MILLENNIUM
HOTELS AND RESORTS

INTERIM REPORT 2020

MILLENNIUM
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SHAREHOLDER UPDATE TO 30 JUNE 2020

Dear MCK Shareholders,

It is hard to find the right words to describe the last six months for us all. Many people have used the words “unprecedented”, “unbelievable”, “like nothing ever seen before”, and other such terms and phrases. All of these are right but they do not, in our opinion, capture the depth of feeling that we have experienced since early March when the extent of the COVID-19 pandemic became apparent.

Before outlining our results and financial position to 30 June 2020, we would like to say thank you on behalf of all of the Board to all of our staff, past and present, who have gone through so much over the last few months. To those who we have had to let go, please know that the decisions we made were made with regret and because we have to act in the best interests of this company. We can say that our Senior Leadership team have done what they can to retain as many employees as possible but without the level of guests and with the borders to New Zealand closed to overseas travel since March and for the foreseeable future, we do not and will not have anywhere near the amount of business to sustain pre-COVID employment levels. There is no “normal” any more and predictions of a “new normal” seem premature.

To our staff that remain and particularly our Hotel General Managers and Senior Leadership team, we thank you for your ongoing efforts and the extra yards to keep MCK a viable business. We know that the road ahead is challenging but with your dedication to the tasks ahead, we are sure that we can return to better days in the not-too-distant future.

To our suppliers and business partners, thank you for your loyalty to MCK over these last few weeks and months. Over the last few months, we have reached out to you to ask for assistance in various forms and we are grateful for that support. Our strengths are built on long-standing relationships and we hope to continue and build on those relationships into the future.

To our shareholders, we thank you also for your ongoing support of the company. To those of you in New Zealand in particular, we hope that you are able to make our hotels your first choice for accommodation as domestic travel starts to increase across the country. By booking direct through our website or by contacting the hotels directly, you will be assured of the best rates and you will also ensure that all of what you pay goes directly to the hotels and not to offshore agents. At a time where literally every cent and every dollar makes a difference, we look forward to welcoming you and your families and friends at our hotels.

Results summary

MCK as a group made an unaudited profit before tax and non-controlling interests of $26.26 million for the six month period ended 30 June 2020 (2019: $41.00 million). The main contributor to these results were sales of residential sections from our majority-owned subsidiary CDL Investments New Zealand Limited which traded well in the last six months. In addition, one sale of a sub-penthouse at the Zenith Residences in Sydney which settled during this period has also helped our overall result.

As a result of these property sales and a one-off non-cash tax credit of $20.06 million arising out of the Government’s COVID-19 Business Continuity Package, MCK has recorded a profit after income tax and non-controlling interests of $34.09 million (2019: $23.81 million) The group revenue and other income for this period were $84.74 million (2019: $110.61 million). However, earnings per share for the period increased to 21.55 cents per share (2019: 15.05 cps) reflecting the impact of the tax credit from the COVID-19 Business Continuity Package. This has also impacted on MCK's Net Tangible Assets per share as at 30 June 2020 which was $4.44 per share (2019: $4.08 per share).

An update on our New Zealand Hotel Operations

For the first six months of 2020, MCK's hotel operations made a pretax profit of $3.69 million (2019: $17.53 million). While this is better than what we expected in March, it does not indicate that a sustainable recovery is underway. These results show the combined effects of positive trading in the first two months of the year, the contribution to wages from the Government's Wage Subsidy and some small increases in revenue after lockdown.

As stated above, MCK's hotel operations booked a one-off, non-cash, tax credit of $20.06 million as a result of the Government's COVID-19 Business Continuity Package which reintroduced the ability to depreciate non-residential buildings from the 2020/21 income year. Long term shareholders may recall the one-off, non-cash, tax expense of $24.61 million in 2010 when the previous Government removed the ability to depreciate non-residential buildings for the first time.

It is worth reflecting on what has happened over the past six months, particularly in March through to May. Aside from the Alert Level 4 lockdown, the most significant issue we faced was when the Government announced that the borders would be closed to all international visitors on 14 March. The impact of that alone would have severely impacted on MCK's 2020 results in any event and was serious enough to request a trading halt from NZX.

Even with favourable trading in January and February this year which was comparable to 2019 levels, there was a sharp reduction in revenue in Q1 2020 with revenue down by 16% and pre-tax profit down by 34%. Q2 saw the full effect of the lockdown with revenue falling by 86% and pre-tax profit down by 301%.

Like every other business in New Zealand, the effects of the Alert Level 4 lockdown from 26 March through to 28 April was severe. Only two owned / operated hotels and two franchised hotels were open for essential business and workers with the remainder closed until Alert Level 3 allowed for back-of-house operations to resume. Only from the start of Alert Level 2 on 13 May could hotels actually receive guests for the first time since lockdown and then only once social distancing measures had been put in place. Even then, domestic travel was under restrictions. In short, nearly all of our hotels had no revenue at all during April and half of May.

