



MILLENNIUM & COPTHORNE HOTELS PLC

INTERIM MANAGEMENT REPORT Second quarter and half year results to 30 June 2008

Millennium & Copthorne Hotels plc today announces second quarter and half year results to 30 June 2008 together with a trading update. The Group owns, manages and franchises a portfolio of hotels located in the United States, Europe, Middle East, Asia and New Zealand.

PERFORMANCE HIGHLIGHTS

Second quarter

- Revenue growth of 2.1% (constant currency)¹ to £177.7m; Hotel revenue growth of 4.8% (constant currency)¹ to £176.1m
- Group RevPAR[#] up by 4.9% (constant currency)¹ to £58.19
- Hotel gross operating profit up 8.0% to £70.0m (2007: £64.8m) and gross operating margin improved 0.2 percentage points to 39.8% (2007: 39.6%)
- Property operations recorded a loss of £0.6m compared with a £2.2m profit in 2007
- Headline profit before tax up 3.7% to £36.4m (2007: £35.1m) ²
- Headline operating profit down 0.5% to £39.5m (2007: £39.7m) ²
- Profit before tax up 8.2% to £38.3m

First half

- Revenue growth of 2.2% (constant currency)¹ to £338.4m; Hotel revenue growth of 4.9% (constant currency)¹ to £334.5m
- Group RevPAR[#] up by 6.0% (constant currency)¹ to £54.91; Group RevPAR[#] up by 8.3% (reported currency)¹ to £54.91
- Hotel gross operating profit up 9.8% to £126.0m (2007: £114.8m) and gross operating margin improved 0.8 percentage points to 37.7% (2007: 36.9%)
- Property operations recorded a loss of £0.2m compared with a £4.5m profit in 2007
- Headline operating profit up 6.1% to £67.6m (2007: £63.7m) ²
- Profit before tax up 9.2% to £60.3m; Headline profit before tax up 9.2% to £58.4m (2007: £53.5m) ²
- Basic earnings per share down 24.4% to 13.6p (2007: 18.0p); Headline earnings per share up 13.2% to 12.9p (2007: 11.4p)³
- Interim dividend of 2.08p maintained
- Interest cover was 13.7 times, with gearing down to 17.7% from 18.3%
- Opened three hotels in China and four hotels in the Middle East

Commenting today, Mr Kwek Leng Beng, Chairman said:

“Our half year 2008 results are in line with the Board’s expectations. Excluding property operations in Australasia where there is a slowdown in general market conditions, the Group profit before tax increased by 17.1%. Within the hotel operations, strong performance in Singapore, New York and London was offset by slower growth in Regional UK and New Zealand and the impact of refurbishing our hotels in Boston and Chicago. In particular, Singapore has experienced healthy growth with a RevPAR increase of 33.3% over last year.

Going forward, we note that the rate of growth has slowed in Asia in June and July 2008. In this uncertain economic environment, it is imperative that the Group remains ever more vigilant in controlling costs and be able to react quickly to the changing market conditions. Meanwhile, the RevPAR growth trend of the second quarter has continued into the third quarter with RevPAR up by 6.7% in the month of July.”

Enquiries:

Millennium & Copthorne Hotels plc

Richard Hartman, Chief Executive Officer
Beng Lan Low, Senior Vice President Finance

Tel: +44 (0) 20 7872 2444

Buchanan Communications

Tim Anderson/Charles Ryland/Rebecca Dietrich

Tel: +44 (0) 20 7466 5000

Analyst briefing

A meeting for analysts will be held at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE today at 9.30am.

¹ For comparability, statistics for 2007 have been translated at average exchange rates for the period ended 30 June 2008

² Adjusted to exclude other operating income of the Group, joint ventures and associates

³ Adjusted to exclude other operating income (net of tax) and for 2007, the effect of change in UK tax legislation to remove claw back on hotel tax allowances and changes in tax rates on deferred taxes

⁴ The Group believes that headline operating profit, headline profit before tax and headline earnings per share provide useful and necessary information on underlying trends to shareholders, the investment community and are used by the Group for internal performance analysis. Reconciliation of these measures to the closest equivalent GAAP measures are shown in notes 8 and 11 to the interim management report

RevPAR – average room rate multiplied by occupancy percentage

CHAIRMAN'S STATEMENT

Our half year 2008 results are in line with the Board's expectations. Excluding property operations in Australasia where there is a slowdown in general market conditions, the Group profit before tax increased by 17.1%. Within the hotel operations, strong performance in Singapore, New York and London was offset by slower growth in Regional UK and New Zealand and the impact of refurbishing our hotels in Boston and Chicago. In particular, Singapore has experienced healthy growth with a RevPAR increase of 33.3% over last year.

Financial Performance

Profit before tax increased by 9.2% to £60.3m as compared with £55.2m for 2007. Headline profit before tax, the Group's measure of underlying profit before tax, also increased by 9.2% from £53.5m to £58.4m. Both of these measures have been impacted by a marked fall in revenue from the Group's property operations, in particular those relating to the Australasia region where the real estate market continues to remain soft. Group property revenue fell by £7.4m resulting in a fall in profit of £4.7m.

Headline earnings per share increase by 13.2% to 12.9p (2007: 11.4p).

Hotel reported revenue was £334.5m or 7.5% higher than the 2007 revenue of £311.1m. Hotel revenue, at constant rates of exchange, grew by £15.6m or 4.9% with the impact of strong demand in Singapore and New York being offset by refurbishing hotels in Boston and Chicago.

Group RevPAR for the half year increased by 6.0% to £54.91 and average room rate grew by 8.1% to £76.47, both at constant rates of exchange with Group occupancies falling by 1.4 percentage points. Hotel gross operating profit increased by 9.8% to £126.0m (2007: £114.8m) and gross operating margin improved 0.8 percentage points to 37.7% (2007: 36.9%).

Dividend

The Board is recommending an interim dividend of 2.08p per share (2007: 2.08p).

Developments

Expansion in Asia continues. In China the Millennium Harbourview Hotel Xiamen, a 352-room property, was contracted under a franchise agreement in January 2008. The hotel was formerly the Crowne Plaza Harbourview Hotel Xiamen. In April 2008 the Group opened its fourth Grand Millennium property, the 521-room Grand Millennium Beijing in China, and in May 2008 the Copthorne Hotel Qingdao, a 453-room property, was contracted under a franchise agreement. The hotel was formerly Hotel Equatorial Qingdao. The Group has in total four properties in China. A further two hotels operating under management contracts will open in China later this year in Chengdu and Wuxi.

In the Middle East the Group opened four new properties under management contracts in the first half under three brands which are all new to the Middle East. The first property is the Grand Millennium Dubai which is the third property in the Group to be launched under the Grand Millennium brand. With 352 rooms, the Grand Millennium Dubai combines world class business and leisure facilities, offering guests an unprecedented level of service. The second is the Copthorne Hotel Dubai which has 163 rooms offering views over Dubai Creek and surrounding parks from private balconies. The third is the Al Jahrah Copthorne Hotel & Resort, the Group's first property in Kuwait. The Group opened its fourth property, the 108-room Kingsgate Abu Dhabi Hotel marking the first property trading under the Kingsgate brand outside of New Zealand.

The Group also announced the signing of a further eight management contracts, with seven in the United Arab Emirates and one in Kuwait. These properties are due to open between 2009 and 2011 and account for almost 2,300 additional rooms. This brings the number of rooms in the Group's worldwide pipeline to 5,517 rooms (19 hotels).

In January, the Group commenced a combined US\$50.0m (£25.1m) renovation project at the Millennium Bostonian in Boston and the Millennium Knickerbocker in Chicago to completely transform both hotels to bring a stylish, high quality upscale look to both properties. Completion of both hotels is expected in August 2008 with the exception of the Knickerbocker lobby area that is due to be completed in the first quarter of 2009.

Disposal of CDL Hotels (Korea) Limited

On 24 June 2008, the Group announced the proposed disposal of CDL Hotels (Korea) Limited, a wholly owned subsidiary of M&C with one principal asset, namely the Millennium Seoul Hilton Hotel. The total sale consideration for the 100% holding in the issued share capital in CDL Hotels (Korea) Limited has been agreed at KRW 468.6 billion (or approximately £232.6 million based on an exchange rate of £1 to KRW 2,014.9), subject to certain completion adjustments. Details of the transaction are contained in the circular dated 22 July 2008 sent to shareholders for approval at an extraordinary general meeting to be held today. Completion of the proposed disposal is expected to take place on 30 September 2008 (or such other date as the parties shall agree).

Outlook

Going forward, we note that the rate of growth has slowed in Asia in June and July 2008. In this uncertain economic environment, it is imperative that the Group remains ever more vigilant in controlling costs and be able to react quickly to the changing market conditions. Meanwhile, the RevPAR growth trend of the second quarter has continued into the third quarter with RevPAR up by 6.7% in the month of July.

The Board believes that the Group, with its diversified geographical spread, strong balance sheet and low gearing, is in a position to take advantage of any attractive opportunities that may arise.

Kwek Leng Beng
Chairman
6 August 2008

To the members of Millennium & Copthorne Hotels plc

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

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

The IMR has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters which are significant to Millennium & Copthorne Hotels plc and its subsidiary undertakings when viewed as a whole. The IMR discusses the following aspects of the business: operations; long-term strategy and business objectives; the results for the half year ended 30 June 2008; risks and uncertainties facing the Group during the second half of the 2008 financial year, and the future outlook for the Group.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended 30 June 2008 £m	Three months ended 30 June 2007 £m	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
Financial information					
Revenue	177.7	169.3	338.4	322.4	669.6
Operating profit	38.8	38.9	64.5	62.4	171.5
Profit before tax	38.3	35.4	60.3	55.2	157.4
Profit for the period	29.0	43.6	45.3	58.4	159.5
Basic earnings per share (pence)	8.8p	13.8p	13.6p	18.0p	50.7p
Performance reporting					
Hotel gross operating profit	70.0	64.8	126.0	114.8	248.7
Hotel operating profit	39.7	37.1	66.9	58.9	140.5
Headline operating profit	39.5	39.7	67.6	63.7	140.2
Headline profit before tax	36.4	35.1	58.4	53.5	118.3
Headline earnings per share (pence)	8.2p	7.6p	12.9p	11.4p	30.9p
Net debt ¹			263.3	235.7	262.1
Gearing (%)			17.7%	18.0%	18.3%
Operational					
RevPAR growth at constant rates of exchange ²	4.9%	9.3%	6.0%	8.9%	9.7%
Occupancy movement (percentage points)	(0.8%)	(0.2%)	(1.4%)	-	(0.4%)
Average room rate growth at constant rates of exchange ²	6.1%	9.6%	8.1%	8.9%	10.1%
Hotel revenue growth at constant rates of exchange ²	4.8%	10.1%	4.9%	10.4%	9.0%
Hotel operating profit growth at constant rates of exchange ²	5.3%	19.8%	11.1%	22.7%	22.1%

¹ Refer to note 11 of the Interim management report

² For comparability, statistics for three months and six months ended 30 June 2007 have been translated at average exchange rates for the period ended 30 June 2008

Second quarter overview

For the second quarter to 30 June 2008, profit before tax increased by 8.2% to £38.3m (2007: 35.4m). Headline profit before tax, the Group's measure of underlying profit before tax, increased by 3.7% from £35.1m to £36.4m. Headline operating profit declined by 0.5% to £39.5m. These measures have been impacted by the poor performance of the property operations.

