



MILLENNIUM

HOTELS AND RESORTS

More than Meets the Eye

INTERIM REPORT 2019



EAT
Beautiful™



**Beast &
Butterflies**

AUCKLAND



MILLENNIUM
HOTELS AND RESORTS

21
HOTELS
NATIONWIDE




MILLENNIUM COLLECTION
 GRAND MILLENNIUM COLLECTION  MILLENNIUM HOTELS


COPTHORNE COLLECTION
 COPTHORNE HOTELS  KINGSGATE HOTELS


M SOCIAL COLLECTION

Tollfree in NZ call 0800 808 228
www.millenniumhotels.com

Chairman's Review

Financial Performance:

Millennium & Copthorne Hotels New Zealand Limited ("MCK") announced an unaudited profit after tax and non-controlling interests of \$23.81 million for the six month period ended 30 June 2019 (2018: \$30.15 million). Profit before income tax and non-controlling interests was \$41.00 million (2018: \$54.66 million). Group revenue and other income for this period was \$110.61 million (2018: \$127.51 million) and gross profit for the period was \$64.10 million (2018: \$77.66 million). Earnings per share for the period were 15.05 cents per share (2018: 19.05 cps).

The main contributor to these results was CDL Investments' slower section sales reflecting a number of current market factors which are outlined below.

New Zealand Hotel Operations:

2019 has seen increased competition in the New Zealand hotel market across the country with occupancy declining slightly to 82.5% (2018: 83.2%) but with continued downward pressure on room rates. New additional inventory in Auckland has also contributed to the mix. Revenue from hotels for the period was \$64.46 million (2018: \$64.27 million) for MCK's 14 owned / leased and operated hotels (excluding 5 franchised and 2 managed hotels). RevPAR (Revenue per available room) was \$135.85 (2018: \$133.12).

MCK is conscious that it must remain competitive in terms of its product and service standards and MCK will continue to invest in refurbishments during the second half of this year with programmes at Millennium Hotel Rotorua and Millennium Hotel Queenstown and the conversion of Kingsgate Greymouth to the Copthorne brand. Further improvements are being planned at other hotels in response to customer demand and guest feedback.

The judicial review action brought by several Auckland hotel owner / operators including MCK against Auckland Council in relation to the Accommodation Provider Targeted Rate (APTR) was heard in the High Court in late May. A decision is expected before the end of the year but, as advised previously, will not materially impact on MCK's financial position or the 2019 year end results.

CDL Investments New Zealand Limited ('CDL'):

CDL announced an unaudited operating profit after tax for the six months ended 30 June 2019 of \$15.10 million (2018: \$25.47 million). The results reflect a softer market for residential sections in some areas and CDL's management are focused on a sales strategy to maximise sales from areas which are selling well for the remainder of 2019.

Chairman's Review CONTINUED

Offshore investments - Australia:

Occupancy at the Zenith Residences, Sydney was steady at 94.2% across the complex. Three apartments were sold in the first half of 2019. Further sales are expected before the end of the year.

Outlook:

The current competitive environment will continue for the rest of the year but we expect our hotels to perform well against their competitors despite increasing input and utility costs which are having an impact on operational performance. We are confident that CDL Investments' sales will improve before the end of 2019 as they optimize their sales programmes for the remainder of the year.

The Board believes that a year-end result for 2019 in line with 2018 is achievable and has directed Management to focus on maintaining market share and improving productivity as well as careful cost management across all operations over the coming months.



Colin Sim

Chairman

Millennium & Copthorne Hotels New Zealand Limited

1 August 2019

Condensed Interim Income Statement

For the six months ended 30 June 2019

<i>Dollars in thousands</i>	Note	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18
Revenue		110,611	127,506
Cost of sales		(46,512)	(49,850)
Gross profit		64,099	77,656
Administrative expenses		(12,157)	(12,408)
Other operating expenses		(11,376)	(11,413)
Operating profit before finance income		40,566	53,835
Finance income		1,874	1,687
Finance costs		(1,441)	(858)
Net finance income		433	829
Profit before income tax		40,999	54,664
Income tax expense		(11,301)	(15,043)
Profit for the period		29,698	39,621
Profit for the period attributable to:			
Equity holders of the parent		23,805	30,147
Non-controlling interests		5,893	9,474
Profit for the period		29,698	39,621
Basic earnings per share (cents)	4	15.05c	19.05c
Diluted earnings per share (cents)	4	15.05c	19.05c

