19 February 2004

MILLENNIUM & COPTHORNE HOTELS PLC
RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2003

Millennium & Copthorne Hotels plc today presents its results for the twelve months ended 31 December 2003. The Group owns and/or operates 91 hotels located in the Americas, Europe, The Middle-East, North Africa, Asia and Australasia.

Group results

- Group turnover £523.1m (2002: £567.5m)
- Group operating profit £54.4m (2002: £96.3m)
- Gross hotel operating margin 32.1% (2002: 35.1%)
- Pre-tax profit £18.7m (2002: £60.2m)
- Earnings per share 3.9p (2002: 13.4 p)
- Total dividend of 6.25p per share (2002: 12.50p)

Overview

- Noticeable profit recovery in the fourth quarter of the year
- Millenium Hilton Hotel in New York reopened successfully
- Management continuity assured
- Reduction of dividend to allow for a future progressive policy
- Identification of best practice initiatives across the Group to meet future market dynamics

Commenting today, Mr Kwek Leng Beng, Chairman said:

“We operated under difficult circumstances in the year under review and successfully turned the half-year loss of £6.3 million pounds to a pre-tax profit of £18.7 million for the whole year. I consider the results as satisfactory.

“Following the retirement of Dr. John Wilson and the departure of David Thomas, I am confident that the interim team that we have put in place, together with myself, provide the necessary continuity to drive earnings growth going forward.

“The lessons learnt during this most testing trading period will help us respond swiftly and effectively to any market conditions. With the more stable economic environment, the outlook for 2004 is positive. Barring any recurrence of the adverse trading conditions seen in 2003, we are confident that our performance will improve significantly compared with 2003.”

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A copy of the press release and analyst presentation will be available on http://www.millenniumhotels.com/ from 9.15am on 19 February 2004. An audio webcast of the results presentation to analysts and investors will be available later this morning on www.millenniumhotels.com and www.cantos.com

MILLENNIUM & COPTHORNE HOTELS PLC RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2003

CHAIRMAN'S STATEMENT

GROUP RESULTS

The year 2003 began steadily. However, the build up to hostilities and subsequent war in Iraq, the outbreak of SARS and terrorist threats created an unprecedented trading environment which had a dramatic impact on our business. As a result, the company reported a pre-tax loss of £6.3m for the six months ended 30 June 2003, the first loss in the Group's history.

However, despite the half-year loss, the group made a very creditable return to profitability in the second half, achieving profits of £25.0m, the majority being earned in the fourth quarter. We are therefore pleased to report a pre-tax profit of £18.7m for the year.

	Three months to 31 Dec 2003	Three months to 31 Dec 2002	Twelve months to 31 Dec 2003	Twelve months to 31 Dec 2002
	£m	£m	£m	£m
Group turnover	145.5	144.8	523.1	567.5
Group operating profit	24.4	29.4	54.4	96.3
Profit before tax	18.4	24.0	18.7	60.2

Group turnover for the year was £523.1m (2002: £567.5m). Group operating profit was £54.4m (2002: £96.3m) and our profit before tax was £18.7m (2002: £60.2m).

The historic annual dividend of 12.5p per share was established in the year 2000 when the Group made a record operating profit of £171.5m. After careful deliberation, the Board has decided to reduce the dividend to a level which will allow a policy of progressive dividend growth in the future and establish an appropriate level of dividend cover over time. Hence, the directors are recommending a final dividend of 2.05p per share (2002: 8.30p per share). This results in a total dividend for the year of 6.25p per share (2002: 12.50p).

RESPONSE TO MARKET CONDITIONS

Our strategic response to the difficult trading environment faced by the hospitality industry has been to maintain and increase market share by driving sales at a local level with aggressive tactical marketing. We continue to monitor our cost base carefully, reducing costs as far as possible whilst maintaining our high standards. This focus on revenues and costs has reaped benefits as evidenced by the recovery in the Group profit performance in the second half of the year.

The volatility caused by the events of September 11 and the subsequent unpredictability of the business environment has emphasised the importance of a quick and appropriate response to the dynamics of changing market conditions. We have carefully observed the varying responses and performances of our hotels in the different geographical regions throughout the period. We will benefit from the lessons learned as we identify, share and implement best practice initiatives across the Group.

Where appropriate, we will introduce new talents and skills to ensure that we are best placed to drive revenues across the Group and capitalise on the improvement in market conditions. An example of this has been the appointment of Michael Tan as an executive vice president to assist us in strategic marketing, branding and customer relationship building across the Group. Mr Tan was formerly a very senior executive vice president at Singapore Airlines.

MILLENIUM HILTON

We are pleased to report that the restoration and refurbishment of the Millenium Hilton, New York, was completed in the third quarter of the year and the hotel opened for business on 5 May 2003.

