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Miscellaneous
* Asterisks denote mandatory information

Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
Date & Time of Broadcast	16-Feb-2009 17:21:59
Announcement No.	00068

>> Announcement Details
The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Millennium & Copthorne Hotels New Zealand Limited on Financial Results for the Year Ended 31 December 2008
Description	Please see attached the above announcement released by Millennium & Copthorne Hotels New Zealand Limited on 16 February 2009.
Attachments	4-Results_Media_Release.pdf 3-MCHNZ_Chairmans_Review.pdf 2-Appendix1.pdf 1-MCHNZ_Audited_Financial_Statements_FY2008.pdf Total size = **3450K** (2048K size limit recommended) **Total attachment size has exceeded the recommended value**

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Consolidated Income Statement

For the year ended 31 December 2008

DOLLARS IN THOUSANDS	Note	Group 2008	Group 2007	Parent 2008	Parent 2007
Hotel revenue		116,944	122,502	53,432	56,819
Rental income		2,177	845	-	-
Property sales		4,559	44,700	-	-
Revenue		**123,680**	**168,047**	**53,432**	**56,819**
Cost of sales		(51,310)	(71,130)	(21,214)	(22,009)
Gross profit		**72,370**	**96,917**	**32,218**	**34,810**
Administration expenses	2	(32,535)	(32,831)	(12,211)	(12,584)
Other operating expenses	2	(21,096)	(28,177)	(8,888)	(10,054)
Operating profit before finance costs		**18,739**	**35,909**	**11,119**	**12,172**
Finance income	4	12,936	14,859	5,694	5,643
Finance costs	4	(5,077)	(4,170)	(530)	-
Net finance income		**7,859**	**10,689**	**5,164**	**5,643**
Share of profit/(loss) of associate	12	921	(527)	-	-
Profit before tax		**27,519**	**46,071**	**16,283**	**17,815**
Income tax expense	5	(5,071)	(12,781)	(4,330)	(4,540)
Profit for the period		**22,448**	**33,290**	**11,953**	**13,275**
Attributable to:					
Equity holders of the parent		17,770	24,208	11,953	13,275
Minority interest		4,678	9,082	-	-
Profit for the period		**22,448**	**33,290**	**11,953**	**13,275**
Basic earnings per share (cents)	8	5.09	6.93		
Diluted earnings per share (cents)	8	5.09	6.93		

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

DOLLARS IN THOUSANDS	Note	Group 2008	Group 2007	Parent 2008	Parent 2007
Foreign exchange translation movements		25,741	3,259	-	-
Revaluation of property, plant and equipment		5,129	28,543	2,873	11,346
Net income recognised directly in equity		**30,870**	**31,802**	**2,873**	**11,346**
Profit for the period		**22,448**	**33,290**	**11,953**	**13,275**
Total recognised income and expense for the period	7	**53,318**	**65,092**	**14,826**	**24,621**
Attributable to:					
Equity holders of the parent		47,082	49,522	14,826	24,621
Minority interest		6,236	15,570	-	-
Total recognised income and expense for the period	7	**53,318**	**65,092**	**14,826**	**24,621**

The accompanying notes form part of, and should be read in conjunction with, these financial statements

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Consolidated Balance Sheet

As at 31 December 2008

DOLLARS IN THOUSANDS	Note	Group 2008	Group 2007	Parent 2008	Parent 2007
SHAREHOLDERS' EQUITY					
Issued capital		430,330	430,330	430,330	430,330
Reserves		4,261	(34,191)	(128,428)	(134,523)
Treasury stock		(85)	(85)	(85)	(85)
Equity attributable to equity holders of the parent		434,506	396,054	301,817	295,722
Minority interests		95,327	114,207	-	-
Total equity	7	529,833	510,261	301,817	295,722
Represented by:					
NON CURRENT ASSETS					
Property, plant and equipment	9	334,846	295,030	177,342	137,246
Development properties	10	140,108	121,009	-	-
Intangible assets	11	3,775	4,686	3,767	4,738
Investments in subsidiaries		-	-	126,812	135,483
Investment in associate	12	95,444	41,793	-	-
Total non-current assets		574,173	462,518	307,921	277,467
CURRENT ASSETS					
Cash and cash equivalents	13	28,033	102,971	1,423	13,726
Trade and other receivables	14	24,119	26,007	9,806	10,312
Inventories	15	1,743	1,945	490	600
Income tax receivable	16	1,445	-	-	169
Development properties	10	2,383	11,413	-	-
Related party advances	25	-	-	8,850	9,750
Total current assets		57,723	142,336	20,569	34,557
Total assets		631,896	604,854	328,490	312,024
NON CURRENT LIABILITIES					
Interest-bearing loans and borrowings	17	62,352	53,995	9,769	-
Provisions	18	850	724	675	524
Provision for deferred taxation	19	19,780	17,141	11,504	9,987
Total non-current liabilities		82,982	71,860	21,948	10,511
CURRENT LIABILITIES					
Trade and other payables	20	15,874	17,680	4,467	5,310
Related parties	25	226	481	226	481
Provisions	18	2,981	4,483	-	-
Income tax payable	16	-	89	32	-
Total current liabilities		19,081	22,733	4,725	5,791
Total liabilities		102,063	94,593	26,673	16,302
NET ASSETS		529,833	510,261	301,817	295,722