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 2019

<i>Dollars in thousands</i>	Note	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18
Profit for the period		29,698	39,621
Other comprehensive income			
Movement in revaluation reserve			
- Recognised in equity	9 (a)	(7,565)	-
Items that are or may be reclassified to profit or loss			
Movement in exchange translation reserve			
- Recognised in equity		39	(1,535)
Total comprehensive income for the period		22,172	38,086
Total comprehensive income for the period attributable to:			
Equity holders of the parent		17,098	28,612
Non-controlling interests		5,074	9,474
Total comprehensive income for the period		22,172	38,086

DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUE/EXPENSES

Classified under:

Administrative expenses			
Audit fees		(164)	(158)
Other operating expenses			
Depreciation of Property, Plant & Equipment		(4,217)	(4,186)
Amortisation of Right-Of-Use Assets	9 (c)	(645)	-
Leasing and rental expenses	9 (d)	(106)	(1,208)
Finance income			
Interest income		1,868	1,687
Foreign exchange gain		6	-
Finance costs			
Interest expense		(867)	(843)
Interest expense on lease liability	9 (c)	(512)	-
Foreign exchange loss		(62)	(15)

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 2019

<i>Dollars in thousands</i>	Note	Attributable to Equity Holders of the Group					Unaudited Total	Unaudited Non- controlling Interests	Unaudited Total Equity
		Unaudited Share Capital	Unaudited Revaluation Reserves	Unaudited Exchange Reserves	Unaudited Accumulated Losses	Unaudited Treasury Stock			
Balance at 1 January 2018		383,266	222,465	114	(16,939)	(26)	588,880	74,810	663,690
Movement in exchange translation reserve		-	-	(1,535)	-	-	(1,535)	-	(1,535)
Income and expense recognised directly in equity		-	-	(1,535)	-	-	(1,535)	-	(1,535)
Profit for the period		-	-	-	30,147	-	30,147	9,474	39,621
Total comprehensive income for the period		-	-	(1,535)	30,147	-	28,612	9,474	38,086
Transactions with owners, recorded directly in equity :									
Dividends paid to:									
Equity holders of the parent	5	-	-	-	(9,493)	-	(9,493)	-	(9,493)
Non-controlling interests		-	-	-	-	-	-	(3,655)	(3,655)
Movement of non-controlling interests without a change in control		-	-	-	99	-	99	454	553
Supplementary dividends	5	-	-	-	(242)	-	(242)	-	(242)
Foreign investment tax credits		-	-	-	242	-	242	-	242
Balance at 30 June 2018		383,266	222,465	(1,421)	3,814	(26)	608,098	81,083	689,181
Balance at 1 January 2019		383,266	236,999	(3,022)	23,042	(26)	640,259	83,614	723,873
Movement in revaluation reserve	9 (a)	-	(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

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 2019

<i>Dollars in thousands</i>	Note	Unaudited as at 30/06/19	Audited as at 31/12/18	Unaudited as at 30/06/18
SHAREHOLDERS' EQUITY				
Issued capital	3	383,266	383,266	383,266
Reserves		262,250	257,019	224,858
Treasury stock	3	(26)	(26)	(26)
Non-controlling interests		85,508	83,614	81,083
Total equity		730,998	723,873	689,181
Represented by:				
NON CURRENT ASSETS				
Property, plant and equipment	9(a),9(b)	539,492	532,124	514,355
Development properties		186,216	163,106	174,747
Investment in associates		2	2	2
Total non-current assets		725,710	695,232	689,104
CURRENT ASSETS				
Cash and cash equivalents		25,441	14,437	28,976
Short term bank deposits		116,812	108,289	98,749
Trade and other receivables		14,296	21,515	14,257
Trade receivables due from related parties	6	10	-	15
Inventories		1,518	1,684	1,493
Income tax receivable		-	-	163
Development properties		41,377	57,025	29,229
Total current assets		199,454	202,950	172,882
Total assets		925,164	898,182	861,986
NON CURRENT LIABILITIES				
Interest-bearing loans and borrowings		64,000	64,000	66,000
Lease Liabilities	9	14,541	-	-
Provision for deferred taxation		75,972	75,844	70,596
Total non-current liabilities		154,513	139,844	136,596
CURRENT LIABILITIES				
Interest-bearing loans and borrowings		3,000	-	-
Trade and other payables		22,431	25,132	21,715
Trade payables due to related parties	6	3,686	2,364	1,612
Loans due to related parties	6	9,000	-	7,100
Lease Liabilities	9	411	-	-
Income tax payable		1,125	6,969	5,782
Total current liabilities		39,653	34,465	36,209
Total liabilities		194,166	174,309	172,805
Net assets		730,998	723,873	689,181

