced contributions of £1.4m per annum to reduce the Plan's deficit. At the date of these financial statements, the valuation as at 6 April 2011 was not finalised.

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.

Until the last actuarial valuation, the defined contribution plan section relating to GMP underpin had sufficient assets to meet the GMP liabilities and has not been accounted for as a defined benefit scheme under IAS 19 for periods up to and including 31 December 2010. At 31 December 2011, there is a £2.4m deficit on the £7.5m defined contribution plan assets relating to those members with a GMP. This section of the plan is now accounted for as a defined benefit scheme under IAS 19 as it exhibits the traits of a defined benefit plan. The impact of this is shown in the analysis below which in summary is to introduce £7.5m into both UK plan assets and UK plan liabilities and, additionally, to record a £2.4m actuarial loss within defined benefit losses. No prior year adjustment has been made as the amounts involved are not significant to the Group.

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 2011. The contributions of the Group were 10.7% (2010: 9.9%) 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.

At 31 December 2011, 319 members of the plan, representing approximately 60% of the total membership, chose to opt for a new defined contribution plan alternative. This resulted in £4.0m reduction in plan assets, a £3.9m reduction in plan liabilities and a curtailment loss of £0.1m.

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 2011. The contributions of the Group were 6% (2010: 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.

23 **Employee benefits** continued

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

	2011 UK	**2011 Korea**	**2011 Taiwan**	2010 UK	2010 Korea	2010 Taiwan
Inflation rate	**3.1%**	**–**	**–**	3.6%	–	–
Discount rate*	**4.7%**	**4.8%**	**1.9%**	5.4%	5.0%	1.8%
Rate of salary increase	**3.6%**	**4.0%**	**2.5%**	4.1%	4.0%	2.5%
Rate of pension increases	**3.1%**	**–**	**–**	3.6%	–	–
Annual expected return on plan assets	**5.1%**	**4.2%**	**1.8%**	6.4%	5.0%	1.8%

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 defined benefit plan assets for 2011 of 5.1% (2010: 6.4%) has been calculated using a 5.4% (2010: 6.8%) return on equity representing 63% (2010: 72%) of plan assets and a 4.7% (2010: 5.4%) return on cash and bonds representing 37% (2010: 28%) of plan assets.

* The discount rate used in respect of the UK pension scheme of 4.7% (2010: 5.4%) 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:

	2011 UK £m	**2011 Korea £m**	**2011 Taiwan £m**	**2011 Other £m**	**2011 Total £m**	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Other £m	2010 Total £m
Present value of funded obligations	**46.5**	**2.6**	**9.0**	**0.9**	**59.0**	35.9	5.8	8.9	0.9	51.5
Fair value of plan assets	**(35.5)**	**(3.0)**	**(3.0)**	**–**	**(41.5)**	(26.1)	(6.2)	(2.5)	–	(34.8)
Plan deficit/(surplus)	**11.0**	**(0.4)**	**6.0**	**0.9**	**17.5**	9.8	(0.4)	6.4	0.9	16.7

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

	2011 UK £m	**2011 Korea £m**	**2011 Taiwan £m**	**2011 Other £m**	**2011 Total £m**	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Other £m	2010 Total £m
Balance at 1 January	**35.9**	**5.8**	**8.9**	**0.9**	**51.5**	34.7	5.4	7.3	0.7	48.1
Current service cost	**0.7**	**0.9**	**0.2**	**0.2**	**2.0**	0.6	0.9	0.3	0.1	1.9
Interest cost	**1.9**	**0.2**	**0.1**	**0.1**	**2.3**	1.9	0.3	0.2	–	2.4
Benefits paid, death in service insurance premiums and expenses	**(1.3)**	**(0.6)**	**(0.1)**	**–**	**(2.0)**	(1.6)	(1.3)	(0.4)	–	(3.3)
Settlement	**–**	**(4.0)**	**–**	**–**	**(4.0)**	–	–	–	–	–
Curtailment loss	**–**	**0.1**	**–**	**–**	**0.1**	–	–	–	–	–
Actuarial losses/(gains)	**1.8**	**0.2**	**–**	**(0.1)**	**1.9**	0.3	0.2	0.6	–	1.1
Other#	**7.5**	**–**	**–**	**–**	**7.5**	–	–	–	–	–
Foreign exchange adjustments	**–**	**–**	**(0.1)**	**(0.2)**	**(0.3)**	–	0.3	0.9	0.1	1.3
Balance at 31 December	**46.5**	**2.6**	**9.0**	**0.9**	**59.0**	35.9	5.8	8.9	0.9	51.5

Refer to details on United Kingdom pension arrangements on page 117.

23 **Employee benefits** continued

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

	2011 UK £m	2011 Korea £m	2011 Taiwan £m	2011 Total £m	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Total £m
Balance at 1 January	**26.1**	**6.2**	**2.5**	**34.8**	22.2	5.7	2.1	30.0
Expected return on plan assets	**1.7**	**0.2**	**0.1**	**2.0**	1.5	0.3	–	1.8
Group contributions	**1.8**	**1.2**	**0.6**	**3.6**	1.6	1.2	0.5	3.3
Members' contributions	**0.1**	**–**	**–**	**0.1**	0.1	–	–	0.1
Benefits paid	**(1.3)**	**(0.6)**	**(0.1)**	**(2.0)**	(1.6)	(1.3)	(0.4)	(3.3)
Settlement	**–**	**(3.9)**	**–**	**(3.9)**	–	–	–	–
Experience gains	**(0.4)**	**–**	**–**	**(0.4)**	2.3	–	–	2.3
Other#	**7.5**	**–**	**–**	**7.5**	–	–	–	–
Foreign exchange adjustments	**–**	**(0.1)**	**(0.1)**	**(0.2)**	–	0.3	0.3	0.6
Balance at 31 December	**35.5**	**3.0**	**3.0**	**41.5**	26.1	6.2	2.5	34.8
Actual return on plan assets	**1.3**	**0.2**	**0.1**	**1.6**	3.8	0.3	–	4.1

Refer to details on United Kingdom pension arrangements on page 117.

The Group expects £2.5m in contributions to be paid to the defined benefit plans in 2012.

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

	2011 UK £m	2011 Korea £m	2011 Taiwan £m	2011 Total £m	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Total £m
Equities	**24.1**	**–**	**–**	**24.1**	18.7	–	–	18.7
Bonds	**11.0**	**–**	**–**	**11.0**	7.2	–	–	7.2
Cash	**0.4**	**3.0**	**3.0**	**6.4**	0.2	6.2	2.5	8.9
	35.5	**3.0**	**3.0**	**41.5**	26.1	6.2	2.5	34.8

The expense recognised in the income statement is as follows:

	2011 UK £m	2011 Korea £m	2011 Taiwan £m	2011 Other £m	2011 Total £m	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Other £m	2010 Total £m
Current service cost	**0.7**	**0.9**	**0.2**	**0.1**	**1.9**	0.6	0.9	0.3	0.1	1.9
Interest cost on obligation	**1.9**	**0.2**	**0.1**	**0.1**	**2.3**	1.9	0.3	0.2	–	2.4
Expected return on plan assets	**(1.7)**	**(0.2)**	**(0.1)**	**–**	**(2.0)**	(1.5)	(0.3)	–	–	(1.8)
Curtailment loss	**–**	**0.1**	**–**	**–**	**0.1**	–	–	–	–	–
	0.9	**1.0**	**0.2**	**0.2**	**2.3**	1.0	0.9	0.5	0.1	2.5

Total cost is recognised within the following items in the income statement:	2011 £m	2010 £m
Cost of sales	**1.1**	1.1
Administrative expenses	**1.2**	1.4
	2.3	2.5

23 Employee benefits continued

The gains or losses recognised in the consolidated statement of comprehensive income is as follows:

	2011 UK £m	**2011 Korea £m**	**2011 Taiwan £m**	**2011 Other £m**	**2011 Total £m**	2010 UK £m	2010 Korea £m	2010 Taiwan £m	2010 Other £m	2010 Total £m
Actual return less expected return on plan assets	**(0.4)**	**–**	**–**	**–**	**(0.4)**	2.3	–	–	–	2.3
Experience (losses)/gains on plan liabilities[1]	**(2.0)**	**–**	**(0.1)**	**0.1**	**(2.0)**	0.8	(0.2)	(0.1)	–	0.5
Changes in demographic and financial assumptions underlying the present value of plan liabilities	**0.2**	**(0.2)**	**0.1**	**–**	**0.1**	(1.1)	–	(0.5)	–	(1.6)
Defined benefit plan actuarial (losses)/gains	**(2.2)**	**(0.2)**	**–**	**0.1**	**(2.3)**	2.0	(0.2)	(0.6)	–	1.2

[1] The UK plan experience loss of £2.0m includes a £2.4m deficit on defined contribution plan assets referred to on page 117.