For and on behalf of the Board

R BOBB, DIRECTOR, 16 February 2009

BK CHIU, MANAGING DIRECTOR, 16 February 2009

The accompanying notes form part of, and should be read in conjunction with, these financial statements

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Consolidated Statement of Cash Flows

For the year ended 31 December 2008

DOLLARS IN THOUSANDS	Note	Group 2008	Group 2007	Parent 2008	Parent 2007
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		132,298	161,062	53,967	52,653
Interest received		5,921	12,382	1,649	1,892
Dividends received	3	5	4	4,016	3,761
Cash was applied to:					
Payment to suppliers and employees		(107,001)	(114,804)	(39,535)	(39,360)
Purchase of development land		-	(25,574)	-	-
Interest paid		(5,190)	(4,047)	(514)	-
Income tax paid		(5,870)	(14,087)	(3,570)	(4,195)
Net Cash Inflow from Operating Activities		**20,163**	**14,936**	**16,013**	**14,751**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of residential development properties		-	6,542	-	-
Sale of property, plant and equipment		6	112	13	2
Repayment of investment in subsidiaries		-	-	37,608	-
Cash was applied to:					
Purchase of property, plant and equipment	9	(41,048)	(26,290)	(38,938)	(4,462)
Purchase of investments in subsidiaries		-	-	(28,937)	(3,850)
Purchase of investment in associate	12	(27,361)	(42,517)	-	-
Repayments from/(advances to) subsidiaries		-	-	900	(5,122)
Net Cash Outflow From Investing Activities		**(68,403)**	**(62,153)**	**(29,354)**	**(13,432)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from borrowings		16,000	9,696	16,000	-
Cash was applied to:					
Repayment of borrowings		(7,643)	-	(6,231)	-
Repayment of shares to minority shareholders	25	(23,742)	(27,090)	-	-
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	7	(8,731)	(8,731)	(8,731)	(8,731)
Dividends paid to minority shareholders	7	(2,402)	(2,620)	-	-
Net Cash (Outflow)/Inflow from Financing Activities		**(26,518)**	**(28,745)**	**1,038**	**(8,731)**
Net decrease in Cash and Cash Equivalents		**(74,758)**	**(75,962)**	**(12,303)**	**(7,412)**
Add opening cash and cash equivalents		102,971	174,755	13,726	21,138
Exchange rate adjustment		(180)	4,178	-	-
Closing Cash and Cash Equivalents	13	**28,033**	**102,971**	**1,423**	**13,726**

The accompanying notes form part of, and should be read in conjunction with, these financial statements

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Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2008

DOLLARS IN THOUSANDS	Note	Group 2008	Group 2007	Parent 2008	Parent 2007
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES					
Net profit after taxation		22,448	33,290	11,953	13,275
Adjusted for non cash items:					
Amortisation of intangibles	11	101	129	101	101
Loss on sale of property, plant and equipment	2	317	1,651	17	988
Depreciation	9	8,118	7,207	3,513	3,247
Unrealised foreign exchange gains		(288)	(828)	-	-
Share of (profit)/loss of associate	12	(921)	527	-	-
Income tax expense	5	5,071	12,781	4,330	4,540
		34,846	54,757	19,914	22,151
Adjustments for movements in working capital:					
Decrease/(increase) in trade & other receivables		1,896	(8,630)	506	(4,156)
Decrease/(increase) in inventories		202	(53)	110	(86)
(Increase) in development properties		(7,466)	(20,855)	-	-
Increase/(decrease) in trade & other payables		1,895	7,822	(162)	851
Increase/(decrease) in related parties		(263)	152	(255)	186
Cash generated from operations		31,110	33,193	20,113	18,946
Interest expense	4	(5,077)	(4,170)	(530)	-
Income tax paid		(5,870)	(14,087)	(3,570)	(4,195)
Cash Inflows from Operating Activities		**20,163**	**14,936**	**16,013**	**14,751**