Basic earnings per share were 8.8p, down 36.2% (2007: 13.8p) with headline earnings per share at 8.2p showing a 7.9% increase on the prior year (2007: 7.6p).

Summary of half year performance

Profit before tax increased by 9.2% to £60.3m as compared with £55.2m for 2007. Headline profit before tax, the Group's measure of underlying profit before tax, increased by 9.2% from £53.5m to £58.4. Both of these measures have been impacted by a marked fall in revenue from the Group's property operations, in particular those relating to the Australasia region where the real estate market continues to remain soft. Property revenue fell by £7.4m resulting in a fall in profit of £4.7m

Basic earnings per share were 13.6p, down 24.4% (2007: 18.0p) with headline earnings per share up 13.2% at 12.9p (2007: 11.4p). Hotel gross operating profit increased by 9.8% to £126.0m (2007: £114.8m) and gross operating margin improved 0.8 percentage points to 37.7% (2007: 36.9%).

Revenue

Group reported revenue was £338.4m or 5.0% higher than the 2007 revenue of £322.4m. In constant currency terms, Group revenue increased by 2.2% to £338.4m. The effect of translating the 2007 half year revenue at 2008 average exchange rates is to increase 2007 reported revenue by £8.6m, and hence reduce the growth rate between 2008 and 2007, driven mainly by a strengthening of the Singapore dollar, New Zealand dollar and Euro, offset by a weakening US dollar.

Hotel reported revenue was £334.5m or 7.5% higher than the 2007 revenue of £311.1m. Hotel revenue, at constant rates of exchange, grew by £15.6m or 4.9% with the impact of strong demand in New York and Singapore being offset by refurbishing hotels in Boston and Chicago.

Group RevPAR for the half year increased by 6.0% to £54.91 and average room rate grew by 8.1% to £76.47, both at constant rates of exchange with Group occupancies falling by 1.4 percentage points. Whilst the Group's strategy continues to be one of driving rates at the expense of occupancy in the appropriate markets, there has been evidence of falling demand in some of the weaker markets in the Group's portfolio. Hotel gross operating profit increased by 9.8% to £126.0m (2007: £114.8m) and gross operating margin improved 0.8 percentage points to 37.7% (2007: 36.9%).

Headline operating profit

Headline operating profit is the Group's measure of the underlying profit before interest and tax. It includes the operating results of joint ventures and associates but excludes other operating income (of Group and share of joint ventures and associates). Headline operating profit for the period grew by 6.1% from £63.7m to £67.6m. Consistent with the impact on revenue, currency movements had a £1.7m positive impact on headline operating profit. Excluding the effect of currency movement, headline operating profit grew 3.5% over last year.

Share of profit in joint ventures and associates

In 2008 the Group's share of operating profit of joint ventures and associates decreased by £0.7m (11.1%) compared with 2007. This primarily reflected the exchange losses in CDL Hospitality Trust ('CDLHT'), start up costs at the Grand Millennium Beijing in which the Group has a 30% effective interest, and which opened in April 2008 as well as losses from First Sponsor Capital Limited (the Group's associate with business undertaking in China formed in September 2007). These were offset by increased operating profits from CDLHT and New Unity (the Group's Hong Kong joint venture).

Other operating income

Other operating income of the Group for 2008 of £1.3m related to a gain on acquiring minority interests at a discount to fair value. The other operating income for 2007 of £1.4m consisted of a £1.0m release of property tax provision set aside on the acquisition of Regal Hotels in 1999 and a £0.4m profit on the disposal of stapled securities in CDLHT.

Taxation

The total Group income tax expense excluding the income tax relating to joint ventures and associates is £15.0m (2007: £3.2m tax credit). The estimated annual effective rate applied to profit before tax excluding the Group's share of joint ventures and associates profits is 27.4%. (2007: 30.1% excluding the Group's share of joint venture and associate profits and the impact of tax credit adjustments arising from changes in tax legislation and tax rates). The decrease in effective tax rate is principally due to the different geographical mix of business in the two periods. The 2007 income tax includes a tax credit of £17.9m comprising a change in UK tax legislation and reduction in tax rates.

A tax charge of £1.2m (2007: £0.6m) relating to joint ventures and associates is included in the reported profit before tax.

Net finance expense

The net finance expense of £4.2m was £3.0m lower than that of 2007. The interest cover ratio, excluding share of results of joint ventures and associates and other operating income improved from 7.6 times in 2007 to 13.7 times in 2008. The reduction in net finance cost of £3.0m principally reflects a £2.0m exchange gain and lower cost of debt.

Earnings per share

Basic earnings per share reduced by 4.4p to 13.6p (2007: 18.0p). Headline earnings per share increased by 1.5p to 12.9p (2007: 11.4p). The table below reconciles basic earnings per share to headline earnings per share.

	Half year ended 30 June 2008 pence	Half year ended 30 June 2007 pence
Reported basic earnings per share	13.6	18.0
Other operating income		
- Group	(0.5)	-
- Share of joint ventures and associates	(0.2)	(0.1)
Release of property tax provision	-	(0.3)
Change in tax legislation on hotel tax allowances	-	(4.5)
Change in tax rates on opening deferred taxes	-	(1.7)
Headline earnings per share	12.9	11.4

Dividend

The Board recommends an interim dividend of 2.08p per share. The interim dividend will be paid on 8 October 2008 to those shareholders on the register at the close of business on 15 August 2008. The ex-dividend date of the Company's shares is 13 August 2008.

PERFORMANCE BY REGION

For comparability, the following regional review is based on calculations in constant currency whereby 30 June 2007 average room rate, RevPAR, revenue, gross operating profit and headline operating profit have been translated at average exchange rates for the half year ended 30 June 2008.

UNITED STATES

New York

RevPAR increased by 5.9% to £123.76 (2007: £116.86 at constant rates of exchange). Rate continues to remain the primary driver of this increase, with all three hotels posting a combined average rate of £147.33, a 5.5% increase (2007: £139.62). Overall occupancy showed a small increase of 0.3 percentage points, arising from an increased occupancy at the Millennium Broadway offset by lower occupancies at our other two New York properties. The benefits of this rate driven strategy was to drive gross operating profit margins up 0.5 percentage points to 37.6% (2007: 37.1%).

Regional US

RevPAR fell by 5.7% to £30.53 (2007: £32.37). This was primarily due to two major renovation projects at the Millennium Bostonian Hotel Boston and the Millennium Knickerbocker Hotel Chicago, with a combined room count loss of just over 55,000 room nights. Excluding both these properties from 2007 and 2008 statistics would have increased RevPAR by 4.2% to £30.36 (2007: £29.13), driven by a 5.2% increase in rate to £47.43 (2007: £45.10) and a small fall in occupancy of 0.6 percentage points to 64.0%.

EUROPE

London

RevPAR increased by 4.4% to £81.80 (2007: £78.34). This was driven by a 6.3% increase in average rate to £99.03 (2007: £93.15) but at the expense of a 1.5 percentage point fall in occupancy to 82.6% (2007: 84.1%). Average rate increased in all five properties although this was at the expense of occupancy at four of these properties.

Rest of Europe

RevPAR increased by 2.2% to £56.48 (2007: £55.25). Occupancy fell by 0.9 percentage points, but average rate increased by 3.5% to £79.66 (2007: £76.95).

Regional UK

Demand remains weak throughout the region and nine out of the eleven properties experienced lower occupancy levels resulting in an overall decrease in occupancy of 4.7 percentage points. Average rate increased modestly by 3.6% to £74.44 (2007: £71.88). The resultant RevPAR fell by 2.7% to £54.12 (2007: £55.64).

France & Germany

RevPAR increased by 10.3% to £60.29 (2007: £54.87) driven by both increased average rate and occupancy. Occupancy increased by 5.2 percentage points to 68.1% (2007: 62.9%) while rate increased by 1.9% to £88.53 (2007: £86.91). The strongest growth has arisen in Germany where new theatre productions at Stuttgart and trade fairs in Hannover have helped increase occupancy and rate.

ASIA

RevPAR increased by 17.0% to £57.46 (2007: £49.12) driven by a 16.1% increase in average rate to £75.21 (2007: £64.80) and modest occupancy growth of 0.6 percentage points to 76.4%.

Singapore

Singapore has continued to show strong growth although this has slowed down slightly in the second quarter. The first half RevPAR has increased by 33.3% to £73.15 (2007: £54.87) driven by a 34.6% increase in average rate to £86.36 (2007: £64.18), offset by a fall in occupancy from 85.5% to 84.7%

Rest of Asia

RevPAR increased by 1.9% to £45.66 (2007: £44.79). This was driven by occupancy increasing by 2.3 percentage points to 70.1% due primarily to the refurbishment of the Grand Millennium Kuala Lumpur and offset by weakening markets in Seoul and Taipei.

CDLHT

At 30 June 2008, the Group had a 38.6% interest in CDLHT, a Singapore-listed REIT and it also acts as manager of the REIT. Both our REIT management fee and share of profits increased year on year by a combined 14.3% (before last year's £0.4m gain on disposal of stapled securities). Last year also benefited from a £0.4m fee relating to the acquisition of the Novotel Clark Quay.

AUSTRALASIA

Hotels

RevPAR increased by 4.6% to £33.12 (2007: £31.66). This was achieved through a 6.0% increase in average rate to £47.79 (2007: £45.10) but with a small 0.9 percentage point fall in occupancy to 69.3%. Much of this RevPAR growth comes from the Copthorne Hotel Wellington Oriental Bay, which underwent an extensive refurbishment last year. Overall RevPAR would have declined by 0.3% with this hotel excluded from both 2007 and 2008 figures.

Property Operations

In constant currency, profits from the Group's New Zealand landbank and sale of Zenith apartments in Sydney fell by £4.0m to £0.6m. This principally reflected the credit crunch and a slow down in the general property market conditions in New Zealand.

