

**Condensed Interim Income Statement**

FOR THE SIX MONTHS ENDED 30 JUNE 2021		Unaudited	Unaudited
		6 months	6 months
DOLLARS IN THOUSANDS	NOTE	to 30/06/21	to 30/06/20
<b>Revenue</b>		<b>98,360</b>	<b>84,743</b>
Cost of sales		(46,938)	(39,260)
<b>Gross profit</b>		<b>51,422</b>	<b>45,483</b>
Other income	2 (c)	10,292	-
Administrative expenses		(11,051)	(10,416)
Other operating expenses		(9,435)	(9,674)
<b>Operating profit before finance income</b>		<b>41,228</b>	<b>25,393</b>
Finance income		819	1,881
Finance costs		(688)	(1,017)
<b>Net finance income</b>		<b>131</b>	<b>864</b>
<b>Profit before income tax</b>		<b>41,359</b>	<b>26,257</b>
Income tax expense	9 (b)	(8,655)	(7,367)
Income tax credit arising from change in building depreciation	9 (b)	-	20,060
<b>Profit for the period</b>		<b>32,704</b>	<b>38,950</b>
<b>Profit for the period attributable to:</b>			
Equity holders of the parent		25,342	34,090
Non-controlling interests		7,362	4,860
<b>Profit for the period</b>		<b>32,704</b>	<b>38,950</b>
Basic earnings per share (cents)	4	16.02c	21.55c
Diluted earnings per share (cents)	4	16.02c	21.55c

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 2021		Unaudited	Unaudited
		6 months	6 months
DOLLARS IN THOUSANDS	Note	to 30/06/21	to 30/06/20
<b>Profit for the period</b>		<b>32,704</b>	<b>38,950</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Devaluation of property, plant and equipment	9 (c)	-	(49,963)
- Tax expense on devaluation of property, plant and equipment	9 (b)	-	13,990
		-	(35,973)
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign exchange translation movements		380	1,350
- Tax (expense)/credit on foreign exchange	9 (b)	-	(2)
		380	1,348
<b>Total comprehensive income for the period</b>		<b>33,084</b>	<b>4,325</b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the parent		25,722	(535)
Non-controlling interests		7,362	4,860
<b>Total comprehensive income for the period</b>		<b>33,084</b>	<b>4,325</b>

**DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUE/EXPENSES**

Classified under:

Administrative expenses

Audit fees	(157)	(159)
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Other operating expenses

Depreciation of Property, Plant & Equipment	(4,112)	(4,292)
Depreciation of Investment Property	(25)	-
Depreciation of Right-Of-Use Assets	(769)	(823)
Leasing and rental expenses	(81)	(84)

Finance income

Interest income	819	1,849
Foreign exchange gain	-	32

Finance costs

Interest expense	(92)	(499)
Interest expense on lease liability	(481)	(499)
Foreign exchange loss	(100)	(4)

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries  
**Condensed Interim Statement of Changes in Equity**

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTE	Attributable to Equity Holders of the Group							Unaudited Total Equity
		Unaudited Share Capital	Unaudited Revaluation Reserves	Unaudited Exchange Reserves	Unaudited Accumulated Losses	Unaudited Treasury Stock	Unaudited Total	Unaudited Non-controlling Interests	
DOLLARS IN THOUSANDS									
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
<b>Balance at 30 June 2020</b>		<b>383,266</b>	<b>238,522</b>	<b>(1,971)</b>	<b>83,012</b>	<b>(26)</b>	<b>702,803</b>	<b>94,257</b>	<b>797,060</b>
Balance at 1 January 2021		383,266	267,222	(1,699)	94,884	(26)	743,647	98,352	842,999
Transfer of Revaluation Reserve to Retained Earnings upon disposal of PP&E		-	(5,578)	-	5,578	-	-	-	-
Movement in exchange translation reserve		-	-	380	-	-	380	-	380
Income and expense recognised directly in equity		-	(5,578)	380	5,578	-	380	-	380
Profit for the period		-	-	-	25,342	-	25,342	7,362	32,704
Total comprehensive income for the period		-	(5,578)	380	30,920	-	25,722	7,362	33,084
Transactions with owners, recorded directly in equity :									
Dividends paid to:									
Equity holders of the parent	5	-	-	-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-	(3,754)	(3,754)
Movement of non-controlling interests without a change in control		-	-	-	(204)	-	(204)	1,539	1,335
<b>Balance at 30 June 2021</b>		<b>383,266</b>	<b>261,644</b>	<b>(1,319)</b>	<b>125,600</b>	<b>(26)</b>	<b>769,165</b>	<b>104,499</b>	<b>873,664</b>

