

General Announcement::Announcement by Subsidiary Company, Millennium & Copthorne Hotels plc

Issuer & Securities

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MILLENNIUM & COPTHORNE HOTELS PLC
INTERIM MANAGEMENT REPORT
Half year and second quarter results to 30 June 2014

Highlights for the first half 2014:

	First Half 2014	First Half 2013 ¹	Change	
RevPAR	£65.67	£67.27	(£1.60)	(2.4%)
Revenue	£380.6m	£382.2m	(£1.6m)	(0.4%)
Operating profit ¹	£64.7m	£71.8m	(£7.1m)	(9.9%)
Profit before tax	£58.4m	£68.6m	(£10.2m)	(14.9%)
Basic earnings per share	9.4p	14.0p	(4.6p)	(32.9%)
Dividend	2.08p	2.08p	-	-

Highlights for the second quarter 2014:

	Second Quarter 2014	Second Quarter 2013 ¹	Change	
RevPAR	£72.88	£74.29	(£1.41)	(1.9%)
Revenue	£205.3m	£206.3m	(£1.0m)	(0.5%)
Operating profit ¹	£42.5m	£47.5m	(£5.0m)	(10.5%)
Profit before tax	£38.3m	£44.8m	(£6.5m)	(14.5%)
Basic earnings per share	7.4p	10.2p	(2.8p)	(27.5%)

- Revenue, profit and earnings per share decreased in the first half of 2014, compared to the same period last year, due to the strengthening pound sterling, challenging Asian markets - in particular Singapore - and higher costs.
- Group RevPAR fell by 2.4% mainly as a result of foreign currency impact and reduced RevPAR in Asia.
- In constant currency, Group RevPAR grew by 3.6%, with gains in all regions except for Singapore and Rest of Europe.
- In reported currency, US RevPAR was down by 0.3% compared to H1 2013. Excluding the refurbishment effect at Millennium Hotel Minneapolis, closure of Millennium Hotel St Louis and acquisition of Novotel New York Times Square, US RevPAR was down 5.6%.
- In reported currency, London region RevPAR is up by 1.9% compared to H1 2013. Excluding the acquisition of The Chelsea Harbour Hotel, RevPAR was down 0.6%.
- Post balance sheet event: successful initial public offering ("IPO") by First Sponsor Group Limited ("FSGL") and listing on the Main Board of the Singapore Exchange.

Commenting today Mr Kwek Leng Beng, Chairman said:

"It is too early to predict results for the full year, but the Group is cautiously optimistic that with appropriate actions performance will meet management expectations. Group performance was disappointing in the first half of 2014. This was due to a broad range of factors including geopolitical events unsettling the hospitality sector - especially in Asia - and the rapid appreciation of our reporting currency, the pound sterling. Management is adopting a more cautious outlook and increasing its attention to cost control in uncertain markets."

¹ The Group adopted IFRS 10 Consolidated Financial Statements with effect from 1 January 2014. This resulted in the Group consolidating CDL Hospitality Trusts ("CDLHT") which was previously treated as an associate undertaking and not consolidated. The comparatives for 2013 have been restated accordingly. RevPAR will continue to be reported excluding CDLHT's non-M&C managed hotels.

Enquiries

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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.

BUSINESS REVIEW

Financial Performance

For the six months ended 30 June 2014 revenue in reported currency fell slightly by 0.4% to £380.6m (H1 2013: £382.2m), while profit before tax decreased by 14.9%. The strength of our reporting currency, pound sterling, continued to have a significant impact on results. On a constant currency basis, revenue increased by 6.0% to £380.6m (H1 2013: £359.1m) and profit before tax decreased by 8.6% to £58.4m (H1 2013: £63.9m). Lower profit reflected mainly higher hotel operating costs, higher central costs and a lower contribution from joint ventures and associates.

The results and comparatives for 2013 include the impact of consolidating CDLHT under IFRS 10. Previously CDLHT's results were included under share of profit of joint ventures and associates. The key impacts on results for the first half of 2014 arising from the adoption of IFRS 10 are increases in revenue and profit before tax of £17.6m and £13.2m respectively. There is no change to the net profit after tax attributable to the equity holders of the parent.

Hotel Operations

For the six month period ended 30 June 2014, Group RevPAR fell by 2.4% to £65.67 (H1 2013: £67.27), partly as a result of the strength of the pound sterling, which appreciated by about 8% against the US Dollar between 30 June 2013 and 30 June 2014. As detailed in the regional performance review below, Group RevPAR increased by 3.6% on a constant currency basis, compared to the same period last year (H1 2013: £63.40). The improvement was driven by increases in both average room rate and occupancy with positive RevPAR performance in the US, London, Australasia and rest of Asia.

Asset Management

Acquisitions & Disposals

The Group completed two acquisitions during the first six months of 2014. The acquisitions of a hotel located at Chelsea Harbour, London for £65.0m and the Novotel New York Times Square for \$273.6m (£161.0m) completed on 25 March 2014 and 12 June 2014 respectively. Subject to conditions being met, the acquisition of Boscolo Palace Roma in Italy is scheduled to complete around September 2014.

The Group's property revenue of £22.2m during the first half of 2014 included New Zealand landbank sales and the sale of the last three Glyndebourne condominium units in Singapore.

Hotel Development

Construction of the Group's new hotel in Tokyo's Ginza district is on schedule to complete around September 2014 and the hotel is expected to open in December 2014. While the Group will own the property through freehold and leasehold interests, it is intended that the hotel will be leased to Mitsui Fudosan Co., Ltd. ("Mitsui Fudosan") under a fixed-term lease and licensing arrangement pursuant to which Mitsui Fudosan or one of its affiliates will operate the hotel as the Millennium Mitsui Garden Hotel Tokyo.

In relation to the plot of land measuring 1,563.7m² adjacent to Millennium Seoul Hilton which was acquired in 2013, the Group is currently developing detailed plans to build hospitality facilities to complement the existing product offering.

During the second quarter the Group sold the last remaining penthouse apartment within the Glyndebourne condominium development for S\$4.1m (£1.9m), concluding the redevelopment of the former Copthorne Orchid Hotel in Singapore. In total, the Glyndebourne development generated revenues for the Group of £280.3m and operating profit of £142.1m, most of which was recognised in 2013.

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.

Hotel Refurbishment

Since the current refurbishment programme started in 2010, the Group has spent £106m up to 30 June 2014. For the remainder of the year we are expecting a further £31m of refurbishment spending on projects that have already commenced or are approved, with a further £22m of spending on these projects in future years. This includes the ongoing refurbishment of Grand Hyatt Taipei.

Additional projects totalling £214m are also under consideration including projects at Millennium Hotel London Knightsbridge, and Millennium Broadway Hotel New York. In May 2014, the Group announced the closure for refurbishment of the 125-room Millennium Scottsdale Resort and Villas in Arizona from 22 June until 30 September 2014. All projects are subject to relevant consents and phasing to minimise impact on earnings.

In the first six months of 2014, £18m was spent, relating mainly to Grand Hyatt Taipei for renovating the east wing. Total refurbishment cost for this hotel is anticipated to be £62m and up to 30 June 2014, a total amount of £39m has been spent. Guestroom refurbishment is now complete. Further work on the outlets and public areas is scheduled to complete in 2015.

First Sponsor Group Limited

Progress on the Wenjiang development land site in Chengdu, People's Republic of China is on track. The land is designated for residential, commercial and hotel development. Construction of a Millennium branded hotel commenced in 2013 and is scheduled to open in 2017.