While all social distancing measures are no longer necessary and hotels can operate in a pre-COVID-like manner there is no way that business would resume at levels seen prior to March. Unlike retail, hotels and other tourism business are not able to recover straight away. As of today, Copthorne Hotel & Resort Bay of Islands, Copthorne Hotel Rotorua, Kingsgate Hotel Greymouth and Kingsgate Hotel Te Anau will remain closed until the fourth quarter of this year. All of our other hotels are open and accepting bookings.

With MCK, the market for domestic tourism has always been smaller than the international one and what we have seen post-lockdown is intense discounting and price competition as hotels and motels try to attract as many people as they can. Put bluntly, hotels in New Zealand are all in survival mode and will remain that way for an extended period of time.

Understandably, our customers both in New Zealand and overseas have cancelled nearly all of their bookings for the remainder of 2020. Thus, we are faced with the prospect of having to rebuild our business more or less from scratch. As the pandemic continues to severely impact our key overseas markets such as Australia, the United States, the United Kingdom, China and Europe, we are not confident that we will see even a trans-Tasman travel bubble this year. Until we know when our borders reopen and which countries will qualify, people will not be rebooking their stays. Coupled with a difficult economic environment, we know that people worldwide will be reluctant to travel internationally. It will take several years to recover to the levels of business over the past five years. But we know this and we are planning accordingly the financial runway at each hotel and corporate levels. As we said at the Annual Meeting in May, MCK will survive this crisis.

The effect on our staff has been dramatic and this is something we have tried to keep front of mind in terms of our operational decisions over the last few months. Regrettably, we have had to make difficult decisions affecting hundreds of our staff who have had to take redundancy, reductions of salary or reduced hours. Like the Government's response to the pandemic, we also adopted an "act early" strategy as we believed that the likely effect of the loss of visitors and revenue would be close to catastrophic. As painful as those decisions were for all of us, we strongly maintain they were the right decisions to ensure our business survived.

We also applied for and received $6.70 million in the first round of the Government's Wage subsidy programme which allowed us to keep paying our employees all of their contracted hours or salaries through to June while we undertook the right-sizing of our business. We applied for the Wage Subsidy Extension and have now received a further $1.82 million and we have used the funds in the way the Government has intended to ensure that as many people as possible have been able to keep their jobs.

As has been widely reported, two of MCK's hotels have been undertaking managed isolation facility business in the first half of 2020, being the Grand Millennium (managed by a wholly owned subsidiary of MCK) and M Social Auckland. The decision to do so was made after carefully assessing the risks to staff and our future business. We believed that this was the right decision, not only to help New Zealanders returning home from overseas, but to keep these hotels in operation and to retain our staff as well. Strict health and safety protocols including deep cleaning procedures have been followed at both properties. Both hotels will continue with managed isolation business during the second half of 2020.

Refurbishment work is nearly complete at the Copthorne Hotel & Resort Queenstown Lakefront and we expect that the hotel will reopen for business in Q4 2020. Demolition work on part of the Kingsgate Hotel Greymouth will also commence shortly ahead of a refurbishment of the tower block of that hotel with the aim to rebrand as a Copthorne Hotel once all works are completed in 2021.

CDL Investments New Zealand Limited ('CDL') performance

Pleasingly, CDL announced an unaudited operating profit after tax for the six months ended 30 June 2020 of $13.74 million (2019: $15.10 million). The result reflected positive sales activity from its new Auckland subdivision at Kewa Road and Prestons Park in Christchurch. CDL's forecast sales for the remainder of the year are positive and their results will deliver a welcome boost to MCK's overall results this year.

Australia update:

We are also pleased to report that a sub-penthouse floor at the Zenith Residences, Sydney was sold in the first half of the year and an agreement for the penthouse level has been signed and is due to settle before the end of the financial year. This is in line with our forecasts and will also strengthen our end of year results. These sales will also reduce our operating expenses in Australia.

The outlook for the remainder of 2020

No-one should be in any doubt that the outlook ahead for MCK's New Zealand hotel operations will continue to be grim. The reality for the foreseeable future is lower occupancy, lower margins and minimal profit. We also believe that we have not yet seen the full extent of the economic effects of COVID-19. As economic conditions globally get worse, we expect still further falls in demand for travel and accommodation as people tighten their belts once again. The announcement that the APEC 2021 Leaders Meetings and associated events are to shift to virtual meetings is one indication as to where things are likely to head for our traditional conferencing and meetings business in the immediate term.

While we are aiming to reopen all of our hotels by the end of the year, this should not be taken as a certainty given that we do not know when our borders will be reopened to the rest of the world. Even when New Zealand is able to welcome visitors from overseas, we will be taking a cautious approach to ensure that we do not compromise the health, safety and wellbeing of our staff and guests.