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 2021		Unaudited as at 30/06/21	Audited as at 31/12/20	Unaudited as at 30/06/20
DOLLARS IN THOUSANDS	NOTE			
<b>SHAREHOLDERS' EQUITY</b>				
Issued capital	3	383,266	383,266	383,266
Reserves		385,925	360,407	319,561
Treasury stock	3	(26)	(26)	(26)
Non-controlling interests		104,499	99,352	94,259
<b>Total equity</b>		<b>873,664</b>	<b>842,999</b>	<b>797,060</b>
<b>Represented by:</b>				
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	9 (c)	562,338	566,090	539,953
Development properties		147,825	156,880	169,250
Investment Properties		8,401	3,325	-
Investment in associates		2	2	2
<b>Total non-current assets</b>		<b>718,566</b>	<b>726,297</b>	<b>709,205</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		94,398	20,766	26,301
Short term bank deposits		131,448	177,274	156,045
Trade and other receivables		10,715	12,170	13,263
Trade receivables due from related parties	6	168	-	206
Inventories		1,191	1,352	1,315
Assets Classified as Held for Sale		-	7,708	-
Development properties		27,839	42,342	48,705
<b>Total current assets</b>		<b>265,759</b>	<b>261,612</b>	<b>245,835</b>
<b>Total assets</b>		<b>984,325</b>	<b>987,909</b>	<b>955,040</b>
<b>NON CURRENT LIABILITIES</b>				
Interest-bearing loans and borrowings		3,000	38,000	67,000
Lease Liabilities		13,842	14,005	14,219
Provision for deferred taxation	9 (b)	59,845	60,077	50,535
<b>Total non-current liabilities</b>		<b>76,687</b>	<b>112,082</b>	<b>131,754</b>
<b>CURRENT LIABILITIES</b>				
Interest-bearing loans and borrowings		-	-	297
Trade and other payables		26,711	24,068	19,084
Trade payables due to related parties	6	3,976	4,490	4,743
Lease Liabilities		455	478	472
Income tax payable		2,832	3,792	1,630
<b>Total current liabilities</b>		<b>33,974</b>	<b>32,828</b>	<b>26,226</b>
<b>Total liabilities</b>		<b>110,661</b>	<b>144,910</b>	<b>157,980</b>
<b>Net assets</b>		<b>873,664</b>	<b>842,999</b>	<b>797,060</b>

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 2021		Unaudited	Unaudited
		6 months	6 months
DOLLARS IN THOUSANDS	NOTE	to 30/06/21	to 30/06/20
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Receipts from customers		99,614	92,404
Interest received		1,020	1,858
		<u>100,634</u>	<u>94,262</u>
<b>Cash was applied to:</b>			
Payments to suppliers and employees		(35,616)	(47,010)
Interest paid		(101)	(655)
Income tax paid		(9,855)	(11,977)
		<u>(45,572)</u>	<u>(59,642)</u>
<b>Net cash inflow from operating activities</b>		<b><u>55,062</u></b>	<b><u>34,620</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from/(applied to):</b>			
Purchase of property, plant and equipment		(1,169)	(3,167)
Purchase of investment property		(5,101)	-
Proceed from the sale of asset held for sale		17,000	-
Increase in short term bank deposits		45,826	(33,996)
		<u>56,556</u>	<u>(37,163)</u>
<b>Net cash outflow from investing activities</b>		<b><u>56,556</u></b>	<b><u>(37,163)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of borrowings		-	297
Repayment of borrowings		(35,000)	-
Principal repayment of lease liability		(700)	(720)
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	5	-	(11,866)
Dividends paid to non-controlling interests		(3,754)	(3,679)
		<u>(39,454)</u>	<u>(15,968)</u>
<b>Net cash outflow from financing activities</b>		<b><u>(39,454)</u></b>	<b><u>(15,968)</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>72,164</b>	<b>(18,511)</b>
Add opening cash and cash equivalents		20,766	43,182
Exchange rate adjustment		1,468	1,630
<b>Closing cash and cash equivalents</b>		<b><u>94,398</u></b>	<b><u>26,301</u></b>

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**Condensed Interim Statement of Cash Flows**

