



MILLENNIUM & COPTHORNE
HOTELS plc

PRELIMINARY RESULTS ANNOUNCEMENT
Fourth quarter and twelve months results to 31 December 2008

Highlights for the year end 2008:

£ millions	Year ended 31 December 2008	Year ended 31 December 2007	Reported Currency Growth %	Constant Currency Growth %
RevPAR	£57.19	£53.16	7.6%	1.9%
Revenue – total	702.9	669.6	5.0%	(1.2%)
Revenue – hotels	696.1	649.7	7.1%	0.9%
Headline operating profit	143.5	140.2	2.4%	(3.4%)
Headline profit before tax	125.9	118.3	6.4%	(1.0%)

- **Profit before tax:** down 34.5% to £102.8m due primarily to impairment and share of revaluation deficit of CDLHT
- **Earnings per share:** down 58.0% to 21.3p due to impairment, other operating expenses and taxation
- **Recommended dividend:** final 4.17p, making a total of 6.25p (2007: 12.50p) per share for the full year.
- **Strong cash generated from operations:** £147.1m (2007: £160.2m). Free cash flow £46.6m (2007: £71.7m)
- **Strong balance sheet and gearing** of 16.4% (2007: 18.3%). **Interest cover** up at 12.4 times from 8.5 times in 2007

Highlights for the fourth quarter 2008:

£ millions	Three months ended 31 December 2008	Three months ended 31 December 2007	Reported Currency Growth %	Constant Currency Growth %
RevPAR	£59.79	£56.95	5.0%	(7.6%)
Revenue – total	190.6	186.6	2.1%	(9.8%)
Revenue – hotels	189.1	179.8	5.2%	(7.3%)
Headline operating profit	41.8	42.2	(0.9%)	(12.0%)
Headline profit before tax	37.5	36.0	4.2%	(7.9%)

Note: unless otherwise stated all figures above are expressed in reported currency
Headline numbers are non GAAP information, and reconciliations can be found on pages 5 and 24

Commenting today, Mr Kwek Leng Beng, Chairman said:

"The Group continues to maintain a strong balance sheet and low gearing at 16.4% (31 December 2007: 18.3%). As at 31 December 2008, the Group had total undrawn committed bank facilities available of £188.6m.

We have made some tough decisions in recent years, including changes in senior management, and have maintained our prudent approach to acquisitions, divestments and the way in which the Group is financed. Our actions have added stability and enhanced the Group's strength to withstand the current economic crisis. I believe that with a continued policy of tough, prudent and analytical management we can steer our ship through the roughest of waters. When calm returns to the world economic scene – as eventually it must – we will have secured an enviable competitive position from which we may exploit the best commercial opportunities that become available. In this difficult trading climate, consistent with our focus on conserving cash, the Board is recommending a final dividend of 4.17p per share taking the full year dividend to 6.25p per share."

Enquiries

Millennium & Copthorne Hotels plc

Richard Hartman, Chief Executive Officer

Beng Lan Low, Senior Vice President Finance

Buchanan Communications

Tim Anderson/Charles Ryland/Rebecca Skye Dietrich

Tel: +44 (0) 20 7872 2444

Tel: +44 (0) 20 7466 5000

Analyst briefing

A meeting for analysts will be held at 9.00am at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE on Wednesday 18 February 2009.

REVIEW AND OUTLOOK

In June and July 2008, we detected a slowdown in the rate of growth in Asia and since then the Group has remained vigilant in controlling costs including a recruitment freeze and a halt on virtually all new capital expenditure apart from essential health and safety expenditure. We immediately took steps to implement cash conservation and profit protection plans for the Group. Through the successful implementation of these continued initiatives, I am pleased to report that, despite a softening of demand across all regions in which the Group operates, in the quarter ended 31 December 2008 the Group has managed to partially mitigate the adverse market and financial conditions on the Group's hotel revenue and RevPAR.

In reported currency, the Group achieved a 5.0% growth in RevPAR and 5.2% increase in hotel revenue for the quarter period ended 31 December 2008 due to the weakening of sterling. However, in constant currency terms, the Group's hotel revenues declined by 7.3% while Group RevPAR declined by 7.6% for the quarter ended 31 December 2008. In reported currency, the Group's hotel revenues increased 7.1% and RevPAR increased 7.6% for the 12 months ended 31 December 2008 while headline profit before tax increased by 6.4% to £125.9 million and headline operating profit increased by 2.4% to £143.5 million.

During the year the Group opened seven new hotels; one in Beijing, two further hotels in China operating under franchise agreements and four hotels opened in the Middle East region operating under management contracts. Since the year end we have opened a new managed hotel in Sheffield and signed a management contract for two hotels in Liverpool.

In June the Group entered into a contract to dispose of CDL Hotels (Korea) Limited. However the purchaser was unable to complete the transaction and M&C recorded a £31.4 million gain arising from the forfeiture of the non-refundable cash deposit paid by the buyer, which boosted the Group's cash position by £27.3 million.

The years immediately preceding the global economic turmoil and financial tsunami in 2008 represented a period of high liquidity and relatively easy access to credit markets. This fueled an insatiable demand for real estate properties including hotels thereby contributing to an escalation in asset prices in many countries around the world. We adopted a conservative approach and have been selective in making our investments, with a particular emphasis on growing the Group's presence in key gateway cities in Asia.

While we have been less aggressive than many other investors, we have not been immune to the deterioration in the global markets. Arising from a critical review of the Group's investments in joint ventures in Asia, the Group's 30% and 50% investments in Beijing and Bangkok, respectively have been fully written down by an aggregate of £19.6 million in the fourth quarter. This is due to the difficult economic conditions and the oversupplied hotel situation in Beijing post the Olympics and the unstable political conditions affecting business in Thailand. At the end of the year the Group took impairment charges of £15.5m on Sunnyside, hotels in the UK and US, and land in India. The Group also recorded a loss of £20.4m which represents its share of the revaluation deficit (2007: £32.3m revaluation uplift) of investment properties of CDLHT, the Group's 39.0% associate in a Singapore-listed REIT. All these non-cash items have been separately identified in the income statement.

The Group's investment of £39.5m in China through First Sponsor, largely funded by surplus Australian dollars benefited from exchange rate translation, generating a currency gain of £14.3m which was credited to the reserves.

The Group continues to maintain a strong balance sheet and low gearing at 16.4% (31 December 2007: 18.3%). As at 31 December 2008, the Group had total undrawn committed bank facilities available of £188.6m. Although the Group had repaid £40.0m of bank debt during the current year, net debt increased by £23.0m from last year due to the effect of foreign currency translation.

Moving forward, global financial and credit markets are expected to remain volatile with the continued loss of confidence among investors, lenders and industry players alike. In this current uncertain climate, it is difficult to predict with accuracy how long these conditions will continue to exist and when a correction and improvement in market sentiment can be expected. We are cognizant of the fact that airline load factors are currently in decline despite the reduction in energy and fuel oil prices. Leisure and corporate travel are also facing great constraints. Group RevPAR for the first 5 weeks of 2009 declined by 21.2% (New York -41%, Regional US -23%, Asia -20%, London -4%). Against this background, the Group is anticipating that the next few quarters will present challenging trading conditions which are expected to be partially mitigated by the fact that global rooms supply from new build hotels is limited due to the lack of debt financing.

We have made some tough decisions in recent years, including changes in senior management, and have maintained our prudent approach to acquisitions, divestments and the way in which the Group is financed. Our actions have added stability and enhanced the Group's strength to withstand the current economic crisis. I believe that with a continued policy of tough, prudent and analytical management we can steer our ship through the roughest of waters. When calm returns to the world economic scene – as eventually it must – we will have secured an enviable competitive position from which we may exploit the best commercial opportunities that become available. In this difficult trading climate, consistent with our focus on conserving cash, the Board is recommending a final dividend of 4.17p per share taking the full year dividend to 6.25p per share.

Kwek Leng Beng
Chairman
17 February 2009

Fourth quarter and full year 2008 results

£ millions	Three months ended 31 December 2008	Three months ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2007
Revenue	190.6	186.6	702.9	669.6
Operating profit	15.6	68.1	112.8	171.5
Headline operating profit	41.8	42.2	143.5	140.2
Profit before tax	13.1	64.4	102.8	157.4
Less:				
Other operating income of the Group ¹	(30.1)	(10.4)	(31.4)	(13.8)
Other operating expense /(income) of joint ventures and associates ²	19.4	(25.0)	19.4	(32.3)
Impairment ³	35.1	7.0	35.1	7.0
Headline profit before tax ⁴	37.5	36.0	125.9	118.3
Headline profit after tax	35.7	33.0	99.7	101.1
Profit for the period	5.6	72.2	70.9	159.5
Basic earnings per share (pence)	1.5p	23.3p	21.3p	50.7p
Headline earnings per share (pence) ⁴	9.7p	13.2p	29.1p	30.9p
Net debt			(285.1)	(262.1)
Gearing (%)			16.4%	18.3%

Notes

¹ The other operating income of the Group for the year ended 31 December 2008 represents a non-refundable cash deposit paid by the prospective buyer of CDL Hotels (Korea) Limited with one principal asset, the Millennium Seoul Hilton Hotel which has been forfeited as the buyer was unable to finalise its financing arrangements and, consequently, the agreement for the disposal was terminated. This resulted in the Group recording a £31.4m gain.

The other operating income for the period ended 31 December 2007 comprises a £2.0m gain on dilution on investment in CDLHT; release of a £1.0m property tax provision set aside on the acquisition of Regal Hotels in 1999; an £8.7m fair value adjustment of investment property; a £0.7m profit on sale of stapled securities in CDLHT; and £1.4m profit on sale of property.