As New York settles on the design of the buildings at the former World Trade Centre site, the Millenium Hilton, New York will be able to leverage on its prime location to achieve greater earnings growth.

The insurance company has paid us another US$6.5m in the year and to date we have received an aggregate amount of US$56.5m. We are continuing our discussions with the insurer but until the legal dispute with the insurance company is finally resolved, as previously reported the Board has decided that it would be prudent not to recognise any further business interruption income.

THE BOARD

On 18 December 2003 the Group announced that Fred Brown (70) a non-Executive Director would retire from the Board on 31 December 2003. On 15 January 2004, the Group announced that Dr. John Wilson (62) is retiring on 1 March 2004. It also announced that David Thomas had given notice of his decision to leave the Group. We wish Mr Brown, Dr Wilson and Mr Thomas well in the future.

Tony Potter (Chief Operating Officer) and Wong Hong Ren (Executive Director) have been appointed joint interim Chief Executives. Both Tony Potter and Wong Hong Ren, who have been part of Dr. John Wilson's executive team for several years, complement each other in their respective strengths. Wong Hong Ren has taken an active role in the investment and financial management of the company since 2001. Tony Potter has been with the Group since 1999 and, as Chief Operating Officer, has an in-depth knowledge of the business. Together with myself, we have the necessary management to continue to drive the growth of the company.

PROSPECTS

The outlook for 2004 is positive. With our well maintained quality assets in key locations, we are well positioned to benefit from any upturn in the market. Barring any recurrence of the adverse trading conditions seen in 2003, we are confident that our performance in the current year will improve significantly as we take advantage of the more stable economic environment.

KWEK LENG BENG
CHAIRMAN
19 FEBRUARY 2004

REVIEW OF OPERATIONS

GROUP PERFORMANCE

In the first half of the year we experienced significant reductions in both occupancy and average room rate and whilst we saw a significant recovery in the second half, our turnover for the year was £523.1m (2002: £567.5m). Group operating profit was £54.4m (2002: £96.3m). Occupancy for the Group was 65.1% (2002: 67.2%) and the average room rate was £61.60 (2002: £65.73) resulting in a RevPAR of £40.10 (2002: £44.17). The Group GOP margin was 32.1% (2002: 35.1%).

In order to assist the understanding of our key operating statistics we are presenting "like for like" statistics in constant currency. The Millenium Hilton was closed as a result of the terrorist events on September 11 2001. The hotel reopened in May 2003 and is excluded from the like for like statistics. These are set out in the appendix.

The like for like turnover (in constant currency) of the Group was £509.9m (2002: £556.1m). This reduction of £46.2m was mitigated by strong cost control and the Group Operating Profit reduced by only £25.9m.

On this like for like (LFL) basis, with constant rates of exchange, occupancy was 64.9% (2002: LFL 66.8%) and the average room rate was £60.42 (2002: LFL £64.61) resulting in a RevPAR of £39.21 (2002: LFL £43.16).

The recovery in the second half is clearly evidenced by the fact that although turnover was down 8.3% for the year as a whole on a LFL basis, it was only 1.0% down in the final quarter. Equally, in the final quarter on a LFL basis occupancy was 68.7% (2002: LFL 66.7 %) and the average room rate was £60.79 (2002: LFL £63.35) resulting in a RevPAR of £41.76 (2002: LFL £42.25).

UNITED STATES

New York

Occupancy for the region was maintained at 83.8% (2002: LFL 83.3%). However, the average room rate was £101.87 (2002: LFL £110.07) and the resultant RevPAR was £85.37 (2002: LFL £91.69).

Our occupancy in the region has remained high as a result of our consistent policy of driving volume through tactical marketing.

Following US$32m of capital expenditure, the Millenium Hilton re-opened on 5 May as a "brand new" hotel. The rooms were brought into service on a rolling basis and all rooms are now available. The hotel returned to profit during the second half of the year. It is now the landmark hotel of the financial district and is performing ahead of our expectations.

As previously reported, proceeds of US$56.5m from the insurance claim have been received in respect of the capital and business interruption claims. The insurance company has taken legal action to seek clarification on certain aspects of the policy. The Board has taken legal advice and, based on this and its own information, considers that the Group's interpretation of the policy is correct. However, the Board has decided that until the dispute is settled it would be prudent not to recognise any further business interruption income from 1 January 2003.

In the event that the dispute is settled and further insurance proceeds are forthcoming, we will book them on a received basis.

Regional US

The occupancy for the region improved to 57.0% (2002: LFL 53.8%). The average room rate was £57.97 (2002: LFL £64.42) and the resultant RevPAR was £33.04 (2002: LFL £34.66).

