



MILLENNIUM

HOTELS AND RESORTS

MILLENNIUM • COPTHORNE • KINGSGATE



Millennium & Copthorne Hotels New Zealand Limited

2006 Interim Report

ENJOY OUR WORLD OF HOSPITALITY



Millennium Hotel Rotorua



Millennium Hotel Queenstown



Millennium Hotel Christchurch



Copthorne Hotel Auckland, Anzac Avenue



Kingsgate Hotel Rotorua

Bold style, fresh look, new experience. Just look at the magnificent facilities you can enjoy in our world of hospitality at Millennium, Copthorne and Kingsgate Hotels & Resorts. We're working through a multi-million dollar refurbishment programme on many of our properties from the Bay of Islands in the North to Te Anau in the South, to allow us to provide you with the best accommodation experience in every style and budget.

Millennium Hotel Rotorua

Millennium Hotel Rotorua's \$4.5 million refurbishment is complete. Guest rooms have been completely redesigned with brand new bigger bathrooms, a practical desk space, individually controlled lighting and an entranceway designed for privacy. The Spa at Millennium Hotel Rotorua has just completed a purpose built 'Mud Room' so that you can enjoy a restorative Rotorua mud wraps and salt glow body polish treatments – a divine combination!

Millennium Hotel Queenstown

Millennium Hotel Queenstown has undergone a \$2.4 million major refurbishment of all guest rooms, including upgraded room lighting, high-speed internet, luxury carpet, drapes, bedspreads and upgraded bathrooms. The Observatory restaurant and Bar areas have been included in this make-over. Suite refurbishment is due for completion later this year - watch this space!

Millennium Hotel Christchurch

Millennium Hotel Christchurch will refresh all its guest rooms this year. This hotel offers the largest premium rooms in Christchurch. Guest room decor will be updated including new furniture and bedspreads as well as soft furnishings.

Copthorne Hotel Auckland, Anzac Avenue

New décor, in-room high speed internet, new desk space (with great city views), new bathrooms and unbelievably quiet rooms (new noise reduction glass). An inner city hotel that is just a few minutes walk from downtown Auckland - Copthorne Hotel Auckland, Anzac Avenue has it all!

Kingsgate Hotel Rotorua

From the fabulous new foyer to the newly tiled swimming pool you won't believe the difference at Kingsgate Hotel Rotorua. All premium rooms have been completely redecorated. Refurbished bathrooms and décor reflect the Rotorua landscape and high speed internet and air conditioning add convenience and comfort.

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 \$11.35 million for the six month period ending 30 June 2006 (2005: \$10.67 million). Operating profit before tax and minorities was \$22.00 million (2005: \$18.05 million) with the New Zealand Hotel Operations contributing 47.0% and CDL Investments New Zealand Limited contributing 26.5% and the Australian operations contributing 26.5%.

Group results for the six months ending 30 June 2006 – NZ IFRS

Group revenue and other income for the period under review was \$102.47 million. This was an increase of 31.4% on 2005 (2005: \$77.98 million). Part of the increase in group revenue can be attributed to the sale of apartments at the Zenith Residences in Sydney during 2006 as against the operation of the Kingsgate Shopping Centre which was sold during 2005 and contributed revenue for the corresponding period last year. Gross Operating Profit increased by 7.72% to \$47.69 million (2005: \$44.27 million).

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 \$64,913,000. (2005: \$65,132,000). Hotel occupancy was positive with average figure remaining at 71.2% across the group despite slowing visitor numbers.

The Company has already undertaken refurbishment work at various of its properties during the year and is actively considering work at some of its other properties.

Recognising the importance of the conference and incentives market segment, the Group launched a new dedicated website www.meetingsnz.co.nz.

The Company assumed the management of the Copthorne Hotel Hokianga and also extended its lease of the Kingsgate Hotel Greenlane during this period.

CDL Investments New Zealand Limited ('CDLI')

CDLI announced an unaudited operating profit after tax for the six months ended 30 June 2006 of \$3.80 million. This was an increase of 22.1 percent for the same period last year. Property sales revenue for the period was \$11.65 million, up from the \$9.17 million in 2005. CDLI is however conscious that recent economic indicators are pointing to a slow down in the New Zealand economy.

