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Miscellaneous

* Asterisks denote mandatory information

Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
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>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Millennium & Copthorne Hotels plc on Results for Second Quarter and Half Year Ended 30 June 2009
Description	Please see attached the above announcement released by Millennium & Copthorne Hotels plc on 6 August 2009.
Attachments	InterimResults30June09.pdf Total size = **276K** (2048K size limit recommended)

Close Window

For Immediate Release **6 August 2009**

MILLENNIUM & COPTHORNE HOTELS PLC
INTERIM MANAGEMENT REPORT
Second quarter and half year results to 30 June 2009

HIGHLIGHTS

Second quarter:

£ millions	**Second Quarter 2009**	Second Quarter 2008	Reported Currency Change %	Constant Currency Change %
RevPAR	**£53.00**	£58.19	(8.9%)	(21.3%)
Revenue – total	**158.5**	177.7	(10.8%)	(22.5%)
Revenue – hotels	**156.8**	176.1	(11.0%)	(22.7%)
Headline operating profit	**23.3**	39.5	(41.0%)	(49.7%)
Headline profit before tax	**20.6**	36.4	(43.4%)	(52.0%)
Profit before tax	**19.5**	36.4	(46.4%)	(54.5%)
Basic earnings per share	**5.2p**	8.2p	(36.6%)	
Headline earnings per share	**5.6p**	8.2p	(31.7%)	

First half:

£ millions	**First Half 2009**	First Half 2008	Reported Currency Change %	Constant Currency Change %
RevPAR	**£51.86**	£54.91	(5.6%)	(19.8%)
Revenue – total	**315.6**	338.4	(6.7%)	(20.5%)
Revenue – hotels	**312.5**	334.5	(6.6%)	(20.4%)
Headline operating profit	**38.4**	67.6	(43.2%)	(51.5%)
Headline profit before tax	**31.6**	58.4	(45.9%)	(54.5%)
Profit before tax	**30.5**	58.4	(47.8%)	(56.1%)
Basic earnings per share	**7.5p**	12.9p	(41.9%)	
Headline earnings per share	**7.9p**	12.9p	(38.8%)	

Commenting today Mr Kwek Leng Beng, Chairman said:

Given the extremely difficult trading conditions experienced in the first half of the year, we are pleased with our overall operating performance. On a constant currency basis, although Group revenue for the half-year has fallen by £81.2m, we have achieved savings in our operating costs of £44.6m which have resulted in a very strong recovery rate of 54.9%. We are pleased to note that our owner-operator business model has proven resilient and has held itself well against negative market pressures.

Operating cash generation has been strong. We remain comfortable with the profile of our funding facilities and have lowered our gearing to 14.8%. Despite a down-turn in profitability in the half year, the Board has maintained the interim dividend at 2.08p per share and looks forward to restoring its progressive dividend policy.

While it remains difficult to predict future events we are pleased by encouraging signs of some stability returning to our major markets.

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Tim Anderson/Charles Ryland/Rebecca Skye Dietrich

Analyst briefing
A meeting for analysts will be held at 9.30am at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE on Thursday 6 August 2009.

CHAIRMAN'S STATEMENT

In line with the world economic slow-down our first half saw a fall in demand across all regions in which the Group operates. We have however been successful in pursuing new business channels that have helped to stem the decline in occupancy levels. At the same time we have witnessed significant pricing pressures that have forced Average Room Rates down by 12.6% on a constant currency basis. Global RevPAR has declined by 5.6% on a reported basis, and 19.8% on a constant currency basis, with near commensurate declines in revenue.

Financial performance

The year began with a sharp RevPAR decline in New York for the first quarter, which has, however, slowed to a decline of 34.7% in the second quarter. Visitor numbers to Singapore have continued to fall since mid-2008 impacting both corporate and leisure markets, and resulting in Singapore's recording the largest regional RevPAR fall of 37.7%. Against this, our Singapore hotels have reported a robust gross operating profit of 49% which is due to their low operating cost bases and to strong domestic demand for their food and beverage operations. Performance in London, our other gateway city, has been notably resilient in the first half, with RevPAR only marginally down by 2.5%.

As an owner and operator of hotel assets we continue to focus our strategy on strong trading in attractive destinations rather than purely brand driven considerations. Our business model has higher operational gearing than the business models of our major competitors and in the current difficult trading environment, this model has proven to be resilient. At constant rates of exchange, we have delivered savings of £44.6m in operating costs (including hotel fixed charges, non-hotel expenses and central costs) against a revenue fall of £81.2m. Our recovery rate of 54.9% reflects the impact of our profit protection scheme as well as our concentration on cost control. This has been achieved through a combination of head-count reduction, redesigning processes, basic attention to detail and solid performances by our hotel management teams. Results for the reported period are consequently in line with our expectations.

Profit before tax fell by 47.8% to £30.5m (2008: £58.4m) and basic earnings per share reduced by 41.9% to 7.5p (2008: 12.9p). In 2009, the Group has been benefitting from the effect of a weak sterling against the other major currencies that we operate, and, in constant currency terms, profit before tax fell by 56.1%.

In current market conditions, we continue to focus on achieving (and, where possible, exceeding) fair-market share within each hotel's pre-defined competitive set. We are committed also to maintaining our tight control of operating costs and capital expenditure. We have strong cash generation from operations and a strong balance sheet with low gearing of 14.8%.

Dividend

The Board has declared an interim dividend of 2.08p per share (2008: 2.08p).

Appointment of Independent Non-Executive Directors

We announced the appointment of HE Shaukat Aziz, Mr Alexander Waugh and Mr Nicholas George as independent non-executive Directors of the Company on 15 June 2009, with effect from 16 June 2009. These appointments followed the Company's announcement in March 2009 that Viscount Thurso and Charles Kirkwood would be standing down from the Board at this year's Annual General Meeting, each having served seven years, and that Christopher Sneath was planning to retire after nine years on the Board.

Mr Christopher Sneath will continue as chairman of the Audit Committee to facilitate an orderly transition and intends to retire from the Board before the next Annual General Meeting. On Mr Sneath's retirement Mr George will succeed him as chairman of the Audit Committee.

Mr Christopher Keljik has taken on the role of Senior Independent Director with effect from 16 June 2009.

Business development

The Group opened two hotels as management contracts, the 158-room Copthorne Hotel Sheffield in January and the 306-room Millennium Wuxi in June. The 299-room owned Wynfield Inn Orlando Convention Center was closed and the management contract for the 304-room Millennium Oy Oun Hotel Sharm el Sheikh ceased. With the signing of new hotels in the UK and Middle East the hotel pipeline increased by five with 2,338 rooms.

Outlook

In the month of July, RevPAR has continued to decline with a fall of 18.3%, but there are signs that the decline is slowing in Singapore and New York. However, London has fallen against a stronger period last year, in which it benefited from the biennial Farnborough Air Show. As markets stabilise and visibility improves, our attention turns now to longer-term planning for the Group.

Kwek Leng Beng
Chairman
5 August 2009

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 the following aspects of the business: operations, business objectives, the results for the half year ended 30 June 2009, risks and uncertainties facing the Group during the second half of 2009 and the future outlook for the Group.

FINANCIAL AND OPERATING HIGHLIGHTS

	Second Quarter 2009 £m	Second Quarter 2008 £m	**First Half 2009 £m**	First Half 2008 £m	Full Year 2008 £m
Revenue	**158.5**	177.7	**315.6**	338.4	702.9
Operating profit	**20.9**	36.9	**34.3**	62.6	112.8
Headline operating profit [1]	**23.3**	39.5	**38.4**	67.6	143.5
Profit before tax	**19.5**	36.4	**30.5**	58.4	102.8
Less:					
Other operating income of the Group [2]	**-**	-	**-**	-	(31.4)
Other operating expense of joint ventures and associates [3]	**-**	-	**-**	-	19.4
Impairment [4]	**1.1**	-	**1.1**	-	35.1
Headline profit before tax [1]	**20.6**	36.4	**31.6**	58.4	125.9
Headline profit after tax	**17.5**	27.1	**26.1**	43.4	94.0
Profit for the period	**16.4**	27.1	**25.0**	43.4	70.9
Basic earnings per share (pence)	**5.2p**	8.2p	**7.5p**	12.9p	21.3p
Headline earnings per share (pence) [1]	**5.6p**	8.2p	**7.9p**	12.9p	29.1p
Net debt	**-**	-	**(243.2)**	(263.3)	(285.1)
Gearing (%)	**-**	-	**14.8%**	17.7%	16.4%

Notes

[1] The Group believes that headline operating profit, headline profit before tax and headline earnings per share provide useful and necessary information on underlying trends to shareholders, the investment community and are used by the Group for internal performance analysis. Reconciliation of these measures to the closest equivalent GAAP measures are shown in note 4 to the interim management report.

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

[3] The other operating expense of joint ventures and associates for the year ended 31 December 2008 comprised a loss of £20.4m which represented the Group's share of the revaluation deficit of investment properties of CDL Hospitality Trusts, the Group's 39.0% associate in a Singapore-listed REIT; and a gain of £3.6m representing the Group's share of net revaluation surplus of investment property of First Sponsor Capital Limited net of £2.6m of related interest, tax and minority interests.

[4] Impairment for the first half ended 30 June 2009 represents additional investment in the Group's 50% joint venture in Bangkok being fully written down by £1.1m. Impairment for the year ended 31 December 2008 comprised the Group's 30% and 50% investment in Beijing and Bangkok respectively being fully written down by an aggregate of £19.6m; an £8.1m aggregate write down of six hotels in the US and UK as well as land in India; and a £7.4m impairment of land at Sunnyvale.

Financial Performance – Second quarter overview

For the second quarter to 30 June 2009, profit before income tax decreased by 46.4% to £19.5m (2008: £36.4m). Headline profit before tax, the Group's measure of underlying profit before tax, decreased by 43.4% from £36.4m to £20.6m. Headline operating profit declined by 41.0% to £23.3m.

Basic earnings per share were 5.2p, down 36.6% (2008: 8.2p) with headline earnings per share at 5.6p showing a 31.7% decrease on the prior year (2008: 8.2p).

Financial Performance – First half overview

Foreign exchange movements have enhanced the Group's half-on-period results but have also masked what was otherwise a creditable performance in mitigating the impact of the £22.8m downturn in revenue. Headline operating profit, which is the Group's measure of the underlying operating profit, fell by £29.2m from £67.6m to £38.4m suggesting an underlying increase in costs.