The accompanying notes form part of, and should be read in conjunction with, these financial statements

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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 an issuer in terms of the Financial Reporting Act 1993. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

(a) Statement of compliance

The consolidated 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-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards (IFRSs)

The consolidated financial statements were authorised for issuance on xx February 2009.

(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: hotel land and buildings.

The preparation of financial statements in conformity with NZ IFRSs requires management to make judgments, estimates and assumptions that affect the application of the Group's 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 26 - Accounting Estimates and Judgements.

Change in accounting policies

The accounting policies have been applied consistently to all periods presented in these 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.

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Significant accounting policies - continued

(c) Basis of consolidation - continued

Investments in associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. They are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the associate from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

(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 New Zealand 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 New Zealand dollars at rates approximating 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. When a foreign operation is disposed of, in part or in full, the relevant amount in the exchange reserve is released into the income statement.

(e) Financial instruments

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 fair value. 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.

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Significant accounting policies - continued

(e) Financial instruments - continued

Non-derivative financial instruments
Non-derivative financial instruments comprise related party advances, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the income statement, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfer the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Accounting for finance income and expense is discussed in accounting policy (u).

(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. 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.

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.

Subsequent measurement
Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses, except where certain assets have been revalued. 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.

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 on the date of retirement or disposal.

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Significant accounting policies - continued

(g) Property, plant and equipment - continued

Revaluation
Land and buildings are shown at fair value less subsequent depreciation for buildings. Fair value is determined by management using valuation models and confirmed by independent registered valuers on a triennial basis. 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 decreases 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.

Depreciation
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.

(h) Investment in subsidiaries

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

(i) Development properties

Property held for future development is stated at the lower of cost and net realisable value. The net realisable value is determined by independent valuers. Cost includes the cost of acquisition, development, and holding costs such as interest. 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 legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs.

(j) 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. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Generally Accepted Accounting Practice.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see accounting policy (n)).

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Significant accounting policies - continued

(j) Intangible assets - Goodwill - continued

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 follows:

Management contracts	12 years
Leasehold interests	10 - 27 years

(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 development properties (see accounting policy (i)), inventories (see accounting policy (m)) and deferred tax assets (see accounting policy (v)), 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 estimated 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.

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Significant accounting policies - continued

(n) Impairment - continued

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 (groups of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) **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.

(ii) **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) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(p) 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 expected remuneration and an assessment of likelihood the liability will arise.

(q) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(r) Trade and other payables

Trade and other payables are stated at cost.

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(s) Share capital

Repurchase of share capital
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributed costs, is recognised as a change in equity. Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

Dividends
Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

(t) 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 development property sales: recognised on the transfer of the related significant risk and rewards of ownership, which is not until legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs.

(u) Expenses

Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and expenses
Finance income comprises interest income on funds invested, dividend income and foreign currency gains that are recognised in profit or loss. Interest income is recognised 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.

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange losses that are recognised in the income statement.

Interest attributable to funds used to finance the 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.

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Significant accounting policies - continued

(v) Income tax

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 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 substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet 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.

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.

Deferred tax assets and deferred tax liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities; the Group intends to settle net; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

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

(w) 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.

(x) New standards adopted and interpretations not yet adopted

The following standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements:

- *NZ IFRS 1 First-time Adoption of New Zealand Equivalents to IFRSs*
- *NZ IFRS 2 Share Based Payment*
- *NZ IFRS 3 Business Combinations*
- *NZ IFRS 4 Insurance Contracts*
- *NZ IFRS 8 Operating Segments*
- *NZ IAS 23 Borrowing Costs*
- *NZ IAS 27 Consolidated and Separate Financial Statements*
- *NZ IAS 32 Financial Instruments: Presentation*
- *NZ IAS 39 Financial Instruments: Recognition and Measurement*
- *NZ IFRIC 13 Customer Loyalty Programmes*
- *NZ IFRIC 15 Agreements for the Construction of Real Estate*
- *NZ IFRIC 16 Hedges of a Net Investment in a Foreign Operation*
- *NZ IFRIC 17 Distribution of Non-Cash Assets to Owners*

These standards will generally be effective for the 2009 financial year. The adoption of these standards and interpretations are not expected to have a material impact, if any, on the Group's financial statements. *NZ IAS 1 Presentation of Financial Statements* has been revised, this will impact disclosures only.

