

**Millennium & Copthorne Hotels plc ("M&C")**

**Update concerning the impact of tax regime changes in New Zealand**

The following announcement was released earlier today by M&C's subsidiary, Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ"), which is listed on the New Zealand Stock Exchange. M&C has a 70.2% interest in MCHNZ.

The tax expense recognised in M&C's interim Group financial statements is based on an estimate of the weighted average annual income tax rate expected for the full year, applied to the pre-tax income of the interim period. The changes in New Zealand tax legislation detailed below have been taken into account in determining the estimated average annual effective income tax rate on which the tax expense recognised in the Group's interim financial statements is based, and the Group's income tax expense for the 6 months ended 30 June will include a £5m deferred tax expense in respect of the proportionate impact of the New Zealand tax changes.

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**Changes to deferred tax and their impact on Millennium & Copthorne Hotels New Zealand Limited**

As has been widely reported, the budget announcements by the New Zealand Government on 20 May 2010 included in a reduction in corporate tax rate from 30% to 28% and the removal of the ability to depreciate buildings for tax purposes. For Millennium & Copthorne Hotels New Zealand Limited (NZX:MCK) these changes will take effect from 1 January 2011.

MCK has now obtained external advice on the expected impact that the Budget announcements will have on the accounting value of deferred tax and on its reported earnings. Applying the requirements of the New Zealand Equivalent to International Accounting Standard 12, MCK's deferred tax liability will increase by approximately \$26 million. This increased liability will impact on MCK's interim results to 30 June 2010 and will result in the company's interim financial statements showing an after-tax loss. The company's net tangible assets per share (NTA) will also be reduced. MCK notes that the deferred tax liability adjustment is a one-off, non-cash accounting entry which does not impact on MCK's cash flows in the current year.

From January 1, 2011 the net impact of the removal of building depreciation together with the reduction in the corporate tax rate will be to increase the total tax paid by the MCK Group by an estimated \$1 million per annum.

MCK also notes that the Government also announced a review of the definition of building structure and fitouts for tax purposes. The outcome of this review may also result in a further adjustment to the group's tax position.

**ENDS**

Issued by Millennium & Copthorne Hotels New Zealand Limited:

Boon Pua, Vice President Finance