Actuarial losses recognised directly in equity are as follows:	**2011 £m**	2010 £m
Cumulative as at 1 January	**10.8**	12.0
Actuarial losses/(gains) recognised during the year	**2.3**	(1.2)
Cumulative as at 31 December	**13.1**	10.8

The principal causes for the UK Plan actuarial loss in 2011 were positive impacts from reduced inflation and a change to Consumer Prices Index net of unfavourable fall in equities and taking into account the £2.4m impact of a GMP underpin from the DC Scheme, refer to page 117. The principal cause for actuarial gains in 2010 was an increase in inflation, and falls in bond yields and equity values. Mortality rates used reflect an industry wide recognition that life expectancy has increased. The life expectancies underlying the value of the accrued liabilities for the UK Plan, based on retirement age of 65, are as follows:

	2011 Years	2010 Years
Males	**25**	25
Females	**27**	28

Trend analysis

	2011 UK £m	**2011 Korea £m**	**2011 Taiwan £m**	**2011 Other £m**	**2011 Total £m**
Present value of funded obligations	**46.5**	**2.6**	**9.0**	**0.9**	**59.0**
Fair value of plan assets	**(35.5)**	**(3.0)**	**(3.0)**	**–**	**(41.5)**
Plan deficit/(surplus)	**11.0**	**(0.4)**	**6.0**	**0.9**	**17.5**
Actuarial (losses)/gains on plan liabilities	**(1.8)**	**(0.2)**	**–**	**0.1**	**(1.9)**
Experience losses on plan assets	**(0.4)**	**–**	**–**	**–**	**(0.4)**

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

23 Employee benefits continued

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

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

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

Share-based payments

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

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

The charge to the income statement for the year was £1.3m (2010: credit of £0.8m).

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

23 Employee benefits continued

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

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

Date of Award	Awards outstanding as at 1 Jan 2011	Awards awarded during the year	Awards vested during the year*	Awards forfeited during the year	Awards expired during the year	Awards outstanding as at 31 Dec 2011	Credited to share capital £'000	Credited to share premium £'000	Vesting date
25.06.2008	507,586	–	–	(507,586)	–	–	–	–	25.06.2011
30.03.2009	1,208,807	–	–	(133,061)	–	1,075,746	–	–	30.03.2012
16.09.2010	655,042	–	(1,452)	(135,825)	–	517,765	–	–	16.09.2013
28.11.2011	–	941,126	–	–	–	941,126	–	–	28.11.2014
	2,371,435	941,126	(1,452)	(776,472)	–	2,534,637	–	–	

*No new M&C shares were issued to satisfy the vesting of the Award as treasury shares held by employee benefit trust were utilised.

(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 2011	Options exercised during the year	Options expired during the year	Options forfeited during the year	Options outstanding as at 31 Dec 2011	Proceeds on exercise of options during the year: Credited to share capital £'000	Proceeds on exercise of options during the year: Credited to share premium £'000	Exercise period
Part 1 (Approved)									
10.03.2003	1.9350	10,708	(3,000)	–	–	7,708	1	5	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	(7,529)	–	–	7,529	2	28	24.03.2008 – 23.03.2015
Part II (Unapproved)									
10.03.2003	1.9350	124,031	(124,031)	–	–	–	37	203	10.03.2006 – 09.03.2013
16.03.2004	2.9167	54,414	(44,999)	–	–	9,415	13	118	16.03.2007 – 15.03.2014
24.03.2005	3.9842	175,345	(95,377)	–	–	79,968	29	351	24.03.2008 – 23.03.2015
		389,841	(274,936)	–	–	114,905	82	705	

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

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

Date of grant of options	Exercise price per share £	Options outstanding as at 1 Jan 2011	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 2011	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										
23.03.2005	3.0800	5,579	–	–	–	(5,579)	–	–	–	01.07.2010 – 31.12.2010
19.06.2006	3.2500	19,213	–	(18,388)	–	(33)	792	6	54	01.08.2011 – 31.01.2012
26.03.2007	5.2000	7,877	–	–	–	(7,877)	–	–	–	01.07.2010 – 31.12.2010
26.03.2007	5.2000	6,798	–	–	–	(629)	6,169	–	–	01.07.2012 – 31.12.2012
20.03.2008	3.2800	29,604	–	(22,037)	(351)	(2,184)	5,032	6	66	01.07.2011 – 31.12.2011
20.03.2008	3.2800	5,529	–	(589)	–	(435)	4,505	–	2	01.07.2013 – 31.12.2013
01.04.2009	1.5400	172,626	–	(5,570)	(13,425)	(5,717)	147,914	2	7	01.08.2012 – 31.01.2013
01.04.2009	1.5400	51,415	–	(1,096)	(4,064)	(3,781)	42,474	–	2	01.08.2014 – 31.01.2015
01.04.2010	3.3000	35,970	–	(181)	(9,130)	(2,129)	24,530	–	1	01.08.2013 – 31.01.2014
01.04.2010	3.3000	8,571	–	(109)	(3,956)	(456)	4,050	–	–	01.08.2015 – 31.01.2016
19.04.2011	4.1800	–	37,411	–	(2,157)	–	35,254	–	–	01.08.2014 – 31.01.2015
19.04.2011	4.1800	–	9,120	–	–	–	9,120	–	–	01.08.2016 – 31.01.2017
		343,182	46,531	(47,970)	(33,083)	(28,820)	279,840	14	132	

23 Employee benefits continued

The weighted average share price at the date of exercise of share options in the year was £5.09 (2010: £4.65).

The options outstanding at the year end have an exercise price in the range £1.54 to £5.20 and a weighted average contractual life of 1.62 years.

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

2011 Awards/options	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 – EPS element (Directors)	28.11.2011	128,215	3.91	–	3.63	3.00	–	2.55%	–
LTIP – EPS element (non-Directors)	28.11.2011	342,348	3.91	–	3.63	3.00	–	2.55%	–
LTIP – TSR element (Directors)*	28.11.2011	128,215	3.91	–	1.28	3.00	31.0%	2.55%	0.60%
LTIP – TSR element (non-Directors)*	28.11.2011	342,348	3.91	–	1.28	3.00	31.0%	2.55%	0.60%
Sharesave Scheme (3 year)	19.04.2011	37,411	5.32	4.18	2.03	3.25	46.0%	1.88%	1.72%
Sharesave Scheme (5 year)	19.04.2011	9,120	5.32	4.18	2.18	5.25	41.0%	1.88%	2.50%

* 50% of the new LTIP options granted in 2011 are conditional upon the market performance of the Company.

2010 Awards/options	Date of grant	Awards/ options granted	Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected yield	Risk-free interest rates
LTIP – EPS element (Directors)	16.09.2010	56,936	5.25	–	5.07	3.00	–	1.19%	–
LTIP – EPS element (non-Directors)	16.09.2010	643,276	5.25	–	5.07	3.00	–	1.19%	–
Sharesave Scheme (3 year)	01.04.2010	47,025	4.90	3.30	2.24	3.25	48.0%	1.27%	1.91%
Sharesave Scheme (5 year)	01.04.2010	18,088	4.90	3.30	2.33	5.25	39.8%	1.27%	2.76%

Measurement of fair value

The LTIP and Sharesave awards, which are subject to an EPS performance condition, were valued using the Black-Scholes valuation method. The LTIP awards which are subject to a share price related performance condition (i.e. TSR) were valued using the Monte Carlo valuation method.