When the 2008 figures are restated at 2009 exchange rates, the true cost recovery picture can be seen. The revenue variance increases to £81.2m and the headline operating profit variance increases to £40.8m, however there is now a significant decrease in costs. The table below summaries the exchange impact on revenue and expenses.

	Reported Currency				Constant Currency			
	2009	2008	Variance		**2009**	2008	Variance	
	£m	£m	£m	Change **%**	**£m**	£m	£m	Change **%**
Revenue	**315.6**	338.4	(22.8)	(6.7%)	**315.6**	396.8	(81.2)	(20.5%)
Expenses	**(286.0)**	(280.8)	(5.2)	(1.9%)	**(286.0)**	(330.6)	44.6	13.5%
Operating profit	**29.6**	57.6	(28.0)	(48.6%)	**29.6**	66.2	(36.6)	(55.3%)
Share of joint ventures and associates	**8.8**	10.0	(1.2)	(12.0%)	**8.8**	13.0	(4.2)	(32.3%)
Headline operating profit	**38.4**	67.6	(29.2)	(43.2%)	**38.4**	79.2	(40.8)	(51.5%)

At constant rates of exchange, there was a saving of £44.6m in expenses (including hotel fixed charges, non-hotel expenses and central costs) against a revenue fall of £81.2m, which is a 54.9% recovery showing the impact that the profit protection scheme and the other cost cutting exercises have had on the Group's profitability.

Included in the £44.6m of savings were £34.4m from hotel gross operating expenditure, £7.4m from hotel fixed charges, £2.1m from property operations and £0.7m from central costs.

Profit before tax fell by 47.8% to £30.5m (2008: £58.4m). Basic earnings per share reduced by 41.9% to 7.5p (2008: 12.9p).

Taxation

The Group has recorded a tax expense of £5.5m (2008: £15.0m) excluding the tax relating to joint ventures and associates, giving rise to an effective rate of 22.3% (2008: 28.1%). The lower effective tax rate is due to a combination of lower corporate tax rates in a number of jurisdictions, profit mix and prior year adjustments.

A tax charge of £1.2m (2008: £1.2m) relating to joint ventures and associates is included in the reported profit before tax.

Earnings per share

Basic earnings per share reduced to 7.5p (2008: 12.9p) and similarly headline earnings per share reduced to 7.9p (2008: 12.9p). The table below reconciles basic earnings per share to headline earnings per share.

	First Half 2009 pence	First Half 2008 pence	Full Year 2008 pence
Reported basic earnings per share	**7.5**	12.9	21.3
Other operating income:			
- Group	**-**	-	(10.5)
- Share of joint ventures and associates	**-**	-	6.5
Impairment (net of tax and minority interest)	**0.4**	-	9.8
Change in tax legislation on hotel tax allowances	**-**	-	3.4
Change in tax rates on opening deferred taxes	**-**	-	(1.4)
Headline earnings per share	**7.9**	12.9	29.1

Dividend

The Board declared an interim dividend of 2.08p per share. The interim dividend will be paid on 9 October 2009 to those shareholders on the register at the close of business on 14 August 2009. The ex-dividend date of the Company's shares is 12 August 2009.

PERFORMANCE BY REGION

For comparability, the following regional review is based on calculations in constant currency whereby 30 June 2008 average room rate, RevPAR, revenue and headline operating profit have been translated at 2009 average exchange rates.

UNITED STATES

New York

The year commenced with a 37.8% RevPAR decline in New York for the first quarter. There has been a small slow down in that decline to 34.7% in the second quarter, resulting in RevPAR for the first six months falling by 36.0% to £105.29 (2008: £164.60). Both occupancy and average rate have combined to produce this reduction. Occupancy fell by 6.8 percentage points to 77.2% (2008: 84.0%) while average rate fell by 30.4% to £136.38 (2008: £195.95). The Millennium Broadway Hotel being a large conference venue saw the largest fall in both New York and the Group as there has been a sharp down-turn in conference business and associated rooms business. Due to its exposure to the financial sector the Millenium Hilton Hotel has also seen RevPAR declines in excess of 30%.

Regional US

There are large fluctuations in performance throughout regional US reflecting the differing locations and styles of hotels in the region. RevPAR fell by 11.8% to £35.80 (2008: £40.61) driven by an occupancy fall of 6.9 percentage points to 54.4% (2008: 61.3%), and a 0.7% decrease in rate to £65.80 (2008: £66.25). Last year's figures were negatively impacted by the refurbishment of the Boston and Chicago hotels. Post renovation Boston and Chicago RevPAR has increased by 42.6% and 67.5% respectively. In addition, the Wynfield Inn Orlando which traded below the average RevPAR for the region closed in February this year. Therefore on a like-for-like basis the RevPAR fall increases to 21.6%. With these three hotels excluded the range of RevPAR movement was from plus 2.5% to minus 39.4%.

EUROPE

London

The London performance has remained resilient in the first half, and is ahead of the overall London market, although RevPAR has fallen by 2.5% to £79.77 (2008: £81.80). Occupancy for the half year increased by 1.3 percentage points to 83.9% (2008: 82.6%) while average rate declined by 4.0% to £95.08 (2008: £99.03).

Rest of Europe

In comparison to London, there has been a bigger impact on the Rest of Europe as a result of the current economic conditions. RevPAR was down 15.3% to £51.17 (2008: £60.44) through lower occupancies and average rates.

Regional UK

RevPAR fell by 16.8% in Regional UK to £45.01 (2008: £54.12). There are no signs that the bottom of the economic downturn has been reached yet as this is an increase on the 14.9% fall witnessed in the first quarter. Rate and occupancy fell at every property with one exception where occupancy was flat. Consequently occupancy for Regional UK fell by 4.0 percentage points to 68.7% (2008: 72.7%) and average rate fell by 11.9% to £65.61 (2008: £74.44).

France & Germany

RevPAR continued to decline during the first half across all four properties and fell by 13.4% to £61.10 (2008: £70.57) based on a decrease in occupancy of 6.8 percentage points to 61.3% (2008: 68.1%) and a 3.8% drop in rate to £99.68 (2008: £103.63).

ASIA

Singapore

Singapore has suffered the highest RevPAR fall of 37.7% to £56.76 (2008: £91.07) with high falls in both occupancy and average rate. This fall has to be compared to the growth in the five prior half years where RevPAR grew by 31.9% or above, a level of unprecedented growth, hence resulting in a decline that has been more exaggerated than elsewhere in Asia. Occupancy fell by 14.2 percentage points to 70.5% (2008: 84.7%) while average rate fell by 25.1% to £80.51 (2008: £107.52). All the hotels in Singapore have been affected and RevPAR for the five hotels fell by between 34% and 43%.

Rest of Asia

The overall RevPAR decline in the rest of Asia was only 9.9%, resulting in a fall to £47.01 (2008: £52.18), the Group's second best performing region after London. This hides a mixed set of results with some pockets of growth and some steeper falls. The Millennium Seoul Hilton has been the strongest performing hotel in Asia, benefiting from an influx of foreign visitors, especially Japanese, as a result of the weak Korean Won, although fears over the H1N1 virus have tempered that growth since May. Across the region occupancy fell by 3.8 percentage points to 66.3% (2008: 70.1%) and rate by 4.7% to £70.91 (2008: £74.44).

AUSTRALASIA

RevPAR in New Zealand fell by 13.2% to £27.81 (2008: £32.04) and both volume and rate are in decline: occupancy fell by 6.3 percentage points to 63.0% (2008: 69.3%) and rate by 4.5% to £44.15 (2008: £46.23). The falls were not restricted to any geographic location or brand with RevPAR declined at every property. Two hotels managed to increase occupancy and three managed to grow rate, but in each case the growth was offset by a steeper fall in rate or occupancy. Across the three brands, there was only a 2.5 percentage point spread in the RevPAR fall.

FINANCIAL POSITION AND RESOURCES
Balance Sheet

	As at 30 June 2009 £m	As at 31 December 2008 £m	Change £m
Property, plant, equipment and lease premium prepayment	**1,993.7**	2,163.5	(169.8)
Investment properties	**79.8**	79.3	0.5
Investments in and loans to joint ventures and associates	**303.7**	338.7	(35.0)
Other non-current assets	**6.2**	6.7	(0.5)
Non-current assets	**2,383.4**	2,588.2	(204.8)
Current assets excluding cash	**127.6**	132.3	(4.7)
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	**(265.3)**	(296.4)	31.1
Net debt	**(243.2)**	(285.1)	41.9
Deferred tax liabilities	**(224.8)**	(258.1)	33.3
Net assets	**1,777.7**	1,880.9	(103.2)
Equity attributable to equity holders of the parent	**1,641.8**	1,737.5	(95.7)
Minority interest	**135.9**	143.4	(7.5)
Total equity	**1,777.7**	1,880.9	(103.2)

Financial Position
The Group continues to maintain a strong balance sheet and low gearing at 14.8% (31 December 2008: 16.4%). Net debt decreased by £41.9m from 31 December 2008 principally due to a £25.5m effect of foreign currency translation and £17.0m of free cash flow generation. As at 30 June 2009, the Group's total assets amounted £2,626.2m, of which the net book value of its unencumbered properties was £1,839.4m.

Non-current assets

Property, plant, equipment and lease premium prepayment
Property, plant, equipment and lease premium prepayment decreased by £169.8m. The main contributor to the decrease was a £150.8m effect of exchange movements. In addition a £10.4m transfer has been made from property, plant and equipment to investment properties for the residential component of the Sunnyvale site. The Group also invested £7.8m (2008: £36.4m) reflecting the Group's tight controls on capital expenditure.

Investments in and loans to joint ventures and associates
The table below reconciles the reduction of investments in and loans to joint ventures and associates of £35.0m.

	First Half 2009 £m
Share of profits/(losses) analysed:	
- Operating profit	8.8
- Interest, tax and minority interests	(3.0)
	5.8
Impairment (Bangkok)	(1.1)
Additions (CDLHT - management fees paid in stapled units)	1.4
Dividends received from associates	(7.1)
Loan to joint venture	1.7
Foreign exchange adjustment	(35.7)
Total movement	(35.0)

LIQUIDITY AND CAPITAL RESOURCES

Cash flow and net debt

At 30 June 2009 the Group's net debt was £41.9m lower than at 31 December 2008 at £243.2m. The factors contributing to this decrease are shown in the table below.