FSGL listed on the Main Board of the Singapore Exchange on 22 July 2014. Based on the IPO price of S\$1.50 per share, the market capitalisation is S\$885m (£417m). The transaction was an important step in the development of FSGL, efficiently migrating the business to a more appropriate domicile for a company serving the China market. Following the IPO the Group owns an effective interest of 35.6% in FSGL, which remains a cornerstone of its China strategy.

Financial Position

At 30 June 2014, the M&C Group excluding CDLHT had net debt of £163.9m (Dec 2013: net cash £81.3m). Including the consolidation of CDLHT's net debt, the cash position of the Group at 30 June 2014 is a net debt of £459.6m (Dec 2013 restated: net debt of £215.3m).

The Group including CDLHT has a total of £131.8m of undrawn committed bank facilities at 30 June 2014 of which £103.6m relates to M&C Group. Most of the facilities are unsecured with unencumbered assets representing 90.8% 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 3 October 2014 to shareholders on the register at the close of business on 15 August 2014. The ex-dividend date of the Company's shares is 13 August 2014. The Board will consider the full dividend for the year following the close of the financial year.

Outlook

Whilst it is too early to be certain about trading results for the full year, management is determined to meet expectations. In reported currency, Group RevPAR is down 1.6% for the three weeks ended 21 July, 2014, with Australasia up 9.6%, US up 2.6% (down 4.9% excluding Novotel New York Times Square) and Europe up 5.0% (up 0.7% excluding The Chelsea Harbour Hotel). Our Asian destinations face continuing headwinds with Singapore down 17.1% and Rest of Asia down 12.2%. Excluding acquisitions, Group RevPAR is down by 5.8%.

PERFORMANCE REVIEW

For comparability, the following regional review is based on calculations in constant currency whereby 30 June 2013 average room rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2014. Full details are given in Appendices 1 and 2 of this report.

GROUP

	H1 2014	H1 2013	Change
Hotel revenue	£338.8m	£333.6m	1.6%
RevPAR	£65.67	£63.40	3.6%
Occupancy	72.0%	70.5%	1.5%*
ARR	£91.22	£89.96	1.4%

* % points

In constant currency terms, Group hotel revenue for the first six months of 2014 increased by 1.6%, compared to the same period in 2013. RevPAR increased by 3.6% as a result of higher room rates and occupancy levels.

Below is the regional performance review:

ASIA

Asia	H1 2014	H1 2013	Change
Hotel revenue	£133.7m	£135.4m	(1.3%)
RevPAR	£69.86	£70.20	(0.5%)
Occupancy	77.6%	76.1%	1.5%*
ARR	£90.07	£92.20	(2.3%)

Singapore	H1 2014	H1 2013	Change
Hotel revenue	£63.6m	£64.3m	(1.1%)
RevPAR	£85.79	£89.03	(3.6%)
Occupancy	86.0%	86.8%	(0.8%)*
ARR	£99.75	£102.53	(2.7%)

Rest of Asia	H1 2014	H1 2013	Change
Hotel revenue	£70.1m	£71.1m	(1.4%)
RevPAR	£58.62	£57.10	2.7%
Occupancy	71.6%	68.7%	2.9%*
ARR	£81.87	£83.12	(1.5%)

* % points

- Whilst the long term outlook is favourable, Singapore faced challenging hospitality markets in the first half of 2014, with continuing weakness in the corporate market and a significant reduction in visitor numbers from China in the first half of the year compared to 2013. The supply of Singapore hotel rooms continued to grow, but at a slower rate than last year. Occupancy was down 0.8 percentage points compared to the same period last year, whilst average room rates declined by 2.7%.
- In the rest of Asia, all of the Group's hotels delivered RevPAR gains with the exceptions of The Heritage Hotel Manila, where performance has been affected by the closure of the hotel's casino upon the expiry of the lease in 2013.
- Despite the RevPAR improvement, hotel revenues in Rest of Asia fell as a result of reduced spending on meetings and events in Millennium Seoul Hilton, as well as the reduced rental income relating to The Heritage Hotel Manila mentioned above.
- Grand Hyatt Taipei is benefiting from its ongoing refurbishment, with a double digit growth in RevPAR for the first six months of 2014, compared to the same period last year. The east wing refurbishment of Grand Hyatt Taipei was completed in May 2014.

EUROPE

Europe	H1 2014	H1 2013	Change
Hotel revenue	£88.7m	£83.4m	6.4%
RevPAR	£72.99	£72.03	1.3%
Occupancy	74.3%	74.5%	(0.2%)*
ARR	£98.23	£96.67	1.6%

London	H1 2014	H1 2013	Change
Hotel revenue	£55.6m	£50.4m	10.3%
RevPAR	£100.88	£99.03	1.9%
Occupancy	81.2%	81.1%	0.1%*
ARR	£124.29	£122.19	1.7%

Rest of Europe	H1 2014	H1 2013	Change
Hotel revenue	£33.1m	£33.0m	0.3%
RevPAR	£45.56	£46.47	(2.0%)
Occupancy	67.6%	68.3%	(0.7%)*
ARR	£67.44	£68.01	(0.8%)

* % points

- Hotel revenues for the first six months of 2014 grew strongly compared to the same period in 2013, as a result of increased spending by customers on meeting and events.
- RevPAR for Europe increased by 1.3% in the first half of the year, boosted by the acquisition in March 2014 of The Chelsea Harbour Hotel ("Chelsea Harbour") which has the highest RevPAR in the region. Excluding Chelsea Harbour, RevPAR fell 1.1% in the first half of the year. Similarly, London RevPAR increased by 1.9% but fell by 0.6% when Chelsea Harbour is excluded.
- Rest of Europe RevPAR decreased by 2.0%. RevPAR in Continental Europe fell 5.6% with falling rates at the Paris hotels. Regional UK RevPAR grew slightly by 0.2%. Hotel revenues in Rest of Europe were flat year on year helped by increased management revenues from the Middle East, which offset lower contributions from Paris.

US

US	H1 2014	H1 2013	Change
Hotel revenue	£95.7m	£93.9m	1.9%
RevPAR	£63.47	£58.95	7.7%
Occupancy	65.2%	63.2%	2.0%*
ARR	£97.42	£93.22	4.5%

New York	H1 2014	H1 2013	Change
Hotel revenue	£46.4m	£44.7m	3.8%
RevPAR	£119.72	£116.34	2.9%
Occupancy	81.7%	80.5%	1.2%*
ARR	£146.48	£144.51	1.4%

Regional US	H1 2014	H1 2013	Change
Hotel revenue	£49.3m	£49.2m	0.2%
RevPAR	£40.81	£37.92	7.6%
Occupancy	58.5%	56.9%	1.6%*
ARR	£69.79	£66.64	4.7%

* % points

- US RevPAR for the first six months increased by 7.7%, compared to the same period last year. This included the positive impact on RevPAR of the Novotel New York Times Square which was acquired in June 2014, the closure of Millennium Hotel St Louis in January 2014 and the full period contribution from Millennium Hotel Minneapolis which was closed for refurbishment from January to April in 2013. Excluding these three hotels, RevPAR grew 1.9%.
- New York RevPAR increased by 2.9%. Excluding the Novotel New York Times Square, RevPAR increased 1.6% with RevPAR gains at Millennium Hilton and One UN New York.
- RevPAR increased at 9 of the Group's 15 hotels in Regional US, with the refurbished Millennium Hotel Minneapolis showing the largest gains, compared to 2013. Higher average room rates were the main driver. Excluding the impact of Millennium Hotel Minneapolis and the Millennium Hotel St Louis, RevPAR increased 1.1%.