The option pricing model involves six variables:

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

24 Provisions

	Dilapidation £m	Legal £m	Onerous lease £m	Beijing indemnity £m	Total £m
Balance at 31 December 2010 (as previously reported)	–	–	0.6	–	0.6
Reclassification from trade and other payables	6.6	5.1	–	7.6	19.3
Balance at 1 January 2011	6.6	5.1	0.6	7.6	19.9
Additions	–	2.5	–	–	2.5
Utilised	(6.6)	(0.2)	(0.2)	–	(7.0)
Balance at 31 December 2011	**–**	**7.4**	**0.4**	**7.6**	**15.4**
Analysed as:					
Non-current provision	–	–	0.2	7.6	7.8
Current provision	–	7.4	0.2	–	7.6
	–	**7.4**	**0.4**	**7.6**	**15.4**

Provision for legal fees as at 31 December 2011 of £7.4m (2010: £5.1m) relates to disputes in several US hotels, credit card issues and management contract disagreement. The Group also provided £7.6m (2010: £7.6m) of tax indemnity to the former shareholders of Grand Millennium Hotel Beijing which it acquired an additional 40% interest in 2010. A provision for onerous contract of £0.4m (2010: £0.6m) was recognised as the expected benefits to be derived by the Group direct from the contract were lower than the unavoidable cost of meeting its obligations under the contract.

As at 31 December 2009, the provisions relating to dilapidation, legal and an onerous lease were £3.9m, £5.0m and £0.8m, respectively. Both the dilapidation and legal provisions were included in trade and other payables (see note 27) as at 31 December 2009.

25 Other non-current liabilities

	2011 £m	2010 £m
Deferred income	**179.7**	158.8
Other liabilities	**7.0**	6.3
	186.7	165.1

Note 3 (section entitled 'Lease backs from CDLHT') explains how prepaid operating land lease income is recognised as deferred income. At 31 December 2011, an amount of £115.2m (2010: £119.0m) is recognised in the statement of financial position as deferred income, £113.5m (2010: £117.3m) in non-current liabilities and £1.7m (2010: £1.7m) in trade and other payables (see note 27). In addition, at 31 December 2011 £66.2m (2010: £41.5m) was received as deposits for sale of condominiums under the redevelopment of the Copthorne Orchid Hotel which is due for completion by 2015.

26 Deferred taxation

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

	At 1 January 2011 £m	Charged/(credited) to income statement: 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 2011 £m**
Deferred tax liabilities							
Property assets[1]	274.7	(2.9)	(0.7)	(8.0)	–	(4.6)	**258.5**
Share of profits of associate	0.1	–	–	0.6	–	–	**0.7**
	274.8	(2.9)	(0.7)	(7.4)	–	(4.6)	**259.2**
Deferred tax assets							
Tax losses	(12.9)	–	(2.1)	3.1	–	0.1	**(11.8)**
Employee benefits[3]	(8.0)	0.3	(0.1)	(0.1)	1.0	0.5	**(6.4)**
Others	(2.1)	(0.2)	0.9	(1.4)	(1.8)	–	**(4.6)**
	(23.0)	0.1	(1.3)	1.6	(0.8)	0.6	**(22.8)**
Deferred tax liabilities	251.8	(2.8)	(2.0)	(5.8)	(0.8)	(4.0)	**236.4**

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

2 £2.0m of deferred tax has been credited due to under 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 £1.0m charged to reserves in 2011, there is a £0.6m credit relating to defined benefit pension schemes and a £1.6m charge 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.

	2011 £m	2010 £m
Deductible temporary differences	**(2.1)**	1.0
Tax losses	**0.2**	0.5
	(1.9)	1.5
Adjustments due to:		
– Deductible temporary differences in respect of prior year	**3.9**	4.7
– Tax losses in subsidiary acquired	**–**	3.6
– Tax losses in respect of prior year	**13.2**	10.6
	15.2	20.4

26 Deferred taxation continued

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:

	2011 £m	2010 £m
Expiry dates:		
– within 1 year	**17.9**	17.7
– after 5 years	**1.6**	2.0
– no expiry date	**53.0**	57.0
	72.5	76.7

At 31 December 2011, a deferred tax liability of £7.4m (2010: £6.3m) relating to undistributed reserves of overseas subsidiaries, associates and joint ventures of £575.1m (2010: £504.1m) has not been recognised because the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

27 Trade and other payables

	2011 £m	2010 £m
Trade payables	**21.1**	21.1
Amounts owed to associates	**3.7**	3.2
Other creditors including taxation and social security		
– Social security and other taxes	**4.6**	5.0
– Value added tax and similar sales taxes	**12.4**	11.5
– Other creditors	**16.1**	8.9
Accruals	**69.3**	103.3
Deferred income	**15.1**	13.2
Rental and other deposits	**3.7**	3.1
Deposit on sale of land	**–**	4.4
Contingent consideration	**–**	7.8
	146.0	181.5
Reclassification to provisions	**–**	(19.3)*
	146.0	162.2

* Certain amounts previously included in the trade and other payables have now been represented as provisions.

As stated in note 24, a total provision of £19.3m included in trade and other payables as accruals as at 31 December 2010 has been represented. The equivalent balance as at 31 December 2009 is £8.9m.

As explained in note 25, included in deferred income is an amount of £1.7m (2010: £1.7m) relating to prepaid operating land lease income by CDLHT.

The Group's exposure to currency and liquidity risks related to trade and other payables are disclosed in note 22.

28 Dividends

	2011 pence	2010 pence	2011 £m	2010 £m
Final ordinary dividend paid	7.92	–	24.8	–
Second interim dividend paid	–	4.17	–	12.9
Interim ordinary dividend paid	2.08	2.08	6.5	6.5
	10.00	6.25	31.3	19.4

After 31 December 2011, the Directors declared the following final and special dividends, which have not been provided for:

	2011 pence	2010 pence	2011 £m	2010 £m
Final ordinary dividend	10.42	7.92	33.1	24.8
Final special dividend	4.0	–	12.7	–

In respect of dividends paid in 2011 totalling £31.3m (2010: £19.4m), the Group offered shareholders the option of a scrip dividend. This resulted in cash dividend payments in 2011 of £11.2m (2010: £4.1m). The balance of £20.1m (2010: £15.3m) 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 dividends to be paid in 2012.

29 Share capital

	Number of 30p shares allotted, called up and fully paid
Balance at 1 January 2011	313,286,745
Issue of ordinary shares on exercise of share options	322,906
Issue of ordinary shares in lieu of dividends	3,953,479
Balance at 31 December 2011	**317,563,130**

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 394,745 ordinary shares remain outstanding and are exercisable between now and 31 January 2017 at exercise prices between £1.54 and £5.20. In addition, awards made under the LTIP up to 2,534,637 ordinary shares remain unvested and may potentially vest between 30 March 2012 and 28 November 2014.

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 418p on expiry of the savings contract.

30 Reserves

Cash flow hedge reserve

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

Translation reserve

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

Treasury share reserve

An employee benefit trust established by the Group held 399,500 shares at 31 December 2011 (2010: 400,952) to satisfy the vesting of awards under the LTIP. During the year nil shares (2010: 400,952) were purchased by the trust. At 31 December 2011, the cost of shares held by the trust was £2,175,081 (2010: £2,182,986), whilst the market value of these shares at 31 December 2011 was £1,623,967 (2010: £2,367,622). Shares held by the trust are treated as treasury shares are deducted from equity and excluded from the calculations of earnings per share.

31 Acquisition and disposal

Prior year acquisition – Beijing Fortune Hotel Co Ltd

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

No further adjustment was made during 2011 to the fair value of the assets and liabilities acquired.

Disposal of subsidiary

On 18 April 2011, the Group disposed of CDL Hotels (Phils.) Corporation, a Philippines based company principally providing management services to Grand Plaza Hotel Corporation, owner of The Heritage Hotel in the Philippines.

The net liabilities and profit on disposal were as follows:

	2011 £m
Current assets	**1.5**
Current liabilities	**(3.6)**
Net liabilities of operation disposed	**(2.1)**
Other net assets (loans)	**0.4**
Total net liabilities disposed attributable to the Group	**(1.7)**
Cash consideration (US$1.00)	**–**
Profit on disposal before taxation	**1.7**

32 Financial commitments

	2011 £m	2010 £m
(a) Capital commitments at the end of the financial year which are contracted but not provided for	**4.6**	1.7

The Group's share of the capital commitments of joint ventures and associates are shown in note 15 on page 104.