	First Half 2009 £m	First Half 2008 £m
Cash flows from operating activities before changes in working capital, provisions, interest and tax	**46.9**	72.9
Changes in working capital and provisions	**(4.2)**	(12.6)
Interest and tax	**(16.0)**	(19.4)
Acquisition of property, plant and equipment	**(9.7)**	(36.4)
Proceeds from sale of property, plant and equipment	**-**	0.3
Free cash flow	**17.0**	4.8
Investment in and loans to joint ventures and associates	**(3.1)**	(24.7)
Proceeds less expenses from aborted sale of CDL Hotels (Korea) Limited	**-**	28.8
Dividends from associates	**7.1**	5.3
Dividends paid - to equity holders of the parent	**(2.9)**	(8.7)
- to minority interests	**(1.7)**	(3.2)
Other movements (primarily foreign exchange)	**25.5**	(3.5)
Decrease/(increase) in net debt	**41.9**	(1.2)
Opening net debt	**(285.1)**	(262.1)
Closing net debt	**(243.2)**	(263.3)

The Group invested £9.7m in its properties and this included £3.7m on construction of a new 370-room hotel in Singapore. Investments in joint ventures and associates of £3.1m comprise additional investment in CDLHT of £1.4m (management fees paid in stapled units) and a loan to Bangkok of £1.7m.

Other movements in net debt of £25.5m principally reflect the incidence of exchange rate fluctuations on net debt.

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

	First Half 2009 £m	First Half 2008 £m
Net cash generated from operations	**42.7**	60.3
Net interest and tax	**(16.0)**	(19.4)
Proceeds from sale of property, plant and equipment	**-**	0.3
Acquisition of property, plant and equipment	**(9.7)**	(36.4)
Free cash flow	**17.0**	4.8

Financial structure

Group interest cover ratio, excluding share of results of joint ventures and associates and other operating income, declined from 13.7 times in 2008 to 7.8 times in 2009. The decrease in net finance cost of £0.4m reflects a decrease in net exchange gain of £1.0m which is offset by reduction in net interest expenses of £1.4m.

At 30 June 2009, the Group had £117.8m of undrawn and committed facilities available, comprising committed revolving credit facilities which provide the Group with the financial flexibility to draw and repay loans at its discretion, and to react swiftly to investment opportunities.

The net book value of the Group's unencumbered properties as at 30 June 2009 was £1,839.4m (31 December 2008: £1,986.2m). At 30 June 2009 total borrowing amounted to £358.4m of which £50.9m was drawn under £68.2m of secured bank facilities.

Future funding

Of the Group's total facilities of £498.2m, £34.2m matures during the second half of 2009, comprising, £20.4m overdrafts and short-term loans subject to annual renewal and £13.8m unsecured bonds.

The Directors have reviewed the financial resources available to the Group and the possible impact of a range of trading scenarios that could face the business in the current uncertain economic environment. After making appropriate enquiries, the Directors reasonably expect that the Group has adequate resources to continue in business for the foreseeable future.

Related parties

Details of the Group's related party relationships are set out in note 13 to this interim management report.

RISKS AND UNCERTAINTIES

As with any business, the Group faces a number of risks and uncertainties in the course of its day to day operations. By effectively identifying and managing these risks, it is able to improve returns, thereby adding value for shareholders.

The risks and uncertainties facing the Group are discussed at length in the Group's 2008 annual report (a copy of which is available on the Company's website at www.millenniumhotels.co.uk) and these still remain the most likely areas of potential risk and uncertainty with the position largely unchanged from that set out in the 2008 Annual Report where the following areas were covered:

- political and economic developments
- the hotel industry supply and demand cycle
- ability to borrow and satisfy debt covenants
- litigation
- intellectual property rights and brands
- management agreements
- key personnel
- events that adversely impact domestic or international travel
- information technology systems and infrastructure
- property ownership
- insurance
- tax and treasury risk

In the view of the Board, these principal risks and uncertainties are equally applicable to the remaining six months of the financial year as they were to the six months under review.

Kwek Leng Beng
Chairman
5 August 2009

Condensed consolidated interim income statement (unaudited)
for the half year ended 30 June 2009

	Notes	**Second Quarter 2009 £m**	Second Quarter 2008 £m	**First Half 2009 £m**	First Half 2008 £m	Full Year 2008 £m
Revenue		**158.5**	177.7	**315.6**	338.4	702.9
Cost of sales		**(68.2)**	(70.9)	**(138.3)**	(139.1)	(285.5)
Gross profit		**90.3**	106.8	**177.3**	199.3	417.4
Administrative expenses		**(72.1)**	(72.1)	**(148.8)**	(141.7)	(316.1)
Other operating income	5	**-**	-	**-**	-	31.4
		18.2	34.7	**28.5**	57.6	132.7
Share of profit of joint ventures and associates		**2.7**	2.2	**5.8**	5.0	(19.9)
Analysed between:						
Operating profit before other income/expense and impairment		**4.0**	4.8	**8.8**	10.0	19.3
Impairment		**-**	-	**-**	-	(12.2)
Other operating income		**-**	-	**-**	-	3.6
Other operating expense		**-**	-	**-**	-	(20.4)
Interest, tax and minority interests	7	**(1.3)**	(2.6)	**(3.0)**	(5.0)	(10.2)
Operating profit		**20.9**	36.9	**34.3**	62.6	112.8
Analysed between:						
Headline operating profit	4	**23.3**	39.5	**38.4**	67.6	143.5
Other operating income - Group	5	**-**	-	**-**	-	31.4
Other operating expense - share of joint ventures and associates		**-**	-	**-**	-	(16.8)
Impairment						
- Joint ventures investments and loans		**(1.1)**	-	**(1.1)**	-	(19.6)
- Hotels		**-**	-	**-**	-	(8.1)
- Other property		**-**	-	**-**	-	(7.4)
Share of interest, tax and minority interests of joint ventures and associates		**(1.3)**	(2.6)	**(3.0)**	(5.0)	(10.2)
Finance income		**1.9**	4.8	**3.2**	9.1	12.0
Finance expense		**(3.3)**	(5.3)	**(7.0)**	(13.3)	(22.0)
Net finance expense		**(1.4)**	(0.5)	**(3.8)**	(4.2)	(10.0)
Profit before income tax		**19.5**	36.4	**30.5**	58.4	102.8
Income tax expense	8	**(3.1)**	(9.3)	**(5.5)**	(15.0)	(31.9)
Profit for the period		**16.4**	27.1	**25.0**	43.4	70.9
Attributable to:						
Equity holders of the parent		**16.0**	24.4	**22.9**	38.5	64.0
Minority interests		**0.4**	2.7	**2.1**	4.9	6.9
		16.4	27.1	**25.0**	43.4	70.9
Basic earnings per share (pence)	9	**5.2p**	8.2p	**7.5p**	12.9p	21.3p
Diluted earnings per share (pence)	9	**5.2p**	8.1p	**7.5p**	12.9p	21.3p

The financial results above all derive from continuing activities.

Condensed consolidated interim statement of comprehensive income (unaudited)
for the half year ended 30 June 2009

	First Half 2009 £m	First Half 2008 £m	Full Year 2008 £m
Profit for the period	**25.0**	43.4	70.9
Other comprehensive income:			
Foreign exchange translation differences	**(120.4)**	31.3	284.0
Gain on acquisition of minority interests	**-**	1.3	1.3
Acquisition of minority interest	**-**	-	1.5
Defined benefit plan actuarial (losses)/gains, net of tax	**(4.1)**	-	0.6
Share of associate's other reserve movements	**-**	-	(0.1)
Income tax relating to other components of other comprehensive income	**-**	-	(1.8)
Other comprehensive income for the period, net of tax	**(124.5)**	32.6	285.5
Total comprehensive income for the period	**(99.5)**	76.0	356.4
Total comprehensive income attributable to:			
Equity holders of the parent	**(93.7)**	67.9	327.2
Minority interests	**(5.8)**	8.1	29.2
Total comprehensive income for the period	**(99.5)**	76.0	356.4

Condensed consolidated balance sheet (unaudited)
as at 30 June 2009

	Notes	**As at 30 June 2009 £m**	As at 30 June 2008 £m	As at 31 December 2008 £m
Non-current assets				
Property, plant and equipment		**1,901.6**	1,619.4	2,067.7
Lease premium prepayment		**92.1**	90.5	95.8
Investment properties		**79.8**	61.2	79.3
Investments in joint ventures and associates		**303.7**	283.3	338.7
Loans due from joint ventures and associates		**-**	6.6	-
Other financial assets		**6.2**	4.9	6.7
		2,383.4	2,065.9	2,588.2
Current assets				
Inventories		**3.8**	4.3	4.9
Development properties		**63.6**	74.8	63.2
Lease premium prepayment		**1.3**	1.3	1.3
Trade and other receivables		**58.9**	63.1	62.9
Cash and cash equivalents	11	**115.2**	139.8	212.1
Assets classified as held for sale	12	**-**	137.2	-
		242.8	420.5	344.4
Total assets		**2,626.2**	2,486.4	2,932.6
Non-current liabilities				
Interest-bearing loans, bonds and borrowings		**(298.4)**	(238.6)	(415.1)
Employee benefits		**(17.8)**	(13.8)	(12.8)
Provisions		**(0.8)**	(1.0)	(0.9)
Other non-current liabilities		**(104.7)**	(91.6)	(118.6)
Deferred tax liabilities		**(224.8)**	(193.0)	(258.1)
		(646.5)	(538.0)	(805.5)
Current liabilities				
Interest-bearing loans, bonds and borrowings		**(60.0)**	(137.9)	(82.1)
Trade and other payables		**(116.0)**	(136.5)	(133.3)
Provisions		**(0.3)**	(0.3)	(0.3)
Income taxes payable		**(25.7)**	(15.4)	(30.5)
Liabilities associated with assets classified as held for sale	12	**-**	(52.3)	-
		(202.0)	(342.4)	(246.2)
Total liabilities		**(848.5)**	(880.4)	(1,051.7)
Net assets		**1,777.7**	1,606.0	1,880.9
Equity				
Issued share capital		**92.4**	90.6	90.7
Share premium		**846.0**	847.4	847.7
Translation reserve		**123.1**	0.5	230.8
Retained earnings		**580.3**	545.0	568.3
Total equity attributable to equity holders of the parent		**1,641.8**	1,483.5	1,737.5
Minority interests		**135.9**	122.5	143.4
Total equity		**1,777.7**	1,606.0	1,880.9