AUSTRALASIA

New Zealand	H1 2014	H1 2013	Change
Hotel revenue	£20.7m	£20.9m	(1.0%)
RevPAR	£41.48	£37.94	9.3%
Occupancy	72.7%	69.0%	3.7%*
ARR	£57.07	£54.96	3.8%

* % points

- RevPAR increased by 9.3% in the first six months of 2014, with 12 of the 13 hotels showing RevPAR gains. Increased overseas visitor numbers are driving up both rate and occupancy in most locations.
- Total hotel revenue has fallen due to the cessation during the first quarter of 2014 of business interruption insurance receipts relating to the three Christchurch hotels that had been damaged in the 2011 earthquake. Excluding this factor, hotel revenues increased by 5.1%, compared to the first half of 2013.
- As announced on 10 July 2014, Millennium & Copthorne Hotels New Zealand Limited (“MCK”) entered into a conditional agreement with Te Maori Lodges Limited, a subsidiary of the Maori Trustee, for the acquisition of the 30% interest in Quantum Limited (“Quantum”) which MCK does not already own. Quantum is the principal operating subsidiary of MCK and owns and leases seven of the Group’s hotels in the region. The agreed price for the acquisition of the shares is NZ\$14.25m (£7.3m). Completion of the purchase is subject to approval by the Overseas Investment Office.

**Condensed consolidated income statement
for the half year ended 30 June 2014**

	Notes	Second Quarter 2014 £m	Restated ¹ Second Quarter 2013 £m	First Half 2014 £m	Restated ¹ First Half 2013 £m	Restated ¹ Full Year 2013 £m
Revenue	3	205.3	206.3	380.6	382.2	1,063.9
Cost of sales		(82.2)	(79.4)	(161.3)	(155.2)	(456.9)
Gross Profit		123.1	126.9	219.3	227.0	607.0
Administrative expenses		(80.5)	(79.2)	(154.4)	(154.9)	(313.5)
Other operating income	4	-	-	-	-	21.8
Other operating expense	4	(0.1)	(0.2)	(0.2)	(0.3)	(21.5)
Operating profit		42.5	47.5	64.7	71.8	293.8
Share of profit/(loss) of joint ventures and associates		(0.5)	1.1	1.0	3.4	14.7
Finance income		1.3	1.3	2.8	3.6	6.3
Finance expense		(5.0)	(5.1)	(10.1)	(10.2)	(19.7)
Net finance expense		(3.7)	(3.8)	(7.3)	(6.6)	(13.4)
Profit before tax	3	38.3	44.8	58.4	68.6	295.1
Income tax expense	5	(7.9)	(3.8)	(12.1)	(5.4)	(29.9)
Profit for the period		30.4	41.0	46.3	63.2	265.2
Attributable to:						
Equity holders of the parent		24.0	33.2	30.5	45.4	224.9
Non-controlling interests		6.4	7.8	15.8	17.8	40.3
		30.4	41.0	46.3	63.2	265.2
Basic earnings per share (pence)	6	7.4p	10.2p	9.4p	14.0p	69.3p
Diluted earnings per share (pence)	6	7.3p	10.2p	9.3p	13.9p	69.0p

The financial results above derive from continuing activities.

¹ The Group adopted IFRS 10 with effect from 1 January 2014 and comparatives have been restated.

**Condensed consolidated statement of comprehensive income
for the half year ended 30 June 2014**

	First Half 2014 £m	Restated ¹ First Half 2013 £m	Restated ¹ Full Year 2013 £m
Profit for the period	46.3	63.2	265.2
Other comprehensive income/(expense):			
Items that are not reclassified subsequently to income statement:			
Defined benefit plan actuarial losses	-	-	(1.2)
Income tax on items that are not reclassified to income statement	-	-	0.4
	-	-	(0.8)
Items that may be reclassified subsequently to income statement:			
Foreign currency translation differences - foreign operations	(28.0)	39.4	(94.3)
Foreign currency translation differences - equity accounted investees	(5.8)	5.0	(4.7)
Net gain/(loss) on hedge of net investments in foreign operations	4.5	(4.1)	5.4
Share of joint ventures and associates other reserve movements	(0.6)	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	0.1
	(29.9)	40.3	(93.5)
Other comprehensive income/(expense) for the period, net of tax	(29.9)	40.3	(94.3)
Total comprehensive income for the period	16.4	103.5	170.9
Total comprehensive income attributable to:			
Equity holders of the parent	4.2	80.7	160.3
Non-controlling interests	12.2	22.8	10.6
Total comprehensive income for the period	16.4	103.5	170.9

¹ The Group adopted IFRS 10 with effect from 1 January 2014 and comparatives have been restated.

**Condensed consolidated statement of financial position
as at 30 June 2014**

	As at 30 June 2014 £m	Restated ¹ As at 30 June 2013 £m	Restated ¹ As at 31 December 2013 £m
Non-current assets			
Property, plant and equipment	2,583.7	2,472.6	2,377.1
Lease premium prepayment	93.0	94.2	87.1
Investment properties	376.3	382.8	372.4
Investments in joint ventures and associates	231.8	172.2	203.1
Loans due from associate	-	30.7	-
Other financial assets	4.9	5.0	4.6
	3,289.7	3,157.5	3,044.3
Current assets			
Inventories	4.0	3.5	3.5
Development properties	71.6	189.2	71.1
Lease premium prepayment	1.3	1.4	1.3
Trade and other receivables	127.0	85.0	182.8
Loans due from associate	-	19.5	-
Other current financial assets	-	0.7	-
Cash and cash equivalents	504.5	466.7	457.0
	708.4	766.0	715.7
Total assets	3,998.1	3,923.5	3,760.0
Non-current liabilities			
Loans due to associate	-	(20.2)	-
Interest-bearing loans, bonds and borrowings	(621.2)	(409.3)	(489.3)
Employee benefits	(17.2)	(17.8)	(17.5)
Provisions	(7.1)	(7.8)	(7.3)
Other non-current liabilities	(9.0)	(151.6)	(8.1)
Deferred tax liabilities	(207.1)	(241.1)	(207.5)
	(861.6)	(847.8)	(729.7)
Current liabilities			
Interest-bearing loans, bonds and borrowings	(342.9)	(291.4)	(183.0)
Trade and other payables	(180.7)	(162.1)	(155.8)
Other current financial liabilities	-	-	(0.9)
Provisions	(6.0)	(6.5)	(6.2)
Income taxes payable	(29.9)	(13.9)	(40.5)
	(559.5)	(473.9)	(386.4)
Total liabilities	(1,421.1)	(1,321.7)	(1,116.1)
Net assets	2,577.0	2,601.8	2,643.9
Equity			
Issued share capital	97.4	97.4	97.4
Share premium	843.2	843.2	843.2
Translation reserve	134.5	258.6	160.2
Cash flow hedge reserve	(0.2)	(0.2)	(0.2)
Treasury share reserve	(2.2)	(2.2)	(2.2)
Retained earnings	1,029.2	894.8	1,065.8
Total equity attributable to equity holders of the parent	2,101.9	2,091.6	2,164.2
Non-controlling interests	475.1	510.2	479.7
Total equity	2,577.0	2,601.8	2,643.9

¹ The Group adopted IFRS 10 with effect from 1 January 2014 and comparatives have been restated.

