

MILLENNIUM & COPTHORNE HOTELS PLC
INTERIM MANAGEMENT REPORT
Half year and second quarter results to 30 June 2015

Highlights for the first half 2015:

	First Half 2015	First Half 2014	Change	
RevPAR	£68.28	£65.67	£2.61	4.0%
Revenue	£404m	£380m	£24m	6.3%
Profit before tax	£62m	£58m	£4m	6.9%
Basic earnings per share	11.2p	9.4p	1.8p	19.1%
Dividend	2.08p	2.08p	-	-

Highlights for the second quarter 2015:

	Second Quarter 2015	Second Quarter 2014	Change	
RevPAR	£74.91	£72.88	£2.03	2.8%
Revenue	£215m	£205m	£10m	4.9%
Profit before tax	£43m	£38m	£5m	13.2%
Basic earnings per share	8.9p	7.4p	1.5p	20.3%

- Group RevPAR grew by 4.0% to £68.28. In constant currency, RevPAR increased by 0.8% from £67.75 to £68.28. Average room rate increased by 2.7% to £96.61 (H1 2014: £94.10) and occupancy fell by 1.2 percentage points to 70.7% (H1 2014: 71.9%).
- Revenue increased by 6.3% mainly as a result of acquisitions in 2014, together with favourable foreign exchange movements.
- Continuing pressure in Asian markets resulting in Asia RevPAR falling by 10.3% for the first six months of 2015.
- Profit before tax increased by 6.9% reflecting higher contribution from joint ventures and associates and lower central costs resulting from the reversal of surplus legal provisions following settlement of certain claims.
- Good progress made on hotel refurbishments, including Millennium Bailey's Hotel London and completion of work at Millennium Alaskan Hotel Anchorage, now re-branded as The Lakefront Anchorage.
- The Board has declared an interim dividend of 2.08p per share (H1 2014: 2.08p).

Mr Kwek Leng Beng, Chairman commented:

"The Group continues to focus on its successful long-term strategy of owning and managing hotel assets. In the short-term, we see continuing pressure in our key hospitality markets with uncertainty in Asian economies, in the Middle East and in the Eurozone affecting business and leisure travel plans."

Enquiries

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FINANCIAL PERFORMANCE

For the six months ended 30 June 2015 revenue increased by 6.3% to £404m (H1 2014: £380m). This was a result of additional income from new hotels acquired by the Group in 2014 and from hotel rooms returning to inventory following refurbishment.

Foreign currency movements also increased the Group's reported currency results. In constant currency, Group revenue increased by 3.3% (H1 2014: £391m). On a like-for-like¹ basis, revenue increased by 0.5%.

Profit before tax rose by 6.9% to £62m (H1 2014: £58m). The main drivers behind this increase were higher contributions from joint ventures and associates, in particular First Sponsor Group Limited ("FSGL") and the release of legal provision following a lower settlement which offset the Group central cost by £3m. In constant currency, profit before tax increased by 5.1% (H1 2014: £59m). Like-for-like¹ profit before tax increased by 2.9%.

Note 1: Like-for-like comparisons exclude the impact of acquisitions, closures and Glyndebourne (sale of the remaining three units of condominium in Q1 2014) and are stated in constant currency terms.

Hotel Operations

Group RevPAR in constant currency increased by 0.8% to £68.28 (H1 2014: £67.75), helped by contributions from recent acquisitions and improved performance in New Zealand, Rest of Europe and Regional US. Trading conditions in key gateway cities were challenging during the first half of 2015, with London, New York and Singapore all registering lower RevPAR for the period, compared to the same time last year. Like-for-like Group RevPAR fell by 3.3% to £65.24 (H1 2014: £67.46).

	RevPAR			Occupancy			Average Room Rate		
	H1 2015 £	#H1 2014 £	Change	H1 2015 %	H1 2014 %	Change %pts	H1 2015 £	#H1 2014 £	Change
New York	128.32	129.90	(1.2)%	78.8	81.7	(2.9)	162.75	158.93	2.4%
Regional US	46.91	44.28	5.9%	58.3	58.5	(0.2)	80.43	75.73	6.2%
Total US	73.73	68.87	7.1%	65.1	65.2	(0.1)	113.29	105.71	7.2%
London	96.66	100.88	(4.2)%	77.2	81.2	(4.0)	125.23	124.29	0.8%
Rest of Europe	49.23	43.84	12.3%	71.3	67.6	3.7	69.02	64.89	6.4%
Total Europe	73.82	72.12	2.4%	74.4	74.3	0.1	99.27	97.06	2.3%
Singapore	80.56	87.46	(7.9)%	86.3	86.0	0.3	93.31	101.68	(8.2)%
Rest of Asia	54.38	60.94	(10.8)%	62.9	71.6	(8.7)	86.46	85.11	1.6%
Total Asia	64.52	71.91	(10.3)%	72.0	77.6	(5.6)	89.64	92.71	(3.3)%
Australasia	45.90	39.62	15.9%	78.2	72.7	5.5	58.69	54.51	7.7%
Total Group	68.28	67.75	0.8%	70.7	71.9	(1.2)	96.61	94.10	2.7%

In constant currency whereby 30 June 2014 RevPAR and average room rates have been translated at average exchange rates for the period ended 30 June 2015.

