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Miscellaneous

* Asterisks denote mandatory information

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>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Millennium & Copthorne Hotels plc on Interim Management Report for Results of Second Quarter and Half Year Ended 30 June 2011
Description	Please see the attached announcement released by Millennium & Copthorne Hotels plc on 2 August 2011.
Attachments	02082011InterimResultsFinal.pdf Total size = **349K** (2048K size limit recommended)

Close Window

For Immediate Release **2 August 2011**

MILLENNIUM & COPTHORNE HOTELS PLC
INTERIM MANAGEMENT REPORT
Second quarter and half year results to 30 June 2011

Highlights for the second quarter 2011:

£ millions (unless otherwise stated)	**Second Quarter 2011**	Second Quarter 2010	Reported Currency Change %	Constant Currency Change %
RevPAR	**£66.37**	£63.47	4.6%	6.3%
Revenue – total	**196.1**	190.0	3.2%	4.5%
Revenue – hotels	**193.8**	186.9	3.7%	5.1%
Headline operating profit	**43.7**	39.1	11.8%	10.7%
Profit before tax	**60.6**	31.6	91.8%	89.2%
Headline profit before tax	**40.0**	36.1	10.8%	9.4%
Basic earnings per share	**15.2p**	8.0p	90.0%	

- Overall RevPAR (in constant currency terms) rose by 6.3%, primarily driven by an increase in average room rate.
- Good RevPAR growth in the gateway cities: London 16.0%, Singapore 12.5% and New York 8.3%.
- On a like-for-like basis (excluding the 3 Christchurch hotels, Copthorne Orchid, Orchard Hotel, Millennium Seoul Hilton and Studio M; and including Grand Millennium Beijing) Group RevPAR increased by 7.5% and Singapore by 7.7% (excluding Copthorne Orchid, Studio M and Orchard Hotel).
- Profit before tax increased by 91.8% in the second quarter to £60.6m (2010: £31.6m), including a gain of £17.4m from the sale and leaseback of Studio M to CDL Hospitality Trusts REIT.

Highlights for the first half 2011:

£ millions (unless otherwise stated)	**First Half 2011**	First Half 2010	Reported Currency Change %	Constant Currency Change %
RevPAR	**£60.80**	£57.66	5.4%	5.5%
Revenue – total	**370.3**	350.5	5.6%	5.3%
Revenue – hotels	**365.8**	345.3	5.9%	5.6%
Headline operating profit	**67.8**	60.2	12.6%	9.0%
Profit before tax	**80.3**	50.2	60.0%	53.9%
Headline profit before tax	**59.8**	54.8	9.1%	5.1%
Basic earnings per share	**19.8p**	12.0p	65.0%	
Dividend	**2.08p**	2.08p		

- Profit before tax increased by 60.0% to £80.3m (2010: £50.2m). Headline pre-tax profit in reported currency up 9.1%.
- Overall RevPAR (in constant currency terms) rose by 5.5%, primarily driven by an increase in average room rate.
- RevPAR in the gateway cities increased: London 13.1%, Singapore 9.6% and New York 6.6%.
- On a like-for-like basis (excluding the 3 Christchurch hotels, Copthorne Orchid, Orchard Hotel, Millennium Seoul Hilton and Studio M; and including Grand Millennium Beijing) Group RevPAR increased by 7.5% and Singapore by 12.3% (excluding Copthorne Orchid, Studio M and Orchard Hotel).
- Net debt reduced to £81.9m (31 December 2010: £165.7m) and gearing of 4.1% (31 December 2010: 8.5%).
- Refurbishment work at the Millennium Seoul Hilton almost complete.
- Half yearly performance impeded by temporary impact of asset management activity: mainly declining revenues from Copthorne Orchid (site of Glyndebourne development) in run-up to closure on 1 April, Glyndebourne sales and marketing costs and temporary room closures at Millennium Seoul Hilton and the Orchard Hotel.
- Additional impact on performance from closure of three hotels in New Zealand and consolidation of Grand Millennium Beijing.
- The interim dividend of 2.08p is maintained.

Commenting today Mr Kwek Leng Beng, Chairman said:

"Our good trading performance in 2011 continued to improve in the second quarter with a 6.3% constant currency increase in RevPAR and 7.5% like for like. For the first half RevPAR grew 5.5% and 7.5% like for like.

Our asset management initiatives are proceeding as planned. Completion of the sale and leaseback of Studio M to our REIT associate, CDL Hospitality Trusts (CDLHT), further demonstrates our ability to unlock value, whilst continuing to reap benefit through our part ownership of CDLHT and through revenues and management fees from the hotel.

We further strengthened our financial position in the first half of the year and continue to seek out and analyse investment opportunities that will add value for shareholders. Our acquisition last month of a hotel construction site in Tokyo's prestigious Ginza district illustrates our capacity to act quickly when we identify attractive strategic opportunities.

Trading in the current period to date is encouraging and in line with management expectations."

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CHAIRMAN'S STATEMENT

The good trading performance of the first quarter continued in the second quarter. Across the global estate, for the first half, RevPAR grew by 5.5% (in constant currency), led by advances in our key gateway cities of London (13.1%), Singapore (9.6%) and New York (6.6%). On a like for like basis (excluding the 3 Christchurch hotels, Copthorne Orchid, Orchard Hotel, Millennium Seoul Hilton and Studio M; and including Grand Millennium Beijing) Group RevPAR increased by 7.5%. Similarly, on a like-for-like basis, RevPAR for Singapore increased by 12.3% (excluding Copthorne Orchid, Studio M and Orchard Hotel).

Performance was not uniform across the Group, reflecting difficult trading conditions in many parts of the world. Away from the major gateway cities, RevPAR performance declined in Regional UK - mainly as a result of growth in the supply of competitors' hotel rooms - and in Australasia, which continues to suffer from the effects of the Christchurch earthquake. The US market was affected by extreme weather conditions in the early part of the year, while the Japanese earthquake and tsunami impacted a number of Asian and New Zealand destinations during the first half, including Taipei and Seoul. Our Asian regional performance was also affected by some of the Group's asset management initiatives. In this context, the good overall performance by the Group illustrates the strength of our diversified global portfolio of hotel assets and our ability to deliver consistent profits.

In July, we announced further diversification of the portfolio with the acquisition of a development site in the Ginza district of Tokyo, Japan. The acquisition of the site was opportunistic and made at an acceptable price against competitive bids. It will enable us to fill an important gap in the Group's asset portfolio and thus represents the achievement of a significant strategic goal that should begin to generate positive returns to shareholders over the medium term. Tokyo, where we have been seeking a hotel presence since the mid-1990's, will become another global gateway city for the Group. Construction of the approximately 325-room hotel is expected to complete by 2014.

Financial Performance

The Group delivered a strong financial performance for the six months ended 30 June 2011. Profit before tax increased by 60.0% to £80.3m (2010: £50.2m), including a gain of £17.4m from the sale and leaseback of Studio M to CDL Hospitality Trust REIT. Headline profit before tax - the Group's measure of underlying profit performance, which excludes one-off items - increased by 9.1% to £59.8m (2010: £54.8m). Headline operating profit increased by 12.6% to £67.8m (2010: £60.2m). Basic earnings per share increased by 65.0% to 19.8p (2010: 12.0p).

In constant currency terms, headline operating profit rose by 9.0%, headline profit before tax by 5.1% and profit before tax rose by 53.9%. A number of factors impacted half yearly and quarterly comparisons, some of which arose from the Group's various asset management initiatives. As a result of refurbishment at both the Millennium Seoul Hilton and The Orchard Hotel, 37,089 and 7,829 room nights were taken out respectively. Associated noise disturbance led to further declines in occupancy which resulted in an overall reduction of half yearly profits of £2.8m at the Millennium Seoul Hilton and £0.1m at The Orchard Hotel. Sales and marketing efforts related to the Glyndebourne development increased expenses by £1.8m for the half year. Revenues from the Copthorne Orchid declined in the run-up to its closure on 1 April 2011.

Aside from asset management effects, consolidation of Grand Millennium Beijing impacted profitability through making a loss after £2.1m of interest charges. The Group exercised the option to increase its equity holding from 30% to 70% in Grand Millennium Beijing in November 2010 based on the price of the original 30% stake, which was an attractive price as property prices in Beijing have since appreciated. We were also affected by the continuing closure of three hotels in New Zealand as a result of the February earthquake in Christchurch where one leased hotel is expected to be demolished, another is closed until end 2012 and the third is unable to take bookings until May 2012.

Financial Position

The Group strengthened its financial position over the six month period. Net debt fell to £81.9m at 30 June 2011 (31 December 2010 - £165.7m). Gearing at the end of the first half was 4.1%, compared to 8.5% at the end of last year and 9.8% at 30 June 2010. At 30 June 2011 the Group had cash reserves of £335.6m and total undrawn committed bank facilities of £79.5m available. Most of the facilities are unsecured with unencumbered assets representing 88.2% of our fixed assets and investment properties.

Dividend

In accordance with the Group's dividend practice at half-year, the Board has declared an interim dividend of 2.08p unchanged from 2010. The Board will consider the level of final dividend for 2011 in the light of the full-year results.

Asset Management

On 8 July 2011 the Group announced its acquisition of a land site in Tokyo, Japan and upon completion to develop the land through construction of an approximately 325-room deluxe hotel serving domestic and international guests in both the leisure and corporate segments. Construction of the new building is presently envisaged to be completed by 2014. The purchase price for the property is ¥9.5 billion (£73.6 million) and the Group has paid a 10% deposit of the purchase price, the remainder of which will be paid in cash on completion. Completion is expected to take place on 30 September 2011, subject to fulfilment of certain conditions precedent. The Group's current preliminary estimate of the total investment for the proposed acquisition and development of the property is ¥14.56 billion (approximately £113 million).

Refurbishment is largely completed at the Millennium Seoul Hilton. At the Grand Hyatt Taipei, re-cladding of the facade began in June and will complete in Q1 2012, renovation of the Grand Ballroom and function space is taking place in the third quarter and a two-year room renovation will commence in the middle of next year. A smaller scale refurbishment is underway at The Orchard, Singapore, where 7,829 room nights were taken out in the first half year, completion is due in the third quarter. Refurbishment plans for the Millennium UN Plaza and the Millennium Mayfair are being developed.

Development of the Glyndebourne condominiums in Singapore started in the second quarter, following closure of the Copthorne Orchid Hotel on 1 April. Of the 150 apartments for sale since the end of October 2010, buyers have signed sales and purchase agreements on 143, leaving seven apartments remaining to be sold. The sales value of the 143 units is S$517.4 million (£261.1 million), representing a price of over S$2,000 per square foot. Sales proceeds collected to date total S$103.5 million (£52.2 million) representing approximately 20% of the sales value. It is unlikely that buyers who have signed up the S&P agreements not to proceed with the purchase of the apartments. Should they not proceed, the Group has the choice of either forfeiting the 20% of the purchase price or pursue other remedies at law. Revenue and development costs will appear in the income statement on completion, which is expected no later than 2015.

As previously reported, the Group announced on 16 June 2010 that it had signed a collective sales agreement with other unit-holders in the Tanglin Shopping Centre, a shopping-cum-office development situated within the Orchard prime tourist district in Singapore, in which the Group has an approximately 34% interest in the total strata area. The first tender for an en-bloc sale, which carried a very high reserve price, closed without any bids being received. A second tender, which was thereafter called for, closed on 16 June 2011. The sales committee is now negotiating with prospective buyers, and has until 25 August 2011 to conclude a sale by private treaty, failing which the collective sale agreement will expire on 26 August 2011.

The Group announces today that it has completed the sale of 29,127 square feet of land adjacent to the Grand Millennium Kuala Lumpur to Urusharta Cemerlang (KL) Sdn Bhd for a consideration of RM215.1 million (£44.6 million). Completion occurred earlier than indicated in our original announcement of the sale agreement on 15 September 2010, at which time we expected completion before the end of the second quarter of 2012. The Group's carrying value of the land is RM42.9million (£8.9 million). Based on this value, the sale of land is expected to result in a pre-tax profit in the third quarter of RM170.4 million (£35.4 million), after taking into account transaction costs.

First Sponsor Capital Limited ("FSCL")

Development of the Cityspring project in Chengdu, China is progressing well. As at 30 June 2011, 696 of a total of 726 residential units of the Chengdu Cityspring project have been sold either under sales and purchase or option agreements. Revenue and profit recognition for the residential component are expected by end 2011. FSCL officially launched the sale of one of the commercial blocks of the Cityspring project comprising 709 SOHO (small office/home office) units on 6 July 2011. 285 units out of the 709 SOHO units have been sold either under sales and purchase or option agreements. The project will also include an approximately 170-room hotel (recently increased from 124-room) which is likely to be branded as a Studio M hotel. The commercial development is scheduled for completion in late 2012.

CDL Hospitality Trusts REIT

On 3 May 2011 the Group completed the sale and leaseback of the Studio M Hotel Singapore to our REIT associate, CDL Hospitality Trusts (CDLHT) for a cash consideration of S$154.0m (£75.7m) and gave rise to a total realised pre-tax profit from the disposal of S$35.4 (£17.4m) which was recorded for both the second quarter and first half ended 30 June 2011. Total unrealised pre-tax profit from the disposal is S$19.1m (£9.4m) which has been credited to the balance sheet as investment in joint ventures and associates, arising from the Group's 35.1% interest in the stapled securities of CDLHT.

CDLHT continues to opportunistically pursue acquisitions while maintaining a disciplined approach to investment activities.

