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Miscellaneous

* Asterisks denote mandatory information

Name of Announcer *	CITY DEVELOPMENTS LIMITED
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Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
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>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Millennium & Copthorne Hotels plc on Interim Management Report for Second Quarter and Half Year Results to 30 June 2010
Description	Please see attached the announcement released by Millennium & Copthorne Hotels plc on 5 August 2010.
Attachments	InterimResults.pdf Total size = **245K** (2048K size limit recommended)

Close Window

For Immediate Release **5 August 2010**

MILLENNIUM & COPTHORNE HOTELS PLC

INTERIM MANAGEMENT REPORT
Second quarter and half year results to 30 June 2010

HIGHLIGHTS

Second Quarter:

£ millions (unless otherwise stated)	**Second Quarter 2010**	Second Quarter 2009	Reported Currency Change %	Constant Currency Change %
RevPAR	**£63.47**	£53.00	19.8%	14.7%
Revenue – total	**190.0**	158.5	19.9%	14.0%
Revenue – hotels	**186.9**	156.8	19.2%	13.4%
Headline operating profit	**39.1**	23.3	67.8%	60.2%
Profit before tax	**31.6**	19.5	62.1%	55.7%
Headline profit before tax	**36.1**	20.6	75.2%	67.9%
Basic earnings per share	**8.0p**	5.2p	53.8%	

- RevPAR (in constant currency terms) increased in all regions. Singapore increased 49.1%, New York 16.6%, Rest of Asia 18.0%, New Zealand 14.0% and London 5.6%.
- Profit before tax increased to £31.6m (2009: 19.5m).
- Basic earnings per share up 53.8%.

First Half:

£ millions (unless otherwise stated)	**First Half 2010**	First Half 2009	Reported Currency Change %	Constant Currency Change %
RevPAR	**£57.66**	£51.86	11.2%	9.3%
Revenue – total	**350.5**	315.6	11.1%	8.7%
Revenue – hotels	**345.3**	312.5	10.5%	8.2%
Headline operating profit	**60.2**	38.4	56.8%	48.6%
Profit before tax	**50.2**	30.5	64.6%	54.0%
Headline profit before tax	**54.8**	31.6	73.4%	62.1%
Basic earnings per share	**12.0p**	7.5p	60.0%	

- RevPAR (in constant currency terms) increased in all regions except for Regional US which showed a marginal decline. Singapore increased 33.3%.
- Basic earnings per share up 60.0%.
- Strong cash flows from operating activities of £47.5m (2009: £26.7m)
- Conversion rate was 55.5% (69.0% at hotel GOP level), reflecting strict cost discipline in improved trading environment.

Commenting today Mr Kwek Leng Beng, Chairman said:

"Group performance accelerated over the first half of 2010, with strong improvement in revenue and profits, especially during the second quarter. Recovery in profits demonstrates continuing and effective cost management discipline amidst better trading conditions. The biggest gains were seen in Singapore where RevPAR grew by a remarkable 49.1% in the second quarter and by 33.3% over the six months as a whole. Double digit gains were also made in New York and Rest of Asia. The first half of the year represents good progress on recovering the ground lost after the financial crisis and recession of 2008/9. Although these figures are very strong, we are mindful of the considerable macro-economic uncertainty over the next twelve to eighteen months, especially in Europe and the US. We will therefore continue to be cautious in our approach, maintaining a tight rein on costs and testing very carefully our investment plans."

Enquiries
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Richard Hartman, Chief Executive Officer
Beng Lan Low, Senior Vice President Finance
Adrian Bushnell, Company Secretary
Peter Krijgsman, Financial Communications

Analyst briefing
A meeting for analysts will be held at 10.30 am at Brewers' Hall, Aldermanbury Square, London EC2B 7HR on Thursday 5 August 2010. For details contact Julianna Li on +44 (0) 20 7872 2444.

CHAIRMAN'S STATEMENT

Recovery in the Group's trading performance, already evident in the first three months of 2010, accelerated during the second quarter of the year. Over the six months as a whole we made good progress on recovering ground that was lost after the financial crisis and recession of 2008/9.

For the six month period Group RevPAR rose 9.3%, led by high growth rates in Singapore (33.3%), New York (13.5%) and Rest of Asia (11.7%).

RevPAR growth was greater in the second quarter (14.7%) than the first (3.2%). This was a performance feature of all the Group's trading regions. Fastest second quarter RevPAR growth was in Singapore (49.1%), Rest of Asia (18.0%) and New York (16.6%). Second quarter growth was driven by an encouraging combination of improvements in occupancy (up 5.3 percentage points) and room rate (up 6.4%).

London, one of the Group's key gateway cities, increased RevPAR by 1.7% over the first six months, with 5.6% growth in the second quarter. This partly reflects London's relatively strong performance during the first half of 2009, when RevPAR fall was minimal. London's slower growth, compared to other regions, is also attributable to the residual impact of the reduction in aircrew business. Excluding airline business in the region for both years, London RevPAR grew by 10.3% in the first six months compared to the same period last year.

Financial Performance

Headline operating profit increased by 56.8% to £60.2m (2009: £38.4m), reflecting the Group's continuing focus on strict cost discipline and an improved trading environment. The conversion rate was 55.5% (69.0% at hotel GOP level). Headline profit before tax increased by 73.4% to £54.8m (2009: £31.6m). Headline earnings per share increased by 65.8% to 12.6p (2009: 7.6p), reflecting the impact of a higher effective tax rate.

Financial Position

The Group continued to strengthen its balance sheet, reducing net debt by £20.4m to £182.1m at 30 June 2010 (31 December 2009: £202.5 m) and reducing gearing to 9.8% (31 December 2009: 11.6%). At 30 June 2010 the Group had cash reserves of £175.3m and total undrawn committed bank facilities of £197.7m available. Most of the facilities are clean. Encumbered assets represent 6.8% of our fixed assets and investment properties.

Dividend

In accordance with the Group's dividend policy at the half-year, the Board has declared an interim dividend of 2.08p unchanged from 2009. The Board will consider the level of final dividend for 2010 in the light of the full-year results.

First Sponsor Capital Limited

The Group has a 39.8% effective interest in First Sponsor Capital Limited ("FSCL"), a vehicle which principally undertakes property development and investment projects in China. FSCL recorded a net loss for the period to 30 June 2010. The Group's effective share of the net loss after minority interest is US$4.3m (£2.8m). The loss was mainly due to provision for debtors and the write-off of fees and monies believed to have been misappropriated by one of FSCL's joint venture partners, Cheung Ping Kwong ("Cheung") in FSCL's subsidiary, Idea Valley Group Limited ("Idea Valley"), its subsidiaries and two of its related companies.

Based on the unaudited management accounts of FSCL as at 30 June 2010 which has taken into account the abovementioned write-offs and provisions, FSCL's aggregate exposure to the four assets illegally disposed of is approximately US$44.9m or approximately 28% of its net assets as at 30 June 2010. The Group's attributable share of this exposure is approximately US$17.9m (£11.9m). No provision for the Group's exposure has been made as at 30 June 2010 on the basis of legal opinion obtained and ongoing legal actions.

FSCL management has obtained legal advice which states that it has a basis to recover all assets illegally sold by Cheung. Various actions have been taken under civil and criminal law for the purposes of such recovery and are ongoing. The legal process is, however, exceptionally complex and dependent on the assistance and cooperation from all relevant official authorities.

We will continue to monitor this issue, and the need for provisioning, very closely. Despite the misappropriation, the Board is confident that FSCL will be ultimately value-enhancing for our shareholders in due course

CDL Hospitality Trusts REIT

On 1 July 2010, CDLHT announced the issue of 116,960,000 new stapled securities, priced at S$1.71 each, pursuant to a private placement, and raising net proceeds of S$196.7m (S$200.0m gross). Proceeds were applied to pay down debt. The Group's interest in CDLHT fell to 34.77% from its pre-issuance interest of 39.03%. The Group will report a one-off gain as a result of the private placement of S$14.6m (£7.0m –see note a) in its financial results for the third quarter ending 30 September 2010. The gain arises from the Group's share of proceeds being greater than its share of net tangible assets diluted by the issue.

As reported previously, in February 2010 CDLHT acquired five hotels in Australia comprising 1,139 rooms, the Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth. The Group earned an acquisition fee of £1m in the first quarter from the purchase of these five hotels.

(a) Exchange rate used: S$1 = 0.47927 as at 30 June 2010.

Asset Management

Management remains focused on enhancing the performance of each of the Group's individual property assets and assessing which asset management options will deliver best value for shareholders in the current environment.

Property-specific asset plans are being considered to determine the optimum use of each asset, including future capital requirements and anticipated returns. The primary focus at present is on developing a structured and phased investment programme to enhance returns on certain under-invested, prime-location assets in the portfolio.

As we have demonstrated in the past, the Group is not opposed in principle to selling hotel assets in order to generate superior returns to shareholders. However we do not consider the current property market to offer profitable opportunities in this respect. We also remain committed to concentrating on the 20% or so of properties in our portfolio that generate 80% or more of our earnings.

We announced in June 2010 that the Group had signed a collective sales agreement ("CSA") with other unit-holders in Tanglin Shopping Centre, a shopping-cum-office development situated within the Orchard prime tourist district in Singapore, in which the Group has a 34% interest in the total strata area. The number of signatories to the CSA continues to grow although it currently represents less than the 80% of unit-holders necessary for the sales process to proceed. The Group is bound by a confidentiality agreement with respect to the proposed disposal and will update shareholders when it is in a position to do so.

As reported previously, the Group approved a project to redevelop the Copthorne Orchid Singapore into condominiums. We have now commenced construction of show flats and advance sales are expected to commence in September. The hotel is expected to close by the end of 2010.

Development

The newly constructed, 360-room loft-style Studio M hotel in Singapore officially opened on 17 June 2010, having soft-opened during the first quarter. Studio M has traded above expectations, reflecting its successful capture of a new niche in the three-to-four star hotel market. Studio M attained the highest occupancy (88.4%) of the Group's six Singapore hotels in the second quarter and an average room rate of S$168.71. The hotel was cash positive in the second quarter.

In 2007, the Group formed a joint venture in India to develop two limited service hotels in Bangalore and Chennai, as a first step towards penetrating the fast-growing Indian hospitality market. Development plans were suspended in early 2009 as a result of the rapid deterioration in the global economy. In light of improved trading conditions, the Board has now approved a plan to commence construction on a 110-room hotel at Chennai.