FOR THE SIX MONTHS ENDED 30 JUNE 2021		Unaudited	Unaudited
		6 months	6 months
DOLLARS IN THOUSANDS	NOTE	to 30/06/21	to 30/06/20
<b>RECONCILIATION OF NET PROFIT FOR THE PERIOD</b>			
<b>TO CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period		32,704	38,950
<b>Adjusted for non cash items:</b>			
(Gain)/Loss on Sale of Fixed Assets		1	-
(Gain)/Loss on Sale of Asset Held For Sale	2 (c)	(10,292)	-
Foreign Exchange (Gain)/ Loss		100	(28)
Depreciation of Property, Plant & Equipment		4,111	4,290
Depreciation of Right-Of-Use Assets		769	823
Depreciation of Investment Property		25	-
Income tax expense / (credit)	9 (b)	8,656	(12,693)
<b>Adjustments for movements in working capital:</b>			
Decrease in receivables		1,455	7,670
Decrease in inventories		161	300
(Increase)/Decrease in development properties		23,771	11,576
Increase/(Decrease) in payables		4,240	(4,325)
Increase/(Decrease) in related parties		(682)	689
<b>Cash generated from operations</b>		<b>65,019</b>	<b>47,252</b>
Interest paid		(101)	(655)
Income tax paid		(9,856)	(11,977)
<b>Net cash inflow from operating activities</b>		<b>55,062</b>	<b>34,620</b>
<b>Reconciliation of movement of liabilities to cash flows arising</b>			
<b>from financing activities</b>			
<b>As at 01 Jan</b>		38,000	67,000
Proceeds from borrowings		-	297
Repayment of borrowings		(35,000)	-
Financing cash flows		<b>(35,000)</b>	<b>297</b>
<b>As at 30 Jun</b>		<b>3,000</b>	<b>67,297</b>

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

**Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**  
**Notes to the Condensed Interim Financial Statements**  
**for the six months ended 30 June 2021 (unaudited)**

**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 2021 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 2 August 2021.

**(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 2020.

**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.
- Investment property, comprising rental income from the ownership and leasing of retail shops.
- 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 2021 (unaudited)

2. Segment reporting - continued

(a) Operating Segments

	Hotel Operations		Residential Land Development		Investment Property		Residential Property Development			Group	
	6 months to 30/06/21	6 months to 30/06/20	6 months to 30/06/21	6 months to 30/06/20	6 months to 30/06/21	6 months to 30/06/20	6 months to 30/06/21	6 months to 30/06/20	6 months to 30/06/21	6 months to 30/06/20	
<i>Dollars in thousands</i>											
External revenue	31,069	35,755	61,255	40,955	16	-	6,020	8,033	98,360	84,743	
Other Income – Note 2(c)	10,292	-	-	-	-	-	-	-	10,292	-	
Earnings before interest, depreciation & amortisation	15,547	8,582	28,525	18,589	10	-	2,052	3,337	46,134	30,508	
Finance income	327	1,221	324	504	-	-	168	156	819	1,881	
Finance expense	(686)	(1,015)	(2)	(1)	-	-	-	(1)	(688)	(1,017)	
Depreciation and amortisation	(4,107)	(4,287)	(1)	-	(25)	-	(4)	(5)	(4,137)	(4,292)	
Depreciation of Right-of-use assets	(756)	(811)	(7)	(7)	-	-	(6)	(5)	(769)	(823)	
Profit before income tax	10,325	3,690	28,839	19,085	(15)	-	2,210	3,482	41,359	26,257	
Income tax expense	78	(979)	(8,075)	(5,344)	4	-	(662)	(1,044)	(8,655)	(7,367)	
Income tax credit arising from change in building depreciation	-	20,060	-	-	-	-	-	-	-	20,060	
Profit after income tax	10,403	22,771	20,764	13,741	(11)	-	1,548	2,438	32,704	38,950	
Cash & cash equivalents and short term bank deposits	56,211	88,434	132,450	67,351	-	-	37,185	26,561	225,846	182,346	
Other segment assets	567,638	550,557	143,850	176,686	8,401	-	38,588	45,449	758,477	772,692	
Investment in associates	-	-	2	2	-	-	-	-	2	2	
Total assets	623,849	638,991	276,302	244,039	8,401	-	75,773	72,010	984,325	955,040	
Segment liabilities	(41,067)	(102,470)	(5,028)	(1,755)	-	-	(1,889)	(1,590)	(47,984)	(105,815)	
Tax liabilities	(58,870)	(49,347)	(3,807)	(1,511)	-	-	-	(1,307)	(62,677)	(52,165)	
Total liabilities	(99,937)	(151,817)	(8,835)	(3,266)	-	-	(1,889)	(2,897)	(110,661)	(157,980)	
Property, plant and equipment expenditure	1,163	3,157	2	6	-	-	3	5	1,168	3,168	
Investment property expenditure	-	-	-	-	5,101	-	-	-	5,101	-	
Residential land development expenditure	-	-	9,141	11,841	-	-	-	-	9,141	11,841	



Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries  
Notes to the Condensed Interim Financial Statements  
for the six months ended 30 June 2021 (unaudited)

2. Segment reporting - continued

	New Zealand		Australia		Group	
	6 months to 30/06/21	6 months to 30/06/20	6 months to 30/06/21	6 months to 30/06/20	6 months to 30/06/21	6 months to 30/06/20
<i>Dollars in thousands</i>						
External revenue	92,340	76,710	6,020	8,033	98,360	84,743
Other Income – Note 2(c)	10,292	-	-	-	10,292	-
Earnings before interest, depreciation & amortisation	44,090	27,184	2,044	3,324	46,134	30,508
Finance income	651	1,725	168	156	819	1,881
Finance expense	(688)	(1,016)	-	(1)	(688)	(1,017)
Depreciation and amortisation	(4,133)	(4,287)	(4)	(5)	(4,137)	(4,292)
Depreciation of Right-of-use assets	(763)	(818)	(6)	(5)	(769)	(823)
Profit before income tax	39,157	22,788	2,202	3,469	41,359	26,257
Income tax expense	(7,995)	(6,326)	(660)	(1,041)	(8,655)	(7,367)
Income tax credit arising from change in building depreciation	-	20,060	-	-	-	20,060
Profit after income tax	31,162	36,522	1,542	2,428	32,704	38,950
Cash & cash equivalents and short term bank deposits	188,665	155,786	37,181	26,560	225,846	182,346
Segment assets	719,946	727,547	38,531	45,145	758,477	772,692
Investment in associates	2	2	-	-	2	2
Total assets	908,613	883,335	75,712	71,705	984,325	955,040
Segment liabilities	(46,135)	(104,263)	(1,849)	(1,552)	(47,984)	(105,815)
Tax liabilities	(62,677)	(50,859)	-	(1,306)	(62,677)	(52,165)
Total liabilities	(108,812)	(155,122)	(1,849)	(2,858)	(110,661)	(157,980)
Property, plant and equipment expenditure	1,165	3,163	3	5	1,168	3,168
Investment property expenditure	5,101	-	-	-	5,101	-
Residential land development expenditure	9,141	11,841	-	-	9,141	11,841

**Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**  
**Notes to the Condensed Interim Financial Statements**  
**for the six months ended 30 June 2021 (unaudited)**

**2. Segment reporting - continued**

**2 (c) Other income**

Other income comprised the gain on sale of assets classified as held for sale.

**3. Share capital**

	Ordinary shares		Redeemable preference shares	
	Shares	\$ 000s	Shares	\$ 000s
<b>Total shares issued – fully paid</b>				
Balance at 30 June 2020	105,578,290	350,048	52,739,543	33,218
Balance at 30 June 2021	105,578,290	350,048	52,739,543	33,218
<b>Ordinary shares repurchased and held as treasury stock</b>				
Balance at 30 June 2020	(99,547)	(26)	-	-
Balance at 30 June 2021	(99,547)	(26)	-	-
<b>Shares issued – fully paid</b>				
Balance at 30 June 2020	105,478,743	350,022	52,739,543	33,218
Balance at 30 June 2021	105,478,743	350,022	52,739,543	33,218

At 30 June 2021, the authorised share capital consisted of 105,578,290 ordinary shares (2020: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2020: 52,739,543) with no par value.

**4. Earnings per share**

The basic earnings per share of 16.02 cents (30 June 2020: 21.55 cents) is based on the profit attributable to ordinary shareholders of \$25.34 million (30 June 2020: \$34.09 million) and weighted average number of ordinary shares and redeemable preference shares outstanding during the period ended 30 June 2021 of 158,218,286 (30 June 2020: 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 16.02 cents (30 June 2020: 21.55 cents) is the same as basic earnings per share.

**5. Dividends**

The following dividends were paid during the interim periods:

<i>Dollars In Thousands</i>	Group	
	Unaudited 30/06/21	Unaudited 30/06/20
Ordinary dividend: NIL cents per qualifying share (2020: 7.5 cents)	-	11,866
Supplementary dividend: NIL cents per qualifying share (2020: 1.3235 cents)	-	256
	-	12,122

**Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**  
**Notes to the Condensed Interim Financial Statements**  
**for the six months ended 30 June 2021 (unaudited)**

**6. Related party transactions**

Millennium & Copthorne Hotels New Zealand Limited is a 75.78% (2020: 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 Ltd 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 30/06/21	Unaudited 30/06/20
<b>Trade payables and receivables due to related parties</b>			
Millennium & Copthorne Hotels plc	Recharge of expenses	(3,365)	(3,536)
Millennium & Copthorne International Limited	Recharge of expenses & provision of management and marketing support	102	176
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	66	30
CDLH (BVI) One Limited	Rent payment	(611)	(1,207)
		<b>(3,808)</b>	<b>(4,538)</b>

No debts with related parties were written off or forgiven during the period. No interest was charged on these payables during 2021 and 2020. There are no set repayment terms.