	2011 £m	2010 £m
(b) Total commitments under non-cancellable operating lease rentals are payable by the Group as follows:		
– less than one year	**25.2**	30.3
– between one and five years	**93.1**	98.0
– more than five years	**300.8**	289.2
	419.1	417.5

Included in the above are the following commitments of the Group 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 four REIT hotels (excluding the Studio M Hotel), the initial 20-year lease term that commenced in May 2011 in respect of Studio M Hotel and the fixed rental for the remaining term of a five-year lease from July 2011 in respect of a conference centre. The amounts due are as follows:

	2011 £m	2010 £m
– less than one year	**15.8**	13.5
– between one and five years	**63.2**	53.1
– more than five years	**159.5**	139.5
	238.5	206.1

(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:

	2011 £m	2010 £m
– less than one year	**1.9**	1.9
– between one and five years	**3.0**	3.0
– more than five years	**3.8**	5.8
	8.7	10.7

During the year ended 31 December 2011, £5.4m was recognised as rental income in the income statement (2010: £5.3m) and £0.5m (2010: £0.5m) in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment property.

33 Contingencies and subsequent events

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

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

34 Related parties

Identity of related parties

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

The Group has a related party relationship with its 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 Holding Pte. Ltd ("Hong Leong"), which is the ultimate holding and controlling company of Millennium & Copthorne Hotels plc and holds 55% (2010: 53%) of the Company's shares via City Developments Limited ("CDL"), the intermediate holding company of the Group. During the year ended 31 December 2011, the Group had the following transactions with those subsidiaries.

Fees paid/payable by the Group to Hong Leong Management Services Pte. Ltd ("HLMS"), a subsidiary of Hong Leong amounted to £1.0m (2010: £0.5m). At 31 December 2011, £1.5m (2010: £0.5m) of fees payable was outstanding.

The Group deposited certain surplus cash with Hong Leong Finance Limited, a subsidiary of Hong Leong, on normal commercial terms. Interest income of £0.040m (2010: £0.008m) was received during the period. As at 31 December 2011, £17.9m (2010: £15.5m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL were £1.3m (2010: £1.0m) which included rentals paid for the Grand Shanghai restaurant and Kings Centre; property management fees for the Tanglin Shopping Centre in Singapore; and car parking, leasing commission and professional services. In addition, £0.5m (2010: £1.6m) of fees were paid to CDL Management Services Pte Ltd, a subsidiary of CDL in relation to the Glyndebourne luxury condominium development in Singapore and £0.7m in relation to professional services for sale of development land in Kuala Lumpur (2010: £nil). At 31 December 2011 £nil (2010: £nil) of fees payable was outstanding.

Richfield Hospitality Inc ("RHI") a company owned 85% by City e-Solutions Limited ("CES"), a subsidiary of Hong Leong, and 15% by the Group, provided management services to the Group. A total of £0.1m (2010: £0.2m) was charged by RHI during the year and as at 31 December 2011, £0.2m (2010: £0.1m) was due to RHI. Fees for taxation services amounting to £0.01m (2010: £0.01m) were charged by CDL Hotels USA Inc., a subsidiary of the Group, to RHI.

The Group provided a total of £0.02m (2010: £0.02m) hotel management services to a joint venture company of HL Global Enterprises Limited, a subsidiary of Hong Leong. As at 31 December 2011, £nil (2010: £0.002m) was due to the Group. In addition, the Group also provided accounting and management services to CES and HLMS totalling £0.04m (2010: £0.05m).

The Group, through its wholly-owned subsidiary CDL Hotels Holdings Japan Limited acquired a land site in Ginza, Tokyo for a cost of ¥9.5bn (£79.6m) in order to construct a 325-room deluxe hotel.

In line with Group's stated intention of inviting other investors to participate in this investment, CDL was invited to participate in the investment taking into account CDL's well-established real estate development experience and knowledge of the Japanese market as well as to leverage upon the long-standing relationships of CDL and its parent company with Mitsui Fudosan Co., Ltd.

CDL's investment in the property, apart from that held separately by the Group is held through its wholly-owned subsidiary, Citydev Venture Holdings Limited, which has invested in 60.1% of the paid-up share capital of CDL Hotels Japan Pte. Ltd., the latter in turn has 49.9% interest (held through preferred equity capital) in Hong Leong Ginza TMK, the special purpose vehicle set up in Japan to hold the property. CDL's effective interest in the property, excluding the interest held through the Group is 29.99%, whilst the Group's effective interest in the property is 70.01%.

Transactions with associates and joint-ventures

In July 2006 the Group completed the sale of long leasehold interest in three of its Singapore hotels to CDL Hospitality Trusts ("CDLHT"), an associate and comprising a REIT and a business trust. 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

34 Related parties continued

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.

In May 2011 the Group completed the sale of the remaining term of a 99-year long leasehold interest (commencing February 2007) in the Studio M Hotel Singapore to CDLHT. The hotel was leased back for an initial term of 20 years, renewable at the Group's option for three consecutive terms totalling 50 years.

Under the terms of the master lease agreements for the four hotels acquired in 2006, for the Studio M hotel in May 2011, the Group is obliged to pay CDLHT an annual rental for the duration of the term (initial and extended term) of each lease agreement comprising the following:

- A fixed rent and a service charge for each hotel; and
- A variable rent computed based on the sum of 20% (30% for Studio M) of each hotel's revenue and 20% of each hotel's gross operating profit for the prevailing financial year, less the sum of the fixed rent and the service charge. Should the calculation of the variable rent yield a negative figure, the variable rent is deemed to be zero.

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

	Total 2011 £m	Total 2010 £m
Copthorne King's Hotel	**4.8**	4.2
Orchard Hotel	**13.6**	12.7
M Hotel	**8.2**	7.3
Grand Copthorne Waterfront Hotel	**12.0**	10.3
Studio M Hotel	**3.6**	–
	42.2	34.5

In addition to the lease of the five hotels mentioned above, the Group also leased a conference centre from CDLHT at a fixed rent of £0.3m (2010: £0.2m). This lease was for five years from July 2006 and has been renewed for a further five years.

A subsidiary of the Group, M&C REIT Management Limited acts as REIT Manager and Business Trust Manager with their fees having a performance-based element. The 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 was paid in stapled securities for the first five years to July 2011. Thereafter, the Manager's fees shall be payable in the form of stapled securities and/or cash as the H-REIT Manager may elect, and in such proportion as may be determined by the H-REIT Manager. In addition acquisition fees are payable, 100% in stapled securities and/or cash at a rate of 1.0% of the value of new properties deposited with H-REIT. For the relevant year Manager's fees paid in stapled securities totalled £4.6m (2010: £3.7m), acquisition fees paid in stapled units £0.8m (2010: £nil), the balance payable in cash was £1.2m (2010: £1.0m) of which £0.2m (2010: £0.2m) is outstanding at 31 December 2011. Acquisition fees of £nil (2010: £1.0m) were paid in cash. Interest receivable of £0.12m (2010: £0.04m) accrued in the year on the rent deposit paid to the REIT.

RHR Capital Pte. Ltd, a 100% subsidiary of the Group, in June and November 2011 provided shareholder loans totalling US$108.0m to FSCL, an associate. The loan attracts interest of 2.75% per annum and interest of US$0.4m (£0.25m) was accrued for in the year. Subsidiaries of FSCL provided a RMB115m (£11.8m) loan via a three-year entrustment loan agreement to Beijing Fortune Hotel Co Ltd, a 70.0% subsidiary of the Group. The loan accrues interest at 7.54% per annum and interest of £0.2m was accrued in the year.

City Hotels Pte. Ltd, a 100% subsidiary of the Group, provided a shareholder loan facility of 503m Thai Baht (£10.3m) (2010: 503m Thai Baht (£10.8m)) to Fena Estate Company Limited ("Fena"), its 50% owned joint venture. At 31 December 2011 and 31 December 2010 all of this facility was fully drawn. The loan attracts interest of 4.5% per annum (2010: 4.5% per annum) and interest of £0.5m (2010: £0.6m) was accrued for in the year. This interest is rolled up into the carrying value of the loan. The total loan outstanding, including rolled up interest, is 609.6m Thai Baht (£12.5m) (2010: 587m Thai Baht (£12.6m)).

34 Related parties continued

In addition, the Group has provided a further US$2.0m (£1.3m) (2010: US$2.0m (£1.5m)) operator loan facility to Fena which was fully drawn down at 31 December 2011. The loan attracts interest of 0.75% per annum (2010: 0.75%) which is rolled up into the carrying value of the loan. The carrying value of the loan outstanding, including rolled up interest, is US$2.050m (£1.3m) (2010: US$2.034m (£1.3m)).