As announced in the Group's first quarter management statement, the Group has signed four management contracts this year in the Middle East region. The new hotels - in Jordan, Oman, Qatar and the United Arab Emirates - will offer 1,034 rooms on completion between now and 2012. The Group's worldwide pipeline has 30 hotels offering 8,818 rooms.

Management Changes

The Group formally commenced its search for a new Chief Executive Officer, following Richard Hartman's decision to retire as CEO later this year. The Board is considering a number of candidates for the role and will announce the successor in due course. Mr Hartman will remain on the Board of the company.

Looking forward

Demand has been strong in most of our markets and on average across the Group we are trading at fair market share against the defined competitive set for each of our hotels. In the month of July, Group RevPAR increased by 14.3% with London increasing by 23.7% (partly because of the biennial Farnborough Air Show) and Singapore increasing by 33.8%. New York showed RevPAR growth of 8.3%, in part reflecting a new rate-led strategy that resulted in a 2.3 percentage point fall in occupancy and a 10.9% rise in average room rate in the month of July.

Although these figures are very strong, we are mindful of the considerable macro-economic uncertainty over the next twelve to eighteen months, especially in Europe and the US. We will therefore continue to be cautious in our approach, maintaining a tight rein on costs and testing very carefully our investment plans.

Kwek Leng Beng
CHAIRMAN
5 August 2010

To the members of Millennium & Copthorne Hotels plc

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

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

The IMR has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters which are significant to Millennium & Copthorne Hotels plc and its subsidiary undertakings when viewed as a whole. The IMR discusses Group operations for the half year ended 30 June 2010, business objectives, risks and uncertainties facing the Group during the second half of 2010 and the future outlook for the Group.

Financial and Operating Highlights

	Second Quarter 2010 £m	Second Quarter 2009 £m	**First Half 2010 £m**	First Half 2009 £m	Full year 2009 £m
Revenue	**190.0**	158.5	**350.5**	315.6	654.0
Operating profit	**32.4**	20.9	**52.0**	34.3	89.2
Headline operating profit [1]	**39.1**	23.3	**60.2**	38.4	98.0
Profit before tax	**31.6**	19.5	**50.2**	30.5	81.9
Adjustments for:					
Other operating expense of the Group [2]	**1.5**	-	**1.5**	-	0.2
Share of other operating expense/(income) of joint ventures and associates [3]	**3.9**	-	**3.9**	-	(0.6)
Share of interest, tax and non-controlling interests of joint ventures and associates - other operating expense/(income) [3]	**(1.1)**	-	**(1.1)**	-	0.5
Impairment [4]	**0.2**	1.1	**0.3**	1.1	2.2
Headline profit before tax [1]	**36.1**	20.6	**54.8**	31.6	84.2
Headline profit after tax [1]	**22.3**	16.6	**36.5**	25.2	67.0
Profit for the period	**20.3**	16.4	**34.4**	25.0	74.6
Basic earnings per share (pence)	**8.0p**	5.2p	**12.0p**	7.5p	22.9p
Headline earnings per share (pence) [1]	**8.7p**	5.3p	**12.6p**	7.6p	20.3p
Net debt			**182.1**	243.2	202.5
Gearing (%)			**9.8%**	14.8%	11.6%

Notes

[1] *The Group believes that headline operating profit, headline profit before tax, headline profit after tax and headline earnings per share provide useful and necessary information on underlying trends to shareholders, the investment community and are used by the Group for internal performance analysis. Reconciliation of these measures to the closest equivalent GAAP measures are shown in notes 3, 8 and 9 to these financial statements.*

[2] *Other operating expense of the Group for both the second quarter and half year ended 30 June 2010 of £1.5m represents a provision for redundancy costs associated with the closure of the Orchid Hotel in Singapore at the end of December 2010. Other operating expense of the Group for the year ended 31 December 2009 represents a loss of £0.2m on fair value adjustment to the Tanglin Shopping Centre, an investment property of the Group.*

[3] *Other operating expense of joint ventures and associates for both the second quarter and half year ended 30 June 2010 represents the Group's share of provision against cash and debtors in First Sponsor Capital Limited of £3.9m net of £1.1m related tax and non-controlling interests. Other operating income of joint ventures and associates for the year ended 31 December 2009 primarily represents the Group's share of fair value adjustments of investment properties of First Sponsor Capital Limited of £0.6m net of £0.5m related interest, tax and non-controlling interests.*

[4] *Impairment for the second quarter and half year ended 30 June 2010 represents additional interest in the Group's 50% joint venture in Bangkok being fully written down. Impairment for the year ended 31 December 2009 represents additional funding in the Group's 50% joint venture in Bangkok being fully written down by £1.3m and a £0.9m impairment of a piece of land in India.*

Financial Performance – Second quarter overview

For the second quarter to 30 June 2010, profit before tax increased by 62.1% to £31.6m (2009: £19.5m). Headline profit before tax, the Group's measure of underlying profit before tax, increased by 75.2% from £20.6m to £36.1m. Headline operating profit increased by 67.8% to £39.1m (2009: £23.3m).

Financial Performance – First half overview

The 56.8% rise in headline operating profit is a reflection of levelling off of the economic decline since the second half of 2009, improved trading performance of the Group and tight cost control. Basic earnings per share increased by 60.0% to 12.0p (2009: 7.5p), reflecting the impact of a higher effective tax rate.

The impact of foreign exchange movements are shown below and in constant currency terms, the operating profit variance of £15.6m represents a 55.5% conversion rate, while at hotel level the GOP conversion rate is 69.0%. This conversion rate reflects the ongoing impact of strong cost management and the various restructuring exercises in the last eighteen months have had on the Group's profitability. The difference between operating profit conversion and hotel GOP conversion can largely be attributed to the variable rentals on the four Singapore hotels charged by CDLHT, which are in turn determined by both the revenue and profit streams of those properties. The table below summarises the exchange impact on revenue and expenses.

	Reported Currency				Constant Currency			
	2010 £m	2009 £m	Variance £m	Change %	**2010 £m**	2009 £m	Variance £m	Change %
Revenue	**350.5**	315.6	34.9	11.1%	**350.5**	322.4	28.1	8.7%
Expenses	**(303.3)**	(286.0)	(17.3)	(6.0%)	**(303.3)**	(290.8)	(12.5)	(4.3%)
Operating profit (excluding impairment)	**47.2**	29.6	17.6	59.5%	**47.2**	31.6	15.6	49.4%
Share of joint ventures and associates	**13.0**	8.8	4.2	47.7%	**13.0**	8.9	4.1	46.1%
Headline operating profit	**60.2**	38.4	21.8	56.8%	**60.2**	40.5	19.7	48.6%

Taxation

The Group recorded a tax expense of £15.8m (2009: £5.5m) excluding the tax relating to joint ventures and associates, giving rise to an effective rate of 36.2% (2009: 22.3%).

A tax charge of £1.1m (2009: £1.2m) relating to joint ventures and associates is included in the reported profit before tax.

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 of the period.

The estimated annual effective rate applied to profit before income tax excluding the Group's share of joint ventures and associates profits is 36.2% (2009: 22.3%). The higher effective rate is due primarily to the impact of a change in tax legislation in New Zealand, which has removed the ability to depreciate buildings for tax purposes, resulting in an increased deferred tax liability. This is partly offset by the impact of reduced tax rates applied to brought forward net deferred tax liabilities in Taiwan and New Zealand.

Earnings per share

Basic earnings per share was 12.0p (2009: 7.5p) and headline earnings per share increased to 12.6p (2009: 7.6p). The table below reconciles basic earnings per share to headline earnings per share.

	First Half 2010 pence	First Half 2009 pence	Full Year 2009 pence
Reported basic earnings per share	**12.0**	7.5	22.9
Share of joint ventures and associates other operating expense/(income)	**0.8**	-	(0.1)
Other operating expense - Group	**0.5**	-	0.1
Impairment (net of tax and non-controlling interest)	**0.1**	0.4	0.6
Change in tax rates on opening deferred taxes	**(0.8)**	(0.3)	(3.2)
Headline earnings per share	**12.6**	7.6	20.3

Dividends

The Board declared an interim dividend of 2.08p per share. The interim dividend will be paid on 8 October 2010 to shareholders on the register at the close of business on 13 August 2010. The ex-dividend date of the Company's shares is 11 August 2010.

FINANCIAL POSITION AND RESOURCES

Balance Sheet

	As at 30 June 2010 £m	As at 31 December 2009 £m	Change £m
Property, plant, equipment and lease premium prepayment	**2,155.8**	2,069.5	86.3
Investment properties	**89.1**	83.3	5.8
Investments in and loans to joint ventures and associates	**353.0**	326.4	26.6
Other non-current assets	**6.9**	6.4	0.5
Non-current assets	**2,604.8**	2,485.6	119.2
Current assets excluding cash	**152.7**	134.0	18.7
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	**(313.6)**	(282.8)	(30.8)
Net debt	**(182.1)**	(202.5)	20.4
Deferred tax liabilities	**(244.3)**	(230.6)	(13.7)
Net assets	**2,017.5**	1,903.7	113.8
Equity attributable to equity holders of the parent	**1,864.1**	1,752.3	111.8
Non-controlling interests	**153.4**	151.4	2.0
Total equity	**2,017.5**	1,903.7	113.8

Financial Position

The Group's balance sheet strengthened during the first half of the year with net debt reducing to £182.1m at 30 June 2010 from the 31 December 2009 position of £202.5m.

At 30 June 2010 the Group had cash reserves of £175.3m and total undrawn committed bank facilities of £178.8m available. Most of the facilities are unsecured. Encumbered assets represent 6.8% of our fixed assets and investment properties. Gearing further improved to 9.8% (31 December 2009: 11.6%).

Interest is covered 26.2 times by earnings (first half 2009: 7.8 times).

Net cash generated from operating activities improved to £47.5m compared to £26.7m in first half of 2009.

Non-current assets

Property, plant, equipment and lease premium prepayment

Property, plant, equipment and lease premium prepayment increased by £86.3m, the main contributor to the increase was a £89.2m effect of exchange movements. In addition, the Group invested £4.1m to improve its hotel portfolio and £9.0m on completing construction of the 360-room, Studio M, in Singapore which opened in March 2010.

Investment Properties

Investment properties increased by £5.8m as a result of currency translation.