Pipeline

The Group opened one hotel in Oman under management contract. The Group's worldwide pipeline has 25 hotels offering 5,808 rooms, which are mainly management contracts.

Board Changes

Wong Hong Ren was appointed as Chief Executive Officer of the Group on 28 June 2011 succeeding Richard Hartman, who remains on the Board as a non-executive Director.

Connal Rankin retired from the Board for health reasons on 28 June 2011. Mr. Rankin had been an independent non-executive Director on the Group's Board since December 2007 and latterly served as Chairman of the Remuneration Committee. The Nominations Committee has commenced its search for a new independent non-executive Director. We thank Mr. Rankin for his services to the Group and wish him a recovery to full health.

On the same date, Alexander Waugh, an independent non-executive Director of the Group since June 2009 was appointed Chairman of the Remuneration Committee.

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

Outlook

Current fiscal and financial conditions mean that the path to full economic recovery remains uncertain. This was evident outside the major global gateway cities during the first half of the year, where Group performance was not as uniformly robust as elsewhere. We cannot predict how or when the funding crises affecting the USA and the Euro zone will be resolved, or what broader impact they might have on the hospitality industry. However we are confident that the Group's strong balance sheet and low gearing, together with a 60% concentration of earnings from the Asian region will protect us from the storm, should it recur.

Whilst this factor injects a note of caution to our outlook, we are on the whole optimistic about the Group's performance prospects. Our very strong financial position, together with our proven abilities in cost control and revenue management has enabled us to deal effectively with short term trading challenges. At the same time, we remain focused on effective asset management and long-term strategic goals.

Trading in the current period to date is encouraging and in line with management expectations. In the 24 days of July 2011, Group RevPAR increased by 12.6%, with Singapore increasing by 22.5%, London increasing by 14.9% and New York by 12.5%. On a like for like basis Group RevPAR increased by 11.3% and Singapore by 14.6%.

Kwek Leng Beng

CHAIRMAN
1 August 2011

To the members of Millennium & Copthorne Hotels plc

This interim management report ("IMR") has been prepared solely to provide additional information to enable shareholders to assess the Company's strategies and the potential for those strategies to be fulfilled. It should not be relied upon by any other party or for any other purpose.

The IMR contains certain forward-looking statements. Such statements are made by the Directors in good faith based on the information available to them at the time of their approval of this report, and they should be treated with caution due to the inherent uncertainties underlying such forward-looking information.

The IMR has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters which are significant to Millennium & Copthorne Hotels plc and its subsidiary undertakings when viewed as a whole. The IMR discusses Group operations for the half year ended 30 June 2011, business objectives, risks and uncertainties facing the Group during the second half of 2011 and the future outlook for the Group.

Financial and Operating Highlights

	Second Quarter 2011 £m	Second Quarter 2010 £m	**First Half 2011 £m**	First Half 2010 £m	Full Year 2010 £m
Revenue	**196.1**	190.0	**370.3**	350.5	743.7
Headline EBITDA[1]	**52.7**	47.2	**85.5**	76.2	176.8
Headline operating profit[1]	**43.7**	39.1	**67.8**	60.2	144.1
Headline profit before tax	**40.0**	36.1	**59.8**	54.8	128.5
Other operating income [2]	**-**	-	**-**	-	9.3
Other operating expense [3]	**-**	-	**-**	-	(5.2)
Separately disclosed items included in administrative expenses[4]	**(0.1)**	(1.7)	**(0.2)**	(1.8)	(25.0)
Non-operating income[5]	**19.5**	-	**19.5**	-	15.6
Separately disclosed items - Share of joint ventures and associates[6]	**1.9**	(3.9)	**1.9**	(3.9)	6.9
Separately disclosed items - Share of interest, tax and non-controlling interests of joint ventures and associates	**(0.7)**	1.1	**(0.7)**	1.1	(1.5)
Profit before tax	**60.6**	31.6	**80.3**	50.2	128.6
Headline profit after taxation[1]	**27.8**	22.3	**43.3**	36.5	95.4
Basic earnings per share (pence)	**15.2p**	8.0p	**19.8p**	12.0p	30.9p
Headline earnings per share (pence) [1]	**8.5p**	8.7p	**13.0p**	12.6p	30.1p
Free cash flow	**32.0**	26.7	**30.9**	38.8	148.0
Net debt	**81.9**	182.1	**81.9**	182.1	165.7
Gearing (%)	**4.1%**	9.8%	**4.1%**	9.8%	8.5%

Notes

1. The Group believes that headline EBITDA, headline operating profit, headline profit before tax, headline profit after tax and headline earnings per share, net debt and gearing provide useful and necessary information on underlying trends to shareholders, the investment community and are used by the Group for internal performance analysis. Reconciliation of these measures to the closest equivalent GAAP measures are shown above and in notes 3 and 9 to these financial statements.

	Second Quarter 2011 £m	*Second Quarter 2010 £m*	***First Half 2011 £m***	*First Half 2010 £m*	*Full Year 2010 £m*
2 Other operating income					
Revaluation gain of investment properties	***-***	*-*	***-***	*-*	*9.3*
3 Other operating expense					
Revaluation deficit of investment properties	***-***	*-*	***-***	*-*	*(5.2)*
4 Separately disclosed items included in administrative expenses					
Goodwill written-off in respect of Beijing	***-***	*-*	***-***	*-*	*(8.1)*
Impairment	***(0.1)***	*(0.2)*	***(0.2)***	*(0.3)*	*(15.2)*
Redundancy costs	***-***	*(1.5)*	***-***	*(1.5)*	*(1.7)*
	(0.1)	*(1.7)*	***(0.2)***	*(1.8)*	*(25.0)*

Notes (continued)

	Second Quarter 2011 £m	*Second Quarter 2010 £m*	***First Half 2011 £m***	*First Half 2010 £m*	*Full Year 2010 £m*
5 Non-operating income					
Gain on dilution of interest in associate	**-**	-	**-**	-	7.2
Gain arising in respect of step up acquisition of Beijing	**-**	-	**-**	-	8.4
Profit on sale and leaseback of Studio M Hotel	***17.4***	-	***17.4***	-	-
Profit on disposal of stapled securities in CDLHT	***0.2***	-	***0.2***	-	-
Profit on disposal of subsidiary	***1.9***	-	***1.9***	-	-
	19.5	-	***19.5***	-	*15.6*
6 Separately disclosed items - Share of joint ventures and associates					
Provision for asset write-off and legal costs in FSCL	***0.3***	*(3.9)*	***0.3***	*(3.9)*	*(2.3)*
Revaluation gain of investment properties	***1.6***	-	***1.6***	-	*9.2*
	1.9	*(3.9)*	***1.9***	*(3.9)*	*6.9*

Financial Performance – Second quarter overview
For the second quarter to 30 June 2011, profit before tax increased by 91.8% to £60.6m (2010: £31.6m). Headline profit before tax, the Group's measure of underlying profit before tax, increased by 10.8% from £36.1m to £40.0m as it excludes the pre-tax realized gain of £17.4m from the sale and leaseback to CDL Hospitality Trusts REIT. Headline operating profit increased by 11.8% to £43.7m (2010: £39.1m).

Financial Performance – First half overview
The 12.6% rise in headline operating profit is a reflection of improved trading performance of the Group and tight cost control. Basic earnings per share increased by 65.0% to 19.8p (2010: 12.0p), reflecting the impact of a lower effective tax rate.

The impact of foreign exchange movements are shown below and in constant currency terms the operating profit variance of £5.0m represents a modest 27.0% conversion rate. The conversion masks the impact of several factors including the selling expenses of Glyndebourne and refurbishment of the Millennium Seoul Hilton. Excluding the revenue and operating results of these two factors, the conversion rate is 46.2%. At hotel level the GOP conversion is 56.5% which, similarly adjusted to exclude the Millennium Seoul Hilton, rises to 61.3%. In common with all hotel businesses, the Group's costs also increased as a result of escalating energy prices.

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

	Reported Currency			Constant Currency		
	2011 £m	2010 £m	Variance £m	**2011 £m**	2010 £m	Variance £m
Revenue	**370.3**	350.5	19.8	**370.3**	351.8	18.5
Expenses	**(316.4)**	(303.3)	(13.1)	**(316.4)**	(302.9)	(13.5)
Operating profit (excluding impairment)	**53.9**	47.2	6.7	**53.9**	48.9	5.0
Share of joint ventures and associates	**13.9**	13.0	0.9	**13.9**	13.3	0.6
Headline operating profit	**67.8**	60.2	7.6	**67.8**	62.2	5.6

Taxation
The Group recorded a tax expense of £15.9m for the first half (first half 2010: £15.8m), excluding the tax relating to joint ventures and associates. This comprises a UK tax credit of £3.1m and an overseas tax charge of £19.0m (first half 2010: a UK tax charge of £3.4m and an overseas tax charge of £12.4m). For full year 2010 the £30.7m total income tax expense comprised a UK tax charge of £7.1m and an overseas tax charge of £23.6m.

Income tax expense for the relevant period is the expected income tax payable on the taxable income for the period, calculated at estimated average annual effective income tax rate applied to the pre-tax income on the period.

The estimated annual effective rate applied to profit before income tax excluding the Group's share of joint ventures and associates profits is 23.0% (2010: first half estimate 36.2%). This reduction in rate results from a combination of factors, including the following:

- a reduction in UK tax rate;
- the release of some tax provisions following the satisfactory resolution of certain tax matters; and
- in 2010, the effective rate used was higher due to the non-recurring impact of a change in tax legislation in New Zealand.

A charge of £1.6m for the first half (first half 2010: £1.1m and full year 2010: £4.4m) relating to joint ventures and associates is included in the reported profit before tax.

Earnings per share
Basic earnings per share was 19.8p (2010:12.0p) and headline earnings per share increased to 13.0p (2010:12.6p). The table below reconciles basic earnings per share to headline earnings per share.

	First Half 2011 Pence	First Half 2010 pence	Full Year 2010 pence
Reported basic earnings per share	**19.8**	12.0	30.9
Separately disclosed items - Group	**(6.2)**	0.6	(0.4)
Separately disclosed items - Share of joint ventures and associates	**(0.4)**	0.8	(1.8)
Change in tax rates on opening deferred taxes	**(0.2)**	(0.8)	(2.4)
Changes in tax legislation	**-**	-	3.8
Headline earnings per share	**13.0**	12.6	30.1

Dividend
The Board declared an interim dividend of 2.08p per share. The interim dividend will be paid on 7 October 2011 to shareholders on the register at the close of business on 12 August 2011. The ex-dividend date of the Company's shares is 10 August 2011.

PERFORMANCE BY REGION
For comparability, the following regional review is based on calculations in constant currency whereby 30 June 2010 average room rates, RevPAR, revenue and headline operating profit have been translated at 2011 average exchange rates.

UNITED STATES
New York
RevPAR increased by 6.6% to £117.94 (2010: £110.67) for the six months ended 30 June 2011. Room rate was the driver for this growth showing an 8.1% increase to £141.42 (2010: £130.81) while occupancy decreased by 1.2 percentage points to 83.4% (2010: 84.6%). All three hotels saw an upturn in RevPAR with the highest RevPAR growth produced by the Millennium UN Plaza.

In the second quarter, RevPAR increased by 8.3% to £138.67 (2010:£128.04) over the same three months in 2010 as a result of improved room rates.

Regional US
The RevPAR growth within Regional US was 7.9% to £35.69 (2010: £33.09). This growth was driven by good double digit increase in Biltmore and Minneapolis but was counteracted by high single digit declines in Anchorage and St Louis. Overall both occupancy and room rates have improved; occupancy up 1.4 percentage points to 56.3% (2010: 54.9%) and room rates up 5.2% to £63.40 (2010: £60.27).

The second quarter saw slow growth in occupancies and room rate. Occupancy was up 1.3 percentage points to 62.1% (2010: 60.8%) while room rates increased 4.5% to £66.24 (2010: £63.39).

EUROPE
London
London saw the highest RevPAR growth across the Group both in the six months and the second quarter ended 30 June 2011. RevPAR growth was a healthy 13.1% to £91.79 (2010: £81.16) for the six months. This was built upon a rate-led strategy which succeeded in achieving a 14.7% increase in room rates to £116.48 (2010: £101.58). There was a decrease in occupancy of 1.1 percentage points to 78.8% (2010: 79.9%).

London registered a 16.0% RevPAR growth to £105.91 (2010: £91.28) for Q2. Room rate was the primary driver for this increase of 18.4% to £126.54 (2010: £106.89) while occupancy dipped 1.7 percentage points to 83.7% (2010: 85.4%).

Rest of Europe
RevPAR decreased by 1.0% to £49.67 (2010: £50.19) in the first six months but showed a slight recovery in quarter two which fell by 0.4% to £52.98 (2010: £53.21).

Regional UK
Regional UK remains a challenge due to competition from increased supply and pressure on room rates and occupancy. RevPAR fell by 6.3% to £40.90 (2010: £43.67) with occupancy decreasing 2.6 percentage points to 68.2% (2010: 70.8%) and average room rate falling by 2.8% to £59.95 (2010: £61.67).

Regional UK experienced the largest decline across the Group in quarter two with RevPAR falling by 7.9% to £43.35 (2010: £47.07).

France & Germany
The situation in France and Germany is better where RevPAR increased by 5.2% to £63.76 (2010: £60.60). This performance was entirely due to all the hotels increasing in occupancy which grew by 3.6 percentage points to 67.7% (2010: 64.1%). Within the region, average room rate fell by 0.5% to £94.15 (2010: £94.59).