US

RevPAR for the US region increased by 7.1% to £73.73 reflecting the contribution from Novotel New York Times Square, growth in the Regional US, particularly at the Millennium Harvest House Boulder, Millennium Knickerbocker Hotel Chicago and The McCormick Scottsdale, which were recently refurbished. In New York, excluding the impact of Novotel New York Times Square, RevPAR fell by 6.4%. Rate pressures across the city were reflected in lower RevPAR at ONE UN and Millennium Broadway Hotel New York.

Europe

London RevPAR was down 4.2%. Excluding The Chelsea Harbour Hotel, London RevPAR decreased by 3.8%. Lower RevPAR at Millennium Bailey's Hotel London was the largest factor in that decline due to the refurbishment of guestrooms which started at the end of last year. Most of the other European hotels outside London posted RevPAR gains. Copthorne Hotel Aberdeen was the notable exception, with RevPAR falling due to reduced business from the oil and gas sector.

Asia

Asia RevPAR fell by 10.3% with decreases in both occupancy and average room rate. Singapore occupancy was stable around 86.3% with average room rate falling by 8.2% as a result of increased room supply and lower visitor numbers in each of the first four months of the year. The strong Singapore dollar, relative to other Asian currencies, is putting a brake on the recovery of visitor numbers.

In rest of Asia, the increase in hotel revenues reflected the normalisation impact of all guest rooms in the east wing of Grand Hyatt Taipei being opened in H1 2015 following refurbishment last year. This masked the underlying performance in the region, with general softness in the market further impacted by the Middle East Respiratory Syndrome ("MERS") outbreak in South Korea. Millennium Seoul Hilton was particularly affected by MERS, with double digit RevPAR falls. Competition in Taipei is becoming more intense with more local and international hotel groups entering the market.

Australasia

Australasia was the fastest growing region in RevPAR terms. The 15.9% increase was driven by higher occupancy and average room rate. New Zealand continues to benefit from increased visitors from Asia, particularly China, and increased airline capacity into the country. The 2014 refurbishment of Copthorne Hotel Palmerston North is also contributing to higher revenues and RevPAR.

Development

In December 2014, Urban Environmental Improvement approval was granted for the Group's land in Seoul, South Korea to be used for lodging facilities. Preparation for the next stage of authority submission to the Construction Deliberation Commission is in progress and expected to be submitted by end of the year. The Group is optimistic that work will commence next year.

The Group is considering a range of options with regard to the future of the freehold site occupied by the Millennium Hotel St Louis, which was closed in January 2014.

As previously indicated, the Group is also considering its options with respect to its freehold interest in a 35,717m² mixed-use landsite at Sunnyvale, California. A project team has been engaged and in June 2015, preliminary approval was obtained from the local authority to amend the current site plan in order to incorporate retail use and modify the previously approved hotel and residential uses.

Hotel refurbishments

The Group has made good progress in discussions with all relevant third parties on the scope and nature of the refurbishment programmes for the Millennium Hotel London Knightsbridge and Millennium Hotel London Mayfair.

Work on the third to fifth floor guestrooms at Millennium Bailey's Hotel London is complete. The remaining first and second floors and public areas are scheduled for completion in October 2015.

In the US, refurbishments of Millennium Hotel Buffalo and Millennium Hotel Durham are underway and will complete in Q4 2015 and Q1 2016 respectively. Work on Millennium Biltmore Hotel Los Angeles will complete in late 2016. Refurbishment has been completed for all 248 guestrooms and common parts of Millennium Alaskan Hotel Anchorage, which has been re-branded as The Lakefront Anchorage.

Refurbishment of the East Tower of ONE UN New York is scheduled to start in November 2015 and complete in April 2016, with a total approved budget of approximately US\$38m (£24m).

Refurbishment of all guest accommodation, corridors and a Chinese restaurant at Grand Hyatt Taipei is complete. Work on the main Café / All Day Dining Restaurant started in June and is scheduled to finish by the end of September. Remaining work on the main lobby and two other F&B outlets is scheduled to complete by the end of this year.

Refurbishment of 237 deluxe guest rooms and corridors at the Millennium Seoul Hilton commenced in April and is scheduled to complete in August. Work on the final phase of 113 deluxe guestrooms and corridors will commence thereafter, with completion scheduled for October 2015.

In New Zealand, Copthorne Hotel Harbour City Auckland closed this month for a major refurbishment valued at over NZ\$40m (£17m) that will enable the Group to capitalise on the hotel's premium waterfront location in New Zealand's gateway city. Work will include complete replacement of the building services, new guestrooms and public areas. The hotel is expected to re-open in early 2017.