² The other operating income of joint ventures and associates for the year ended 31 December 2008 comprises a loss of £20.4m which represents the Group's share of the revaluation deficit of investment properties of CDLHT, the Group's 39.0% associate in a Singapore-listed REIT and gain of £3.6m representing the Group's share of net revaluation surplus of investment property of First Sponsor Capital Limited. The 2007 other operating income of £32.3m represents the Group's share of the revaluation surplus of investment properties of CDLHT.

³ Impairment for the year ended 31 December 2008 comprises the Group's 30% and 50% investment in Beijing and Bangkok respectively being fully written down by an aggregate £19.6m; an £8.1m (2007: 7.0m) aggregate write down of six hotels in the US and UK as well as land in India; and a £7.4m impairment of land at Sunnyvale.

⁴ The Group believes that headline operating profit, headline profit before tax and headline earnings per share provide useful and necessary information on underlying trends to shareholders, the investment community and are used by the Group for internal performance analysis. Reconciliation of these measures to the closest equivalent GAAP measures are shown in notes 7 and 10 to preliminary results announcement.

Financial Performance – Quarter ended 31 December 2008

The fourth quarter saw a softening in demand across all regions in which the Group operates, particularly the United States, as the effects of the financial tsunami continue to unfold. Together with the strong RevPAR growth experienced in the fourth quarter last year, this has culminated in a 7.6% decrease in Group RevPAR and 7.3% decline in hotel revenue in constant currency terms.

The weakening sterling has however mitigated the Group's performance as reflected in the 5.0% growth in RevPAR and 5.2% increase in hotel revenue in reported currency terms.

On a like-for-like basis (i.e. excluding the refurbishment of hotels), hotel gross operating profit decreased by £7.6m compared to the decrease in revenue of £13.9m, resulting in a satisfactory conversion ratio of 45.3%. This was in part due to the implementation of our cash conservation and profit protection plans.

The Group achieved a 4.2% increase in its headline profit before tax, the Group's measure of underlying profit before tax, to £37.5m for the fourth quarter. However, excluding the £9.6m write-down of the Group's Sunnyvale development in 2007, there was a resultant 17.8% decrease. The decrease was attributable to both the hotel and property operations, reflecting the global slowdown. The losses from the Beijing and Thailand joint ventures have also contributed to a £1.6m quarter-on-quarter reduction to the Group's headline profit before tax.

Financial Performance – 12 months ended 31 December 2008

Group RevPAR (at constant rates) for the twelve months increased by 1.9% to £57.19. Hotel reported revenue was £696.1m or 7.1% higher than the 2007 revenue of £649.7m. Hotel revenue, at constant rates of exchange, grew by £5.9m or 0.9% with the impact of strong demand in the first nine months of the year being offset by the softening market in all the regions in the fourth quarter.

For the year as a whole, headline profit before tax increased by 6.4% from £118.3m to £125.9m and headline operating profit increased by 2.4% from £140.2m to £143.5m. Hotel gross operating profit increased by 7.0% to £266.2m (2007: £248.7m) and gross operating margin declined 0.1 percentage points to 38.2% (2007: 38.3%). On a like-for-like basis, if the Sunnyvale write-down in 2007 were excluded, the headline profit before tax decreased only by 1.6%. This is despite a £3.5m year-on-year increase in share of losses from the Beijing and Thailand joint venture companies, poor performance of the property operations and the hotel refurbishments of Boston and Chicago.

Headline earnings per share reduced by 5.8% to 29.1p (2008: 30.9p).

Dividend

The Group is recommending a full year dividend of 6.25p (2007: 12.50p) per share comprising a final dividend of 4.17p taken together with the interim dividend of 2.08p (2007: 2.08p). The 2008 dividend is covered 3.4 times by profit attributable to shareholders (2007: 4.1 times). Subject to approval by shareholders at the Annual General Meeting to be held on 6 May 2009, the final dividend will be paid on 20 May 2009 to shareholders on the register on 27 March 2009. The ex-dividend date of the Company's shares is 25 March 2009.

Aborted disposal of CDL Hotels (Korea) Limited

On 24 June 2008, M&C announced the proposed disposal of CDL Hotels (Korea) Limited, a wholly-owned subsidiary of M&C with one principal asset, the Millennium Seoul Hilton Hotel. Completion of the proposed disposal was expected to take place on 30 September 2008 and subsequently agreed to be deferred to 28 November 2008. While the Group was ready, willing and able to complete the disposal, the buyer was unable to finalise its financing arrangements and, consequently, the agreement for the disposal was terminated. The non-refundable cash deposit paid by the buyer has accordingly been forfeited and has resulted in the Group recording a £31.4m gain.

Non cash impairment of investments and other assets

The Group's 30% and 50% investment in Beijing and Bangkok respectively have been fully written down by an aggregate of £19.6m in the fourth quarter. This follows a review of the difficult economic conditions and oversupplied hotel situation in Beijing post the Olympics and the unstable political conditions affecting business in Thailand.

The Group formerly operated the Four Points Sunnyvale Hotel California, US and in 2006, a decision to redevelop into a new hotel and residential apartments led to the closure of the hotel operations. Accordingly, in that year, the Group transferred the redevelopment of Sunnyvale from Property, Plant and Equipment to Development Properties. In 2007, with the uncertainties in the US property market, the Directors then made a write-down of £9.6m to the carrying value of the property, which was classified within the headline operating profit. In December 2008, in view of the continued uncertainties of the US property market, the Group changed its intent from the aforesaid to holding the hotel component of the Sunnyvale site when completed for its own operations, and to holding the residential component when completed to be leased out to earn rental income or for capital appreciation or both. Accordingly, transfers have been made from Development Properties into Property, Plant and Equipment. An impairment charge of £7.4m has been made on reclassification based on an external professional valuation obtained.

The Directors undertook an annual review of the carrying value of the hotel and property assets for indications of impairment and where appropriate external valuations were also undertaken. An impairment charge of £8.1m (2007: £7.0m) has been recorded in the fourth quarter and relates to 6 hotels in US and UK together with land in India.

Revaluation of investment properties

Included in the other operating expense of joint ventures and associates is a loss of £20.4m which represents the Group's share of the revaluation deficit (2007: £32.3m revaluation uplift) of investment properties of CDLHT, the Group's 39.0% (2007: 38.5%) associate in a Singapore-listed REIT.

Taxation

The Group tax expense excluding the tax relating to joint ventures and associates is £31.9m (2007: a tax credit of £2.1m), giving an effective rate of 26.0% (2007: (1.9%)).

A tax charge of £2.8m (2007: £1.4m) relating to joint ventures and associates is included in the reported profit before tax.

This increased tax expense is primarily attributable to the differing impact on non-recurring adjustments relating to prior years, in particular the deferred tax impact of a series of changes in legislation relating to UK hotel allowances. Further details are provided in note 6 to this announcement.

Basic earnings per share reduced by 29.4p to 21.3p (2007: 50.7p). Headline earnings per share decreased by 1.8p to 29.1p (2007: 30.9p). The table below reconciles basic earnings per share to headline earnings per share.

	Year ended 31 December 2008 pence	Year ended 31 December 2007 Pence
Reported basic earnings per share	21.3	50.7
Other operating income		
- Group	(10.5)	(4.7)
- Share of joint ventures and associates	6.5	(11.0)
Impairment (net of tax and minority interest)	9.8	1.6
Change in tax legislation on hotel tax allowances	3.4	(4.4)
Change in tax rates on opening deferred taxes	(1.4)	(1.3)
Headline earnings per share	29.1	30.9

PERFORMANCE BY REGION

For comparability, the following regional review is based on calculations in constant currency whereby 31 December 2007 average room rate, RevPAR, revenue, gross operating profit and headline operating profit have been translated at 2008 average exchange rates.

UNITED STATES

New York

Year on year revenue fell by 1.9% to £112.3m (2007: £114.5m). Trading for the year has been skewed by the final quarter which saw a sharp down turn as the effects of the global economic turmoil took hold in New York. In each of the first nine months RevPAR was ahead of 2007 and the overall RevPAR growth to September was 5.6%. In the final quarter RevPAR fell by 14.6% with declines in both occupancy and average rate. Full year RevPAR as a result was £138.13, a 1.2% fall against the prior year (2007: £139.83). For the year, occupancy fell by 1.9 percentage points although average rate of £163.08 was still 1.0% higher (2007: £161.47). The drop off in demand in the final quarter occurred in all three hotels, although our downtown property, the Millenium Hilton Hotel which has more exposure to the banking sector, saw steeper falls than the other two properties, and was the only one with a decline in RevPAR for the full year.

Regional US

In addition to the economic downturn, results in Regional US operating results were impacted by refurbishments at our hotels in Boston and Chicago which lasted for most of the year. Total revenue fell by 8.2% to £112.2m (2007 £122.2m).

RevPAR fell by 8.5% to £33.08 (2007: £36.16). If the Boston and Chicago hotels are excluded from both years' results, the like for like (LFL) RevPAR fell by only 0.8%. This LFL fall was driven by a 3.8% percentage point fall in occupancy offset by a 5.4% increase in average room rates to £55.23 (2007: £54.38). Once again RevPAR growth of 2.3% in the first nine months was reversed by a 15.1% decline in the fourth quarter. There was a mixed set of results from the regional portfolio for the full year, but most hotels saw declines in the final quarter.

EUROPE

London

Despite the economic conditions, London was still able to grow revenue in 2008 by 2% to £93.8m (2007: £92.0m). RevPAR increased by 4.0% to £85.55 (2007: £82.23) as a result of rate growth with virtually flat occupancy. Average rates improved by 4.2% to £101.36 (2007: £97.31) with a 0.1 percentage point fall in occupancy to 84.4%. There was however a 1.5% RevPAR decline in the final quarter.