Condensed consolidated statement of changes in shareholders' equity (unaudited) for the half year ended 30 June 2009

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total excluding minority interests £m	Minority interests £m	Total equity £m
Balance as at 1 January 2008	88.9	848.8	(27.6)	513.4	1,423.5	130.2	1,553.7
Total comprehensive income for the period							
Profit	-	-	-	38.5	38.5	4.9	43.4
Other comprehensive income							
Foreign currency translation differences	-	-	28.1	-	28.1	3.2	31.3
Total other comprehensive income	-	-	28.1	-	28.1	3.2	31.3
Total comprehensive income for the period	-	-	28.1	38.5	66.6	8.1	74.7
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid to equity holders *(see note 10)*	-	-	-	(30.9)	(30.9)	-	(30.9)
Issue of shares in lieu of dividends	1.7	(1.7)	-	22.2	22.2	-	22.2
Dividends paid – minority interests	-	-	-	-	-	(3.2	(3.2)
Share-based payment transactions	-	-	-	0.5	0.5	-	0.5
Share options exercised	-	0.3	-	-	0.3	-	0.3
Total contributions by and distributions to owners	1.7	(1.4)	-	(8.2)	(7.9)	(3.2)	(11.1)
Total changes in ownership interests in subsidiaries	-	-	-	1.3	1.3	(12.6)	(11.3)
Total transactions with owners	1.7	(1.4)	-	(6.9)	(6.6)	(15.8)	(22.4)
Balance as at 30 June 2008	**90.6**	**847.4**	**0.5**	**545.0**	**1,483.5**	**122.5**	**1,606.0**
Total comprehensive income for the period							
Profit	-	-	-	30.3	30.3	2.0	32.3
Other comprehensive income							
Foreign currency translation differences	-	-	230.3	-	230.3	17.6	247.9
Defined benefit plan actuarial gains, net of tax	-	-	-	0.6	0.6	-	0.6
Share of associates' other reserve movements	-	-	-	(0.1)	(0.1)	-	(0.1)
Taxation expense arising from unrealised foreign exchange	-	-	-	(0.2)	(0.2)	-	(0.2)
Taxation expense arising from share-based incentive schemes	-	-	-	(1.6)	(1.6)	-	(1.6)
Total other comprehensive income	-	-	230.3	(1.3)	229.0	17.6	246.6
Total comprehensive income for the period	-	-	230.3	29.0	259.3	19.6	278.9
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid to equity holders *(see note 10)*	-	-	-	(6.3)	(6.3)	-	(6.3)
Dividends paid – minority interests	-	-	-	-	-	(0.2)	(0.2)
Share-based payment transactions	-	(0.3)	-	0.6	0.3	-	0.3
Share options exercised	0.1	0.6	-	-	0.7	-	0.7
Total contributions by and distributions to owners	0.1	0.3	-	(5.7)	(5.3)	(0.2)	(5.5)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	1.5	1.5
Total transactions with owners	0.1	0.3	-	(5.7)	(5.3)	1.3	(4.0)
Balance as at 31 December 2008	**90.7**	**847.7**	**230.8**	**568.3**	**1,737.5**	**143.4**	**1,880.9**

Condensed consolidated statement of changes in shareholders' equity (unaudited)
for the half year ended 30 June 2009 (continued)

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total excluding minority interests £m	Minority interests £m	Total equity £m
Balance as at 31 December 2008	**90.7**	**847.7**	**230.8**	**568.3**	**1,737.5**	**143.4**	**1,880.9**
Reclassification	-	-	4.8	(4.8)	-	-	-
	90.7	847.7	235.6	563.5	1,737.5	143.4	1,880.9
Total comprehensive income for the period							
Profit	-	-	-	22.9	22.9	2.1	25.0
Other comprehensive income							
Foreign currency translation differences	-	-	(112.5)	-	(112.5)	(7.9)	(120.4)
Defined benefit plan actuarial losses, net of tax	-	-	-	(4.1)	(4.1)	-	(4.1)
Total other comprehensive income	-	-	(112.5)	(4.1)	(116.6)	(7.9)	(124.5)
Total comprehensive income for the period	-	-	(112.5)	18.8	(93.7)	(5.8)	(99.5)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid to equity holders *(see note 10)*	-	-	-	(12.6)	(12.6)	-	(12.6)
Issue of shares in lieu of dividends	1.7	(1.7)	-	9.7	9.7	-	9.7
Dividends paid – minority interests	-	-	-	-	-	(1.7)	(1.7)
Share-based payment transactions	-	-	-	0.9	0.9	-	0.9
Total contributions by and distributions to owners	1.7	(1.7)	-	(2.0)	(2.0)	(1.7)	(3.7)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-
Total transactions with owners	1.7	(1.7)	-	(2.0)	(2.0)	(1.7)	(3.7)
Balance at 30 June 2009	**92.4**	**846.0**	**123.1**	**580.3**	**1,641.8**	**135.9**	**1,777.7**

Condensed consolidated interim statement of cash flows (unaudited)
for the half year ended 30 June 2009

	First Half 2009 £m	First Half 2008 £m	Full Year 2008 £m
Cash flows from operating activities			
Profit for the period	**25.0**	43.4	70.9
Adjustments for:			
Depreciation and amortisation	**16.4**	14.5	30.0
Share of (profit)/losses of joint ventures and associates	**(5.8)**	(5.0)	19.9
Impairment (excluding joint venture investments)	**1.1**	-	22.9
Profit on sale of property, plant and equipment	**-**	0.3	(0.4)
Profit from aborted sale of a subsidiary	**-**	-	(31.4)
Equity settled share-based transactions	**0.9**	0.5	1.1
Finance income	**(3.2)**	(9.1)	(12.0)
Finance expense	**7.0**	13.3	22.0
Income tax expense	**5.5**	15.0	31.9
Operating profit before changes in working capital and provisions	**46.9**	72.9	154.9
(Increase)/decrease in inventories, trade and other receivables	**(1.6)**	(4.6)	10.0
Increase in development properties	**(2.2)**	(3.5)	(6.2)
Decrease in trade and other payables	**(0.7)**	(4.9)	(10.9)
Increase /(decrease) in provisions and employee benefits	**0.3**	0.4	(0.7)
Cash generated from operations	**42.7**	60.3	147.1
Interest paid	**(7.0)**	(10.0)	(18.7)
Interest received	**1.2**	3.2	4.8
Income taxes paid	**(10.2)**	(12.6)	(22.8)
Net cash generated from operating activities	**26.7**	40.9	110.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**-**	0.3	0.8
Investment in financial assets	**-**	10.5	10.6
Proceeds less expenses from aborted sale of a subsidiary	**-**	28.8	27.3
Dividends received from associates	**7.1**	5.3	12.3
Acquisitions of minority interests	**-**	(1.9)	(1.9)
Increase in loan to joint venture	**(1.7)**	-	(2.3)
Increase in investment in joint ventures and associates	**(1.4)**	(24.7)	(25.5)
Acquisition of property, plant and equipment, and lease premium prepayment	**(9.7)**	(36.4)	(64.6)
Net cash used in investing activities	**(5.7)**	(18.1)	(43.3)
Cash flows from financing activities			
Proceeds from the issue of share capital	**-**	0.3	0.7
Repayment of borrowings	**(96.2)**	(33.7)	(134.4)
Drawdown of borrowings	**1.0**	17.2	101.8
Loan arrangement fees	**(1.0)**	-	-
Share buy back of minority interests	**-**	(9.4)	(9.4)
Dividends paid to minority interests	**(1.7)**	(3.2)	(3.4)
Dividends paid to equity holders of the parent	**(2.9)**	(8.7)	(15.0)
Net cash used in financing activities	**(100.8)**	(37.5)	(59.7)
Net (decrease)/increase in cash and cash equivalents	**(79.8)**	(14.7)	7.4
Cash and cash equivalents at beginning of the period	**209.3**	155.9	155.9
Effect of exchange rate fluctuations on cash held	**(14.7)**	4.9	46.0
Cash and cash equivalents at end of the period	**114.8**	146.1	209.3
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the balance sheet	**115.2**	139.8	212.1
Overdraft bank accounts included in borrowings	**(0.4)**	(0.5)	(2.8)
Cash and cash equivalents included in assets classified as held for sale	**-**	6.8	-
Cash and cash equivalents for cash flow statement purposes	**114.8**	146.1	209.3

Notes to the condensed consolidated interim financial statements (unaudited)

1. General information

Basis of preparation

The condensed set of consolidated interim financial statements in this interim management report for Millennium & Copthorne Hotels plc ('the Company') as at and for the half year ended 30 June 2009 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 2009 and 2008, together with the audited results for the year ended 31 December 2008. 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 2008 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 237(2) or (3) of the Companies Act 1985. The consolidated financial statements of the Group as at and for the financial year ended 31 December 2008 are available from the Company's website www.millenniumhotels.co.uk.

Other than adopting: (i) IFRS 8 *Operating Segments* for its 2009 consolidated financial statements and restating segment comparatives; (ii) the amended IAS 40 *Investment Property* and; (iii) introducing a *Statement of Comprehensive Income* to replace a *Statement of Recognised Income and Expense*, 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 2008.

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 2008.

The financial statements were approved by the Board of Directors on 5 August 2009.

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

In addition, certain comparatives have been restated. In the consolidated interim income statement for the half year and second quarter ended 30 June 2008, the reclassification of other operating income of the Group of £1.3m as an equity movement and derecognising £0.6m of other operating income of associates and joint ventures. Both of these adjustments are reflected in unchanged full year results to 31 December 2008. As a consequence, the consolidated balance sheet at 30 June 2008 reflects a decrease of investments in joint ventures and associates of £0.6m to £283.3m and a reduction of £0.6m in retained earnings to £545.0m. Similarly, the consolidated interim statement of comprehensive income for 30 June 2008 now reflects the aforementioned changes.

The consolidated statement of changes in shareholders' equity for the six months to 30 June 2009 also reflects a reclassification of £4.8m between translation reserve and retained earnings.

Non-GAAP information

Headline profit before tax, headline operating profit, and headline EBITDA

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 4 'Segmental analysis'.

Net debt and gearing percentage

An analysis of net debt and calculated gearing percentage is provided in note 11.

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.

2. Accounting policies

The accounting policies and methods of calculation adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those financial statements, except as noted above.