Investments in and loans to joint ventures and associates

The table below reconciles the movement of investments in and loans to joint ventures and associates of £26.6m.

	First Half 2010 £m
Share of profits/(losses) analysed:	
- Operating profit before other operating expense	**13.0**
- Other operating expense	**(3.9)**
- Interest, tax and non-controlling interests	**(2.5)**
	6.6
Additions (CDLHT management fees paid in stapled units, and additional investment in First Sponsor Capital Limited)	**5.3**
Dividends received from associates	**(7.3)**
Foreign exchange adjustment	**22.0**
Total movement	**26.6**

Liquidity and Capital Resources

Cash flow and net debt

At 30 June 2010 the Group's net debt was £20.4m lower than at 31 December 2009 at £182.1m. The factors contributing to this decrease are shown in the table below.

	First Half 2010 £m	First Half 2009 £m
Cash flows from operating activities before changes in working capital, provisions, interest and tax	**64.4**	46.9
Changes in working capital and provisions	**(4.3)**	(4.2)
Interest and tax paid	**(12.6)**	(16.0)
Acquisition of property, plant and equipment	**(8.7)**	(9.7)
Free cash flow	**38.8**	17.0
Investment in and loans to joint ventures and associates	**(5.3)**	(3.1)
Dividends received from associates	**7.3**	7.1
Dividends paid		
- to equity holders of the parent	**(3.0)**	(2.9)
- to non-controlling interests	**(1.2)**	(1.7)
Other movements (primarily translation adjustments)	**(16.2)**	25.5
Decrease in net debt	**20.4**	41.9
Opening net debt	**(202.5)**	(285.1)
Closing net debt	**(182.1)**	(243.2)

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

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Net Debt			
Cash and cash equivalents (as per cash flow statement)	**174.8**	114.8	134.9
Bank overdrafts (included as part of borrowings)	**0.5**	0.4	0.6
Cash and cash equivalents (as per the consolidated balance sheet)	**175.3**	115.2	135.5
Interest-bearing loans, bonds and borrowings			
- Non current	**(254.0)**	(298.4)	(233.0)
- Current	**(103.4)**	(60.0)	(105.0)
Net debt	**(182.1)**	(243.2)	(202.5)
Gearing (%)	**9.8%**	14.8%	11.6%

The Group invested £13.1m (£8.7m cash outflow in 2009) in its properties and, as previously noted, this included £9.0m on construction of the 360-room Studio M, in Singapore which soft-opened in March 2010. Investments in and loans to joint ventures and associates of £5.3m comprise additional investments in CDLHT of £1.8m (management fees paid in stapled units) and additional investment in First Sponsor Capital Limited of £3.5m. Other movements in net debt of £16.2m principally reflect the effects of exchange rate fluctuations on net debt.

Financial structure
Group interest cover ratio, excluding share of results of joint ventures and associates and other operating expense improved to 26.2 times from 7.9 times in the first half of 2009. The decrease in net finance cost of £2.0m reflects lower interest rates, and repayment of loans during the last quarter of 2009 as a result of repatriation of cash from overseas.

At 30 June 2010, the Group had £197.7m of undrawn and committed facilities available, comprising committed revolving credit facilities which provide the Group with financial flexibility. The net book value of the Group's unencumbered properties as at 30 June 2010 was £2,094.1m (31 December 2009: £1,891.6m). At 30 June 2010, total borrowing amounted to £357.4m.

Future funding
Of the Group's total facilities of £575.1m, £68.3m matures during the second half of 2010, comprising £50.0m committed facilities (of which £4.8m is currently undrawn) and £18.3m overdrafts subject to annual renewal. Plans for refinancing of maturing facilities are underway.

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 Group's business in the current uncertain economic environment.

The Directors reasonably expect that the Group will have adequate resources to continue in operation for the foreseeable future and have continued to adopt the going concern basis in preparing the Annual Report and Accounts.

RISKS AND UNCERTAINTIES

The Half Year Report has been prepared on the basis set out in note 1. The risks and uncertainties facing the Group are consistent with those outlined in the Annual Report and Accounts for the year ended 31 December 2009.

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

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

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

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

The information in Appendix 4 which is an extract from the Annual Report and Accounts for the year ended 31 December 2009 sets out the some of the risks that could have a material effect on the Group's business activities at the date of this report and the systems and processes the Group have in place to manage and mitigate these risks.

PERFORMANCE BY REGION
For comparability, the following regional review is based on calculations in constant currency whereby 30 June 2009 average room rate, RevPAR, revenue and headline operating profit have been translated at 2010 average exchange rates.

UNITED STATES
New York
RevPAR increased by 13.5% to £116.63 (2009: £102.77) for the six months ending June 30, 2010. Occupancy was the primary driver of this, growing by 7.4 percentage points to 84.6% (2009: 77.2%), with rate increasing by 3.6% to £137.86 (2009: £133.12). Most of the growth in RevPAR came from the Millennium Broadway and Millennium Hilton. RevPAR at the Millennium UN Plaza saw minimal growth, with higher occupancy offset by falling rate.

Growth accelerated in the second quarter, with RevPAR increasing by 16.6% to £138.22 (2009: £118.56) over the same three months in 2009, mainly as a result of improving rate.

Regional US
RevPAR marginally declined for the first six months at £34.87 (2009: £34.94), reflecting continuing pressure on rate which fell 1.1% to £63.52 compared to the same period in 2009 (2009: £64.23). This was offset only slightly by the 0.5 percentage point increase in occupancy to 54.9% (2009: 54.4%). Within the overall picture, Boston and Cincinnati performed well, with RevPAR increases of 21% and 18% respectively.

As with the other Group regions, the second quarter saw a better performance than the first, with RevPAR for the three months increasing by 2.0% to £41.59 (2009: £40.78).

EUROPE

London

After a weak opening quarter, London showed stronger signs of recovery in the second quarter with RevPAR growing by 1.7% to £81.16 (2009: £79.77) for the six months as whole.

As in other regions, performance was stronger in the second quarter, when RevPAR increased by 5.6% to £91.28 (2009: £86.45). Management focused on a rate-led strategy resulting in a 4 percentage point fall in occupancy and a 6.8% gain on rate for the six months as a whole.

The reduction in the amount of airline crew business in London continues to affect occupancy levels and RevPAR. Excluding aircrew from both periods, RevPAR increased 10.3% for the first half of 2010, compared to the same period last year.

Rest of Europe

RevPAR fell by 0.5% for the first six months of 2010 in rest of Europe to £50.15 (2009: £50.40), but again showed signs of recovery in the second quarter.

Regional UK

RevPAR fell by 3.0% in Regional UK to £43.66 (2009: £45.01) driven by rate, which fell by 5.9% to £61.67 (2009: £65.51). Pressure on rate from corporate customers was most intense at Group hotels in Gatwick, Aberdeen, Plymouth and Manchester, especially during the first quarter of the year. Rate pressure was partially offset by occupancy, which increased by 2.1 percentage points to 70.8% (2009: 68.7%) during the six months. The two properties in the Midlands were the only UK regional hotels to achieve significant RevPAR growth.

Modest growth in the second quarter saw RevPAR increase by 1.1% to £47.06 (2009: £46.57).

France & Germany

RevPAR increased by 2.4% to £60.55 (2009: £59.11). A 2.8 percentage point increase in occupancy to 64.1% (2009: 61.3%) was offset by a 2.0% decrease in rate to £94.46 (2009: £96.42). Hannover which is subject to the cyclical nature of trade fairs was the only hotel not to show RevPAR growth.

The region reported RevPAR growth in the second quarter of 8.4% to £61.35 (2009: £56.62) driven by a combination of growth in occupancy, which increased by 3.5 percentage points to 64.1% (2009: 60.6%), and rate, which grew by 2.4% to £95.71 (2009: £93.43).

ASIA

Across the Group, the strongest growth over the first half of the year came from Singapore, which enjoyed remarkable growth in GDP and a resurgence in visitor arrivals over the period. All of the Group's Singapore hotels saw strong RevPAR growth.

Singapore RevPAR grew by 33.3% to £78.47 (2009: £58.85). Occupancy rose by 14.3 percentage points to 84.8% (2009: 70.5%) while rate increased by 10.9% to £92.53 (2009: £83.47).

RevPAR growth in the second quarter reached 49.1% driven by a 16.1 percentage point increase in occupancy and a 21.5% increase in rate.

The Group officially opened the Studio M hotel in Singapore on 17 June 2010 having soft-opened on 19 March, 2010. To date the hotel has traded above expectations, generating the highest occupancy of the Group's six Singapore hotels in the second quarter.

The new integrated resort in Sentosa, and a second integrated resort that opened towards the end of June, have not impacted Group performance in the region. Although the two resorts have contributed to a 30% increase in the stock of Singapore hotels rooms, their targeted customers are very distinct from those of the Group, with limited overlap.

Rest of Asia

RevPAR grew by 11.7% to £56.26 (2009: £50.38). This was driven by occupancy which increased by 7.2 percentage points to 73.5% (2009: 66.3%). There was a small increase in rate of 0.7% to £76.55 (2009: £75.99). The most significant volume increase was in Kuala Lumpur, where every market segment experienced double digit growth.

In the second quarter RevPAR grew by 18.0% to £60.75 (2009: £51.50) driven by occupancy which increased by 10.6 percentage points to 75.1% (2009: 64.5%). All hotels have grown RevPAR by double digits with the exception of Copthorne Hotel Penang which saw a decline.

AUSTRALASIA

New Zealand saw a recovery in RevPAR of 5.8% to £35.27 (2009: £33.35). Occupancy grew by 5.1 percentage points to 68.1% (2009: 63.0%) although rate declined by 2.2% to £51.79 (2009: £52.94). Rate decline was a feature in the majority of the Group's hotels in the region. Across the three brands, Copthorne and Millennium showed growth in RevPAR while Kingsgate experienced a small decline.

As in other regions, Growth picked up in the second quarter particularly, with RevPAR increasing by 14.0% to £28.74 (2009: £25.21).