FINANCIAL POSITION AND RESOURCES

Balance Sheet

	As at 30 June 2008 £m	As at 31 December 2007 £m	Change £m
Property, plant, equipment and lease premium prepayment	1,709.9	1,799.0	(89.1)
Investment properties	61.2	58.2	3.0
Investments in and loans to joint ventures and associates	290.5	253.0	37.5
Other non-current assets	4.9	4.8	0.1
Non-current assets	2,066.5	2,115.0	(48.5)
Current assets excluding cash and assets classified as held for sale	143.5	142.9	0.6
Assets classified as held for sale and associated liabilities (excluding net debt)	111.5	-	111.5
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings and liabilities associated with assets classified as held for sale	(258.6)	(236.3)	(22.3)
Net debt	(263.3)	(262.1)	(1.2)
Deferred tax liabilities	(193.0)	(205.8)	12.8
Net assets	1,606.6	1,553.7	52.9
Equity attributable to equity holders of the parent	1,484.1	1,423.5	60.6
Minority interest	122.5	130.2	(7.7)
Total equity	1,606.6	1,553.7	52.9

Non-current assets

Property, plant, equipment and lease premium prepayment

Property, plant, equipment and lease premium prepayment decreased by £89.1m. The main contributor to the decrease was the reclassification of £126.3m of property, plant and equipment of CDL Hotels (Korea) Limited as 'assets classified as held for sale' (refer to note 12 of notes to the condensed consolidated interim financial statements). The Group also invested £14.0m on buying the freehold interest of the Copthorne Hotel Auckland Harbour City and incurred £11.3m as part of a US\$50m renovation project at the Millennium Bostonian in Boston and the Millennium Knickerbocker in Chicago to completely transform both properties.

Investments in and loans to joint ventures and associates

The increase in investments in and loans to joint ventures and associates of £37.5m comprise additional investments in First Sponsor Capital Limited of £23.0m and CDLHT of £1.7m (management fees paid in stapled units), an attributable share of profit for the period of £5.6m, foreign exchange translation adjustments of £12.5m less dividends received of £5.3m.

Assets classified as held for sale and associated liabilities (excluding net debt)

An agreement has been reached with Kangho AMC Co. to dispose of the Group's 100% holding in CDL Hotels (Korea) Limited, with completion of the transaction expected to take place on 30 September 2008 (or such other date as the parties shall agree).

Assets classified as held for sale and associated liabilities represent the net assets of CDL Hotels (Korea) Limited which owns the hotel business undertaking of the Millennium Seoul Hilton Hotel and which have been consolidated in the financial statements of the Group, they exclude £19.4m of shareholder loan from fellow subsidiary (CDL Hotels (Labuan) Limited) which would be repaid to the Group by the buyer on completion of the disposal. Net debt of £26.6m has been excluded from the net assets held for sale figure above and instead included in the Group net debt figure.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow and net debt

At 30 June 2008 the Group's net debt was £1.2m higher than at 31 December 2007 at £263.3m. The factors contributing to this increase are shown in the table below.

	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m
Cash flows from operating activities before changes in working capital, provisions, interest and tax	72.9	70.9
Changes in working capital and provisions	(12.6)	(2.8)
Interest and tax	(19.4)	(15.5)
Acquisition of property, plant and equipment	(36.4)	(29.8)
Proceeds from sale of property, plant and equipment	0.3	0.1
Free cash flow	4.8	22.9
Investment in joint ventures and associates	(24.7)	-
Increase in loan to joint venture	-	(0.6)
Deposit received on future subsidiary sale - CDL Hotels (Korea) Limited	28.8	-
Dividends from associates	5.3	2.7
Dividends paid - to equity holders of the parent	(8.7)	(7.6)
- to minority interests	(3.2)	(2.2)
Other movements	(3.5)	9.5
(Increase)/decrease in net debt	(1.2)	24.7
Opening net debt	(262.1)	(260.4)
Closing net debt	(263.3)	(235.7)

The Group invested £36.4m in its properties including £11.3m renovating its hotels in Boston and Chicago as previously noted. The Group also received £28.8m as cash deposit for the sale of CDL Hotels (Korea) Limited. The remainder of the sale consideration will be paid in cash on completion.

Free cash flow is defined as the net increase in cash and cash equivalents less flows from financing activities and flows from the acquisitions or disposal of subsidiaries/operations, joint ventures or associates. It is a Non-GAAP measure since it

is not defined under IFRS, but is used by management in order to assess operational performance. A reconciliation of net cash flow from operating activities, the closest equivalent GAAP measure, to free cash flow is provided below:

	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m
Net cash from operating activities	40.9	52.6
Proceeds from sale of property, plant and equipment	0.3	0.1
Acquisition of property, plant and equipment	(36.4)	(29.8)
Free cash flow	4.8	22.9

Financial structure

Interest cover ratio, excluding share of results of joint ventures and associates and other operating income improved from 7.6 times in 2007 to 13.7 times in 2008. The reduction in net finance cost of £3.0m principally reflects a £2.0m exchange rate gain and lower cost of debt.

At 30 June 2008, the Group had £151.2m of undrawn and committed facilities available, including a committed revolving credit facilities which provides the Group with the financial flexibility to draw and repay loans at will, and to react swiftly to investment opportunities. The Group also has £44.9m of uncommitted facilities.

The net book value of the Group's unencumbered properties as at 30 June 2008 was £1,662.8m (31 December 2007: £1,611.9m).

At 30 June 2008 total borrowing amounted to £409.9m of which £63.4m was drawn under £84.6m of secured bank facilities.

Net proceeds from the proposed disposal of CDL Hotels (Korea) Limited is estimated at £190m (at an exchange rate of £1 to KRW 2,033.96 prevailing at 30 June 2008). It is intended that the proceeds from the aforementioned disposal will be applied for one or more of the following purposes:

- to pay down existing debt;
- to provide resources to invest in opportunities (including acquisitions) as they arise; and/or
- to earn income from the Group's increased cash resources.

Future funding

With the Group's modest gearing levels, high interest cover, £151.3m of undrawn and committed facilities, the anticipated balance of net sale proceeds from CDL Hotels (Korea) of approximately £190m, the Group is confident that it will be able to finance its planned capital commitments.

Pension plans

The Group's major defined benefit plans are those operated in the UK, Korea and Taiwan. Due to their relatively small size and cost to obtain, no formal professional actuarial valuation was obtained for interim purposes. Values attributed to the plans were evaluated by extrapolation of latest information from the actuary. No actuarial gains or losses arising in respect of those plans were deemed necessary.

Related parties

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

RISKS AND UNCERTAINTIES

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

The full range of risks and uncertainties facing the Group is discussed at length in the Group's 2007 annual report (a copy of which is available on the Company's website at www.millenniumhotels.com) and these still remain the most likely areas of potential risk and uncertainty with the position largely unchanged from that set out in the 2007 annual report where the following areas were covered:

- litigation
- intellectual property rights and brands
- management agreements
- key personnel

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

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

Kwek Leng Beng
Chairman
6 August 2008

**Condensed consolidated interim income statement (unaudited)
for the half year ended 30 June 2008**

	Notes	Three months ended 30 June 2008 £m	Three months ended 30 June 2007 £m	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
Revenue		177.7	169.3	338.4	322.4	669.6
Cost of sales		(70.9)	(68.3)	(139.1)	(135.7)	(284.8)
Gross profit		106.8	101.0	199.3	186.7	384.8
Administrative expenses		(72.1)	(65.7)	(141.7)	(132.0)	(271.7)
Other operating income	5	1.3	-	1.3	1.4	13.8
		36.0	35.3	58.9	56.1	126.9
Share of profit of joint ventures and associates		2.8	3.6	5.6	6.3	44.6
Analysed between:						
Operating profit before other income		4.8	4.4	10.0	9.0	20.1
Other operating income		0.6	0.3	0.6	0.3	32.3
Interest, tax and minority interests	6	(2.6)	(1.1)	(5.0)	(3.0)	(7.8)
Operating profit		38.8	38.9	64.5	62.4	171.5
Analysed between:						
Headline operating profit	3, 11	39.5	39.7	67.6	63.7	140.2
Other operating income - Group	5	1.3	-	1.3	1.4	13.8
Other operating income - Share of joint ventures and associates		0.6	0.3	0.6	0.3	32.3
Impairment (included within administrative expenses)		-	-	-	-	(7.0)
Share of interest, tax and minority interests of joint ventures and associates	6	(2.6)	(1.1)	(5.0)	(3.0)	(7.8)
Finance income		4.8	2.3	9.1	4.5	12.3
Finance expense		(5.3)	(5.8)	(13.3)	(11.7)	(26.4)
Net finance expense		(0.5)	(3.5)	(4.2)	(7.2)	(14.1)
Profit before income tax		38.3	35.4	60.3	55.2	157.4
Income tax (expense)/credit	7	(9.3)	8.2	(15.0)	3.2	2.1
Profit for the period		29.0	43.6	45.3	58.4	159.5
Attributable to:						
Equity holders of the parent		26.3	40.5	40.4	52.7	149.4
Minority interests		2.7	3.1	4.9	5.7	10.1
		29.0	43.6	45.3	58.4	159.5
Basic earnings per share (pence)	8	8.8	13.8	13.6	18.0	50.7
Diluted earnings per share (pence)	8	8.8	13.7	13.6	17.9	50.6

The financial results above all derive from continuing activities.

**Condensed consolidated interim statement of recognised income and expense (unaudited)
for the half year ended 30 June 2008**

	Notes	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
Foreign exchange translation differences		31.3	(1.9)	17.4
Actuarial (losses)/gains arising in respect of defined benefit pension		-	(1.7)	0.7
Income tax on income and expense recognised directly in equity	7	-	2.9	2.6
Income and expense recognised directly in equity		31.3	(0.7)	20.7
Profit for the period		45.3	58.4	159.5
Total recognised income and expense for the period	10	76.6	57.7	180.2
Attributable to:				
Equity holders of the parent	10	68.5	47.6	162.7
Minority interests	10	8.1	10.1	17.5
Total recognised income and expense for the period	10	76.6	57.7	180.2

**Condensed consolidated interim balance sheet (unaudited)
as at 30 June 2008**

	Notes	As at 30 June 2008 £m	As at 30 June 2007 £m	As at 31 December 2007 £m
Non-current assets				
Property, plant and equipment		1,619.4	1,694.6	1,709.0
Lease premium prepayment		90.5	74.0	90.0
Investment properties		61.2	48.4	58.2
Investments in joint ventures and associates		283.9	138.7	247.6
Loans due from joint ventures and associates		6.6	4.9	5.4
Other financial assets		4.9	2.9	4.8
		2,066.5	1,963.5	2,115.0
Current assets				
Inventories		4.3	4.3	4.9
Development properties		74.8	71.0	69.6
Lease premium prepayment		1.3	1.2	1.1
Trade and other receivables		63.1	61.3	58.2
Other financial assets		-	4.1	9.1
Cash and cash equivalents	11	139.8	162.4	156.3
Assets classified as held for sale	12	137.2	-	-
		420.5	304.3	299.2
Total assets		2,487.0	2,267.8	2,414.2
Non-current liabilities				
Interest-bearing loans, bonds and borrowings		(238.6)	(341.0)	(304.1)
Employee benefits		(13.8)	(16.5)	(12.9)
Provisions		(1.0)	(1.2)	(1.0)
Other non-current liabilities		(91.6)	(87.4)	(90.9)
Deferred tax liabilities		(193.0)	(201.7)	(205.8)
		(538.0)	(647.8)	(614.7)
Current liabilities				
Interest-bearing loans, bonds and borrowings		(137.9)	(57.1)	(114.3)
Trade and other payables		(136.5)	(99.4)	(113.7)
Provisions		(0.3)	(0.4)	(0.4)
Income taxes payable		(15.4)	(21.4)	(17.4)
Liabilities associated with assets classified as held for sale	12	(52.3)	-	-
		(342.4)	(178.3)	(245.8)
Total liabilities		(880.4)	(826.1)	(860.5)
Net assets		1,606.6	1,441.7	1,553.7
Equity				
Issued share capital	10	90.6	88.7	88.9
Share premium	10	847.4	848.8	848.8
Translation reserve	10	0.5	(37.6)	(27.6)
Retained earnings	10	545.6	410.9	513.4
Total equity attributable to equity holders of the parent	10	1,484.1	1,310.8	1,423.5
Minority interests	10	122.5	130.9	130.2
Total equity	10	1,606.6	1,441.7	1,553.7