Additional projects are under consideration including refurbishment of Millennium Broadway Hotel New York. All projects are subject to relevant consents and phasing to minimise impact on earnings.

Other Group Operations

CDL Hospitality Trusts ("CDLHT") which is consolidated within the Group's accounts under IFRS 10 and in which the Group owns a 36% stake, reported its results for the first six months of 2015 to the Singapore Exchange on 29 July 2015.

FSG, an associated company reported its results for the first six months of 2015 to the Singapore Exchange on 24 July 2015.

Hotel inventory and pipeline

The Group opened a new Millennium hotel in Kuwait during the second quarter of 2015, under management contract. The Group currently has 124 hotels offering 34,578 rooms.

The Group's pipeline at 30 June 2015 comprises 19 hotels offering 6,345 rooms. These are mainly properties to be operated under management contract.

Financial Position

At 30 June 2015, the Group had net debt of £540m (Dec 2014: net debt £525m). Excluding CDLHT, the net debt was £201m (Dec 2014: net debt £185m).

The Group has a total of £172m of undrawn committed bank facilities at 30 June 2015. Most of the facilities are unsecured, with unencumbered assets representing 94% of fixed assets and investment properties.

Dividend

The Board has declared an interim dividend of 2.08 pence per share. The interim dividend will be paid on 2 October 2015 to shareholders on the register at the close of business on 14 August 2015. The ex-dividend date of the Company's shares is 13 August 2015. The Board will consider the full dividend for the year following the close of the financial year.

Outlook

On a constant currency basis, Group RevPAR was down 2.2% for the three weeks ended 21 July 2015, with London down 3.8%, New York down 2.3% and Singapore down 7.2%. Excluding Hotel Grand Palace Rome (acquired in October 2014), Group RevPAR was down by 2.7%.

This interim management report contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of Millennium & Copthorne Hotels plc. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

**Condensed consolidated income statement
for the half year ended 30 June 2015**

	Notes	Second Quarter 2015 £m	Second Quarter 2014 £m	First Half 2015 £m	First Half 2014 £m	Full Year 2014 £m
Revenue	3	215	205	404	380	826
Cost of sales		(88)	(82)	(172)	(161)	(333)
Gross profit		127	123	232	219	493
Administrative expenses		(83)	(80)	(168)	(154)	(325)
Other operating income		-	-	-	-	29
Other operating expense		-	-	-	-	(2)
Operating profit		44	43	64	65	195
Share of profit of joint ventures and associates		3	(1)	6	1	10
Finance income		-	1	3	2	7
Finance expense		(4)	(5)	(11)	(10)	(24)
Net finance expense		(4)	(4)	(8)	(8)	(17)
Profit before tax	3	43	38	62	58	188
Income tax expense	4	(8)	(8)	(10)	(12)	(37)
Profit for the period		35	30	52	46	151
Attributable to:						
Equity holders of the parent		28	23	36	30	110
Non-controlling interests		7	7	16	16	41
		35	30	52	46	151
Basic earnings per share (pence)	5	8.9p	7.4p	11.2p	9.4p	34.0p
Diluted earnings per share (pence)	5	8.8p	7.3p	11.2p	9.3p	33.9p

The financial results above were derived from continuing activities.

**Condensed consolidated statement of comprehensive income
for the half year ended 30 June 2015**

	First Half 2015 £m	First Half 2014 £m	Full Year 2014 £m
Profit for the period	52	46	151
Other comprehensive income:			
Items that are not reclassified subsequently to income statement:			
Remeasurement of defined benefit plan actuarial net gains	-	-	3
	-	-	3
Items that may be reclassified subsequently to income statement:			
Foreign currency translation differences - foreign operations	(81)	(28)	47
Foreign currency translation differences - equity accounted investees	3	(6)	7
Net gain/(loss) on hedge of net investments in foreign operations	5	4	(17)
	(73)	(30)	37
Other comprehensive income/(expense) for the period, net of tax	(73)	(30)	40
Total comprehensive income/(expense) for the period	(21)	16	191
 Total comprehensive income attributable to:			
Equity holders of the parent	(18)	4	162
Non-controlling interests	(3)	12	29
Total comprehensive income for the period	(21)	16	191