RevPAR growth in the second quarter of 8.4% to £68.30 (2010: £63.01) was driven by occupancy growth of 5.9 percentage points to

70.0% (2010: 64.1%). Average room rates decreased 0.8% to £97.54 (2010: £98.36).

The Group's lease on the Millennium Stuttgart Hotel terminates at the end of August 2011.

ASIA

RevPAR increased by 0.3% to £68.85 (2010: £68.66) driven by a 4.6% increase in average room rates to £91.44 (2010: £87.46) offset by a 3.2 percentage point occupancy fall to 75.3% (2010:78.5%). However, as explained below the two years are not directly comparable. On a like for like basis which includes Beijing and excludes Studio M, Orchard, Orchid and Seoul, RevPAR increased by 7.6% to £69.16 (2010: £64.29).

In the second quarter, RevPAR increased by 0.4% to £72.86 (2010: £72.55) due to increased average room rate of 5.5% to £95.24 (2010: £90.24) offset by a 3.9 percentage point occupancy fall to 76.5% (2010: 80.4%). On a like for like basis which includes Beijing and excludes Studio M, Orchard, Orchid and Seoul, RevPAR increased by 4.6% to £71.60 (2010: £68.48).

Singapore

For the first half, Singapore reported a 9.6% increase in RevPAR to £90.99 (2010: £83.05). There are three factors affecting the comparisons. The Studio M hotel opened at the very end of quarter one in 2010, the Copthorne Orchid closed on 1 April 2011 and the Orchard Hotel had 7,829 room nights taken out for renovation in the first half of 2011. On a like for like basis with Studio M, Copthorne Orchid and The Orchard excluded from the two comparative periods, RevPAR increased by 12.3% to £96.77 (2010: £86.15). This was driven by an 8.2% increase in average room rate to £109.55 (2010: £101.27) and occupancy increasing by 3.2 percentage point to 88.3% (2010 85.1%).

The second quarter saw RevPAR grow by 12.5% to £97.76 (2010: £86.91) driven by average room rate growth of 11.1% to £111.34 (2010: £100.24). On a like for like basis, excluding Studio M, Copthorne Orchid and The Orchard, RevPAR grew 7.7% to £98.98 (2010: £91.90).

Rest of Asia

Two events in the Rest of Asia have also impacted RevPAR growth. The Group began to consolidate the Grand Millennium Beijing in November 2010 and the Millennium Seoul Hilton is currently undergoing a major refurbishment which resulted in 37,089 room nights taken out. Unadjusted RevPAR fell by 6.5% to £53.43 (2010: £57.15). On a like for like basis, excluding Seoul, but including Beijing for both periods, RevPAR grew by 7.6% to £49.86 (2010: £46.32) driven by a 3.1% increase in average room rate to £71.85 (2010: £69.66) while occupancy increased by 2.9 percentage points to 69.4% (2010: 66.5%).

RevPAR declined by 5.5% in the second quarter. On a like for like basis, excluding Seoul, but including Beijing for both periods, RevPAR grew by 6.7% to £52.66 (2010: £49.36) driven solely by a 4.2% increase in average room rate to £75.44 (2010: £72.38) while occupancy decreased by 1.6 percentage points to 69.8% (2010: 68.2%).

AUSTRALASIA

For the New Zealand group, RevPAR at £35.16 was 6.0% down on last year (2010: £37.39). Occupancy declined by 3.6 percentage points to 64.5% (2010: 68.1%) and average room rate decreased by 0.7% to £54.51 (2010: £54.91). RevPAR excluding the 3 Christchurch hotels that were closed following the earthquake was down 4.0% on last year at £34.03 (2010: £35.46). This was due to cancellations as a result of the 22 February 2011 Canterbury earthquake and the Japanese earthquake and tsunami.

In the second quarter, New Zealand recovered £1.3m for business interruption from the insurers for the impact of the Canterbury earthquake on its business. The business interruption recovered for the first half of 2011 is £2.7m, and is recognised as other revenue for the period.

As a result of the 6.3 magnitude earthquake on 22 February 2011, the three Christchurch hotels namely Millennium Hotel Christchurch (leased), Copthorne Hotel Christchurch Central (owned), and Copthorne Hotel Christchurch City (leased) were closed down by Civil Defence Emergency Management and cordoned off inside the Christchurch Business District. The Copthorne Hotel Christchurch City is expected to be demolished. It is expected that the costs will be covered by the group's insurance policies. Damage to the Millennium Hotel Christchurch and Copthorne Hotel Christchurch Central is less substantial and further structural engineering inspections will be required when access is restored. The impact cannot yet be reasonably quantified and consequently no provision for asset write-off has yet been made. It is expected that the position will become clearer before the end of the year. All three hotels are insured for material damage and business interruption.

Financial Position and Resources

	As at 30 June 2011 £m	As at 31 December 2010 £m	Change £m
Property, plant, equipment and lease premium prepayment	**2,126.7**	2,257.2	**(130.5)**
Investment properties	**94.2**	94.9	**(0.7)**
Investments in and loans to joint ventures and associates	**415.1**	396.8	**18.3**
Other non-current assets	**7.3**	6.9	**0.4**
Non-current assets	**2,643.3**	2,755.8	**(112.5)**
Current assets excluding cash	**250.8**	177.6	**73.2**
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	**(407.4)**	(397.2)	**(10.2)**
Net debt	**(81.9)**	(165.7)	**83.8**
Deferred tax liabilities	**(248.3)**	(251.8)	**3.5**
Net assets	**2,156.5**	2,118.7	**37.8**
Equity attributable to equity holders of the parent	**1,983.6**	1,947.5	**36.1**
Non-controlling interests	**172.9**	171.2	**1.7**
Total equity	**2,156.5**	2,118.7	**37.8**

Financial Position
The Group's balance sheet strengthened during the first half of the year with net debt reducing to £81.9m at 30 June 2011 from the 31 December 2010 position of £165.7m.

Non-current assets
Property, plant, equipment and lease premium prepayment

Property, plant, equipment and lease premium prepayment decreased by £130.5m, the contributors to the decrease were: £27.3m effect of adverse exchange movements; sale of Studio M Hotel with a net book value of £48.4m; transfer of Orchid Hotel to development properties with a net book value of £47.0m: a depreciation charge of £17.7m and; £9.9m improvements to the hotel portfolio.

Investment Properties

Investment properties decreased by £0.7m due to exchange movement.

Investments in and loans to joint ventures and associates
The table below reconciles the movement of investments in and loans to joint ventures and associates of £18.3m.

	2011 £m
Share of profits/(losses) analysed:	
– Operating profit before other operating income and expense	**13.9**
– Separately disclosed items	**1.9**
– Interest, tax and non-controlling interests	**(4.6)**
	11.2
Dilution in interest in an associate	**(0.6)**
Additions - CDLHT management and acquisition fees paid in stapled units	**2.9**
- Loans to First Sponsor Capital Limited	**31.1**
Dividends received from associates	**(8.8)**
Unrealised gain on transactions with associates (see note (a) below)	**(9.4)**
Share of other reserve movements	**(4.1)**
Foreign exchange adjustment	**(4.0)**
Total movement	**18.3**

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

Liquidity and Capital Resources

Cash flow and net debt

At 30 June 2011 the Group's net debt was £83.8m lower than as at 31 December 2010 at £81.9m (2010: £165.7m). A summary of the consolidated cash flow is set out below:

	First Half 2011 £m	First Half 2010 £m
Cash flows from operating activities before changes in working capital and provisions	**71.9**	64.4
Changes in working capital and provisions	**(15.9)**	(4.3)
Interest and tax paid	**(15.7)**	(12.6)
Acquisition of property, plant and equipment	**(9.9)**	(8.7)
Free cash flow	**30.4**	38.8
Net proceeds from sale of property, plant and equipment	**75.2**	-
Increase in investment in and loans to joint ventures and associates	**(34.0)**	(5.3)
Dividends received from associates	**8.8**	7.3
Dividends paid		
– to equity holders of the parent	**(4.7)**	(3.0)
– to non-controlling interests	**(2.5)**	(1.2)
Other movements (primarily translation adjustments)	**10.6**	(16.2)
Decrease in net debt	**83.8**	20.4
Opening net debt	**(165.7)**	(202.5)
Closing net debt	**(81.9)**	(182.1)

The net cash inflow from operating activities was £71.9m, an increase of £7.5m reflecting higher profit before tax.

Free cash flow is the amount of cash generated by the business after meeting its obligations for interest, tax and after capital expenditure on property, plant and equipment. For 2011 free cash flow was £30.4m, a decrease of 21.6% over 2010. This principally reflected the increased level of working capital. The Group's free cash flow measure is not defined in IFRS and may not be directly comparable with similarly described measures used by other companies. The table above reconciles cash flows from operating activities, which is the closest equivalent IFRS measure to free cash flow.

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

	As at 30 June 2011 £m	As at 30 June 2010 £m
Net Debt		
Cash and cash equivalents (as per the consolidated cash flow statement)	**335.3**	174.8
Bank overdrafts (included as part of borrowings)	**0.3**	0.5
Cash and cash equivalents (as per the consolidated statement of financial position)	**335.6**	175.3
Interest-bearing loans, bonds and borrowings		
– Non-current	**(372.7)**	(254.0)
– Current	**(44.8)**	(103.4)
Net debt	**(81.9)**	(182.1)

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

Reconciliation of net cash flow to movement in net debt	**As at 30 June 2011 £m**	As at 30 June 2010 £m
Net debt at beginning of year	**(165.7)**	(202.5)
Increase in cash and cash equivalents (as per the consolidated cash flow statement)	**82.7**	33.7
Net decrease in loans	**7.9**	3.0
Translation adjustments	**(6.8)**	(16.3)
Movements in net debt	**83.8**	20.4
Net debt at half year	**(81.9)**	(182.1)
Gearing (%)	**4.1%**	9.8%

Financial structure

Group interest cover ratio for the half year, excluding share of results of joint ventures and associates, other operating income and expense, non-operating income and separately disclosed items of the Group improved to 28.7 times from 26.2 times in 2010. The increase in net finance cost of £2.3m principally reflects interest on Beijing's net external debt acquired on acquisition in November 2010 offset by the repayment of borrowings.

At 30 June 2011, the Group had £335.6m cash and £79.5m of undrawn and committed facilities available, comprising revolving credit facilities which provide the Group with financial flexibility. Most of the facilities are unsecured with unencumbered assets representing 88.2% of fixed assets and investment properties. At 30 June 2011, total borrowing amounted to £417.5m of which £89.9m was drawn under £124.5m of secured bank facilities.

Future funding
Of the Group's total facilities of £597.2m, £136.9m matures during the next 12 months, comprising £111.7m uncommitted facilities and overdrafts subject to annual renewal, and £25.2m unsecured bonds.

Treasury risk management
Group treasury matters are governed by policies and procedures approved by the Board of Directors. The treasury committee monitors and reviews treasury matters on a regular basis. A written summary of major treasury activity is presented at each Board meeting.

Risks and uncertainties

The Half Year Report has been prepared on the basis set out in note 1. The risks and uncertainties facing the Group are consistent with those outlined in the Annual Report and Accounts for the year ended 31 December 2010.

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

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

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

The information in Appendix 4 sets out the principal risks that could have a material effect on the Group's business activities at the date of this report and the systems and processes the Group has in place to manage and mitigate these risks and is updated from as indicated from the position set out in the Annual Report and Accounts for the year ended 31 December 2010.

The Board has determined that risks have not changed materially in the period under review and continue to have the potential to affect the Group in the remaining six months of the financial year.

Condensed consolidated income statement (unaudited)
for the half year ended 30 June 2011

	Notes	**Second Quarter 2011 £m**	Second Quarter 2010 £m	**First Half 2011 £m**	First Half 2010 £m	Full Year 2010 £m
Revenue	3	**196.1**	190.0	**370.3**	350.5	743.7
Cost of sales		**(76.8)**	(76.7)	**(150.9)**	(146.8)	(303.4)
Gross profit		**119.3**	113.3	**219.4**	203.7	440.3
Administrative expenses		**(82.5)**	(82.6)	**(165.7)**	(158.3)	(350.3)
Other operating income	4	**-**	-	**-**	-	9.3
Other operating expense	4	**-**	-	**-**	-	(5.2)
		36.8	30.7	**53.7**	45.4	94.1
Share of profit of joint ventures and associates	5	**6.2**	1.7	**11.2**	6.6	24.8
Operating profit		**43.0**	32.4	**64.9**	52.0	118.9
Analysed between:						
Headline operating profit	3	**43.7**	39.1	**67.8**	60.2	144.1
Goodwill written-off in respect of Beijing	4	**-**	-	**-**	-	(8.1)
Net revaluation gain of investment properties	4	**-**	-	**-**	-	4.1
Impairment	4	**(0.1)**	(0.2)	**(0.2)**	(0.3)	(15.2)
Redundancy costs	4	**-**	(1.5)	**-**	(1.5)	(1.7)
Separately disclosed items – share of joint ventures and associates	4	**1.9**	(3.9)	**1.9**	(3.9)	6.9
Interest, tax and non-controlling interests – share of joint ventures and associates	5	**(2.5)**	(1.1)	**(4.6)**	(2.5)	(11.2)
Non-operating income		**19.5**	-	**19.5**	-	15.6
Analysed between:						
Gain on dilution of interest in associate	4	**-**	-	**-**	-	7.2
Gain arising in respect of step up acquisition of Beijing	4	**-**	-	**-**	-	8.4
Profit on sale and leaseback of Studio M Hotel	4	**17.4**	-	**17.4**	-	-
Profit on disposal of stapled securities in CDLHT	4	**0.2**	-	**0.2**	-	-
Gain on disposal of subsidiary	4	**1.9**	-	**1.9**	-	-
Finance income		**0.9**	3.2	**2.2**	4.2	8.8
Finance expense		**(2.8)**	(4.0)	**(6.3)**	(6.0)	(14.7)
Net finance expense		**(1.9)**	(0.8)	**(4.1)**	(1.8)	(5.9)
Profit before tax		**60.6**	31.6	**80.3**	50.2	128.6
Income tax expense	6	**(11.7)**	(11.3)	**(15.9)**	(15.8)	(30.7)
Profit for the period		**48.9**	20.3	**64.4**	34.4	97.9
Attributable to:						
Equity holders of the parent		**47.9**	25.0	**62.0**	37.2	96.2
Non-controlling interests		**1.0**	(4.7)	**2.4**	(2.8)	1.7
		48.9	20.3	**64.4**	34.4	97.9
Basic earnings per share (pence)	7	**15.2p**	8.0p	**19.8p**	12.0p	30.9p
Diluted earnings per share (pence)	7	**15.2p**	8.0p	**19.7p**	11.9p	30.7p

The financial results above all derive from continuing activities.