Rest of Europe

Revenue increased by 0.9% to £104.6m (2007: £103.7) on stronger food & beverage revenue as RevPAR was almost flat with a 0.1% fall to £56.44 (2007: £56.51). This however masks the fact that there was RevPAR decline in Regional UK and France and growth in Germany as detailed below.

Regional UK

RevPAR fell 6.2% to £53.17 primarily driven by a 4.5 percentage point fall in occupancy to 73.2% (2007: 77.7%) and a 0.4% fall in rate to £72.64 (2007: £72.94). For the first nine months RevPAR was 3.9% below that of 2007, but a Q4 decline of 12.4% made the full year decline greater. Every hotel in the region recorded lower RevPAR for the full year with the two Gatwick properties producing largest shortfalls.

France & Germany

Our presence in these two countries remains limited to four hotels. RevPAR increased by 9.5% to £61.63 through stronger

occupancy and rate. Occupancy grew by 3.2 percentage points to 67.2% (2007: 64.0%) while rate increased by 4.3% to £91.71 (2007: £87.96). There actually was growth in the final quarter with RevPAR increasing by 6.4% to £66.46 (2007: £62.45).

Following a weak year in 2007 the two German properties have produced a strong set of results with growth in all four quarters resulting in a 24.0% increase in RevPAR for the year. A new trade and exhibition centre in Stuttgart which opened in October 2007 helped that property. The German growth was offset by a 2.5% decrease in RevPAR from the two French properties resulting in the overall growth of 9.5%.

Middle East

Eight new management contracts involving new build hotels were signed in the year. The hotels are due to open between 2009 and 2011.

Four new properties in the Middle East region opened in the year bringing the total of hotels managed or franchised in the Middle East to nine. The newly opened hotels were the Copthorne Hotel Dubai, the Grand Millennium Dubai, the Al-Jahra Copthorne Hotel & Resort and the Kingsgate Abu Dhabi adding a total of 885 rooms to the region. In addition, an extension to the Millennium Airport Hotel Dubai added a further 276 rooms bringing the overall total to 2,689 rooms in the Middle East.

ASIA

Revenue growth was £18.1m or 8.5% due in part to two refurbished hotels, strong trading in Singapore in the first nine months of the year and a small increase in management fee revenue from our operations in China and Thailand.

RevPAR increased by 11.8% to £58.15 (2007: £52.00) driven by an 13.8% increase in average room rates to £76.72 (2007: £67.44) and a 1.3 percentage point occupancy fall to 75.8%.

Headline operating profit increased by £4.4m or 6.7%. This was in spite of increased losses from Beijing, Bangkok and First Sponsor which amounted to £3.6m.

Singapore

The impact of the global economy can most starkly be seen in Singapore. Full year RevPAR growth was a very strong 19.5%. This masks the downturn over the course of the year. Growth was in excess of 30% for the first six months but this growth slowed down in the third quarter and in the fourth quarter RevPAR was actually flat. RevPAR growth was rate driven throughout the year. Full year RevPAR was £74.06 (2007: £61.97) driven by a 24.8% increase in rate to £88.59 (2007: £70.99) and an occupancy fall of 3.7 percentage points to 83.6% (2007: 87.3%).

Rest of Asia

RevPAR figures in the rest of Asia have been aided by the refurbishment works at the Grand Millennium Kuala Lumpur and Heritage Hotel Manila in 2007 and increased by 0.4% to £46.26 (2007: £46.08). On a LFL basis excluding both these properties, RevPAR fell by 5.9% to £52.01 (2007: £55.29). This downturn was solely as a result of weaker performance in our hotel in Taipei which at 856 rooms is one of the largest in the group.

The Group's presence in China increased by three hotels: The Grand Millennium Beijing, the Millennium Harbourview Hotel Xiamen and the Copthorne Hotel Qingdao all opened their doors in the first half of the year. The former is a Joint Venture in which the Group currently has a 30% holding whilst the other two properties are franchised. None of these hotels are consolidated into the Group's RevPAR figures.

The Group's share of losses after interest expenses from our two Joint Venture hotels in Beijing and Bangkok was £4.4m (2007: £0.8m). The Grand Millennium Bangkok opened in October 2007 while the Grand Millennium Beijing opened in April 2008. The political turmoil within Thailand has had a large impact on the performance of the Bangkok hotel in 2008. In China the visa restrictions imposed by the Chinese government reduced the positive impact the Olympic Games was expected to have on the Beijing property. There is currently over capacity in Beijing which is impacting both rate and occupancy.

AUSTRALASIA

In New Zealand, where we operate under the Millennium, Copthorne and Kingsgate brands, RevPAR fell by 0.5% to £30.78 (2007: £30.93). Occupancy fell by 2.8% to 66.5% (2007: 69.3%) and average rate increased by 3.7% to £46.29 (2007: £44.63).

There have been a number of changes to the region's inventory over the last two years. The Kingsgate Hotel Oriental Bay underwent a major refurbishment in 2007 and was re-branded as a Copthorne and has made a positive impact on the region's performance. Operations at the Copthorne Hotel Wellington Plimmer Towers ceased when its lease expired in April 2008 and at Kingsgate Hotel Greenlane Hotel when its lease expired in April 2007. Finally a further 35 rooms were added to the Copthorne Hotel & Resort Bay of Islands at the end of 2007. If these properties are excluded, the LFL RevPAR actually fell by 5% to £30.18 (2007: £31.76).

The Group's land development operations in New Zealand have seen minimal sales in 2008 with a resultant profit of only £0.6m (2007: £8.1m).

FINANCIAL POSITION AND RESOURCES
Balance Sheet

	As at 31 December 2008 £m	As at 31 December 2007 £m	Change £m
Property, plant, equipment and lease premium prepayment	2,163.5	1,799.0	364.5
Investment properties	79.3	58.2	21.1
Investments in and loans to joint ventures and associates	338.7	253.0	85.7
Other non-current assets	6.7	4.8	1.9
Non-current assets	2,588.2	2,115.0	473.2
Current assets excluding cash	132.3	142.9	(10.6)
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	(296.4)	(236.3)	(60.1)
Net debt	(285.1)	(262.1)	(23.0)
Deferred tax liabilities	(258.1)	(205.8)	(52.3)
Net assets	1,880.9	1,553.7	327.2
Equity attributable to equity holders of the parent	1,737.5	1,423.5	314.0
Minority interest	143.4	130.2	13.2
Total equity	1,880.9	1,553.7	327.2

Financial Position

The Group continues to maintain a strong balance sheet and low gearing at 16.4% (31 December 2007: 18.3%). The Group's cash was boosted by the £27.3m forfeiture of the non-refundable deposit received (net of expenses) on the aborted sale of CDL Hotels (Korea) Limited. As at 31 December 2008, the Group has total undrawn committed bank facilities available of £188.6m. Although the Group has repaid £40.0m of net bank debt during the current year, net debt increased by £23.0m from last year due to a £63.0m effect of foreign currency translation. As at 31 December 2008, the Group's gross assets amounted £2,932.6m, of which, the net book value of its unencumbered properties was £1,986.2m.

Non-current assets

Property, plant, equipment and lease premium prepayment

Property, plant, equipment and lease premium prepayment increased by £364.5m. The main contributor to the increase was a £322.5m effect of exchange movements. The Group also invested £67.4m to improve its hotel portfolio which included: £22.7m on refurbishing the Millennium Knickerbocker Hotel Chicago and the Millennium Bostonian Hotel Boston; £7.1m on construction of a new 370-room hotel in Singapore that is due to open in late 2009; and £14.2m on the purchase of the freehold of the Copthorne Hotel Auckland Harbour City.

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 £85.7m.

	As at 31 December 2008 £m
Share of profits/(losses) analysed:	
- Operating profit/(loss) before other operating income/(expense) and impairment	19.3
- Impairment (Beijing £12.2m and Bangkok £7.4m)	(19.6)
- Other operating income of First Sponsor Capital Limited (FSCL)	3.6
- Other operating expense (CDLHT)	(20.4)
- Interest, tax and minority interests	(10.2)
	(27.3)
Additions (FSCL - £23.0m and CDLHT - £2.5m (management fees paid in stapled units))	25.5
Dividends received from associates	(12.3)
Loan to joint venture	2.3
Other movements	(1.3)
Foreign exchange adjustment	98.8
Total movement	85.7

The other operating income of joint ventures and associates for the year ended 31 December 2008 comprises a loss of £20.4m which represents the Group's share of the revaluation deficit of investment properties of CDLHT, the Group's 39.0% associate in a Singapore-listed REIT and gain of £3.6m representing the Group's share of net revaluation surplus of investment property of First Sponsor Capital Limited. The 2007 other operating income of £32.3m represents the Group's share of the revaluation surplus of investment properties of CDLHT.

Impairment for the year ended 31 December 2008 comprises the Group's 30% and 50% investment in Beijing and Bangkok respectively being fully written down by an aggregate £19.6m; an £8.1m (2007: 7.0m) aggregate write down of six hotels in the US and UK as well as land in India; and a £7.4m impairment of land at Sunnyvale.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow and net debt

At 31 December 2008 the Group's net debt was £23.0m higher than at 31 December 2007 at £285.1m. The factors contributing to this increase are shown in the table below.