On a positive note, MCK is not just a hotel company. As a "property company with hotel assets" any growth and indeed any profit, for the time being, will come from our property divisions in New Zealand and Australia. While they have not been as badly affected by COVID-19 as our hotel operations, we remain optimistic but cautious that sales will continue as forecast. Should market conditions change, both divisions are agile enough to adjust their operations as needed.

As well as ensuring that our hotel operations survive this difficult period, as a group, MCK is aiming to deliver an overall result that will see a profit, but we caution shareholders to moderate their expectations. To achieve an overall profit in this environment remains a challenge and is also dependent on many factors, several of which are outside our control. We are well aware of the enormity of the task ahead and we are committed to achieving our goal.

Again, to our staff and shareholders, thank you. We look forward to your continued support over the coming months and beyond.

Colin Sim
Chairman
29 July 2020

BK Chiu
Managing Director

Condensed Interim Income Statement

For the six months ended 30 June 2020

Dollars in thousands	Note	Unaudited 6 months to 30/06/20	Unaudited 6 months to 30/06/19
Revenue		**84,743**	**110,611**
Cost of sales		(39,260)	(46,512)
Gross profit		**45,483**	**64,099**
Administrative expenses		(10,416)	(12,157)
Other operating expenses		(9,674)	(11,376)
Operating profit before finance Income		**25,393**	**40,566**
Finance income		1,881	1,874
Finance costs		(1,017)	(1,441)
Net finance income		**864**	**433**
Profit before income tax		**26,257**	**40,999**
Income tax expense	9 (b)	(7,367)	(11,301)
Income tax credit arising from change in building depreciation	9 (b)	20,060	–
Profit for the period		**38,950**	**29,698**
Profit for the period attributable to:			
Equity holders of the parent		34,090	23,805
Non-controlling interests		4,860	5,893
Profit for the period		**38,950**	**29,698**
Basic earnings per share (cents)	4	21.55c	15.05c
Diluted earnings per share (cents)	4	21.55c	15.05c

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Comprehensive Income

For the six months ended 30 June 2020

Dollars in thousands	Note	Unaudited 6 months to 30/06/20	Unaudited 6 months to 30/06/19
Profit for the period		**38,950**	**29,698**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Devaluation of property, plant and equipment	9 (c)	(49,963)	(7,565)
- Tax expense on devaluation of property, plant and equipment	9 (b)	13,990	–
		(35,973)	(7,565)
Items that are or may be reclassified to profit or loss			
Foreign exchange translation movements		1,350	39
- Tax (expense) /credit on foreign exchange	9 (b)	(2)	–
		1,348	39
Total comprehensive income for the period		**4,325**	**22,172**
Total comprehensive income for the period attributable to:			
Equity holders of the parent		(535)	17,098
Non-controlling interests		4,860	5,074
Total comprehensive income for the period		**4,325**	**22,172**

DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUE/EXPENSES		
Classified under:		
Administrative expenses		
Audit fees	(159)	(164)
Other operating expenses		
Depreciation of Property, Plant & Equipment	(4,292)	(4,217)
Amortisation of Right-Of-Use Assets	(823)	(645)
Leasing and rental expenses	(84)	(106)
Finance income		
Interest income	1,849	1,868
Foreign exchange gain	32	6
Finance costs		
Interest expense	(499)	(867)
Interest expense on lease liability	(499)	(512)
Foreign exchange loss	(4)	(62)

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Changes in Equity

For the six months ended 30 June 2020

		Attibutable to Equity Holders of the Group							
Dollars in thousands	**Note**	**Unaudited Share Capital**	**Unaudited Revaluation Reserves**	**Unaudited Exchange Reserves**	**Unaudited Accumulated Losses**	**Unaudited Treasury Stock**	**Unaudited Total**	**Unaudited Non-controlling Interests**	**Unaudited Total Equity**
Balance at 1 January 2019		383,266	236,999	(3,022)	23,042	(26)	640,259	83,614	723,873
Movement in revaluation reserve		-	(6,746)	-	-	-	(6,746)	(819)	(7,565)
Movement in exchange translation reserve		-	-	39	-	-	39	-	39
Income and expense recognised directly in equity		-	(6,746)	39	-	-	(6,707)	(819)	(7,526)
Profit for the period		-	-	-	23,805	-	23,805	5,893	29,698
Total comprehensive income for the period		-	(6,746)	39	23,805	-	17,098	5,074	22,172
Transactions with owners, recorded directly in equity :									
Dividends paid to:									
Equity holders of the parent	5	-	-	-	(11,866)	-	(11,866)	-	(11,866)
Non-controlling interests		-	-	-	-	-	-	(3,691)	(3,691)
Movement of non-controlling interests without a change in control		-	-	-	(1)	-	(1)	511	510
Supplementary dividends	5	-	-	-	(311)	-	(311)	-	(311)
Foreign investment tax credits		-	-	-	311	-	311	-	311
Balance at 30 June 2019		**383,266**	**230,253**	**(2,983)**	**34,980**	**(26)**	**645,490**	**85,508**	**730,998**
Balance at 1 January 2020		383,266	274,495	(3,319)	60,837	(26)	715,253	91,747	807,000
Movement in revaluation reserve		-	(35,973)	-	-	-	(35,973)	-	(35,973)
Movement in exchange translation reserve		-	-	1,348	-	-	1,348	-	1,348
Income and expense recognised directly in equity		-	(35,973)	1,348	-	-	(34,625)	-	(34,625)
Profit for the period		-	-	-	34,090	-	34,090	4,860	38,950
Total comprehensive income for the period		-	(35,973)	1,348	34,090	-	(535)	4,860	4,325
Transactions with owners, recorded directly in equity :									
Dividends paid to:									
Equity holders of the parent	5	-	-	-	(11,866)	-	(11,866)	-	(11,866)
Non-controlling interests		-	-	-	-	-	-	(3,679)	(3,679)
Movement of non-controlling interests without a change in control		-	-	-	(49)	-	(49)	1,329	1,280
Supplementary dividends	5	-	-	-	(256)	-	(256)	-	(256)
Foreign investment tax credits		-	-	-	256	-	256	-	256
Balance at 30 June 2020		**383,266**	**238,522**	**(1,971)**	**83,012**	**(26)**	**702,803**	**94,257**	**797,060**