Condensed consolidated statement of comprehensive income (unaudited)
for the half year ended 30 June 2011

	First Half 2011 £m	First Half 2010 £m	Full Year 2010 £m
Profit for the period	**64.4**	34.4	97.9
Other comprehensive (expense)/income:			
Foreign currency translation differences- foreign operations	**(16.3)**	77.8	97.3
Foreign currency translation differences- equity accounted investees	**(4.2)**	22.0	33.5
Net gain/(loss) on hedge of net investments in foreign operations	**4.7**	(16.0)	(16.9)
Defined benefit plan actuarial (losses)/gains (net of tax)	**(0.5)**	(1.1)	1.1
Share of associates and joint ventures other reserve movements	**(4.1)**	-	-
Effective portion of changes in fair value of cash flow hedges	**0.4**	(0.4)	(0.8)
Income tax on income and expenses recognised directly in equity	**-**	-	(1.2)
Other comprehensive (expense)/income for the period, net of tax	**(20.0)**	82.3	113.0
Total comprehensive income for the period	**44.4**	116.7	210.9
Total comprehensive income attributable to:			
Equity holders of the parent	**40.2**	113.5	199.9
Non-controlling interests	**4.2**	3.2	11.0
Total comprehensive income for the period	**44.4**	116.7	210.9

Condensed consolidated statement of financial position (unaudited)
as at 30 June 2011

	Note	As at 30 June 2011 £m	Restated As at 30 June 2010 £m	As at 31 December 2010 £m
Non-current assets				
Property, plant and equipment		**2,080.3**	2,129.7	2,185.7
Lease premium prepayment		**46.4**	26.9	71.5
Investment properties		**94.2**	89.1	94.9
Investments in joint ventures and associates		**384.0**	353.0	396.8
Loans due from joint ventures and associates		**31.1**	-	-
Other financial assets		**7.3**	6.9	6.9
		2,643.3	2,605.6	2,755.8
Current assets				
Inventories		**4.1**	4.0	4.5
Development properties		**154.0**	76.5	103.3
Lease premium prepayment		**1.6**	0.6	1.8
Trade and other receivables		**91.1**	70.5	68.0
Other financial assets		**-**	0.3	-
Cash and cash equivalents	9	**335.6**	175.3	251.9
		586.4	327.2	429.5
Total assets		**3,229.7**	2,932.8	3,185.3
Non-current liabilities				
Interest-bearing loans, bonds and borrowings		**(372.7)**	(254.0)	(323.7)
Employee benefits		**(16.8)**	(20.4)	(16.7)
Provisions		**(0.3)**	(0.5)	(0.4)
Other non-current liabilities		**(175.4)**	(119.3)	(165.1)
Deferred tax liabilities		**(248.3)**	(244.3)	(251.8)
		(813.5)	(638.5)	(757.7)
Current liabilities				
Interest-bearing loans, bonds and borrowings		**(44.8)**	(103.4)	(93.9)
Trade and other payables		**(180.3)**	(141.4)	(181.5)
Other current financial liabilities		**(2.3)**	-	(1.3)
Provisions		**(0.2)**	(1.8)	(0.2)
Income taxes payable		**(32.1)**	(30.2)	(32.0)
		(259.7)	(276.8)	(308.9)
Total liabilities		**(1,073.2)**	(915.3)	(1,066.6)
Net assets		**2,156.5**	2,017.5	2,118.7
Equity				
Issued share capital		**95.3**	93.6	94.0
Share premium		**844.2**	845.0	844.7
Translation reserve		**272.1**	263.6	290.4
Cash flow hedge reserve		**(0.4)**	(0.4)	(0.8)
Treasury share reserve		**(2.2)**	-	(2.2)
Retained earnings		**774.6**	662.3	721.4
Total equity attributable to equity holders of the parent		**1,983.6**	1,864.1	1,947.5
Non-controlling interests		**172.9**	153.4	171.2
Total equity		**2,156.5**	2,017.5	2,118.7

Condensed consolidated statement of cash flows (unaudited)
for the half year ended 30 June 2011

	First Half 2011 £m	First Half 2010 £m	Full Year 2010 £m
Cash flows from operating activities			
Profit for the period	**64.4**	34.4	97.9
Adjustments for:			
Depreciation and amortisation	**17.7**	16.0	32.7
Share of profit of joint ventures and associates	**(11.2)**	(6.6)	(24.8)
Separately disclosed items - Group	**(19.3)**	1.8	5.3
Equity settled share-based transactions	**0.3**	1.2	(0.8)
Finance income	**(2.2)**	(4.2)	(8.8)
Finance expense	**6.3**	6.0	14.7
Income tax expense	**15.9**	15.8	30.7
Operating profit before changes in working capital and provisions	**71.9**	64.4	146.9
Increase in inventories, trade and other receivables	**(23.8)**	(11.9)	(7.9)
(Increase)/decrease in development properties	**(2.1)**	0.7	(21.4)
Increase in trade and other payables	**9.9**	6.5	79.6
Increase/(decrease) in provisions and employee benefits	**0.1**	0.4	(1.2)
Cash generated from operations	**56.0**	60.1	196.0
Interest paid	**(4.6)**	(1.2)	(7.0)
Interest received	**1.5**	0.8	2.0
Income taxes paid	**(12.6)**	(12.2)	(24.1)
Net cash generated from operating activities	**40.3**	47.5	166.9
Cash flows from investing activities			
Dividends received from associates	**8.8**	7.3	15.2
Increase in loans in joint ventures and associates	**(34.0)**	(5.3)	(20.1)
Proceeds from sale of shares in associate	**0.8**	-	-
Net proceeds from sale of property, plant and equipment	**75.2**	-	-
Acquisition of subsidiary, net of cash acquired	**-**	-	(12.6)
Acquisition of property, plant and equipment, and lease premium prepayment	**(9.9)**	(8.7)	(18.9)
Net cash generated/(used) in investing activities	**40.9**	(6.7)	(36.4)
Cash flows from financing activities			
Proceeds from the issue of share capital	**0.8**	0.1	0.2
Repayment of borrowings	**(60.9)**	(67.5)	(90.2)
Drawdown of borrowings	**68.8**	65.4	71.1
Payment of transaction costs related to loans and borrowings	**-**	(0.9)	(1.3)
Repurchase of own shares	**-**	-	(2.2)
Dividends paid to non-controlling interests	**(2.5)**	(1.2)	(2.6)
Dividends paid to equity holders of the parent	**(4.7)**	(3.0)	(4.1)
Net cash generated/(used) in financing activities	**1.5**	(7.1)	(29.1)
Net increase in cash and cash equivalents	**82.7**	33.7	101.4
Cash and cash equivalents at beginning of the period	**251.5**	134.9	134.9
Effect of exchange rate fluctuations on cash held	**1.1**	6.2	15.2
Cash and cash equivalents at end of the period	**335.3**	174.8	251.5
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the consolidated statement of financial position	**335.6**	175.3	251.9
Overdraft bank accounts included in borrowings	**(0.3)**	(0.5)	(0.4)
Cash and cash equivalents for cash flow statement purposes	**335.3**	174.8	251.5

Condensed consolidated statement of changes in equity (unaudited)
for the half year ended 30 June 2011

	Share capital £m	Share premium £m	Translation reserve £m	Cash flow hedge reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding minority interests £m	Non-controlling interests £m	Total equity £m
Balance as at 1 January 2010	92.9	845.6	185.8	-	-	628.0	1,752.3	151.4	1,903.7
Profit	-	-	-	-	-	37.2	37.2	(2.8)	34.4
Total other comprehensive income	-	-	77.8	(0.4)	-	(1.1)	76.3	6.0	82.3
Total comprehensive income for The period	-	-	77.8	(0.4)	-	36.1	113.5	3.2	116.7
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends paid to equity holders	-	-	-	-	-	(12.9)	(12.9)	-	(12.9)
Issue of shares in lieu of dividends	0.7	(0.7)	-	-	-	9.9	9.9	-	9.9
Dividends paid – non controlling interests	-	-	-	-	-	-	-	(1.2)	(1.2)
Share-based payment transactions (net of tax)	-	-	-	-		1.2	1.2	-	1.2
Share options exercised	-	0.1	-	-	-	-	0.1	-	0.1
Total contributions by and distributions to owners	0.7	(0.6)	-	-	-	(1.8)	(1.7)	(1.2)	(2.9)
Total transactions with owners	0.7	(0.6)	-	-		(1.8)	(1.7)	(1.2)	(2.9)
Balance as at 30 June 2010	93.6	845.0	263.6	(0.4)	-	662.3	1,864.1	153.4	2,017.5
Profit	-	-	-	-	-	59.0	59.0	4.5	63.5
Total comprehensive income for the period	-	-	26.8	(0.4)	-	1.0	27.4	3.3	30.7
Total comprehensive income for the period	-	-	26.8	(0.4)	-	60.0	86.4	7.8	94.2
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends paid to equity holders	-	-	-	-	-	(6.5)	(6.5)	-	(6.5)
Issue of shares in lieu of dividends	0.4	(0.4)	-	-	-	5.4	5.4	-	5.4
Own shares purchased	-	-	-	-	(2.2)	-	(2.2)	-	(2.2)
Dividends paid – non controlling interests	-	-	-	-	-	-	-	(1.4)	(1.4)
Share-based payment transactions (net of tax)	-	-	-	-	-	0.2	0.2	-	0.2
Share options exercised	-	0.1	-	-	-	-	0.1	-	0.1
Total contributions by and distributions to owners	0.4	(0.3)	-	-	(2.2)	(0.9)	(3.0)	(1.4)	(4.4)
Total changes in ownership interests in subsidiaries:									
Non-controlling interests arising on acquisition of 40% interest in Beijing with a change in control	-	-	-	-	-	-	-	11.4	11.4
Total transactions with owners	0.4	(0.3)	-	-	(2.2)	(0.9)	(3.0)	10.0	7.0
Balance as at 31 December 2010	94.0	844.7	290.4	(0.8)	(2.2)	721.4	1,947.5	171.2	2,118.7

Condensed consolidated statement of changes in equity (unaudited) for the half year ended 30 June 2011 (continued)

	Share capital £m	Share premium £m	Translation reserve £m	Cash flow hedge reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding minority interests £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2011	**94.0**	**844.7**	**290.4**	**(0.8)**	**(2.2)**	**721.4**	**1,947.5**	**171.2**	**2,118.7**
Profit	-	-	-	-	-	62.0	62.0	2.4	64.4
Total other comprehensive income	-	-	(18.3)	0.4	-	(3.9)	(21.8)	1.8	(20.0)
Total comprehensive income for The period	-	-	(18.3)	0.4	-	58.1	40.2	4.2	44.4
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends paid to equity holders	-	-	-	-	-	(24.8)	(24.8)	-	(24.8)
Issue of shares in lieu of dividends	1.2	(1.2)	-	-	-	20.1	20.1	-	20.1
Dividends paid – non controlling Interests	-	-	-	-	-	-	-	(2.5)	(2.5)
Share-based payment transactions (net of tax)	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Share options exercised	0.1	0.7	-	-	-	-	0.8	-	0.8
Total contributions by and distributions to owners	1.3	(0.5)	-	-	-	(4.9)	(4.1)	(2.5)	(6.6)
Total transactions with owners	1.3	(0.5)	-	-	-	(4.9)	(4.1)	(2.5)	(6.6)
Balance as at 30 June 2011	**95.3**	**844.2**	**272.1**	**(0.4)**	**(2.2)**	**774.6**	**1,983.6**	**172.9**	**2,156.5**

Notes to the condensed consolidated financial statements (unaudited)

1. General information

Basis of preparation

The condensed set of consolidated financial statements in this interim management report for Millennium & Copthorne Hotels plc ('the Company') as at and for the half year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in joint ventures and associates.

These primary statements and selected notes comprise the unaudited interim consolidated financial results of the Group for the half years ended 30 June 2011 and 2010, together with the audited results for the year ended 31 December 2010. This half year interim management report does not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The comparative figures as at 31 December 2010 have been extracted from the Group's statutory Annual Report and Accounts for that financial year but do not constitute those accounts. Those accounts have been reported on by the auditors and delivered to the Registrar of Companies. The report of the auditors was (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 498 (2) or (3) of the Companies Act 2006. The consolidated financial statements of the Group as at and for the financial year ended 31 December 2010 are available from the Company's website www.millenniumhotels.co.uk.