**Condensed consolidated statement of cash flows
for the half year ended 30 June 2014**

	First Half 2014 £m	Restated ¹ First Half 2013 ££m	Restated ¹ Full Year 2013 £m
Cash flows from operating activities			
Profit for the period	46.3	63.2	265.2
<i>Adjustments for:</i>			
Depreciation and amortisation	24.0	22.2	44.8
Share of profit of joint ventures and associates	(1.0)	(3.4)	(14.7)
Other operating income	-	-	(21.8)
Other operating expense	0.2	0.3	21.5
Equity settled share-based transactions	0.6	1.2	0.8
Finance income	(2.8)	(3.6)	(6.3)
Finance expense	10.1	10.2	19.7
Income tax expense	12.1	5.4	29.9
Operating profit before changes in working capital and provisions	89.5	95.5	339.1
Movement in inventories, trade and other receivables	63.6	(11.8)	(110.5)
Movement in development properties	1.6	(16.9)	95.2
Movement in trade and other payables	28.1	25.1	(121.7)
Movement in provisions and employee benefits	(0.3)	0.6	(0.9)
Cash generated from operations	182.5	92.5	201.2
Interest paid	(7.9)	(6.6)	(17.5)
Interest received	2.0	2.9	5.2
Income tax paid	(20.7)	(18.4)	(31.5)
Net cash generated from operating activities	155.9	70.4	157.4
Cash flows from investing activities			
Dividends received from joint venture and associate	-	36.3	35.7
Decrease in loans due from associate	-	-	49.0
Increase in investment in associate	(43.0)	-	-
Proceeds from sale of shares in associate	1.2	1.4	1.4
Net proceeds from sale of property, plant and equipment	-	-	2.6
Acquisition of property, plant and equipment, lease premium prepayment and investment properties	(277.5)	(105.1)	(172.6)
Net cash used in investing activities	(319.3)	(67.4)	(83.9)
Cash flows from financing activities			
Proceeds from issue of share capital	-	0.2	0.2
Repayment of borrowings	(88.2)	(127.1)	(419.6)
Drawdown of borrowings	268.1	206.6	425.7
Payment of transaction costs related to loans and borrowings	(0.2)	(0.3)	(1.0)
Payment on termination of financial instruments	-	(2.1)	(2.1)
Dividends paid to non-controlling interests	(16.8)	(21.2)	(39.5)
Movement in loan due to associate	-	2.6	(17.1)
Dividends paid to equity holders of the parent	(67.1)	(37.3)	(44.1)
Net cash used in financing activities	95.8	21.4	(97.5)
Net (decrease)/increase in cash and cash equivalents	(67.6)	24.4	(24.0)
Cash and cash equivalents at beginning of the period	350.9	417.0	417.0
Effect of exchange rate fluctuations on cash held	(4.7)	9.1	(42.1)
Cash and cash equivalents at end of the period	278.6	450.5	350.9
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the consolidated statement of financial position	504.5	466.7	457.0
Bank overdrafts included in borrowings	(225.9)	(16.2)	(106.1)
Cash and cash equivalents for consolidated statement of cash flows	278.6	450.5	350.9

¹ The Group adopted IFRS 10 with effect from 1 January 2014 and comparatives have been restated.

**Condensed consolidated statement of changes in equity
for the half year ended 30 June 2014**

	Share capital £m	Share premium £m	Translation reserve £m	Cash flow hedge reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding non- controlling interests £m	Non- controlling interests £m	Total equity £m
Balance as at 1 January 2013, as previously reported	97.4	843.0	262.6	(0.2)	(2.2)	975.4	2,176.0	186.8	2,362.8
IFRS 10 adjustments	-	-	(39.3)	-	-	(89.9)	(129.2)	321.8	192.6
Restated balance as at 1 January 2013	97.4	843.0	223.3	(0.2)	(2.2)	885.5	2,046.8	508.6	2,555.4
Profit	-	-	-	-	-	45.4	45.4	17.8	63.2
Total other comprehensive income	-	-	35.3	-	-	-	35.3	5.0	40.3
Total comprehensive income for the period	-	-	35.3	-	-	45.4	80.7	22.8	103.5
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends - equity holders	-	-	-	-	-	(37.3)	(37.3)	-	(37.3)
Dividends - non-controlling interests	-	-	-	-	-	-	-	(21.2)	(21.2)
Share-based payment transactions (net of tax)	-	-	-	-	-	1.2	1.2	-	1.2
Share options exercised	-	0.2	-	-	-	-	0.2	-	0.2
Total contributions by and distributions to owners	-	0.2	-	-	-	(36.1)	(35.9)	(21.2)	(57.1)
Total transactions with owners	-	0.2	-	-	-	(36.1)	(35.9)	(21.2)	(57.1)
Restated as at 30 June 2013	97.4	843.2	258.6	(0.2)	(2.2)	894.8	2,091.6	510.2	2,601.8

	Share capital £m	Share premium £m	Translation reserve £m	Cash flow hedge reserve £m	Treasury share reserve £m	Retained earnings £m	Total excluding non- controlling interests £m	Non- controlling interests £m	Total equity £m
Balance as at 1 January 2014, as previously reported	97.4	843.2	191.4	(0.1)	(2.2)	1,160.0	2,289.7	178.8	2,468.5
IFRS 10 adjustments	-	-	(31.2)	(0.1)	-	(94.2)	(125.5)	300.9	175.4
Restated balance as at 1 January 2014	97.4	843.2	160.2	(0.2)	(2.2)	1,065.8	2,164.2	479.7	2,643.9
Profit	-	-	-	-	-	30.5	30.5	15.8	46.3
Total other comprehensive income	-	-	(25.7)	-	-	(0.6)	(26.3)	(3.6)	(29.9)
Total comprehensive income for the period	-	-	(25.7)	-	-	29.9	4.2	12.2	16.4
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends - equity holders	-	-	-	-	-	(67.1)	(67.1)	-	(67.1)
Dividends - non-controlling interests	-	-	-	-	-	-	-	(16.8)	(16.8)
Share-based payment transactions (net of tax)	-	-	-	-	-	0.6	0.6	-	0.6
Total contributions by and distributions to owners	-	-	-	-	-	(66.5)	(66.5)	(16.8)	(83.3)
Total transactions with owners	-	-	-	-	-	(66.5)	(66.5)	(16.8)	(83.3)
Balance as at 30 June 2014	97.4	843.2	134.5	(0.2)	(2.2)	1,029.2	2,101.9	475.1	2,577.0

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 2014 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 2013.

The comparative figures for the financial year ended 31 December 2013 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 draw 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 30 July 2014.

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 hundred thousands.

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 2013.

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 2013. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2014.

The Group adopted IFRS 10 Consolidated Financial Statements with effect from 1 January 2014. This resulted in the Group consolidating CDL Hospitality Trusts ("CDLHT") which was previously treated as an associate undertaking and not consolidated. The comparatives for 2013 have been restated accordingly.

Notes to the condensed consolidated financial statements

1. General information (continued)

The following tables summarise the material impacts resulting from the adoption of IFRS 10 on the Group's financial position, income statement and cash flows.