MCK increased its stake in CDLI by taking its most recent dividend in shares. MCK now holds 63.48% (2005: 62.46%) of CDLI.

Australian Operations

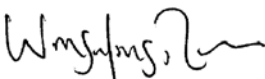
Construction on the Zenith Residences in Sydney was completed within the period under review. We continue to actively market the units for sale.

Outlook

Since the last quarter of 2005, international visitor numbers have decreased, notably the Japanese market. Growth from traditionally strong markets such as Australia has also been flat. However, new markets such as China are growing at a pleasing rate and the introduction of direct air services later in 2006 will likely allow growth to continue.

Despite the prevailing conditions, the Group has generally performed positively and in line with expectations during the period under review and the Board believes that this will continue during the second half of 2006. However, the Board is very conscious that recently announced initiatives to boost visitor numbers and the positive benefits of any further fall in the New Zealand Dollar will take some time to deliver tangible benefits to the tourism sector and to the Company.

The Board and management remain focused on delivering another positive result for 2006.



Wong Hong Ren, Chairman
2 August 2006

Condensed Consolidated Interim Income Statement

For the half year ended 30 June 2006

DOLLARS IN THOUSANDS	Note	Unaudited 6 months to 30/6/06	Audited Year 31/12/05	Unaudited 6 months to 30/6/05
Revenue		98,100	152,740	74,587
Cost of Sales		(50,406)	(61,659)	(30,313)
Gross Profit		47,694	91,081	44,274
Other Operating Income		2	13,880	726
Interest Income		4,366	5,631	2,666
Administrative Expenses		(17,120)	(34,380)	(17,081)
Other Operating Expenses		(11,247)	(22,489)	(11,013)
Operating Profit Before Finance Costs		23,695	53,723	19,572
Finance Costs		(1,692)	(2,965)	(1,518)
Profit Before Tax		22,003	50,758	18,054
Income Tax Expense		(6,275)	(14,598)	(4,240)
Profit for the Period		15,728	36,160	13,814
Attributable to:				
Equity holders of the Parent		11,348	25,560	10,666
Minority Interest		4,380	10,600	3,148
		15,728	36,160	13,814

DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/EXPENSES

Amortisation of Intangibles		(251)	(536)	(314)
Audit Fees		(183)	(403)	(160)
Depreciation		(4,492)	(8,069)	(4,132)
Interest Income		4,366	5,631	2,666
Interest Expense		(1,692)	(2,965)	(1,518)
Leasing and Rental Expenses		(6,236)	(11,559)	(5,542)
Net Gain / (Loss) on Disposal of Property, Plant and Equipment		(100)	132	615

Earnings Per Share (Cents)

- Basic	3	3.25c	10.34c	3.05c
- Diluted	3	3.25c	10.34c	3.05c

The attached notes on pages FIN 6 to FIN 11 form part of, and are to be read in conjunction with, these Financial Statements.

Condensed Consolidated Interim Balance Sheet

As at 30 June 2006

DOLLARS IN THOUSANDS	Unaudited 6 months to 30/6/06	Audited Year 31/12/05	Unaudited 6 months to 30/6/05
SHAREHOLDERS' EQUITY			
Issued Capital	430,330	430,330	430,330
Reserves	(88,320)	(105,978)	(123,516)
Treasury Stock	(85)	(85)	(85)
Minority Interests	127,690	116,161	109,592
Total Equity	469,615	440,428	416,321
Represented by:			
NON CURRENT ASSETS			
Property, Plant and Equipment	232,009	232,106	225,452
Development Properties	39,096	41,868	103,607
Intangible Assets	4,994	5,246	5,466
Total Non Current Assets	276,099	279,220	334,525
CURRENT ASSETS			
Cash and Cash Equivalents	170,546	132,958	80,672
Trade and Other Receivables	13,293	15,898	15,010
Inventories	1,754	2,203	1,589
Investment Properties for Resale	-	-	19,629
Development Properties	83,815	90,675	42,012
Total Current Assets	269,408	241,734	158,912
Total Assets	545,507	520,954	493,437
NON CURRENT LIABILITIES			
Interest-bearing Loans and Borrowings	-	-	41,321
Provisions	1,937	1,787	2,681
Deferred Tax Liabilities	13,694	13,302	12,812
Total Non Current Liabilities	15,631	15,089	56,814
CURRENT LIABILITIES			
Bank Overdraft	-	-	1,515
Interest-bearing Loans and Borrowings	42,728	43,570	-
Trade and Other Payables	15,696	17,205	15,867
Related Parties	650	318	707
Provisions	1,115	1,077	1,000
Income Tax Payable	72	3,267	1,213
Total Current Liabilities	60,261	65,437	20,302
Total Liabilities	75,892	80,526	77,116
Net Assets	469,615	440,428	416,321