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 2019

<i>Dollars in thousands</i>	Note	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		115,797	130,779
Interest received		2,242	1,871
		<u>118,039</u>	<u>132,650</u>
Cash was applied to:			
Payments to suppliers and employees		(66,182)	(59,063)
Purchase of development land		(7,624)	(36,354)
Interest paid		(900)	(865)
Income tax paid		(17,017)	(13,461)
		<u>(91,723)</u>	<u>(109,743)</u>
Net cash inflow from operating activities		<u>26,316</u>	<u>22,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from/(applied to):			
Purchase of property, plant and equipment		(3,037)	(12,635)
Increase in short term bank deposits		(8,523)	(9,859)
Net cash outflow from investing activities		<u>(11,560)</u>	<u>(22,494)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		3,000	-
Advance/(repayment) of related parties loans	6	9,000	7,100
Principal repayment of lease liability	9 (c)	(676)	-
Dividends paid to shareholders of Millennium & Copthorne			
Hotels New Zealand Ltd	5	(11,866)	(9,493)
Dividends paid to non-controlling interests		(3,691)	(3,655)
Net cash outflow from financing activities		<u>(4,233)</u>	<u>(6,048)</u>
Net (decrease)/increase in cash and cash equivalents		10,523	(5,635)
Add opening cash and cash equivalents		14,437	34,195
Exchange rate adjustment		481	416
Closing cash and cash equivalents		<u>25,441</u>	<u>28,976</u>

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 2019

<i>Dollars in thousands</i>	Note	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18
RECONCILIATION OF NET PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		29,698	39,621
Adjusted for non cash items:			
(Gain)/Loss on Sale of Fixed Assets		6	-
Foreign Exchange (Gain)/ Loss		56	-
Depreciation		4,217	4,186
Amortisation of Right-Of-Use Assets	9 (c)	645	-
Income tax expense		11,301	15,043
Adjustments for movements in working capital:			
Decrease in receivables		5,560	3,457
Decrease in inventories		166	153
(Increase)/Decrease in development properties		(7,449)	(25,011)
Increase/(Decrease) in payables		(1,289)	153
Increase/(Decrease) in related parties		1,322	(369)
Cash generated from operations		44,233	37,233
Interest paid		(900)	(865)
Income tax paid		(17,017)	(13,461)
Net cash inflow from operating activities		26,316	22,907

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

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

1. Significant accounting policies

Millennium & Cophthorne 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 & Cophthorne 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 2019 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 1 August 2019.

(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 2018 except for the adoption of one new accounting standard (see Note 9).

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 land.
- 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.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

2. Segment reporting - continued

(a) Operating Segments

	Hotel Operations		Residential Land Development		Residential Property Development		Group	
	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18
<i>Dollars in thousands</i>								
External revenue	64,463	64,267	40,291	60,226	5,857	3,013	110,611	127,506
Earnings before interest, depreciation & amortisation	22,636	22,534	20,494	34,652	2,298	835	45,428	58,021
Finance income	1,172	877	524	726	178	84	1,874	1,687
Finance expense	(1,437)	(858)	(2)	-	(2)	-	(1,441)	(858)
Depreciation and amortisation	(4,846)	(4,184)	(7)	-	(9)	(2)	(4,862)	(4,186)
Profit before income tax	17,525	18,369	21,009	35,378	2,465	917	40,999	54,664
Income tax expense	(4,720)	(4,883)	(5,873)	(9,908)	(708)	(252)	(11,301)	(15,043)
Profit after income tax	12,805	13,486	15,136	25,470	1,757	665	29,698	39,621
Segment assets	638,961	587,430	220,560	210,625	65,641	63,766	925,162	861,821
Tax assets	-	-	-	-	-	163	-	163
Investment in associates	-	-	2	2	-	-	2	2
Total assets	638,961	587,430	220,562	210,627	65,641	63,929	925,164	861,986
Segment liabilities	(112,922)	(92,477)	(2,955)	(2,766)	(1,192)	(1,184)	(117,069)	(96,427)
Tax liabilities	(75,704)	(70,766)	(1,135)	(5,438)	(258)	(174)	(77,097)	(76,378)
Total liabilities	(188,626)	(163,243)	(4,090)	(8,204)	(1,450)	(1,358)	(194,166)	(172,805)
Property, plant and equipment expenditure	3,025	12,635	2	-	10	-	3,037	12,635
Residential land development expenditure	-	-	19,874	12,568	-	-	19,874	12,568
Purchase of land for residential land development	-	-	7,624	36,354	-	-	7,624	36,354