Management fees were charged to Fena in respect of maintenance and other services at the Grand Millennium Sukhumvit Bangkok totalling £0.5m (2010: £0.4m) of which £0.3m (2010: £0.3m) is outstanding at 31 December 2011.

The Group provided hotel management services to Beijing Fortune; the Group's 30% owned joint venture up to 15 November 2010 when the Group acquired an additional 40% interest. From this date, the management services are no longer deemed to be related party transactions. A total of £0.5m was charged to Beijing Fortune during 2010.

The Group has a related party relationship with Mr Ali Al Zaabi, a minority shareholder of its operations in the Middle East. Expenses of £0.2m (2010: £0.2m) were charged to the Group in respect of Mr Al Zaabi's remuneration and other expenses of which £0.1m (2010: £nil) was outstanding at 31 December 2011. In addition £0.1m (2010: £0.2m) of incentive management fees and sales and marketing expenses were charged to the Kingsgate Hotel Abu Dhabi which is owned by Mr Al Zaabi of which £0.3m (2010: £0.4m) is outstanding at 31 December 2011.

Transactions with key management personnel

The beneficial interest of the Directors in the ordinary shares of the Company was 0.073% (2010: 0.044%).

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers, and contributes to a post-employment defined contribution plan depending on the date of commencement of employment. 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, LTIP and Sharesave schemes.

The key management personnel compensation is as follows:

	2011 £m	2010 £m
Short-term employee benefits	**5.0**	5.3
Other long-term benefits	**0.1**	0.1
Share-based payment	**1.3**	(0.8)
	6.4	4.6

	2011 £m	2010 £m
Directors*	**1.9**	2.4
Executives	**4.5**	2.2
	6.4	4.6

* The Directors' remuneration reported in the "Directors' Remuneration Report" on pages 54 to 62 focuses, so far as concerns pension benefits, on changes in accrued benefits rather than the income statement charge for individuals. In the context of this analysis, the amount above reflects benefits paid.

35 Significant investments

The companies listed below are those which were part of the Group at 31 December 2011 and which, in the opinion of the Directors, significantly affected the Group's results and net assets during the year. The Directors consider that those companies not listed are not significant in relation to the Group as a whole.

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

	Effective Group interest	Country of incorporation	Principal activity
Anchorage-Lakefront Limited Partnership	100%	USA	Hotel owner
Beijing Fortune Hotel Co Ltd	70%	People's Republic of China	Hotel owner and operator
Bostonian Hotel Limited Partnership	100%	USA	Hotel owner
CDL (New York) LLC	100%	USA	Hotel owner
CDL Hotels (Chelsea) Limited	100%	England and Wales	Hotel owner and operator
CDL Hotels (Korea) Ltd	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	47%	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 Ginza TMK	70%	Japan	Property owner
Hong Leong Hotel Development Limited	81%	Taiwan	Hotel owner and operator
Hong Leong Hotels Pte Ltd	100%	Cayman Islands	Investment holding company
Hospitality Group Limited	49%	New Zealand	Holding company
Hospitality Holdings Pte Ltd	100%	Singapore	Investment holding company
King's 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

35 Significant investments continued

	Effective Group interest	Country of incorporation	Principal activity
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
Joint ventures			
New Unity Holdings Limited	50%	British Virgin Islands	Investment holding company
Associates			
CDL Hospitality Trusts	35.2%	Singapore	See note below
First Sponsor Capital Limited	39.3%	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%.

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 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Tangible assets	(D)	**0.2**	–
Investments	(E)	**1,736.2**	1,718.4
		1,736.4	1,718.4
Current assets			
Amounts owed by subsidiary undertakings falling due within one year		**10.8**	50.1
Other debtors		**0.5**	0.9
Cash at bank and in hand		**33.5**	22.5
		44.8	73.5
Creditors: amounts falling due within one year	(F)	**(117.0)**	(78.6)
Net current liabilities		**(72.2)**	(5.1)
Creditors: amounts falling due after more than one year	(G)	**(579.2)**	(652.4)
Net assets		**1,085.0**	1,060.9
Capital and reserves			
Called up share capital	(H), (I)	**95.3**	94.0
Share premium account	(I)	**844.3**	844.7
Profit and loss account	(I)	**147.6**	124.4
Own share reserve	(I)	**(2.2)**	(2.2)
Shareholders' funds	(I)	**1,085.0**	1,060.9

These financial statements were approved by the Board of Directors on 21 February 2012 and were signed on its behalf by:

Kwek Leng Beng
Chairman

Wong Hong Ren
Chief Executive Officer

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 £32.8m (2010: £37.4m).

Under FRS 1 (revised) 'Cash Flow Statements', the Company is exempt from the requirement to prepare a cash flow statement as its cash flows are included within the published consolidated cash flow statement of Millennium & Copthorne Hotels plc.

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

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

Investments

In the Company's financial statements, 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.

Fixed assets – software

Computer software is capitalised if such expenditure (both internally generated and externally purchased) creates an identifiable asset, if its cost can be measured reliably and if it is probable that it will generate future economic benefits. Capitalised computer software is stated at cost, net of depreciation and any provision for impairment. Depreciation is charged on software so as to write-off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives up to a maximum of eight years.

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.

(A) Accounting policies continued

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 have 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

Where the Company is the settling entity for employees of subsidiaries who receive share-based payments, but the beneficiary of the services is the subsidiary, the Company recognises the fair value of the employee services received by the subsidiary as an increase in the investment in the subsidiary.

Dividend distribution

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

Treasury shares held by employee benefit trust

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

(B) Directors' remuneration and employees

Details of Directors' remuneration in the current and prior year are given on pages 54 to 62 of the Directors' Remuneration Report.

The Company had no employees.

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

The Company is the principal employer of the UK Group pension scheme, the Millennium & Copthorne Pension Plan, which provides benefits based on final pensionable pay. As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, the scheme has been accounted for, in these financial statements as if it were a defined contribution scheme (as permitted by FRS 17 'Retirement benefits'). Details of the plan are given in note 23 to the consolidated financial statements.

(C) Dividends

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

(D) Tangible assets

	Computer software £m
Cost at 1 January 2011	–
Additions	0.2
Cost at 31 December 2011	**0.2**

(E) Investments

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Group settled arrangements £m	Total £m
Cost and net book value at 1 January 2011	1,342.0	372.0	4.4	1,718.4
Reductions	(24.5)	–	–	(24.5)
Additions	9.8	36.6	1.1	47.5
Foreign exchange adjustments	(3.9)	(1.3)	–	(5.2)
At 31 December 2011	**1,323.4**	**407.3**	**5.5**	**1,736.2**

There were no provisions made against investments in subsidiary undertakings.

The Company's subsidiary undertakings at 31 December 2011 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

(F) Creditors: amounts falling due within one year

	2011 £m	2010 £m
Bank loans	**51.6**	–
Bonds payable	**42.3**	59.6
Amounts owed to subsidiary undertakings	**13.9**	12.3
Other payables	**1.9**	0.3
Corporation tax	**5.0**	3.7
Accruals and deferred income	**2.3**	2.7
	117.0	78.6

(G) Creditors: amounts falling due after more than one year

	2011 £m	2010 £m
Bank loans	**15.5**	70.7
Bonds payable	**138.7**	184.2
Amounts owed to subsidiary undertakings	**425.0**	397.5
	579.2	652.4

Bank loans and bonds are repayable as follows:–

	2011 £m	2010 £m
Between one and two years	**138.7**	43.2
Between two and five years	**15.5**	212.2
	154.2	255.4

(H) Share capital

	Number of 30p shares, allotted, called up and fully paid
Balance at 1 January 2011	313,286,745
Issue of ordinary shares on exercise of share options	322,906
Issue of ordinary shares in lieu of dividends	3,953,479
Balance at 31 December 2011	**317,563,130**

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 394,745 ordinary shares remain outstanding and are exercisable between now and 31 January 2017 at exercise prices between £1.54 and £5.20. In addition, awards made under the LTIP up to 2,534,637 ordinary shares remain unvested and may potentially vest between 30 March 2012 and 28 November 2014.

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 418p on expiry of the savings contract.