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Cash flows from operating activities before changes in working capital, provisions, interest and tax	154.9	159.2
Changes in working capital and provisions	(7.8)	1.0
Interest and tax	(36.7)	(32.0)
Acquisition of property, plant and equipment	(64.6)	(56.8)
Proceeds from sale of property, plant and equipment	0.8	0.3
Free cash flow	46.6	71.7
Investment in and loans to joint ventures and associates	(27.8)	(60.2)
Proceeds from sale of shares in CDLHT	-	1.6
Proceeds less expenses from aborted sale of a CDL Hotels (Korea) Limited	27.3	-
Dividends from associates	12.3	6.6
Dividends paid - to equity holders of the parent	(15.0)	(10.5)
- to minority interests	(3.4)	(2.2)
Share buyback of minority interest	(9.4)	(10.0)
Other movements (primarily foreign exchange)	(53.6)	1.3
(Increase)/decrease in net debt	(23.0)	(1.7)
Opening net debt	(262.1)	(260.4)
Closing net debt	(285.1)	(262.1)

The Group invested £66.0m in its properties and, as previously noted, this included £22.7m renovating its hotels in Boston and Chicago, £7.1m on construction of a new 370-room hotel in Singapore and £14.2m on the purchase of the freehold of the Copthorne Hotel Auckland Harbour City. Investments in joint ventures and associates of £27.8m comprise additional investments in First Sponsor Capital Limited (FSCL) of £23.0m, CDLHT of £2.5m (management fees paid in stapled units) and a loan to Bangkok of £2.3m.

Other movements in net debt of £53.6m principally reflect the incidence of exchange rate fluctuations on net debt.

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

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Net cash generated from operations	147.1	160.2
Net interest and tax	(36.7)	(32.0)
Proceeds from sale of property, plant and equipment	0.8	0.3
Acquisition of property, plant and equipment	(64.6)	(56.8)
Free cash flow	46.6	71.7

Financial structure

Interest cover ratio, excluding share of results of joint ventures and associates and other operating income improved from 8.5 times in 2007 to 12.4 times in 2008. The reduction in net finance cost of £4.1m reflects an increase of £2.6m in net exchange rate gains and lower cost of net debt of £1.5m.

At 31 December 2008, the Group had £188.6m of undrawn and committed facilities available, comprising committed revolving credit facilities which provide the Group with the financial flexibility to draw and repay loans at its discretion, and to react swiftly to investment opportunities.

The net book value of the Group's unencumbered properties as at 31 December 2008 was £1,986.2m (31 December 2007: £1,611.9m). At 31 December 2008 total borrowing amounted to £497.3m of which £64.0m was drawn under £95.4m of secured bank facilities.

Future funding

Of the Group's total facilities of £705.3m, £178.1m matures during 2009, comprising £78.1m committed facilities which are currently undrawn, £20.9m overdrafts subject to annual renewal and £79.2m unsecured bonds and amounts drawn on committed facilities. The Directors have reviewed the financial resources available to the Group and the possible impact of a range of trading scenarios that could face the business in the current uncertain economic environment. After making appropriate enquiries, the Directors reasonably expect that the Group has adequate resources to continue in business for the foreseeable future.

**Consolidated income statement
for the year ended 31 December 2008**

	Notes	Three months ended 31 December 2008 £m	Three months ended 31 December 2007 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Revenue		190.6	186.6	702.9	669.6
Cost of sales		(76.1)	(83.7)	(285.5)	(284.8)
Gross profit		114.5	102.9	417.4	384.8
Administrative expenses		(100.6)	(74.5)	(316.1)	(271.7)
Other operating income	3	30.1	10.4	31.4	13.8
		44.0	38.8	132.7	126.9
Share of (losses)/profits of joint ventures and associates		(28.4)	29.3	(19.9)	44.6
Analysed between:					
Operating profit before other income/(expense) and impairment		5.0	6.8	19.3	20.1
Impairment	4	(12.2)	-	(12.2)	-
Other operating income		3.6	25.0	3.6	32.3
Other operating (expense)		(20.4)	-	(20.4)	-
Interest, tax and minority interests	5	(4.4)	(2.5)	(10.2)	(7.8)
Operating profit		15.6	68.1	112.8	171.5
Analysed between:					
Headline operating profit	2, 10	41.8	42.2	143.5	140.2
Other operating income – Group	3	30.1	10.4	31.4	13.8
Other operating (expense)/income - Share of joint ventures and associates		(16.8)	25.0	(16.8)	32.3
Impairment	4				
- Joint ventures investments and loans		(19.6)	-	(19.6)	-
- Hotels		(8.1)	(7.0)	(8.1)	(7.0)
- Other property		(7.4)	-	(7.4)	-
Share of interest, tax and minority interests of joint ventures and associates	5	(4.4)	(2.5)	(10.2)	(7.8)
Finance income		0.8	5.3	12.0	12.3
Finance expense		(3.3)	(9.0)	(22.0)	(26.4)
Net finance expense		(2.5)	(3.7)	(10.0)	(14.1)
Profit before income tax		13.1	64.4	102.8	157.4
Income tax (expense)/credit	6	(7.5)	7.8	(31.9)	2.1
Profit for the period		5.6	72.2	70.9	159.5
Attributable to:					
Equity holders of the parent		4.5	68.9	64.0	149.4
Minority interests		1.1	3.3	6.9	10.1
		5.6	72.2	70.9	159.5
Basic earnings per share (pence)	7	1.5p	23.3p	21.3p	50.7
Diluted earnings per share (pence)	7	1.5p	23.3p	21.3p	50.6

The financial results above all derive from continuing activities.

**Consolidated statement of recognised income and expense
for the year ended 31 December 2008**

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Foreign exchange translation differences	284.0	17.4
Gain on acquisition of minority interests	1.3	-
Acquisition of minority interest	1.5	-
Actuarial gains arising in respect of defined benefit pension schemes	0.9	0.7
Share of associate's other reserve movements	(0.1)	-
Income tax on income and expense recognised directly in equity (Note 6)	(2.1)	2.6
Income and expense recognised directly in equity	285.5	20.7
Profit for the period	70.9	159.5
Total recognised income and expense for the period	356.4	180.2
Attributable to:		
Equity holders of the parent	327.2	162.7
Minority interests	29.2	17.5
Total recognised income and expense for the period	356.4	180.2

**Consolidated balance sheet
as at 31 December 2008**

	Notes	As at 31 December 2008 £m	As at 31 December 2007 £m
Non-current assets			
Property, plant and equipment		2,067.7	1,709.0
Lease premium prepayment		95.8	90.0
Investment properties		79.3	58.2
Investments in joint ventures and associates		338.7	247.6
Loans due from joint ventures and associates		-	5.4
Other financial assets		6.7	4.8
		2,588.2	2,115.0
Current assets			
Inventories		4.9	4.9
Development properties		63.2	69.6
Lease premium prepayment		1.3	1.1
Trade and other receivables		62.9	58.2
Other financial assets		-	9.1
Cash and cash equivalents		212.1	156.3
		344.4	299.2
Total assets		2,932.6	2,414.2
Non-current liabilities			
Interest-bearing loans, bonds and borrowings		(415.1)	(304.1)
Employee benefits		(12.8)	(12.9)
Provisions		(0.9)	(1.0)
Other non-current liabilities		(118.6)	(90.9)
Deferred tax liabilities		(258.1)	(205.8)
		(805.5)	(614.7)
Current liabilities			
Interest-bearing loans, bonds and borrowings		(82.1)	(114.3)
Trade and other payables		(133.3)	(113.7)
Provisions		(0.3)	(0.4)
Income taxes payable		(30.5)	(17.4)
		(246.2)	(245.8)
Total liabilities		(1,051.7)	(860.5)
Net assets		1,880.9	1,553.7
Equity			
Issued share capital		90.7	88.9
Share premium		847.7	848.8
Translation reserve		230.8	(27.6)
Retained earnings		568.3	513.4
Total equity attributable to equity holders of the parent		1,737.5	1,423.5
Minority interests		143.4	130.2
Total equity	9	1,880.9	1,553.7

**Consolidated statement of cash flows
for the year ended 31 December 2008**

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Cash flows from operating activities		
Profit for the period	70.9	159.5
<i>Adjustments for:</i>		
Depreciation and amortisation	30.0	28.7
Share of losses/(profit) of joint ventures and associates	19.9	(44.6)
Impairment (excluding joint venture investments)	22.9	7.0
Profit on sale of property, plant and equipment	(0.4)	(1.4)
Profit from aborted sale of a subsidiary	(31.4)	-
Release of property tax provision	-	(1.0)
Gain on dilution of investment in associate	-	(2.0)
Profit on sale of stapled securities in associate	-	(0.7)
Change in fair value of investment properties	-	(8.7)
Write down of development property	-	9.6
Equity settled share-based transactions	1.1	0.8
Finance income	(12.0)	(12.3)
Finance expense	22.0	26.4
Income tax expense/(credit)	31.9	(2.1)
Operating profit before changes in working capital and provisions	154.9	159.2
Decrease/(increase) in inventories, trade and other receivables	10.0	(2.3)
Increase in development properties	(6.2)	(1.9)
(Decrease)/increase in trade and other payables	(10.9)	7.6
Decrease in provisions and employee benefits	(0.7)	(2.4)
Cash generated from operations	147.1	160.2
Interest paid	(18.7)	(22.8)
Interest received	4.8	8.5
Income taxes paid	(22.8)	(17.7)
Net cash generated from operating activities	110.4	128.2
Balance carried forward	110.4	128.2