Condensed consolidated statement of financial position as at 31 December 2013

	Effect of changes in accounting policy		
	As previously reported £m	IFRS 10 adjustments £m	As restated £m
Property, plant and equipment and lease premium prepayment	2,063.8	400.4	2,464.2
Investment properties	163.5	208.9	372.4
Investment in joint ventures and associates	441.5	(238.4)	203.1
Other financial assets	7.8	(3.2)	4.6
Non-current assets	2,676.6	367.7	3,044.3
Current assets excluding cash	254.8	3.9	258.7
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	(341.4)	105.1	(236.3)
Net cash/(debt)	81.3	(296.6)	(215.3)
Deferred tax liabilities	(202.8)	(4.7)	(207.5)
Net assets	2,468.5	175.4	2,643.9
Total equity attributable to equity holders of the parent	2,289.7	(125.5)	2,164.2
Non-controlling interests	178.8	300.9	479.7
Total equity	2,468.5	175.4	2,643.9

Condensed consolidated income statement for the year ended 31 December 2013

	Effect of changes in accounting policy		
	As previously reported £m	IFRS 10 adjustments £m	As restated £m
Revenue	1,037.5	26.4	1,063.9
Cost of sales	(450.4)	(6.5)	(456.9)
Gross profit	587.1	19.9	607.0
Administrative expenses	(347.1)	33.6	(313.5)
Other operating income	11.9	9.9	21.8
Other operating expense	(21.5)	-	(21.5)
Operating profit	230.4	63.4	293.8
Share of profit of joint-ventures and associates	38.1	(23.4)	14.7
Net finance expense	(4.9)	(8.5)	(13.4)
Profit before tax	263.6	31.5	295.1
Income tax expense	(28.6)	(1.3)	(29.9)
Profit for the year	235.0	30.2	265.2
Items that are not reclassified subsequently to income statement	(0.8)	-	(0.8)
Items that may be reclassified subsequently to income statement	(81.4)	(12.1)	(93.5)
Total comprehensive income for the year	152.8	18.1	170.9

Condensed consolidated statement of cash flows for the year ended 31 December 2013

	Effect of changes in accounting policy		
	As previously reported £m	IFRS 10 adjustments £m	As restated £m
Cash and cash equivalents at beginning of the year	379.0	38.0	417.0
Net cash generated from operating activities	106.3	51.1	157.4
Others	(167.4)	(56.1)	(223.5)
Cash and cash equivalents at end of the year	317.9	33.0	350.9

Notes to the condensed consolidated financial statements

1. General information (continued)

Condensed consolidated statement of financial position as at 30 June 2013

	Effect of changes in accounting policy		
	As previously reported £m	IFRS 10 adjustments £m	As restated £m
Property, plant and equipment and lease premium prepayment	2,177.6	389.2	2,566.8
Investment properties	165.6	217.2	382.8
Investment in and loans to joint ventures and associates	452.5	(249.6)	202.9
Other financial assets	8.4	(3.4)	5.0
Non-current assets	2,804.1	353.4	3,157.5
Current assets excluding cash	295.4	3.9	299.3
Provisions and other liabilities excluding interest bearing loans, bonds and borrowings	(492.2)	112.3	(379.9)
Net cash/(debt)	43.9	(277.9)	(234.0)
Deferred tax liabilities	(236.9)	(4.2)	(241.1)
Net assets	2,414.3	187.5	2,601.8
Total equity attributable to equity holders of the parent	2,223.7	(132.1)	2,091.6
Non-controlling interests	190.6	319.6	510.2
Total equity	2,414.3	187.5	2,601.8

Condensed consolidated income statement for the half year ended 30 June 2013

	Effect of changes in accounting policy		
	As previously reported £m	IFRS 10 adjustments £m	As restated £m
Revenue	369.1	13.1	382.2
Cost of sales	(154.1)	(1.1)	(155.2)
Gross profit	215.0	12.0	227.0
Administrative expenses	(169.6)	14.7	(154.9)
Other operating income	0.3	(0.3)	-
Other operating expense	(0.3)	-	(0.3)
Operating profit	45.4	26.4	71.8
Share of profit of joint-ventures and associates	12.4	(9.0)	3.4
Net finance expense	(2.3)	(4.3)	(6.6)
Profit before tax	55.5	13.1	68.6
Income tax expense	(5.1)	(0.3)	(5.4)
Profit for the period	50.4	12.8	63.2
Items that are not reclassified subsequently to income statement	-	-	-
Items that may be reclassified subsequently to income statement	39.8	0.5	40.3
Total comprehensive income for the period	90.2	13.3	103.5

Condensed consolidated statement of cash flows for the half year ended 30 June 2013

	Effect of changes in accounting policy		
	As previously reported £m	IFRS 10 adjustments £m	As restated £m
Cash and cash equivalents at beginning of the period	379.0	38.0	417.0
Net cash generated from operating activities	43.9	26.5	70.4
Others	(41.2)	4.3	(36.9)
Cash and cash equivalents at end of the period	381.7	68.8	450.5

Notes to the condensed consolidated financial statements

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		As at 31 December	Average for 6 month January-June		Average for 3 month April-June		Average for the year
	2014	2013	2013	2014	2013	2014	2013	2013
US dollar	1.699	1.533	1.647	1.668	1.545	1.680	1.537	1.569
Singapore dollar	2.123	1.945	2.088	2.106	1.922	2.109	1.925	1.963
New Taiwan dollar	40.924	46.014	49.450	50.371	45.866	50.584	45.833	46.634
New Zealand dollar	1.938	1.958	2.013	1.972	1.875	1.963	1.880	1.917
Malaysian ringgit	5.465	4.876	5.419	5.455	4.772	5.445	4.752	4.953
Korean won	1,725.61	1,763.37	1,735.49	1,745.85	1,706.75	1,727.14	1,723.10	1,713.18
Chinese renminbi	10.586	9.428	9.999	10.291	9.566	10.453	9.466	9.648
Euro	1.247	1.176	1.197	1.217	1.179	1.227	1.178	1.179
Japanese yen	172.983	150.425	172.545	171.179	145.591	171.496	150.108	152.194

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.

Notes to the condensed consolidated financial statements

3. Operating segment information (continued)

	Second Quarter 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	29.1	28.5	34.0	17.7	30.3	36.9	8.4	-	184.9
Property operations	-	0.5	-	-	2.5	-	8.5	-	11.5
REIT	-	-	-	-	2.7	3.1	3.1	-	8.9
Total revenue	29.1	29.0	34.0	17.7	35.5	40.0	20.0	-	205.3
Hotel gross operating profit	9.3	7.2	18.5	4.6	13.9	12.7	2.8	-	69.0
Hotel fixed charges ¹	(4.6)	(4.2)	(4.7)	(3.0)	(0.4)	(6.6)	(1.3)	-	(24.8)
Hotel operating profit	4.7	3.0	13.8	1.6	13.5	6.1	1.5	-	44.2
Property operating profit/(loss)	-	(0.2)	-	-	0.9	-	3.7	-	4.4
REIT operating profit/(loss)	-	-	-	-	(1.7)	1.3	3.1	-	2.7
Central costs	-	-	-	-	-	-	-	(8.7)	(8.7)
Other operating expense ²	-	-	-	-	-	(0.1)	-	-	(0.1)
Operating profit/(loss)	4.7	2.8	13.8	1.6	12.7	7.3	8.3	(8.7)	42.5
Share of joint ventures and associates profit	-	-	-	-	-	(0.5)	-	-	(0.5)
Add: Depreciation and amortisation	1.4	1.8	1.2	0.7	2.5	3.8	0.5	0.5	12.4
EBITDA ³	6.1	4.6	15.0	2.3	15.2	10.6	8.8	(8.2)	54.4
Less: Depreciation and amortisation									(12.4)
Net finance expense									(3.7)
Profit before tax									38.3