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

2. Segment reporting - continued

(b) Geographic Segments

	New Zealand		Australia		Group	
	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18
<i>Dollars in thousands</i>						
External revenue	104,754	124,493	5,857	3,013	110,611	127,506
Earnings before interest, depreciation & amortisation	43,215	57,163	2,213	858	45,428	58,021
Finance income	1,696	1,603	178	84	1,874	1,687
Finance expense	(1439)	(858)	(2)	-	(1,441)	(858)
Depreciation and amortisation	(4,853)	(4,184)	(9)	(2)	(4,862)	(4,186)
Profit before income tax	38,619	53,724	2,380	940	40,999	54,664
Income tax expense	(10,596)	(14,793)	(705)	(250)	(11,301)	(15,043)
Profit after income tax	28,023	38,931	1,675	690	29,698	39,621
Segment assets	859,742	798,164	65,420	63,657	925,162	861,821
Tax assets	-	-	-	163	-	163
Investment in associates	2	2	-	-	2	2
Total assets	859,744	798,166	65,420	63,820	925,164	861,986
Segment liabilities	(115,918)	(95,280)	(1151)	(1,147)	(117,069)	(96,427)
Tax liabilities	(76,839)	(76,199)	(258)	(179)	(77,097)	(76,378)
Total liabilities	(192,757)	(171,479)	(1,409)	(1,326)	(194,166)	(172,805)
Property, plant and equipment expenditure	3,027	12,635	10	-	3,037	12,635
Residential land development expenditure	19,874	12,568	-	-	19,874	12,568
Purchase of land for residential land development	7,624	36,354	-	-	7,624	36,354

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

3. Share capital

	Ordinary shares		Redeemable preference shares	
	Shares	\$ 000s	Shares	\$ 000s
Total shares issued - fully paid				
Balance at 30 June 2018	105,578,290	350,048	52,739,543	33,218
Balance at 30 June 2019	105,578,290	350,048	52,739,543	33,218
Ordinary shares repurchased and held as treasury stock				
Balance at 30 June 2018	(99,547)	(26)	-	-
Balance at 30 June 2019	(99,547)	(26)	-	-
Shares issued - fully paid				
Balance at 30 June 2018	105,478,743	350,022	52,739,543	33,218
Balance at 30 June 2019	105,478,743	350,022	52,739,543	33,218

At 30 June 2019, the authorised share capital consisted of 105,578,290 ordinary shares (2018: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2018: 52,739,543) with no par value.

4. Earnings per share

The basic earnings per share of 15.05 cents (30 June 2018: 19.05 cents) is based on the profit attributable to ordinary shareholders of \$23.81 million (30 June 2018: \$30.15 million) and weighted average number of ordinary shares and redeemable preference shares outstanding during the period ended 30 June 2019 of 158,218,286 (30 June 2018: 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 15.05 cents (30 June 2018: 19.05 cents) is the same as basic earnings per share.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

5. Dividends

The following dividends were paid during the interim periods:

<i>Dollars In Thousands</i>	Group	
	Unaudited 30/06/19	Unaudited 30/06/18
Ordinary dividend: 7.5 cents per qualifying share (2018: 6.0 cents)	11,866	9,493
Supplementary dividend: 1.3235 cents per qualifying share (2018: 1.0588 cents)	311	242
	12,177	9,735

6. Related party transactions

Millennium & Copthorne Hotels New Zealand Limited is a 75.78% (2018: 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:

<i>Dollars In Thousands</i>	Nature of balance	Group	
		Unaudited 30/06/19	Unaudited 30/06/18
Trade payables and receivables due to related parties			
Millennium & Copthorne Hotels plc	Recharge of expenses	(2,791)	(899)
Millennium & Copthorne International Limited	Recharge of expenses & provision of management and marketing support	(27)	-
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	10	15
CDLH (BVI) One Limited	Rent payment	(868)	(713)
		(3,676)	(1,597)
Loans due to related parties			
CDL Hotels Holdings New Zealand Limited	Inter-company loan	(9,000)	(7,100)
		(9,000)	(7,100)

No debts with related parties were written off or forgiven during the period. No interest was charged on these payables during 2019 and 2018. There are no set repayment terms. During this period, costs amounting to \$125,000 (2018: \$125,000) have been recorded in the income statement in respect of fees payable to Millennium & Copthorne International Limited for the provision of management and marketing support.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

6. Related party transactions - continued

As at balance date, CDL Hotels Holdings New Zealand Limited has lent a total of \$9.00 million (30 June 2018: \$7.10 million) to Millennium & Copthorne Hotels New Zealand Limited. The interest rates are fixed at 2.20% (30 June 2018: 2.07%) until the loans are reviewed on 20 September 2019. The unsecured loans are repayable on demand.

7. Capital commitments

As at 30 June 2019, the Group has entered into contractual commitments for capital expenditure and development expenditure.

<i>Dollars In Thousands</i>	Group	
	Unaudited 30/06/19	Unaudited 30/06/18
Capital expenditure	4,425	3,010
Development expenditure	21,252	26,830
Land purchases	33,717	-
	59,394	29,840

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

The Group has an outstanding claim from the main contractor of the Copthorne Hotel Harbours City project. The Group received the notice for an arbitration but no date has been set. The total of the claim is unknown and the outcome of the arbitration is indeterminate at present, hence no liability has been recognised in the financial statements at balance date.

9. New accounting standard

During the period, the Group adopted one new accounting standard, NZ IFRS 16 "Leases", using the modified retrospective approach. This standard requires a right-of-use asset and a corresponding lease liability to be recognised on the balance sheet in respect of the leased assets. The lease expenses will be replaced with an interest expense and an amortization expense in the income statement.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

9. New accounting standard – continued

9(a) Summary of the effect of NZ IFRS 16 on the Condensed Interim Statement of Financial Position on transition

Statement of Financial Position <i>Dollars In Thousands</i>	Note	Reverse interests in long term leased assets and adjust the asset revaluation reserves.	Record new assets and new liabilities	Impact on opening balances @ 01/01/19
Revaluation reserve	9(a)(i)	(7,565)	-	(7,565)
Equity		(7,565)	-	(7,565)
Property, plant and equipment	9(a)(i)	(7,565)	-	(7,565)
Right-of-use assets	9(a)(ii)	-	16,701	16,701
Prepayments	9(a)(ii)	-	(1,649)	(1,649)
Total assets		(7,565)	15,052	7,487
Current lease liabilities	9(a)(ii)	-	404	404
Non current lease liabilities	9(a)(ii)	-	14,648	14,648
Total liabilities		-	15,052	15,052
Net Assets		(7,565)	-	(7,565)
Net Asset Value				(4.781) cents per share

Based on above table, this standard has a material impact on the Net Assets in the Statement of Financial Position on transition.

9(a)(i) The Group have several long-term leases which renew at 21 year cycles for perpetuity at the discretion of the Group on the land: at Copthorne Hotel Auckland City; at Kingsgate Hotel Greymouth; and a motel, manager's house, and land at Millennium Hotel Rotorua. In addition, there is a long-term lease of the basement carpark at M Social Auckland, the lease of corporate office, and a long term lease of the land at Copthorne Hotel & Resort Bay of Islands. The interests in long term leases have been recorded and classified as leasehold land in property, plant and equipment as at 31 December 2018. On transition to NZ IFRS 16, these interests totalling \$7.57 million were reversed out of property plant, equipment with the corresponding total of \$7.57 million reversed out of the asset revaluation reserves.