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1. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segments are the primary basis of segment reporting. The 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.

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.

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 rental income.

Geographical segments
The Group consisted of the following main geographical segments:
- New Zealand.
- Australia.
- Asia.

The Parent owns and operates hotels in New Zealand and therefore segment reporting is not applicable.

Business segments

	Hotel		Property		Consolidated	
Dollars In Thousands	2008	2007	2008	2007	2008	2007
Segment revenue	116,944	122,502	6,736	45,545	123,680	168,047
Segment finance income	1,644	2,548	11,292	12,311	12,936	14,859
Segment profit before tax and share of profit/(loss) of associate	13,439	13,764	13,159	32,834	26,598	46,598
Share of profit/(loss) of associate	-	-	921	(527)	921	(527)
Income tax expense					(5,071)	(12,781)
Profit for the period					22,448	33,290
Segment assets	360,462	335,728	174,545	227,333	535,007	563,061
Tax Assets	2,161	-	(716)	-	1,445	-
Investment in associate	-	-	95,444	41,793	95,444	41,793
Total assets	362,623	335,728	269,273	269,126	631,896	604,854
Segment liabilities	(80,933)	(75,579)	(1,350)	(1,784)	(82,283)	(77,363)
Tax liabilities	(18,257)	(15,118)	(1,523)	(2,112)	(19,780)	(17,230)
Total liabilities	(99,190)	(90,697)	(2,873)	(3,896)	(102,063)	(94,593)
Cash flows from operating activities	16,705	17,315	3,458	(2,379)	20,163	14,936
Cash flows from investing activities	(40,995)	(26,112)	(27,408)	(36,041)	(68,403)	(62,153)
Cash flows from financing activities	(2,128)	(643)	(24,390)	(28,102)	(26,518)	(28,745)
Capital expenditure	41,001	26,199	47	91	41,048	26,290

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1. Segment reporting - continued

Geographical segments

Dollars In Thousands	New Zealand 2008	New Zealand 2007	Australia 2008	Australia 2007	Asia 2008	Asia 2007	Consolidated 2008	Consolidated 2007
Segment revenue	121,410	160,660	2,270	7,387			123,680	168,047
Segment finance income	3,341	4,925	9,595	9,934	-	-	12,936	14,859
Segment profit before tax and share of profit/(loss) of associate	17,027	37,056	9,571	9,542	-	-	26,598	46,598
Share of profit/(loss) of associate	-	-	-	-	921	(527)	921	(527)
Income tax expense							(5,071)	(12,781)
Profit for the period							22,448	33,290
Segment assets	451,715	428,595	83,292	134,466	-	-	535,007	563,061
Tax Assets	1,917	-	(472)	-	-	-	1,445	-
Investment in associate	-	-	-	-	95,444	41,793	95,444	41,793
Total assets	453,632	428,595	82,820	134,466	95,444	41,793	631,896	604,854
Segment liabilities	(81,207)	(76,296)	(1,076)	(1,067)	-	-	(82,283)	(77,363)
Tax liabilities	(18,608)	(15,841)	(1,172)	(1,389)	-	-	(19,780)	(17,230)
Total liabilities	(99,815)	(92,137)	(2,248)	(2,456)	-	-	(102,063)	(94,593)
Cash flows from operating activities	14,268	12,500	5,895	2,436	-	-	20,163	14,936
Cash flows from investing activities	(40,999)	(26,114)	(43)	6,478	(27,361)	(42,517)	(68,403)	(62,153)
Cash flows from financing activities	(3,163)	(1,655)	(23,355)	(27,090)	-	-	(26,518)	(28,745)
Capital expenditure	41,004	26,201	44	89	-	-	41,048	26,290

