

SENSATIONAL NEW ZEALAND

*"The longer I live, the more I turn to New Zealand ... New Zealand is in my bones.
What I wouldn't give to have a look at it!" - Katherine Mansfield*



*"There's a real purity in New Zealand ...
It's actually not an easy thing to find in our world anymore." - Elijah Wood*



MILLENNIUM
HOTELS AND RESORTS

MILLENNIUM ■ COPTHORNE ■ KINGSGATE

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED
2007 HALF YEAR REPORT

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A MEMBER OF MILLENNIUM & COPTHORNE HOTELS AND RESORTS

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Chairman's Review

Financial Performance:

The Directors of Millennium & Copthorne Hotels New Zealand Limited ("MCK") are pleased to announce an unaudited operating profit after tax of \$12.95 million for the six month period ending 30 June 2007 (2006: \$11.35 million). Operating profit before tax and minorities was \$25.51 million (2006: \$22.00 million) with the New Zealand Hotel Operations contributing 38.3%, CDL Investments New Zealand Limited contributing 44.2% and the Australian operations contributing 17.5%.

Group results for the six months ending 30 June 2007 (NZ IFRS):

Group revenue and other income for the period under review was \$94.98 million (2006: \$102.47 million). Gross Operating Profit increased by 3.77% to \$49.49 million (2006: \$47.69 million). While the New Zealand Hotel operations traded satisfactorily, revenue was affected by the lack of sales of apartments at the Zenith Residences in Sydney. A better than expected performance from CDL Investments New Zealand Limited was the most significant contributor to the results for the last six months.

New Zealand Hotel Operations:

Total revenue for the New Zealand Hotel operations (19 owned or leased and operated hotels excluding 12 franchised properties) for the period under review was \$63.54 million. (2006: \$64.91 million). Expiry of the Kingsgate Hotel Greenlane lease and refurbishment of Kingsgate Hotel Oriental Bay Wellington contributed to the reduction in revenue. Hotel occupancy remained static at 70.2% across the group.

The Company continues with its refurbishment and reinvestment programme in its hotels and is seeing tangible results. In March we were delighted that the Millennium Hotel Christchurch, which was refurbished in 2006, received a 5-Star 'Exceptional' rating from Qualmark putting the hotel amongst the best in New Zealand.

The first part of our \$10 million refurbishment of the Copthorne Hotel Wellington Oriental Bay (formerly the Kingsgate Hotel Oriental Bay) has been completed and has met with very positive customer feedback.

Recently, the Company announced that it was supporting the proposed new visitor and educational facilities to be built by the Waitangi National Trust Board on the historic Treaty Grounds at Waitangi. In addition, the Company, together with its joint venture partner, also announced that it was proceeding with a \$6 million extension project at the Copthorne Hotel and Resort Bay of Islands to add a further 35 rooms to grow the property to a total of 180 rooms and suites.

Chairman's Review

(continued)

A major upgrade of guestroom bathrooms has been completed at Kingsgate Hotel Palmerston North. Refurbishment work has also been completed to the exterior and the roof of the Millennium Hotel Rotorua, and the refurbishment of the guestrooms and suites at Millennium Hotel Queenstown was completed.

While the lease on the Kingsgate Hotel Greenlane came to an end within the period under review, a new agreement to lease has been finalised that will see the Company taking a lease of a refurbished 100-room Copthorne-standard hotel in the later part of 2008.

CDL Investments New Zealand Limited ('CDLI'):

CDLI announced an unaudited operating profit after tax for the six months ended 30 June 2007 of \$7.57 million. This was an increase of 99.3 percent over the same period last year. Property sales revenue for the period was \$19.36 million, up from the \$11.65 million in 2006.

MCK received its most recent dividends in shares from CDLI and now holds 64.32% (2006: 63.48%) of CDLI.

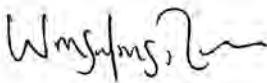
Australian Operations:

Leasing of units in the Zenith Residences is being undertaken as demand for rental property in Sydney increases.