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Financial Position

As at 30 June 2020

Dollars in thousands	**Note**	**Unaudited as at 30/06/20**	**Audited as at 31/12/19**	**Unaudited as at 30/06/19**
SHAREHOLDERS' EQUITY				
Issued capital	3	383,266	383,266	383,266
Reserves		319,561	332,013	262,250
Treasury stock	3	(26)	(26)	(26)
Non-controlling interests		94,259	91,747	85,508
Total equity		**797,060**	**807,000**	**730,998**
Represented by:				
NON CURRENT ASSETS				
Property, plant and equipment	9 (c)	539,953	591,749	539,492
Development properties		169,250	176,579	186,216
Investment in associates		2	2	2
Total non-current assets		**709,205**	**768,330**	**725,710**
CURRENT ASSETS				
Cash and cash equivalents		26,301	43,182	25,441
Short term bank deposits		156,045	122,049	116,812
Trade and other receivables		13,263	21,138	14,296
Trade receivables due from related parties	6	206	-	10
Inventories		1,315	1,615	1,518
Development properties		48,705	51,887	41,377
Total current assets		**245,835**	**239,871**	**199,454**
Total assets		**955,040**	**1,008,201**	**925,164**
NON CURRENT LIABILITIES				
Interest-bearing loans and borrowings		67,000	67,000	64,000
Lease Liabilities		14,219	14,370	14,541
Provision for deferred taxation	9 (b)	50,535	84,968	75,972
Total non-current liabilities		**131,754**	**166,338**	**154,513**
CURRENT LIABILITIES				
Interest-bearing loans and borrowings		297	-	3,000
Trade and other payables	9 (b)	19,084	24,562	22,431
Trade payables due to related parties	6	4,743	4,054	3,686
Loans due to related parties		-	-	9,000
Lease Liabilities		472	429	411
Income tax payable		1,630	5,818	1,125
Total current liabilities		**26,226**	**34,863**	**39,653**
Total liabilities		**157,980**	**201,201**	**194,166**
Net assets		**797,060**	**807,000**	**730,998**

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Cash Flows

For the six months ended 30 June 2020

Dollars in thousands	Note	Unaudited 6 months to 30/06/20	Unaudited 6 months to 30/06/19
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		92,404	115,797
Interest received		1,858	2,242
		94,262	118,039
Cash was applied to:			
Payments to suppliers and employees		(47,010)	(66,182)
Purchase of development land		-	(7,624)
Interest paid		(655)	(900)
Income tax paid		(11,977)	(17,017)
		(59,642)	(91,723)
Net cash inflow from operating activities		**34,620**	**26,316**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from/(applied to):			
Purchase of property, plant and equipment		(3,167)	(3,037)
Increase in short term bank deposits		(33,996)	(8,523)
Net cash outflow from investing activities		**(37,163)**	**(11,560)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		297	3,000
Advance/(repayment) of related parties loans		-	9,000
Principal repayment of lease liability		(720)	(676)
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	5	(11,866)	(11,866)
Dividends paid to non-controlling interests		(3,679)	(3,691)
Net cash outflow from financing activities		**(15,968)**	**(4,233)**
Net (decrease)/increase in cash and cash equivalents		**(18,511)**	**10,523**
Add opening cash and cash equivalents		43,182	14,437
Exchange rate adjustment		1 ,630	481
Closing cash and cash equivalents		**26,301**	**25,441**