Condensed consolidated income interim statement (unaudited)
for the half year ended 30 June 2010

	Notes	**Second Quarter 2010 £m**	Second Quarter 2009 £m	**First Half 2010 £m**	First Half 2009 £m	Full Year 2009 £m
Revenue		**190.0**	158.5	**350.5**	315.6	654.0
Cost of sales		**(76.7)**	(68.2)	**(146.8)**	(138.3)	(279.0)
Gross profit		**113.3**	90.3	**203.7**	177.3	375.0
Administrative expenses		**(81.1)**	(72.1)	**(156.8)**	(148.8)	(299.8)
Other operating expense		**(1.5)**	-	**(1.5)**	-	(0.2)
		30.7	18.2	**45.4**	28.5	75.0
Share of profit of joint ventures and associates		**1.7**	2.7	**6.6**	5.8	14.2
Analysed between:						
Operating profit before other income, expense and impairment		**6.7**	4.0	**13.0**	8.8	20.6
Other operating income		**-**	-	**-**	-	0.6
Other operating expense		**(3.9)**	-	**(3.9)**	-	-
Interest, tax and non-controlling interests	6	**(1.1)**	(1.3)	**(2.5)**	(3.0)	(7.0)
Operating profit		**32.4**	20.9	**52.0**	34.3	89.2
Analysed between:						
Headline operating profit	3	**39.1**	23.3	**60.2**	38.4	98.0
Other operating expense - Group		**(1.5)**	-	**(1.5)**	-	(0.2)
Share of joint ventures and associates			-		-	
- Other operating income						0.6
- Other operating expense		**(3.9)**	-	**(3.9)**	-	-
Impairment	4					
- Associates, joint ventures investments and loans		**(0.2)**	(1.1)	**(0.3)**	(1.1)	(1.3)
- Hotels and land		**-**	-	**-**	-	(0.9)
Share of interest, tax and non-controlling interests of joint ventures and associates	6	**(1.1)**	(1.3)	**(2.5)**	(3.0)	(7.0)
Finance income		**3.2**	1.9	**4.2**	3.2	3.0
Finance expense		**(4.0)**	(3.3)	**(6.0)**	(7.0)	(10.3)
Net finance expense		**(0.8)**	(1.4)	**(1.8)**	(3.8)	(7.3)
Profit before tax		**31.6**	19.5	**50.2**	30.5	81.9
Income tax expense	7	**(11.3)**	(3.1)	**(15.8)**	(5.5)	(7.3)
Profit for the period		**20.3**	16.4	**34.4**	25.0	74.6
Attributable to:						
Equity holders of the parent		**25.0**	16.0	**37.2**	22.9	70.1
Non-controlling interests		**(4.7)**	0.4	**(2.8)**	2.1	4.5
		20.3	16.4	**34.4**	25.0	74.6
Basic earnings per share (pence)	8	**8.0p**	5.2p	**12.0p**	7.5p	22.9p
Diluted earnings per share (pence)	8	**8.0p**	5.2p	**11.9p**	7.5p	22.9p

The financial results above all derive from continuing activities.

Condensed consolidated interim statement of comprehensive income (unaudited) for the half year ended 30 June 2010

	First Half 2010 £m	First Half 2009 £m	Full Year 2009 £m
Profit for the period	**34.4**	25.0	74.6
Other comprehensive income:			
Foreign exchange translation differences on net investment in foreign operations	**83.8**	(120.4)	(43.7)
Defined benefit plan actuarial losses	**(1.5)**	(5.7)	(6.5)
Defined benefit plan actuarial losses – related tax credit	**0.4**	1.6	1.5
Share of associate's other reserve movements	**-**	-	0.3
Net movement on cash flow hedges	**(0.4)**	-	-
Income tax relating to share based incentive schemes	**-**	-	1.5
Other comprehensive income for the period, net of tax	**82.3**	(124.5)	(46.9)
Total comprehensive income for the period	**116.7**	(99.5)	27.7
Total comprehensive income attributable to:			
Equity holders of the parent	**113.5**	(93.7)	17.1
Non-controlling interests	**3.2**	(5.8)	10.6
Total comprehensive income for the period	**116.7**	(99.5)	27.7

Condensed consolidated interim statement of financial position (unaudited) as at 30 June 2010

	Note	**As at 30 June 2010 £m**	As at 30 June 2009 £m	As at 31 December 2009 £m
Non-current assets				
Property, plant and equipment		**2,060.6**	1,901.6	1,975.9
Lease premium prepayment		**95.2**	92.1	93.6
Investment properties		**89.1**	79.8	83.3
Investments in joint ventures and associates		**353.0**	303.7	326.4
Other financial assets		**6.9**	6.2	6.4
		2,604.8	2,383.4	2,485.6
Current assets				
Inventories		**4.0**	3.8	4.2
Development properties		**76.5**	63.6	72.3
Lease premium prepayment		**1.4**	1.3	1.4
Trade and other receivables		**70.5**	58.9	56.1
Other financial assets		**0.3**	-	-
Cash and cash equivalents	9	**175.3**	115.2	135.5
		328.0	242.8	269.5
Total assets		**2,932.8**	2,626.2	2,755.1
Non-current liabilities				
Interest-bearing loans, bonds and borrowings		**(254.0)**	(298.4)	(233.0)
Employee benefits		**(20.4)**	(17.8)	(18.1)
Provisions		**(0.5)**	(0.8)	(0.6)
Other non-current liabilities		**(119.3)**	(104.7)	(112.2)
Deferred tax liabilities		**(244.3)**	(224.8)	(230.6)
		(638.5)	(646.5)	(594.5)
Current liabilities				
Interest-bearing loans, bonds and borrowings		**(103.4)**	(60.0)	(105.0)
Trade and other payables		**(141.4)**	(116.0)	(122.0)
Provisions		**(1.8)**	(0.3)	(0.2)
Income taxes payable		**(30.2)**	(25.7)	(29.7)
		(276.8)	(202.0)	(256.9)
Total liabilities		**(915.3)**	(848.5)	(851.4)
Net assets		**2,017.5**	1,777.7	1,903.7
Equity				
Issued share capital		**93.6**	92.4	92.9
Share premium		**845.0**	846.0	845.6
Translation reserve		**263.6**	123.1	185.8
Retained earnings		**662.3**	580.3	628.0
Cash hedge reserve		**(0.4)**	-	-
Total equity attributable to equity holders of the parent		**1,864.1**	1,641.8	1,752.3
Non-controlling interests		**153.4**	135.9	151.4
Total equity		**2,017.5**	1,777.7	1,903.7

Condensed consolidated interim statement of cash flows (unaudited)
for the half year ended 30 June 2010

	First Half 2010 £m	First Half 2009 £m	Full Year 2009 £m
Cash flows from operating activities			
Profit for the period	**34.4**	25.0	74.6
Adjustments for:			
Depreciation and amortisation	**16.0**	16.4	32.1
Share of profit of joint ventures and associates	**(6.6)**	(5.8)	(14.2)
Impairment	**0.3**	1.1	2.2
Other operating expense	**1.5**	-	0.2
Loss on sale of property, plant and equipment	**-**	-	0.4
Equity settled share-based transactions	**1.2**	0.9	1.6
Finance income	**(4.2)**	(3.2)	(3.0)
Finance expense	**6.0**	7.0	10.3
Income tax expense	**15.8**	5.5	7.3
Operating profit before changes in working capital and provisions	**64.4**	46.9	111.5
(Increase)/decrease in inventories, trade and other receivables	**(11.9)**	(1.6)	3.8
Decrease/(increase) in development properties	**0.7**	(2.2)	(2.7)
Increase/(decrease) in trade and other payables	**6.5**	(0.7)	(0.1)
Increase /(decrease) in provisions and employee benefits	**0.4**	0.3	(1.3)
Cash generated from operations	**60.1**	42.7	111.2
Interest paid	**(1.2)**	(7.0)	(10.3)
Interest received	**0.8**	1.2	2.3
Income taxes paid	**(12.2)**	(10.2)	(19.8)
Net cash generated from operating activities	**47.5**	26.7	83.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**-**	-	0.1
Dividends received from associates	**7.3**	7.1	12.5
Increase in loan to joint venture	**-**	(1.7)	(2.3)
Increase in investment in joint ventures and associates	**(5.3)**	(1.4)	(2.9)
Acquisition of property, plant and equipment, and lease premium prepayment	**(8.7)**	(9.7)	(17.5)
Net cash used in investing activities	**(6.7)**	(5.7)	(10.1)
Cash flows from financing activities			
Proceeds from the issue of share capital	**0.1**	-	0.1
Repayment of borrowings	**(67.5)**	(96.2)	(170.0)
Drawdown of borrowings	**65.4**	1.0	36.2
Loan agreement fees	**(0.9)**	(1.0)	-
Dividends paid to non-controlling interests	**(1.2)**	(1.7)	(2.6)
Dividends paid to equity holders of the parent	**(3.0)**	(2.9)	(4.0)
Net cash used in financing activities	**(7.1)**	(100.8)	(140.3)
Net increase/(decrease) in cash and cash equivalents	**33.7**	(79.8)	(67.0)
Cash and cash equivalents at beginning of the year	**134.9**	209.3	209.3
Effect of exchange rate fluctuations on cash held	**6.2**	(14.7)	(7.4)
Cash and cash equivalents at end of the period	**174.8**	114.8	134.9
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the consolidated statement of financial position	**175.3**	115.2	135.5
Overdraft bank accounts included in borrowings	**(0.5)**	(0.4)	(0.6)
Cash and cash equivalents for cash flow statement purposes	**174.8**	114.8	134.9

Condensed consolidated interim statement of changes in equity (unaudited) for the half year ended 30 June 2010