The attached notes on pages FIN 6 to FIN 11 form part of, and are to be read in conjunction with, these Financial Statements.

Condensed Consolidated Interim Statements of Changes in Equity

For the half year ended 30 June 2006

DOLLARS IN THOUSANDS	Attributable to Equity Holders of the Parent					Total	Minority Interests	Total Equity
	Share Capital	Revaluation Reserves	Exchange Reserves	Accumulated Losses	Treasury Stock			
Balance at 1 January 2005	430,330	57,272	(4,001)	(177,995)	(85)	305,521	107,869	413,390
Movement in Exchange Translation Reserve	-	-	15	-	-	15	10	25
Income and Expense recognised directly in Equity	-	-	15	-	-	15	10	25
Transfer of Realised Profit	-	(1,980)	-	-	-	(1,980)	-	(1,980)
Profit for the Period	-	-	-	10,666	-	10,666	3,148	13,814
Total Recognised Income and Expense	-	(1,980)	15	10,666	-	8,701	3,158	11,859
Dividends paid to:								
Equity holders of the Parent	-	-	-	(7,335)	-	(7,335)	-	(7,335)
Minority Interests	-	-	-	-	-	-	(1,956)	(1,956)
Movement in Minority Interest	-	-	(2)	(156)	-	(158)	521	363
Balance at 30 June 2005	430,330	55,292	(3,988)	(174,820)	(85)	306,729	109,592	416,321
Balance at 1 January 2005	430,330	57,272	(4,001)	(177,995)	(85)	305,521	107,869	413,390
Revaluation of Property, Plant and Equipment	-	3,723	-	-	-	3,723	-	3,723
Movement in Exchange Translation Reserve	-	-	(1,038)	-	-	(1,038)	(668)	(1,706)
Income and Expense recognised directly in Equity	-	3,723	(1,038)	-	-	2,685	(668)	2,017
Transfer of Realised Profit	-	(1,980)	-	-	-	(1,980)	-	(1,980)
Profit for the Year	-	-	-	25,560	-	25,560	10,600	36,160
Total Recognised Income and Expense	-	1,743	(1,038)	25,560	-	26,265	9,932	36,197
Dividends paid to:								
Equity holders of the Parent	-	-	-	(7,335)	-	(7,335)	-	(7,335)
Minority Interests	-	-	-	-	-	-	(2,160)	(2,160)
Movement in Minority Interest	-	-	-	(184)	-	(184)	520	336
Balance at 31 December 2005	430,330	59,015	(5,039)	(159,954)	(85)	324,267	116,161	440,428
Balance at 1 January 2006	430,330	59,015	(5,039)	(159,954)	(85)	324,267	116,161	440,428
Transfer of Reserves	-	412	-	(412)	-	-	-	-
Movement in Exchange Translation Reserve	-	-	13,930	-	-	13,930	8,793	22,723
Income and Expense recognised directly In Equity	-	412	13,930	(412)	-	13,930	8,793	22,723
Profit for the Period	-	-	-	11,348	-	11,348	4,380	15,728
Total Recognised Income and Expense	-	412	13,930	10,936	-	25,278	13,173	38,451
Dividends paid to:								
Equity holders of the Parent	-	-	-	(7,335)	-	(7,335)	-	(7,335)
Minority Interests	-	-	-	-	-	-	(2,294)	(2,294)
Movement in Minority Interest	-	-	-	(285)	-	(285)	650	365
Balance at 30 June 2006	430,330	59,427	8,891	(156,638)	(85)	341,925	127,690	469,615