**Consolidated statement of cash flows
for the year ended 31 December 2008 (continued)**

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Balance brought forward	110.4	128.2
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	0.8	0.3
Investment in financial assets	10.6	(5.0)
Proceeds less expenses from aborted sale of a subsidiary	27.3	-
Proceeds from the sale of stapled securities in associates	-	1.6
Dividends received from associates	12.3	6.6
Acquisitions of minority interests	(1.9)	-
Increase in loan to joint venture	(2.3)	(0.6)
Increase in investment in joint ventures and associates	(25.5)	(59.6)
Acquisition of property, plant and equipment, and lease premium prepayment	(64.6)	(56.8)
Net cash used in investing activities	(43.3)	(113.5)
Cash flows from financing activities		
Proceeds from the issue of share capital	0.7	1.4
Repayment of borrowings	(134.4)	(241.4)
Drawdown of borrowings	101.8	235.8
Payment of finance lease obligations	-	(2.1)
Loan arrangement fees	-	(0.5)
Share buy back of minority interests	(9.4)	(10.0)
Dividends paid to minority interests	(3.4)	(2.2)
Capital contribution from minority interests	-	1.9
Dividends paid to equity holders of the parent	(15.0)	(10.5)
Net cash used in financing activities	(59.7)	(27.6)
Net increase/ (decrease) in cash and cash equivalents	7.4	(12.9)
Cash and cash equivalents at beginning of period	155.9	161.5
Effect of exchange rate fluctuations on cash held	46.0	7.3
Cash and cash equivalents at end of the period	209.3	155.9
Reconciliation of cash and cash equivalents		
Cash and cash equivalents shown in the balance sheet	212.1	156.3
Overdraft bank accounts included in borrowings	(2.8)	(0.4)
Cash and cash equivalents for cash flow statement purposes	209.3	155.9

Notes to the fourth quarter and full year results announcement

1. General information

Basis of preparation

The fourth quarter and full year results for Millennium & Copthorne Hotels plc ('the Company') to 31 December 2008 comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's interests in joint ventures and associates.

The fourth quarter and full year results were approved by the Board of Directors on 17 February 2009.

The financial information set out in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 December 2008 or 2007. Statutory accounts for 2007 have been delivered to the registrar of companies and those for 2008 prepared under accounting standards adopted by the EU, will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with all disclosure requirements of IFRS. Information contained in this announcement has been extracted from the full IFRS compliant Annual Report and Accounts that was approved on 17 February 2009.

The results have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2007. The consolidated financial statements of the Group for the financial year ended 31 December 2007 are available from the Company's website www.millenniumhotels.com.

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

Non-GAAP information

Headline profit before tax, headline operating profit, net debt and gearing percentage

Reconciliation of headline profit before tax and headline operating profit to the closest equivalent GAAP measure, profit before tax is provided in note 10 along with an analysis of net debt and calculated gearing percentage.

Like-for-like growth

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

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

2. Segmental analysis

Segmental information is presented in respect of the Group's business and 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 and net finance expense, taxation balances and corporate expenses.

Business segments

The Group comprises the following main business segments:

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

Geographical segments

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

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

Notes to the fourth quarter and full year results announcement
2. Segmental analysis (continued)

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

Business segments (primary)

	Fourth quarter ended 31 December 2008			Total Group 2008 £m
	Hotel 2008 £m	Property operations 2008 £m	Central costs 2008 £m	
Revenue	189.1	1.5	-	190.6
Gross operating profit	74.5	0.1	-	74.6
Depreciation	(8.0)	-	-	(8.0)
Amortisation of lease premium prepayments	(0.3)	-	-	(0.3)
Other hotel fixed charges	(22.7)	-	-	(22.7)
Central costs	-	-	(6.8)	(6.8)
Share of joint ventures and associates operating profit	5.7	(0.7)	-	5.0
Headline operating profit/(loss)	49.2	(0.6)	(6.8)	41.8
Other operating income – Group	30.1	-	-	30.1
Other operating income – share of joint ventures and associates	-	3.6	-	3.6
Other operating expense – share of joint ventures and associates	(20.4)	-	-	(20.4)
Impairment – joint ventures investments and loans	(19.6)	-	-	(19.6)
– Hotels	(8.1)	-	-	(8.1)
– other property	(1.8)	(5.6)	-	(7.4)
Share of interest, tax and minority interests of joint ventures and associates	(2.4)	(2.0)	-	(4.4)
Operating profit/(loss)	27.0	(4.6)	(6.8)	15.6
Net finance expense	-	-	-	(2.5)
Profit before income tax				13.1

	Fourth quarter ended 31 December 2007			Total Group 2007 £m
	Hotel 2007 £m	Property operations 2007 £m	Central costs 2007 £m	
Revenue	179.8	6.8	-	186.6
Gross operating profit/(loss)	73.0	(5.8)	-	67.2
Depreciation	(7.1)	-	-	(7.1)
Amortisation of lease premium prepayments	(0.2)	-	-	(0.2)
Other hotel fixed charges	(18.9)	-	-	(18.9)
Central costs	-	-	(5.6)	(5.6)
Share of joint ventures and associates operating profit	6.8	-	-	6.8
Headline operating profit/(loss)	53.6	(5.8)	(5.6)	42.2
Other operating income – Group	10.4	-	-	10.4
Other operating income – share of joint ventures and associates	25.0	-	-	25.0
Impairment – hotels	(7.0)	-	-	(7.0)
Share of interest, tax and minority interests of joint ventures and associates	(2.5)	-	-	(2.5)
Operating profit/(loss)	79.5	(5.8)	(5.6)	68.1
Net finance expense	-	-	-	(3.7)
Profit before income tax				64.4

Notes to the fourth quarter and full year results announcement

2. Segmental analysis - Geographical segments (secondary) -(continued)

Fourth quarter ended 31 December 2008

	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m	Central costs £m	Total Group £m
Revenue								
Hotel	32.8	29.5	24.3	29.0	62.6	10.9	-	189.1
Property operations	-	0.4	-	-	0.6	0.5	-	1.5
Total	32.8	29.9	24.3	29.0	63.2	11.4	-	190.6
Hotel gross operating profit	13.3	4.9	12.8	9.4	29.5	4.6	-	74.5
Hotel fixed charges*	(4.8)	(5.1)	(2.8)	(4.2)	(12.7)	(1.4)	-	(31.0)
Hotel operating profit	8.5	(0.2)	10.0	5.2	16.8	3.2	-	43.5
Property operations operating profit/(loss)	-	(0.5)	-	-	0.6	-	-	0.1
Central costs	-	-	-	-	-	-	(6.8)	(6.8)
Share of joint ventures and associates operating profit	-	-	-	-	5.0	-	-	5.0
Headline operating profit/(loss)	8.5	(0.7)	10.0	5.2	22.4	3.2	(6.8)	41.8
Other operating income - Group	-	-	-	-	30.1	-	-	30.1
Other operating income – share of joint ventures and associates	-	-	-	-	3.6	-	-	3.6
Other operating (expense) – share of joint ventures and associates	-	-	-	-	(20.4)	-	-	(20.4)
Impairment								
- Joint ventures investments and loans	-	-	-	-	(19.6)	-	-	(19.6)
- Hotels	-	(4.7)	-	(1.4)	(2.0)	-	-	(8.1)
- Other property	-	(7.4)	-	-	-	-	-	(7.4)
Share of interest, tax and minority interests of joint ventures and associates	-	-	-	-	(4.4)	-	-	(4.4)
Operating profit/(loss)	8.5	(12.8)	10.0	3.8	9.7	3.2	(6.8)	15.6
Net financing costs								(2.5)
Profit before tax								13.1

Fourth quarter ended 31 December 2007

	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m	Central costs £m	Total Group £m
Revenue								
Hotel	32.0	27.4	25.4	27.6	54.8	12.6	-	179.8
Property operations	-	0.3	-	-	0.4	6.1	-	6.8
Total	32.0	27.7	25.4	27.6	55.2	18.7	-	186.6
Hotel gross operating profit	15.3	5.7	13.2	9.3	24.4	5.1	-	73.0
Hotel fixed charges*	(4.2)	(4.2)	(1.6)	(3.8)	(8.5)	(3.9)	-	(26.2)
Hotel operating profit	11.1	1.5	11.6	5.5	15.9	1.2	-	46.8
Property operations operating Profit/(loss)	-	(9.7)	-	-	0.4	3.5	-	(5.8)
Central costs	-	-	-	-	-	-	(5.6)	(5.6)
Share of joint ventures and associates operating profit	-	-	-	-	6.8	-	-	6.8
Headline operating profit/(loss)	11.1	(8.2)	11.6	5.5	23.1	4.7	(5.6)	42.2
Other operating income - Group	-	-	-	-	10.4	-	-	10.4
Other operating income – share of joint ventures and associates	-	-	-	-	25.0	-	-	25.0
Impairment - hotels	-	(6.1)	-	(0.9)	-	-	-	(7.0)
Share of interest, tax and minority interests of joint ventures and associates	-	-	-	-	(2.5)	-	-	(2.5)
Operating profit/(loss)	11.1	(14.3)	11.6	4.6	56.0	4.7	(5.6)	68.1
Net financing costs								(3.7)
Profit before tax								64.4

Notes to the fourth quarter and full year results announcement
2. Segmental analysis (continued)

Business segments (primary)

	Year ended 31 December 2008			Total Group 2008 £m
	Hotel 2008 £m	Property operations 2008 £m	Central costs 2008 £m	
Revenue	696.1	6.8	-	702.9
Gross operating profit/(loss)	266.2	(0.8)	-	265.4
Depreciation	(28.8)	-	-	(28.8)
Amortisation of lease premium prepayments	(1.2)	-	-	(1.2)
Other hotel fixed charges	(90.7)	-	-	(90.7)
Central costs	-	-	(20.5)	(20.5)
Share of joint ventures and associates operating profit	20.7	(1.4)	-	19.3
Headline operating profit/(loss)	166.2	(2.2)	(20.5)	143.5
Other operating income – Group	31.4	-	-	31.4
Other operating income – share of joint ventures and associates	-	3.6	-	3.6
Other operating expense – share of joint ventures and associates	(20.4)	-	-	(20.4)
Impairment – joint ventures investments and loans	(19.6)	-	-	(19.6)
– hotels	(8.1)	-	-	(8.1)
– other properties	(1.8)	(5.6)	-	(7.4)
Share of interest, tax and minority interests of joint ventures and associates	(8.9)	(1.3)	-	(10.2)
Operating profit/(loss)	138.8	(5.5)	(20.5)	112.8
Net finance expense	-	-	-	(10.0)
Profit before income tax				102.8