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Cash Flows

For the six months ended 30 June 2020

Dollars in thousands	Note	Unaudited 6 months to 30/06/20	Unaudited 6 months to 30/06/19
RECONCILIATION OF NET PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		38,950	29,698
Adjusted for non cash items:			
(Gain)/Loss on Sale of Fixed Assets		-	6
Foreign Exchange (Gain)/ Loss		(28)	56
Depreciation		4,290	4,217
Amortisation of Right-Of-Use Assets		823	645
Income tax expense	9 (b)	(12,693)	11,301
Adjustments for movements in working capital:			
Decrease in receivables		7,670	5,560
Decrease in inventories		300	166
(Increase)/Decrease in development properties		11,576	(7,449)
Increase/(Decrease) in payables		(4,325)	(1,289)
Increase/(Decrease) in related parties		689	1,322
Cash generated from operations		**47,252**	**44,233**
Interest paid		(655)	(900)
Income tax paid		(11,977)	(17,017)
Net cash inflow from operating activities		**34,620**	**26,316**
Reconciliation of movement of liabilities to cash flows arising from financing activities			
As at 01 Jan		67,000	64,000
Proceeds from borrowings		297	3,000
Cash generated from operations		**297**	**3,000**
As at 30 Jun		**67,297**	**67,000**

The attached notes form part of, and are to be read in conjunction with, these financial statements.

1. Significant accounting policies

Millennium & Copthorne Hotels New Zealand Limited is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Millennium & Copthorne Hotels New Zealand Limited (the "Company") is a Financial Markets Conduct Reporting Entity in terms of Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The condensed interim financial statements of the Company for the six months ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at level 13, 280 Centre, 280 Queen Street, Auckland, New Zealand.

The principal activities of the Group are ownership and operation of hotels in New Zealand; residential development and sale of land in New Zealand; and development and sale of residential units in Australia.

The condensed interim financial statements were authorised for issuance on 29 July 2020.

(a) Statement of compliance

The condensed interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IAS 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all of the information required for full annual financial statements.

The accounting policies and methods of computation applied by the Group in these condensed interim financial statements are the same as those applied by the Group in its financial statements for the year ended 31 December 2019, with the exception of the adoption of NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* in the current reporting period (refer to Note 9(a)).

2. Segment reporting

Segment information is presented in the condensed interim financial statements in respect of the Group's reporting segments. Operating segments are the primary basis of segment reporting. The Group has determined that its chief operating decision maker is the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Operating segments

The Group consisted of the following main operating segments:

- Hotel operations, comprising income from the ownership and management of hotels.
- Residential land development, comprising the development and sale of residential land sections.
- Residential property development, comprising the development and sale of residential apartments.

Geographical segments

The Group operates in the following main geographic segments:

- New Zealand
- Australia

Segment revenue is based on the geographical location of the asset. The Group has no major customer representing greater than 10% of the Group's total revenue.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2020 (unaudited)

2. Segment reporting - continued

(a) Operating Segments

	Hotel Operations		Residential Land Development		Residential Property Development		Group	
Dollars in thousands	**Unaudited 6 months to 30/06/20**	**Unaudited 6 months to 30/06/19**	**Unaudited 6 months to 30/06/20**	**Unaudited 6 months to 30/06/19**	**Unaudited 6 months to 30/06/20**	**Unaudited 6 months to 30/06/19**	**Unaudited 6 months to 30/06/20**	**Unaudited 6 months to 30/06/19**
External revenue	35,755	64,463	40,955	40,291	8,033	5,857	84,743	110,611
Earnings before interest, depreciation & amortisation	8,582	22,636	18,589	20,494	3,337	2,298	30,508	45,428
Finance income	1,221	1,172	504	524	156	178	1,881	1,874
Finance expense	(1,015)	(1,437)	(1)	(2)	(1)	(2)	(1,017)	(1,441)
Depreciation and amortisation	(4,287)	(4,212)	-	-	(5)	(4)	(4,292)	(4,216)
Depreciation of Right-of-use assets	(811)	(634)	(7)	(7)	(5)	(5)	(823)	(646)
Profit before income tax	3,690	17,525	19,085	21,009	3,482	2,465	26,257	40,999
Income tax expense	(979)	(4,720)	(5,344)	(5,873)	(1,044)	(708)	(7,367)	(11,301)
Income tax credit arising from change in building depreciation	20,060	-	-	-	-	-	20,060	-
Profit after income tax	22,771	12,805	13,741	15,136	2,438	1,757	38,950	29,698
Segment assets	638,991	638,961	244,037	220,560	72,010	65,641	955,038	925,162
Investment in associates	-	-	2	2	-	-	2	2
Total assets	638,991	638,961	244,039	220,562	72,010	65,641	955,040	925,164
Segment liabilities	(102,470)	(112,922)	(1,755)	(2,955)	(1,590)	(1,192)	(105,815)	(117,069)
Tax liabilities	(49,347)	(75,704)	(1,511)	(1,135)	(1,307)	(258)	(52,165)	(77,097)
Total liabilities	(151,817)	(188,626)	(3,266)	(4,090)	(2,897)	(1,450)	(157,980)	(194,166)
Property, plant and equipment expenditure	3,157	3,025	6	2	5	10	3,168	3,037
Residential land development expenditure	-	-	11,841	19,874	-	-	11,841	19,874
Purchase of land for residential land development	-	-	-	7,624	-	-	-	7,624