	Share capital £m	Share premium £m	Translation reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total excluding minority interests £m	Non-controlling interests £m	Total equity £m
Balance as at 1 January 2009	90.7	847.7	230.8	-	568.3	1,737.5	143.4	1,880.9
Reclassification	-	-	4.8	-	(4.8)	-	-	-
Balance at 1 January 2009 (restated)	90.7	847.7	235.6	-	563.5	1,737.5	143.4	1,880.9
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	-	-	-	-	(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 – non controlling 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 transactions with owners	1.7	(1.7)	-	-	(2.0)	(2.0)	(1.7)	(3.7)
Balance as at 30 June 2009	92.4	846.0	123.1	-	580.3	1,641.8	135.9	1,777.7
Total comprehensive income for the period	-	-	62.7	-	48.1	110.8	16.4	127.2
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends paid to equity holders	-	-	-	-	(6.4)	(6.4)	-	(6.4)
Issue of shares in lieu of dividends	0.5	(0.5)	-	-	5.3	5.3	-	5.3
Dividends paid – non controlling interests	-	-	-	-	-	-	(0.9)	(0.9)
Share-based payment transactions	-	-	-	-	0.7	0.7	-	0.7
Share options exercised	-	0.1	-	-	-	0.1	-	0.1
Total contributions by and distributions to owners	0.5	(0.4)	-	-	(0.4)	(0.3)	(0.9)	(1.2)
Total transactions with owners	0.5	(0.4)	-	-	(0.4)	(0.3)	(0.9)	(1.2)
Balance as at 31 December 2009	92.9	845.6	185.8	-	628.0	1,752.3	151.4	1,903.7
Total comprehensive income for the period	**-**	**-**	**77.8**	**(0.4)**	**36.1**	**113.5**	**3.2**	**116.7**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends paid to equity holders	**-**	**-**	**-**	**-**	**(12.9)**	**(12.9)**	**-**	**(12.9)**
Issue of shares in lieu of dividends	**0.7**	**(0.7)**	**-**	**-**	**9.9**	**9.9**	**-**	**9.9**
Dividends paid – non controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**(1.2)**	**(1.2)**
Share-based payment transactions	**-**	**-**	**-**	**-**	**1.2**	**1.2**	**-**	**1.2**
Share options exercised	**-**	**0.1**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Total contributions by and distributions to owners	**0.7**	**(0.6)**	**-**	**-**	**(1.8)**	**(1.7)**	**(1.2)**	**(2.9)**
Total transactions with owners	**0.7**	**(0.6)**	**-**	**-**	**(1.8)**	**(1.7)**	**(1.2)**	**(2.9)**
Balance as at 30 June 2010	**93.6**	**845.0**	**263.6**	**(0.4)**	**662.3**	**1,864.1**	**153.4**	**2,017.5**

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 2010 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 2010 and 2009, together with the audited results for the year ended 31 December 2009. 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 2009 have been extracted from the Group's statutory Annual Report and Accounts for that financial year but do not constitute those accounts. Those accounts have been reported on by the auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The consolidated financial statements of the Group as at and for the financial year ended 31 December 2009 are available from the Company's website www.millenniumhotels.co.uk.

The results have been prepared applying the accounting policies and presentation that were used in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2009.

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 2009.

The financial statements were approved by the Board of Directors on 4 August 2010.

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

Non-GAAP information

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

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

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

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

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

2. Foreign currency translation

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

	As at 30 June		As at 31 December	Average for 6 months January - June		Average for 3 months April - June		Average for the year ended
Currency (=£)	**2010**	2009	2009	**2010**	2009	**2010**	2009	2009
US dollar	**1.506**	1.646	1.596	**1.530**	1.494	**1.499**	1.547	1.553
Singapore dollar	**2.087**	2.397	2.245	**2.141**	2.220	**2.087**	2.283	2.257
New Taiwan dollar	**47.910**	54.789	51.081	**48.558**	50.685	**47.444**	52.008	51.654
New Zealand dollar	**2.105**	2.564	2.253	**2.177**	2.611	**2.138**	2.585	2.461
Malaysian ringgit	**4.857**	5.817	5.473	**5.091**	5.342	**4.907**	5.512	5.472
Korean won	**1,798.71**	2,102.63	1,847.74	**1,775.62**	1,994.61	**1,760.46**	2,024.65	1,969.72
Euro	**1.216**	1.179	1.110	**1.148**	1.111	**1.169**	1.142	1.114

Notes to the condensed consolidated interim financial statements (unaudited)

3. Operating segment information

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

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

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

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

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

	Second Quarter 2010								
	New York £m	**Regional US £m**	**London £m**	**Rest of Europe £m**	**Singapore £m**	**Rest of Asia £m**	**Australasia £m**	**Central Costs £m**	**Total Group £m**
Revenue									
Hotel	**27.0**	**32.5**	**23.3**	**23.4**	**34.9**	**35.4**	**10.4**	**-**	**186.9**
Property operations	**-**	**0.4**	**-**	**-**	**0.5**	**0.1**	**2.1**	**-**	**3.1**
Total Revenue	**27.0**	**32.9**	**23.3**	**23.4**	**35.4**	**35.5**	**12.5**	**-**	**190.0**
Hotel Gross Operating Profit	**8.2**	**7.0**	**12.9**	**6.0**	**19.1**	**14.5**	**3.1**	**-**	**70.8**
Hotel fixed charges [1]	**(5.4)**	**(5.2)**	**(3.3)**	**(4.5)**	**(9.8)**	**(4.2)**	**(2.0)**	**-**	**(34.4)**
Hotel operating profit	**2.8**	**1.8**	**9.6**	**1.5**	**9.3**	**10.3**	**1.1**	**-**	**36.4**
Property operations operating profit/(loss)	**-**	**(0.1)**	**-**	**-**	**0.3**	**-**	**0.8**	**-**	**1.0**
Central costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5.0)**	**(5.0)**
Share of joint ventures and associates operating profit	**-**	**-**	**-**	**-**	**4.7**	**2.0**	**-**	**-**	**6.7**
Headline operating profit/(loss)	**2.8**	**1.7**	**9.6**	**1.5**	**14.3**	**12.3**	**1.9**	**(5.0)**	**39.1**
Add back depreciation and amortisation	**1.4**	**2.2**	**1.2**	**1.0**	**0.2**	**1.3**	**0.5**	**0.3**	**8.1**
Headline EBITDA [2]	**4.2**	**3.9**	**10.8**	**2.5**	**14.5**	**13.6**	**2.4**	**(4.7)**	**47.2**
Depreciation and amortisation									**(8.1)**
Share of interest, tax and non-controlling interests of joint ventures and associates									**(2.2)**
Net finance expense									**(0.8)**
Headline profit before tax									**36.1**
Other operating expense – Group									**(1.5)**
Other operating expense of joint ventures and associates									**(3.9)**
Share of interest, tax and non-controlling interests of joint ventures and associates - other operating expense									**1.1**
Impairment – Associates, joint ventures investments and loans									**(0.2)**
Profit before Tax									**31.6**

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

Notes to the condensed consolidated interim financial statements (unaudited)

3. Operating segment information (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 non-controlling interests of joint ventures and associates									(1.3)
Net finance expense									(1.4)
Headline profit before tax									20.6
Impairment – Associates, joint ventures investments and loans									(1.1)
Profit before tax									19.5

First Half 2010

	New York £m	**Regional US £m**	**London £m**	**Rest of Europe £m**	**Singapore £m**	**Rest of Asia £m**	**Australasia £m**	**Central Costs £m**	**Total Group £m**
Revenue									
Hotel	**46.0**	**55.6**	**41.8**	**45.3**	**65.8**	**66.4**	**24.4**	**-**	**345.3**
Property operations	**-**	**0.8**	**-**	**-**	**1.1**	**0.1**	**3.2**	**-**	**5.2**
Total Revenue	**46.0**	**56.4**	**41.8**	**45.3**	**66.9**	**66.5**	**27.6**	**-**	**350.5**
Hotel Gross Operating Profit	**9.8**	**8.0**	**21.9**	**11.0**	**35.6**	**26.5**	**9.5**	**-**	**122.3**
Hotel fixed charges [1]	**(10.0)**	**(10.0)**	**(6.3)**	**(9.4)**	**(19.5)**	**(8.0)**	**(4.1)**	**-**	**(67.3)**
Hotel operating profit	**(0.2)**	**(2.0)**	**15.6**	**1.6**	**16.1**	**18.5**	**5.4**	**-**	**55.0**
Property operations operating profit/(loss)	**-**	**(0.2)**	**-**	**-**	**0.7**	**-**	**1.1**	**-**	**1.6**
Central costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9.4)**	**(9.4)**
Share of joint ventures and associates operating profit	**-**	**-**	**-**	**-**	**8.4**	**4.6**	**-**	**-**	**13.0**
Headline operating profit/(loss)	**(0.2)**	**(2.2)**	**15.6**	**1.6**	**25.2**	**23.1**	**6.5**	**(9.4)**	**60.2**
Add back depreciation and amortisation	**2.7**	**4.4**	**2.4**	**2.0**	**0.3**	**2.7**	**1.0**	**0.5**	**16.0**
Headline EBITDA [2]	**2.5**	**2.2**	**18.0**	**3.6**	**25.5**	**25.8**	**7.5**	**(8.9)**	**76.2**
Depreciation and amortisation									**(16.0)**
Share of interest, tax and non-controlling interests of joint ventures and associates									**(3.6)**
Net finance expense									**(1.8)**
Headline profit before tax									**54.8**
Other operating expense – Group									**(1.5)**
Other operating expense of joint ventures and associates									**(3.9)**
Share of interest, tax and non-controlling interests of joint ventures and associates - other operating expense									**1.1**
Impairment – Associates, joint ventures investments and loans									**(0.3)**
Profit before tax									**50.2**

Notes to the condensed consolidated interim financial statements (unaudited)
3. Operating segment information (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 non-controlling interests of joint ventures and associates									(3.0)
Net finance expense									(3.8)
Headline profit before tax									31.6
Impairment									(1.1)
Profit before tax									30.5

Full Year 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	95.6	110.8	88.0	92.9	102.8	116.1	40.7	-	646.9
Property operations	-	1.5	-	-	2.3	0.1	3.2	-	7.1
Total Revenue	95.6	112.3	88.0	92.9	105.1	116.2	43.9	-	654.0
Hotel Gross Operating Profit	24.3	18.3	46.4	23.8	51.2	42.2	15.3	-	221.5
Hotel fixed charges [1]	(19.0)	(21.8)	(12.7)	(22.2)	(29.3)	(15.5)	(5.6)	-	(126.1)
Hotel operating profit	5.3	(3.5)	33.7	1.6	21.9	26.7	9.7	-	95.4
Property operations operating profit/(loss)	-	(1.2)	-	-	1.7	(0.1)	0.8	-	1.2
Central costs	-	-	-	-	-	-	-	(19.2)	(19.2)
Share of joint ventures and associates operating profit	-	-	-	-	12.6	8.0	-	-	20.6
Headline operating profit/(loss)	5.3	(4.7)	33.7	1.6	36.2	34.6	10.5	(19.2)	98.0
Add back depreciation and amortisation	5.2	9.4	5.2	3.9	0.3	5.3	1.7	1.1	32.1
Headline EBITDA [2]	10.5	4.7	38.9	5.5	36.5	39.9	12.2	(18.1)	130.1
Depreciation and amortisation									(32.1)
Share of interest, tax and non-controlling interests of joint ventures and associates									(6.5)
Net finance expense									(7.3)
Headline profit before tax									84.2
Other operating expense - Group									(0.2)
Other operating income of joint ventures and associates									0.6
Share of interest, tax and non-controlling interests of joint ventures and associates - other operating income									(0.5)
Impairment									
- Joint ventures investments and loans									(1.3)
Hotels									(0.9)
Profit before tax									81.9