**Condensed consolidated statement of financial position
as at 30 June 2015**

	As at 30 June 2015 £m	As at 30 June 2014 £m	As at 31 Dec 2014 £m
Non-current assets			
Property, plant and equipment	2,700	2,576	2,753
Lease premium prepayment	95	93	98
Investment properties	461	419	479
Investment in joint ventures and associates	238	232	235
Other financial assets	-	5	5
	3,494	3,325	3,570
Current assets			
Inventories	4	4	4
Development properties	70	72	72
Lease premium prepayment	2	1	2
Trade and other receivables	95	127	104
Cash and cash equivalents	257	281	392
	428	485	574
Total assets	3,922	3,810	4,144
Non-current liabilities			
Interest-bearing loans, bonds and borrowings	(543)	(621)	(518)
Employee benefits	(15)	(17)	(15)
Provisions	(7)	(7)	(7)
Other non-current liabilities	(10)	(9)	(11)
Deferred tax liabilities	(223)	(207)	(221)
	(798)	(861)	(772)
Current liabilities			
Interest-bearing loans, bonds and borrowings	(254)	(120)	(399)
Trade and other payables	(197)	(181)	(197)
Provisions	(3)	(6)	(6)
Income taxes payable	(27)	(30)	(35)
	(481)	(337)	(637)
Total liabilities	(1,279)	(1,198)	(1,409)
Net assets	2,643	2,612	2,735
Equity			
Issued share capital	97	97	97
Share premium	843	843	843
Translation reserve	156	135	210
Treasury share reserve	(4)	(2)	(4)
Retained earnings	1,117	1,041	1,117
Total equity attributable to equity holders of the parent	2,209	2,114	2,263
Non-controlling interests	434	498	472
Total equity	2,643	2,612	2,735

**Condensed consolidated statement of cash flows
for the half year ended 30 June 2015**

	First Half 2015 £m	First Half 2014 £m	Full Year 2014 £m
Cash flows from operating activities			
Profit for the period	52	46	151
<i>Adjustments for:</i>			
Depreciation and amortisation	29	24	52
Share of profit of joint ventures and associates	(6)	(1)	(10)
Other operating income	-	-	(30)
Other operating expense	-	-	3
Equity settled share-based transactions	1	1	-
Finance income	(3)	(2)	(7)
Finance expense	11	10	24
Income tax expense	10	12	37
Operating profit before changes in working capital and provisions	94	90	220
Movement in inventories, trade and other receivables	9	63	76
Movement in development properties	(7)	2	(1)
Movement in trade and other payables	4	28	35
Movement in provisions and employee benefits	(3)	-	-
Cash generated from operations	97	183	330
Interest paid	(10)	(8)	(17)
Interest received	2	2	5
Income tax paid	(16)	(21)	(37)
Net cash generated from operating activities	73	156	281
Cash flows from investing activities			
Dividends received from joint ventures and associates	1	-	-
Increase in investment in associate	-	(43)	(44)
Return of capital from associate	-	-	3
Proceeds from sale of investments	4	1	-
Acquisition of subsidiaries	(15)	-	-
Acquisition of property, plant and equipment, lease premium prepayment and investment properties	(29)	(277)	(429)
Net cash used in investing activities	(39)	(319)	(470)
Cash flows from financing activities			
Repayment of borrowings	(293)	(88)	(49)
Drawdown of borrowings	197	268	377
Payment of transaction costs related to loans and borrowings	-	-	(1)
Dividends paid to non-controlling interests	(20)	(17)	(35)
Purchase of own shares	-	-	(2)
Capital contribution from non-controlling interests	-	-	3
Dividends paid to equity holders of the parent	(37)	(67)	(73)
Net cash used in financing activities	(153)	96	220
Net (decrease)/increase in cash and cash equivalents	(119)	(67)	31
Cash and cash equivalents at beginning of the period	388	351	351
Effect of exchange rate fluctuations on cash held	(12)	(5)	6
Cash and cash equivalents at end of the period	257	279	388
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the consolidated statement of financial position	257	281	392
Bank overdrafts included in borrowings	-	(2)	(4)
Cash and cash equivalents for consolidated statement of cash flows	257	279	388

**Condensed consolidated statement of changes in equity
for the half year ended 30 June 2015**

	Share capital £m	Share premium £m	Translation reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding non- controlling interests £m	Non- controlling interests £m	Total equity £m
Balance at 1 January 2014, as previously reported	97	843	191	(2)	1,160	2,289	179	2,468
IFRS 10 adjustments	-	-	(31)	-	(82)	(113)	324	211
Restated balance at 1 January 2014¹	97	843	160	(2)	1,078	2,176	503	2,679
Profit	-	-	-	-	30	30	16	46
Other comprehensive expense	-	-	(25)	-	(1)	(26)	(4)	(30)
Total comprehensive income/(expense)	-	-	(25)	-	29	4	12	16
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends - equity holders	-	-	-	-	(67)	(67)	-	(67)
Dividends - non-controlling interests	-	-	-	-	-	-	(17)	(17)
Share-based payment transactions (net of tax)	-	-	-	-	1	1	-	1
Total transactions with owners	-	-	-	-	(66)	(66)	(17)	(83)
Balance at 30 June 2014	97	843	135	(2)	1,041	2,114	498	2,612