	Second Quarter 2013 (Restated)								
	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	29.4	31.0	29.8	18.3	34.6	39.8	8.6	-	191.5
Property operations	-	0.4	-	-	0.7	-	5.8	-	6.9
REIT	-	-	-	-	3.7	1.0	3.2	-	7.9
Total revenue	29.4	31.4	29.8	18.3	39.0	40.8	17.6	-	206.3
Hotel gross operating profit	8.9	6.8	17.2	5.1	17.3	15.0	2.6	-	72.9
Hotel fixed charges ¹	(5.1)	(4.4)	(3.8)	(3.1)	(0.7)	(6.2)	(1.1)	-	(24.4)
Hotel operating profit	3.8	2.4	13.4	2.0	16.6	8.8	1.5	-	48.5
Property operating profit/(loss)	-	(0.2)	-	-	0.4	-	2.7	-	2.9
REIT operating profit/(loss)	-	-	-	-	(0.4)	0.8	3.4	-	3.8
Central costs	-	-	-	-	-	-	-	(7.5)	(7.5)
Other operating expense ²	-	-	-	-	-	(0.2)	-	-	(0.2)
Operating profit/(loss)	3.8	2.2	13.4	2.0	16.6	9.4	7.6	(7.5)	47.5
Share of joint ventures and associates profit	-	-	-	-	-	1.1	-	-	1.1
Add: Depreciation and amortisation	1.7	1.8	1.2	0.9	1.4	2.9	0.5	0.2	10.6
EBITDA ³	5.5	4.0	14.6	2.9	18.0	13.4	8.1	(7.3)	59.2
Less: Depreciation and amortisation									(10.6)
Net finance expense									(3.8)
Profit before tax									44.8

Notes to the condensed consolidated financial statements

3. Operating segment information (continued)

	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	46.4	49.3	55.6	33.1	63.6	70.1	20.7	-	338.8
Property operations	-	1.0	-	-	7.8	-	13.4	-	22.2
REIT	-	-	-	-	5.6	7.3	6.7	-	19.6
Total revenue	46.4	50.3	55.6	33.1	77.0	77.4	40.8	-	380.6
Hotel gross operating profit	8.9	7.5	27.4	7.4	30.4	22.8	8.6	-	113.0
Hotel fixed charges ¹	(9.0)	(8.1)	(8.9)	(6.1)	(0.8)	(12.9)	(2.4)	-	(48.2)
Hotel operating profit/(loss)	(0.1)	(0.6)	18.5	1.3	29.6	9.9	6.2	-	64.8
Property operating profit/(loss)	-	(0.4)	-	-	3.2	-	5.6	-	8.4
REIT operating profit/(loss)	-	-	-	-	(2.6)	3.0	6.7	-	7.1
Central costs	-	-	-	-	-	-	-	(15.4)	(15.4)
Other operating expense ²	-	-	-	-	-	(0.2)	-	-	(0.2)
Operating profit/(loss)	(0.1)	(1.0)	18.5	1.3	30.2	12.7	18.5	(15.4)	64.7
Share of joint ventures and associates profit	-	-	-	-	-	1.0	-	-	1.0
Add: Depreciation and amortisation	2.7	3.5	2.3	1.5	4.9	7.4	1.0	0.7	24.0
EBITDA ³	2.6	2.5	20.8	2.8	35.1	21.1	19.5	(14.7)	89.7
Less: Depreciation and amortisation									(24.0)
Net finance expense									(7.3)
Profit before tax									58.4

	First Half 2013 (Restated)								
	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	48.2	53.1	50.4	33.4	70.5	76.9	22.0	-	354.5
Property operations	-	0.9	-	-	1.2	-	8.9	-	11.0
REIT	-	-	-	-	7.0	1.6	8.1	-	16.7
Total revenue	48.2	54.0	50.4	33.4	78.7	78.5	39.0	-	382.2
Hotel gross operating profit	8.6	6.9	26.9	7.7	35.3	27.7	9.3	-	122.4
Hotel fixed charges ¹	(9.8)	(8.6)	(7.6)	(6.0)	(1.0)	(12.4)	(2.4)	-	(47.8)
Hotel operating profit/(loss)	(1.2)	(1.7)	19.3	1.7	34.3	15.3	6.9	-	74.6
Property operating profit/(loss)	-	(0.4)	-	-	0.5	-	4.1	-	4.2
REIT operating profit/(loss)	-	-	-	-	(1.4)	1.4	7.9	-	7.9
Central costs	-	-	-	-	-	-	-	(14.6)	(14.6)
Other operating expense ²	-	-	-	-	-	(0.3)	-	-	(0.3)
Operating profit/(loss)	(1.2)	(2.1)	19.3	1.7	33.4	16.4	18.9	(14.6)	71.8
Share of joint ventures and associates profit	-	-	-	-	-	3.4	-	-	3.4
Add: Depreciation and amortisation	3.3	3.4	2.3	1.8	3.8	6.1	1.0	0.5	22.2
EBITDA ³	2.1	1.3	21.6	3.5	37.2	25.9	19.9	(14.1)	97.4
Less: Depreciation and amortisation									(22.2)
Net finance expense									(6.6)
Profit before tax									68.6

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

² See note 4 for details of other operating income and expense.

³ EBITDA is earnings before interest, tax and, depreciation and amortisation.

Notes to the condensed consolidated financial statements

3. Operating segment information (continued)

Segmental assets and liabilities

	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
As at 30 June 2014								
Hotel operating assets	492.2	259.0	506.8	192.3	91.9	632.1	150.7	2,325.0
REIT operating assets	-	-	-	-	405.7	84.7	168.9	659.3
Hotel operating liabilities	(28.8)	(24.4)	(27.4)	(25.7)	(18.8)	(56.1)	(6.5)	(187.7)
REIT operating liabilities	-	-	-	-	(12.5)	(2.3)	(1.4)	(16.2)
Investment in joint ventures and associates	-	-	-	-	-	69.4	-	69.4
Total hotel operating net assets	463.4	234.6	479.4	166.6	466.3	727.8	311.7	2,849.8
Property operating assets	-	26.9	-	-	73.0	105.0	72.6	277.5
Property operating liabilities	-	(0.5)	-	-	(13.2)	(0.7)	(1.7)	(16.1)
Investment in and loans due from joint ventures and associates	-	-	-	-	-	162.4	-	162.4
Total property operating net assets	-	26.4	-	-	59.8	266.7	70.9	423.8
Deferred tax liabilities								(207.1)
Income taxes payable								(29.9)
Net cash								(459.6)
Net assets								2,577.0

	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
As at 30 June 2013 restated								
Hotel operating assets	367.9	300.0	437.8	190.2	74.5	671.4	148.9	2,190.7
REIT operating assets	-	-	-	-	464.3	48.2	173.0	685.5
Hotel operating liabilities	(13.0)	(37.0)	(23.9)	(25.8)	(18.1)	(51.4)	(8.0)	(177.2)
REIT operating liabilities	-	-	-	-	(9.9)	(1.3)	(2.5)	(13.7)
Investment in and loans due from joint ventures and associates	-	-	-	-	50.5	69.2	-	119.7
Loans due to associate	-	-	-	-	-	(20.2)	-	(20.2)
Total hotel operating net assets	354.9	263.0	413.9	164.4	561.3	715.9	311.4	2,784.8
Property operating assets	-	29.7	-	-	71.9	185.3	71.3	358.2
Property operating liabilities	-	(0.2)	-	-	(153.2)	(0.5)	(1.0)	(154.9)
Investment in and loans due from joint ventures and associates	-	-	-	-	-	102.7	-	102.7
Total property operating net assets	-	29.5	-	-	(81.3)	287.5	70.3	306.0
Deferred tax liabilities								(241.1)
Income taxes payable								(13.9)
Net debt								(234.0)
Net assets								2,601.8