Change in accounting policies

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the half year ended 30 June 2009, and have not been applied in preparing these consolidated financial statements:

Notes to the condensed consolidated interim financial statements (unaudited)

2. Accounting policies (continued)
IASB/IFRIC documents that have been endorsed

• Amended IAS 27 *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which will become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

• Revised IFRS 3 *Business Combinations (2008)* incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.

- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.

- Transaction costs, other than share and debt issue costs, will be expensed as incurred.

- Any pre-existing interest in the acquiree will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which will become mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

3. 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 and the Company translates the revenue, costs, assets and liabilities of those subsidiaries, joint ventures and associates into sterling versus other currencies which 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 pounds sterling exchange rates of the other principal currencies in the Group.

Currency (=£)	As at 30 June **2009**	As at 30 June 2008	As at 31 December 2008	Average for 6 months January - June **2009**	Average for 6 months January - June 2008	Average for 3 months April - June **2009**	Average for 3 months April - June 2008	Average for year ended 2008
US dollar	**1.646**	1.970	1.474	**1.494**	1.987	**1.547**	1.982	1.859
Singapore dollar	**2.397**	2.695	2.132	**2.220**	2.764	**2.283**	2.717	2.628
New Taiwan dollar	**54.789**	60.698	49.295	**50.685**	62.388	**52.008**	61.477	59.464
New Zealand dollar	**2.564**	2.590	2.563	**2.611**	2.525	**2.585**	2.540	2.592
Australian dollar	**2.047**	2.060	2.152	**2.085**	2.148	**2.053**	2.096	2.174
Malaysian ringgit	**5.817**	6.434	5.139	**5.342**	6.423	**5.512**	6.200	6.200
Korean won	**2,102.63**	2,033.96	1,878.41	**1,994.61**	1,942.23	**2,024.65**	1,993.15	1,995.67
Euro	**1.179**	1.266	1.052	**1.111**	1.300	**1.142**	1.276	1.261

4. Segmental analysis

The Group has adopted IFRS 8 *Operating Segments* for its 2009 consolidated financial statements and comparatives have been restated. 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

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

Notes to the condensed consolidated interim financial statements (unaudited)

4. Segmental analysis (continued)

Second Quarter 2009	**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	**23.9**	**31.0**	**22.8**	**22.7**	**21.8**	**27.0**	**7.6**	**-**	**156.8**
Property operations	**-**	**0.4**	**-**	**-**	**0.6**	**0.1**	**0.6**	**-**	**1.7**
Total Revenue	**23.9**	**31.4**	**22.8**	**22.7**	**22.4**	**27.1**	**8.2**	**-**	**158.5**
Hotel Gross Operating Profit	**6.0**	**7.0**	**12.3**	**6.2**	**10.4**	**9.6**	**2.0**	**-**	**53.5**
Hotel fixed charges [1]	**(4.5)**	**(5.6)**	**(3.4)**	**(5.0)**	**(6.2)**	**(3.9)**	**(1.6)**	**-**	**(30.2)**
Hotel operating profit	**1.5**	**1.4**	**8.9**	**1.2**	**4.2**	**5.7**	**0.4**	**-**	**23.3**
Property operations operating profit/(loss)	**-**	**(0.2)**	**-**	**-**	**0.5**	**(0.1)**	**0.2**	**-**	**0.4**
Central costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4.4)**	**(4.4)**
Share of joint ventures and associates operating profit	**-**	**-**	**-**	**-**	**2.7**	**1.3**	**-**	**-**	**4.0**
Headline operating profit/(loss)	**1.5**	**1.2**	**8.9**	**1.2**	**7.4**	**6.9**	**0.6**	**(4.4)**	**23.3**
Add back depreciation and amortisation	**1.1**	**2.4**	**1.4**	**1.0**	**-**	**1.4**	**0.4**	**0.2**	**7.9**
Headline EBITDA [2]	**2.6**	**3.6**	**10.3**	**2.2**	**7.4**	**8.3**	**1.0**	**(4.2)**	**31.2**
Depreciation and amortisation									**(7.9)**
Share of interest, tax and minority interests of joint ventures and associates									**(1.3)**
Operating profit									**22.0**
Net finance expense									**(1.4)**
Headline profit before tax									**20.6**
Impairment									**(1.1)**
Profit before tax									**19.5**

Second Quarter 2008	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	28.7	28.8	25.0	26.9	28.1	29.1	9.5	-	176.1
Property operations	-	0.3	-	-	0.4	-	0.9	-	1.6
Total Revenue	28.7	29.1	25.0	26.9	28.5	29.1	10.4	-	177.7
Hotel Gross Operating Profit	12.5	6.7	12.8	8.4	15.5	11.4	2.7	-	70.0
Hotel fixed charges [1]	(3.9)	(4.6)	(3.3)	(4.5)	(8.0)	(3.6)	(2.4)	-	(30.3)
Hotel operating profit	8.6	2.1	9.5	3.9	7.5	7.8	0.3	-	39.7
Property operations operating profit/(loss)	-	(1.0)	-	-	0.1	-	0.3	-	(0.6)
Central costs	-	-	-	-	-	-	-	(4.4)	(4.4)
Share of joint ventures and associates operating profit	-	-	-	-	3.7	1.1	-	-	4.8
Headline operating profit/(loss)	8.6	1.1	9.5	3.9	11.3	8.9	0.6	(4.4)	39.5
Add back depreciation and amortisation	1.1	1.8	1.4	0.8	-	1.4	0.5	0.3	7.3
Headline EBITDA [2]	9.7	2.9	10.9	4.7	11.3	10.3	1.1	(4.1)	46.8
Depreciation and amortisation									(7.3)
Share of interest, tax and minority interests of joint ventures and associates									(2.6)
Operating profit									36.9
Net finance expense									(0.5)
Headline Profit before tax /Profit before tax									36.4

Notes to the condensed consolidated interim financial statements (unaudited)

4. Segmental analysis (continued)

First Half 2009	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	**42.9**	**56.3**	**42.2**	**46.4**	**49.0**	**56.2**	**19.5**	**-**	**312.5**
Property operations	**-**	**0.9**	**-**	**-**	**1.2**	**0.1**	**0.9**	**-**	**3.1**
Total Revenue	**42.9**	**57.2**	**42.2**	**46.4**	**50.2**	**56.3**	**20.4**	**-**	**315.6**
Hotel Gross Operating Profit	**7.3**	**8.9**	**21.4**	**12.4**	**24.0**	**19.7**	**7.4**	**-**	**101.1**
Hotel fixed charges [1]	**(9.6)**	**(11.4)**	**(6.5)**	**(9.9)**	**(13.6)**	**(8.3)**	**(3.3)**	**-**	**(62.6)**
Hotel operating profit/(loss)	**(2.3)**	**(2.5)**	**14.9**	**2.5**	**10.4**	**11.4**	**4.1**	**-**	**38.5**
Property operations operating profit/(loss)	**-**	**(0.6)**	**-**	**-**	**0.9**	**(0.1)**	**0.1**	**-**	**0.3**
Central costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9.2)**	**(9.2)**
Share of joint ventures and associates operating profit	**-**	**-**	**-**	**-**	**5.8**	**3.0**	**-**	**-**	**8.8**
Headline operating profit/(loss)	**(2.3)**	**(3.1)**	**14.9**	**2.5**	**17.1**	**14.3**	**4.2**	**(9.2)**	**38.4**
Add back depreciation and amortisation	**2.6**	**4.9**	**2.7**	**2.0**	**0.1**	**2.8**	**0.8**	**0.5**	**16.4**
Headline EBITDA [2]	**0.3**	**1.8**	**17.6**	**4.5**	**17.2**	**17.1**	**5.0**	**(8.7)**	**54.8**
Depreciation and amortisation									**(16.4)**
Share of interest, tax and minority interests of joint ventures and associates									**(3.0)**
Operating profit									**35.4**
Net finance expense									**(3.8)**
Headline profit before tax									**31.6**
Impairment									**(1.1)**
Profit before tax									**30.5**

First Half 2008	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	51.1	51.2	45.4	51.4	54.6	56.7	24.1	-	334.5
Property operations	-	0.7	-	-	0.8	0.5	1.9	-	3.9
Total Revenue	51.1	51.9	45.4	51.4	55.4	57.2	26.0	-	338.4
Hotel Gross Operating Profit	19.2	9.0	21.8	15.6	29.6	21.2	9.6	-	126.0
Hotel fixed charges [1]	(7.6)	(8.8)	(6.4)	(8.7)	(15.5)	(7.2)	(4.9)	-	(59.1)
Hotel operating profit	11.6	0.2	15.4	6.9	14.1	14.0	4.7	-	66.9
Property operations operating profit/(loss)	-	(1.1)	-	-	0.3	-	0.6	-	(0.2)
Central costs	-	-	-	-	-	-	-	(9.1)	(9.1)
Share of joint ventures and associates operating profit	-	-	-	-	6.0	4.0	-	-	10.0
Headline operating profit/(loss)	11.6	(0.9)	15.4	6.9	20.4	18.0	5.3	(9.1)	67.6
Add back depreciation and amortisation	2.2	3.6	2.7	1.9	0.1	2.6	1.0	0.4	14.5
Headline EBITDA [2]	13.8	2.7	18.1	8.8	20.5	20.6	6.3	(8.7)	82.1
Depreciation and amortisation									(14.5)
Share of interest, tax and minority interests of joint ventures and associates									(5.0)
Operating profit									62.6
Net finance expense									(4.2)
Headline Profit before tax /Profit before tax									58.4

Notes to the condensed consolidated interim financial statements (unaudited)