	Share capital £m	Share premium £m	Translation reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding non- controlling interests £m	Non- controlling interests £m	Total equity £m
Balance at 1 January 2015	97	843	210	(4)	1,117	2,263	472	2,735
Profit	-	-	-	-	36	36	16	52
Other comprehensive income	-	-	(54)	-	-	(54)	(19)	(73)
Total comprehensive income/(expense)	-	-	(54)	-	36	(18)	(3)	(21)
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends - equity holders	-	-	-	-	(37)	(37)	-	(37)
Dividends - non-controlling interests	-	-	-	-	-	-	(20)	(20)
Share-based payment transactions (net of tax)	-	-	-	-	1	1	-	1
Changes in ownership interests								
Change in interests in subsidiaries without loss of control	-	-	-	-	-	-	(15)	(15)
Total transactions with owners	-	-	-	-	(36)	(36)	(35)	(71)
Restated as at 30 June 2015	97	843	156	(4)	1,117	2,209	434	2,643

¹ Restated due to the adoption of IFRS 10.

Notes to the condensed consolidated financial statements

1. General information

Basis of preparation

The consolidated financial statements in this interim management report for Millennium & Copthorne Hotels plc ("the Company") as at and for the half year ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in joint ventures and associates.

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

The comparative figures for the financial year ended 31 December 2014 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These interim financial statements were authorised for issue by the Company's Board of Directors on 29 July 2015.

Use of judgements and estimates

The financial statements were prepared on a going concern basis supported by the Directors' assessment of the Group's current and forecast financial position, and forecast for the foreseeable future; and are presented in the Company's functional currency of sterling, rounded to the nearest millions.

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2014.

Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2014.

2. Foreign currency translation

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

Currency (=£)	As at 30 June 2015	2014	As at 31 December 2014	Average for 6 month January-June 2015	2014	Average for 3 month April-June 2015	2014	Average for the year 2014
US dollar	1.572	1.699	1.556	1.538	1.668	1.546	1.680	1.645
Singapore dollar	2.110	2.123	2.059	2.065	2.106	2.070	2.109	2.087
New Taiwan dollar	48.620	40.924	49.419	47.812	50.371	47.583	50.584	49.938
New Zealand dollar	2.279	1.938	2.001	2.064	1.972	2.110	1.963	1.990
Malaysian ringgit	5.906	5.465	5.442	5.563	5.455	5.631	5.445	5.391
Korean won	1,746.77	1,725.61	1,708.55	1,686.12	1,745.85	1,692.54	1,727.14	1,727.98
Chinese renminbi	9.755	10.586	9.684	9.567	10.291	9.601	10.453	10.138
Euro	1.401	1.247	1.278	1.363	1.217	1.391	1.227	1.240
Japanese yen	194.479	172.983	187.334	184.420	171.179	186.45	171.496	173.950

Notes to the condensed consolidated financial statements

3. Operating segment information

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

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

Geographical segments

The hotel and property operations are managed on a worldwide basis and operate in seven principal geographical areas as follows:

- New York
- Regional US
- London
- Rest of Europe (including the Middle East)
- Singapore
- Rest of Asia
- Australasia

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

The reportable segments are aligned with the structure of the Group's internal organisation which is based according to geographical region. Discrete financial information is reported to and is reviewed by the CODM on a geographical basis. Operating segments have Chief Operating Officers ("COOs") or equivalent who are directly accountable for the functioning of their segments and who maintain regular contact with the Chief Executive Officer and Chairman of the CODM to discuss the operational and financial performance. The CODM makes decisions about allocation of resources to the regions managed by the COOs.

The results of CDL Hospitality Trusts ("CDLHT") have been incorporated within the existing geographical regions. In addition, CDLHT operations are reviewed separately by its board on a monthly basis.

Notes to the condensed consolidated financial statements

3. Operating segment information (continued)

First Half 2015									
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel ³	62	57	56	34	61	73	22	-	365
Property operations	-	1	-	-	1	3	12	-	17
REIT	-	-	-	-	5	11	6	-	22
Total revenue	62	58	56	34	67	87	40	-	404
Hotel gross operating profit	11	11	27	9	27	23	9	-	117
Hotel fixed charges ¹	(13)	(9)	(11)	(5)	(2)	(15)	(2)	-	(57)
Hotel operating profit	(2)	2	16	4	25	8	7	-	60
Property operating profit	-	-	-	-	1	2	5	-	8
REIT operating profit/(loss)	-	-	-	-	(3)	4	6	-	7
Central costs	-	-	-	-	-	-	-	(11)	(11)
Operating profit/(loss)	(2)	2	16	4	23	14	18	(11)	64
Share of joint ventures and associates profit	-	-	-	-	-	6	-	-	6
Add: Depreciation and amortisation	4	4	3	2	5	9	1	1	29
EBITDA ²	2	6	19	6	28	29	19	(10)	99
Less: Depreciation and amortisation									(29)
Net finance expense									(8)
Profit before tax									62