Business segments (primary)

	Year ended 31 December 2007			Total Group 2007 £m
	Hotel 2007 £m	Property operations 2007 £m	Central costs 2007 £m	
Revenue	649.7	19.9	-	669.6
Gross operating profit/(loss)	248.7	(1.0)	-	247.7
Depreciation	(27.4)	-	-	(27.4)
Amortisation of lease premium prepayments	(1.3)	-	-	(1.3)
Other hotel fixed charges	(79.5)	-	-	(79.5)
Central costs	-	-	(19.4)	(19.4)
Share of joint ventures and associates operating profit	20.1	-	-	20.1
Headline operating profit/(loss)	160.6	(1.0)	(19.4)	140.2
Other operating income – Group	4.1	8.7	1.0	13.8
Other operating income – share of joint ventures and associates	32.3	-	-	32.3
Impairment – hotels	(7.0)	-	-	(7.0)
Share of interest, tax and minority interests of joint ventures and associates	(7.8)	-	-	(7.8)
Operating profit/(loss)	182.2	7.7	(18.4)	171.5
Net finance expense	-	-	-	(14.1)
Profit before income tax				157.4

Notes to the fourth quarter and full year results announcement

2. Segmental analysis (continued)

Geographical segments (secondary)

	Year ended 31 December 2008							Central costs £m	Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m			
Revenue									
Hotel	112.3	110.7	93.8	104.6	229.9	44.8	-	696.1	
Property operations	-	1.5	-	-	2.4	2.9	-	6.8	
Total	112.3	112.2	93.8	104.6	232.3	47.7	-	702.9	
Hotel gross operating profit	43.6	20.9	46.8	31.8	105.4	17.7	-	266.2	
Hotel fixed charges*	(16.7)	(18.5)	(12.4)	(17.1)	(47.6)	(8.4)	-	(120.7)	
Hotel operating profit	26.9	2.4	34.4	14.7	57.8	9.3	-	145.5	
Property operations operating (loss)/profit	-	(2.0)	-	-	0.6	0.6	-	(0.8)	
Central costs	-	-	-	-	-	-	(20.5)	(20.5)	
Share of joint ventures and associates operating profit	-	-	-	-	19.3	-	-	19.3	
Headline operating profit	26.9	0.4	34.4	14.7	77.7	9.9	(20.5)	143.5	
Other operating income - Group	-	-	-	-	31.4	-	-	31.4	
Other operating income – share of joint ventures and associates	-	-	-	-	3.6	-	-	3.6	
Other operating expense – share of joint ventures and associates	-	-	-	-	(20.4)	-	-	(20.4)	
Impairment									
- Joint ventures investments and loans	-	-	-	-	(19.6)	-	-	(19.6)	
- Hotels	-	(4.7)	-	(1.4)	(2.0)	-	-	(8.1)	
- Other properties	-	(7.4)	-	-	-	-	-	(7.4)	
Share of interest, tax and minority interests of joint ventures and associates	-	-	-	-	(10.2)	-	-	(10.2)	
Operating profit/(loss)	26.9	(11.7)	34.4	13.3	60.5	9.9	(20.5)	112.8	
Net financing costs								(10.0)	
Profit before tax								102.8	

	Year ended 31 December 2007							Central costs £m	Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m			
Revenue									
Hotel	106.5	112.0	92.0	98.0	196.0	45.2	-	649.7	
Property operations	-	1.6	-	-	1.5	16.8	-	19.9	
Total	106.5	113.6	92.0	98.0	197.5	62.0	-	669.6	
Hotel gross operating profit	43.2	26.8	46.4	30.7	83.2	18.4	-	248.7	
Hotel fixed charges*	(15.6)	(17.4)	(12.7)	(15.7)	(36.5)	(10.3)	-	(108.2)	
Hotel operating profit	27.6	9.4	33.7	15.0	46.7	8.1	-	140.5	
Property operations operating (loss)/profit	-	(9.8)	-	-	0.9	7.9	-	(1.0)	
Central costs	-	-	-	-	-	-	(19.4)	(19.4)	
Share of joint ventures and associates operating profit	-	-	-	-	20.1	-	-	20.1	
Headline operating profit/(loss)	27.6	(0.4)	33.7	15.0	67.7	16.0	(19.4)	140.2	
Other operating income – Group	-	-	-	-	12.8	-	1.0	13.8	
Other operating income – share of joint ventures and associates	-	-	-	-	32.3	-	-	32.3	
Impairment - hotels	-	(6.1)	-	(0.9)	-	-	-	(7.0)	
Share of interest, tax and minority interests of joint ventures and associates	-	-	-	-	(7.8)	-	-	(7.8)	
Operating profit/(loss)	27.6	(6.5)	33.7	14.1	105.0	16.0	(18.4)	171.5	
Net finance expense								(14.1)	
Profit before tax								157.4	

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

Notes to the fourth quarter and full year results announcement

2. Segmental analysis (continued)

Segmental assets and liabilities

As at 31 December 2008	New York 2008 £m	Regional US 2008 £m	London 2008 £m	Rest of Europe 2008 £m	Asia 2008 £m	Australasia 2008 £m	Total Group 2008 £m
Hotel operating assets	378.5	350.3	447.9	233.9	704.5	127.4	2,242.5
Hotel operating liabilities	(10.3)	(34.9)	(19.2)	(18.8)	(175.5)	(7.3)	(266.0)
Investments in joint ventures and associates	-	-	-	-	338.7	-	338.7
Total hotel operating net assets	368.2	315.4	428.7	215.1	867.7	120.1	2,315.2
Property operating assets	-	25.1	-	-	61.9	55.5	142.5
Property operating liabilities	-	(0.9)	-	-	(1.2)	(1.0)	(3.1)
Total property operating net assets	-	24.2	-	-	60.7	54.5	139.4
Deferred tax liabilities							(258.1)
Income taxes payable							(30.5)
Net debt							(285.1)
Net assets							1,880.9

Segmental assets and liabilities

As at 31 December 2007	New York 2007 £m	Regional US 2007 £m	London 2007 £m	Rest of Europe 2007 £m	Asia 2007 £m	Australasia 2007 £m	Total Group 2007 £m
Hotel operating assets	284.4	254.2	447.6	220.5	554.9	112.9	1,874.5
Hotel operating liabilities	(9.6)	(26.9)	(20.5)	(15.8)	(137.4)	(7.5)	(217.7)
Investments in joint ventures and associates	-	-	-	-	247.6	-	247.6
Loans to joint ventures	-	-	-	-	5.4	-	5.4
Total hotel operating net assets	274.8	227.3	427.1	204.7	670.5	105.4	1,909.8
Property operating assets	-	34.5	-	-	43.1	52.8	130.4
Property operating liabilities	-	(0.1)	-	-	(0.4)	(0.7)	(1.2)
Total property operating net assets	-	34.4	-	-	42.7	52.1	129.2
Deferred tax liabilities							(205.8)
Income taxes payable							(17.4)
Net debt							(262.1)
Net assets							1,553.7

3. Other operating income

	Notes	Three months ended 31 December 2008 £m	Three months ended 31 December 2007 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Profit on aborted sale of CDL Hotels Korea Limited	(a)	31.4	-	31.4	-
Reversal of gain taken on acquisition of minority interests in Hong Leong Hotel Development Limited (Taiwan)	(b)	(1.3)	-	-	-
Release of property tax provision set aside on acquisition of Regal Hotels in 1999		-	-	-	1.0
Profit on disposal of stapled securities in CDLHT		-	0.3	-	0.7
Gain on dilution on investment in CDLHT		-	-	-	2.0
Fair value adjustments of investment properties		-	8.7	-	8.7
Profit on sale and leaseback of three Singapore hotels		-	1.4	-	1.4
		30.1	10.4	31.4	13.8

Notes to the fourth quarter and full year results announcement

3. Other operating income (continued)

Notes

(a) On 24 June 2008, M&C announced the proposed disposal of CDL Hotels (Korea) Limited, a wholly-owned subsidiary of M&C with one principal asset, the Millennium Seoul Hilton Hotel. Completion of the proposed disposal was expected to take place on 30 September 2008 and subsequently agreed to be deferred to 28 November 2008. While the Group was ready, willing and able to complete the disposal, the buyer was unable to finalise its financing arrangements and, consequently, the agreement for the disposal was terminated. The non-refundable cash deposit paid by the buyer has accordingly been forfeited and has resulted in the Group recording a £31.4m gain.

The difference between the gain of £31.4m and the £27.3m net cash proceeds received is due to the effect of foreign translation.

(b) The £1.3m gain recorded in Q3 arising on the acquisition of 1.57% of Hong Leong Hotel Development Limited (Taiwan) at a discount to fair value (negative goodwill) has been reversed and shown as a movement in equity.

4. Impairment

	Three months ended 31 December 2008 £m	Three months ended 31 December 2007 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Impairment				
- Joint ventures investments and loans	(19.6)	-	(19.6)	-
- Hotels	(8.1)	(7.0)	(8.1)	(7.0)
- Other property	(7.4)	-	(7.4)	-
	(35.1)	(7.0)	(35.1)	(7.0)

Joint ventures investments and loans

The Group's 30% and 50% investment in Beijing and Bangkok respectively have been fully written down by an aggregate of £19.6m and comprises £12.2m investments and a £7.4m provision for loans. This follows a review of the difficult economic conditions and overbuilt hotel situation in Beijing post the Olympics and the unstable political conditions affecting business in Thailand.