Outlook:

Taking into account increasingly challenging market conditions such as static international visitor numbers and increased costs particularly with regard to payroll and energy, the Group has performed satisfactorily during the past six months. The effect of the high New Zealand dollar is yet to be felt but is likely to have an impact in the latter part of 2007 as the Company renegotiates its agreements with key international suppliers. The Company continues to refine its sales and marketing to meet customer demand and market conditions.

Assuming no adverse or unforeseen events, the Board believes that the results for the full year will continue to be profitable.



Wong Hong Ren

Chairman

7 August 2007

Condensed Consolidated Interim Income Statement

For the half year ended 30 June 2007

DOLLARS IN THOUSANDS	Note	Unaudited 6 months to 30/6/07	Audited 12 months 31/12/06	Unaudited 6 months to 30/6/06
Revenue		88,319	187,264	98,100
Cost of Sales		(38,826)	(88,933)	(50,406)
Gross Profit		49,493	98,331	47,694
Other Operating Income		-	-	2
Administrative Expenses		(16,320)	(33,152)	(17,120)
Other Operating Expenses		(12,479)	(24,150)	(11,247)
Operating Profit Before Finance Costs		20,694	41,029	19,329
Finance Income		6,665	9,705	4,366
Finance Costs		(1,850)	(3,412)	(1,692)
Net Finance Income		4,815	6,293	2,674
Profit Before Tax		25,509	47,322	22,003
Income Tax Expense		(7,456)	(9,400)	(6,275)
Profit for the Period		18,053	37,922	15,728
Attributable to:				
Equity holders of the Parent		12,953	26,907	11,348
Minority Interest		5,100	11,015	4,380
		18,053	37,922	15,728

DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/EXPENSES

Amortisation of Intangibles		(122)	(431)	(251)
Audit Fees		(135)	(333)	(183)
Depreciation		(3,612)	(7,289)	(4,492)
Leasing and Rental Expenses		(5,579)	(12,000)	(6,236)
Net Loss on Disposal of Property, Plant and Equipment		(1,089)	(1,224)	(100)
Earnings Per Share (Cents)				
- Basic	3	3.71c	7.70c	3.25c
- Diluted	3	3.71c	7.70c	3.25c

The attached notes on pages 10 to 16 form part of, and are to be read in conjunction with, these Financial Statements.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Condensed Consolidated Interim Balance Sheet

As at 30 June 2007

DOLLARS IN THOUSANDS	Unaudited 6 months to 30/6/07	Audited 12 months 31/12/06	Unaudited 6 months to 30/6/06
SHAREHOLDER EQUITY			
Issued Capital	430,330	430,330	430,330
Reserves	(71,458)	(74,833)	(88,320)
Treasury Stock	(85)	(85)	(85)
Minority Interests	130,300	127,257	127,690
Total Equity	489,087	98,331	469,615
<i>Represented by:</i>			
NON CURRENT ASSETS			
Property, Plant and Equipment	251,562	245,104	232,009
Development Properties	96,047	41,363	39,096
Intangible Assets	4,691	4,815	4,994
Total Non Current Assets	352,300	291,282	276,009
CURRENT ASSETS			
Cash and Cash Equivalents	171,589	174,755	170,546
Trade and Other Receivables	23,337	18,512	13,293
Inventories	1,740	1,892	1,754
Development Properties	18,987	74,488	83,815
Total Current Assets	215,653	269,647	269,408
Total Assets	567,953	560,929	545,507
NON CURRENT LIABILITIES			
Interest-bearing Loans and Borrowings	48,745	44,299	-
Provisions	539	397	1,937
Deferred Tax Liabilities	12,152	12,874	13,694
Total Non Current Liabilities	61,436	57,570	15,631
CURRENT LIABILITIES			
Interest-bearing Loans and Borrowings	-	-	42,728
Trade and Other Payables	13,949	17,510	15,696
Related Parties	202	295	650
Provisions	1,356	1,328	1,115
Income Tax Payable	1,923	1,557	72
Total Current Liabilities	17,430	20,690	60,261
Total Liabilities	78,866	78,260	75,892
Net Assets	489,087	482,669	469,615