**7. Capital commitments**

As at 30 June 2021, the Group has entered into contractual commitments for capital expenditure and development expenditure.

<i>Dollars In Thousands</i>	Group	
	Unaudited 30/06/2021	Unaudited 30/06/2020
Capital expenditure on property, plant and equipment	1,076	468
Development expenditure	12,888	19,160
Capital expenditure on investment properties	24,675	-
Land purchases	56,258	1,272
	<b>94,897</b>	<b>20,900</b>

As at 30 June 2021, the Group had entered into contractual commitments for development expenditure, construction of investment properties, and purchases of land. Contractual agreements for the purchase of land are subject to a satisfactory outcome of the Group's due diligence process, board approval, and OIO approval. Development expenditure represents amounts contracted and forecast to be incurred in the remainder of 2021 in accordance with the Group's development programme.

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

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

**Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**  
**Notes to the Condensed Interim Financial Statements**  
**for the six months ended 30 June 2021 (unaudited)**

**9. COVID-19 pandemic update**

**(a) Wage subsidy scheme**

The Group has applied for and received \$350 in respect of COVID-19 Short-term Absence payment for an employee. This is the only government assistance received by the Group in the current period. In the previous period, 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 2020.

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 2020. 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.

**Personnel expenses**

<i>Dollars In Thousands</i>	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
Wages and salaries	13,567	19,962
Wage subsidies	-	(5,507)
Employee related expenses and benefits	673	464
Contributions to defined contribution plans	252	369
Increase/(decrease) in liability for long-service leave	(73)	(51)
	<b>14,419</b>	<b>15,237</b>

**(b) Tax changes**

During March 2020, the Government released its Business Continuity Package in response to the economic impact of COVID-19. Included in the 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 in the previous period.

**Income tax expense**

**Recognised in the income statement**

<i>Dollars In Thousands</i>	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
<b>Current tax expense</b>		
Current year	8,888	7,752
Adjustments for prior years	-	-
	<b>8,888</b>	<b>7,752</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary difference	(233)	(385)
Change in treatment of building depreciation	-	(20,060)
Adjustments for prior years	-	-
	<b>(233)</b>	<b>(20,445)</b>
<b>Total income tax expense/(credit) in the income statement</b>	<b>8,655</b>	<b>(12,693)</b>

**Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**  
**Notes to the Condensed Interim Financial Statements**  
**for the six months ended 30 June 2021 (unaudited)**

**9. COVID-19 pandemic update -continued**

**Reconciliation of tax expense**

<i>Dollars In Thousands</i>	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	41,359	26,257
Income tax at the company tax rate of 28% (2020: 28%)	11,581	7,352
Adjusted for:		
Non-deductible expenses	-	-
Tax rate difference (if different from 28% above)	45	69
Tax exempt income	(2,971)	(54)
Change in treatment of building depreciation	-	(20,060)
<b>Total income tax expense/(credit)</b>	<b>8,655</b>	<b>(12,693)</b>
Effective tax rate	21%	(48)%

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

<i>Dollars In Thousands</i>	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
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**

Due to the unprecedented nature of the trading conditions from the Alert Level 2, 3, and 4 lockdowns during the first half of 2020, the Group's hotel properties were subjected to an internal review for fair value at 30 June 2020. At that reporting date, there was market uncertainty with the COVID-19 pandemic surging globally. The market was uncertain in regards to the recovery of tourism and accommodation sector and was dependent on several factors which were then unknown and evolving at that time. These factors chiefly were: 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.

Based on the internal review and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. At 30 June 2020, a total of \$49.96 million was deducted from the carrying values of land and buildings and the amount after tax was deducted from the asset revaluation reserves in equity. Details of annual growth rates, pre-tax discount rates, and the valuation methodology applied are disclosed in the previous interim financial statements.

Given that the entire portfolio of 14 hotel properties were subjected to an external professional valuation at 31 December 2020, the next external and internal reviews based on the Group's triennial cycle will be required at the next reporting date.

**10. Subsequent event**

Subsequent to balance date, the Group settled the acquisition of 69.4 hectares of land at Havelock North.