2. Segment reporting – continued

(b) Geographic Segments

	New Zealand		Australia		Group	
Dollars in thousands	**Unaudited 6 months to 30/06/20**	**Unaudited 6 months to 30/06/19**	**Unaudited 6 months to 30/06/20**	**Unaudited 6 months to 30/06/19**	**Unaudited 6 months to 30/06/20**	**Unaudited 6 months to 30/06/19**
External revenue	70,716	104,754	8,033	5,857	84,743	110,611
Earnings before interest, depreciation & amortisation	27,184	43,215	3,324	2,213	30,508	45,428
Finance income	1,725	1,696	156	178	1,881	1,874
Finance expense	(1,016)	(1,439)	(1)	(2)	(1,017)	(1,441)
Depreciation and amortisation	(4,287)	(4,212)	(5)	(4)	(4,292)	(4,216)
Depreciation of Right-of-use assets	(818)	(641)	(5)	(5)	(823)	(646)
Profit before income tax	22,788	38,619	3,469	2,380	26,257	40,999
Income tax expense	(6,326)	(10,596)	(1,041)	(705)	(7,367)	(11,301)
Income tax credit arising from change in building depreciation	20,060	-	-	-	20,060	-
Profit after income tax	36,522	28,023	2,428	1,675	38,950	29,698
Segment assets	883,333	859,742	71,705	65,420	955,038	925,162
Investment in associates	2	2	-	-	2	2
Total assets	883,335	859,744	71,705	65,420	955,040	925,164
Segment liabilities	(104,263)	(115,918)	(1,552)	(1,151)	(105,815)	(117,069)
Tax liabilities	(50,859)	(76,839)	(1,306)	(258)	(52,165)	(77,097)
Total liabilities	(155,122)	(192,757)	(2,858)	(1,409)	(157,980)	(194,166)
Property, plant and equipment expenditure	3,163	3,027	5	10	3,168	3,037
Residential land development expenditure	11,841	19,874	-	-	11,841	19,874
Purchase of land for residential land development	-	7,624	-	-	-	7,624

3. Share capital

	Ordinary shares		Redeemable preference shares	
	Shares	**$ 000s**	**Shares**	**$ 000s**
Total shares issued – fully paid				
Balance at 30 June 2019	105,578,290	350,048	52,739,543	33,218
Balance at 30 June 2020	105,578,290	350,048	52,739,543	33,218
Ordinary shares repurchased and held as treasury stock				
Balance at 30 June 2019	(99,547)	(26)	-	-
Balance at 30 June 2020	(99,547)	(26)	-	-
Shares issued – fully paid				
Balance at 30 June 2019	105,478,743	350,022	52,739,543	33,218
Balance at 30 June 2020	105,478,743	350,022	52,739,543	33,218

At 30 June 2020, the authorised share capital consisted of 105,578,290 ordinary shares (2019: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2019: 52,739,543) with no par value.

4. Earnings per share

The basic earnings per share of 21.55 cents (30 June 2019: 15.05 cents) is based on the profit attributable to ordinary shareholders of $34.09 million (30 June 2019: $23.81 million) and weighted average number of ordinary shares and redeemable preference shares outstanding during the period ended 30 June 2020 of 158,218,286 (30 June 2019: 158,218,286).

The redeemable preference shares are included in the computation of earnings per share as they rank equally with ordinary shares in respect of distributions made by the Company except any distribution in the case of liquidation.

The calculation of diluted earnings per share of 21.55 cents (30 June 2019: 15.05 cents) is the same as basic earnings per share.

5. Dividends

The following dividends were paid during the interim periods:

	Group	
Dollars In Thousands	**Unaudited 30/06/20**	**Unaudited 30/06/19**
Ordinary dividend: 7.5 cents per qualifying share (2019: 7.5 cents)	11,866	11,866
Supplementary dividend: 1.3235 cents per qualifying share (2019: 1.3235 cents)	256	311
	12,122	12,177

6. Related party transactions

Millennium & Copthorne Hotels New Zealand Limited is a 75.78% (2019: 75.78%) (economic interests from both ordinary and preference shares) owned subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Limited in Singapore.