The attached notes on pages 10 to 16 form part of, and are to be read in conjunction with, these Financial Statements.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to Equity Holders of the Parent						Total Equity
	Share Capital	Revaluation Reserves	Exchange Reserves	Accumulated Losses	Treasury Stock	Total	
Balance at 1 January 2006	430,330	59,015	(5,039)	(159,954)	(85)	324,267	440,428
Transfer of Reserves	-	412	-	(412)	-	-	-
Movement in Exchange Translation Reserve	-	-	13,930	-	-	13,930	22,723
Income and Expense recognised directly in Equity	-	412	13,930	(412)	-	13,930	22,723
Profit for the Period	-	-	-	11,348	-	11,348	15,728
Total Recognised Income and Expense	-	412	13,930	10,936	-	25,278	38,451
Dividends paid to:							
Equity holders of the Parent	-	-	-	(7,335)	-	(7,335)	(7,335)
Minority Interests	-	-	-	-	-	-	(2,294)
Movement in Minority Interest	-	-	-	(285)	-	(285)	365
Balance at 30 June 2006	430,330	59,427	8,891	(156,638)	(85)	341,925	469,615

The attached notes on pages 10 to 16 form part of, and are to be read in conjunction with, these Financial Statements.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to Equity Holders of the Parent					Total	Minority Interests	Total Equity
	Share Capital	Revaluation Reserves	Exchange Reserves	Accumulated Losses	Treasury Stock			
DOLLARS IN THOUSANDS								
Balance at 1 January 2006	430,330	59,015	(5,039)	(159,954)	(85)	324,267	116,161	440,428
Revaluation of Property, Plant and Equipment	-	8,825	-	-	-	8,825	-	8,825
Movement in Exchange Translation Reserve	-	-	3,034	-	-	3,034	1,916	4,950
Income and Expense recognised directly in Equity	-	8,825	3,034	-	-	11,859	1,916	13,775
Net Profit for the Year	-	-	-	26,907	-	26,907	11,015	37,922
Total Recognised Revenue and Expenses	-	8,825	3,034	26,907	-	38,766	12,931	51,697
Dividends paid to:								
Equity holders of the Parent	-	-	-	(7,335)	-	(7,335)	-	(7,335)
Minority Interests	-	-	-	-	-	-	(2,350)	(2,350)
Movement in Minority Interest	-	-	-	(286)	-	(286)	515	229
Balance at 31 December 2006	430,330	67,840	(2,005)	(140,668)	(85)	355,412	127,257	482,669

The attached notes on pages 10 to 16 form part of, and are to be read in conjunction with, these Financial Statements.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to Equity Holders of the Parent						Minority Interests	Total Equity
	Share Capital	Revaluation Reserves	Exchange Reserves	Accumulated Losses	Treasury Stock	Total		
DOLLARS IN THOUSANDS								
Balance at 1 January 2007	430,330	67,840	(2,005)	(140,668)	(85)	355,412	127,257	482,669
Revaluation of Property, Plant and Equipment	-	912	-	-	-	912	130	1,042
Movement in Exchange Translation Reserve	-	-	(1,610)	-	-	(1,610)	(1,017)	(2,627)
Income and Expense recognised directly in Equity	-	912	(1,610)	-	-	(698)	(887)	(1,585)
Profit for the Period	-	-	-	12,953	-	12,953	5,100	18,053
Total Recognised Income and Expense	-	912	(1,610)	12,953	-	12,255	4,213	16,468
Dividends paid to:								
Equity holders of the Parent	-	-	-	(8,732)	-	(8,732)	-	(8,732)
Minority Interests	-	-	-	-	-	-	(2,258)	(2,258)
Movement in Minority Interest	-	-	-	(148)	-	(148)	1,088	940
Balance at 30 June 2007	430,330	68,752	(3,615)	(136,595)	(85)	358,787	130,300	489,087

The attached notes on pages 10 to 16 form part of, and are to be read in conjunction with, these Financial Statements.