Notes to the condensed consolidated interim financial statements (unaudited)

3. Operating segment information (continued)

Segmental assets and liabilities

As at 30 June 2010	**New York £m**	**Regional US £m**	**London £m**	**Rest of Europe £m**	**Singapore £m**	**Rest of Asia £m**	**Australasia £m**	**Total Group £m**
Hotel operating assets	**371.0**	**306.8**	**444.3**	**213.9**	**233.6**	**511.5**	**148.7**	**2,229.8**
Hotel operating liabilities	**(12.5)**	**(31.5)**	**(26.1)**	**(29.0)**	**(137.9)**	**(33.2)**	**(6.0)**	**(276.2)**
Investments in and loans to joint ventures and associates	**-**	**-**	**-**	**-**	**210.9**	**142.1**	**-**	**353.0**
Total hotel operating net assets	**358.5**	**275.3**	**418.2**	**184.9**	**306.6**	**620.4**	**142.7**	**2,306.6**
Property operating assets	**-**	**35.0**	**-**	**-**	**54.6**	**9.2**	**70.4**	**169.2**
Property operating liabilities	**-**	**(0.2)**	**-**	**-**	**(0.8)**	**-**	**(0.7)**	**(1.7)**
Total property operating net assets	**-**	**34.8**	**-**	**-**	**53.8**	**9.2**	**69.7**	**167.5**
Deferred tax liabilities								**(244.3)**
Income taxes payable								**(30.2)**
Net debt								**(182.1)**
Net assets								**2,017.5**

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	-	-	-	-	179.2	124.5	-	303.7
Total hotel operating net assets	325.2	262.2	425.4	196.2	258.1	541.3	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 31 December 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	346.9	295.8	443.5	216.6	210.5	480.1	140.6	2,134.0
Hotel operating liabilities	(9.8)	(29.5)	(22.8)	(25.5)	(125.0)	(33.1)	(5.1)	(250.8)
Investments in and loans to joint ventures and associates	-	-	-	-	194.8	131.6	-	326.4
Total hotel operating net assets	337.1	266.3	420.7	191.1	280.3	578.6	135.5	2,209.6
Property operating assets	-	33.0	-	-	50.8	8.1	67.3	159.2
Property operating liabilities	-	(0.1)	-	-	(1.3)	-	(0.9)	(2.3)
Total property operating net assets	-	32.9	-	-	49.5	8.1	66.4	156.9
Deferred tax liabilities								(230.6)
Income taxes payable								(29.7)
Net debt								(202.5)
Net assets								1,903.7

4. Impairment

	Notes	**Second Quarter 2010 £m**	Second Quarter 2009 £m	**First Half 2010 £m**	First Half 2009 £m	Full Year 2009 £m
Impairment						
- Joint venture loans	(a)	**(0.2)**	(1.1)	**(0.3)**	(1.1)	(1.3)
- Hotels	(b)	**-**	-	**-**	-	(0.9)
		(0.2)	(1.1)	**(0.3)**	(1.1)	(2.2)

(a) Joint ventures investments and loans
Impairment for 2010 and 2009 represents the full write-down of the interest in the Group's 50% Investment in Bangkok.

(b) Hotels
An impairment charge for 2009 of £0.9m was in relation to land in India.

5. Other operating expense

	Second Quarter 2010 £m	Second Quarter 2009 £m	**First Half 2010 £m**	First Half 2009 £m	Full Year 2009 £m
Redundancy costs associated with the closure of the Orchid Hotel in Singapore in December 2010	**(1.5)**	-	**(1.5)**	-	-
Fair value adjustment on investment properties	**-**	-	**-**	-	(0.2)
	(1.5)	-	**(1.5)**	-	(0.2)

6. Share of joint ventures and associates interest, tax and non-controlling interests

	Second Quarter 2010 £m	Second Quarter 2009 £m	**First Half 2010 £m**	First Half 2009 £m	Full Year 2009 £m
Interest	**(1.0)**	(0.7)	**(1.2)**	(1.4)	(2.8)
Tax	**(0.5)**	(0.4)	**(1.1)**	(1.2)	(2.3)
Non-controlling interests	**0.4**	(0.2)	**(0.2)**	(0.4)	(1.9)
	(1.1)	(1.3)	**(2.5)**	(3.0)	(7.0)

7. Income tax expense

The Group recorded a £15.8m total income tax expense for the first half 2010 (first half 2009: £5.5m), excluding the tax relating to joint ventures and associates. This comprises a UK tax charge of £3.4m and an overseas tax charge of £12.4m (second quarter 2009: a UK tax charge of £2.3m and an overseas tax charge of £3.2m).

A tax charge of £1.1m (2009: £1.2m) relating to joint ventures and associates is included in the reported profit before tax.

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 of the period.

The estimated annual effective rate applied to profit before income tax excluding the Group’s share of joint ventures and associates profits is 36.2% (2009: 22.3%). The higher effective rate is due primarily to the impact of a change in tax legislation in New Zealand, which has removed the ability to depreciate buildings for tax purposes, resulting in an increased deferred tax liability. This is partly offset by the impact of reduced tax rates applied to brought forward net deferred tax liabilities in Taiwan and New Zealand.

Income tax recognised directly in equity

	First Half 2010 £m	First Half 2009 £m	Full Year 2009 £m
Taxation credit arising on defined benefit pension schemes	**0.4**	1.6	1.5
Taxation expense arising on share-based incentive schemes	**-**	-	1.5

7. Income tax expense (continued)

	First Half 2010 £m	First Half 2009 £m	Full Year 2009 £m
Current tax			
Corporation tax charge for the period	**12.2**	7.2	23.0
Adjustment in respect of prior years	**(0.2)**	-	(3.1)
Total current tax expense	**12.0**	7.2	19.9
Deferred tax			
Origination and reversal of timing differences	**0.1**	1.1	3.4
Reduction in tax rate	**(2.5)**	(0.9)	(9.9)
Benefits/(utilisation) of tax losses recognised	**0.9**	(0.7)	(3.1)
Changes in tax legislation	**5.3**	-	-
Over provision in respect of prior years	**-**	(1.2)	(3.0)
Total deferred tax (credit)/charge	**3.8**	(1.7)	(12.6)
Total income tax charge in the income statement	**15.8**	5.5	7.3
UK	**3.4**	2.3	7.8
Overseas	**12.4**	3.2	(0.5)
Total income tax charge in the income statement	**15.8**	5.5	7.3

Income tax reconciliation

	First Half 2010 £m	First Half 2009 £m	Full Year 2009 £m
Profit before income tax in income statement	**50.2**	30.5	81.9
Less share of profits of joint ventures and associates	**(6.6)**	(5.8)	(14.2)
	43.6	24.7	67.7
Income tax on ordinary activities at the standard rate of UK tax of 28.0% (2009: 28.0%)	**12.2**	6.9	19.0
Tax exempt income	**(0.4)**	(0.5)	(1.6)
Non deductible expenses	**1.9**	1.2	5.1
Current year losses for which no deferred tax asset was recognised	**0.4**	0.3	0.8
Unrecognised deferred tax assets	**0.3**	-	1.3
Recognition of previously unrecognised tax losses	**(0.2)**	-	(1.0)
Other effect of tax rates in foreign jurisdictions	**(1.0)**	(0.3)	(0.3)
Effect of change in tax rates on opening deferred taxes	**(2.5)**	(0.9)	(9.9)
Changes in tax legislation	**5.3**	-	-
Other adjustments to tax charge in respect of prior years	**(0.2)**	(1.2)	(6.1)
Total income tax charge in the income statement	**15.8**	5.5	7.3

Notes to the condensed consolidated interim financial statements (unaudited)

8. Earnings per share

Earnings per share are calculated using the following information:

	Second Quarter 2010	Second Quarter 2009	**First Half 2010**	First Half 2009	Full Year 2009
(a) Basic					
Profit for the period attributable to holders of the parent (£m)	**25.0**	16.0	**37.2**	22.9	70.1
Weighted average number of shares in issue (m)	**312.1**	304.8	**310.9**	303.5	306.1
Basic earnings per share (pence)	**8.0p**	5.2p	**12.0p**	7.5p	22.9p
(b) Diluted					
Profit for the period attributable to holders of the parent (£m)	**25.0**	16.0	**37.2**	22.9	70.1
Weighted average number of shares in issue (m)	**312.1**	304.8	**310.9**	303.5	306.1
Potentially dilutive share options under Group's share option schemes (m)	**1.2**	0.5	**1.2**	0.3	0.6
Weighted average number of shares in issue (diluted) (m)	**313.3**	305.3	**312.1**	303.8	306.7
Diluted earnings per share (pence)	**8.0p**	5.2p	**11.9p**	7.5p	22.9p
(c) Headline earnings per share (pence)					
Profit for the period attributable to holders of the parent (£m)	**25.0**	16.0	**37.2**	22.9	70.1
Adjustments for:					
- Other operating expense – Group	**1.5**	-	**1.5**	-	0.2
- Impairment (net of tax) (£m)	**0.2**	1.1	**0.3**	1.1	1.8
- Share of other operating expenses/income of joint ventures and associates (net of tax and non-controlling interests) (£m)	**2.8**	-	**2.8**	-	(0.1)
- Change in tax rates on opening deferred tax (£m)	**(2.5)**	(0.9)	**(2.5)**	(0.9)	(9.9)
Adjusted profit for the period attributable to holders of the parent (£m)	**27.0**	16.2	**39.3**	23.1	62.1
Weighted average number of shares in issue (m)	**312.1**	304.8	**310.9**	303.5	306.1
Headline earnings per share (pence)	**8.7p**	5.3p	**12.6p**	7.6p	20.3p
(d) Diluted headline earnings per share					
Adjusted profit for the period attributable to holders of the parent (£m)	**27.0**	16.2	**39.3**	23.1	62.1
Weighted average number of shares in issue (diluted) (m)	**313.3**	305.3	**312.1**	303.8	306.7
Diluted headline earnings per share (pence)	**8.6p**	5.3p	**12.6p**	7.6p	20.2p

9. 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 3 'Operating segment information'.