Overall the performance of the region's hotels was encouraging, given the difficult circumstances in which they were operating. In Los Angeles, which performed below expectations in the first half because of reductions in convention business and the impact of SARS reducing the number of inbound flights from Asia, there are signs of improvement, with RevPAR ahead of the prior year for the last two months of 2003.

Whilst US domestic air travel volumes are still lower than in 2002, the position is improving as business demand strengthens and internal travellers become accustomed to the increased levels of security at airports.

On 31 March 2003 the Group acquired the remaining 60% of the share capital held by the limited partners in The Sunnyvale Four Points Hotel, California for a net consideration of US$4.2m (£2.6m). The Group now wholly owns this 378 room hotel which will give us greater flexibility going forward.

EUROPE

London

The occupancy for the region was 80.9% (2002: LFL 83.1%). The average room rate was £73.85 (2002: LFL £79.86) and the resultant RevPAR was £59.74 (2002: LFL £66.36).

The London hotel market has been difficult for some time because there is continued pressure on average rates although volume remains high. We have maintained our policy of making tactical price reductions rather than wholesale cuts.

The Copthorne Tara in Kensington has significantly affected our results in this region. As a direct consequence of the reduced numbers of flights to and from the UK, the hotel lost 16,000 aircrew room nights in the first half of 2003. Some of these were replaced by tour groups who, in turn, are also negotiating lower rates, as the group travel market remains highly competitive.

We disposed of one of our two staff hostels in London. The sale was completed in January 2003 for a consideration of £4.2m and a net profit of £4.0m.

Rest of Europe

The occupancy for the region was 69.8% (2002: LFL 68.6%). The average room rate was £66.74 (2002: LFL £71.33) and the resultant RevPAR was £46.58 (2002: LFL £48.93). Whilst occupancies were maintained above 2002 levels we are still seeing some pressure on rate, although not to the same degree as in other regions.

Provincial UK business levels are less affected by air travel and occupancies improved marginally, but rate remained under pressure.

Oversupply at Charles de Gaulle airport, and difficult trading conditions in the centre of Paris have contributed to a fall in RevPAR at our Paris hotels. The RevPAR of our two properties in Germany saw a small fall compared to 2002 due to rate pressure. The operating loss in our German hotels was £4.6m (2002: LFL £3.8m).

ASIA

The occupancy for the region was 56.5% (2002: LFL 66.4%). The average room rate was £51.98 (2002: LFL £56.42) and the resultant RevPAR for the year was £29.37 (2002: LFL £37.46).

The SARS virus had a major effect on Singapore and Hong Kong from the second half of March until July, and in other countries, such as Taiwan, from April until July. The impact of both the war and SARS were mitigated by cost cutting measures such as a shorter working week for staff, moth-balling of guest rooms and the closure of unprofitable outlets.

By August 2003, we began to see the return of corporate customers and, although room rates remained under pressure, we saw upward movements once occupancies returned to more normal levels. We are particularly pleased with the rapid recovery of our hotels in Hong Kong, Singapore and Taipei.

The operating profit for Asia in the second half was in line with 2002 despite the RevPAR being down by 7%. In the final quarter of the year the RevPAR had recovered to be only 1% down on the prior year.

A partly completed property in Suzhou in China was sold for £2.1m in early 2003. The property was acquired as part of the Asia Pacific purchase of assets in June 1999.

AUSTRALASIA

The occupancy for the region was 68.7% (2002: LFL 69.9%). The average room rate was £37.14 (2002: LFL £35.69) and the resultant RevPAR was £25.52 (2002: LFL £24.95).

We remain very pleased with the performance of our New Zealand properties that have increased their RevPAR by 2.3%, despite a fall in the number of in-bound Asian visitors following the SARS epidemic. We have seen good results from our land development business in New Zealand.

CURRENT TRADING

Whilst the early part of the year is not a significant trading period in the context of overall Group performance, we are encouraged by the signs we have seen. In the period to 14 February 2004 the Group RevPAR increased by 0.3% compared to the corresponding period in 2003.

REVIEW OF FINANCE

RESULTS

The total group operating profit was £54.4m (2002: £96.3m). The Group share of operating profits of joint ventures and associates was £7.0m (2002: £12.6m) to give a total operating profit of £61.4m (2002: £108.9m).

PROPERTY PROFITS

The Group has made a net profit on the sale of fixed assets of £0.4m. This primarily comprises £6.1m relating to the sale of a staff hostel in London and a partly built hotel in China and a £4.8m provision that was made against a loan note. The loan note was issued by the purchaser of a hotel in Florida that was sold as part of the Group's disposal programme following the Regal acquisition in 1999.

INTEREST

Total interest receivable and similar income was £3.1m (2002: £9.3m) of which £0.7m (2002: £0.7m) was received from joint ventures.