The attached notes on pages FIN 6 to FIN 11 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 2006

DOLLARS IN THOUSANDS	Unaudited 6 months to 30/6/06	Unaudited 6 months to 30/6/05
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from Customers	101,335	76,116
Interest Received	4,346	2,666
	105,681	78,782
Cash was applied to:		
Payments to Suppliers and Employees	(79,456)	(64,751)
Interest Paid	(1,822)	(1,518)
Income Tax Paid	(9,810)	(2,616)
	(91,088)	(68,885)
Net Cash Inflow from Operating Activities	14,593	9,897
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from Sale of Residential Development Properties	22,387	-
Sale of Property, Plant and Equipment	-	12,301
	22,387	12,301
Cash was applied to:		
Purchase of Property, Plant and Equipment	(4,380)	(3,196)
Purchase of Investments	-	(20,386)
	(4,380)	(23,582)
Net Cash Inflow / (Outflow) From Investing Activities	18,007	(11,281)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was applied to:		
Repayment of Borrowings	(842)	(4)
Dividends Paid to Shareholders of Millennium & Copthorne Hotels New Zealand Ltd	(7,335)	(7,335)
Dividends Paid to Minority Shareholders	(2,294)	(1,956)
Net Cash Outflow from Financing Activities	(10,471)	(9,295)
Net Increase / (Decrease) in Cash Held	22,129	(10,679)
Add Opening Closing Cash and Cash Equivalents	132,958	89,363
Exchange Rate Adjustment	15,459	473
Closing Cash and Cash Equivalents	170,546	79,157
Comprising:		
Cash and Cash Equivalents	170,546	80,672
Bank Overdraft	-	(1,515)
Closing Cash and Cash Equivalents	170,546	79,157

The attached notes on pages FIN 6 to FIN 11 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 2006

DOLLARS IN THOUSANDS	Unaudited 6 months to 30/6/06	Unaudited 6 months to 30/6/05
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit after Taxation	15,728	13,814
Adjusted for non cash items:		
Amortisation of Intangibles	251	314
Depreciation	4,492	4,132
Income Tax Expense	6,275	4,240
(Gain) / Loss on Disposal of Property, Plant and Equipment	100	(615)
Adjustments for movements in working capital:		
(Increase) / Decrease in Receivables	3,213	1,555
(Increase) / Decrease in Inventories	449	(70)
(Increase) / Decrease in Development Properties	(4,984)	(7,894)
Increase / (Decrease) in Payables	239	(1,418)
Increase / (Decrease) in Related Parties	332	(27)
Cash generated from Operations	26,095	14,031
Interest Paid (including capitalised interest)	(1,692)	(1,518)
Income Tax Paid	(9,810)	(2,616)
Cash Inflows from Operating Activities	14,593	9,897

The attached notes on pages FIN 6 to FIN 11 form part of, and are to be read in conjunction with, these Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2006 (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 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The condensed consolidated interim financial statements were authorised for issuance on 31 July 2006.

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ 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 have been prepared in accordance with the requirements of the Companies Act 1993, Financial Reporting Act 1993 and NZ IFRSs.

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: derivative financial instruments, investment property and hotel land and buildings.

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 policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The accounting policies have been applied consistently throughout the Group for the 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.

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.

Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2006 (unaudited)

(d) Foreign currency (continued)

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.

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.

(g) Property, plant and equipment (continued)

Capital expenditure on major projects is recorded separately within fixed assets as capital work in progress. Once the project is complete the balance is transferred to the appropriate fixed asset 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) 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.

(i) 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.

(j) 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.

(k) 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.

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 follow:

Management contracts	12 years
Leasehold interests	10 – 27 years

(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.

Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2006 (unaudited)

(m) Inventories (continued)

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.

For goodwill the recoverable amount is estimated at each annual balance sheet date.

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.

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 the income statement.