Condensed Consolidated Interim Statement of Cash Flows

For the half year ended 30 June 2007

DOLLARS IN THOUSANDS	Unaudited 6 months to 30/6/07	Unaudited 6 months to 30/6/06
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Receipts from Customers	83,458	101,335
Interest Received	6,627	4,346
	90,085	105,681
<i>Cash was applied to:</i>		
Payments to Suppliers and Employees	(73,222)	(79,456)
Interest Paid	(1,782)	(1,822)
Income Tax Paid	(6,744)	(9,810)
	(81,748)	(91,088)
Net Cash Inflow from Operating Activities	8,337	14,593
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Proceeds from Sale of Residential Development Properties	6,436	22,387
Sale of Property, Plant and Equipment	96	-
	6,532	22,387
<i>Cash was applied to:</i>		
Purchase of Property, Plant and Equipment	(10,657)	(4,380)
	(10,657)	(4,380)
Net Cash Inflow / (Outflow) From Investing Activities	(4,125)	18,007
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Drawdown of Borrowings	4,446	-
	4,446	-
<i>Cash was applied to:</i>		
Repayment of Borrowings	-	(842)
Dividends Paid to Shareholders of Millennium & Copthorne Hotels New Zealand Ltd	(8,732)	(7,335)
Dividends Paid to Minority Shareholders	(2,258)	(2,294)
	(10,990)	(10,471)
Net Cash Outflow from Financing Activities	(6,544)	(10,471)
Net Increase / (Decrease) in Cash Held	(2,332)	22,129
Add Opening Cash and Cash Equivalents	174,755	132,958
Exchange Rate Adjustment	(834)	15,459
Closing Cash and Cash Equivalents	171,589	170,546
Comprising:		
Cash and Cash Equivalents	171,589	170,546
Closing Cash and Cash Equivalents	171,589	170,546

The attached notes on pages 10 to 16 form part of, and are to be read in conjunction with, these Financial Statements.

Condensed Consolidated Interim Statement of Cash Flows

For the half year ended 30 June 2007

DOLLARS IN THOUSANDS	Unaudited 6 months to 30/6/07	Unaudited 6 months to 30/6/06
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit after Taxation	18,053	15,728
Adjusted for non cash items:		
Amortisation of Intangibles	122	251
Depreciation	3,612	4,492
Income Tax Expense	7,456	6,275
Loss on Disposal of Property, Plant and Equipment	1,089	100
Adjustments for movements in working capital:		
(Increase) / Decrease in Receivables	(4,899)	3,213
(Increase) / Decrease in Inventories	152	449
(Increase) / Decrease in Development Properties	(6,428)	(4,984)
Increase / (Decrease) in Payables	(2,138)	239
Increase / (Decrease) in Related Parties	(87)	332
Cash generated from Operations	16,932	26,095
Interest Paid (including capitalised interest)	(1,851)	(1,692)
Income Tax Paid	(6,744)	(9,810)
Cash Inflows from Operating Activities	8,337	14,593

The attached notes on pages 10 to 16 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 Consolidated Interim Financial Statements
for the six months ended 30 June 2007 (unaudited)

1. Significant accounting policies

Millennium & Copthorne Hotels New Zealand Limited (formerly CDL 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 an issuer in terms of the Financial Reporting Act 1993. The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The condensed consolidated interim financial statements were authorised for issuance on 7 August 2007.

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) as appropriate for profit orientated entities. Compliance with NZ IFRSs ensures that the consolidated financial statements also comply with International Reporting Standards (IFRSs). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

(b) Basis of preparation

The financial statements are presented in New Zealand Dollars, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property and hotel land and buildings.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of interim financial statements in conformity with NZ IAS 34 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of the Group policies and reported amounts of assets and liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The accounting policies have been applied consistently throughout the Group for purposes of these condensed consolidated interim financial statements.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to dollars at foreign exchange rates ruling at the dates the fair value was determined.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2007 (unaudited)

1. Significant accounting policies – continued

(d) Foreign currency – continued

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly as a separate component of equity.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the exchange reserve. They are released into the income statement upon disposal.