First Half 2014									
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel ³	46	49	56	33	64	70	21	-	339
Property operations	-	1	-	-	7	-	13	-	21
REIT	-	-	-	-	6	7	7	-	20
Total revenue	46	50	56	33	77	77	41	-	380
Hotel gross operating profit	9	8	27	7	30	23	9	-	113
Hotel fixed charges ¹	(9)	(8)	(9)	(6)	(1)	(13)	(2)	-	(48)
Hotel operating profit	-	-	18	1	29	10	7	-	65
Property operating profit	-	-	-	-	3	-	5	-	8
REIT operating profit/(loss)	-	-	-	-	(3)	3	7	-	7
Central costs	-	-	-	-	-	-	-	(15)	(15)
Operating profit/(loss)	-	-	18	1	29	13	19	(15)	65
Share of joint ventures and associates profit	-	-	-	-	-	1	-	-	1
Add: Depreciation and amortisation	3	3	2	2	5	7	1	1	24
EBITDA ²	3	3	20	3	34	21	20	(14)	90
Less: Depreciation and amortisation									(24)
Net finance expense									(8)
Profit before tax									58

¹ Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.

² EBITDA is earnings before interest, tax and, depreciation and amortisation.

³ Hotel revenue includes £183m (H1 2014: £181m) of room revenue from hotels that are both owned and managed by M&C.

Notes to the condensed consolidated financial statements

3. Operating segment information (continued)

Segmental assets and liabilities

As at 30 June 2015	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
Hotel operating assets	534	280	506	237	19	644	131	2,351
REIT operating assets	-	-	-	-	526	125	150	801
Hotel operating liabilities	(40)	(21)	(27)	(30)	(20)	(55)	(6)	(199)
REIT operating liabilities	-	-	-	-	(11)	(4)	(1)	(16)
Investment in joint ventures and associates	-	-	-	-	-	99	-	99
Total hotel operating net assets	494	259	479	207	514	809	274	3,036
Property operating assets	-	32	-	-	76	98	69	275
Property operating liabilities	-	(1)	-	-	(7)	(5)	(4)	(17)
Investment in joint ventures and associates	-	-	-	-	-	139	-	139
Total property operating net assets	-	31	-	-	69	232	65	397
Deferred tax liabilities								(223)
Income taxes payable								(27)
Net debt								(540)
Net assets								2,643

At 31 December 2014	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
Hotel operating assets	542	279	502	242	18	654	147	2,384
REIT operating assets	-	-	-	-	539	128	162	829
Hotel operating liabilities	(34)	(22)	(34)	(19)	(21)	(59)	(8)	(197)
REIT operating liabilities	-	-	-	-	(15)	(3)	(2)	(20)
Investment in joint ventures and associates	-	-	-	-	-	96	-	96
Total hotel operating net assets	508	257	468	223	521	816	299	3,092
Property operating assets	-	31	-	-	97	102	74	304
Property operating liabilities	-	(1)	-	-	(8)	(6)	(4)	(19)
Investment in and loans due from joint ventures and associates	-	-	-	-	-	139	-	139
Total property operating net assets	-	30	-	-	89	235	70	424
Deferred tax liabilities								(221)
Income taxes payable								(35)
Net debt								(525)
Net assets								2,735

Notes to the condensed consolidated financial statements

4. Income tax expense

The Group recorded a tax expense of £10m for the first half of 2015 (2014: £12m) excluding the tax relating to joint ventures and associates.

Income tax expense for the period is the expected income tax payable on the taxable income for the period, calculated at the estimated average underlying annual effective income tax rate applied to the pre-tax income for the period, and further adjusted to take into account the impact of over or under-provision adjustments for prior years.

5. Earnings per share

Earnings per share are calculated using the following information:

	Second Quarter 2015	Second Quarter 2014	First Half 2015	First Half 2014	Full Year 2014
(a) Basic					
Profit for the period attributable to holders of the parent (£m)	28	23	36	30	110
Weighted average number of shares in issue (m)	325	324	325	324	324
Basic earnings per share (pence)	8.9p	7.4p	11.2p	9.4p	34.0p
(b) Diluted					
Profit for the period attributable to holders of the parent (£m)	28	23	36	30	110
Weighted average number of shares in issue (m)	325	324	325	324	324
Potentially dilutive share options under the Group's share option schemes (m)	1	2	1	2	1
Weighted average number of shares in issue (diluted) (m)	326	326	326	326	325
Diluted earnings per share (pence)	8.8p	7.3p	11.2p	9.3p	33.9p

6. Dividends

	Second Quarter 2015 pence	Second Quarter 2014 pence	First Half 2015 pence	First Half 2014 pence	Full Year 2014 pence
Final ordinary dividend paid (per share)	11.51	11.51	11.51	11.51	11.51
Final special dividend paid (per share)	-	9.15	-	9.15	9.15
Interim ordinary dividend paid (per share)	-	-	-	-	2.08
	11.51	20.66	11.51	20.66	22.74

Dividends paid to equity holders in the first half of 2015 totalled £37m (2014: £67m).