The results have been prepared applying the accounting policies and presentation that were used in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2010 and which were prepared in accordance with IFRSs as adopted by the EU.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2010.

The financial statements were approved by the Board of Directors on 1 August 2011.

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

The 30 June 2010 comparatives for the consolidated income statement have been restated to present information to enhance the readers understanding of the Group's performance for the year whereby operating profit is now analysed into more appropriate captions with no impact on overall operating profit. In addition, the comparatives in the consolidated statement of financial position for 30 June 2010 have been restated to include amendments to IAS 17 'Leases'. IAS 17 was amended so that leases of land with an indefinite economic life need not be classified as an operating lease. A land lease with a lease term of several decades may be classified as a finance lease, even if at the end of the lease term title does not pass to the lessee. Certain land leases had been reclassified from operating leases to finance leases. Previously these operating leases had a lease premium prepayment held on the Statement of Financial Position, which were amortised over the lease term. With the amendment to IAS 17, the lease premium prepayments have been reclassified to Land and Buildings. As at 30 June 2010 cost of £80.7m and accumulated amortisation of £11.6m was reclassified from non-current and current lease premium prepayment to property plant and equipment. There was no effect on the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows.

Non-GAAP information

Presentation of headline operating profit, headline EBITDA, headline profit before tax and headline profit after tax and headline earnings per share.

Reconciliation of headline profit before tax, headline operating profit and headline EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) to the closest equivalent GAAP measure, profit before tax, is provided in note 3 'Operating Segment Information'. Reconciliation of headline profit after tax is provided in note 9 'Non-GAAP measures' and headline earnings per share is provided in note 7 'Earnings per share'.

Net debt and gearing percentage

An analysis of net debt and calculated gearing percentage is provided in note 9.

Like-for-like growth

The Group believes that like-for-like growth which is not intended to be a substitute for 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.

Notes to the condensed consolidated financial statements (continued)

2. Foreign currency translation

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

	As at 30 June		As at 31 December	Average for 6 months January - June		Average for 3 months April - June		Average for the year ended
Currency (=£)	**2011**	2010	2010	**2011**	2010	**2011**	2010	2010
US dollar	**1.604**	1.506	1.541	**1.613**	1.530	**1.636**	1.499	1.547
Singapore dollar	**1.982**	2.087	1.993	**2.023**	2.141	**2.021**	2.087	2.111
New Taiwan dollar	**46.329**	47.910	45.461	**47.049**	48.558	**47.324**	47.444	48.531
New Zealand dollar	**1.978**	2.105	2.021	**2.053**	2.177	**2.022**	2.138	2.149
Malaysian ringgit	**4.878**	4.857	4.753	**4.883**	5.091	**4.921**	4.907	5.004
Korean won	**1,721.55**	1,798.71	1,757.50	**1,768.44**	1,775.62	**1,760.31**	1,760.46	1,792.11
Chinese renminbi	**10.315**	10.228	10.132	**10.472**	10.400	**10.552**	10.189	10.446
Euro	**1.118**	1.216	1.172	**1.147**	1.148	**1.135**	1.169	1.164

3. Operating segment information

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

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

Geographical segments
The hotel and operations are managed on a worldwide basis and operate in seven principal geographical areas:
- New York
- Regional US
- London
- Rest of Europe
- Singapore
- Rest of Asia
- Australasia

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

The reportable segments are aligned with the structure of the Group's internal organisation which is based according to geographical region. Discrete financial information is reported to and is reviewed by the CODM on a geographical basis. Each operating segment has a Chief Operating Officer (COO) or equivalent who is directly accountable for the functioning of the segment and who maintains regular contact with the executive members of the CODM to discuss the operational and financial performance. The CODM makes decisions about allocation of resources based on all five reported segment profits contained in the segmental results to the regions managed by the COO.

Notes to the condensed consolidated financial statements (unaudited)

3. Operating segment information (continued)

	Second Quarter 2011								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel	**27.2**	**31.1**	**27.1**	**23.8**	**36.7**	**39.0**	**8.9**	**-**	**193.8**
Property operations	**-**	**0.3**	**-**	**-**	**0.6**	**-**	**1.4**	**-**	**2.3**
Total Revenue	**27.2**	**31.4**	**27.1**	**23.8**	**37.3**	**39.0**	**10.3**	**-**	**196.1**
Hotel Gross Operating Profit	**9.1**	**7.3**	**15.6**	**6.1**	**20.9**	**15.0**	**2.8**	**-**	**76.8**
Hotel fixed charges [1]	**(4.3)**	**(5.0)**	**(3.4)**	**(4.5)**	**(11.2)**	**(5.4)**	**(2.3)**	**-**	**(36.1)**
Hotel operating profit	**4.8**	**2.3**	**12.2**	**1.6**	**9.7**	**9.6**	**0.5**	**-**	**40.7**
Property operations operating profit/(loss)	**-**	**(0.2)**	**-**	**-**	**0.4**	**(0.8)**	**0.6**	**-**	**-**
Central costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3.8)**	**(3.8)**
Share of joint ventures and associates operating profit	**-**	**-**	**-**	**-**	**3.7**	**1.9**	**1.2**	**-**	**6.8**
Headline operating profit/(loss)	**4.8**	**2.1**	**12.2**	**1.6**	**13.8**	**10.7**	**2.3**	**(3.8)**	**43.7**
Add back depreciation and Amortisation	**1.1**	**2.0**	**1.1**	**1.0**	**0.3**	**2.2**	**0.9**	**0.4**	**9.0**
Headline EBITDA [2]	**5.9**	**4.1**	**13.3**	**2.6**	**14.1**	**12.9**	**3.2**	**(3.4)**	**52.7**
Depreciation and amortisation									**(9.0)**
Share of interest, tax and non-controlling interests of joint ventures and associates									**(1.8)**
Net finance expense									**(1.9)**
Headline profit before tax									**40.0**
Separately disclosed items - Group									**19.4**
Separately disclosed items - Share of joint ventures and associates									**1.9**
Separately disclosed items - Share of joint ventures and associates interest, tax and non-controlling interests									**(0.7)**
Profit before tax									**60.6**

[1] Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.
[2] Earnings before interest, tax, depreciation and amortisation.

Notes to the condensed consolidated financial statements (unaudited)

3. Operating segment information (continued)

	Second Quarter 2010								
	New York £m	**Regional US £m**	**London £m**	**Rest of Europe £m**	**Singapore £m**	**Rest of Asia £m**	**Australasia £m**	**Central Costs £m**	**Total Group £m**
Revenue									
Hotel	27.0	32.5	23.3	23.4	34.9	35.4	10.4	-	186.9
Property operations	-	0.4	-	-	0.5	0.1	2.1	-	3.1
Total Revenue	27.0	32.9	23.3	23.4	35.4	35.5	12.5	-	190.0
Hotel Gross Operating Profit	8.2	7.0	12.9	6.0	19.1	14.5	3.1	-	70.8
Hotel fixed charges [1]	(5.4)	(5.2)	(3.3)	(4.5)	(9.8)	(4.2)	(2.0)	-	(34.4)
Hotel operating profit	2.8	1.8	9.6	1.5	9.3	10.3	1.1	-	36.4
Property operations operating profit/(loss)	-	(0.1)	-	-	0.3	-	0.8	-	1.0
Central costs	-	-	-	-	-	-	-	(5.0)	(5.0)
Share of joint ventures and associates operating profit	-	-	-	-	3.3	2.0	1.4	-	6.7
Headline operating profit/(loss)	2.8	1.7	9.6	1.5	12.9	12.3	3.3	(5.0)	39.1
Add back depreciation and Amortisation	1.4	2.2	1.2	1.0	0.2	1.3	0.5	0.3	8.1
Headline EBITDA [2]	4.2	3.9	10.8	2.5	13.1	13.6	3.8	(4.7)	47.2
Depreciation and amortisation									(8.1)
Share of interest, tax and non-controlling interests of joint ventures and associates									(2.2)
Net finance expense									(0.8)
Headline profit before tax									36.1
Separately disclosed items - Group									(1.7)
Separately disclosed items - Share of joint ventures and associates									(3.9)
Separately disclosed items - Share of joint ventures and associates interest, tax and non-controlling interests									1.1
Profit before tax									31.6

[1] Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.
[2] Earnings before interest, tax, depreciation and amortisation.

Notes to the condensed consolidated financial statements (unaudited)

3. Operating segment information (continued)

	First Half 2011								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel	**45.7**	**54.6**	**47.4**	**45.6**	**74.6**	**74.7**	**23.2**	**-**	**365.8**
Property operations	**-**	**0.7**	**-**	**-**	**1.2**	**-**	**2.6**	**-**	**4.5**
Total Revenue	**45.7**	**55.3**	**47.4**	**45.6**	**75.8**	**74.7**	**25.8**	**-**	**370.3**
Hotel Gross Operating Profit	**10.6**	**8.5**	**25.6**	**11.0**	**41.8**	**27.5**	**9.4**	**-**	**134.4**
Hotel fixed charges [1]	**(8.5)**	**(9.6)**	**(6.7)**	**(8.9)**	**(22.3)**	**(11.0)**	**(5.7)**	**-**	**(72.7)**
Hotel operating profit/(loss)	**2.1**	**(1.1)**	**18.9**	**2.1**	**19.5**	**16.5**	**3.7**	**-**	**61.7**
Property operations operating profit/(loss)	**-**	**(0.4)**	**-**	**-**	**0.8**	**(1.8)**	**0.9**	**-**	**(0.5)**
Central costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7.3)**	**(7.3)**
Share of joint ventures and associates operating profit	**-**	**-**	**-**	**-**	**6.6**	**4.6**	**2.7**	**-**	**13.9**
Headline operating profit/(loss)	**2.1**	**(1.5)**	**18.9**	**2.1**	**26.9**	**19.3**	**7.3**	**(7.3)**	**67.8**
Add back depreciation and amortisation	**2.3**	**4.1**	**2.3**	**1.9**	**0.8**	**4.5**	**1.2**	**0.6**	**17.7**
Headline EBITDA [2]	**4.4**	**2.6**	**21.2**	**4.0**	**27.7**	**23.8**	**8.5**	**(6.7)**	**85.5**
Depreciation and amortisation									**(17.7)**
Share of interest, tax and non-controlling interests of joint ventures and associates									**(3.9)**
Net finance expense									**(4.1)**
Headline profit before tax									**59.8**
Separately disclosed items - Group									**19.3**
Separately disclosed items - Share of joint ventures and associates									**1.9**
Separately disclosed items - Share of joint ventures and associates interest, tax and non-controlling interests									**(0.7)**
Profit before tax									**80.3**

[1] Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.
[2] Earnings before interest, tax, depreciation and amortisation.

Notes to the condensed consolidated financial statements (unaudited)

3. Operating segment information (continued)

	First Half 2010								
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel	46.0	55.6	41.8	45.3	65.8	66.4	24.4	-	345.3
Property operations	-	0.8	-	-	1.1	0.1	3.2	-	5.2
Total Revenue	46.0	56.4	41.8	45.3	66.9	66.5	27.6	-	350.5
Hotel Gross Operating Profit	9.8	8.0	21.9	11.0	35.6	26.5	9.5	-	122.3
Hotel fixed charges [1]	(10.0)	(10.0)	(6.3)	(9.4)	(19.5)	(8.0)	(4.1)	-	(67.3)
Hotel operating profit/(loss)	(0.2)	(2.0)	15.6	1.6	16.1	18.5	5.4	-	55.0
Property operations operating profit/(loss)	-	(0.2)	-	-	0.7	-	1.1	-	1.6
Central costs	-	-	-	-	-	-	-	(9.4)	(9.4)
Share of joint ventures and associates operating profit	-	-	-	-	6.3	4.6	2.1	-	13.0
Headline operating profit/(loss)	(0.2)	(2.2)	15.6	1.6	23.1	23.1	8.6	(9.4)	60.2
Add back depreciation and Amortisation	2.7	4.4	2.4	2.0	0.3	2.7	1.0	0.5	16.0
Headline EBITDA [2]	2.5	2.2	18.0	3.6	23.4	25.8	9.6	(8.9)	76.2
Depreciation and amortisation									(16.0)
Share of interest, tax and non-controlling interests of joint ventures and associates									(3.6)
Net finance expense									(1.8)
Headline profit before tax									54.8
Separately disclosed items - Group									(1.8)
Separately disclosed items - Share of joint ventures and associates									(3.9)
Separately disclosed items - Share of joint ventures and associates interest, tax and non-controlling interests									1.1
Profit before tax									50.2

[1] Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.
[2] Earnings before interest, tax, depreciation and amortisation.

Notes to the condensed consolidated financial statements (unaudited)

3. Operating segment information (continued)

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

[1] Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.
[2] Earnings before interest, tax, depreciation and amortisation.