2. Administration and other operating expenses

Dollars In Thousands	Note	Group 2008	Group 2007	Parent 2008	Parent 2007
Depreciation	9	8,118	7,207	3,513	3,247
Auditors remuneration					
Audit fees		323	327	102	78
Tax compliance and advisory		232	313	77	44
Directors fees		328	288	125	125
Lease and rental expenses	22	9,719	11,282	4,269	5,156
Provision for bad debts					
Debts written off		111	185	49	92
Movement in doubtful debt provision		(19)	(193)	(21)	(49)
Amortisation of other intangibles	11	101	129	101	101
Net loss on disposal of property, plant and equipment		317	1,651	17	988
Other		34,401	39,819	12,867	12,856
		53,631	61,008	21,099	22,638

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3. Personnel expenses

Dollars In Thousands	Group 2008	Group 2007	Parent 2008	Parent 2007
Wages and salaries	41,416	41,392	14,575	14,584
Employee related expenses and benefits	6,652	7,535	2,741	3,095
Contributions to defined contribution plans	32	39	-	-
Increase/(decrease) in liability for long-service leave	(137)	29	(7)	(1)
	47,963	48,995	17,309	17,678

4. Net finance income

Recognised in the income statement

Dollars In Thousands	Group 2008	Group 2007	Parent 2008	Parent 2007
Interest income	5,909	12,366	1,649	1,852
Dividend income	5	4	4,016	3,761
Net foreign exchange gain	7,022	2,489	29	30
Finance income	12,936	14,859	5,694	5,643
Interest expense	(5,077)	(4,170)	(530)	-
Finance costs	(5,077)	(4,170)	(530)	-
Net finance income recognised in the income statement	7,859	10,689	5,164	5,643

Recognised directly in equity

Dollars In Thousands	Group 2008	Group 2007	Parent 2008	Parent 2007
Foreign exchange translation movements	26,343	3,259	-	-
Net finance income recognised directly in equity	26,343	3,259	-	-

5. Income tax expense

Recognised in the income statement

Dollars In Thousands	Group 2008	Group 2007	Parent 2008	Parent 2007
Current tax expense				
Current year	4,217	13,949	3,760	4,812
Adjustments for prior years	78	(1,370)	11	(206)
	4,295	12,579	3,771	4,606
Deferred tax expense				
Origination and reversal of temporary difference	815	(126)	559	17
Reduction in tax rate	-	118	-	(83)
Adjustments for prior years	(39)	210	-	-
	776	202	559	(66)
Total income tax expense in income statement	5,071	12,781	4,330	4,540

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5. Income tax expense - continued

Reconciliation of tax expense

Dollars In Thousands	Group 2008	Group 2007	Parent 2008	Parent 2007
Profit before tax	27,519	46,071	16,283	17,815
Income tax using the company tax rate of 30% (2007: 33%)	8,255	15,203	4,885	5,879
Adjusted for:				
Effect of tax rate in foreign jurisdiction (rate decreased)	-	(48)	-	-
Non-deductible expenses	53	232	513	66
Imputation credits	(898)	(824)	(1,079)	(1,010)
Tax exempt revenues	(2,378)	(740)	-	(106)
Reduction in tax rate	-	118	-	(83)
Under / (over) provided in prior years	39	(1,160)	11	(206)
Normalised income tax expense	**5,071**	**12,781**	**4,330**	**4,540**

Deferred tax recognised directly in equity

Dollars In Thousands	Group 2008	Group 2007	Parent 2008	Parent 2007
Relating to revaluation of property, plant and equipment	1,261	4,065	958	2,731
Relating to net investment in foreign subsidiaries	602	-	-	-
	1,863	4,065	958	2,731

6. Imputation credits

Dollars In Thousands	Parent 2008	Parent 2007
Balance at beginning of year	9,398	8,503
Imputation credits attached to dividends received	1,079	1,010
Taxation paid	3,570	3,655
Taxation transferred	-	(795)
Imputation credits attached to dividends paid	(2,975)	(2,975)
	11,072	9,398
The imputation credits are available to shareholders of the parent company as follows :		
Through the parent company	11,072	9,398
Through subsidiaries	18,496	18,827
	29,568	28,225