Subsequent to 30 June 2015, the Directors declared an interim ordinary dividend of 2.08p per share (2014: 2.08p) which has not been provided for.

Notes to the condensed consolidated financial statements

7. Significant related parties' transactions

Identity of related parties

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

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

Significant transactions with ultimate holding company and other related companies

The Group has a related party relationship with certain subsidiaries of Hong Leong Investment Holdings Pte. Ltd. ("Hong Leong"), which is the ultimate holding and controlling company of Millennium & Copthorne Hotels plc and holds 63% (31 December 2014: 61%) of the Company's shares via City Developments Limited ("CDL"), the intermediate holding company of the Group. During the half year ended 30 June 2015, the Group had the following significant transactions with those subsidiaries.

The Group deposited certain surplus cash with Hong Leong Finance Limited, a subsidiary of Hong Leong, on normal commercial terms. As at 30 June 2015, £5m (2014: £9m) of cash was deposited with Hong Leong Finance Limited.

Fees paid/payable by the Group to CDL and its other subsidiaries were £1m (2014: £1m) which included rentals paid for the Grand Shanghai restaurant and Kings Centre; property management fees for Tanglin Shopping Centre and Glyndebourne in Singapore; charges for car parking, leasing commission and professional services.

As at 30 June 2015, City e-Solutions Limited ("CES"), a fellow subsidiary of CDL held 1,152,031 (2014: 1,152,031) ordinary shares in M&C.

8. Risks and uncertainties

The interim management report has been prepared on the basis set out in Note 1. The risks and uncertainties facing the Group are consistent with those outlined in the Annual Report and Accounts for the year ended 31 December 2014.

9. Financial commitments, contingencies and subsequent events

Except as stated below, there have been no material changes to commitments, contingencies and subsequent events as disclosed in the annual report and accounts for the year ended 31 December 2014:

Capital commitments

Contracts placed for future capital expenditure not provided in the financial statements amount to £39m at 30 June 2015 (31 December 2014: £25m).

Subsequent events

There are no events subsequent to the balance sheet date which require adjustments to or disclosure within these consolidated financial statements.

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

Aloysius Lee
Chief Executive Officer

29 July 2015

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 half-yearly financial report for the six months ended 30 June 2015 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial 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 Conduct Authority ("the UK FCA"). 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 half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial 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 half-yearly financial 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 conducted 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 half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Steve Masters (Senior Statutory Auditor)
for and on behalf of KPMG LLP,

Chartered Accountants
15 Canada Square
London
E14 5GL

29 July 2015

APPENDIX 1: KEY OPERATING STATISTICS
for the half year ended 30 June 2015

Owned or leased hotels*	First Half 2015 Reported currency	First Half 2014 Constant currency	First Half 2014 Reported currency	Full Year 2014 Reported currency
Occupancy (%)				
New York	78.8		81.7	86.7
Regional US	58.3		58.5	60.2
Total US	65.1		65.2	68.5
London	77.2		81.2	85.7
Rest of Europe	71.3		67.6	69.1
Total Europe	74.4		74.3	77.4
Singapore	86.3		86.0	88.3
Rest of Asia	62.9		71.6	71.2
Total Asia	72.0		77.6	78.1
Australasia	78.2		72.7	73.7
Total Group	70.7		71.9	74.2
Average Room Rate (£)				
New York	162.75	158.93	146.48	162.93
Regional US	80.43	75.73	69.79	73.37
Total US	113.29	105.71	97.42	108.70
London	125.23	124.29	124.29	131.23
Rest of Europe	69.02	64.89	67.44	69.16
Total Europe	99.27	97.06	98.23	103.38
Singapore	93.31	101.68	99.75	98.40
Rest of Asia	86.46	85.11	81.87	83.78
Total Asia	89.64	92.71	90.07	90.45
Australasia	58.69	54.51	57.07	57.09
Total Group	96.61	94.10	91.22	96.49
RevPAR (£)				
New York	128.32	129.90	119.72	141.30
Regional US	46.91	44.28	40.81	44.19
Total US	73.73	68.87	63.47	74.44
London	96.66	100.88	100.88	112.47
Rest of Europe	49.23	43.84	45.56	47.78
Total Europe	73.82	72.12	72.99	79.97
Singapore	80.56	87.46	85.79	86.88
Rest of Asia	54.38	60.94	58.62	59.64
Total Asia	64.52	71.91	69.86	70.62
Australasia	45.90	39.62	41.48	42.10
Total Group	68.28	67.75	65.67	71.55
Gross Operating Profit Margin (%)				
New York	18.2		19.2	28.0
Regional US	19.0		15.2	20.1
Total US	18.6		17.1	24.3
London	48.6		49.3	50.9
Rest of Europe	25.7		22.4	24.9
Total Europe	40.0		39.2	41.5
Singapore	44.2		47.8	47.4
Rest of Asia	31.1		32.5	35.1
Total Asia	37.0		39.8	40.8
Australasia	42.4		41.5	41.4
Total Group	32.0		33.4	36.0

For comparability, the 30 June 2014 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2015.