Total interest payable was £46.2m (2002: £58.0m). The main reason for the reduction is the fall in interest rates and the write back of £2.6m of accrued interest following the settlement of the Regal acquisition deferred consideration. The Group interest payable (excluding joint ventures and associates) was £41.4m (2002: £51.1m).

Of the total interest payable, £4.8m (2002: £6.5m) was in respect of the Group's share of the interest payable by joint ventures. The lower joint venture interest cost reflects the reduction in US interest rates. No interest (2002: £0.4m) was payable in respect of the Group's share of the interest payable by associated undertakings.

The total net interest cost for the year was £43.1m (2002: £48.7m), which was covered 1.4 times (2002: 2.2 times) by profits, including our share of operating profits of joint ventures and associated undertakings, of £61.4m (2002: £108.9m).

TAXATION

The effective rate of tax for the Group is 10.2% (2002: 23.9%). We expect the 2004 effective rate to be around 15%.

MINORITY INTERESTS

The minority interests' share of Group profits arises due to the equity interest that external shareholders hold in subsidiaries and joint ventures of the Group. The equity minority interest charge was £5.7m (2002: £7.8m) and which largely arises in Taiwan and Australasia. Minority interests at 31 December 2003 have also increased by £4.5m as a result of the revaluation of Group properties and by £4.8m as a result of exchange movements.

DIVIDENDS AND EARNINGS PER SHARE

The directors are proposing a final dividend of 2.05p per share (2002: 8.30p). This means that the total dividend per share for the full year will be 6.25p (2002: 12.50p).

The earnings per share were 3.9p (2002: 13.4p).

ACQUISITIONS AND DISPOSALS

On 31 March 2003 we acquired the remaining 60% of the share capital held by limited partners in The Sunnyvale Four Points Hotel, California for a net consideration of US$4.2m (£2.6m). The final fair value of the net assets acquired was US$4.2m. The acquisition was funded from existing cash resources and the draw down of US$20.5m of additional debt to fund the repayment of acquired bank loans.

The Group has provided for a £4.7m taxation liability in relation to its acquisition of the minority interest in the Republic Hotels and Resorts Group in 2002. This change to the fair value of assets acquired has been adjusted against the carrying value of the related hotel land and buildings.

MILLENIUM HILTON

Pre-opening costs and ongoing legal fees with respect to the insurance claim, incurred in 2003 totalled £8.1m. No business interruption has been recognised in 2003. This compares to the 2002 business interruption income (net of depreciation and expenses) of £6.5m. Both amounts are disclosed as other operating (expense)/income in the profit and loss account.

CAPITAL EXPENDITURE AND DEPRECIATION

The Group's capital expenditure in 2003 totalled £31.1m (2002: £34.3m), of which £14.3m (2002: £5.8m) related to the refurbishment of the Millenium Hilton, New York.

CASHFLOW AND GEARING

Net cash inflow from operations was £93.1m (2002: £122.2m).

The other predominant features of the Group cashflow are the repayment of the Regal deferred consideration (principal and interest) £30.2m and the £10.1m terminal payment on the finance lease at the Copthorne Merry Hill hotel. Both of these payments were funded by draw downs on existing facilities.

There was an overall net decrease in cash of £11.8m (2002: increase £14.9m) which, together with foreign exchange translation differences, gives rise to a cash and short term deposit balance at 31 December 2003 of £44.9m (2002: £59.1m).

The Group gearing as at 31 December 2003 was 53% (2002: 50%).

Consolidated profit and loss account for the year ended 31 December 2003

	2003 £m	2003 £m	2002 £m	2002 £m
TURNOVER				
Group and share of joint ventures	583.2		641.1	
Less share of turnover of joint ventures	(60.1)		(73.6)	
GROUP TURNOVER		523.1		567.5
Cost of sales		(242.1)		(252.1)
GROSS PROFIT		281.0		315.4
Administrative expenses		(218.5)		(225.6)
Other operating (expense)/income		(8.1)		6.5
GROUP OPERATING PROFIT		54.4		96.3
Share of operating profits of joint ventures		7.0		12.2
Share of operating profits of associated undertakings		-		0.4
TOTAL OPERATING PROFIT		61.4		108.9
Profit on sale of fixed assets		0.4		-
PROFIT BEFORE INTEREST AND TAXATION		61.8		108.9
Interest receivable and similar income				
Group	3.1		9.3	
		3.1		9.3
Interest payable and similar charges				
Group	(41.4)		(51.1)	
Joint ventures	(4.8)		(6.5)	
Associated undertakings	-		(0.4)	
		(46.2)		(58.0)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18.7		60.2
Tax on profit on ordinary activities		(1.9)		(14.4)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		16.8		45.8
Minority interests - equity		(5.7)		(7.8)
Profit for the financial year		11.1		38.0
Dividends paid and proposed		(17.7)		(35.3)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(6.6)		2.7
Earnings per share		3.9p		13.4p
Diluted earnings per share		3.9p		13.4p
Dividends per share		6.25p		12.50p

All turnover and group operating profit in the current and prior years derive from continuing operations.