4. Segmental analysis (continued)

Full Year 2008	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	112.3	110.7	93.8	104.6	115.0	114.9	44.8	-	696.1
Property operations	-	1.5	-	-	1.8	0.6	2.9	-	6.8
Total Revenue	112.3	112.2	93.8	104.6	116.8	115.5	47.7	-	702.9
Hotel Gross Operating Profit	43.6	20.9	46.8	31.8	62.2	43.2	17.7	-	266.2
Hotel fixed charges [1]	(16.7)	(18.5)	(12.4)	(17.1)	(33.4)	(14.2)	(8.4)	-	(120.7)
Hotel operating profit	26.9	2.4	34.4	14.7	28.8	29.0	9.3	-	145.5
Property operations operating profit	-	(2.0)	-	-	1.1	-	0.6	-	(0.3)
Central costs	-	-	-	-	-	-	-	(21.0)	(21.0)
Share of joint ventures and associates operating profit	-	-	-	-	12.4	6.9	-	-	19.3
Headline operating profit	26.9	0.4	34.4	14.7	42.3	35.9	9.9	(21.0)	143.5
Add back depreciation and amortisation	4.8	7.7	5.4	3.9	0.4	5.3	1.6	0.9	30.0
Headline EBITDA [2]	31.7	8.1	39.8	18.6	42.7	41.2	11.5	(20.1)	173.5
Depreciation and amortisation									(30.0)
Share of interest, tax and minority interests of joint ventures and associates operating income									(7.6)
Operating profit									135.9
Net finance expense									(10.0)
Headline profit before tax									125.9
Other operating income - Group									31.4
Other operating income - share of joint ventures and associates									3.6
Other operating expense - share of joint ventures and associates									(20.4)
Share of interest, tax and minority interests of joint ventures and associates other operating expense									(2.6)
Impairment									
- Joint ventures investments and loans									(19.6)
- Hotels									(8.1)
- Other property									(7.4)
Profit before tax									102.8

[1] *'Hotel fixed charges' include depreciation, amortisation of lease 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 interim financial statements (unaudited)

4. Segmental analysis (continued)

Segmental assets and liabilities

As at 30 June 2009	**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	**335.1**	**292.2**	**449.4**	**220.0**	**195.4**	**445.0**	**123.9**	**2,061.0**
Hotel operating liabilities	**(9.9)**	**(30.0)**	**(24.0)**	**(23.8)**	**(116.5)**	**(28.2)**	**(5.7)**	**(238.1)**
Investments in and loans to joint ventures and associates	**-**	**-**	**-**	**-**	**163.2**	**140.5**	**-**	**303.7**
Total hotel operating net assets	**325.2**	**262.2**	**425.4**	**196.2**	**242.1**	**557.3**	**118.2**	**2,126.6**
Property operating assets	**-**	**32.0**	**-**	**-**	**48.2**	**7.5**	**58.6**	**146.3**
Property operating liabilities	**-**	**(0.2)**	**-**	**-**	**(0.8)**	**-**	**(0.5)**	**(1.5)**
Total property operating net assets	**-**	**31.8**	**-**	**-**	**47.4**	**7.5**	**58.1**	**144.8**
Deferred tax liabilities								**(224.8)**
Income taxes payable								**(25.7)**
Net debt								**(243.2)**
Net assets								**1,777.7**

As at 30 June 2008	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	286.9	239.6	452.3	222.2	136.7	449.2	123.7	1,910.6
Hotel operating liabilities	(7.5)	(28.0)	(19.8)	(22.2)	(103.6)	(61.7)	(5.6)	(248.4)
Investments in and loans to joint ventures and associates	-	-	-	-	177.5	112.4	-	289.9
Total hotel operating net assets	279.4	211.6	432.5	200.0	210.6	499.9	118.1	1,952.1
Property operating assets	-	34.8	-	-	43.3	3.8	56.7	138.6
Property operating liabilities	-	(0.3)	-	-	(0.6)	(0.2)	(1.5)	(2.6)
Total property operating net assets	-	34.5	-	-	42.7	3.6	55.2	136.0
Deferred tax liabilities								(202.6)
Income taxes payable								(16.2)
Net debt								(263.3)
Net assets								1,606.0

As at 31 December 2008	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	378.5	350.3	447.9	233.9	175.2	529.3	127.4	2,242.5
Hotel operating liabilities	(10.3)	(34.9)	(19.2)	(18.8)	(128.4)	(47.1)	(7.3)	(266.0)
Investments in and loans to joint ventures and associates	-	-	-	-	183.7	155.0	-	338.7
Total hotel operating net assets	368.2	315.4	428.7	215.1	230.5	637.2	120.1	2,315.2
Property operating assets	-	25.1	-	-	54.2	7.7	55.5	142.5
Property operating liabilities	-	(0.9)	-	-	(0.5)	(0.7)	(1.0)	(3.1)
Total property operating net assets	-	24.2	-	-	53.7	7.0	54.5	139.4
Deferred tax liabilities								(258.1)
Income taxes payable								(30.5)
Net debt								(285.1)
Net assets								1,880.9

5. Other operating income

There is no other operating income for the half year ended 30 June 2009 and 2008. For the year ended 31 December 2008, the Group recorded a £31.4m gain on the aborted sale of CDL Hotels (Korea) Limited, a wholly-owned subsidiary of M&C with one principal asset, the Millennium Seoul Hilton Hotel. A non-refundable cash deposit paid by the buyer was forfeited as the buyer was unable to complete the transaction and that resulted in the Group recording a £31.4m gain.

Notes to the condensed consolidated interim financial statements (unaudited)

6. Impairment

Impairment for the first half year ended 30 June 2009 represents the full write-down of the additional investment in the Group's 50% investment in Bangkok. There was no impairment in the half year ended 30 June 2008. Details of the impairment relating to the year ended 31 December 2008 are set out below:

Joint ventures investments and loans

The carrying value of the Group's investments in Beijing and Bangkok were written down by an aggregate of £19.6m and comprised £12.2m investments and a £7.4m provision for loans. This followed a review of the difficult economic conditions and over supplied hotel situation in Beijing post the Olympics and the unstable political conditions affecting business in Thailand.

Hotels

The Directors undertook an annual review of the carrying value of hotel and property assets for indications of impairment and where appropriate external valuations were also undertaken. An impairment charge of £8.1m was made and related to 6 hotels in the US and UK as well as land in India.

Other property

An impairment charge of £7.4m was made in respect of Sunnyvale for the year ended 31 December 2008 based on an external professional valuation obtained.

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

	Second Quarter 2009 £m	Second Quarter 2008 £m	**First Half 2009 £m**	First Half 2008 £m	Full Year 2008 £m
Interest	**(0.7)**	(1.3)	**(1.4)**	(1.9)	(3.5)
Tax	**(0.4)**	(0.5)	**(1.2)**	(1.2)	(2.8)
Minority interests	**(0.2)**	(0.8)	**(0.4)**	(1.9)	(3.9)
	(1.3)	(2.6)	**(3.0)**	(5.0)	(10.2)

8. Income tax expense

The Group has recorded a £5.5m total income tax expense for the first half of 2009 (first half 2008: £15.0m), excluding the tax relating to joint ventures and associates. This comprises a UK tax charge of £2.3m and an overseas tax charge of £3.2m (first half 2008: a UK charge of £1.7m and an overseas tax charge of £13.3m). For the full year 2008 the £31.9m total income tax expense comprised a UK tax charge of £14.5m and an overseas tax charge of £17.4m.

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

A tax charge of £1.2m (2008: £1.2m) relating to joint ventures and associates is included in the reported profit before tax.

The estimated annual effective rate applied to profit before income tax excluding the Group's share of joint ventures and associates profits is 22.3%. For the comparative periods, the Group's effective tax rate was 28.1% (first half 2008) and 26.0% (full year 2008). The lower effective tax rate is due to a combination of lower corporate tax rates in a number of jurisdictions, profit mix, prior year adjustments.

Income tax recognised directly in equity

	First Half 2009 £m	First Half 2008 £m	Full Year 2008 £m
Taxation credit/(expense) arising on defined benefit pension schemes	**1.6**	-	(0.3)
Taxation expense arising from unrealised foreign exchange	**-**	-	(0.2)
Taxation expense arising on share-based incentive schemes	**-**	-	(1.6)
	1.6	-	(2.1)

Notes to the condensed consolidated interim financial statements (unaudited)

8. Income tax expense (continued)

	First Half 2009 £m	First Half 2008 £m	Full Year 2008 £m
Current tax			
Corporation tax charge for the period	**7.2**	11.1	27.8
Adjustment in respect of prior years	**-**	0.6	5.0
Total current tax expense	**7.2**	11.7	32.8
Deferred tax			
Origination and reversal of timing differences	**1.1**	1.7	(0.9)
Reduction in tax rate	**(0.9)**	-	(4.2)
(Benefits)/utilisation of tax losses recognised	**(0.7)**	1.3	2.3
(Over)/under provision in respect of prior years	**(1.2)**	0.3	(8.4)
Change in UK tax legislation in respect of the removal of claw back on hotel tax allowance	**-**	-	10.3
Total deferred tax (credit)/charge	**(1.7)**	3.3	(0.9)
Total income tax charge in the income statement	**5.5**	15.0	31.9
UK	**2.3**	1.7	14.5
Overseas	**3.2**	13.3	17.4
Total income tax charge in the income statement	**5.5**	15.0	31.9

Income tax reconciliation

	First Half 2009 £m	First Half 2008 £m	Full Year 2008 £m
Profit before income tax in income statement	**30.5**	58.4	102.8
(Less)/add share of (profits)/losses of joint ventures and associates	**(5.8)**	(5.0)	19.9
	24.7	53.4	122.7
Income tax on ordinary activities at the standard rate of UK tax of 28.0% (2008: 28.5%)	**6.9**	15.2	35.0
Tax exempt income	**(0.5)**	(0.7)	(3.2)
Non deductible expenses	**1.2**	0.3	3.0
Recognition of deferred tax on share of undistributed associate's profit	**-**	-	2.0
Current year losses for which no deferred tax asset was recognised	**0.3**	0.4	0.2
Unrecognised deferred tax assets relating to impairment	**-**	-	0.6
Effect of lower tax rates of other operating income	**-**	-	(9.0)
Effect of higher tax rates on impairment	**-**	-	(1.4)
Other effect of tax rates in foreign jurisdictions	**(0.3)**	(1.1)	2.0
Effect of change in tax rates on opening deferred taxes	**(0.9)**	-	(4.2)
Effect of change in UK tax legislation in respect of the removal of claw back on hotel tax allowances	**-**	-	10.3
Other adjustments to tax charge in respect of prior years	**(1.2)**	0.9	(3.4)
Total income tax charge in the income statement	**5.5**	15.0	31.9

9. Earnings per share

Earnings per share are calculated using the following information:

	Second Quarter 2009	Second Quarter 2008	**First Half 2009**	First Half 2008	Full Year 2008
(a) Basic					
Profit for period attributable to holders of the parent (£m)	**16.0**	24.4	**22.9**	38.5	64.0
Weighted average number of shares in issue (m)	**304.8**	299.3	**303.5**	297.8	300.0
Basic earnings per share (pence)	**5.2p**	8.2p	**7.5p**	12.9p	21.3p
(b) Diluted					
Profit for period attributable to holders of the parent (£m)	**16.0**	24.4	**22.9**	38.5	64.0
Weighted average number of shares in issue (m)	**304.8**	299.3	**303.5**	297.8	300.0
Potentially dilutive share options under Group's share option schemes (m)	**0.5**	0.3	**0.3**	0.3	0.1
Weighted average number of shares in issue (diluted) (m)	**305.3**	299.6	**303.8**	298.1	300.1
Diluted earnings per share (pence)	**5.2p**	8.1p	**7.5p**	12.9p	21.3p