(I) Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium £m	Profit and loss account £m	Own share reserve £m	Total 2011 £m	Total 2010 £m
Balance at 1 January	94.0	844.7	124.4	(2.2)	**1,060.9**	1,030.0
Profit for the financial year	–	–	32.8	–	**32.8**	37.4
Dividends paid to equity holders	–	–	(31.3)	–	**(31.3)**	(4.1)
Issue of shares in lieu of dividends	1.2	(1.2)	20.1	–	**20.1**	-
Share options exercised	0.1	0.8	–	–	**0.9**	0.2
Own shares purchased	–	–	–	–	**–**	(2.2)
Share-based payment transactions (net of tax)	–	–	1.4	–	**1.4**	(0.8)
Foreign exchange adjustments	–	–	0.2	–	**0.2**	0.4
Balance at 31 December	95.3	844.3	147.6	(2.2)	**1,085.0**	1,060.9

(J) 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.

(K) 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.

(L) Related parties

For the year ended 31 December 2011, fees paid/payable by the Company to HLMS, a subsidiary of Hong Leong Investment Holdings Pte. Ltd. amounted to £1.0m (2010: £0.5m). At 31 December 2011, £1.5m (2010: £0.5m) of fees payable was outstanding.

Key operating statistics

	Year ended 2011 Reported currency	Year ended 2010 Constant currency*	Year ended 2010 Reported currency
Occupancy %			
New York	**85.5**		85.2
Regional US	**57.4**		56.7
TOTAL US	**64.4**		63.6
London	**81.5**		83.8
Rest of Europe	**69.3**		69.7
TOTAL EUROPE	**74.9**		75.9
Singapore	**86.9**		86.7
Rest of Asia	**71.0**		73.0
TOTAL ASIA	**77.4**		79.1
Australasia	**64.3**		66.3
TOTAL GROUP	**70.8**		71.4
Average Room Rate (£)			
New York	**154.86**	146.51	152.03
Regional US	**66.00**	63.25	65.64
TOTAL US	**95.24**	90.37	93.78
London	**120.10**	107.45	107.45
Rest of Europe	**71.37**	73.64	73.22
TOTAL EUROPE	**95.58**	90.15	89.93
Singapore	**109.54**	98.53	93.84
Rest of Asia	**81.10**	78.77	77.45
TOTAL ASIA	**93.83**	88.53	85.55
Australasia	**58.38**	55.52	51.96
TOTAL GROUP	**91.48**	85.85	85.52
Rev PAR (£)			
New York	**132.44**	124.83	129.53
Regional US	**37.91**	35.87	37.22
TOTAL US	**61.33**	57.51	59.64
London	**97.92**	90.02	90.04
Rest of Europe	**49.44**	51.32	51.03
TOTAL EUROPE	**71.55**	68.45	68.26
Singapore	**95.20**	85.41	81.36
Rest of Asia	**57.60**	57.47	56.54
TOTAL ASIA	**72.58**	70.07	67.67
Australasia	**37.56**	36.80	34.45
TOTAL GROUP	**64.81**	61.28	61.06
Gross Operating Profit Margin (%)			
New York	**29.2**		27.8
Regional US	**19.0**		17.2
TOTAL US	**23.8**		22.2
London	**55.7**		53.6
Rest of Europe	**25.3**		26.7
TOTAL EUROPE	**41.6**		40.1
Singapore	**55.2**		54.0
Rest of Asia	**37.9**		39.1
TOTAL ASIA	**46.3**		46.6
Australasia	**45.5**		37.9
TOTAL GROUP	**38.7**		37.1

* For comparability, the 31 December 2010 Average Room Rate and RevPAR have been translated at average exchange rates for the year ended 31 December 2011.

Group financial record

INCOME STATEMENT	2011 £m	2010 £m	Restated 2009 £m	Restated 2008 £m	Restated 2007 £m
Revenue	**820.5**	743.7	654.0	702.9	669.6
Group operating profit	**179.5**	118.9	89.2	81.4	166.4
Non-operating income	**20.5**	15.6	–	31.4	5.1
Net finance expense	**(6.7)**	(5.9)	(7.3)	(10.0)	(14.1)
Income tax (expense)/credit	**(28.2)**	(30.7)	(7.3)	(31.9)	2.1
Profit for the year	**165.1**	97.9	74.6	70.9	159.5

CASH FLOW					
Cash generated from operations	**216.4**	196.0	111.2	147.1	160.2

STATEMENT OF FINANCIAL POSITION	2011 £m	2010 £m	Restated 2009 £m	Restated 2008 £m	2007 £m
Property, plant, equipment and lease premium prepayment	**2,091.4**	2,257.2	2,070.3	2,164.3	1,799.0
Investment properties	**173.9**	94.9	83.3	79.3	58.2
Investments and loans in joint ventures and associates	**422.8**	396.8	326.4	338.7	253.0
Loans due from associate	**50.9**	–	–	–	–
Other financial assets	**7.8**	6.9	6.4	6.7	4.8
Non-current assets	**2,746.8**	2,755.8	2,486.4	2,589.0	2,115.0
Current assets excluding cash	**241.9**	177.6	133.2	131.5	142.9
Borrowings net of cash	**(100.2)**	(165.7)	(202.5)	(285.1)	(262.1)
Deferred tax liabilities	**(236.4)**	(251.8)	(230.6)	(258.1)	(205.8)
Provisions and other liabilities	**(404.5)**	(397.2)	(282.8)	(296.4)	(236.3)
NET ASSETS	**2,247.6**	2,118.7	1,903.7	1,880.9	1,553.7
Share capital and share premium	**939.6**	938.7	938.5	938.4	937.7
Reserves	**1,126.9**	1,008.8	813.8	799.1	485.8
Total equity attributable to equity holders	**2,066.5**	1,947.5	1,752.3	1,737.5	1,423.5
Non-controlling interests	**181.1**	171.2	151.4	143.4	130.2
TOTAL EQUITY	**2,247.6**	2,118.7	1,903.7	1,880.9	1,553.7

KEY OPERATING STATISTICS	2011	2010	2009	2008	2007
Gearing	**5%**	9%	12%	16%	18%
Earnings per share	**51.0p**	30.9p	22.9p	21.3p	50.7p
Dividends per share[1]	**16.5p**	10.0p	6.25p	6.25p	12.50p
Hotel gross operating profit margin	**38.7%**	37.1%	34.2%	38.2%	38.3%
Occupancy	**70.8%**	71.4%	68.3%	71.2%	74.1%
Average room rate	**£91.48**	£85.52	£78.51	£80.32	£71.74
RevPAR	**£64.81**	£61.06	£53.62	£57.19	£53.16

1 Dividends per share includes ordinary dividends and special dividends

Major group properties

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Asia				
Grand Millennium Beijing Fortune Plaza, 7 Dongsanhuan Middle Road Chaoyang District, Beijing 100020 PRC	Leasehold to year 2046 (hotel) Leasehold to year 2056 (underground car park)	9,268	507	70
Hotel Nikko Hong Kong 72 Mody Road, Tsimshatsui East Kowloon, Hong Kong	75-year term from 28.11.1984 and may be renewable for a further 75 years	2,850	463	50
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	26
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	401	80
Millennium Seoul Hilton 395 Namdaemun-ro 5-Ga, Chung-gu, Seoul, South Korea	Freehold	18,760	679	100
Copthorne Orchid Hotel Penang Tanjung Bungah, 11200 Penang, Malaysia	Freehold	10,329	307	100
Grand Millennium Kuala Lumpur 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	Freehold	7,620	459	100
The Heritage Hotel Manila Roxas Boulevard at corner of EDSA Pasay City, Metropolitan Manila, Philippines	Fee simple	9,888	450	66
Grand Hyatt Taipei Taipei World Trade Centre Sung Shou Road, Taipei, Taiwan	50-year term extendable for another 30 years wef 07.03.1990	14,317	852	81
Grand Millennium Sukhumvit Bangkok Sukhumvit Soi 21, Asoke Road Bangkok, Thailand	30-year term from 02.02.2005 with option to renew for a further term of 30 years	5,053	325	50