(e) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(f) Hedging

Hedge of monetary assets and liabilities

When a derivative financial instrument is used as an economic hedge of the interest rate exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

(g) Property, plant and equipment

Initial recording

Items of property, plant and equipment are initially stated at cost less accumulated depreciation and impairment losses, except where certain assets have been revalued. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent measurement

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Revaluation

Land and buildings are shown at fair value, based on a triennial cycle, valuations by independent registered valuers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any decrease in value that offset a previous increase in value of the same asset is charged against reserves in equity, any other decrease in value is charged to the income statement.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2007 (unaudited)

1. Significant accounting policies – continued

(g) Property, plant and equipment – continued

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Building core	50 years or lease term if shorter
Building surfaces and finishes	30 years or lease term if shorter
Plant and machinery	15 - 20 years
Furniture and equipment	10 years
Soft furnishings	5 - 7 years
Computer equipment	5 years
Motor vehicles	4 years

No residual values are ascribed to building surfaces and finishes. Residual values ascribed to building core depend on the nature, location and tenure of each property. Residual values are reassessed annually.

Capital expenditure on major projects is recorded separately within property, plant and equipment as capital work in progress. Once the project is complete the balance is transferred to the appropriate property, plant and equipment categories. Capital work in progress is not depreciated.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement account on the date of retirement or disposal.

Operating supplies are treated as a base stock and renewals and replacements of such stocks are written off to the income statement as incurred.

(h) Development properties

Property held for future development is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, and holding costs such as interest and rates. Interest and other holding costs incurred after completion of development are expensed as incurred. All holding costs are written off through the income statement in the year incurred with the exception of interest holding costs which are capitalised during the period when active development is taking place. Revenue and profit are not recognised on development properties until the transfer of legal title, which reflects the transfer of the risks and rewards of ownership.

(i) Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy (n)).

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (n)).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2007 (unaudited)

1. Significant accounting policies – continued

(i) Intangible assets – continued

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of other intangible assets.

The estimated useful lives utilised are as follows:

Management contracts	12 years
Leasehold interests	10 – 27 years

(j) Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for permanent diminution in value, which is recorded through the income statement.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (n)).

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(n) Impairment

The carrying amounts of the Group's assets other than investment property, inventories, and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2007 (unaudited)

1. Significant accounting policies – continued

(n) Impairment – continued

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(o) Employee long-term service benefits

The Group's net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using their present remuneration and an assessment of likelihood the liability will arise.

(p) Revenue

Revenue represents amounts derived from:

- The ownership, management and operation of hotels: recognised on an accruals basis to match the provision of the related goods and services.
- Income from property rental: recognised on an accruals basis, straight line over the lease period. Lease incentives granted are recognised as an integral part of the total rental income.
- Income from land and property sales: recognised on the transfer of the related significant risk and rewards of ownership.

(q) Finance expenses and income

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in profit or loss.

Finance income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

Interest attributable to funds used to finance the acquisition, development, or construction of new hotels, major extensions to existing hotels or development properties is capitalised gross of tax relief and added to the cost of the hotel core buildings or development property.

(r) Income tax

Income tax on the profit or loss for the periods presented 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 equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The current tax expenses for the six month periods ended 30 June 2006 and 2005 were calculated based on the estimated average annual effective income tax rate.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2007 (unaudited)

1. Significant accounting policies – continued

(r) Income tax – continued

The recently announced Government Budget 2007 has reduced the corporate tax rate from 33% to 30% to take effect from 1 April 2008. Consequently the impact of the tax rate reduction was to reduce the deferred tax liability on hotel property by \$1.0m which was directly recognised in equity.

The deferred tax expenses for the six month periods ended 30 June 2007 and 2006 were calculated based on the estimated average annual effective income tax rate. The estimate annual effective income tax rate calculated on this basis is 28.5% (30 June 2006: 28.5%).

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

2. Segment reporting

Segment information is presented in the consolidated interim financial statements in respect of the Group's business and geographical segments. Business segments are the primary basis of segment reporting. Segment reporting format reflects the Group's management and internal reporting structure.

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.

Business segments

The Group consisted of the following main business segments:

- Hotel operations, comprising income from the ownership and management of hotels.
- Property operations, comprising the development and sale of land and development properties and investment property rental income.

Geographical segments

The Group consisted of the following main geographic segments:

- New Zealand.
- Australia.