* excluding managed, franchised and investment hotels.

APPENDIX 2: KEY OPERATING STATISTICS
for the quarter year ended 30 June 2015

	Second Quarter 2015 Reported currency	Second Quarter 2014 Constant currency	Second Quarter 2014 Reported currency
Owned or leased hotels*			
Occupancy (%)			
New York	88.9		92.2
Regional US	62.0		64.5
Total US	70.8		72.7
London	82.7		88.3
Rest of Europe	77.8		72.6
Total Europe	80.3		80.6
Singapore	85.4		84.7
Rest of Asia	63.1		73.0
Total Asia	71.7		77.8
Australasia	67.8		62.5
Total Group	73.1		75.3
Average Room Rate (£)			
New York	177.39	171.28	157.73
Regional US	84.60	81.58	75.11
Total US	122.97	115.09	105.97
London	135.58	136.88	136.88
Rest of Europe	71.57	65.41	68.21
Total Europe	105.72	104.88	106.13
Singapore	93.67	99.51	97.65
Rest of Asia	87.72	87.78	84.57
Total Asia	90.46	93.00	90.39
Australasia	52.74	49.17	53.61
Total Group	102.45	99.97	96.84
RevPAR (£)			
New York	157.74	157.97	145.47
Regional US	52.43	52.61	48.44
Total US	87.12	83.62	76.99
London	112.07	120.92	120.92
Rest of Europe	55.68	47.52	49.55
Total Europe	84.92	84.48	85.49
Singapore	79.96	84.30	82.72
Rest of Asia	55.34	64.10	61.76
Total Asia	64.89	72.36	70.33
Australasia	35.78	30.72	33.50
Total Group	74.91	75.23	72.88
Gross Operating Profit Margin (%)			
New York	31.7		32.0
Regional US	25.0		25.3
Total US	28.7		28.6
London	53.8		54.4
Rest of Europe	29.0		26.0
Total Europe	44.7		44.7
Singapore	43.8		45.9
Rest of Asia	31.8		34.4
Total Asia	37.1		39.6
Australasia	34.5		33.3
Total Group	36.0		37.3

For comparability, the 30 June 2014 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2015.

* excluding managed, franchised and investment hotels.

APPENDIX 3: HOTEL ROOM COUNT AND PIPELINE
as at 30 June 2015

Hotel and room count	Hotels			Rooms		
	30 June 2015	31 December 2014	Change	30 June 2015	31 December 2014	Change
Analysed by region:						
New York	4	4	-	2,238	2,238	-
Regional US	15	15	-	4,463	4,463	-
London	8	8	-	2,651	2,651	-
Rest of Europe	16	16	-	2,560	2,560	-
Middle East	22	17	5	6,446	5,123	1,323
Singapore	6	6	-	2,716	2,716	-
Rest of Asia	26	26	-	9,427	9,431	(4)
Australasia	27	28	(1)	4,077	4,185	(108)
Total	124	120	4	34,578	33,367	1,211

Analysed by ownership type:						
Owned or leased	64	64	-	19,043	19,044	(1)
Managed	36	31	5	10,098	8,780	1,318
Franchised	9	10	(1)	1,319	1,427	(108)
Investment	15	15	-	4,118	4,116	2
Total	124	120	4	34,578	33,367	1,211

Analysed by brand:						
Grand Millennium	8	8	-	3,273	3,273	-
Millennium	48	43	5	15,654	14,336	1,318
Copthorne	33	33	-	6,894	6,895	(1)
Kingsgate	10	11	(1)	1,018	1,126	(108)
Other M&C	8	8	-	2,321	2,321	-
Third Party	17	17	-	5,418	5,416	2
Total	124	120	4	34,578	33,367	1,211

Pipeline	Hotels			Rooms		
	30 June 2015	31 December 2014	Change	30 June 2015	31 December 2014	Change
Analysed by region:						
Middle East	16	15	1	4,669	4,300	369
Asia	3	3	-	1,676	1,676	-
Total	19	18	1	6,345	5,976	369
Analysed by ownership type:						
Owned or Leased	1	1	-	507	507	-
Managed	18	17	1	5,838	5,469	369
Total	19	18	1	6,345	5,976	369
Analysed by brand:						
Grand Millennium	2	2	-	900	887	13
Millennium	9	12	(3)	2,879	3,490	(611)
Copthorne	2	1	1	310	164	146
Other M&C	4	3	1	1,697	1,435	262
Kingsgate	2	-	2	559	-	559
Total	19	18	1	6,345	5,976	369

The Group's worldwide pipeline comprises 19 hotels offering 6,345 rooms, which are mainly management contracts.