**Condensed consolidated interim statement of cash flows (unaudited)
for the half year ended 30 June 2008**

	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
Cash flows from operating activities			
Profit for the period	45.3	58.4	159.5
<i>Adjustments for:</i>			
Depreciation and amortisation	14.5	14.8	28.7
Share of profit of joint ventures and associates	(5.6)	(6.3)	(44.6)
Impairment losses on property, plant and equipment	-	-	7.0
Loss/(profit) on disposal of property, plant and equipment	0.3	-	(1.4)
Release of property tax provision	-	-	(1.0)
Gain on acquisition of minority interests at a discount	(1.3)	-	-
Gain on dilution of investment in associate	-	-	(2.0)
Profit on sale of stapled securities in associate	-	(0.4)	(0.7)
Change in fair value of investment properties	-	-	(8.7)
Write down of development property	-	-	9.6
Equity settled share-based payment transactions	0.5	0.4	0.8
Finance income	(9.1)	(4.5)	(12.3)
Finance expense	13.3	11.7	26.4
Income tax expense/(credit)	15.0	(3.2)	(2.1)
	72.9	70.9	159.2
Increase in inventories and trade and other receivables	(4.6)	(1.4)	(2.3)
Increase in development properties	(3.5)	(0.6)	(1.9)
(Decrease)/ increase in trade and other payables	(4.9)	(2.2)	7.6
Increase/(decrease) in provisions and employee benefits	0.4	1.4	(2.4)
Cash generated from operations	60.3	68.1	160.2
Interest paid	(10.0)	(11.2)	(22.8)
Interest received	3.2	3.6	8.5
Income tax paid	(12.6)	(7.9)	(17.7)
Net cash generated from operating activities	40.9	52.6	128.2
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	0.3	0.1	0.3
Proceeds from/(investment in) financial assets	10.5	-	(5.0)
Proceeds from the sale of stapled securities in associate	-	1.3	1.6
Deposit received on future subsidiary sale	28.8	-	-
Dividends received from associates	5.3	2.7	6.6
Acquisition of minority interests	(1.9)	-	-
Increase in loan to joint venture	-	(0.6)	(0.6)
Increase in investment in joint ventures and associates	(24.7)	-	(59.6)
Acquisition of property, plant and equipment, and lease premium prepayment	(36.4)	(29.8)	(56.8)
Net cash used in investing activities	(18.1)	(26.3)	(113.5)
Cash flows from financing activities			
Proceeds from the issue of share capital	0.3	1.2	1.4
Repayment of borrowings	(33.5)	(110.1)	(241.4)
Drawdown of borrowings	17.2	92.4	235.8
Payment of finance lease obligations	(0.1)	(1.0)	(2.1)
Loan arrangement fees	(0.1)	(0.1)	(0.5)
Share buy back of minority interests	(9.4)	-	(10.0)
Dividends paid to minority interests	(3.2)	(2.2)	(2.2)
Capital contribution from minority interests	-	-	1.9
Dividends paid to equity holders of the parent	(8.7)	(7.6)	(10.5)
Net cash used in financing activities	(37.5)	(27.4)	(27.6)
Net decrease in cash and cash equivalents	(14.7)	(1.1)	(12.9)
Cash and cash equivalents at beginning of period	155.9	161.5	161.5
Effect of exchange rate fluctuations on cash held	4.9	1.5	7.3
Cash and cash equivalents at end of period	146.1	161.9	155.9
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown on the balance sheet	139.8	162.4	156.3
Overdraft bank accounts included in borrowings	(0.5)	(0.5)	(0.4)
Cash and cash equivalents included in assets classified as held for sale	6.8	-	-
Cash and cash equivalents for cash flow statement purposes	146.1	161.9	155.9

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 2008 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 2008 and 2007, together with the audited results for the year ended 31 December 2007. This half year interim management report does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The comparative figures as at 31 December 2007 have been extracted from the Group's statutory Annual Report and Accounts for that financial year but do not constitute those accounts. Those accounts have been reported on by the auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The consolidated financial statements of the Group as at and for the financial year ended 31 December 2007 are available from the Company's website www.millenniumhotels.com.

In preparing the interim management report to 30 June 2008, the Board of Directors have used the principal accounting policies as set out in the Group's Annual Report and Accounts for the year ended 31 December 2007. The interim management report has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. The half year results should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2007.

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 2007.

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

The accounting for the disposal to CDLHT in 2006 has been adjusted in respect of the land lease element of the transaction on the 75-year leases of the Orchard Hotel and M Hotel. In the unaudited interim consolidated financial results of the Group for the half year ended 30 June 2007 the proportion of the consideration received as prepayment by CDLHT of the operating lease of the land was effectively netted off against the freehold land value for these two hotels. Freehold land has been restated to the value before the transaction and the deferred income arising from the land prepayment has been recognised on the balance sheet at the value at the date of the transaction of £82.0m (converted at 30 June 2007 exchange rate).

Non-GAAP information

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

Reconciliation of headline profit before tax and headline operating profit to the closest equivalent GAAP measure, profit before tax is provided in note 11 along with an analysis of net debt and calculated gearing percentage.

Like-for like growth

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

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

2. Accounting policies

The accounting policies and methods of calculation adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those financial statements.

Change in accounting policies

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 December 2008:

- IFRS 7 'Financial Instruments: Disclosures', and the complementary amendments to IAS1 'Presentation of financial statements – Capital Disclosures'. This new and this amended standard introduce new disclosures relating to financial instruments. They do not have any impact on the classification or valuation of financial instruments. The new disclosures will be made in the Group's financial statements for the year ending 31 December 2008.
- IFRIC 11 'IFRS 2 – Group and treasury share transactions'. The Group will apply IFRIC 11 for the year ending 31 December 2008. It is not expected to have any impact on the Group's consolidated financial statements.

New interpretation issued that is not relevant for the Group's operations:

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

Notes to the condensed consolidated interim financial statements (unaudited)

3. Foreign currency translation

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

Currency (=£)	As at 30 June		As at	Average for 6 months January - June		Average for 3 months April - June		Average for year ended
	2008	2007	31 December 2007	2008	2007	2008	2007	2007
US dollar	1.970	1.998	1.985	1.987	1.975	1.982	1.987	1.998
Singapore dollar	2.695	3.074	2.882	2.764	3.018	2.717	3.034	3.010
Taiwan dollar	60.698	66.321	65.351	62.388	65.886	61.477	66.383	66.455
New Zealand dollar	2.590	2.606	2.577	2.525	2.726	2.540	2.682	2.711
Malaysian ringgit	6.434	6.955	6.632	6.423	6.844	6.200	6.828	6.873
Euro	1.266	1.486	1.372	1.300	1.484	1.276	1.477	1.459

4. Segmental analysis

Segmental information is presented in respect of the Group's business and geographical segments. The primary format is business segments and is based on the Group's management and internal reporting structure.

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

Business segments

The Group comprises the following main business segments:

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

Geographical segments

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

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

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

Business segments (primary)

	Three months ended 30 June 2008			
	Hotel 2008 £m	Property operations 2008 £m	Central costs 2008 £m	Total Group 2008 £m
Revenue	176.1	1.6	-	177.7
Gross operating profit/(loss)	70.0	(0.6)	-	69.4
Depreciation	(7.0)	-	-	(7.0)
Amortisation of lease premium prepayments	(0.3)	-	-	(0.3)
Other hotel fixed charges	(23.0)	-	-	(23.0)
Central costs	-	-	(4.4)	(4.4)
Share of joint ventures and associates operating profit	4.8	-	-	4.8
Headline operating profit/(loss)	44.5	(0.6)	(4.4)	39.5
Other operating income – Group	1.3	-	-	1.3
Other operating income – share of joint ventures and associates	0.6	-	-	0.6
Share of interest, tax and minority interests of joint ventures and associates	(2.6)	-	-	(2.6)
Operating profit/(loss)	43.8	(0.6)	(4.4)	38.8
Net finance expense	-	-	-	(0.5)
Profit before income tax				38.3

Notes to the condensed consolidated interim financial statements (unaudited)

4. Segmental analysis (continued)

Business segments (primary) (continued)

	Three months ended 30 June 2007			
	Hotel 2007 £m	Property operations 2007 £m	Central costs 2007 £m	Total Group 2007 £m
Revenue	163.6	5.7	-	169.3
Gross operating profit	64.8	2.2	-	67.0
Depreciation	(6.6)	-	-	(6.6)
Amortisation of lease premium prepayments	(0.4)	-	-	(0.4)
Other hotel fixed charges	(20.7)	-	-	(20.7)
Central costs	-	-	(4.0)	(4.0)
Share of joint ventures and associates operating profit	4.4	-	-	4.4
Headline operating profit/(loss)	41.5	2.2	(4.0)	39.7
Other operating income – Group	0.3	-	-	0.3
Share of interest, tax and minority interests of joint ventures and associates	(1.1)	-	-	(1.1)
Operating profit/(loss)	40.7	2.2	(4.0)	38.9
Net finance expense	-	-	-	(3.5)
Profit before income tax				35.4

Business segments (primary)

	Half year ended 30 June 2008			
	Hotel 2008 £m	Property operations 2008 £m	Central costs 2008 £m	Total Group 2008 £m
Revenue	334.5	3.9	-	338.4
Gross operating profit	126.0	(0.2)	-	125.8
Depreciation	(13.9)	-	-	(13.9)
Amortisation of lease premium prepayments	(0.6)	-	-	(0.6)
Other hotel fixed charges	(44.6)	-	-	(44.6)
Central costs	-	-	(9.1)	(9.1)
Share of joint ventures and associates operating profit	10.0	-	-	10.0
Headline operating profit/(loss)	76.9	(0.2)	(9.1)	67.6
Other operating income – Group	1.3	-	-	1.3
Other operating income – share of joint ventures and associates	0.6	-	-	0.6
Share of interest, tax and minority interests of joint ventures and associates	(5.0)	-	-	(5.0)
Operating profit/(loss)	73.8	(0.2)	(9.1)	64.5
Net finance expense	-	-	-	(4.2)
Profit before income tax				60.3