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

	Second Quarter 2010	Second Quarter 2009	**First Half 2010**	First Half 2009	Full Year 2009
Headline profit before tax (per note 3 'Operating segment information')	**36.1**	20.6	**54.8**	31.6	84.2
Income tax expense (per note 6 'Income tax expense')	**(11.3)**	(3.1)	**(15.8)**	(5.5)	(7.3)
Change in tax rates on opening deferred tax	**(2.5)**	(0.9)	**(2.5)**	(0.9)	(9.9)
Headline profit after tax	**22.3**	16.6	**36.5**	25.2	67.0

9. Non-GAAP measures (continued)

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 2010 £m	As at 31 June 2009 £m	As at 31 December 2009 £m
Cash and cash equivalents (as per cash flow statement)	**174.8**	114.8	134.9
Bank overdrafts (included as part of borrowings)	**0.5**	0.4	0.6
Cash and cash equivalents (as per the consolidated statement of financial position)	**175.3**	115.2	135.5
Interest-bearing loans, bonds and borrowings - Non-current	**(254.0)**	(298.4)	(233.0)
- Current	**(103.4)**	(60.0)	(105.0)
Net debt	**(182.1)**	(243.2)	(202.5)
Gearing (%)	**9.8%**	14.8%	11.6%

An analysis of movements in net debt is presented below:

	As at 30 June 2010 £m	As at 30 June 2009 £m	As at 31 December 2009 £m
Net increase/(decrease) in cash, cash equivalents and bank overdrafts per consolidated cash flow statement	**33.7**	(79.8)	(67.0)
Decrease in debt and lease financing	**3.0**	96.2	133.8
Movement in net debt	**36.7**	16.4	66.8
Translation adjustments	**(16.3)**	25.5	15.8
Net debt at beginning of period	**(202.5)**	(285.1)	(285.1)
Net debt at end of period	**(182.1)**	(243.2)	(202.5)

10. Subsequent events

On 1 July 2010, CDLHT announced the issue of 116,960,000 new stapled securities, priced at S$1.71 each, pursuant to a private placement, and raising net proceeds of S$196.7m (S$200.0m gross). Proceeds were applied to pay down debt. The Group's interest in CDLHT fell to 34.77% from its pre-issuance interest of 39.03%. The Group will report a one-off gain as a result of the private placement of S$14.6m (£7.0m –see note a) in its financial results for the third quarter ending 30 September 2010. The gain arises from the Group's share of proceeds being greater than its share of net tangible assets diluted by the issue.

(a) Exchange rate used: S$1 = 0.47927 as at 30 June 2010.

11. Related parties

Identity of related parties

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

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

Transactions with ultimate holding company, and other related companies

The Group has a related party relationship with certain subsidiaries of Hong Leong Investment Holding Pte. Ltd ("Hong Leong"), which is the ultimate holding and controlling company of Millennium & Copthorne Hotels plc and holds 53% (2009: 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 2010 the Group had the following transactions with those subsidiaries as noted below:

The Group deposited certain surplus cash with Hong Leong Finance Limited, a fellow subsidiary undertaking, on normal commercial terms. Interest income of £0.002m (2009: £0.01m) was received during the period. As at 30 June 2010 £7.6m (2009: £11.6m) of cash was deposited with Hong Leong Finance Limited.

Rents of £0.1m (2009: £0.1m) 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 (2009: £0.1m).

Property management fees of £0.04m (2009: £0.04m) 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 (2009: £0.1m) was charged by RHI during the period and as at 30 June 2010, £0.02m (2009: £0.01m) was due to RHI.

For the half year ended 30 June 2010, fees paid/payable by the Group to Hong Leong Management Services Pte. Ltd, a subsidiary of Hong Leong amounted to £0.02m (2009: £0.02m). At 30 June 2010 £nil (2009: £nil) of fees payable was outstanding.

Management fees totalling £0.03m (2009: £0.03m) were received from CDL in respect of maintenance; fees of £0.05m (2009: £0.05m) relating to car parking, leasing commission and professional services were paid to CDL.

The Group provided a total of £0.01m (2009: £0.01m) hotel management services to a joint venture company of HL Global Enterprises Limited, a subsidiary of Hong Leong. As at 30 June 2010 £nil (2009: £0.001m) 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; and
- A variable rent computed based on the sum of 20% of each hotel's revenue and 20% of each hotel's gross operating profit for the prevailing financial year, less the sum of the fixed rent and the service charge. Should the calculation of the variable rent yield a negative figure, the variable rent is deemed to be zero.

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

	First Half 2010 £m	First Half 2009 £m
Copthorne King's Hotel	**2.0**	1.5
Orchard Hotel	**6.1**	4.6
M Hotel	**3.4**	2.5
Grand Copthorne Waterfront	**4.8**	3.7
	16.3	12.3

In addition to the lease of the four hotels mentioned above, the Group also leased a conference centre from CDLHT at a fixed rent of £0.1m (2009: £0.1m). This lease is for 5 years from July 2006.

11. Related parties (continued)

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 and/or cash at a rate of 1.0% of the value of new properties deposited with H-REIT. For the relevant period Manager's fees paid in stapled securities totalled £1.8m (2009: £1.4m), the balance payable in cash was £0.4m (2009: £0.3m) of which £0.2m (2009: 0.1m) is outstanding at 30 June 2010. Acquisition fees of £1.1m (2009: £nil) were paid in cash.

Interest receivable of £0.05m (2009: £0.05m) 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 515m Thai Baht (£10.6m) (2009: 500m Thai Baht (£8.9m)) to Fena Estate Company Limited ("Fena"), its 50% owned joint venture. At 30 June 2010, 503m Thai Baht (£10.3m) of the facility was drawn down (2009: 475m Thai Baht (£8.5m)). The loan attracts interest of 4.5% (2009: 4.5%) per annum and interest of £0.2m (2009: £0.2m) was accrued for in the period. This interest is rolled up into the carrying value of the loan.

In addition, the Group has provided a further US$2.0m (£1.4m) (2009: US$2.0m (£1.1m)) operator loan facility to Fena which was fully drawn down at 30 June 2010. The loan attracts interest of 0.75% per annum (2009: 0.75% to 2.5%). 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 £0.2m (2009: £0.1m). At 30 June 2010, £0.3m (2009: £0.1m) of management fees were outstanding.

The Group has provided hotel management services to Beijing Fortune Hotel Co. Ltd ("BFHC"); the Group's 30% owned joint venture. A total of £0.3m (2009: £0.2m) was charged to BFHC during the period, all of which was outstanding at 30 June 2010 (2009: £0.2m). In addition, as at 30 June 2010 BFHC owed £0.1m (2009: £0.03m) to the Group on account of certain hotel operating and other related expenses that had been paid by the Group to third parties.

Millennium & Copthorne Hotel Holdings (Hong Kong) Limited a 100% subsidiary of the Group, has 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 RMB 700m given to BFHC. At 30 June 2010, RMB 670m (£65.5m) (2009: RMB 500m (£44.4m)) of the facility has been drawn down.

The Group has a related party relationship with Mr Ali Al Zaabi, a minority shareholder of its operations in the Middle East. The Group paid £0.1m (2009: £0.1m) to Mr Al Zaabi for remuneration and other expenses of which £nil (2009: £0.01m) was outstanding at the period end. In addition £0.1m (2009: £0.2m) of incentive management fees were charged to the Kingsgate Abu Dhabi Hotel which is owned by Mr Al Zaabi of which £0.2m (2009: £0.06m) was outstanding at 30 June 2010.

Transactions with key management personnel

The beneficial interest of the Directors in the ordinary shares of the Company was 0.044% (2009: 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.

The key management personnel compensations are as follows:

	First Half 2010 £m £m	First Half 2009 £m £m
Short-term employee benefits	**1.6**	1.1
Other long-term benefits	**0.1**	-
Termination payments	**0.2**	-
Share-based payment	**0.9**	0.9
	2.8	2.0
Directors	**0.7**	0.6
Executives	**2.1**	1.4
	2.8	2.0

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

4 August 2010

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 2010 which comprises the condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in shareholders' equity, condensed consolidated interim statement of cash flows and the related explanatory notes. We have read the other information contained in the interim management report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim management report for the six months ended 30 June 2010 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

4 August 2010

APPENDIX 1: KEY OPERATING STATISTICS (UNAUDITED)
for the half year ended 30 June 2010

	First Half 2010 Reported Currency	First Half 2009 Constant currency	First Half 2009 Reported currency	Full Year 2009 Reported currency
Occupancy %				
New York	**84.6**		77.2	82.7
Regional US	**54.9**		54.4	55.8
Total US	**62.0**		59.8	62.2
London	**79.9**		83.9	84.2
Rest of Europe	**68.2**		65.8	66.9
Total Europe	**73.4**		73.8	74.6
Singapore	**84.8**		70.5	78.0
Rest of Asia	**73.5**		66.3	69.5
Total Asia	**78.5**		68.1	73.2
Australasia	**68.1**		63.0	62.4
Total Group	**70.1**		65.9	68.3
Average Room Rate (£)				
New York	**137.86**	133.12	136.38	143.43
Regional US	**63.52**	64.23	65.80	63.15
Total US	**87.93**	85.47	87.57	88.73
London	**101.58**	95.08	95.08	99.11
Rest of Europe	**73.54**	76.60	77.77	74.33
Total Europe	**87.05**	85.89	86.47	86.71
Singapore	**92.53**	83.47	80.51	75.43
Rest of Asia	**76.55**	75.99	70.91	69.34
Total Asia	**84.24**	79.33	75.20	72.14
Australasia	**51.79**	52.94	44.15	45.80
Total Group	**82.26**	80.04	78.69	78.51
RevPAR (£)				
New York	**116.63**	102.77	105.29	118.62
Regional US	**34.87**	34.94	35.80	35.24
Total US	**54.52**	51.11	52.37	55.19
London	**81.16**	79.77	79.77	83.45
Rest of Europe	**50.15**	50.40	51.17	49.73
Total Europe	**63.89**	63.39	63.81	64.69
Singapore	**78.47**	58.85	56.76	58.84
Rest of Asia	**56.26**	50.38	47.01	48.19
Total Asia	**66.13**	54.02	51.21	52.81
Australasia	**35.27**	33.35	27.81	28.58
Total Group	**57.66**	52.75	51.86	53.62
Gross Operating Profit Margin (%)				
New York	**21.3**		17.0	25.4
Regional US	**14.4**		15.8	16.5
Total US	**17.5**		16.3	20.6
London	**52.4**		50.7	52.7
Rest of Europe	**24.3**		26.7	25.6
Total Europe	**37.8**		38.1	38.8
Singapore	**54.1**		49.0	49.8
Rest of Asia	**39.9**		35.1	36.3
Total Asia	**47.0**		41.5	42.7
Australasia	**38.9**		37.9	37.6
Total Group	**35.4**		32.4	34.2

For comparability the 30 June 2009 Room Rate and RevPAR have been translated at 30 June 2010 exchange rates.