Notes to the condensed consolidated interim financial statements (unaudited)

9. Earnings per share (continued)

	Second Quarter 2009	Second Quarter 2008	**First Half 2009**	First Half 2008	Full Year 2008
Profit for the period attributable to holders of the parent (£m)	**16.0**	24.4	**22.9**	38.5	64.0
Adjustments for:					
- Other operating income (net of tax) (£m)	**-**	-	**-**	-	(31.4)
- Impairment (net of tax) (£m)	**1.1**	-	**1.1**	-	29.1
- Share of other operating expenses/income of joint ventures and associates (nil tax) (£m)	**-**	-	**-**	-	19.6
- Change in UK tax legislation on hotel tax allowances (£m)	**-**	-	**-**	-	10.3
- Change in tax rates on opening deferred tax (£m)	**-**	-	**-**	-	(4.2)
Adjusted profit for the period attributable to holders of the parent (£m)	**17.1**	24.4	**24.0**	38.5	87.4
Weighted average number of shares in issue (m)	**304.8**	299.3	**303.5**	297.8	300.0
Headline earnings per share (pence)	**5.6p**	8.2p	**7.9p**	12.9p	29.1p
(d) Diluted headline earnings per share					
Adjusted profit for the period attributable to holders of the parent (£m)	**17.1**	24.4	**24.0**	38.5	87.4
Weighted average number of shares in issue (diluted) (m)	**305.3**	299.6	**303.8**	298.1	300.1
Diluted headline earnings per share (pence)	**5.6p**	8.1p	**7.9p**	12.9p	29.1p

10. Dividends

Dividends have been recognised within equity as follows:

	Second Quarter 2009 £m	**Second Quarter 2008 £m**	**First Half 2009 £m**	**First Half 2008 £m**	**Full Year 2008 £m**
Final ordinary dividend paid of 4.17p for 2008 (for 2007: 10.42p)	12.6	30.9	12.6	30.9	30.9
Interim dividend paid of 2.08p for 2008	**-**	-	**-**	-	6.3
	12.6	30.9	12.6	30.9	37.2

After the balance sheet date, the Directors have declared an interim dividend of 2.08p per share (2008 interim dividend: 2.08p) payable on 9 October 2009 to the holders of ordinary shares on the register at 14 August 2009. The ex-dividend date of the Company's shares is 12 August 2009. The interim dividend amounts to £6.4m (2008: £6.3m) and will be reflected in the financial statements in the second half of the financial year.

The Directors again offer the option of a scrip dividend reinvestment plan. Those shareholders who have not elected to participate in this plan, and who would like to participate with respect to the 2009 interim dividend, may do so by contacting the Company's Registrar, Equiniti Limited, on 01903 702138. The last day for election for the interim dividend is 25 September 2009 and any requests should be made in good time ahead of that date.

11. Non-GAAP measures

Headline profit before tax, headline operating profit, and headline EBITDA

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 the note 4 'Segmental analysis'.

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 2009 £m	As at 30 June 2008 £m	As at 31 December 2008 £m
Net Debt			
Cash and cash equivalents (as per cash flow statement)	**114.8**	139.3	209.3
Bank overdrafts (included as part of borrowings)	**0.4**	0.5	2.8
Cash and cash equivalents (as per the consolidated balance sheet)	**115.2**	139.8	212.1
Cash and cash equivalents included in assets classified as held for sale	**-**	6.8	-
Interest-bearing loans, bonds and borrowings - Non-current	**(298.4)**	(238.6)	(415.1)
- Current	**(60.0)**	(137.9)	(82.1)
- Classified as held for sale	**-**	(33.4)	-
Net debt	**(243.2)**	(263.3)	(285.1)
Gearing (%)	**14.8%**	17.7%	16.4%

An analysis of movements in net debt is presented below:

	First Half 2009 £m	First Half 2008 £m	Full Year 2008 £m
Net (decrease)/increase in cash, cash equivalents and bank overdrafts per consolidated cash flow statement	**(79.8)**	(14.7)	7.4
Decrease in debt and lease financing	**96.2**	16.5	32.6
Movement in net debt	**16.4**	1.8	40.0
Translation adjustments	**25.5**	(3.0)	(63.0)
Net debt at beginning of period	**(285.1)**	(262.1)	(262.1)
Net debt at end of period	**(243.2)**	(263.3)	(285.1)

12. Assets classified as held for sale and associated liabilities

Assets classified as held for sale and associated liabilities in 2008 represented the net assets of CDL Hotels (Korea) Limited which owns the hotel business undertaking of the Millennium Seoul Hilton Hotel. An agreement had been reached with Kangho AMC Co. to dispose of the Group's 100% holding in CDL Hotels (Korea) Limited. While the Group was ready, willing and able to complete the disposal, the buyer was unable to finalise its financing arrangements and, consequently, the agreement for the disposal was terminated. The non-refundable cash deposit paid by the buyer was accordingly forfeited and has resulted in the Group recording a £31.4m gain.

13. 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 arms length.

The Group has a related party relationship with its fellow subsidiaries, 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 53% (2008: 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 2009 the Group had the following transactions with those subsidiaries as noted below:

The Group deposited certain surplus Singapore cash with Hong Leong Finance Limited, a fellow subsidiary undertaking, on normal commercial terms. Interest income of £0.01m (2008: £0.07m) was received during the period. As at 30 June 2009 £11.6m (2008: £12.3m) of cash was deposited with Hong Leong Finance Limited.

Rents of £0.1m (2008: £0.2m) were paid to CDL in respect of office space used by Millennium and Copthorne International Limited in the King's Centre in Singapore. In the same property, rentals were also paid to CDL in respect of the Grand Shanghai restaurant which amounted to £0.1m (2008: £0.1m).

Property management fees of £0.04m (2008: £0.03m) were paid to CDL in respect of property management and accounting services provided in relation to the Tanglin Shopping Centre in Singapore.

Richfield Hospitality Inc ("RHI") a company owned 85% by City e-Solutions Limited (a subsidiary of Hong Leong), and 15% by the Group, provided reservations, accounting and information technology services to the Group. A total of £0.1m (2008: £0.1m) was charged by RHI during the period and as at 30 June 2009, £0.01 (2008: £0.03m) was due to RHI.

For the half year ended 30 June 2009, fees paid/payable by the Group to Hong Leong Management Services Pte. Ltd, a subsidiary of Hong Leong amounted to £0.02m (2008: £0.6m). At 30 June 2009 £nil (2008: £nil) of fees payable was outstanding.

Management fees totalling £0.03m (2008: £0.03) were received from CDL in respect of maintenance; fees of £0.05m (2008: £0.04) relating to car parking, leasing commission and professional services were paid to CDL.

The Group provided at total of £0.01m (2008: £0.01m) hotel management services to a joint venture company of HL Global Enterprises Limited, a subsidiary of Hong Leong. As at 30 June 2009 £0.001m (2008: £0.003m) was due to the Group.

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. 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.

Under the terms of the master lease agreements for the four hotels, 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. The aggregate of the fixed rent and service charge for the hotels is £11.8m (2008: £9.6m) comprising £4.6m (2008: £3.7m), £3.2m (2008: £2.6m), £2.7m (2008: £2.2m) and £1.3m (2008: £1.1m) for Orchard Hotel, Grand Copthorne Waterfront, M Hotel and Copthorne King's Hotel, respectively;

- A variable rent computed based on the sum of 20% of each hotel's revenue for the prevailing financial year 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 2009 £m	First Half 2008 £m
	£m	£m
Copthorne King's Hotel	**1.5**	2.1
Orchard Hotel	**4.6**	5.5
M Hotel	**2.5**	3.1
Grand Copthorne Waterfront	**3.7**	4.5
	12.3	15.2

13. Related parties (continued)

Variable rents recognised by the Group and included in the above amounted to £nil (2008: £10.1m).

The Group acts as H-REIT manager and HBT Trustee manager with their fees having a performance-based element. The H-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 at a rate of 0.5% of the value of new properties deposited with H-REIT. For the relevant period the fees paid in stapled securities totalled £1.4m (2008: £1.5m). The balance payable in cash was £0.3m (2008: £0.4m) of which £0.1m (2008: 0.1m) is outstanding at 30 June 2009.

Interest receivable of £0.05m (2008: £0.04m) accrued in the period on the rent deposit paid to the REIT.

City Hotels Pte. Ltd, a 100% subsidiary of the Group, provided a shareholder loan facility of 500m Thai Baht (£8.9m) (2008: 450m Thai Baht (£6.8m)) to Fena Estate Company Limited ("Fena"), its 50% owned joint venture. At 30 June 2009, 475m Thai Baht (£8.5m) (2008: 432.2m Thai Baht (£6.6m)) had been drawn on this facility. The loan attracts interest of 4.5% (2008: 4.5%) per annum and interest of £0.2m (2008: £0.1m) was accrued for in the period. This interest is rolled up into the carrying value of the loan.

Management fees were charged to Fena in respect of maintenance and other services at the Grand Millennium Sukhumvit Bangkok totalling £0.1m (2008: £0.1m).

The Group has provided a letter of undertaking to the United Overseas Bank (Thailand) Public Company Limited (UOB) that it will provide funding to Fena to enable it to fund any shortfall in interest payments on a THB 1,500m external facility agreement with UOB.

Under the terms of the agreement the Group will fund the first THB100m of such a shortfall but thereafter will only fund 50% of any additional interest shortfall. The letter of undertaking is considered to be a contingent liability.

In addition, in the second half of the financial year ended 31 December 2008, the Group provided a further US$2.0m (£1.1m) operator loan facility to Fena. At 30 June 2009, US$1.8m (£1.1m) had been drawn on this facility. The loan attracts interest of 2.5% per annum and interest of £0.005m (2008: £nil) was accrued for in the period. This interest is rolled up into the carrying value of the loan.