Consolidated statement of total recognised gains and losses for the year ended 31 December 2003

	2003 £m	2002 £m
Profit for the financial year	11.1	38.0
Loss on foreign currency translation	(55.6)	(62.6)
Deficit on revaluation of fixed assets	(2.4)	(0.3)
Total recognised gains and losses relating to the financial year	(46.9)	(24.9)

Note of historical cost profits and losses for the year ended 31 December 2003

	2003 £m	2002 £m
Reported profit on ordinary activities before taxation	18.7	60.2
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	0.5	0.5
Historical cost profit on ordinary activities before taxation	19.2	60.7
Historical cost (loss)/profit for the year retained after taxation, minority interests and dividends	(6.1)	3.2

Consolidated balance sheet as at 31 December 2003

	2003 £m	2003 £m	2002 £m
FIXED ASSETS			
Tangible assets		2,103.0	2,185.4
Investments in joint ventures			
Share of gross assets	256.6		288.1
Share of gross liabilities	(178.9)		(205.1)
Share of minority interests	(19.6)		(21.2)
Loans to joint ventures	32.7		36.1
	90.8		97.9
Investment in associated undertakings	0.5		6.2
Investments	0.9		0.3
		92.2	104.4
		2,195.2	2,289.8
CURRENT ASSETS			
Stocks		16.0	15.7
Debtors falling due within one year	59.6		75.6
Debtors falling due after more than one year	1.9		2.0
		61.5	77.6
Cash and short term deposits		44.9	59.1
		122.4	152.4
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		(178.2)	(292.2)
NET CURRENT LIABILITIES		(55.8)	(139.8)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,139.4	2,150.0
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		(671.0)	(634.0)
PROVISIONS FOR LIABILITIES AND CHARGES		(55.0)	(49.7)
NET ASSETS		1,413.4	1,466.3
CAPITAL AND RESERVES			
Called up share capital		84.8	84.8
Share premium account		845.8	845.6
Revaluation reserve		296.4	308.4
Profit and loss account		59.5	112.1
SHAREHOLDERS' FUNDS - EQUITY		1,286.5	1,350.9
MINORITY INTERESTS - EQUITY		126.9	115.4
TOTAL CAPITAL EMPLOYED		1,413.4	1,466.3

Consolidated cash flow statement for the year ended 31 December 2003	**2003 £m**	**2003 £m**	**2002 £m**	**2002 £m**
CASH FLOW STATEMENT				
Net cash inflow from operating activities	93.1		122.2	
Dividends received from associated undertakings	-		0.2	
Dividends received from joint ventures	0.3		0.1	
Returns on investments and servicing of finance	(45.5)		(50.0)	
Taxation paid	(5.3)		(11.6)	
Net capital expenditure and financial investment	(23.7)		(12.2)	
Acquisitions and disposals	(28.0)		-	
Equity dividends paid	(35.3)		(35.3)	
Cash (outflow)/inflow before use of liquid resources and financing		(44.4)		13.4
Management of liquid resources		-		30.6
Financing				
Net cash from the issue of shares and purchase of minority interests	0.1		(37.2)	
Increase in debt and lease financing	32.5		8.1	
Net cash inflow/(outflow) from financing		32.6		(29.1)
(Decrease)/increase in cash in the year		(11.8)		14.9

	2003 £m	2003 £m	2002 £m	2002 £m
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT				
(Decrease)/increase in cash in the year	(11.8)		14.9	
Cash inflow from decrease in liquid funds	-		(30.6)	
Cash inflow from the increase in debt and lease financing	(32.5)		(8.1)	
Change in net debt resulting from cash flows		(44.3)		(23.8)
Acquisitions		(12.6)		-
Deferred finance costs		0.4		0.2
Translation differences and other non cash movements		51.1		33.5
Movement in net debt in the year		(5.4)		9.9
Net debt at 1 January 2003		(675.5)		(685.4)
Net debt at 31 December 2003		(680.9)		(675.5)

Reconciliation of operating profit to net cash inflow from operating activities

	31 December 2003 £m	31 December 2002 £m
Group operating profit	**54.4**	96.3
Depreciation	**38.5**	39.8
Tangible fixed assets written off	**0.6**	0.4
Decrease in stocks	**(0.3)**	0.1
Decrease/(increase) in debtors	**10.1**	(4.3)
Decrease in creditors	**(9.7)**	(9.7)
Decrease in provisions	**(0.5)**	(0.4)
Net cash inflow from operating activities	**93.1**	122.2