Notes to the condensed consolidated financial statements

4. Other operating income and expense

	Notes	Second Quarter 2014 £m	Restated ¹ Second Quarter 2013 £m	First Half 2014 £m	Restated ¹ First Half 2013 £m	Restated ¹ Full Year 2013 £m
Other operating income						
Revaluation gain of investment properties	(a)	-	-	-	-	9.0
Revaluation gain of investment properties - REIT	(a)	-	-	-	-	10.2
Gain arising on disposal of properties	(b)	-	-	-	-	2.6
		-	-	-	-	21.8
Other operating expense						
Impairment	(c)	(0.1)	(0.2)	(0.2)	(0.3)	(21.3)
Revaluation deficit of investment properties	(a)	-	-	-	-	(0.2)
		(0.1)	(0.2)	(0.2)	(0.3)	(21.5)

(a) Revaluation gain/deficit of investment properties

At the end of 2013, the Group's investment properties were subject to external professional valuation on an open-market existing use basis. Based on these valuations, together with such considerations as the Directors consider appropriate, the Tanglin Shopping Centre recorded uplift in value of £9.0m and Biltmore Court & Tower recorded a deficit in value of £0.2m.

As a result of adopting IFRS 10, the Group's other operating income for 2013 is restated to include REIT's revaluation gain of investment properties of £10.2m.

(b) Gain arising on disposal of properties

In October 2013, the Group disposed of its investment in India for £3.4m (350m rupees) resulting in a profit of £2.6m after deducting its book cost of £0.8m.

(c) Impairment

For the second quarter ended 30 June 2014, a £0.1m (2013: £0.2m) and for the first half ended 30 June 2014, a £0.2m (2013: £0.3m) impairment charge was made relating to interest on shareholder loans to the Group's 50% investment in Fena Estate Company Limited ("Fena").

The Directors undertook their annual review of the carrying value of hotels and property assets for indication of impairment and where appropriate, external valuations were also undertaken. As a result of this review, an impairment charge of £20.7m was made for the year ended 31 December 2013, consisting of £3.5m in relation to four Regional UK hotels in Rest of Europe, £12.1m for a hotel in Regional US and £5.1m in relation to a hotel in Rest of Asia. In addition, a £0.6m impairment charge was made during the year ended 31 December 2013 relating to interest on Fena loan.

5. Income tax expense

The Group recorded a tax expense of £12.1m for the first half 2014 (2013 restated: £5.4m) excluding the tax relating to joint ventures and associates. This comprises a UK tax charge of £3.3m (2013 restated: £1.8m) and an overseas tax charge of £8.8m (2013 restated: £3.6m).

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 under-provision adjustments for prior years.

Notes to the condensed consolidated financial statements

6. Earnings per share

Earnings per share are calculated using the following information:

	Second Quarter 2014	Restated ¹ Second Quarter 2013	First Half 2014	Restated ¹ First Half 2013	Restated ¹ Full Year 2013
(a) Basic					
Profit for the period attributable to holders of the parent (£m)	24.0	33.2	30.5	45.4	224.9
Weighted average number of shares in issue (m)	324.5	324.2	324.5	324.2	324.3
Basic earnings per share (pence)	7.4p	10.2p	9.4p	14.0p	69.3p
(b) Diluted					
Profit for the period attributable to holders of the parent (£m)	24.0	33.2	30.5	45.4	224.9
Weighted average number of shares in issue (m)	324.5	324.2	324.5	324.2	324.3
Potentially dilutive share options under the Group's share option schemes (m)	2.0	2.1	2.0	2.1	1.7
Weighted average number of shares in issue (diluted) (m)	326.5	326.3	326.5	326.3	326.0
Diluted earnings per share (pence)	7.3p	10.2p	9.3p	13.9p	69.0p

7. Dividends

	Second Quarter 2014 pence	Restated ¹ Second Quarter 2013 pence	First Half 2014 pence	Restated ¹ First Half 2013 pence	Restated ¹ Full Year 2013 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	-	-
Interim ordinary dividend paid (per share)	-	-	-	-	2.08
	20.66	11.51	20.66	11.51	13.59

Dividends paid in the first half of 2014 totalled £67.1m (2013: £37.3m).

Subsequent to 30 June 2014, the Directors declared an interim ordinary dividend of 2.08p per share (2013: 2.08p) which has not been provided for.

8. Acquisitions

On 25 March 2014, the Group acquired the leasehold interest in a hotel property located within the Chelsea Harbour district in London for a purchase price of £65.0m. The total acquisition cost including other expenses is £67.9m, which were capitalised as Property, Plant & Equipment within the Group's existing hotels portfolio.

On 12 June 2014, the Group completed the acquisition of the freehold interest in Novotel New York Times Square, located at 226 West 52nd Street in New York City for a purchase price of US\$273.6m (£161.0m). The total acquisition cost including other expenses is US\$275.8m (£162.3m).

The preliminary estimated fair value asset allocation indicates that the purchase prices approximate the fair value of the identifiable assets acquired, and there will be no goodwill. The Group has one year from the date of purchase to finalise the allocation of the purchase price between tangible and intangible assets. Based on the preliminary analysis, the purchase price has been fully allocated to Property, Plant & Equipment on the Group's balance sheet, and full analysis will be completed for the year-end.

Notes to the condensed consolidated financial statements

9. 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 60% (31 December 2013: 59%) of the Company's shares via City Developments Limited ("CDL"), the intermediate holding company of the Group.

During the half year ended 30 June 2014, the Group had the following significant transactions with those subsidiaries.

Fees paid/payable by the Group to Hong Leong Management Services Pte. Ltd ("HLMS"), a subsidiary of Hong Leong amounted to £0.1m (2013: £0.2m). At 30 June 2014, £nil (2013: £nil) of fees payable were outstanding.

The Group deposited certain surplus cash with Hong Leong Finance Limited, a subsidiary of Hong Leong, on normal commercial terms. Interest income of £0.02m (2013: £0.06m) was received during the period. As at 30 June 2014, £9.5m (2013: £29.8m) of cash was deposited with Hong Leong Finance Limited.

10. 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 2013.

11. 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 2013:

Capital commitments

Contracts placed for future capital expenditure not provided in the financial statements amount to £62.1m at 30 June 2014 (31 December 2013: £64.4m excluding the purchase of The Chelsea Harbour Hotel). On 24 February 2014, the Group announced the purchase of Boscolo Palace Roma in Italy for €65.5m (£52.5m) subject to standard purchase price adjustments. A total of €6.3m (£5.1m) has been paid and the balance is to be settled upon completion.

Subsequent events

There are no events subsequent to the balance sheet date which require adjustments to or disclosure within these consolidated financial statements except for those stated below:

FSGL listed on the Main Board of the Singapore Exchange on 22 July 2014. Based on the IPO price of S\$1.50 per share, the market capitalisation is S\$885m (£417m).