	Half year ended 30 June 2007			
	Hotel 2007 £m	Property operations 2007 £m	Central costs 2007 £m	Total Group 2007 £m
Revenue	311.1	11.3	-	322.4
Gross operating profit	114.8	4.5	-	119.3
Depreciation	(13.6)	-	-	(13.6)
Amortisation of lease premium prepayments	(0.7)	-	-	(0.7)
Other hotel fixed charges	(41.6)	-	-	(41.6)
Central costs	-	-	(8.7)	(8.7)
Share of joint ventures and associates operating profit	9.0	-	-	9.0
Headline operating profit/(loss)	67.9	4.5	(8.7)	63.7
Other operating income – Group	0.4	-	1.0	1.4
Other operating income – share of joint ventures and associates	0.3	-	-	0.3
Share of interest, tax and minority interests of joint ventures and associates	(3.0)	-	-	(3.0)
Operating profit/(loss)	65.6	4.5	(7.7)	62.4
Net finance expense	-	-	-	(7.2)
Profit before income tax				55.2

Notes to the condensed consolidated interim financial statements (unaudited)

4. Segmental analysis (continued)

	Year ended 31 December 2007			Total Group 2007 £m
	Hotel 2007 £m	Property operations 2007 £m	Central costs 2007 £m	
Revenue	649.7	19.9	-	669.6
Gross operating profit	248.7	(1.0)	-	247.7
Depreciation	(27.4)	-	-	(27.4)
Amortisation of lease premium prepayments	(1.3)	-	-	(1.3)
Other hotel fixed charges	(79.5)	-	-	(79.5)
Central costs	-	-	(19.4)	(19.4)
Share of joint ventures and associates operating profit	20.1	-	-	20.1
Headline operating profit/(loss)	160.6	(1.0)	(19.4)	140.2
Other operating income – Group	5.1	8.7	-	13.8
Other operating income – share of joint ventures and associates	32.3	-	-	32.3
Impairment	(7.0)	-	-	(7.0)
Share of interest, tax and minority interests of joint ventures and associates	(7.8)	-	-	(7.8)
Operating profit/(loss)	183.2	7.7	(19.4)	171.5
Net finance expense	-	-	-	(14.1)
Profit before income tax				157.4

Geographical segments (secondary)

	Three months ended 30 June 2008							Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m	Central costs £m	
Revenue								
Hotel	28.7	28.8	25.0	26.9	57.2	9.5	-	176.1
Property operations	-	0.3	-	-	0.4	0.9	-	1.6
Total	28.7	29.1	25.0	26.9	57.6	10.4	-	177.7
Hotel gross operating profit	12.5	6.7	12.8	8.4	26.9	2.7	-	70.0
Hotel fixed charges*	(3.9)	(4.6)	(3.3)	(4.5)	(11.6)	(2.4)	-	(30.3)
Hotel operating profit/(loss)	8.6	2.1	9.5	3.9	15.3	0.3	-	39.7
Property operations operating profit/(loss)	-	(1.0)	-	-	0.1	0.3	-	(0.6)
Central costs	-	-	-	-	-	-	(4.4)	(4.4)
Share of joint ventures and associates operating profit	-	-	-	-	4.8	-	-	4.8
Headline operating profit/(loss)	8.6	1.1	9.5	3.9	20.2	0.6	(4.4)	39.5
Other operating income-Group	-	-	-	-	1.3	-	-	1.3
Other operating income – share of joint ventures and associates	-	-	-	-	0.6	-	-	0.6
Share of interest, tax and minority interests of joint ventures and associates	-	-	-	-	(2.6)	-	-	(2.6)
Operating profit/(loss)	8.6	1.1	9.5	3.9	19.5	0.6	(4.4)	38.8
Net finance expense	-	-	-	-	-	-	-	(0.5)
Profit before income tax								38.3

Notes to the condensed consolidated interim financial statements (unaudited)

4. Segmental analysis (continued)

Geographical segments (secondary)

	Three months ended 30 June 2007							Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m	Central costs £m	
Revenue								
Hotel	27.6	30.4	23.4	24.0	48.9	9.3	-	163.6
Property operations	-	0.4	-	-	0.4	4.9	-	5.7
Total	27.6	30.8	23.4	24.0	49.3	14.2	-	169.3
Hotel gross operating profit	12.0	8.8	12.0	7.3	21.7	3.0	-	64.8
Hotel fixed charges*	(4.0)	(4.5)	(3.5)	(4.3)	(9.6)	(1.8)	-	(27.7)
Hotel operating profit	8.0	4.3	8.5	3.0	12.1	1.2	-	37.1
Property operations operating profit	-	-	-	-	0.1	2.1	-	2.2
Central costs	-	-	-	-	-	-	(4.0)	(4.0)
Share of joint ventures and associates operating profit	-	-	-	-	4.4	-	-	4.4
Headline operating profit/(loss)	8.0	4.3	8.5	3.0	16.6	3.3	(4.0)	39.7
Other operating income – share of joint ventures and associates	-	-	-	-	0.3	-	-	0.3
Share of interest, tax and minority interests of joint ventures and associates	-	-	-	-	(1.1)	-	-	(1.1)
Operating profit/(loss)	8.0	4.3	8.5	3.0	15.8	3.3	(4.0)	38.9
Net finance expense	-	-	-	-	-	-	-	(3.5)
Profit before income tax								35.4

Geographical segments (secondary)

	Half year ended 30 June 2008							Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m	Central costs £m	
Revenue								
Hotel	51.1	51.2	45.4	51.4	111.3	24.1	-	334.5
Property operations	-	0.7	-	-	1.3	1.9	-	3.9
Total	51.1	51.9	45.4	51.4	112.6	26.0	-	338.4
Hotel gross operating profit	19.2	9.0	21.8	15.6	50.8	9.6	-	126.0
Hotel fixed charges*	(7.6)	(8.8)	(6.4)	(8.7)	(22.7)	(4.9)	-	(59.1)
Hotel operating profit/(loss)	11.6	0.2	15.4	6.9	28.1	4.7	-	66.9
Property operations operating profit/(loss)	-	(1.1)	-	-	0.3	0.6	-	(0.2)
Central costs	-	-	-	-	-	-	(9.1)	(9.1)
Share of joint ventures and associates operating profit	-	-	-	-	10.0	-	-	10.0
Headline operating profit/(loss)	11.6	(0.9)	15.4	6.9	38.4	5.3	(9.1)	67.6
Other operating income-Group	-	-	-	-	1.3	-	-	1.3
Other operating income – share of joint ventures and associates	-	-	-	-	0.6	-	-	0.6
Share of interest, tax and minority interests of joint ventures and associates	-	-	-	-	(5.0)	-	-	(5.0)
Operating profit/(loss)	11.6	(0.9)	15.4	6.9	35.3	5.3	(9.1)	64.5
Net finance expense	-	-	-	-	-	-	-	(4.2)
Profit before income tax								60.3

Notes to the condensed consolidated interim financial statements (unaudited)

4. Segmental analysis (continued)

	Half year ended 30 June 2007							Central costs £m	Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m			
Revenue									
Hotel	49.0	53.9	43.9	47.4	94.2	22.7	-	311.1	
Property operations	-	0.9	-	-	0.7	9.7	-	11.3	
Total	49.0	54.8	43.9	47.4	94.9	32.4	-	322.4	
Hotel gross operating profit	18.2	12.0	21.6	14.4	39.1	9.5	-	114.8	
Hotel fixed charges*	(7.5)	(8.8)	(8.4)	(8.4)	(18.6)	(4.2)	-	(55.9)	
Hotel operating profit	10.7	3.2	13.2	6.0	20.5	5.3	-	58.9	
Property operations operating profit	-	-	-	-	0.3	4.2	-	4.5	
Central costs	-	-	-	-	-	-	(8.7)	(8.7)	
Share of joint ventures and associates operating profit	-	-	-	-	9.0	-	-	9.0	
Headline operating profit/(loss)	10.7	3.2	13.2	6.0	29.8	9.5	(8.7)	63.7	
Other operating income – Group	-	-	-	-	0.4	-	1.0	1.4	
Other operating income – share of joint ventures and associates	-	-	-	-	0.3	-	-	0.3	
Share of interest, tax and minority interests of joint ventures and associates	-	-	-	-	(3.0)	-	-	(3.0)	
Operating profit/(loss)	10.7	3.2	13.2	6.0	27.5	9.5	(7.7)	62.4	
Net finance expense	-	-	-	-	-	-	-	(7.2)	
Profit before income tax								55.2	

	Year ended 31 December 2007							Central costs £m	Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m			
Revenue									
Hotel	106.5	112.0	92.0	98.0	196.0	45.2	-	649.7	
Property operations	-	1.6	-	-	1.5	16.8	-	19.9	
Total	106.5	113.6	92.0	98.0	197.5	62.0	-	669.6	
Hotel gross operating profit	43.2	26.8	46.4	30.7	83.2	18.4	-	248.7	
Hotel fixed charges*	(15.6)	(17.4)	(12.7)	(15.7)	(36.5)	(10.3)	-	(108.2)	
Hotel operating profit	27.6	9.4	33.7	15.0	46.7	8.1	-	140.5	
Property operations operating profit/(loss)	-	(9.8)	-	-	0.9	7.9	-	(1.0)	
Central costs	-	-	-	-	-	-	(19.4)	(19.4)	
Share of joint ventures and associates operating profit	-	-	-	-	20.1	-	-	20.1	
Headline operating profit/(loss)	27.6	(0.4)	33.7	15.0	67.7	16.0	(19.4)	140.2	
Other operating income – Group	1.0	-	-	-	12.8	-	-	13.8	
Other operating income – share of joint ventures and associates	-	-	-	-	32.3	-	-	32.3	
Impairment	-	(6.1)	-	(0.9)	-	-	-	(7.0)	
Share of interest, tax and minority interests of joint ventures and associates	-	-	-	-	(7.8)	-	-	(7.8)	
Operating profit/(loss)	28.6	(6.5)	33.7	14.1	105.0	16.0	(19.4)	171.5	
Net financing expense	-	-	-	-	-	-	-	(14.1)	
Profit before income tax								157.4	

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

Notes to the condensed consolidated interim financial statements (unaudited)

4. Segmental analysis (continued)

Segmental assets and liabilities

	As at 30 June 2008						Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m	
Hotel operating assets	286.9	239.6	452.3	222.2	585.9	123.7	1,910.6
Hotel operating liabilities	(7.5)	(28.0)	(19.8)	(22.2)	(165.3)	(5.6)	(248.4)
Investments in joint ventures and associates	-	-	-	-	244.4	39.5	283.9
Loans due from joint ventures	-	-	-	-	6.6	-	6.6
Total hotel operating net assets	279.4	211.6	432.5	200.0	671.6	157.6	1,952.7
Property operations assets	-	34.8	-	-	47.1	56.7	138.6
Property operations liabilities	-	(0.3)	-	-	(0.8)	(1.5)	(2.6)
Total property operations net assets	-	34.5	-	-	46.3	55.2	136.0
Deferred tax liabilities - note (a)							(202.6)
Income taxes payable - note (b)							(16.2)
Net debt – note (c)							(263.3)
Net assets							1,606.6