Finance income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement 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 substantially enacted at the balance sheet date. The deferred 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.

The estimate annual effective income tax rate calculated on this basis is 28.5% (30 June 2005: 23.5%).

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 operates in 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 operates in the following main geographic segments:

- New Zealand.
- Australia.

Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2006 (unaudited)

2. Segment reporting (continued)

Segment Reporting for the six months to 30 June 2006

Business Segments

DOLLARS IN THOUSANDS	HOTEL		PROPERTY		GROUP	
	2006	2005	2006	2005	2006	2005
Segment Revenue	64,913	65,132	37,555	12,847	102,468	77,979
Segment Profit before Tax	10,340	11,046	11,663	7,008	22,003	18,054
Income Tax Expense					(6,275)	(4,240)
Profit for the Period					15,728	13,814

Geographical Segments

DOLLARS IN THOUSANDS	NEW ZEALAND		AUSTRALIA		GROUP	
	2006	2005	2006	2005	2006	2005
Segment Revenue	76,873	74,515	25,595	3,464	102,468	77,979
Segment Profit before Tax	16,176	16,088	5,827	1,966	22,003	18,054
Income Tax Expense					(6,275)	(4,240)
Profit for the Period					15,728	13,814

3. Earnings per share

Six month period ended 30 June 2006

The basic earnings per share of 3.25 cents (30 June 2005: earnings per share of 3.05 cents) are based on a profit of \$11.35m (30 June 2005: profit of \$10.66m) and a weighted average number of shares of 349,268,439 (30 June 2005: 349,268,439) in issue in the period. The fully diluted earnings per share of 3.25 cents (30 June 2005: earnings per share of 3.05 cents) are based on a weighted average number of shares of 349,268,439 (30 June 2005: 349,268,439) in issue in the period adjusted for the exercise of dilutive share options.

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 2006 (30 June 2005: 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 2006 (30 June 2005: 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 2006, costs amounting to \$154,000 (30 June 2005: \$125,000) have been recorded in the Income Statement in respect of:

- Reimbursement of operating 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.

PLANNED FOR 2006 AND BEYOND



Copthorne Hotel & Resort
Bay of Islands (artist impression
of new guest rooms)



Kingsgate Hotel Oriental Bay,
Wellington



Kingsgate Hotel Autolodge, Paihia



Kingsgate Hotel Greymouth

Kingsgate Hotel Oriental Bay, Wellington to become a Copthorne Hotel

A \$10 million 'top to toe' refurbishment programme will start in the second half of 2006 turning this Kingsgate property into a 4 star Copthorne Hotel. Guest rooms will be redesigned, refitted and redecorated. The restaurant, public areas and conference facilities will all be refurbished while retaining their spectacular harbour and city views. Completion is planned for the first half of 2007.

Copthorne Hotel & Resort Bay of Islands

In 2007, more guest rooms will be added to the hotel. Most of these new rooms will have sea views. As part of this work the entranceway and lobby facilities will be redesigned and refurbished.

Kingsgate Hotel Autolodge, Paihia

To help handle summer accommodation needs this Bay of Islands property has started construction of 28 new guest rooms and 8 one bedroom suites. The suites will have a sea view, spa bath, kitchen, separate bedroom and lounge. Construction will be completed by early next year.

Kingsgate Hotel Greymouth

The hotel's bathrooms are scheduled for a contemporary refit in the second half of 2006.

Kingsgate Hotel Palmerston North

A complete refit of bathrooms in 73 premium rooms at Kingsgate Hotel Palmerston North is planned for the second half of 2006.

Kingsgate Hotel Dunedin

Kingsgate Hotel Dunedin's complete bathroom renovation is underway. About half are already finished with the balance expected to be completed by late 2006. This includes all 45 guest rooms, 9 junior suites and 1 executive suite. All rooms have north facing private balconies overlooking the heart of Dunedin city.

Kingsgate Hotel Te Anau

This hotel is an ideal base for exploring some of the world's most breathtaking scenery - the Fiordland region. By 2007, the bathrooms in all 69 superior rooms will have been updated, including new vanities and tiles.

Contact us

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