ANALYSIS OF NET DEBT

	As at 1 January 2003 £m	Cash flow £m	Deferred finance costs £m	Acquisitions excluding cash and overdrafts £m	Translation differences and other non cash movements £m	As at 31 December 2003 £m
Cash	46.2	(11.8)	-	-	(2.6)	**31.8**
Overdrafts	(1.8)	-	-	-	0.3	**(1.5)**
		(11.8)				
Short term deposits	12.9	-	-	-	0.2	**13.1**
Debt due after one year	(465.0)	(55.7)	0.4	-	29.1	**(491.2)**
Debt due within one year	(86.5)	72.6	-	(12.6)	5.8	**(20.7)**
Finance leases	(18.3)	11.1	-	-	(0.5)	**(7.7)**
Bonds due after one year	(147.4)	(29.5)	-	-	14.8	**(162.1)**
Bonds due within one year	(15.6)	(31.0)	-	-	4.0	**(42.6)**
		(32.5)				
	(675.5)	(44.3)	0.4	(12.6)	51.1	**(680.9)**

Analysis of cash flows for headings netted in the cash flow statement

	31 December 2003 £m	31 December 2002 £m
Returns on investment and servicing of finance		
Interest received	**2.2**	4.6
Interest paid	**(39.0)**	(46.5)
Payment of interest on deferred consideration	**(4.8)**	-
Loan arrangement fees paid	**(0.4)**	(2.9)
Interest element of finance lease rental payments	**(0.9)**	(1.2)
Dividends paid to minorities	**(2.6)**	(4.0)
Net cash outflow for returns on investments and servicing of finance	**(45.5)**	(50.0)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(17.6)**	(28.6)
Millenium Hilton New York capital expenditure	**(14.7)**	(5.1)
Insurance capital claim receipts	**-**	18.9
Purchase of development properties	**-**	(2.1)
Proceeds from the sale of development properties	**-**	0.3
Proceeds from the sale of investments	**2.5**	-
Sale of properties held for resale	**-**	3.2
Sale of other fixed assets	**6.1**	0.3
Repayments from loans to associate undertakings and joint ventures	**-**	0.9
Net cash outflow for capital expenditure and financial investment	**(23.7)**	(12.2)
Acquisitions and disposals		
Acquisition of subsidiary undertakings	**(2.6)**	-
Payment of deferred consideration	**(25.4)**	-
Net cash outflow for acquisitions and disposals	**(28.0)**	-
Management of liquid resources		
Cash withdrawn from short term deposit	**-**	30.6
Net cash inflow from management of liquid resources	**-**	30.6
Financing		
Issue of shares from the exercise of options	**0.1**	0.2
Purchase of shares from minority interests	**-**	(37.4)
	0.1	(37.2)
Drawdown of third party loans	**304.7**	165.2
Repayment of third party loans	**(261.1)**	(155.0)
Capital element of finance lease rental repayment	**(11.1)**	(2.1)
	32.5	8.1
Net cash inflow/(outflow) from financing	**32.6**	(29.1)

Notes

1. SEGMENTAL INFORMATION

	New York 2003 £m	Rest of USA 2003 £m	London 2003 £m	Rest of Europe 2003 £m	Asia 2003 £m	Australasia 2003 £m	Group 2003 £m
Turnover							
Hotel	68.9	104.3	69.4	89.4	126.5	42.6	501.1
Non-hotel	-	3.5	-	-	1.6	16.9	22.0
Total	68.9	107.8	69.4	89.4	128.1	59.5	523.1
Hotel gross operating profit	17.8	21.0	34.3	25.0	45.3	17.4	160.8
Hotel fixed charges	(13.9)	(19.5)	(11.9)	(18.7)	(22.0)	(9.7)	(95.7)
Hotel operating profit	3.9	1.5	22.4	6.3	23.3	7.7	65.1
Non-hotel operating profit	-	1.4	-	-	1.0	7.0	9.4
Profit before central costs	3.9	2.9	22.4	6.3	24.3	14.7	74.5
Other operating expenses	(8.1)						(8.1)
Central costs							(12.0)
Group operating profit							54.4
Share of operating profits of joint ventures	3.1				3.9		7.0
Share of operating profits of associated undertakings							-
Profit on sale of fixed assets							0.4
Net interest payable							(43.1)
Profit on ordinary activities before taxation							18.7

Hotel fixed charges include property rent, taxes and insurance, depreciation and amortisation, operating lease rentals and management fees. There are no inter segment sales.

Turnover by origin is not significantly different from turnover by destination.