Notes

- (a) Includes £9.6m of deferred tax liabilities included in 'liabilities associated with assets classified as held for sale' (refer note 12)
(b) Includes £0.8m of income tax liabilities included in 'liabilities associated with assets classified as held for sale' (refer note 12)
(c) Refer note 11

	As at 30 June 2007						Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m	
Hotel operating assets	282.1	240.3	454.8	214.9	550.7	104.7	1,847.5
Hotel operating liabilities	(8.3)	(21.8)	(22.2)	(19.7)	(131.5)	(5.3)	(208.8)
Investments in joint ventures and associates	-	-	-	-	138.7	-	138.7
Loans due from joint ventures	-	-	-	-	4.9	-	4.9
Total hotel operating net assets	273.8	218.5	432.6	195.2	562.8	99.4	1,782.3
Property operations assets	-	43.2	-	-	33.3	43.3	119.8
Property operations liabilities	-	(0.2)	-	-	(0.6)	(0.8)	(1.6)
Total property operations net assets	-	43.0	-	-	32.7	42.5	118.2
Deferred tax liabilities							(201.7)
Income taxes payable							(21.4)
Net debt							(235.7)
Net assets							1,441.7

	As at 31 December 2007						Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m	
Hotel operating assets	284.4	254.2	447.6	220.5	554.9	112.9	1,874.5
Hotel operating liabilities	(9.6)	(26.9)	(20.5)	(15.8)	(137.4)	(7.5)	(217.7)
Investments in joint ventures and associates	-	-	-	-	231.1	16.5	247.6
Loans due from joint ventures	-	-	-	-	5.4	-	5.4
Total hotel operating net assets	274.8	227.3	427.1	204.7	654.0	121.9	1,909.8
Property operations assets	-	34.5	-	-	43.1	52.8	130.4
Property operations liabilities	-	(0.1)	-	-	(0.4)	(0.7)	(1.2)
Total property operations net assets	-	34.4	-	-	42.7	52.1	129.2
Deferred tax liabilities							(205.8)
Income taxes payable							(17.4)
Net debt							(262.1)
Net assets							1,553.7

Notes to the condensed consolidated interim financial statements (unaudited)

5. Other operating income

Notes	Three months ended 30 June 2008 £m	Three months ended 30 June 2007 £m	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
Gain on acquisition of minority interests in Hong Leong Hotel Development Limited (Taiwan)	(a) 1.3	-	1.3	-	-
Release of property tax provision set aside on acquisition of Regal Hotels in 1999	-	-	-	1.0	1.0
Profit on disposal of stapled securities in CDLHT	-	-	-	0.4	0.7
Gain on dilution on investment in CDLHT	-	-	-	-	2.0
Fair value adjustments of investment properties	-	-	-	-	8.7
Profit on sale and leaseback of three Singapore hotels (adjustment to prior period)	-	-	-	-	1.4
	1.3	-	1.3	1.4	13.8

Notes

(a) The £1.3m gain arising on the acquisition of 1.57% of Hong Leong Hotel Development Limited (Taiwan) followed the Group acquiring shares at a discount to fair value (negative goodwill). The acquisition now takes the Group's interest in HLHDL to 81.57%.

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

	Three months ended 30 June 2008 £m	Three months ended 30 June 2007 £m	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 30 December 2007 £m
Interest	(1.3)	(0.1)	(1.9)	(0.9)	(3.2)
Tax	(0.5)	(0.3)	(1.2)	(0.6)	(1.4)
Minority interests	(0.8)	(0.7)	(1.9)	(1.5)	(3.2)
	(2.6)	(1.1)	(5.0)	(3.0)	(7.8)

7. Income tax expense

Excluding the tax relating to joint ventures and associates, the Group has recorded a £15.0m total income tax expense for the half year ended 30 June 2008 (2007: £3.2m tax credit) comprising UK tax charge of £1.7m and an overseas tax charge of £13.3m (2007: UK credit of £15.8m and overseas tax charge of £12.6m). The tax credit in 2007 is primarily attributable to the deferred tax impact of a change in UK tax legislation in respect of the removal of claw back on hotel tax allowances, resulting in an estimated attributable £13.0m tax credit, and also a £4.9m credit in respect of the impact of reduced tax rates applied to brought forward net deferred tax liabilities.

Taxation for the period comprises both the Group income tax charge and the joint ventures and associates income tax charge which is included separately within the Group's share of joint venture profits (but disclosed on the face of the income statement).

Income tax expense for the period presented 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 27.4%. (2007: 30.1% excluding the Group's share of joint venture and associate profits, and the impact of tax credit adjustments arising from changes in tax legislation and tax rates).

Notes to the condensed consolidated interim financial statements (unaudited)

7. Income tax expense (continued)

Income tax recognised directly in equity

	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
Taxation credit/(expense) arising on defined benefit pension schemes	-	0.5	(1.2)
Taxation credit arising in respect of previously revalued property	-	2.4	3.2
Taxation credit arising on share-based incentive schemes	-	-	0.6
	-	2.9	2.6

	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
Current tax			
Corporation tax charge for the period	11.1	11.4	20.2
Adjustment in respect of prior years	0.6	-	(4.0)
Total current tax expense	11.7	11.4	16.2
Deferred tax			
Origination and reversal of timing differences	1.7	1.7	5.3
Reduction in tax rate	-	(4.9)	(3.9)
Benefits of tax losses recognised	1.3	1.7	2.7
Under/(over)/ provision in respect of prior years	0.3	(0.1)	(9.5)
Change in UK tax legislation in respect of the removal of claw back on hotel tax allowance	-	(13.0)	(12.9)
Total deferred tax charge/(credit)	3.3	(14.6)	(18.3)
Total income tax charge/(credit) in the income statement	15.0	(3.2)	(2.1)
UK	1.7	(15.8)	(13.5)
Overseas	13.3	12.6	11.4
Total income tax charge/(credit) in the income statement	15.0	(3.2)	(2.1)

	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
Income tax reconciliation			
Profit before income tax in income statement	60.3	55.2	157.4
Less share of profit in joint ventures and associates	(5.6)	(6.3)	(44.6)
	54.7	48.9	112.8
Income tax on ordinary activities at the standard rate of UK tax of 28.5% (2007: 30%)	15.6	14.7	33.8
Effects of:			
Tax exempt income	(1.1)	(3.3)	(4.9)
Non deductible expenses	0.3	1.9	4.4
Current year losses for which no deferred tax asset was recognised	0.4	0.3	0.9
Utilisation of brought forward tax losses	-	(0.1)	-
Effect of tax rates in foreign jurisdictions	(1.1)	1.3	(6.4)
Effect of change in tax rates on opening deferred taxes	-	(4.9)	(3.9)
Effect of change in UK tax legislation in respect of the removal of claw back on hotel tax allowances	-	(13.0)	(12.9)
Other adjustments to tax charge in respect of prior years	0.9	(0.1)	(13.5)
Unrecognised deferred tax assets	-	-	0.4
Total income tax charge/(credit) in the income statement	15.0	(3.2)	(2.1)

Notes to the condensed consolidated interim financial statements (unaudited)

8. Earnings per share

Earnings per share are calculated using the following information:

	Three months ended 30 June 2008 £m	Three months ended 30 June 2007 £m	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
(a) Basic					
Profit for period attributable to holders of the parent (£m)	26.3	40.5	40.4	52.7	149.4
Weighted average number of shares in issue (m)	299.3	293.8	297.8	292.8	294.4
Basic earnings per share (pence)	8.8p	13.8p	13.6p	18.0p	50.7p
(b) Diluted					
Profit for period attributable to holders of the parent (£m)	26.3	40.5	40.4	52.7	149.4
Weighted average number of shares in issue (m)	299.3	293.8	297.8	292.8	294.4
Potentially dilutive share options under Group's share option schemes (m)	0.3	0.9	0.3	0.9	0.7
Weighted average number of shares in issue (diluted) (m)	299.6	294.7	298.1	293.7	295.1
Diluted earnings per share (pence)	8.8p	13.7p	13.6p	17.9p	50.6p
(c) Headline earnings per share					
Profit for the period attributable to holders of the parent (£m)	26.3	40.5	40.4	52.7	149.4
Adjustments for:					
- Other operating income (net of tax) (£m)	(1.3)	-	(1.3)	(1.0)	(13.8)
- Impairment (net of tax) (£m)	-	-	-	-	4.5
- Share of other operating income of joint ventures and associates (nil tax) (£m)	(0.6)	(0.3)	(0.6)	(0.3)	(32.3)
- Change in UK tax legislation on hotel tax allowances (£m)	-	(13.0)	-	(13.0)	(12.9)
- Change in tax rates on opening deferred taxes	-	(4.9)	-	(4.9)	(3.9)
Adjusted profit for the period attributable to holders of the parent (£m)	24.4	22.3	38.5	33.5	91.0
Weighted average number of shares in issue (m)	299.3	293.8	297.8	292.8	294.4
Headline earnings per share (pence)	8.2p	7.6p	12.9p	11.4p	30.9p
(d) Diluted headline earnings per share					
Adjusted profit for the period attributable to holders of the parent (£m)	24.4	22.3	38.5	33.5	91.0
Weighted average number of shares in issue (diluted) (m)	299.6	294.7	298.1	293.7	295.1
Diluted headline earnings per share (pence)	8.1 p	7.6p	12.9p	11.4p	30.8p

9. Dividends

Dividends have been recognised within equity as follows:

	Three months ended 30 June 2008 £m	Three months ended 30 June 2007 £m	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
Final ordinary dividend paid of 10.42p for 2007 (for 2006: 6.42p)	30.9	18.7	30.9	18.7	18.7
Final special dividend paid of nil for 2007 (for 2006: 4.0p)	-	11.7	-	11.7	11.7
Interim dividend paid of 2.08p for 2007	-	-	-	-	6.2
	30.9	30.4	30.9	30.4	36.6

After the balance sheet date, the Directors have declared an interim dividend of 2.08p per share (2007 interim dividend: 2.08p) payable on 8 October 2008 to the holders of ordinary shares on the register at 15 August 2008. The ex-dividend date of the Company's shares is 13 August 2008. The interim dividend amounts to £6.2m (2007: £6.2m) and will be reflected in the financial statements in the second half of the financial year.

The Directors again offer the option of a scrip dividend reinvestment plan. Those shareholders who have not elected to participate in this plan, and who would like to participate with respect to the 2008 interim dividend, may do so by contacting the Company's Registrar, Equiniti Limited, on 01903 702138. The last day for election for the interim dividend is 24 September 2008 and any requests should be made in good time ahead of that date.