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Europe				
Copthorne Hotel Aberdeen 122 Huntly Street, Aberdeen, AB10 1SU, Scotland	Freehold	1,302	87	83
Copthorne Hotel Birmingham Paradise Circus, Birmingham B3 3HJ, England	Freehold	2,188	211	100
Copthorne Hotel Cardiff-Caerdydd Copthorne Way, Culverhouse Cross, Cardiff CF5 6DH, Wales	Freehold	26,305	135	100
Copthorne Hotel Effingham Gatwick West Park Road, Copthorne, West Sussex RH10 3EU, England	Freehold	161,878	122	100
Copthorne Hotel London Gatwick Copthorne Way, Copthorne, West Sussex RH10 3PG, England	Freehold	404,694	227	100
Copthorne Hotel Hannover Würzburger Strasse 21, 30800 Hannover- Laatzen, Germany	Short leasehold to year 2014	13,165	222	100
Copthorne Hotel Manchester Clippers Quay, Salford Quays Manchester M50 3SN, England	Leasehold to year 2135	9,800	166	100
Copthorne Hotel Merry Hill-Dudley The Waterfront, Level Street, Brierley Hill, Dudley, West Midlands DY5 1UR, England	Freehold	13,734	138	100
Copthorne Hotel Newcastle The Close, Quayside, Newcastle upon Tyne NE1 3RT, England	Freehold	9,200	156	94
Copthorne Hotel Plymouth Armada Way, Plymouth PL1 1AR, England	Leasehold to year 2110	1,853	135	100
Copthorne Hotel Slough-Windsor Cippenham Lane, Slough, Berkshire SL1 2YE, England	Freehold	6,880	219	100
Copthorne Tara Hotel London Kensington Scarsdale Place, Kensington, London W8 5SR, England	Freehold	7,535	833	100
Millennium Bailey's Hotel London Kensington 140 Gloucester Road, London SW7 4QH, England	Freehold	1,923	211	100
Millennium Gloucester Hotel & Conference Centre London Kensington Harrington Gardens London SW7 4LH, England	Freehold	6,348	610	100

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Europe (continued)				
Millennium Hotel Glasgow George Square, Glasgow G2 1DS, Scotland	Leasehold to year 2109	9,398	117	100
Millennium Hotel London Knightsbridge 17 Sloane Street, Knightsbridge, London SW1X 9NU, England	Leasehold to year 2091	809	222	100
Millennium Hotel London Mayfair Grosvenor Square, Mayfair, London W1K 2HP, England	Leasehold to year 2096	4,260	336	100
Millennium Hotel Paris Opéra 12 Boulevard Haussmann, 75009 Paris, France	Freehold	1,093	163	100
Millennium Hotel Paris Charles de Gaulle Zone Hoteliere, Allée du Verger, 95700 Roissy-en-France, France	Freehold	11,657	239	100
North America				
Millennium Alaskan Hotel Anchorage 4800 Spenard Road, Anchorage, AK 99517, USA	Freehold	20,639	248	100
Millennium Biltmore Hotel Los Angeles 506 South Grand Avenue, Los Angeles, CA 90071, USA	Freehold	11,331	683	100
Millennium Bostonian Hotel Boston 26 North Street At Faneuil Hall Marketplace, Boston MA 02109, USA	Freehold	2,796	201	100
Millennium Harvest House Boulder 1345 28th Street Boulder, CO 80302, USA	Freehold	64,019	269	100
Millennium Hotel Buffalo 2040 Walden Avenue Buffalo, NY 14225, USA	Leased to year 2022 (with one 10-year option)	31,726	300	100
Millennium Knickerbocker Hotel Chicago 163 East Walton Place, Chicago, IL 60611, USA	Freehold	2,007	306	100
Millennium Hotel Cincinnati 150 West Fifth Street, Cincinnati, OH 45202, USA	Freehold	6,839	872	100
Millennium Hotel Durham 2800 Campus Walk Avenue, Durham, NC 27705, USA	Freehold	42,814	316	100

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
North America (continued)				
Millennium Hotel Minneapolis 1313 Nicollet Mall, Minneapolis, MN 55403, USA	Leased to year 2030	4,537	321	100
Millennium Maxwell House Nashville 2025 Rosa L. Parks Boulevard, Nashville TN 37228, USA	Leased to year 2030 (with two 10-year options)	36,421	287	100
Millennium Broadway Hotel Times Square New York 145 West 44th Street, New York, NY10036, USA	Freehold	2,122	750	100
Millennium UN Plaza Hotel United Nations New York 1 UN Plaza, 44th Street at 1st Avenue, New York 10017, USA	East tower freehold/ West tower leased to year 2079	4,554	438	100
Millennium Hotel St. Louis 200 South 4th Street, St Louis, MO 63102-1804, USA	Freehold	17,033	780	100
Millennium Scottsdale Resort and Villas 7401 North Scottsdale Road, Scottsdale, AZ 85208, USA	Leased to year 2033 (with two 10-year options)	32,819	125	100
Millenium Hilton 55 Church Street, New York, NY 10007, USA	Freehold	1,680	569	100
Maingate Lakeside Resort 7769 W Irlo Bronson Memorial Highway, Kissimmee, FL 34747, USA	Freehold	93,796	475	100
Comfort Inn Vail/Beaver Creek 161 West Beaver Creek Boulevard, Avon, CO 81620, USA	Freehold	11,209	146	100
Eldorado Hotel & Spa 309 West San Francisco Street, Santa Fe, NM 87501, USA	Indirect interest	7,349	219	20
Pine Lake Trout Club 17021 Chillicothe Road, Chagrin Falls OH 44023, USA	Freehold	331,121	6	100

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Australasia				
Copthorne Hotel Auckland City 150 Anzac Avenue Auckland, New Zealand	Perpetual/Leasehold Land	2,495	110	49
Copthorne Hotel Auckland Harbour City 196-200 Quay Street Auckland, New Zealand	Freehold	2,407	187	70
Copthorne Hotel Christchurch Central 776 Colombo Street, Christchurch, New Zealand	Freehold	2,154	142	70
Copthorne Hotel & Resort Bay of Islands Tau Henare Drive, Paihia, New Zealand	Leasehold to year 2021 (with a 30-year option)	62,834	180	34
Copthorne Hotel & Resort Queenstown Lakefront Corner Adelaide Street & Frankton Road, Queenstown, New Zealand	Freehold	18,709	240	70
Copthorne Hotel Wellington Oriental Bay 100 Oriental Parade, Wellington, New Zealand	Freehold	3,904	118	49
Kingsgate Hotel Dunedin 10 Smith Street, Dunedin, New Zealand	Freehold	2,193	55	49
Kingsgate Hotel Greymouth 32 Mawhera Quay, Greymouth, New Zealand	Freehold/Perpetual leasehold land	2,807	98	70
Kingsgate Hotel Palmerston North 110 Fitzherbert Avenue Palmerston North, New Zealand	Freehold	15,514	151	49
Kingsgate Hotel Parnell Auckland 92-102 Gladstone Road, Parnell, Auckland, New Zealand	Leasehold to year 2012	7,650	114	49
Kingsgate Hotel Rotorua Fenton Street, Rotorua, New Zealand	Freehold	35,935	136	49
Copthorne Hotel and Apartments Queenstown Lakeview 88 Frankton Road, Queenstown, New Zealand	Freehold	4,713	85	49
Kingsgate Hotel Te Anau 20 Lakefront Drive, Te Anau, New Zealand	Freehold	8,819	94	70
Millennium Hotel Christchurch 14 Cathedral Square, Christchurch, New Zealand	Leasehold to year 2015	1,417	179	70

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
Australasia (continued)				
Millennium Hotel Queenstown Corner Frankton Road & Stanley St., Queenstown, New Zealand	Freehold	7,453	220	49
Millennium Hotel Rotorua Corner Eruera & Hinemaru Streets, Rotorua, New Zealand	Freehold/Perpetual leasehold land	10,109	227	70
Owned by CDLHT				
Asia				
Copthorne King's Hotel Singapore* 403 Havelock Road, Singapore	20-year lease commencing 19.07.2006, extendable for a further 20 years	5,637	310	35
Grand Copthorne Waterfront Hotel Singapore* 392 Havelock Road, Singapore	20-year lease commencing 19.07.2006, and extendable for a further 20 years	10,860	574	35
M Hotel Singapore* 81 Anson Road, Singapore	20-year lease commencing 19.07.2006 and extendable for a further 20 years held by CDLHT and a freehold reversionary interest held by the Group	2,134	413	35
Novotel Clarke Quay 177A River Valley Road, Singapore	97 year lease expiring May 2077	12,925	401	35
Orchard Hotel Singapore* 442 Orchard Road, Singapore	20-year lease commencing 19.07.06 and extendable for a further 20 years held by CDLHT and a freehold reversionary interest held by the Group	8,588	656	35
Studio M Hotel Singapore* 3 Nanson Road, Singapore	20-year lease commencing 03.05.2011 and extendable for a further 50 years	2,932	360	35
Australia				
Novotel Hotel Brisbane 200 Creek Street Brisbane, Queensland	Volumetric freehold	1,956	296	35
Mercure & Ibis Hotel Brisbane 85-87 North Quay/ 27 Turbot Street Brisbane, Queensland	Interconnected at ground level, situated on one freehold title	3,845	194/218	35
Mercure Hotel Perth 10 Irwin Street Perth, Western Australia	Strata freehold	757	239	35
Ibis Hotel Perth 334 Murray Street Perth, Western Australia	Freehold	1,480	192	35