MILLENNIUM & COPTHORNE HOTELS PLC

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

We confirm that to the best of our knowledge:

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

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

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

By order of the board

Wong Hong Ren
Chief Executive Officer

30 July 2014

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 2014 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 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Stephen Masters
for and on behalf of KPMG LLP,

Chartered Accountants
15 Canada Square
London
E14 5GL

30 July 2014

APPENDIX 1: KEY OPERATING STATISTICS
for the half year ended 30 June 2014

Owned or leased hotels*	First Half 2014 Reported currency	First Half 2013 Constant currency	First Half 2013 Reported currency	Full Year 2013 Reported currency
Occupancy (%)				
New York	81.7		80.5	84.3
Regional US	58.5		56.9	59.1
Total US	65.2		63.2	65.9
London	81.2		81.1	85.4
Rest of Europe	67.6		68.3	70.7
Total Europe	74.3		74.5	77.8
Singapore	86.0		86.8	86.4
Rest of Asia	71.6		68.7	70.2
Total Asia	77.6		76.1	76.9
Australasia	72.7		69.0	67.5
Total Group	72.0		70.5	72.3
Average Room Rate (£)				
New York	146.48	144.51	156.05	164.33
Regional US	69.79	66.64	71.97	72.37
Total US	97.42	93.22	100.67	104.12
London	124.29	122.19	122.19	126.73
Rest of Europe	67.44	68.01	68.83	67.98
Total Europe	98.23	96.67	97.06	99.33
Singapore	99.75	102.53	112.33	109.09
Rest of Asia	81.87	83.12	90.37	87.67
Total Asia	90.07	92.20	100.65	97.62
Australasia	57.07	54.96	57.80	56.96
Total Group	91.22	89.96	95.45	96.25
RevPAR (£)				
New York	119.72	116.34	125.63	138.53
Regional US	40.81	37.92	40.95	42.75
Total US	63.47	58.95	63.65	68.59
London	100.88	99.03	99.03	108.19
Rest of Europe	45.56	46.47	47.03	48.04
Total Europe	72.99	72.03	72.32	77.29
Singapore	85.79	89.03	97.54	94.24
Rest of Asia	58.62	57.10	62.08	61.56
Total Asia	69.86	70.20	76.63	75.08
Australasia	41.48	37.94	39.90	38.46
Total Group	65.67	63.40	67.27	69.58
Gross Operating Profit Margin (%)				
New York	19.2		17.8	24.6
Regional US	15.2		13.0	16.8
Total US	17.1		15.3	20.6
London	49.3		53.4	53.8
Rest of Europe	22.4		23.1	23.8
Total Europe	39.2		41.3	42.2
Singapore	47.8		50.1	48.0
Rest of Asia	32.5		36.0	33.3
Total Asia	39.8		42.7	40.4
Australasia	41.5		42.3	42.8
Total Group	33.4		34.5	35.1

For comparability, the 30 June 2013 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2014.

* excluding managed, franchised and investment hotels.

APPENDIX 2: KEY OPERATING STATISTICS
for the quarter year ended 30 June 2014

	Second Quarter 2014 Reported currency	Second Quarter 2013 Constant currency	Second Quarter 2013 Reported currency
Owned or leased hotels*			
Occupancy (%)			
New York	92.2		89.1
Regional US	64.5		63.8
Total US	72.7		70.7
London	88.3		88.7
Rest of Europe	72.6		74.2
Total Europe	80.6		81.2
Singapore	84.7		87.3
Rest of Asia	73.0		67.9
Total Asia	77.8		75.7
Australasia	62.5		58.9
Total Group	75.3		73.6
Average Room Rate (£)			
New York	157.73	156.20	170.06
Regional US	75.11	70.81	77.12
Total US	105.97	100.01	108.91
London	136.88	133.38	133.38
Rest of Europe	68.21	69.08	70.09
Total Europe	106.13	103.23	103.71
Singapore	97.65	102.49	112.30
Rest of Asia	84.57	86.41	94.09
Total Asia	90.39	93.86	102.54
Australasia	53.61	51.10	53.17
Total Group	96.84	94.95	100.95
RevPAR (£)			
New York	145.47	139.14	151.49
Regional US	48.44	45.18	49.21
Total US	76.99	70.67	76.96
London	120.92	118.32	118.32
Rest of Europe	49.55	51.23	51.98
Total Europe	85.49	83.86	84.25
Singapore	82.72	89.43	97.99
Rest of Asia	61.76	58.66	63.88
Total Asia	70.33	71.03	77.60
Australasia	33.50	30.10	31.32
Total Group	72.88	69.87	74.29
Gross Operating Profit Margin (%)			
New York	32.0		30.3
Regional US	25.3		21.9
Total US	28.6		26.0
London	54.4		57.7
Rest of Europe	26.0		27.9
Total Europe	44.7		46.4
Singapore	45.9		50.0
Rest of Asia	34.4		37.7
Total Asia	39.6		43.4
Australasia	33.3		30.2
Total Group	37.3		38.1

For comparability, the 30 June 2013 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 30 June 2014.

* excluding managed, franchised and investment hotels.

APPENDIX 3: HOTEL ROOM COUNT AND PIPELINE
as at 30 June 2014

Hotel and room count	Hotels			Rooms		
	30 June 2014	31 December 2013	Change	30 June 2014	31 December 2013	Change
Analysed by region:						
New York	4	3	1	2,238	1,758	480
Regional US	15	16	(1)	4,463	4,938	(475)
London	8	7	1	2,651	2,493	158
Rest of Europe	16	16	-	2,695	2,695	-
Middle East	17	16	1	5,066	4,816	250
Singapore	6	6	-	2,716	2,716	-
Rest of Asia	23	21	2	8,705	7,894	811
Australasia	29	29	-	4,443	4,423	20
Total	118	114	4	32,977	31,733	1,244

Analysed by ownership type:

Owned or leased	64	62	2	19,132	18,434	698
Managed	31	28	3	8,729	7,984	745
Franchised	11	11	-	1,584	1,564	20
Investment	12	13	(1)	3,532	3,751	(219)
Total	118	114	4	32,977	31,733	1,244

Analysed by brand:

Grand Millennium	6	5	1	2,707	2,455	252
Millennium	44	43	1	14,539	14,644	(105)
Copthorne	35	33	2	7,358	6,838	520
Kingsgate	11	12	(1)	1,126	1,277	(151)
Other M&C	7	6	1	2,234	2,081	153
Third Party	15	15	-	5,013	4,438	575
Total	118	114	4	32,977	31,733	1,244

Pipeline	Hotels			Rooms		
	30 June 2014	31 December 2013	Change	30 June 2014	31 December 2013	Change

Analysed by region:

New York	-	1	(1)	-	480	(480)
London	-	1	(1)	-	158	(158)
Rest of Europe	1	-	1	87	-	87
Middle East	12	17	(5)	3,726	4,796	(1,070)
Rest of Asia	3	5	(2)	1,436	1,936	(500)
Total	16	24	(8)	5,249	7,370	(2,121)

Analysed by ownership type:

Owned or Leased	2	3	(1)	594	1,145	(551)
Managed	13	20	(7)	4,326	5,896	(1,570)
Investment	1	1	-	329	329	-
Total	16	24	(8)	5,249	7,370	(2,121)

Analysed by brand:

Grand Millennium	1	2	(1)	328	578	(250)
Millennium	12	15	(3)	3,571	4,078	(507)
Copthorne	1	5	(4)	756	1,727	(971)
Other M&C	2	1	1	594	507	87
Third party	-	1	(1)	-	480	(480)
Total	16	24	(8)	5,249	7,370	(2,121)

The Group's worldwide pipeline comprises 16 hotels offering 5,249 rooms, which are mainly management contracts.