Notes to the condensed consolidated interim financial statements (unaudited)

10. Reconciliation of Group equity

	Share Capital £m	Share Premium £m	Translation Reserve £m	Retained Earnings £m	Total excluding minority interests £m	Minority interests £m	Total equity £m
At 31 December 2006	87.6	848.7	(37.6)	370.4	1,269.1	123.0	1,392.1
Total recognised income and expense	-	-	-	47.6	47.6	10.1	57.7
Dividends paid - Group (see note 9)	-	-	-	(30.4)	(30.4)	-	(30.4)
Dividends paid - minority interests	-	-	-	-	-	(2.2)	(2.2)
Issue of shares in lieu of dividends	1.0	(1.0)	-	22.8	22.8	-	22.8
Share options exercised	0.1	1.1	-	-	1.2	-	1.2
Equity settled transactions	-	-	-	0.5	0.5	-	0.5
At 30 June 2007	88.7	848.8	(37.6)	410.9	1,310.8	130.9	1,441.7
Total recognised income and expense	-	-	10.0	105.1	115.1	7.4	122.5
Dividends paid - Group	-	-	-	(6.2)	(6.2)	-	(6.2)
Issue of shares in lieu of dividends	0.2	(0.2)	-	3.3	3.3	-	3.3
Capital contribution from minority interests	-	-	-	-	-	1.9	1.9
Share options exercised	-	0.2	-	-	0.2	-	0.2
Share buyback of minority interests	-	-	-	-	-	(10.0)	(10.0)
Equity settled transactions	-	-	-	0.3	0.3	-	0.3
At 31 December 2007	88.9	848.8	(27.6)	513.4	1,423.5	130.2	1,553.7
Total recognised income and expense	-	-	28.1	40.4	68.5	8.1	76.6
Dividends paid - Group (see note 9)	-	-	-	(30.9)	(30.9)	-	(30.9)
Issue of shares in lieu of dividends	1.7	(1.7)	-	22.2	22.2	-	22.2
Dividends paid – minority interests	-	-	-	-	-	(3.2)	(3.2)
Share options exercised	-	0.3	-	-	0.3	-	0.3
Equity settled transactions	-	-	-	0.5	0.5	-	0.5
Share buyback of minority interests	-	-	-	-	-	(12.6)	(12.6)
At 30 June 2008	90.6	847.4	0.5	545.6	1,484.1	122.5	1,606.6

11. Non-GAAP measures

Headline operating profit

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

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

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

Notes to the condensed consolidated interim financial statements (unaudited)

11. Non-GAAP measures (continued)

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

	Three months ended 30 June 2008 £m	Three months ended 30 June 2007 £m	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m	Year ended 31 December 2007 £m
Profit before income tax	38.3	35.4	60.3	55.2	157.4
Adjusted to exclude:					
Other operating income	(1.3)	-	(1.3)	(1.4)	(13.8)
Gain on acquisition of minority interests in Hong Leong Hotel Development Limited (Taiwan)	(1.3)	-	(1.3)	-	
Profit on disposal of stapled securities in CDLHT	-	-	-	(0.4)	(0.7)
Release of property tax provision set aside on acquisition of Regal Hotels in 1999	-	-	-	(1.0)	(1.0)
Gain on dilution on investment in CDLHT	-	-	-	-	(2.0)
Fair value adjustments of investment properties	-	-	-	-	(8.7)
Profit on sale and leaseback of three Singapore hotels (adjustment to prior period)	-	-	-	-	(1.4)
Adjusted to exclude:					
Other operating income – share of joint ventures and associates	(0.6)	(0.3)	(0.6)	(0.3)	(32.3)
Gain on acquiring subsidiaries at a discount to fair value	(0.6)	-	(0.6)	-	-
Share of associate's (CDLHT) fair value adjustments to investment property	-	(0.3)	-	(0.3)	(32.3)
Impairment	-	-	-	-	7.0
Headline profit before income tax	36.4	35.1	58.4	53.5	118.3
Add back:					
Share of results of joint ventures and associates					
- interest	1.3	0.1	1.9	0.9	3.2
- tax	0.5	0.3	1.2	0.6	1.4
- minority interests	0.8	0.7	1.9	1.5	3.2
Net finance expense	0.5	3.5	4.2	7.2	14.1
Headline operating profit	39.5	39.7	67.6	63.7	140.2

Net debt

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

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

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

	As at 30 June 2008 £m	As at 30 June 2007 £m	As at 31 December 2007 £m
Cash and cash equivalents shown in the cash flow statement	139.3	161.9	155.9
Bank overdrafts (included in borrowings)	0.5	0.5	0.4
Cash and cash equivalents on the balance sheet	139.8	162.4	156.3
Cash and cash equivalents included in assets classified as held for sale	6.8	-	-
Interest-bearing loans, bonds and borrowings - Non-current	(238.6)	(341.0)	(304.1)
- Current	(137.9)	(57.1)	(114.3)
- Classified as held for sale	(33.4)	-	-
Net debt	(263.3)	(235.7)	(262.1)
Gearing (%)	17.7%	18.0%	18.3%

Notes to the condensed consolidated interim financial statements (unaudited)

12. Assets classified as held for sale and associated liabilities

Assets classified as held for sale and associated liabilities represent the net assets of CDL Hotels (Korea) Limited which owns the hotel business undertaking of the Millennium Seoul Hilton Hotel. An agreement has been reached with Kangho AMC Co. to dispose of the Group's 100% holding in CDL Hotels (Korea) Limited, with completion of the transaction expected to take place on 30 September 2008 (or such other date as the parties shall agree).

The major classes of assets and liabilities of CDL Hotels (Korea) Limited classified as held for sale are as follows:

	As at 30 June 2008 £m
ASSETS	
Property, plant and equipment	126.3
Employee benefits	0.7
Inventories	0.5
Trade and other receivables	2.9
Cash and cash equivalents	6.8
Total assets classified as held for sale	137.2
LIABILITIES	
Interest bearing loans and borrowings – non current	(33.4)
Other non-current liabilities	(3.7)
Deferred tax liabilities	(9.6)
Trade and other payables	(4.8)
Income taxes payable	(0.8)
Total liabilities associated with assets classified as held for sale	(52.3)
Net assets of disposal business	84.9

In addition and not shown above, there are £19.4m of shareholder loan from fellow subsidiary (CDL Hotels (Labuan) Limited) which would be repaid to the Group by the buyer on completion of the disposal.

13. Related parties

Identity of related parties

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

Transactions with CDL and other related companies

The Group has a related party relationship with certain subsidiaries of Hong Leong Investments Holdings Pte. Ltd. ("Hong Leong"), which is the ultimate holding and controlling company of M&C. Hong Leong holds 53% of M&C's shares via CDL, which is the intermediate holding company of the Group. During the half year ended 30 June 2008 the Group had the following transactions with subsidiaries of Hong Leong.

The Group deposited certain surplus cash with Hong Leong Finance Limited, a subsidiary undertaking of Hong Leong, on normal commercial terms. Interest income of £0.07m (S\$0.2m) (2007: £0.06m (S\$0.2m)) was received during the period. As at 30 June 2008 £14.8m (S\$39.8m) (2007: £7.6m (S\$23.3m)) of cash was deposited with Hong Leong Finance Limited.

Rents of £0.2m (S\$0.4m) (2007: £0.1m (S\$0.3m)) were paid to CDL in respect of office space used by Millennium & Copthorne International Limited in the King's Centre in Singapore. Rentals amounting to £0.08m (S\$0.2m) (2007: £0.06m (S\$0.2m)) were also paid to CDL in respect of the Grand Shanghai restaurant which is also situated in the King's Centre.

Property management fees of £0.03m (S\$0.09m) (2007: £0.02m (S\$0.08m)) 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"), formerly Swan Inc, a company owned 85% by City e-Solutions Limited (a subsidiary of Hong Leong) and 15% by the Group, provided hotel consultancy services to the Group. A total of £0.1m (US\$0.2m) (2007: £0.1m (US\$0.2m)) was charged by RHI during the period and as at 30 June, £0.03m (US\$0.06m) (2007: £0.01m (US\$0.02m)) was due to RHI.

For the period, the Group had accrued, but not paid at 30 June 2008, fees of £0.6m (S\$1.8m) (2007: £0.1m (S\$0.4m)) for services provided by Hong Leong Management Services Pte. Ltd. ("HLMS"), a subsidiary of Hong Leong. This comprised £0.1m (S\$0.4 million) (2007: £0.09 (S\$0.3m)) to be charged by HLMS pursuant to a legal services agreement entered into with M&C and Millennium & Copthorne International Limited, and £0.5m (S\$1.4m) (2007: £0.03m (S\$0.09m)) to be charged by HLMS pursuant to an investment management and consultancy services agreement entered into with M&C.

Notes to the condensed consolidated interim financial statements (unaudited)

13. Related parties (continued)

The Group provided hotel management services to a joint venture company of HL Global Enterprises Limited, a subsidiary of Hong Leong. A total of £0.01m (US\$0.02m) (2007: £nil (US\$nil)) was charged during the period and as at 30 June 2008 £0.003m (US\$0.005 million) (2007: £nil (US\$nil)) was due to the Group.

Transactions with associates and joint ventures:

The Group provided hotel management services to Beijing Fortune Hotel Co Limited ("BFHC"), the Group's 30% owned joint venture. A total of £0.02m (HK\$0.3m) (2007: £nil (HK\$nil)) was charged to BFHC during the relevant period and as at 30 June 2008 £0.02m (HK\$0.3m) (2007: £nil (HK\$nil)) was due to the Group. In addition, as at 30 June 2008 BFHC owed £0.28m (HK\$3.9m) to the Group on account of certain hotel operating and hotel related expenses that had been paid by the Group to third parties. As at 30 June 2008, BFHC owed £0.7m (HK\$10.5m) (2007: £nil (HK\$nil)) to Beijing Hong Gong Garden Villa House Property Development Co., Ltd, a subsidiary of Hong Leong, on account of certain hotel operating expenses that had been paid by Beijing Hong Gong Garden Villa House Property Development Co., Ltd to third parties.

City Hotels Pte. Ltd. provided a shareholder loan facility of £6.8m (450m Thai Baht) (2007: £6.5m (450m Thai Baht)) to Fena Estate Co. Ltd., the Group's 50% owned joint venture. As at 30 June 2008, £6.6m (432.3m Thai Baht) (2007: £4.9m (336.2m Thai Baht)) had been drawn on this facility. The loan attracts interest at 4.5% per annum and interest of £0.1 million (8.8 million Thai Baht) (2007: £0.1m (7.2m Thai Baht)) was charged in the period ended 30 June 2008. This interest is rolled up into the carrying value of the loan. The Group provided hotel management services to Fena Estate Co. Ltd. A total of £0.1 million (7.4 million Thai Baht) (2007: £nil) was charged to Fena Estate Co. Ltd during the period and as at 30 June 2008 £0.02 million (1.24 million Thai Baht) (2007: £nil) was due to the Group.