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7. Capital and reserves

Reconciliation of movement in capital and reserves

Group

	Attributable to equity holders of the Group							
Dollars In Thousands	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Minority Interest	Total Equity
Balance at 1 January 2007	430,330	67,840	(2,005)	(140,668)	(85)	355,412	127,257	482,669
Movement in exchange translation reserve	-	-	1,922	-	-	1,922	1,337	3,259
Revaluation of property, plant & equipment	-	23,392	-	-	-	23,392	5,151	28,543
Income & expense recognised directly in equity	-	23,392	1,922	-	-	25,314	6,488	31,802
Net profit for the year	-	-	-	24,208	-	24,208	9,082	33,290
Total recognised income & expenses	-	23,392	1,922	24,208	-	49,522	15,570	65,092
Dividends paid to:								
Equity holders of the parent	-	-	-	(8,731)	-	(8,731)	-	(8,731)
Minority interests	-	-	-	-	-	-	(2,620)	(2,620)
Supplementary dividends	-	-	-	(2,003)	-	(2,003)	-	(2,003)
Foreign investment tax credits	-	-	-	2,003	-	2,003	-	2,003
Movement in minority interest	-	-	-	(149)	-	(149)	(26,000)	(26,149)
Balance at 31 December 2007	430,330	91,232	(83)	(125,340)	(85)	396,054	114,207	510,261

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7. **Capital and reserves** - continued

Reconciliation of movement in capital and reserves

Group

Dollars In Thousands	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Minority Interest	Total Equity
	Attributable to equity holders of the Group							
Balance at 1 January 2008	430,330	91,232	(83)	(125,340)	(85)	396,054	114,207	510,261
Movement in exchange translation reserve	-	-	25,488	-	-	25,488	253	25,741
Revaluation of property, plant & equipment	-	3,824	-	-	-	3,824	1,305	5,129
Income & expense recognised directly in equity	-	3,824	25,488	-	-	29,312	1,558	30,870
Net profit for the year	-	-	-	17,770	-	17,770	4,678	22,448
Total recognised income & expenses	-	3,824	25,488	17,770	-	47,082	6,236	53,318
Dividends paid to:								
Equity holders of the parent	-	-	-	(8,731)	-	(8,731)	-	(8,731)
Minority interests	-	-	-	-	-	-	(2,402)	(2,402)
Supplementary dividends	-	-	-	(2,070)	-	(2,070)	-	(2,070)
Foreign investment tax credits	-	-	-	2,070	-	2,070	-	2,070
Movement in minority interest	-	-	-	101	-	101	(22,714)	(22,613)
Balance at 31 December 2008	**430,330**	**95,056**	**25,405**	**(116,200)**	**(85)**	**434,506**	**95,327**	**529,833**

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7. **Capital and reserves** - continued

Reconciliation of movement in capital and reserves

Parent

Dollars In Thousands	Share Capital	Revaluation Reserve	Accumulated Losses	Treasury Stock	Total Equity
Balance at 1 January 2007	430,330	44,000	(194,413)	(85)	279,832
Revaluation of property, plant and equipment	-	11,346	-	-	11,346
Income & expense recognised directly in equity	-	11,346	-	-	11,346
Net profit for the year	-	-	13,275	-	13,275
Total recognised income & expenses	-	11,346	13,275	-	24,621
Dividends to shareholders	-	-	(8,731)	-	(8,731)
Supplementary dividends	-	-	(1,326)	-	(1,326)
Foreign investment tax credits	-	-	1,326	-	1,326
Balance at 31 December 2007	**430,330**	**55,346**	**(189,869)**	**(85)**	**295,722**
Balance at 1 January 2008	430,330	55,346	(189,869)	(85)	295,722
Revaluation of property, plant and equipment	-	2,873	-	-	2,873
Income & expense recognised directly in equity	-	2,873	-	-	2,873
Net profit for the year	-	-	11,953	-	11,953
Total recognised income & expenses	-	2,873	11,953	-	14,826
Dividends to shareholders	-	-	(8,731)	-	(8,731)
Supplementary dividends	-	-	(1,353)	-	(1,353)
Foreign investment tax credits	-	-	1,353	-	1,353
Balance at 31 December 2008	**430,330**	**58,219**	**(186,647)**	**(85)**	**301,817**

Share capital

Share capital	**Group and parent**			
	2008 Shares	**2008 $000's**	**2007 Shares**	**2007 $000's**
Shares issued 1 January	349,598,066	430,330	349,598,066	430,330
Total shares issued at 31 December - fully paid	349,598,066	430,330	349,598,066	430,330
Shares repurchased and held as treasury stock	(329,627)	(85)	(329,627)	(85)
Total shares issued and outstanding	349,268,439	430,245	349,268,439	430,245

All shares carry equal rights and rank pari passu with regard to residual assets of the Company.