Turnover derives from two classes of business; hotel operations and non-hotel operations comprising property transactions.

For 2003 the New York hotel operating profit excludes pre-opening and legal fees with respect to the Millenium Hilton, these are disclosed in other operating expenses.

For 2002 the New York hotel operating profit excludes business interruption income with respect to the Millenium Hilton, this is disclosed in other operating income.

	New York 2002 £m	Rest of USA 2002 £m	London 2002 £m	Rest of Europe 2002 £m	Asia 2002 £m	Australasia 2002 £m	Group 2002 £m
Turnover							
Hotel	68.0	115.9	75.3	88.6	155.8	40.8	544.4
Non-hotel	-	3.8	-	-	1.8	17.5	23.1
Total	68.0	119.7	75.3	88.6	157.6	58.3	567.5
Hotel gross operating profit	22.1	27.5	38.7	27.0	60.5	15.2	191.0
Hotel fixed charges	(11.4)	(20.9)	(14.1)	(17.7)	(26.8)	(8.2)	(99.1)
Hotel operating profit	10.7	6.6	24.6	9.3	33.7	7.0	91.9
Non-hotel operating profit	-	1.5	-	-	1.2	7.4	10.1
Profit before central costs	10.7	8.1	24.6	9.3	34.9	14.4	102.0
Other operating income	6.5						6.5
Central costs							(12.2)
Group operating profit							96.3
Share of operating profits of joint ventures	5.1				7.1		12.2
Share of operating profits of associated undertakings		0.4					0.4
Profit on sale of fixed assets							-
Net interest payable							(48.7)
Profit on ordinary activities before taxation							60.2

2. TAXATION

	2003 £m	2002 £m
The tax charge comprises:		
Current tax:		
UK Corporation tax on profits of the year at 30% (2002: 30%)	6.2	2.9
(Over)/under provision in respect of prior years	(3.9)	0.3
	2.3	3.2
Overseas taxation		
Current year charge	3.3	11.8
Over provision in respect of prior years	(2.8)	(4.5)
Taxation attributable to profits of joint ventures	0.3	0.7
Total current tax	3.1	11.2
Deferred tax:		
Origination and reversal of timing differences:		
Current year	1.1	2.1
Adjustments in respect of prior years	(2.9)	-
Effect of decreased rate on opening liability	-	(1.5)
Deferred taxation attributable to joint ventures	0.6	1.7
Deferred taxation attributable to associates	-	0.9
Total deferred tax	(1.2)	3.2
Tax on profit on ordinary activities	1.9	14.4

3. DIVIDENDS – EQUITY

The final dividend of 2.05p per share will be paid on 21 May 2004 to shareholders on the register as at close of business on 26 March 2004. The Group will again be offering shareholders the option of a scrip dividend.

4. EARNINGS PER SHARE

The earnings per share are based on earnings of £11.1m (2002: £38.0m) and a weighted average number of shares in issue during the year of 282.7m (2002: 282.6m).

Fully diluted earnings per share are based on a weighted average number of shares in issue during the year, as adjusted for the exercise of options, of 283.1m (2002: 282.7m).

5. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group’s statutory accounts for the years ended 31 December 2003 or 31 December 2002 but is derived from those accounts. Statutory accounts for 2002 have been delivered to the Registrar of Companies and those for 2003 will be delivered following the Company’s Annual General Meeting.

The auditors have reported on those accounts. Their reports were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

6. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 6 May 2004.

7. KEY OPERATING STATISTICS

	2003 Excluding Millenium Hilton	2002 Like for like	2002 Reported currency
Occupancy (%)			
New York	83.8	83.3	83.3
Rest of USA	57.0	53.8	54.0
USA	61.9	59.3	59.7
London	80.9	83.1	83.1
Rest of Europe	69.8	68.6	68.6
Europe	74.7	75.0	75.0
Asia	56.5	66.4	66.4
Australasia	68.7	69.9	70.4
Group	64.9	66.8	67.2
Average room rate (£)			
New York	101.87	110.07	120.28
Rest of USA	57.97	64.42	70.83
USA	68.88	76.21	84.29
London	73.85	79.86	79.86
Rest of Europe	66.74	71.33	68.94
Europe	70.16	75.52	74.30
Asia	51.98	56.42	59.26
Australasia	37.14	35.69	31.46
Group	60.42	64.61	65.73
RevPAR (£)			
New York	85.37	91.69	100.19
Rest of USA	33.04	34.66	38.25
USA	42.64	45.19	50.32
London	59.74	66.36	66.36
Rest of Europe	46.58	48.93	47.29
Europe	52.41	56.64	55.73
Asia	29.37	37.46	39.35
Australasia	25.52	24.95	22.15
Group	39.21	43.16	44.17
Gross Operating Profit margin (%)			
New York	26.5	32.5	32.5
Rest of USA	20.1	23.8	23.7
USA	21.2	26.9	27.0
London	49.4	51.4	51.4
Rest of Europe	28.0	30.2	30.5
Europe	37.3	39.8	40.1
Asia	35.8	38.9	38.8
Australasia	40.8	39.6	37.3
Group	32.3	35.3	35.1