(a) Business Segments

<i>Dollars in thousands</i>	<u>Hotel</u>		<u>Property</u>		<u>Group</u>	
	2007	2006	2007	2006	2007	2006
Segment Revenue	63,539	64,913	31,445	37,555	94,984	102,468
Segment Profit before Tax	9,578	10,340	15,931	11,663	25,509	22,003
Income Tax Expense					(7,456)	(6,275)
Profit for the Period					18,053	15,728

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2007 (unaudited)

2. Segment reporting - continued

(b) Geographic Segments

<i>Dollars in thousands</i>	New Zealand		Australia		Group	
	2007	2006	2007	2006	2007	2006
Segment Revenue	83,897	76,873	11,087	25,595	94,984	102,468
Segment Profit before Tax	21,054	16,176	4,455	5,827	25,509	22,003
Income Tax Expense					(7,456)	(6,275)
Profit for the Period					18,053	15,728

3. Earnings per share

Six month period ended 30 June 2007

The basic earnings per share of 3.71 cents (30 June 2006: earnings per share of 3.25 cents) are based on the profit attributable to ordinary shareholders of \$12.95m (30 June 2006: profit of \$11.35m) and weighted average number of ordinary shares outstanding during the period ended 30 June 2007 of 349,268,439 (30 June 2006: 349,268,439).

The calculation of diluted earnings per share of 3.71 cents (30 June 2006: earnings per share of 3.25 cents) is the same as basic earnings per share.

4. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the six month period ended 30 June 2007 (30 June 2006: Nil) that would require disclosure.

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

There were no such changes in contingent liabilities and contingent assets that would require disclosure for the six month period ended 30 June 2007 (30 June 2006: Nil).

6. Related party transactions

Millennium & Copthorne Hotels New Zealand Limited is a 70.22% 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 Ltd in Singapore.

During the six month period ending 30 June 2007, costs amounting to \$125,000 (30 June 2006: \$154,000) have been recorded in the Income Statement in respect of:

- Reimbursement of expenses incurred by Millennium & Copthorne Hotels plc on behalf of the New Zealand subsidiary; and
- Fees payable to Millennium & Copthorne Hotels plc for the provision of management and marketing support.

ENJOY OUR WORLD OF HOSPITALITY



COPTHORNE HOTEL WELLINGTON, ORIENTAL BAY

An Oriental Bay landmark, the Copthorne Hotel Wellington, Oriental Bay has recently undergone a \$10 million makeover. The refurbishment has been designed to capitalize on the hotel's stunning location on top of one of the world's most striking harbours. Guest rooms include luxurious suites, standard, superior and superior plus rooms as well as new dual apartment style accommodation. All rooms feature high speed broadband internet access as well as LCD TV screens.



MILLENNIUM HOTEL CHRISTCHURCH

Recently awarded a Qualmark 5 star rating, this luxury hotel is located on Cathedral Square, in the heart of the city. The newly refurbished guest rooms reflect a classic elegant style in keeping with the hotel's proven reputation. The award winning contemporary cuisine at Restaurant PikoPiko and live jazz in the Millennium Lounge, completes the truly 5 star experience.



COPTHORNE HOTEL & RESORT BAY OF ISLANDS

This iconic resort is currently adding 35 rooms to the Garden Wing which will increase the rooms offered by the hotel to 180. The majority of the new rooms will have views over the water to the historic and picturesque village of Russell. The entrance way will also be remodelled allowing better coach access and enabling guests to arrive at the hotel protected from the weather.



COPTHORNE HOTEL TAUPO

Situated on the shores of Lake Taupo, the Copthorne Hotel Taupo provides stunning views of lake and the nearby snow-capped mountains. The hotel offers 49 rooms and a variety of room types. All rooms have wireless internet access, ensuite bathrooms and Sky TV. The Superior rooms provide extra space and include a work desk and minibar. Copthorne Hotel Taupo is within walking distance to the township and is a gateway to the Tongariro National Park.



COPTHORNE HOTEL & RESORT SOLWAY PARK, WAIRARAPA

Copthorne Hotel & Resort Solway Park, Wairarapa has completed a major \$4.5 million refurbishment, adding new style to its 102 guest rooms and public areas. All guest rooms have been re-designed in botanical themes with contemporary-styled bathrooms, including five junior suites opening onto a tranquil garden courtyard. The hotel also offers the latest in conference facilities capable of hosting up to 500 delegates.