APPENDIX 2: KEY OPERATING STATISTICS (UNAUDITED)
for the second quarter ended 30 June 2010

	Second Quarter 2010 Reported currency	Second Quarter 2009 Constant currency	Second Quarter 2009 Reported currency
Occupancy %			
New York	**92.8**		90.0
Regional US	**60.8**		59.5
Total US	**68.5**		66.8
London	**85.4**		88.9
Rest of Europe	**71.4**		68.3
Total Europe	**77.6**		77.4
Singapore	**86.7**		70.6
Rest of Asia	**75.1**		64.5
Total Asia	**80.4**		67.1
Australasia	**58.5**		51.3
Total Group	**72.9**		67.6
Average Room Rate (£)			
New York	**148.94**	131.73	129.31
Regional US	**68.40**	68.54	67.29
Total US	**94.65**	89.03	87.40
London	**106.89**	97.24	97.24
Rest of Europe	**73.61**	73.88	74.58
Total Europe	**89.82**	85.74	86.08
Singapore	**96.51**	79.46	72.05
Rest of Asia	**80.89**	79.84	71.49
Total Asia	**88.60**	79.67	71.74
Australasia	**49.13**	49.15	40.45
Total Group	**87.07**	81.84	78.40
RevPAR (£)			
New York	**138.22**	118.56	116.38
Regional US	**41.59**	40.78	40.04
Total US	**64.84**	59.47	58.38
London	**91.28**	86.45	86.45
Rest of Europe	**52.56**	50.46	50.94
Total Europe	**69.70**	66.36	66.63
Singapore	**83.67**	56.10	50.87
Rest of Asia	**60.75**	51.50	46.11
Total Asia	**71.23**	53.46	48.14
Australasia	**28.74**	25.21	20.75
Total Group	**63.47**	55.32	53.00
Gross Operating Profit Margin (%)			
New York	**30.4**		25.1
Regional US	**21.5**		22.6
Total US	**25.5**		23.7
London	**55.4**		53.9
Rest of Europe	**25.6**		27.3
Total Europe	**40.5**		40.7
Singapore	**54.7**		47.7
Rest of Asia	**41.0**		35.6
Total Asia	**47.8**		41.0
Australasia	**29.8**		26.3
Total Group	**37.9**		34.1

For comparability the 30 June 2009 Room Rate and RevPAR have been translated at 30 June 2010 exchange rates.

APPENDIX 3: HOTEL ROOM COUNT AND PIPELINE (UNAUDITED)
for the half year ended 30 June 2010

Hotel and room count	Hotels			Rooms		
	30 June 2010	31 December 2009	30 June 2009	**30 June 2010**	31 December 2009	30 June 2009
Analysed by region:						
New York	**3**	3	3	**1,746**	1,746	1,746
Regional US	**16**	16	16	**5,727**	5,727	5,727
London	**7**	7	7	**2,487**	2,487	2,487
Rest of Europe	**18**	18	18	**3,229**	3,231	3,231
Middle East	**8**	8	8	**2,407**	2,416	2,416
Singapore	**6**	5	5	**2,750**	2,390	2,390
Rest of Asia	**17**	17	16	**7,570**	7,594	7,196
Australasia	**30**	30	30	**3,533**	3,533	3,533
Total	**105**	104	103	**29,449**	29,124	28,726
Analysed by ownership type:						
Owned and leased	**67**	66	67	**20,646**	20,288	20,809
Managed	**19**	19	18	**4,519**	4,526	4,183
Franchised	**13**	13	13	**1,883**	1,883	1,883
Investment	**6**	6	5	**2,401**	2,427	1,851
Total	**105**	104	103	**29,449**	29,124	28,726
Analysed by brand:						
Grand Millennium	**4**	4	4	**1,648**	1,657	1,657
Millennium	**40**	40	39	**14,160**	14,158	13,815
Copthorne	**35**	35	35	**7,126**	7,128	7,128
Kingsgate	**14**	14	14	**1,425**	1,425	1,425
Other M&C	**5**	4	4	**1,882**	1,522	1,522
Third party	**7**	7	7	**3,208**	3,234	3,179
Total	**105**	104	103	**29,449**	29,124	28,726

Pipeline	Hotels			Rooms		
	30 June 2010	31 December 2009	30 June 2009	**30 June 2010**	31 December 2009	30 June 2009
Analysed by region:						
Regional US	**1**	1	1	**250**	250	250
Rest of Europe	**3**	3	3	**639**	639	614
Middle East	**24**	20	15	**7,565**	6,743	5,789
Singapore	**-**	1	1	**-**	365	370
Rest of Asia	**2**	2	2	**364**	364	483
Total	**30**	27	22	**8,818**	8,361	7,506
Analysed by ownership type:						
Owned or leased	**2**	3	3	**370**	735	740
Managed	**28**	24	19	**8,448**	7,626	6,766
Total	**30**	27	22	**8,818**	8,361	7,506
Analysed by brand:						
Grand Millennium	**2**	2	1	**1,423**	1,423	573
Millennium	**15**	13	12	**3,988**	3,700	4,266
Copthorne	**3**	3	1	**480**	480	240
Kingsgate	**4**	3	3	**892**	752	752
Other M&C	**6**	6	5	**2,035**	2,006	1,675
Total	**30**	27	22	**8,818**	8,361	7,506

The Group also signed four management contracts with one in Jordan, one in Oman, one in Qatar and one in the United Arab Emirates. These properties are due to open between 2010 and 2012 and account for 1,034 additional rooms. After the opening of Studio M and some changes to projected room counts, the number of rooms in the Group's worldwide pipeline is 8,818 rooms (30 hotels).

APPENDIX 4: RISK FACTORS (UNAUDITED)

The information contained in this appendix is an extract from the extract from the Annual Report and Accounts for the year ended 31 December 2010 and sets out the some of the risks that could have a material effect on the Group's business activities at the date of this report and the systems and processes the Group have in place to manage and mitigate these risks. Not all potential risks are listed. Some of the risks are excluded because the Board considers them not material to the Group as a whole. Additionally, there may be risks that are not reasonably foreseeable at the date of this report for the Group to assess fully their potential on the business. The order in which risks are presented below is not indicative of the relative impact on the Group. The potential effect of these risks may be material to the Group's business by having an impact on revenues, profits, net assets and financial resources. Such risks also have the potential to impact the Group's reputation. It is often difficult to assess with accuracy the likely impact of an event on the Group's reputation, as any damage may often be disproportionate to the event's actual financial impact.

Political and economic developments

Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risk could include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets. Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short. Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity and implement steps to minimise exposure to the greatest extent possible.

Events that Adversely Impact Domestic or International Travel

Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localised to a particular country, region or could have a wider international perspective. Reduced demand will impact on revenues and operational profitability. The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.

The Hotel Industry and Demand Cycle

The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room-supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance. The Group has management systems in place designed to create flexibility in the operating cost base so as to optimise operating profits in volatile trading conditions.

The Ability to Borrow and Satisfy Debt Covenants

The Group utilises a variety of financial instruments to fund its operational cash requirements and to maintain balance sheet efficiency. The availability of funds is determined by conditions prevalent in the capital market and its assessment of the Group. If the Group does not meet the financial performance expected by the market or fails to meet specific covenants in facility agreements, it may have existing facilities withdrawn, may not be able to secure future funding or it may not secure future funding on terms it finds favourable. The Group maintains relationships with a number of banks and other financial institutions designed to create a wide pool of potential funders. Notwithstanding the strength of the Group's relationships with its banking partners, the availability of future funding may be influenced by factors beyond the Group's control such as unforeseen economic events having an impact on credit market liquidity.

Litigation

The Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements, the provision of services or failure to comply with regulatory requirements, such as health and safety regulations. The Group has processes in place to manage the risks associated with its various contractual relationships and appropriate compliance programmes necessary to provide assurance in respect of regulatory obligations.

Intellectual Property Rights and Brands

Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The trend towards managing third-party properties, primarily in the Middle East region, increases the risk that product quality may not be delivered in accordance with brand standards. This may increase the Group's exposure to litigation, increase risks to the reputation of the Group's brands, reduce revenues and become an inhibiting factor on ongoing development. Management seeks to ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.

Management Agreements

An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focusing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward. The Group has a management team in the Middle East region with the necessary skills and resources to pursue this element of the Group's strategy.

Key Personnel

Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude. Development and maintenance of a Group culture, recognition systems, compensation and benefits arrangements, training and development all play leading roles in minimising this risk. The Group has appropriate systems for recruitment, reward and compensation, performance management and succession planning.

Information Technology Systems and Infrastructure

The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. In order to maintain its competitiveness within the market place the Group needs to ensure its IT support systems deliver the necessary trading platforms and provide management with accurate and timely information. Planned investment in new systems is undertaken following periodic needs analysis which consider matters such as system obsolescence, business efficiency and system security. Crisis management and disaster recovery plans are in place for business critical systems.

Property Ownership

The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires ongoing investment in the form of preventative maintenance, refurbishment, existing and new capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located. The Group is formalising its asset management capability in order to develop property specific asset management plans.

Insurance

The Group maintains insurance cover appropriate to its risk profile after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the markets' underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers' security ratings. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.

Tax and Treasury Risk

The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences to the Group's profits. Similarly the Group's interpretation and application of various tax laws may be challenged, with the possible result that the Group is required to pay unforeseen tax liabilities. The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value. Interest rate derivatives are used to manage interest rate risk, to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing of such derivatives. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. The Group extends lines of credit to its customers and has liquid short-term investments with various counterparties. Credit control processes exist to set appropriate credit limits for customers, assess their credit worthiness and monitor payments against agreed terms. Investments in short-term instruments are with such counterparties approved by the Board taking into account the counterparty's credit rating and a maximum limit as to the amount that may be deposited.