9(a)(ii) The long term leases of the land and carpark at the hotels and the motor vehicles were recorded as right-of-use assets totalling \$16.70 million and classified under property, plant and equipment. Their corresponding lease liabilities were recorded under current liabilities of \$0.40 million and non-current liabilities of \$14.65 million. The lease payments for the land at Copthorne Hotel & Resort Bay of Islands were prepaid up to May 2021.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

9. New accounting standard – continued

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rates at 1 January 2019. The weighted average rate applied is 6.70%. The increment borrowing rates used to discount the leased assets and liabilities required significant judgement and had a material impact on the calculation of the lease liability and right-of-use asset. The incremental borrowing rates used in the transition are subject to further review and refinement.

9(b) Schedule of right-of-use assets by class

Right-of-use Assets	Carrying value recognized on transition @ 01/01/19	Amortization on right-of-use asset for the period	Addition during the period	Carrying value @ 30/06/19
<i>Dollars In Thousands</i>				
Land sites at hotels	12,352	427	-	11,925
Motel buildings and land	1,893	11	-	1,882
Corporate office building and hotel carpark	2,128	141	-	1,987
Motor vehicles	328	66	63	325
Totals	16,701	645	63	16,119

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

9. New accounting standard – continued

9(c) Summary of the effect of NZ IFRS 16 on the Condensed Interim Income Statement for the period

Income Statement	Lease payments booked to lease liabilities in the Balance Sheet	Additional amortization of right-of-use assets booked to the Profit & Loss	Additional interest on lease liabilities booked to Profit & Loss	Impact on performance- 6 months to 30/06/19
<i>Dollars In Thousands</i>				
Other operating expenses	(676)	645	-	(31)
EBITDA	676	(645)	-	31
Net finance income	-	-	(512)	(512)
Net profit/(loss) before tax	676	(645)	(512)	(481)
Less income tax (expense)/credit	(189)	181	143	135
Net profit/(loss) after tax	487	(464)	(369)	(346)
Earnings per Share				(0.2187) cents per share

Based on the above table, this standard has an immaterial impact on the Net Profit after Tax in the Income Statement for the 6 months period ended 30 June 2019.

9(c)(i) On application of NZ IFRS 16, lease payments were longer expensed into the income statement. Instead, they were accounted as reductions in the lease liabilities in the statement of financial position. There were additional expense of \$0.645 million (Note 9(b)), due to the straight line amortization of the right-of-use assets over the term of the leases. Interest costs, computed at the relevant incremental borrowing rates totalling \$0.512 million were additional expenses in the income statement.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

9. New accounting standard – continued**9(d) Exemptions and exclusions**

Exempted were motor vehicle leases shorter than 12 months and leased assets with value below \$8,000. Excluded were variable rentals and lease payments. The following table summarizes these leases by class:

<i>Dollars In Thousands</i>	Expense recognized in the Profit & Loss	Lease commitments @ 30/06/19	Lease commitments within one year	Lease commitments between one and 5 years	Lease commitments more than 5 years
Short term leases <12 months	50	36	36	-	-
Low value leased assets	3	3	3	-	-
Variable lease payments under service and management contracts	53	388	106	282	-
Total	106	427	145	282	-

Grand Millennium Auckland and Kingsgate Hotel Autolodge Paihia, both of which are under service and management contracts are accounted on a net basis and therefore their rentals are excluded from leases.

9(e) Summary of the effect of NZ IFRS 16 on the Condensed Statement of Cash Flows

There are no impacts on the cash flows and the loan covenants of the Group. However, NZ IFRS requires separate classifications:

- Cash payments for the principal portion of the lease liability within financing activities;
- Cash payments for the interest portion of the lease liability applying the requirements in NZ IAS 7 "Statement of Cash Flows" for interest paid; and
- Short-term lease payments, payments for low value assets and variable lease payments excluded from lease liabilities within operating activities.