Notes to the condensed consolidated financial statements (unaudited)

3. Operating segment information (continued)

Segmental assets and liabilities

As at 30 June 2011	**New York £m**	**Regional US £m**	**London £m**	**Rest of Europe £m**	**Singapore £m**	**Rest of Asia £m**	**Australasia £m**	**Total Group £m**
Hotel operating assets	**337.2**	**283.2**	**441.8**	**209.6**	**149.7**	**633.7**	**154.5**	**2,209.7**
Hotel operating liabilities	**(11.2)**	**(30.8)**	**(24.3)**	**(32.9)**	**(145.5)**	**(61.1)**	**(9.0)**	**(314.8)**
Investments in and loans to joint ventures and associates	**-**	**-**	**-**	**-**	**166.0**	**89.1**	**63.8**	**318.9**
Total hotel operating net assets	**326.0**	**252.4**	**417.5**	**176.7**	**170.2**	**661.7**	**209.3**	**2,213.8**
Property operating assets	**-**	**28.2**	**-**	**-**	**137.8**	**9.8**	**93.5**	**269.3**
Property operating liabilities	**-**	**(0.1)**	**-**	**-**	**(55.2)**	**(4.3)**	**(0.9)**	**(60.5)**
Investments in and loans to joint ventures and associates	**-**	**-**	**-**	**-**	**31.1**	**65.1**	**-**	**96.2**
Total property operating net assets	**-**	**28.1**	**-**	**-**	**113.7**	**70.6**	**92.6**	**305.0**
Deferred tax liabilities								**(248.3)**
Income taxes payable								**(32.1)**
Net debt								**(81.9)**
Net assets								**2,156.5**

As at 30 June 2010	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
Hotel operating assets	371.0	306.8	444.3	213.9	233.6	511.5	148.7	2,229.8
Hotel operating liabilities	(12.5)	(31.5)	(26.1)	(29.0)	(137.9)	(33.2)	(6.0)	(276.2)
Investments in and loans to joint ventures and associates	-	-	-	-	147.8	88.2	63.1	299.1
Total hotel operating net assets	358.5	275.3	418.2	184.9	243.5	566.5	205.8	2,252.7
Property operating assets	-	35.0	-	-	54.6	9.2	70.4	169.2
Property operating liabilities	-	(0.2)	-	-	(0.8)	-	(0.7)	(1.7)
Investments in and loans to joint ventures and associates	-	-	-	-	-	53.9	-	53.9
Total property operating net assets	-	34.8	-	-	53.8	63.1	69.7	221.4
Deferred tax liabilities								(244.3)
Income taxes payable								(30.2)
Net debt								(182.1)
Net assets								2,017.5

As at 31 December 2010	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
Hotel operating assets	354.2	297.3	439.7	207.7	245.2	634.9	157.1	2,336.1
Hotel operating liabilities	(9.9)	(30.5)	(22.8)	(31.1)	(153.1)	(61.3)	(9.1)	(317.8)
Investments in and loans to joint ventures and associates	-	-	-	-	173.2	92.6	62.9	328.7
Total hotel operating net assets	344.3	266.8	416.9	176.6	265.3	666.2	210.9	2,347.0
Property operating assets	-	29.0	-	-	87.6	9.8	74.1	200.5
Property operating liabilities	-	(0.1)	-	-	(42.2)	(4.4)	(0.7)	(47.4)
Investments in and loans to joint ventures and associates	-	-	-	-	-	68.1	-	68.1
Total property operating net assets	-	28.9	-	-	45.4	73.5	73.4	221.2
Deferred tax liabilities								(251.8)
Income taxes payable								(32.0)
Net debt								(165.7)
Net assets								2,118.7

Notes to the condensed consolidated financial statements (unaudited)

4. Separately disclosed items

	Notes	**Second Quarter 2011 £m**	Second Quarter 2010 £m	**First Half 2011 £m**	First Half 2010 £m	Full Year 2010 £m
Other operating income						
Revaluation gain of investment properties	**(a)**	**-**	-	**-**	-	9.3
Other operating expense						
Revaluation deficit of investment properties	**(a)**	**-**	-	**-**	-	(5.2)
Separately disclosed items included in administrative expenses						
Goodwill written-off in respect of Beijing	**(b)**	**-**	-	**-**	-	(8.1)
Impairment	**(c)**	**(0.1)**	(0.2)	**(0.2)**	(0.3)	(15.2)
Redundancy costs	**(d)**	**-**	(1.5)	**-**	(1.5)	(1.7)
		(0.1)	(1.7)	**(0.2)**	(1.8)	(25.0)
Non-operating income						
Gain on dilution of interest in associate	**(e)**	**-**	-	**-**	-	7.2
Gain arising in respect of step up acquisition of Beijing	**(b)**	**-**	-	**-**	-	8.4
Profit on sale and leaseback of Studio M Hotel	**(f)**	**17.4**	-	**17.4**	-	-
Profit on disposal of stapled securities in CDLHT	**(g)**	**0.2**	-	**0.2**	-	-
Gain on disposal of subsidiary	**(h)**	**1.9**	-	**1.9**	-	-
		19.5	-	**19.5**	-	15.6
Separately disclosed items - Group		**19.4**	(1.7)	**19.3**	(1.8)	(5.3)
Separately disclosed items - share of joint ventures and associates						
Provision for asset write-off and legal costs in FSCL	**(i)**	**0.3**	(3.9)	**0.3**	(3.9)	(2.3)
Revaluation gain of investment properties	**(j)**	**1.6**	-	**1.6**	-	9.2
		1.9	(3.9)	**1.9**	(3.9)	6.9

(a) Revaluation of investment properties
At the end of 2010, the Group's investment properties were subject to external professional valuation on an open market existing use basis. Tanglin Shopping Centre recorded uplift in value of £9.3m whereas Biltmore Court & Tower and Sunnyvale residences recorded decreases in value of £1.9m and £3.3m respectively.

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

(c) Impairment
For the second quarter ended 30 June 2011, a £0.1m (2010: £0.2m) and for the first half ended 30 June 2011 £0.2m (2010: £0.3m) an impairment charge was made on additional interest on shareholder loan in Bangkok.

For the year ended 31 December 2010, the Directors undertook an annual review of the carrying value of hotels and property assets for indication of impairment and where appropriate, external valuations were also undertaken. An impairment charge of £14.6m was made in relation to 6 Regional UK hotels in Rest of Europe for £8.8m and to 6 hotels in Regional US for £5.8m. Also a £0.6m impairment charge was made on additional shareholder loan and interest in the Group's 50% investment in Bangkok.

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

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

Notes to the condensed consolidated financial statements (unaudited)

4. Separately disclosed items (continued)

(f) Profit on sale and leaseback of Studio M Hotel
On 3 May 2011 the Group completed the sale and leaseback of the Studio M Hotel Singapore to its REIT associate, CDL Hospitality Trusts (CDLHT) for a cash consideration of S$154.0m (£75.7m) and gave rise to a total realised pre-tax profit from the disposal of S$35.4m (£17.4m) which was recorded for both the second quarter and first half ended 30 June 2011. Total unrealised pre-tax profit from the disposal is S$19.1m (£9.4m) which has been credited to the balance sheet as investment in joint ventures and associates, arising from the Group's 35.1% interest in the stapled securities of CDLHT.

(g) Profit on disposal of stapled securities in CDLHT
For both the second quarter and first half ended 30 June 2011, the Group recorded a gain of £0.2m from the sale of a small number of stapled securities in CDLHT.

(h) Profit on disposal of subsidiary
For both the second quarter and first half ended 30 June 2011, the Group recorded a £1.9m gain from the disposal of CDL Hotels (Phils.) Corporation, a Philippines based company principally providing management services to Grand Plaza Hotel Corporation, owner of The Heritage Hotel in the Philippines (refer note 8 to the condensed consolidated financial statements).

(i) Provision for asset write-off and legal costs in FSCL
In 2011, the £0.3m represents the final adjustments to the asset write-off as a result of the completion of the settlement agreement with Cheung Ping Kwong, the former minority shareholder of a subsidiary within the FSCL Group. In 2010, the £2.3m charge represents the Group's share of provision against assets write-off and legal costs in FSCL.

(j) Revaluation gain of investment properties
For both the second quarter and first half ended 30 June 2011, certain investment properties of First Sponsor Capital Limited ("FSCL") were transferred to development properties at fair value which was determined by the Directors on the same basis as the 31 December 2010 external professional valuation. The Group's share of the revaluation surplus was £1.6m.

At end of 2010, the investment properties of CDL Hospitality Trusts ("CDLHT"), the Group's associate in a Singapore-listed REIT, and of FSCL were subject to external professional valuation on an open market existing use basis. The Group's share of CDLHT's and FSCL's net revaluation surplus of investment properties was £4.4m and £4.8m respectively.

5. Share of profits of joint ventures and associates

	Second Quarter 2011 £m	Second Quarter 2010 £m	**First Half 2011 £m**	First Half 2010 £m	Full Year 2010 £m
Share of profit for the period					
Operating profit before separately disclosed items	**6.8**	6.7	**13.9**	13.0	29.1
Separately disclosed items (refer note 4)	**1.9**	(3.9)	**1.9**	(3.9)	6.9
Interest	**(0.4)**	(1.0)	**(0.9)**	(1.2)	(3.0)
Tax	**(0.9)**	(0.5)	**(1.6)**	(1.1)	(4.4)
Non-controlling interests	**(1.2)**	0.4	**(2.1)**	(0.2)	(3.8)
Interest, tax and non-controlling interests	**(2.5)**	(1.1)	**(4.6)**	(2.5)	(11.2)
	6.2	1.7	**11.2**	6.6	24.8

6. Income tax expense

The Group recorded an income tax expense of £15.9m for the first half ended 30 June 2011 (first half 2010: £15.8m), excluding the tax relating to joint ventures and associates. This comprises a UK tax credit of £3.1m and an overseas tax charge of £19.0m (first half 2010: a UK tax charge of £3.4m and an overseas tax charge of £12.4m). For full year 2010 the £30.7m total income tax expense comprised a UK tax charge of £7.1m and an overseas tax charge of £23.6m.

Income tax expense for the relevant period is the expected income tax payable on the taxable income for the period, calculated at estimated average annual effective income tax rate applied to the pre-tax income for the period.

The estimated annual effective rate applied to profit before income tax excluding the Group's share of joint ventures and associates profits is 23.0% (2010: first half estimate 36.2%). This reduction in rate results from a combination of factors, including the following:

- a reduction in UK tax rate; and
- the release of some tax provisions following the satisfactory resolution of certain tax matters; and
- in 2010, the effective rate used was higher due to the non-recurring impact of a change in tax legislation in New Zealand.

A charge of £1.6m for the first half ended 30 June 2011 (first half 2010: £1.1m) relating to joint ventures and associates is included in the reported profit before tax.

Notes to the condensed consolidated financial statements (unaudited)

7. Earnings per share

Earnings per share are calculated using the following information:

	Second Quarter 2011	Second Quarter 2010	**First Half 2011**	First Half 2010	Full Year 2010
(a) Basic					
Profit for the period attributable to holders of the parent (£m)	**47.9**	25.0	**62.0**	37.2	96.2
Weighted average number of shares in issue (m)	**314.9**	312.1	**313.9**	310.9	311.8
Basic earnings per share (pence)	**15.2p**	8.0p	**19.8p**	12.0p	30.9p
(b) Diluted					
Profit for the period attributable to holders of the parent (£m)	**47.9**	25.0	**62.0**	37.2	96.2
Weighted average number of shares in issue (m)	**314.9**	312.1	**313.9**	310.9	311.8
Potentially dilutive share options under Group's share option schemes (m)	**1.0**	1.2	**1.0**	1.2	1.2
Weighted average number of shares in issue (diluted) (m)	**315.9**	313.3	**314.9**	312.1	313.0
Diluted earnings per share (pence)	**15.2p**	8.0p	**19.7p**	11.9p	30.7p
(c) Headline earnings per share					
Profit for the period attributable to holders of the parent (£m)	**47.9**	25.0	**62.0**	37.2	96.2
Adjustments for:					
- Separately disclosed items - Group (net of tax and non-controlling interests) (£m)	**(19.4)**	1.7	**(19.3)**	1.8	(1.6)
- Share of separately disclosed items of joint ventures and associates(net of tax and non-controlling interests) (£m)	**(1.2)**	2.8	**(1.2)**	2.8	(5.4)
- Change in tax rates on opening deferred tax (£m)	**(0.5)**	(2.5)	**(0.6)**	(2.5)	(7.4)
- Changes in tax legislation (£m)	**-**	-	**-**	-	11.9
Adjusted profit for the period attributable to holders of the parent (£m)	**26.8**	27.0	**40.9**	39.3	93.7
Weighted average number of shares in issue (m)	**314.9**	312.1	**313.9**	310.9	311.8
Headline earnings per share (pence)	**8.5p**	8.7p	**13.0p**	12.6p	30.1p
(d) Diluted headline earnings per share					
Adjusted profit for the period attributable to holders of the parent (£m)	**26.8**	27.0	**40.9**	39.3	93.7
Weighted average number of shares in issue (diluted) (m)	**315.9**	313.3	**314.9**	312.1	313.0
Diluted headline earnings per share (pence)	**8.5p**	8.6p	**13.0p**	12.6p	29.9p

8. Disposal of subsidiary

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

The net liabilities and profit on disposal were as follows:

	2011 £m
Current assets	1.5
Current liabilities	(3.8)
Net liabilities of operation disposed	(2.3)
Other net assets (loans)	0.4
Total net liabilities disposed attributable to the Group	**(1.9)**
Cash consideration (US$1.00)	-
Profit on disposal before taxation	**1.9**

Notes to the condensed consolidated financial statements (unaudited)

9. Non-GAAP measures

Headline operating profit, headline EBITDA and headline profit before tax
Reconciliation of headline operating profit, headline EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and headline profit before tax to the closest equivalent GAAP measure, profit before tax is provided in note 3 'Operating segment information'.