Hotels

The Directors undertook an annual review of the carrying value of hotel and property assets for indications of impairment and where appropriate external valuations were also undertaken. An impairment charge of £8.1m (2007: £7.0m) has been recorded in the fourth quarter and relates to 6 hotels in US and UK as well as land in India.

Other property

The Group formerly operated the Four Points Sunnyvale Hotel California, US and in 2006, a decision to redevelop into a new hotel and residential apartments led to the closure of the hotel operations. Accordingly, in that year, the Group transferred the redevelopment of Sunnyvale from property, plant and equipment to development properties. In 2007, with the uncertainties in the US property market, the Directors then made a write-down of £9.6m to the carrying value of the property, which was classified within the headline operating profit. In December 2008, in view of the continued uncertainties of the US property market, the Group changed its intent from the aforesaid to holding the hotel component of the Sunnyvale site when completed for its own operations, and to holding the residential component when completed to be leased out to earn rental income or for capital appreciation or both. Accordingly, transfers have been made from development properties into property, plant and equipment. An impairment charge of £7.4m has been made on reclassification based on an external professional valuation obtained.

5. Share of joint ventures and associates interest, tax and minority interests

	Three months ended 31 December 2008 £m	Three months ended 31 December 2007 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Interest	(0.5)	(0.8)	(3.5)	(3.2)
Tax	(1.7)	(0.6)	(2.8)	(1.4)
Minority interests	(2.2)	(1.1)	(3.9)	(3.2)
	(4.4)	(2.5)	(10.2)	(7.8)

Notes to the fourth quarter and full year results announcement

6. Income tax expense/(credit)

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Current tax		
Corporation tax charge for the period	27.8	20.2
Adjustment in respect of prior years	5.0	(4.0)
Total current tax expense	32.8	16.2
Deferred tax		
Origination and reversal of timing differences	(0.9)	5.3
Reduction in tax rate	(4.2)	(3.9)
Benefits of tax losses recognised	2.3	2.7
Over provision in respect of prior years	(8.4)	(9.5)
Change in UK tax legislation in respect of the removal of claw back on hotel tax allowances	10.3	(12.9)
Total deferred tax credit	(0.9)	(18.3)
Total income tax expense/(credit) in the income statement	31.9	(2.1)

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
UK	14.5	(13.5)
Overseas	17.4	11.4
Total income tax expense/(credit) in the income statement	31.9	(2.1)

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Income tax reconciliation		
Profit before tax in income statement	102.8	157.4
Add/(less) share of losses/(profits) of joint ventures and associates	19.9	(44.6)
	122.7	112.8
Income tax on ordinary activities at the standard rate of UK tax of 28.5% (2007: 30%)	35.0	33.8
Effects of:		
Tax exempt income	(3.2)	(4.9)
Non deductible expenses	3.0	4.4
Recognition of deferred tax on share of undistributed associate's profits	2.0	-
Current year losses for which no deferred tax asset was recognised	0.2	0.9
Unrecognised deferred tax assets	0.6	0.4
Effect of lower tax rates on other operating income	(9.0)	(4.1)
Effect of higher tax rates on impairment	(1.4)	(0.4)
Other effect of tax rates in foreign jurisdictions	2.0	(1.9)
Effect of change in tax rates on opening deferred taxes	(4.2)	(3.9)
Effect of change in UK tax legislation in respect of the removal of claw back on hotel tax allowances	10.3	(12.9)
Other adjustments to tax charge in respect of prior years	(3.4)	(13.5)
Total income tax expense/(credit) in the income statement	31.9	(2.1)

Excluding the tax relating to joint ventures and associates, the Group has recorded a tax expense of £31.9m (2007: £2.1m tax credit). This increased tax expense is primarily attributable to the differing impact of non-recurring adjustments relating to prior years, in particular the deferred tax impact of a series of changes in legislation relating to UK hotel allowances. The removal of claw back of such allowances gave rise to an estimated deferred tax credit of £12.9m in 2007, whereas the subsequent reduction in tax base arising from legislation passed in 2008 in respect of the phased abolition of such allowances has given rise to a tax charge in 2008 of £10.3m.

A tax charge of £2.8m (2007: £1.4m) relating to joint ventures and associates is included in the reported profit before tax.

Major adjustment factors affecting the 2008 tax expense:

Effect of lower tax rates on other operating income

There is no tax expense on the £31.4m gain from the aborted sale of CDL Hotels (Korea) Limited.

Notes to the fourth quarter and full year results announcement

Effect of changes in tax rates

The credit relates to USA (£2.6m), Philippines (£1.0m), Indonesia (£0.4m) and Malaysia (£0.2m).

Adjustments in respect of prior years

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

Income tax recognised directly in equity

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Taxation expense arising on defined benefit pension schemes	(0.3)	(1.2)
Taxation credit arising in respect of previously valued property	-	3.2
Taxation expense arising from unrealised foreign exchange	(0.2)	-
Taxation (expense)/credit arising on share-based incentive schemes	(1.6)	0.6
	(2.1)	2.6

7. Earnings per share

Earnings per share are calculated using the following information:

	Three months ended 31 December 2008 £m	Three months ended 31 December 2007 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
(a) Basic				
Profit for period attributable to holders of the parent (£m)	4.5	68.9	64.0	149.4
Weighted average number of shares in issue (m)	302.3	295.7	300.0	294.4
Basic earnings per share (pence)	1.5p	23.3p	21.3p	50.7p
(b) Diluted				
Profit for period attributable to holders of the parent (£m)	4.5	68.9	64.0	149.4
Weighted average number of shares in issue (m)	302.3	295.7	300.0	294.4
Potentially dilutive share options under Group's share option schemes (m)	-	0.2	0.1	0.7
Weighted average number of shares in issue (diluted) (m)	302.3	295.9	300.1	295.1
Diluted earnings per share (pence)	1.5p	23.3p	21.3p	50.6p
(c) Headline earnings per share				
Profit for the period attributable to holders of the parent (£m)	4.5	68.9	64.0	149.4
Adjustments for:				
- Other operating income (net of tax) (£m)	(30.1)	(10.4)	(31.4)	(13.8)
- Impairment (net of tax) (£m)	29.1	4.5	29.1	4.5
- Share of other operating income of joint ventures and associates (net of tax) (£m)	19.6	(25.0)	19.6	(32.3)
- Change in UK tax legislation on hotel tax allowances (£m)	10.3	(0.1)	10.3	(12.9)
- Change in tax rates on opening deferred taxes (£m)	(4.2)	1.1	(4.2)	(3.9)
Adjusted profit for the period attributable to holders of the parent (£m)	29.2	39.0	87.4	91.0
Weighted average number of shares in issue (m)	302.3	295.7	300.0	294.4
Headline earnings per share (pence)	9.7p	13.2p	29.1p	30.9p
(d) Diluted headline earnings per share				
Adjusted profit for the period attributable to holders of the parent (£m)	29.2	39.0	87.4	91.0
Weighted average number of shares in issue (diluted) (m)	302.3	295.9	300.1	295.1
Diluted headline earnings per share (pence)	9.7p	13.2p	29.1p	30.8p

Notes to the fourth quarter and full year results announcement

8. Dividends

Dividends have been recognised within equity as follows:

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Final ordinary dividend for 2007 of 10.42p (for 2006: 6.42p)	30.9	18.7
Interim ordinary dividend for 2008 of 2.08p (for 2007: 2.08p)	6.3	6.2
	37.2	24.9
Final special dividend paid of nil for 2007 (for 2006 of 4.00p)	-	11.7
	37.2	36.6

9. Statement of changes to total equity

	Share Capital £m	Share Premium £m	Translation Reserve £m	Retained Earnings £m	Total excluding minority interests £m	Minority interests £m	Total equity £m
At 31 December 2006	87.6	848.7	(37.6)	370.4	1,269.1	123.0	1,392.1
Total recognised income and expense	-	-	10.0	152.7	162.7	17.5	180.2
Dividends paid - Group (see note 87)	-	-	-	(36.6)	(36.6)	-	(36.6)
Dividends paid - minority interests	-	-	-	-	-	(2.2)	(2.2)
Issue of shares in lieu of dividends	1.2	(1.2)	-	26.1	26.1	-	26.1
Share options exercised	0.1	1.3	-	-	1.4	-	1.4
Equity settled transactions	-	-	-	0.8	0.8	-	0.8
Capital contribution from minority interests	-	-	-	-	-	1.9	1.9
Share buyback of minority interests	-	-	-	-	-	(10.0)	(10.0)
At 31 December 2007	88.9	848.8	(27.6)	513.4	1,423.5	130.2	1,553.7
Total recognised income and expense	-	-	258.4	68.8	327.2	29.2	356.4
Dividends paid - Group (see note 8)	-	-	-	(37.2)	(37.2)	-	(37.2)
Issue of shares in lieu of dividends	1.7	(1.7)	-	22.2	22.2	-	22.2
Dividends paid – minority interests	-	-	-	-	-	(3.4)	(3.4)
Share options exercised	0.1	0.6	-	-	0.7	-	0.7
Equity settled transactions	-	-	-	1.1	1.1	-	1.1
Share buyback of minority interests	-	-	-	-	-	(12.6)	(12.6)
At 31 December 2008	90.7	847.7	230.8	568.3	1,737.5	143.4	1,880.9

Notes to the fourth quarter and full year results announcement

10. Non-GAAP measures

Headline operating profit

The Group presents headline operating profit, this excludes other operating income and impairment of the Group, and share of the other operating income and impairment of joint ventures and associates.