* Leased by the Group from CDLHT

Hotels	Tenure	Approximate site area (sq. metres)	Number of rooms	Effective Group interest (%)
New Zealand				
Rendezvous Hotel Auckland Corner of Vincent Street and Mayoral Drive Auckland, New Zealand	Freehold	5,910	452	35

Investment Properties	Tenure	Approximate lettable strata area (sq. metres)	Effective Group Interest (%)
Tanglin Shopping Centre A shopping-cum-office complex situated at Tanglin Road, Singapore, 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			
Humen International Cloth Centre Located in Boyong Village, Guangdong, China. Comprising 145 commercial units and 11 serviced apartments.	Leasehold to year 2063	3,466	39
Fuogang City Spring Located in Shijiao District, Guangdong, China. Comprising 2 blocks of commercial buildings.	Leasehold to year 2075	26,351	27
Chengdu City Spring Located in Chengdu Hi-Tech Industrial Development Zone, Sichuan Province, China. Comprising a block of commercial building with retail shops, serviced offices, offices and a 195-room hotel; and retail space in an adjacent commercial building.	Leasehold to year 2049	42,384	39

Millennium & Copthorne hotels worldwide

ASIA

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

Hong Kong
Hotel Nikko Hong Kong
JW Marriott Hotel Hong Kong

Indonesia
Millennium Hotel Sirih Jakarta

South Korea
Millennium Seoul Hilton

Malaysia
Copthorne Orchid Hotel Penang
Grand Millennium Kuala Lumpur

Philippines
The Heritage Hotel Manila

Singapore
Copthorne King's Hotel Singapore
Grand Copthorne Waterfront Hotel Singapore
M Hotel Singapore
Orchard Hotel Singapore
Studio M 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 Commodore Christchurch Airport
Copthorne Hotel Grand Central New Plymouth
Copthorne Hotel Marlborough
Copthorne Hotel Oriental Bay Wellington
Copthorne Hotel & Resort Bay of Islands
Copthorne Hotel & Resort Hokianga
Copthorne Hotel & Resort Queenstown Lakefront
Copthorne Hotel & Apartments Queenstown Lakeview
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 Wellington
Kingsgate Hotel Rotorua
Kingsgate Hotel Te Anau
Kingsgate Hotel The Avenue Wanganui
Kingsgate Hotel Whangarei
Millennium Hotel Christchurch
Millennium Hotel Queenstown
Millennium Hotel Rotorua
Millennium Hotel & Resort Manuels Taupo

MIDDLE EAST

Kuwait
Al-Jahra Copthorne Hotel & Resort

Qatar
Millennium Hotel Doha

Oman
Millennium Resort Mussanah

Saudi Arabia
Dar Al Ghufran Hotel

United Arab Emirates
Copthorne Hotel Dubai
Grand Millennium Dubai
Grand Millennium Al Wahda
Kingsgate Hotel Abu Dhabi
Millennium Airport Hotel Dubai
Millennium Hotel Abu Dhabi

EUROPE

France

Millennium Hotel Paris Charles de Gaulle
Millennium Hotel Paris Opéra

Germany

Copthorne Hotel Hannover

UK

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

THE AMERICAS

USA

Millennium Alaskan Hotel Anchorage
Millennium Biltmore Hotel Los Angeles
Millennium Bostonian Hotel Boston
Millennium Broadway Hotel Times Square New York
Millennium Harvest House Boulder
Millennium Hotel Buffalo
Millennium Hotel Cincinnati
Millennium Hotel Durham
Millennium Knickerbocker Hotel Chicago
Millennium Maxwell House Nashville
Millennium Hotel Minneapolis
Millennium Scottsdale Resorts and Villas
Millennium Hotel St Louis
Millennium UN Plaza Hotel United Nations New York
Millenium Hilton
Maingate Lakeside Resort
Comfort Inn Vail/Beaver Creek
Eldorado Hotel & Spa
Pine Lake Tout Club

CORPORATE OFFICES

EUROPE

Millennium & Copthorne Hotels plc
Corporate Headquarters
Scarsdale Place
Kensington
London, W8 5SR
UK

Tel	(00) [44] (0) 20 7872 2444
Fax	(00) [44] (0) 20 7872 2460
Email	marketing@millenniumhotels.co.uk

THE AMERICAS

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

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

ASIA

Millennium & Copthorne International Ltd
390 Havelock Road
#02-01 King's Centre
Singapore 169662

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

AUSTRALASIA

Millennium & Copthorne Hotels New Zealand Limited
Level 13
280 Queen Street
Auckland 1010
New Zealand

Tel	(00) [64] (9) 353 5010
Fax	(00) [64] (9) 968 8970
Email	sales.marketing@millenniumhotels.co.nz

GLOBAL SALES OFFICES

EUROPE

France	(00) [33] (1) 4949 1617
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Chengdu	(00) [86] (28) 8517 2000
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AUSTRALASIA

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	(00) [971] (0) 4 429 9999 Grand Millennium
	(00) [971] (0) 4 295 0500 Copthorne Dubai
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For further information

Please visit our website http://www.millenniumhotels.co.uk. Reservations may also be made through your travel planner, GDS Chain code: MU, or direct with the hotel.

* Millennium Hotels and Resorts Dedicated Line

Shareholder information

Analysis of shareholders as at 31 January 2012

Number of shares	Number of holders	Percentage of holders	Total number of shares held	Percentage of issued share capital
1 – 10,000	708	74.76%	915,914	0.29%
10,001 – 25,000	53	5.59%	889,280	0.28%
25,001 – 50,000	42	4.44%	1,471,237	0.46%
50,001 – 100,000	39	4.12%	2,777,822	0.88%
100,001 – 500,000	53	5.60%	12,512,566	3.94%
500,001 – 1,000,000	25	2.64%	16,680,737	5.25%
1,000,001 – Highest	27	2.85%	282,315,574	88.90%
Total	947	100.00%	317,563,130	100.00%

We are committed to providing information to our shareholders to enable them to assess the Group's performance and financial position. Information on the daily share price can be found on our website www.millenniumhotels.co.uk which provides information about the Group's properties and room availability together with announcements made by the Group.

Electronic Communication

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

Once registered shareholders are able to:

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

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

Registered Office

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

Registered in England and Wales No: 3004377

Corporate Headquarters

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

Financial Calendar

Dividend record date	23 March 2012
First quarter's results announcement	3 May 2012
Annual general meeting	3 May 2012
2011 final dividend payment	18 May 2012
Interim results announcement	2 August 2012
2012 interim dividend payable	5 October 2012
Third quarter's results announcement	2 November 2012

Advisers

Stockbroker	Credit Suisse Securities Limited
Auditor	KPMG Audit Plc
Solicitor	Hogan Lovells LLP
Principal Bankers	Bank of America Merrill Lynch
	DBS Bank Ltd
	Mizuho Corporate Bank Ltd
	Oversea-Chinese Banking Corporation Ltd
	Royal Bank of Scotland plc
	Sumitomo Mitsui Banking Corporation
	The Bank of Tokyo-Mitsubishi UFJ, Ltd
	The Hongkong and Shanghai Banking Corporation Ltd

Registrar

Equiniti Limited

Further information

We value feedback and welcome any questions or comments you should have regarding this publication.

Please email us at:
companysecretary@millenniumhotels.co.uk

or write to:
The Group Company Secretary
Millennium & Copthorne Hotels plc
Scarsdale Place
London
W8 5SR
United Kingdom