At balance date there were related party advances owing from/(owing to) the following related companies:

		Group	
Dollars In Thousands	**Nature of balance**	**Unaudited 30/06/20**	**Unaudited 30/06/19**
Trade payables and receivables due to related parties			
Millennium & Copthorne Hotels plc	Recharge of expenses	(3,536)	(2,791)
Millennium & Copthorne International Limited	Recharge of expenses & provision of management and marketing support	176	(27)
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	30	10
CDLH (BVI) One Limited	Rent payment	(1,207)	(868)
		(4,537)	**(3,676)**
Loans due to related parties			
CDL Hotels Holdings New Zealand Limited	Inter-company loan	-	(9,000)
		-	**(9,000)**

No debts with related parties were written off or forgiven during the period. No interest was charged on these payables during 2020 and 2019. There are no set repayment terms.

As at balance date, inter-company loan with CDL Hotels Holdings New Zealand Limited was NIL (30 June 2019: $9.0 million).

7. Capital commitments

As at 30 June 2020, the Group has entered into contractual commitments for capital expenditure and development expenditure.

	Group	
Dollars In Thousands	**Unaudited 30/06/20**	**Unaudited 30/06/19**
Capital expenditure	468	4,425
Development expenditure	19,160	21,252
Land purchases	1,272	33,717
	20,900	**59,394**

8. Changes in contingent liabilities and contingent assets since last annual balance sheet date

During the period, the Group settled an outstanding claim from the main contractor of the Copthorne Hotel Harbourcity City project. The adjudicator determined that the Group had to pay a total of $455.4k to the main contractor, which included liquidated damages previously deducted from the contractor's progress payments, an amount for disputed variation work, interest, and half of the adjudicator's costs. The total cost of the determination has been recognised in the financial statements at balance date.

The Group has no other contingent liabilities or contingent assets at balance date.

9. COVID-19 pandemic update

(a) Wage subsidy scheme

The Group applied for the Government's Wage Subsidy Scheme on 27 March 2020 and received a net sum of $6.70 million. The Group's owned and managed hotels were eligible to apply as the hotels suffered a decline of 41.9% in total revenues in March 2020 against the comparative period in 2019. This amount covered a period of 12 weeks which ended on 21 June.

The Group subsequently applied for the Wage Subsidy Extension and received a total of $1.82 million which covers the period from 22 June to 16 August. The Group's owned and managed hotels were eligible to apply for the Government's Wage Subsidy Extension Scheme as the hotels suffered a decline of 58.7% in total revenues in the 30 day period from 24 May to 23 June 2020 against the comparative period in 2019.

The wage subsidies were applied as a deduction against payroll costs in personnel expenses in accordance with NZ IAS 20. The personnel expenses are included in cost of sales, administration expenses and other expenses in the income statement.

9. COVID-19 pandemic update – continued

Personnel expenses

	Group	
Dollars In Thousands	**2020**	**2019**
Wages and salaries	19,962	22,576
Wage subsidies	(5,507)	-
Employee related expenses and benefits	464	713
Contributions to defined contribution plans	369	419
Increase/(decrease) in liability for long-service leave	(51)	48
	15,237	**23,756**

The unapplied balance of $1.51m in wage subsidies is included in Trade and other payables under current liabilities in the Balance Sheet.

(b) Tax changes

Included in the Government's Business Continuity Package (COVID-19 Response (Taxation and Social Assistance Urgent Measure) Act 2020) was the reintroduction of tax depreciation on commercial and industrial buildings. With effect from 1 January 2020, the Group is now able to depreciate, at 2.0% diminishing value method, the core components of the hotel buildings previously depreciated at 0.0% for tax purposes. As a result, the deferred tax liability is reduced by $20.06 million with a deferred tax credit of the same amount booked into the profit and loss.

Income tax expense

Recognised in the income statement

	Group	
Dollars In Thousands	**2020**	**2019**
Current tax expense		
Current year	7,752	11,173
Adjustments for prior years	-	-
	7,752	11,173
Deferred tax expense		
Origination and reversal of temporary difference	(385)	129
Change in treatment of building depreciation	(20,060)	-
Adjustments for prior years	-	-
	(20,445)	129
Total income tax expense/(credit) in the income statement	**(12,693)**	**11,301**

9. COVID-19 pandemic update – continued

Reconciliation of tax expense

	Group	
Dollars In Thousands	**2020**	**2019**
Profit before income tax	26,257	40,999
Income tax at the company tax rate of 28% (2019:28%)	7,352	11,480
Adjusted for:		
Non-deductible expenses	-	-
Tax rate difference (if different from 28% above)	69	47
Tax exempt income	(54)	(226)
Change in treatment of building depreciation	(20,060)	-
Total income tax expense/(credit)	**(12,693)**	**11,301**
Effective tax rate	(48)%	28%

Deferred tax expense/(credit) recognised in other comprehensive income

	Group	
Dollars In Thousands	**2020**	**2019**
Relating to devaluation of property, plant and equipment	(13,990)	-
Relating to foreign currency translation of foreign subsidiaries	2	-
	(13,988)	-

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

(c) Property, Plant and Equipment

The Group's hotel properties were subjected to an internal review for fair value at the reporting date. The basis of the valuation is the net present value of the future earnings of the assets. The major unobservable inputs and assumptions that are used and require significant judgement in estimating future cash flows include the expected rate of recovery in revenue, projected occupancy and average room rates, operational and maintenance expenditure profiles and discount rates (internal rate of return). With the COVID-19 pandemic still at large globally, the recovery of tourism and accommodation sector is uncertain and is dependent on several factors which are currently unknown and evolving. These factors chiefly are: the success of health bodies worldwide to control the pandemic; the recovery of economies in key markets; the opening up of closed borders for international air travel; and the increase in domestic travel after lockdowns.