The Group believes that it is both useful and necessary to report these measures for the following reasons:

- they are measures used by the Group for internal performance analysis; and
- it is useful in connection with discussion with the investment analyst community.

Reconciliation of these measures to the closest equivalent GAAP measure, profit before tax is provided below.

	Three months ended 31 December 2008 £m	Three months ended 31 December 2007 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Profit before tax	13.1	64.4	102.8	157.4
Adjusted to exclude:				
Other operating income	(30.1)	(10.4)	(31.4)	(13.8)
Profit on aborted sale of CDL Hotels (Korea) Limited	(31.4)	-	(31.4)	-
Reversal of gain taken on acquisition of minority interests in Hong Leong Hotel Development Limited (Taiwan)	1.3	-	-	-
Profit on disposal of stapled securities in CDLHT	-	(0.3)	-	(0.7)
Release of property tax provision set aside on acquisition of Regal Hotels in 1999	-	-	-	(1.0)
Gain on dilution on investment in CDLHT	-	-	-	(2.0)
Fair value adjustments of investment properties	-	(8.7)	-	(8.7)
Profit on sale and leaseback of three Singapore hotels	-	(1.4)	-	(1.4)
Adjusted to exclude:				
Share of other operating expense/(income) of joint ventures and associates	19.4	(25.0)	19.4	(32.3)
Fair value adjustments to CDLHT and First Sponsor Capital Limited investment property	16.8	(25.0)	16.8	(32.3)
Interest, tax and minority interests	2.6	-	2.6	-
Impairment (refer to note 4)	35.1	7.0	35.1	7.0
Headline profit before tax	37.5	36.0	125.9	118.3
Add back:				
Share of results of joint ventures and associates				
- Interest, tax and minority interests on operating income	1.8	2.5	7.6	7.8
Net finance expense	2.5	3.7	10.0	14.1
Headline operating profit	41.8	42.2	143.5	140.2

Net debt

In presenting and discussing the Group's indebtedness and liquidity position, net debt is calculated. Net debt is not defined under IFRS. The Group believes that it is both useful and necessary to communicate net debt to investors and other interested parties, for the following reasons:

- net debt allows the Company and external parties to evaluate the Group's overall indebtedness and liquidity position;
- net debt facilitates comparability of indebtedness and liquidity with other companies, although the Group's measure of net debt may not be directly comparable to similarly titled measures used by other companies; and
- it is used in discussions with the investment analyst community.

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

	As at 31 December 2008 £m	As at 31 December 2007 £m
Net Debt		
Cash and cash equivalents (as per cash flow statement)	209.3	155.9
Bank overdrafts (included as part of borrowings)	2.8	0.4
Cash and cash equivalents (as per the consolidated balance sheet)	212.1	156.3
Interest-bearing loans, bonds and borrowings - Non-current	(415.1)	(304.1)
- Current	(82.1)	(114.3)
Net debt	(285.1)	(262.1)
Gearing (%)	16.4%	18.3%

**APPENDIX 1: Key operating statistics (unaudited)
for the full year ended 31 December 2008**

	Year ended 31 December 2008 Reported Currency	Year ended 31 December 2007 Constant currency	Year ended 31 December 2007 Reported currency
Occupancy %			
New York	84.7		86.6
Regional US	59.9		66.5
Total US	65.6		71.2
London	84.4		84.5
Rest of Europe	70.9		72.4
Total Europe	76.9		77.8
Asia	75.8		77.1
Australasia	66.5		69.3
Total Group	71.2		74.1
Average Room Rate (£)			
New York	163.08	161.47	150.20
Regional US	55.23	54.38	50.59
Total US	87.41	84.52	78.62
London	101.36	97.31	97.31
Rest of Europe	79.60	78.05	73.99
Total Europe	90.16	87.33	85.22
Asia	76.72	67.44	63.08
Australasia	46.29	44.63	42.67
Total Group	80.32	75.78	71.74
RevPAR (£)			
New York	138.13	139.83	130.07
Regional US	33.08	36.16	33.64
Total US	57.34	60.18	55.98
London	85.55	82.23	82.23
Rest of Europe	56.44	56.51	53.57
Total Europe	69.33	67.94	66.30
Asia	58.15	52.00	48.63
Australasia	30.78	30.93	29.57
Total Group	57.19	56.15	53.16
Gross Operating Profit Margin (%)			
New York	38.8		40.6
Regional US	18.9		23.9
Total US	28.9		32.0
London	49.9		50.4
Rest of Europe	30.4		31.3
Total Europe	39.6		40.6
Asia	45.8		42.4
Australasia	39.5		40.7
Total Group	38.2		38.3

For comparability the 31 December 2007 Average Room Rate and RevPAR have been translated at 31 December 2008 exchange rates.

**APPENDIX 2: Key operating statistics (unaudited)
for the three months ended 31 December 2008**

	Three months ended 31 December 2008 Reported currency	Three months ended 31 December 2007 Constant Currency	Three months ended 31 December 2007 Reported currency
Occupancy %			
New York	80.5		88.8
Regional US	50.8		60.7
Total US	57.7		67.2
London	84.5		82.2
Rest of Europe	69.4		72.6
Total Europe	76.1		76.9
Asia	75.7		79.4
Australasia	67.6		72.7
Total Group	68.2		73.5
Average Room Rate (£)			
New York	200.19	212.39	174.91
Regional US	65.56	64.60	50.65
Total US	108.98	109.77	88.63
London	100.92	105.38	105.38
Rest of Europe	81.65	82.08	76.93
Total Europe	91.11	93.13	90.43
Asia	79.53	76.43	66.72
Australasia	45.28	45.35	45.57
Total Group	87.67	88.02	77.48
RevPAR (£)			
New York	161.15	188.60	155.32
Regional US	33.30	39.21	30.74
Total US	62.88	73.77	59.56
London	85.28	86.62	86.62
Rest of Europe	56.67	59.59	55.85
Total Europe	69.33	71.62	69.54
Asia	60.20	60.69	52.98
Australasia	30.61	32.97	33.13
Total Group	59.79	64.69	56.95
Gross Operating Profit Margin (%)			
New York	40.5		47.8
Regional US	16.6		20.8
Total US	29.2		35.4
London	52.7		52.0
Rest of Europe	32.4		33.7
Total Europe	41.7		42.5
Asia	47.1		44.5
Australasia	42.2		40.5
Total Group	39.4		40.6

For comparability the 31 December 2007 Average Room Rate and RevPAR have been translated at 31 December 2008 exchange rates.

APPENDIX 3: Hotel Room Count and Pipeline (unaudited)
for the year ended 31 December 2008

Hotel and room count as at 31 December 2008	Hotels			Rooms		
	31 December 2008	31 December 2007	Change	31 December 2008	31 December 2007	Change
Analysed by region:						
New York	3	3	-	1,746	1,746	-
Regional US	17	17	-	6,025	6,025	-
London	7	7	-	2,487	2,487	-
Rest of Europe	17	17	-	3,073	3,073	-
Middle East	9	5	4	2,689	1,528	1,161
Asia	19	16	3	9,061	7,713	1,348
Australasia	31	32	(1)	3,524	3,618	(94)
Total	103	97	6	28,605	26,190	2,415
Analysed by ownership type:						
Owned and leased	68	68	-	21,131	20,684	447
Managed	17	13	4	4,011	2,850	1,161
Franchised	14	12	2	1,854	1,047	807
Investment	4	4	-	1,609	1,609	-
Total	103	97	6	28,605	26,190	2,415
Analysed by brand:						
Grand Millennium	4	2	2	1,666	793	873
Millennium	40	39	1	14,222	13,598	624
Copthorne	34	32	2	6,950	6,140	810
Kingsgate	15	14	1	1,422	1,314	108
Other	10	10	-	4,345	4,345	-
Total	103	97	6	28,605	26,190	2,415
Pipeline						
Pipeline as at 31 December 2008	Hotels			Rooms		
	31 December 2008	31 December 2007	Change	31 December 2008	31 December 2007	Change
Analysed by region:						
Regional US	1	1	-	250	250	-
Rest of Europe	2	2	-	340	340	-
Middle East	10	6	4	3,418	1,424	1,994
Asia	4	6	(2)	1,160	2,366	(1,206)
Total	17	15	2	5,168	4,380	788
Analysed by ownership type:						
Owned or leased	2	3	(1)	620	1,141	(521)
Managed	14	10	4	4,428	2,434	1,994
Franchised	-	2	(2)	-	805	(805)
Investment	1	-	1	120	-	120
Total	17	15	2	5,168	4,380	788
Analysed by brand:						
Grand Millennium	-	1	(1)	-	521	(521)
Millennium	10	7	3	3,555	2,113	1,442
Copthorne	1	4	(3)	140	1,018	(878)
Kingsgate	2	1	1	478	108	370
Other	4	2	2	995	620	375
Total	17	15	2	5,168	4,380	788

During 2008, the number of rooms in the pipeline (contracts signed but hotels/rooms yet to open under one of the Group's brands) increased by 788 to 5,168 (2007: 4,380 rooms).

Seven hotels were opened in 2008, three in China (including two franchised hotels) and four in the Middle East. The Group added two new Grand Millennium hotels in Beijing and Dubai bringing the total of Grand Millennium hotels to four.

The first two franchised hotels in China were also opened, the Millennium Harbourview Hotel Xiamen and the Copthorne Hotel Qingdao.

The lease on the Copthorne Hotel Wellington Plimmer Towers in New Zealand expired in April 2008 and was not renewed.