The cash outflow for leases of right-of-use assets for the six months period ended 30 June 2019 totalled \$0.676 million.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2019 (unaudited)

9. New accounting standard – continued

9(f) Reconciliation between operating lease commitments under NZ IAS 17 at 31 December 2018 and lease liabilities recognised on transition at 1 January 2019

<i>Dollars In Thousands</i>	Unaudited @ 01/01/19
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	6,280
Discounted using incremental borrowing rates at 1 January 2019	4,452
Less recognition exemption for:	
Short term leases <12 months	(16)
Add extension options reasonably certain to be exercised on long term leases	10,616
Lease liabilities recognised at 1 January 2019	15,052

Shareholder Information and Disclosures

Top Holders (Ordinary Shares) as at 2 September 2019

Rank	Name	Units	% of Units
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	74,743,077	70.79
2.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	5,964,272	5.65
3.	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET	5,287,332	5.01
4.	NATIONAL NOMINEES NEW ZEALAND LIMITED	2,796,413	2.65
5.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCOUNT	2,502,783	2.37
6.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED	1,912,348	1.81
7.	ACCIDENT COMPENSATION CORPORATION	1,164,603	1.10
8.	LENG BENG KWEK	906,000	0.86
9.	SKY HILL LIMITED	864,064	0.82
10.	HSBC NOMINEES (NEW ZEALAND) LIMITED	776,276	0.74
11.	AMALGAMATED DAIRIES LIMITED	684,980	0.65
12.	KAY HONG CHIAM	475,251	0.45
13.	MFL MUTUAL FUND LIMITED	463,297	0.44
14.	CUSTODIAL SERVICES LIMITED	399,780	0.38
15.	JALAER INVESTMENTS LIMITED	278,977	0.26
16.	JARDEN SECURITIES LIMITED	183,339	0.17
17.	GEOK LOO GOH	168,002	0.16
18.	ASB NOMINEES LIMITED	166,953	0.16
19.	SITA SINGH	151,000	0.14
20.	ASB NOMINEES LIMITED	140,000	0.13
TOTALS: TOP 20 HOLDERS OF REDEEMABLE PREFERENCE SHARES		100,028,747	94.74

Top Holders Redeemable Preference Shares as at 2 September 2019

Rank	Name	Units	% of Units
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	45,224,095	85.75
2.	BNP PARIBAS NOMINEES (NZ) LIMITED	2,945,671	5.59
3.	HSBC NOMINEES (NEW ZEALAND) LIMITED	1,675,950	3.18
4.	ACCIDENT COMPENSATION CORPORATION	935,848	1.77
5.	LENG BENG KWEK	453,000	0.86
6.	NATIONAL NOMINEES NEW ZEALAND LIMITED	397,131	0.75
7.	KAY HONG CHIAM	211,324	0.40
8.	ASB NOMINEES LIMITED	136,323	0.26
9.	ALAN DAVID WHITE	109,830	0.21
10.	JENNIFER GAYE SIMPSON	43,000	0.08
11.	CUSTODIAL SERVICES LIMITED	40,300	0.08
12.	THEODORE JOHN VAN GELDERMALSEN + MARGARET GAY FREEMANTLE	38,000	0.07
13.	HOWARD CEDRIC ZINGEL	31,592	0.06
14.	JOAN LESLEY THOMPSON	30,200	0.06
15.	ROGER EDWARD HAYWARD + SUSAN ELIZABETH HAYWARD	28,909	0.05
16.	CUSTODIAL SERVICES LIMITED	23,900	0.05
17.	SEA AND PEAK EQUITIES LIMITED	23,400	0.04
18.	LYNNE MARIE MARX-SHEATHER + WALTER BRENT SHEATHER + PATRICIA VERA SHEATHER + SIMON MIDDLETON PALMER	22,263	0.04
19.	RICHARD ALEXANDER COUTTS	22,228	0.04
20.	CUSTODIAL SERVICES LIMITED	21,200	0.04
TOTALS: TOP 20 HOLDERS OF ORDINARY SHARES		52,414,164	99.38



HEAD OFFICE

Head Office Tel: (09) 353 5010
Level 13, 280 Queen Street
PO Box 5640, Wellesley St, Auckland

NATIONAL CONFERENCE OFFICE

Ph: 0800 4 MEETINGS (0800 4 633 846)
Email: meetings@millenniumhotels.co.nz
www.meetingsnz.co.nz

SALES

Email: sales.marketing@millenniumhotels.co.nz
International Sales Tel: (09) 353 5085
Corporate Sales Auckland Tel: (09) 353 5010
Corporate Sales Wellington Tel: (04) 382 0770

CENTRAL RESERVATIONS

Ph: 0800 808 228
Email: central.res@millenniumhotels.co.nz

www.millenniumhotels.com