Annual growth rates appropriate to the hotels were applied over the five years projection. The average rates from the current year onwards are: -63.3% (Year 0); 49.0% (Year 1); 41.7% (Year 2); 16.6% (Year 3); 3.5% (Year 4); and 2.2% (Year 5). Pre-tax discount rates ranging between 7.50% and 10.75% were applied to the future cash flows of the individual hotels based on the specific circumstances of each property.

9. COVID-19 pandemic update – continued

The Group's fair value of hotel properties is categorised as Level 3 based on the inputs to the valuation methodology. The following matrix shows the effect of the inputs on the fair value of the properties:

	The estimated fair value would increase	The estimated fair value would decrease
If forecast future earnings were	higher	lower
If projected operational and maintenance expenditures were	lower	higher
If the discount rates were	lower	higher

Based on the review and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. A total of $49.96 million (31 December 2019: $45.70 million increase) was deducted from the carrying values of land and buildings and the amount after tax was deducted from the asset revaluation reserves in equity.

Shareholder Information and Disclosures

Top Holders (Ordinary Shares) as at 17 August 2020

Rank	Name	Units	% of Units
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	74,743,077	70.79
2.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	5,963,909	5.65
3.	ACCIDENT COMPENSATION CORPORATION – NZCSD	3,348,096	3.17
4.	NATIONAL NOMINEES LIMITED – NZCSD	2,987,363	2.83
5.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED – NZCSD	2,307,412	2.19
6.	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD	1,821,360	1.73
7.	HSBC NOMINEES (NEW ZEALAND) LIMITED – NZCSD	1,770,409	1.68
8.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT – NZCSD	1,577,675	1.49
9.	LENG BENG KWEK	906,000	0.86
10.	AMALGAMATED DAIRIES LIMITED	684,980	0.65
11.	SKY HILL LIMITED	582,606	0.55
12.	KAY HONG CHIAM	475,251	0.45
13.	MFL MUTUAL FUND LIMITED – NZCSD	463,297	0.44
14.	CUSTODIAL SERVICES LIMITED	355,500	0.34
15.	NEW ZEALAND DEPOSITORY NOMINEE LIMITED	332,878	0.32
16.	JALAER INVESTMENTS LIMITED	278,977	0.26
17.	GEOK LOO GOH	168,002	0.16
18.	SITA SINGH	151,000	0.14
19.	BNP PARIBAS NOMINEES (NZ) LIMITED – NZCSD	141,005	0.13
20.	ASB NOMINEES LIMITED	140,000	0.13
TOTALS: TOTALS: TOP 20 HOLDERS OF ORDINARY SHARES		**99,198,797**	**93.96**

Top Holders Redeemable Preference Shares as at 17 August 2020

Rank	Name	Units	% of Units
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	45,224,095	85.75
2.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	2,945,671	5.59
3.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	1,683,950	3.19
4.	ACCIDENT COMPENSATION CORPORATION - NZCSD	935,848	1.77
5.	LENG BENG KWEK	453,000	0.86
6.	NATIONAL NOMINEES LIMITED – NZCSD	386,704	0.73
7.	KAY HONG CHIAM	211,324	0.40
8.	ASB NOMINEES LIMITED	130,451	0.25
9.	ALAN DAVID WHITE	110,130	0.21
10.	CUSTODIAL SERVICES LIMITED	55,300	0.10
11.	JENNIFER GAYE SIMPSON	43,000	0.08
12.	GRAEME STUART LORD + LISA ANNE LORD	40,861	0.08
13.	THEODORE JOHN VAN GELDERMALSEN + MARGARET GAY FREEMANTLE	38,000	0.07
14.	HOWARD CEDRIC ZINGEL	31,592	0.06
15.	JOAN LESLEY THOMPSON	30,200	0.06
16.	ROGER EDWARD HAYWARD + SUSAN ELIZABETH HAYWARD (TENANTS IN COMMON)	28,909	0.05
17.	CUSTODIAL SERVICES LIMITED	23,900	0.05
18.	SEA AND PEAK EQUITIES LIMITED	23,400	0.04
19.	CUSTODIAL SERVICES LIMITED	21,200	0.04
20.	ASB NOMINEES LIMITED	17,134	0.03
TOTALS: TOP 20 HOLDERS OF REDEEMABLE PREFERENCE SHARES		**52,434,669**	**99.42**

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