The Group's hotels purchased £0.02m (US\$0.04m) (2007: £0.01m (US\$0.02m)) of hotel supplies and operating equipment during the relevant period from Thakral Corporation Limited, an associate of Hong Leong, and as at 30 June 2008 there was no outstanding amount due from the Group to Thakral Corporation Limited.

CDL Hospitality Trusts ("CDLHT") is an associate of the Group. It is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT"), a real estate investment trust, and CDL Hospitality Business Trust ("HBT"), a business trust. In July 2006, the Group completed the sale of long leasehold interests in three of its Singapore hotels to CDLHT. 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 which was sold on the basis of its remaining leasehold interest expiring on 31 January 2067. CDLHT also acquired the Grand Copthorne Waterfront Hotel, a Group-managed hotel, from CDL under a 75-year lease. All four hotels excluding the shopping centre were leased back to the Group for an initial term of 20 years, each renewable at the Group's option for an additional term of 20 years.

Under the terms of the master lease agreements for the four hotels, the Group is obliged to pay CDLHT an annual rental for the duration of the term (initial and extended term) of each lease agreement comprising the following:—

* A fixed rent and a service charge for each hotel. The aggregate of the fixed rent and service charge for the hotels is £9.6m (S\$26.4m) (2007: £8.7m (S\$26.4m)) comprising £3.7m, (S\$10.3m) (2007: £3.4m (S\$10.3m)) £2.6m (S\$7.2 m) (2007: £2.4m (S\$7.2m)), £2.2m (S\$6.1m) (2007: £2.0m (S\$6.1m)) and £1.0m (S\$2.8m) (2007: £1.0m (S\$2.8m)) for Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel, respectively;

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

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

	Half year ended 30 June 2008 £m	Half year ended 30 June 2007 £m
Copthorne King's Hotel	2.1	1.4
Orchard Hotel	5.5	3.8
M Hotel	3.1	2.1
Grand Copthorne Waterfront	4.5	3.0
	15.2	10.3

Contingent rents recognised by the Group and included in the above amounted to £10.1m (S\$27.8m) (2007: £5.8m (S\$17.6m)).

Notes to the condensed consolidated interim financial statements (unaudited)

13. Related parties (continued)

The Group acts as H-REIT manager and HBT trustee manager with its 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 and the remaining 20% in cash for the first five years. In addition, acquisition fees with respect to transactions not involving interested parties are payable to the H-REIT manager in cash and/or stapled securities (at the election of the H-REIT manager) and acquisition fees with respect to transactions involving interested parties are payable to the H-REIT manager in stapled securities at a rate of 1.0% of the value of new properties deposited with H-REIT. For the relevant period the fees paid in stapled securities totalled £1.5m (S\$4.0m) (2007: £0.9m (S\$2.6m)). The balance payable in cash was £0.4m (S\$1.0m) (2007: £0.2m (S\$0.7m)) of which £0.08m (S\$0.2 m) (2007: £0.08m (S\$0.2m)) is outstanding at 30 June 2008.

Transactions with key management personnel

Directors of M&C and their immediate relatives control 0.04 per cent (2007: 0.03 per cent) of the issued share capital of M&C. 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 during the relevant period were as follows:

	Half year ended 30 June 2008	Half year ended 30 June 2007
	£m	£m
Short-term employee benefits	1.4	1.3
Other long-term benefits	-	0.1
Termination payments	0.2	-
Share-based payment	0.6	0.4
	2.2	1.8
Directors	0.6	0.7
Executives	1.6	1.1
	2.2	1.8

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

Kwek Leng Beng
Chairman

6 August 2008

Richard Hartman
Chief Executive Officer

6 August 2008

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 2008 which comprises the condensed consolidated interim income statement, condensed consolidated interim statement of recognised income and expense, condensed consolidated interim balance sheet, 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 Group 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 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants

8 Salisbury Square
London
EC4Y 8BB

6 August 2008

APPENDIX 1: KEY OPERATING STATISTICS
for the half year ended 30 June 2008

	Half year ended 30 June 2008 Reported currency	Half year ended 30 June 2007 Constant currency*	Half year ended 30 June 2007 Reported currency	Full year ended 31 December 2007 Reported currency
Occupancy %				
New York	84.0		83.7	86.6
Regional US	61.3		65.5	66.5
Total US	66.5		69.7	71.2
London	82.6		84.1	84.5
Rest of Europe	70.9		71.8	72.4
Total Europe	76.1		77.3	77.8
Asia	76.4		75.8	77.1
Australasia	69.3		70.2	69.3
Total Group	71.8		73.2	74.1
Average Room Rate (£)				
New York	147.33	139.62	140.47	150.20
Regional US	49.81	49.42	49.72	50.59
Total US	78.26	74.46	74.92	78.62
London	99.03	93.15	93.15	97.31
Rest of Europe	79.66	76.95	73.31	73.99
Total Europe	88.96	84.77	82.89	85.22
Asia	75.21	64.80	61.98	63.08
Australasia	47.79	45.10	41.78	42.67
Total Group	76.47	70.77	69.26	71.74
RevPAR (£)				
New York	123.76	116.86	117.57	130.07
Regional US	30.53	32.37	32.57	33.64
Total US	52.04	51.90	52.22	55.98
London	81.80	78.34	78.34	82.23
Rest of Europe	56.48	55.25	52.64	53.57
Total Europe	67.70	65.53	64.07	66.30
Asia	57.46	49.12	46.98	48.63
Australasia	33.12	31.66	29.33	29.57
Total Group	54.91	51.80	50.70	53.16
Gross Operating Profit Margin (%)				
New York	37.6		37.1	40.6
Regional US	17.6		22.3	23.9
Total US	27.6		29.3	32.0
London	48.0		49.2	50.4
Rest of Europe	30.4		30.4	31.3
Total Europe	38.6		39.4	40.6
Asia	45.6		41.5	42.4
Australasia	39.8		41.9	40.7
Total Group	37.7		36.9	38.3

For comparability the 30 June 2007 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2008.

**APPENDIX 2: Key operating statistics
for the three months ended 30 June 2008**

	Three months ended 30 June 2008 Reported currency	Three months ended 30 June 2007 Constant currency	Three months ended 30 June 2007 Reported currency
Occupancy %			
New York	89.3		89.2
Regional US	66.5		70.6
Total US	71.7		74.9
London	87.6		85.9
Rest of Europe	74.8		72.7
Total Europe	80.4		78.6
Asia	76.0		76.2
Australasia	58.3		58.7
Total Group	73.3		74.1
Average Room Rate (£)			
New York	154.83	148.36	148.29
Regional US	51.82	52.50	52.49
Total US	81.46	78.88	78.85
London	103.15	98.34	98.34
Rest of Europe	80.45	79.14	75.03
Total Europe	91.37	88.45	86.33
Asia	78.05	68.56	64.95
Australasia	43.24	42.40	40.65
Total Group	79.38	74.84	73.12
RevPAR (£)			
New York	138.26	132.34	132.27
Regional US	34.46	37.07	37.06
Total US	58.41	59.08	59.06
London	90.36	84.47	84.47
Rest of Europe	60.18	57.53	54.55
Total Europe	73.46	69.52	67.86
Asia	59.32	52.24	49.49
Australasia	25.21	24.89	23.86
Total Group	58.19	55.46	54.18
Gross Operating Profit Margin (%)			
New York	43.6		43.5
Regional US	23.3		28.9
Total US	33.4		35.9
London	51.2		51.3
Rest of Europe	31.2		30.4
Total Europe	40.8		40.7
Asia	47.0		44.4
Australasia	28.4		32.3
Total Group	39.8		39.6

For comparability the 30 June 2007 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2008.

**APPENDIX 3: HOTEL ROOM COUNT AND PIPELINE
for the half year ended 30 June 2008**

Hotel and room count as at 30 June 2008	Hotels			Rooms		
	30 June 2008	31 December 2007	Change	30 June 2008	31 December 2007	Change
Analysed by region:						
New York	3	3	-	1,746	1,746	-
Regional US	17	17	-	6,025	6,025	-
London	7	7	-	2,487	2,487	-
Rest of Europe	17	17	-	3,073	3,073	-
Middle East	9	5	4	2,689	1,528	1,161
Asia	19	16	3	9,044	7,713	1,351
Australasia	32	32	-	3,618	3,618	-
Total	104	97	7	28,682	26,190	2,492
Analysed by ownership type:						
Owned and leased	69	68	1	21,208	20,684	524
Managed	17	13	4	4,011	2,850	1,161
Franchised	14	12	2	1,854	1,047	807
Investment	4	4	-	1,609	1,609	-
Total	104	97	7	28,682	26,190	2,492
Analysed by brand:						
Grand Millennium	4	2	2	1,666	793	873
Millennium	40	39	1	14,222	13,598	624
Copthorne	35	32	3	7,027	6,140	887
Kingsgate	15	14	1	1,422	1,314	108
Other	10	10	-	4,345	4,345	-
Total	104	97	7	28,682	26,190	2,492

Pipeline as at 30 June 2008	Hotels			Rooms		
	30 June 2008	31 December 2007	Change	30 June 2008	31 December 2007	Change
Analysed by region:						
Regional US	1	1	-	250	250	-
Rest of Europe	2	2	-	340	340	-
Middle East	10	6	4	2,805	1,424	1,381
Asia	4	6	(2)	1,160	2,366	(1,206)
Total	17	15	2	4,555	4,380	175
Analysed by ownership type:						
Owned or leased	2	3	(1)	620	1,141	(521)
Managed	14	10	4	3,815	2,434	1,381
Franchised	-	2	(2)	-	805	(805)
Investment	1	-	1	120	-	120
Total	17	15	2	4,555	4,380	175
Analysed by brand:						
Grand Millennium	-	1	(1)	-	521	(521)
Millennium	10	7	3	2,942	2,113	829
Copthorne	1	4	(3)	140	1,018	(878)
Kingsgate	2	1	1	478	108	370
Other	4	2	2	995	620	375
Total	17	15	2	4,555	4,380	175

Seven new hotels were opened in the first half, one owned in China (the 521-room Grand Millennium Beijing). Four managed, (the 352-room Grand Millennium Dubai, the 163-room Copthorne Hotel Dubai, the 262-room Al-Jahrah Copthorne Hotel & Resort and the 108-room Kingsgate Abu Dhabi) and two franchised (the 352-room Millennium Harbour View Hotel Xiamen and the 455-room Copthorne Hotel Qingdao). The Kingsgate Abu Dhabi Hotel marking the first property trading under the Kingsgate brand outside of New Zealand.

The lease of the Copthorne Hotel Wellington Plimmer Towers expired in April 2008.

At 30 June 2008, the number of rooms in the pipeline (contracts signed but hotels/rooms yet to open under one of the Group's brands) was 4,555; 175 more than at 31 December 2007.