Like for like statistics include

- Four Points Sunnyvale for the years ended 31 December 2002 and 2003
- Millennium Hotel Sydney for the three months ended 31 March 2002 and 2003
- Quality Hotel Willis Street, Wellington for the three months ended 31 March 2002 and 2003

The Millenium Hilton New York is excluded from both 2002 and 2003 statistics. Including the Millenium Hilton, after deduction of pre-opening expenses in 2003 would produce the following statistics.

Occupancy (%)	
New York	82.6
USA	62.7
Group	65.1
Average room rate (£)	
New York	105.42
USA	71.94
Group	61.60
RevPAR (£)	
New York	87.08
USA	45.11
Group	40.10
Gross operating profit margin (%)	
New York	25.8
USA	22.4
Group	32.1

Consolidated profit and loss account for the quarter ended 31 December 2003

	3 months ended 31 December 2003	3 months ended 31 December 2003	3 months ended 31 December 2002	3 months ended 31 December 2002
	£m	£m	£m	£m
TURNOVER				
Group and share of joint ventures	165.3		167.3	
Less share of turnover of joint ventures	(19.8)		(22.5)	
GROUP TURNOVER		145.5		144.8
Cost of sales		(64.7)		(65.1)
GROSS PROFIT		80.8		79.7
Administrative expenses		(55.8)		(52.6)
Other operating (expense)/income		(0.6)		2.3
GROUP OPERATING PROFIT		24.4		29.4
Share of operating profits of joint ventures		5.2		6.5
Share of operating profits of associated undertakings		-		0.1
TOTAL OPERATING PROFIT		29.6		36.0
Profit on sale of fixed assets		-		-
PROFIT BEFORE INTEREST AND TAXATION		29.6		36.0
Interest receivable and similar income				
Group	0.5		3.6	
		0.5		3.6
Interest payable and similar charges				
Group	(10.7)		(12.7)	
Joint ventures	(1.0)		(2.8)	
Associated undertakings	-		(0.1)	
		(11.7)		(15.6)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18.4		24.0
Tax on profit on ordinary activities		(1.8)		(4.9)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		16.6		19.1
Minority interests - equity		(2.1)		(0.8)
Profit for the financial period		14.5		18.3
Dividends paid and proposed		(5.8)		(23.4)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		8.7		(5.1)

KEY OPERATING STATISTICS

	3 months ended 31 December 2003 Excluding Millenium Hilton	3 months ended 31 December 2002 Like for like
Occupancy (%)		
New York	85.1	85.1
Rest of USA	53.8	51.8
USA	59.5	58.0
London	84.4	80.9
Rest of Europe	70.2	68.5
Europe	76.5	74.0
Asia	68.3	65.8
Australasia	76.4	75.4
Group	68.7	66.7
Average room rate (£)		
New York	115.09	114.97
Rest of USA	54.38	59.28
USA	70.31	74.31
London	78.33	80.62
Rest of Europe	67.01	71.12
Europe	72.55	75.72
Asia	50.54	53.22
Australasia	39.08	37.88
Group	60.79	63.35
RevPAR (£)		
New York	97.94	97.84
Rest of USA	29.26	30.71
USA	41.83	43.10
London	66.11	65.22
Rest of Europe	47.04	48.72
Europe	55.50	56.03
Asia	34.52	35.02
Australasia	29.86	28.56
Group	41.76	42.25
Gross Operating Profit margin (%)		
New York	18.2	38.7
Rest of USA	16.4	19.7
USA	16.8	26.9
London	51.5	51.5
Rest of Europe	28.3	30.5
Europe	38.8	39.8
Asia	48.7	44.0
Australasia	43.1	43.9
Group	35.4	37.2

Like for like statistics include

- Four Points Sunnyvale for the three months ended 31 December 2002 and 2003

The Millenium Hilton is excluded from both 2002 and 2003 statistics. Including the Millenium Hilton, after deduction of pre-opening expenses, in 2003 would produce the following statistics.

Occupancy (%)	
New York	84.3
USA	61.4
Group	69.1
Average room rate (£)	
New York	118.94
USA	76.49
Group	63.05
RevPAR (£)	
New York	100.27
USA	46.96
Group	43.57
Gross operating profit margin (%)	
New York	22.3
USA	19.1
Group	35.6