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

	Second Quarter 2011 £m	Second Quarter 2010 £m	**First Half 2011 £m**	First Half 2010 £m	Full Year 2010 £m
Profit after tax	**48.9**	20.3	**64.4**	34.4	97.9
Adjustments for:					
Separately disclosed items (net of tax) – Group	**(19.4)**	1.7	**(19.3)**	1.8	(1.6)
Separately disclosed items (net of interest, tax and non- controlling interests) – Share of joint ventures and associates	**(1.2)**	2.8	**(1.2)**	2.8	(5.4)
Tax impact of changes in tax rates on opening deferred tax	**(0.5)**	(2.5)	**(0.6)**	(2.5)	(7.4)
Tax impact of changes in tax legislation	**-**	-	**-**	-	11.9
Headline profit after taxation	**27.8**	22.3	**43.3**	36.5	95.4

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 30 June 2011 £m	As at 30 June 2010 £m	As at 31 December 2010 £m
Net Debt			
Cash and cash equivalents (as per cash flow statement)	**335.3**	174.8	251.5
Bank overdrafts (included as part of borrowings)	**0.3**	0.5	0.4
Cash and cash equivalents (as per the consolidated statement of financial position)	**335.6**	175.3	251.9
Interest-bearing loans, bonds and borrowings			
– Non-current	**(372.7)**	(254.0)	(323.7)
– Current	**(44.8)**	(103.4)	(93.9)
Net debt	**(81.9)**	(182.1)	(165.7)

Reconciliation of net cash flow to movement in net debt	**As at 30 June 2011 £m**	As at 30 June 2010 £m	As at 31 December 2010 £m
Net debt at beginning of year	**(165.7)**	(202.5)	(202.5)
Increase in cash debt equivalents and bank overdrafts per the consolidated cash flow statement	**82.7**	33.7	101.4
Net decrease in loans	**7.9**	3.0	20.4
Net borrowings in respect of subsidiary acquired in the period	**-**	-	(62.4)
Translation adjustments	**(6.8)**	(16.3)	(22.6)
Movements in net debt	**83.8**	20.4	36.8
Net debt at end of period	**(81.9)**	(182.1)	(165.7)
Gearing (%)	**4.1%**	9.8%	8.5%

Notes to the condensed consolidated financial statements (unaudited)

9. Non-GAAP measures (continued)

Free cash flow

In presenting and discussing the Group's cash generated by its operations, free cash flow is calculated. Free cash flow is not defined under IFRS. The Group believes that it is both useful and necessary to communicate free cash flow as it reflects the cash available to strengthen the statement of financial position or to provide returns to shareholders in the form of dividends or share purchases. Reconciliation of free cash flow to the closest GAAP measure Net cash generated from operating activities is provided below.

Reconciliation of net cash generated from operating activities to free cash flow	**First Half 2011 £m**	First Half 2010 £m	Full Year 2010 £m
Net cash generated from operating activities per the consolidated cash flow statement	**40.3**	47.5	166.9
Net acquisition of property, plant and equipment	**(9.9)**	(8.7)	(18.9)
Free cash flow	**30.4**	38.8	148.0

10. Dividends

	Second Quarter 2011 £m	Second Quarter 2010 £m	**First Half 2011 £m**	First Half 2010 £m	Full Year 2010 £m
Final ordinary dividend paid	**24.8**	-	**24.8**	-	-
Second interim dividend paid	**-**	-	**-**	12.9	12.9
Interim ordinary dividend paid	**-**	-	**-**	-	6.5
	24.8	-	**24.8**	12.9	19.4
	pence	pence	**pence**	pence	pence
Final ordinary dividend paid	**7.92**	-	**7.92**	-	
Second interim dividend paid	**-**	-	**-**	4.17	4.17
Interim ordinary dividend paid	**-**	-	**-**	-	2.08
	7.92	-	**7.92**	4.17	6.25

Subsequent to 30 June 2011, the Directors declared an interim ordinary dividend of 2.08p (2010: 2.08p) which has not been provided for.

In respect of dividends paid in the first half of 2011 totalling £24.8m (first half 2010: £12.9m), the Group offered shareholders the option of a scrip dividend which for 2011 resulted in dividend cash payment of £4.7m (first half 2010: £3.0m). For the full year 2010 dividends paid totalled £19.4m which following a scrip option resulted in a cash dividend payment of £4.1m. The balance of £20.1m (first half 2010: £9.9m, full year 2010: £15.3m) has been credited to reserves upon issue of the related share capital.

11. Subsequent event

On 8 July 2011 the Group announced its intention to acquire a land site in Tokyo, Japan and upon completion to develop the land through construction of an approximately 325-room deluxe hotel serving domestic and international guests in both the leisure and corporate segments. Construction of the new building is presently envisaged to be completed by 2014. The purchase price for the property is ¥9.5 billion (£73.6 million) and the Group has paid a 10% deposit of the purchase price, the remainder of which will be paid in cash on completion. Completion is expected to take place on 30 September 2011, subject to fulfilment of certain conditions precedent. The Group's current preliminary estimate of the total investment for the proposed acquisition and development of the property is ¥14.56 billion (approximately £113 million).

On 1 August 2011 the Group announced that it has completed the sale of 29,127 square feet of land adjacent to the Grand Millennium Kuala Lumpur to Urusharta Cemerlang (KL) Sdn Bhd for a consideration of RM215.1 million (£44.6 million). The Group's carrying value of the land is RM42.9million (£8.9 million). Based on this value, the sale of land is expected to result in a pre-tax profit in the third quarter of RM170.4million (£35.4 million), after taking into account transaction costs.

12. Related parties

Identity of related parties

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

The Group has a related party relationship with its joint ventures, associates and with its Directors and executive officers.

Transactions with ultimate holding company, and other related companies

The Group has a related party relationship with certain subsidiaries of Hong Leong Investment Holding Pte. Ltd ("Hong Leong"), which is the ultimate holding and controlling company of Millennium & Copthorne Hotels plc and holds 54% (2010: 53%) of the Company's shares via City Developments Limited ("CDL") the intermediate holding company of the Group. During the half year ended 30 June 2011 the Group had the following transactions with those subsidiaries as noted below:

Fees paid/payable by the Group to Hong Leong Management Services Pte. Ltd ("HLMS"), a subsidiary of Hong Leong amounted to £0.9m (2010: £0.02m). At 30 June 2011 £0.9m (2010: £nil) of fees payable was outstanding.

The Group deposited certain surplus cash with Hong Leong Finance Limited, a fellow subsidiary undertaking, on normal commercial terms. Interest income of £0.026m (2010: £0.002m) was received during the period. As at 30 June 2011 £15.5m (2010: £7.6m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL, a subsidiary of Hong Leong amounted to £0.5m (2010: £0.5m) which included: rentals paid for the Grand Shanghai restaurant and Kings Centre; property management fees for the Tanglin Shopping Centre in Singapore; and car parking, leasing commission and professional services. In addition £0.4m (2010: £nil) of fees were paid to CDL Management Services Ltd, a subsidiary of CDL in relation to the Glyndebourne luxury condominium development in Singapore. At 30 June 2011 £nil (2010: £nil) of fees payable was outstanding.

Richfield Hospitality Inc ("RHI") a company owned 85% by City e-Solutions Limited (CES), a subsidiary of Hong Leong, and 15% by the Group, provided management services to the Group. A total of £0.1m (2010: £0.1m) was charged by RHI during the period and as at 30 June 2010, £0.1m (2010: £0.02m) was due to RHI. Fees for taxation services amounting to £0.03m (2010: £0.02m) were charged by CDL Hotels USA Inc., a subsidiary of the Group, to RHI.

The Group provided a total of £0.01m (2010: £0.01m) hotel management services to a joint venture company of HL Global Enterprises Limited, a subsidiary of Hong Leong. As at 30 June 2011 £0.002m (2010: £nil) was due to the Group. In addition the Group also provided accounting and management services to CES and HLMS totalling £0.02m (2010: £0.006m).

Transactions between the Group and its associates and joint ventures are disclosed below:

In July 2006 the Group completed the sale of long leasehold interest in three of its Singapore hotels to CDL Hospitality Trusts ("CDLHT"), an associate and comprising a hotel real estate investment trust (REIT) and a business trust. These hotels were the Orchard Hotel (including the connected shopping centre), and M Hotel which were both sold on 75-year leases and Copthorne King's Hotel for the remaining 61 years of a 99-year lease. CDLHT also acquired the Grand Copthorne Waterfront Hotel, a Group managed hotel from CDL under a 75 year lease. All four hotels excluding the shopping centre were leased back to the Group for an initial term of 20 years, each renewable at the Group's option for an additional term of 20 years.

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

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

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

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

	First Half 2011 £m	First Half 2010 £m
Copthorne King's Hotel	**2.4**	2.0
Orchard Hotel	**6.5**	6.1
M Hotel	**3.9**	3.4
Grand Copthorne Waterfront	**5.8**	4.8
Studio M	**0.9**	-
	19.5	16.3

In addition to the lease of the four hotels mentioned above, the Group also leased a conference centre from CDLHT at a fixed rent of £0.1m (2010: £0.1m). This lease was for 5 years from July 2006 and has been renewed for a further 5 years.

12. Related parties (continued)

A subsidiary of the Group, M&C REIT Management Limited acts as REIT manager and business trust manager with their fees having a performance-based element. The REIT manager is entitled to receive a base fee of 0.25% per annum of the value of the H-REIT Deposited Property as well as additional performance fee of 5% per annum of H-REIT's Net Property Income in the relevant financial year. 80% of the H-REIT Manager's fees will be paid in stapled securities for the first five years. In addition acquisition fees are payable, 100% in stapled securities and/or cash at a rate of 1.0% of the value of new properties deposited with H-REIT. For the relevant period Manager's fees paid in stapled securities totalled £2.1m (2010: £1.8m), acquisition fees paid in stapled units £0.8m (2010: £nil), the balance payable in cash was £0.5m (2010: £0.4m) of which £0.3m (2010: £0.2m) is outstanding at 30 June 2011. Acquisition fees of £nil (2010: £1.0m) were paid in cash.

Interest receivable of £0.05m (2010: £0.05m) accrued in the period on the rent deposit paid to the REIT.

RHR Capital Pte. Ltd, a 100% subsidiary of the Group, in June 2011 provided a shareholder loan of US$50.0m to First Sponsor Capital Limited, an associate. The loan attracts interest of 2.75% per annum and interest of US$0.04m (£0.03m) was accrued for in the period.

City Hotels Pte. Ltd, a 100% subsidiary of the Group, provided a shareholder loan facility of 503m Thai Baht (£10.2m) (2010: 503m Thai Baht (£10.3m)) to Fena Estate Company Limited ("Fena"), its 50% owned joint venture. At 30 June 2011and 30 June 2010 all of this facility was fully drawn. The loan attracts interest of 4.5% (2010: 4.5%) per annum and interest of £0.2m (2010: £0.2m) was accrued for in the period. This interest is rolled up into the carrying value of the loan. The total loan outstanding, including rolled up interest, is 598m Thai Baht (£12.1m) (2010: 573m Thai Baht (£11.8m)).

In addition, the Group has provided a further US$2.0m (£1.4m) (2010: US$2.0m (£1.4m)) operator loan facility to Fena which was fully drawn down at 30 June 2010. The loan attracts interest of 0.75% per annum (2010: 0.75%) which is rolled up into the carrying value of the loan. The carrying value of the loan outstanding, including rolled up interest, is US$2.3m (£1.4m) (2010: US$2.2m (£1.4m)).

Management fees were charged to Fena in respect of maintenance and other services at the Grand Millennium Sukhumvit Bangkok totalling £0.2m (2010: £0.2m).

The Group provided hotel management services to Beijing Fortune Hotel Co. Ltd ("BFHC"); the Group's 30% owned joint venture up to 15 November 2010 when the Group acquired an additional 40% interest. From this date, the management services are no longer deemed to be related party transactions. A total of £0.3m was charged to BFHC during the half year to 30 June 2010 all of which was outstanding at 30 June 2010. In addition, as at 30 June 2010 BFHC owed £0.1m to the Group on account of certain hotel operating and other related expenses that had been paid by the Group to third parties.

The Group has a related party relationship with Mr Ali Al Zaabi, a minority shareholder of its operations in the Middle East. The Group paid £0.1m (2010: £0.1m) to Mr Al Zaabi for remuneration and other expenses. In addition £0.1m (2010: £0.1m) of incentive management fees were charged to the Kingsgate Abu Dhabi Hotel which is owned by Mr Al Zaabi. As at 30 June 2011 £0.3m (2010: £0.2m) was owed to Mr Ali Al Zaabi.

Transactions with key management personnel

The beneficial interest of the Directors in the ordinary shares of the Company was 0.074% (2010: 0.044%).

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf or a defined contribution plan depending on the date of commencement of employment. In accordance with the terms of the defined benefit plan, Directors and executive officers retire at the age of 65 and are entitled to receive annual payments equivalent to 1/60th of their pensionable salary, subject to the earnings cap, for each year of pensionable service until the date of retirement. The defined contribution plan does not have a specified pension payable on retirement and benefits are determined by the extent to which the individual's fund can buy an annuity in the market at retirement.

Executive officers also participate in the Group's share option programme, Long-Term Incentive Plan and the Group's Sharesave schemes.