The Group has provided hotel management services to Beijing Fortune Hotel Co. Ltd ("BFHC"); the Group's 30% owned joint venture. A total of £0.2m (2008: £0.02m) was charged to BFHC during the period, all of which was outstanding at 30 June 2009 (2008: £0.02m). In addition, as at 30 June 2009 BFHC owed £0.03m (2008: £0.3m) to the Group on account of certain hotel operating and other related expenses that had been paid by the Group to third parties.

During 2008 Millennium & Copthorne Hotel Holdings (Hong Kong) Limited a 100% subsidiary of the Group, provided a guarantee to the Bank of East Asia (China) Limited that it will pay on demand, 30% of principal, interest and costs on loan facilities totalling RMB500m given to BFHC. At 30 June 2009 RMB 500m (£44.4m) (2008: RMB 400m (£29.7m)) of the facility has been drawn down.

The Group's hotels purchased £nil (2008: £0.02m) of hotel supplies and operating equipment during the year from Thakral Corporation Limited, an associate of Hong Leong. As at 30 June 2009 £nil (2008: nil) was due from the Group to Thakral Corporation Limited.

The Group has a related party relationship with Mr Ali Al Zaabi, a minority shareholder of its operations in the Middle East. Fees of £0.1m (2008: £0.1m) were charged to the Group in respect of Mr Al Zaabi's remuneration and other expenses of which £0.01m (2008: £0.1m) was outstanding at the period end. In addition £0.2m (2008: £0.05m) of incentive management fees were charged to the Kingsgate Abu Dhabi Hotel which is owned by Mr Al Zaabi of which £0.06m (2008: £0.04m) was outstanding at 30 June 2009.

The beneficial interest of the Directors in the ordinary shares of the Company was 0.026% (2008: 0.027%).

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.

Notes to the condensed consolidated interim financial statements (unaudited)

13. Related parties (continued)

The key management personnel compensations are as follows:

	First half 2009 £m £m	First Half 2008 £m £m
Short-term employee benefits	**1.1**	1.4
Other long-term benefits	**-**	-
Termination payments	**-**	0.2
Share-based payment	**0.9**	0.6
	2.0	2.2
Directors	**0.6**	0.6
Executives	**1.4**	1.6
	2.0	2.2

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
Director

5 August 2009

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 2009 which comprises the condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated balance sheet, 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 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by EU and the DTR of the UK FSA.

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

8 Salisbury Square
London
EC4Y 8BB

5 August 2009

APPENDIX 1: KEY OPERATING STATISTICS (Unaudited)
for the half year ended 30 June 2009

	First Half 2009 Reported Currency	First Half 2008 Constant Currency	First Half 2008 Reported currency	Full Year 2008 Reported currency
Occupancy %				
New York	**77.2**		84.0	84.7
Regional US	**54.4**		61.3	59.9
Total US	**59.8**		66.5	65.6
London	**83.9**		82.6	84.4
Rest of Europe	**65.8**		70.9	70.9
Total Europe	**73.8**		76.1	76.9
Singapore	**70.5**		84.7	83.6
Rest of Asia	**66.3**		70.1	70.0
Total Asia	**68.1**		76.4	75.8
Australasia	**63.0**		69.3	66.5
Total Group	**65.9**		71.8	71.2
Average Room Rate (£)				
New York	**136.38**	195.95	147.33	163.08
Regional US	**65.80**	66.25	49.81	55.23
Total US	**87.57**	104.08	78.26	87.41
London	**95.08**	99.03	99.03	101.36
Rest of Europe	**77.77**	85.24	79.66	79.60
Total Europe	**86.47**	91.86	88.96	90.16
Singapore	**80.51**	107.52	86.36	88.59
Rest of Asia	**70.91**	74.44	65.13	66.08
Total Asia	**75.20**	90.14	75.21	76.72
Australasia	**44.15**	46.23	47.79	46.29
Total Group	**78.69**	90.02	76.47	80.32
RevPAR (£)				
New York	**105.29**	164.60	123.76	138.13
Regional US	**35.80**	40.61	30.53	33.08
Total US	**52.37**	69.21	52.04	57.34
London	**79.77**	81.80	81.80	85.55
Rest of Europe	**51.17**	60.44	56.48	56.44
Total Europe	**63.81**	69.91	67.70	69.33
Singapore	**56.76**	91.07	73.15	74.06
Rest of Asia	**47.01**	52.18	45.66	46.26
Total Asia	**51.21**	68.87	57.46	58.15
Australasia	**27.81**	32.04	33.12	30.78
Total Group	**51.86**	64.63	54.91	57.19
Gross Operating Profit Margin (%)				
New York	**17.0**		37.6	38.8
Regional US	**15.8**		17.6	18.9
Total US	**16.3**		27.6	28.9
London	**50.7**		48.0	49.9
Rest of Europe	**26.7**		30.4	30.4
Total Europe	**38.1**		38.6	39.6
Singapore	**49.0**		54.2	52.9
Rest of Asia	**35.1**		37.4	37.4
Total Asia	**41.5**		45.6	45.8
Australasia	**37.9**		39.8	39.5
Total Group	**32.4**		37.7	38.2

For comparability the 30 June 2008 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2009.

APPENDIX 2: Key operating statistics (Unaudited)
for the second quarter ended 30 June 2009

	Second Quarter 2009 Reported currency	Second Quarter 2008 Constant currency	Second Quarter 2008 Reported currency
Occupancy %			
New York	**90.0**		89.3
Regional US	**59.5**		66.5
Total US	**66.8**		71.7
London	**88.9**		87.6
Rest of Europe	**68.3**		74.8
Total Europe	**77.4**		80.4
Singapore	**70.6**		85.3
Rest of Asia	**64.5**		69.0
Total Asia	**67.1**		76.0
Australasia	**51.3**		58.3
Total Group	**67.6**		73.3
Average Room Rate (£)			
New York	**129.31**	199.56	154.83
Regional US	**67.29**	66.84	51.82
Total US	**87.40**	105.02	81.46
London	**97.24**	103.15	103.15
Rest of Europe	**74.58**	84.53	80.45
Total Europe	**86.08**	93.49	91.37
Singapore	**72.05**	107.38	90.04
Rest of Asia	**71.49**	75.30	66.99
Total Asia	**71.74**	90.69	78.05
Australasia	**40.45**	42.89	43.24
Total Group	**78.40**	91.85	79.38
RevPAR (£)			
New York	**116.38**	178.21	138.26
Regional US	**40.04**	44.45	34.46
Total US	**58.38**	75.30	58.41
London	**86.45**	90.36	90.36
Rest of Europe	**50.94**	63.23	60.18
Total Europe	**66.63**	75.17	73.46
Singapore	**50.87**	91.60	76.80
Rest of Asia	**46.11**	51.96	46.22
Total Asia	**48.14**	68.92	59.32
Australasia	**20.75**	25.00	25.21
Total Group	**53.00**	67.33	58.19
Gross Operating Profit Margin (%)			
New York	**25.1**		43.6
Regional US	**22.6**		23.3
Total US	**23.7**		33.4
London	**53.9**		51.2
Rest of Europe	**27.3**		31.2
Total Europe	**40.7**		40.8
Singapore	**47.7**		55.2
Rest of Asia	**35.6**		39.2
Total Asia	**41.0**		47.0
Australasia	**26.3**		28.4
Total Group	**34.1**		39.8

For comparability the 30 June 2008 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2009.

APPENDIX 3: HOTEL ROOM COUNT AND PIPELINE (Unaudited)
for the half year ended 30 June 2009

Hotel and room count	Hotels			Rooms		
	30 June 2009	31 December 2008	30 June 2008	**30 June 2009**	31 December 2008	30 June 2008
Analysed by region:						
New York	**3**	3	3	**1,746**	1,746	1,746
Regional US	**16**	17	17	**5,727**	6,025	6,025
London	**7**	7	7	**2,487**	2,487	2,487
Rest of Europe	**18**	17	17	**3,231**	3,073	3,073
Middle East	**8**	9	9	**2,416**	2,689	2,689
Singapore	**5**	5	5	**2,390**	2,390	2,373
Rest of Asia	**16**	15	14	**7,196**	6,913	6,671
Australasia	**30**	30	32	**3,533**	3,477	3,618
Total	**103**	103	104	**28,726**	28,800	28,682
Analysed by ownership type:						
Owned and leased	**67**	68	69	**20,809**	21,131	21,208
Managed	**18**	17	17	**4,183**	4,011	4,011
Franchised	**13**	13	14	**1,883**	1,807	1,854
Investment	**5**	5	4	**1,851**	1,851	1,609
Total	**103**	103	104	**28,726**	28,800	28,682
Analysed by brand:						
Grand Millennium	**4**	4	4	**1,657**	1,666	1,666
Millennium	**40**	40	40	**14,228**	14,222	14,222
Copthorne	**35**	34	35	**7,128**	6,950	7,027
Kingsgate	**14**	14	15	**1,425**	1,375	1,422
Third party	**10**	11	10	**4,288**	4,587	4,345
Total	**103**	103	104	**28,726**	28,800	28,682

Pipeline	Hotels			Rooms		
	30 June 2009	31 December 2008	30 June 2008	**30 June 2009**	31 December 2008	30 June 2008
Analysed by region:						
Regional US	**1**	1	1	**250**	250	250
Rest of Europe	**3**	2	2	**614**	340	340
Middle East	**15**	10	10	**5,789**	3,418	2,805
Singapore	**1**	1	1	**370**	370	370
Rest of Asia	**2**	3	3	**483**	790	790
Total	**22**	17	17	**7,506**	5,168	4,555
Analysed by ownership type:						
Owned or leased	**3**	3	3	**740**	740	740
Managed	**19**	14	14	**6,766**	4,428	3,815
Total	**22**	17	17	**7,506**	5,168	4,555
Analysed by brand:						
Grand Millennium	**1**	-	-	**573**	-	-
Millennium	**12**	10	10	**4,266**	3,555	2,942
Copthorne	**1**	1	1	**240**	140	140
Kingsgate	**3**	2	2	**752**	478	478
Other	**5**	4	4	**1,675**	995	995
Total	**22**	17	17	**7,506**	5,168	4,555

The Group opened two hotels as management contracts, the 158-room Copthorne Hotel Sheffield in January and the 306-room Millennium Wuxi in June. The 299-room owned Wynfield Inn Orlando Convention Center was closed and the management contract for the 304-room Millennium Oy Oun Hotel Sharm el Sheikh ceased. With the signing of new hotels in the UK and Middle East the hotel pipeline increased by five with 2,338 rooms.