The key management personnel compensations are as follows:

	First Half 2011 £m	First Half 2010 £m
Short-term employee benefits	**1.9**	1.6
Other long-term benefits	**0.1**	0.1
Share-based payment	**0.3**	0.9
	2.3	2.6
Directors	**0.7**	0.7
Executives	**1.6**	1.9
	2.3	2.6

MILLENNIUM & COPTHORNE HOTELS PLC

Responsibility statement of the Directors in respect of the interim management report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the board

Wong Hong Ren
Chief Executive Officer

1 August 2011

Independent review report to Millennium & Copthorne Hotels plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim management report for the six months ended 30 June 2011 which comprises the condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in shareholders' equity, condensed consolidated interim statement of cash flows and the related explanatory notes. We have read the other information contained in the interim management report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim management report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim management report in accordance with the DTR of the UK FSA. As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRS as adopted by the EU. The condensed set of financial statements included in this interim management report has been prepared in accordance with IAS 34, *'Interim Financial Reporting'*, as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim management report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim management report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by EU and the DTR of the UK FSA.

Steve Masters (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

1 August 2011

APPENDIX 1: KEY OPERATING STATISTICS (UNAUDITED)
for the half year ended 30 June 2011

	First Half 2011 Reported currency	First Half 2010 Constant currency	First Half 2010 Reported currency	Full Year 2010 Reported currency
Occupancy %				
New York	**83.4**		84.6	85.2
Regional US	**56.3**		54.9	56.7
Total US	**63.1**		62.0	63.6
London	**78.8**		79.9	83.8
Rest of Europe	**68.0**		68.2	69.7
Total Europe	**72.8**		73.4	75.9
Singapore	**85.4**		84.8	86.7
Rest of Asia	**68.2**		73.5	73.0
Total Asia	**75.3**		78.5	79.1
Australasia	**64.5**		68.1	66.3
Total Group	**69.3**		70.1	71.4
Average Room Rate (£)				
New York	**141.42**	130.81	137.86	152.03
Regional US	**63.40**	60.27	63.52	65.64
Total US	**88.97**	83.44	87.93	93.78
London	**116.48**	101.58	101.58	107.45
Rest of Europe	**73.05**	73.59	73.54	73.22
Total Europe	**93.84**	87.08	87.05	89.93
Singapore	**106.54**	97.94	92.53	93.84
Rest of Asia	**78.34**	77.75	76.55	77.45
Total Asia	**91.44**	87.46	84.24	85.55
Australasia	**54.51**	54.91	51.79	51.96
Total Group	**87.73**	82.24	82.26	85.52
RevPAR (£)				
New York	**117.94**	110.67	116.63	129.53
Regional US	**35.69**	33.09	34.87	37.22
Total US	**56.14**	51.73	54.52	59.64
London	**91.79**	81.16	81.16	90.04
Rest of Europe	**49.67**	50.19	50.15	51.03
Total Europe	**68.32**	63.92	63.89	68.26
Singapore	**90.99**	83.05	78.47	81.36
Rest of Asia	**53.43**	57.15	56.26	56.54
Total Asia	**68.85**	68.66	66.13	67.67
Australasia	**35.16**	37.39	35.27	34.45
Total Group	**60.80**	57.65	57.66	61.06
Gross Operating Profit Margin (%)				
New York	**23.2**		21.3	27.8
Regional US	**15.6**		14.4	17.2
Total US	**19.0**		17.5	22.2
London	**54.0**		52.4	53.6
Rest of Europe	**24.1**		24.3	26.7
Total Europe	**39.4**		37.8	40.1
Singapore	**56.0**		54.1	54.0
Rest of Asia	**36.8**		39.9	39.1
Total Asia	**46.4**		47.0	46.6
Australasia	**40.5**		38.9	37.9
Total Group	**36.7**		35.4	37.1

For comparability, the 30 June 2010 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2011.

APPENDIX 2: KEY OPERATING STATISTICS (UNAUDITED)
for the second quarter ended 30 June 2011

	Second Quarter 2011 Reported currency	Second Quarter 2010 Constant currency	Second Quarter 2010 Reported currency
Occupancy %			
New York	**92.4**		92.8
Regional US	**62.1**		60.8
Total US	**69.6**		68.5
London	**83.7**		85.4
Rest of Europe	**71.4**		71.4
Total Europe	**76.8**		77.6
Singapore	**87.8**		86.7
Rest of Asia	**69.4**		75.1
Total Asia	**76.5**		80.4
Australasia	**52.3**		58.5
Total Group	**71.7**		72.9
Average Room Rate (£)			
New York	**150.08**	137.97	148.94
Regional US	**66.24**	63.39	68.40
Total US	**93.82**	87.70	94.65
London	**126.54**	106.89	106.89
Rest of Europe	**74.20**	74.52	73.61
Total Europe	**99.41**	90.29	89.82
Singapore	**111.34**	100.24	96.51
Rest of Asia	**82.35**	80.50	80.89
Total Asia	**95.24**	90.24	88.60
Australasia	**49.98**	51.91	49.13
Total Group	**92.57**	85.67	87.07
RevPAR (£)			
New York	**138.67**	128.04	138.22
Regional US	**41.14**	38.54	41.59
Total US	**65.30**	60.07	64.84
London	**105.91**	91.28	91.28
Rest of Europe	**52.98**	53.21	52.56
Total Europe	**76.35**	70.07	69.70
Singapore	**97.76**	86.91	83.67
Rest of Asia	**57.15**	60.46	60.75
Total Asia	**72.86**	72.55	71.23
Australasia	**26.14**	30.37	28.74
Total Group	**66.37**	62.45	63.47
Gross Operating Profit Margin (%)			
New York	**33.5**		30.4
Regional US	**23.5**		21.5
Total US	**28.1**		25.5
London	**57.6**		55.4
Rest of Europe	**25.6**		25.6
Total Europe	**42.6**		40.5
Singapore	**56.9**		54.7
Rest of Asia	**38.5**		41.0
Total Asia	**47.4**		47.8
Australasia	**31.5**		29.8
Total Group	**39.6**		37.9

For comparability, the 30 June 2010 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2011.

APPENDIX 3: HOTEL ROOM COUNT AND PIPELINE (UNAUDITED)
as at 30 June 2011

Hotel and room count	Hotels			Rooms		
	30 June 2011	31 December 2010	30 June 2010	**30 June 2011**	31 December 2010	30 June 2010
Analysed by region:						
New York	**3**	3	3	**1,757**	1,755	1,746
Regional US	**16**	16	16	**5,554**	5,554	5,727
London	**7**	7	7	**2,493**	2,493	2,487
Rest of Europe	**18**	18	18	**3,227**	3,227	3,229
Middle East	**9**	8	8	**3,299**	2,991	2,407
Singapore	**6**	6	6	**2,752**	2,750	2,750
Rest of Asia	**16**	16	17	**7,259**	7,256	7,570
Australasia	**29**	29	30	**3,506**	3,506	3,533
Total	**104**	103	105	**29,847**	29,532	29,449
Analysed by ownership type:						
Owned and leased	**68**	68	67	**20,996**	20,992	20,646
Managed	**20**	20	19	**5,602**	5,375	4,519
Franchised	**12**	11	13	**1,640**	1,556	1,883
Investment	**4**	4	6	**1,609**	1,609	2,401
Total	**104**	103	105	**29,847**	29,532	29,449
Analysed by brand:						
Grand Millennium	**5**	5	4	**2,478**	2,473	1,648
Millennium	**40**	39	40	**14,206**	13,897	14,160
Copthorne	**34**	34	35	**7,086**	7,083	7,126
Kingsgate	**14**	14	14	**1,436**	1,436	1,425
Other M&C	**5**	5	5	**1,884**	1,882	1,882
Third Party	**6**	6	7	**2,757**	2,761	3,208
Total	**104**	103	105	**29,847**	29,532	29,449

Pipeline	Hotels			Rooms		
	30 June 2011	31 December 2010	30 June 2010	**30 June 2011**	31 December 2010	30 June 2010
Analysed by region:						
Regional US	**-**	-	1	**-**	-	250
Rest of Europe	**-**	-	3	**-**	-	639
Middle East	**23**	23	24	**5,420**	6,618	7,565
Rest of Asia	**2**	2	2	**388**	388	364
Total	**25**	25	30	**5,808**	7,006	8,818
Analysed by ownership type:						
Owned or leased	**1**	1	2	**144**	144	370
Managed	**24**	24	28	**5,664**	6,862	8,448
Total	**25**	25	30	**5,808**	7,006	8,818
Analysed by brand:						
Grand Millennium	**-**	2	2	**-**	1,298	1,423
Millennium	**16**	14	15	**4,296**	3,942	3,988
Copthorne	**3**	3	3	**556**	394	480
Kingsgate	**-**	4	4	**-**	892	892
Other M&C	**6**	2	6	**956**	480	2,035
Total	**25**	25	30	**5,808**	7,006	8,818

The Group opened one hotel in Oman under management contract. The Group's worldwide pipeline has 25 hotels offering 5,808 rooms, which are mainly management contracts.

APPENDIX 4: RISK FACTORS (UNAUDITED)

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

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

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

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

In general, the geographical spread of the Group provides a natural hedge against many of the principal risks identified below:

Risk and potential impact	Mitigating activities	Status
Events That Adversely Impact Domestic or Internal Travel Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localised to a particular country, region or could have a wider international perspective. Reduced demand will impact on revenues and operational profitability.	The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.	Stable
Political and economic developments Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group’s revenues, operating costs and profitability. Political risks include changes in the regulatory environment in which the Group’s business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets.	Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short. Management are continually vigilant to political and economic developments and seek to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimise these exposures to the greatest extent possible.	Increasing[1]
The Hotel Industry Supply and Demand Cycle The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room-supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance.	The Group has management systems in place designed to create flexibility in the operating cost base so as to optimise operating profits in volatile trading conditions, such as the profit protection plans initiated during the market down-turn in 2008/2009.	Increasing[1]
Human Resources[1] Execution of the Group’s strategy depends on its ability to attract, develop, motivate and retain employees with the appropriate skills, experience and aptitude.	Development and maintenance of a Group culture, recognition systems, compensation and benefits arrangements, training and development all play leading roles in minimising this risk. The Group has appropriate systems for recruitment, reward and compensation and performance management. Labour relations are actively managed on a local basis.	Increasing

Management Agreements An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focussing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward.	The Group has developed a management team in the Middle East region that has the necessary skills and resources to pursue this element of the Group's strategy.	Increasing[1]
Joint Ventures and subsidiaries with minority shareholders The Group has entered into a number of joint ventures in certain markets and is therefore subject to the risk of non performance on the part of the minorities partners especially when the strategic objectives of the partners are not fully aligned.	For these joint ventures, the Group has appointed representatives who are assigned responsibilities to manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.	Stable
Treasury Risk The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. Credit risk arises from the risk of financial loss if a financial counterparty fails to meet its contractual obligations in respect of its deposits or short-term investments.	Foreign currency transactions exposure is primarily managed through funding of purchases from operating income streams arising in the same currency. Interest rate hedges are used to manage interest rate risk to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing of such hedges. Investments in short-term instruments are with counterparties approved by the Board taking into account the counterparty's credit rating and maximum limit as to the amount that may be deposited.	Stable
Tax Risk The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences to the Group's profits. Similarly the Group's interpretation and application of various tax laws may be challenged. Tax authorities in many jurisdictions are increasing their focus on corporate tax affairs in order to maximise tax receipts.	Tax planning advice is obtained by the Group to ensure that Group companies are compliant with appropriate law and that tax exposure is appropriately managed.	Stable[1]
Compliance and Litigation The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements. In addition the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or from the provision of services. In certain countries where the Group operates, local practices and the legal environment may be such that it is sometimes difficult for the Group to enforce its legal rights.	The Group continues to monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships.	Increasing
Health, Safety and Management As a significant property owner and operator of hotels in multiple jurisdictions, the Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.	Our policy is for regional management to implement health and safety management systems that are compliant with OHSAS 18001. Progress continues to be made in improving the Group's managements systems details of which are contained in the Corporate Social Responsibility report on pages 46 to 48 of the 2010 Annual Report.	Stable

1. The disclosure on the items marked has been revised since the publication of the Group's 2010 Annual Report.

Intellectual Property Rights and Brands Future development will, in part, be dependent on the recognition of the Group’s brands and perception of the values inherent in those brands. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The trend towards managing third-party properties, primarily in the Middle East region increases the risk that product quality may not be delivered in accordance with brand standards. This may increase the Group’s exposure to litigation, increase risks to the reputation of the Group’s brands, reduce revenues and become an inhibiting factor on ongoing development.	Substantial investment continues to be made in protecting the Group’s brands from misuse and infringement, by way of trade mark registration and domain name protection. Management seeks to ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.	Stable
Property Ownership The Group’s strategy is to be both owner and manager of hotel properties. Growth of the Group’s portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires ongoing investment in the form of preventative maintenance, refurbishment, existing and new capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located.	The Group is developing property specific asset management plans which focus on the capital requirements of each property in terms of regular maintenance and product enhancement.	Stable[1]
Insurance Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group’s control, which could reduce the markets’ underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.	The Group’s insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile and after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers’ security ratings.	Stable
Information Technology Systems and Infrastructure In order to maintain its competitiveness within the market place the Group will need to ensure its IT support systems deliver the necessary trading platforms and provide management with accurate and timely information.	The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. Crisis management and disaster recovery plans are in place for business critical systems. During the year management has undertaken a review if the Group’s existing IT infrastructure and of the current and future IT needs of the business. Following this review management are prioritising the implementation of necessary IT systems.	Increasing