At 31 December 2008, the authorised share capital consisted of 349,598,066 ordinary shares (2007: 349,598,066 ordinary shares).

Revaluation reserve
The revaluation reserve relates to property, plant and equipment.

Exchange reserve
The exchange reserve comprises the effective portion of foreign exchange differences arising from the translation of the financial statements of foreign operations.

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7. Capital and reserves - continued

Dividends
The following dividends were declared and paid during the year ended 31 December:

Dollars In Thousands	Parent 2008	Parent 2007
Ordinary Dividend - 2.5 cents per qualifying ordinary share (2007: 2.5 cents)	8,731	8,731
Tax relating to non resident shareholders	1,353	1,326
	10,084	10,057

After 31 December 2008 the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

Dollars In Thousands	Parent
Ordinary Dividend - **1.2** cents per qualifying ordinary share	4,191

8. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 December 2008 was based on the profit attributable to ordinary shareholders of $17,770,000 (2007: $24,208,000) and weighted average number of ordinary shares outstanding during the year ended 31 December 2008 of 349,268,439 (2007: 349,268,439), calculated as follows:

Profit attributable to ordinary shareholders

Dollars In Thousands	Group 2008	Group 2007
Profit for the period	22,448	33,290
Profit attributable to minority interests	(4,678)	(9,082)
Profit attributable to ordinary shareholders	17,770	24,208

Weighted average number of ordinary shares

	Group 2008	Group 2007
Issued ordinary shares at 1 January	349,598,066	349,598,066
Effect of own shares held	(329,627)	(329,627)
Weighted average number of ordinary shares at 31 December	349,268,439	349,268,439

Diluted earnings per share
The calculation of diluted earnings per share is the same as basic earnings per share.

Earnings per share for continuing and discontinued operations
There were no discontinued operations during the year.

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9. Property, plant and equipment

Group

Dollars In Thousands	Freehold Land	Freehold Buildings	Leasehold Land & Buildings	Plant, Equipment Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost							
Balance at 1 January 2007	64,663	120,609	17,998	110,819	143	3,270	317,502
Acquisitions	-	15,629	5,287	7,173	11	(1,810)	26,290
Disposals	-	(697)	(28)	(13,327)	-	-	(14,052)
Transfer from accumulated depreciation	-	(862)	(14)	-	-	-	(876)
Movements in foreign exchange	-	-	-	8	-	-	8
Revaluation surplus	19,476	14,811	(1,684)	-	-	-	32,603
Balance at 31 December 2007	**84,139**	**149,490**	**21,559**	**104,673**	**154**	**1,460**	**361,475**
Balance at 1 January 2008	84,139	149,490	21,559	104,673	154	1,460	361,475
Acquisitions	27,493	9,195	31	2,868	-	1,461	41,048
Disposals	-	-	-	(2,865)	-	-	(2,865)
Transfers within categories	-	1,751	(44)	113	-	(1,820)	-
Transfer from accumulated depreciation	-	(362)	-	-	-	-	(362)
Transfer leasehold interest from intangibles	-	2,235	-	68	-	-	2,303
Movements in foreign exchange	-	-	-	25	-	-	25
Revaluation surplus	1,137	5,253	-	-	-	-	6,390
Balance at 31 December 2008	**112,769**	**167,562**	**21,546**	**104,882**	**154**	**1,101**	**408,014**
Depreciation and impairment losses							
Balance at 1 January 2007	-	(2,081)	(1,027)	(69,217)	(73)	-	(72,398)
Depreciation charge for the year	-	(881)	(266)	(6,033)	(27)	-	(7,207)
Disposals	-	36	4	12,249	-	-	12,289
Transfer accumulated depreciation against cost following revaluation	-	862	14	-	-	-	876
Movements in foreign exchange	-	-	-	(5)	-	-	(5)
Balance at 31 December 2007	-	**(2,064)**	**(1,275)**	**(63,006)**	**(100)**	-	**(66,445)**
Balance at 1 January 2008	-	(2,064)	(1,275)	(63,006)	(100)	-	(66,445)
Depreciation charge for the year	-	(1,282)	(380)	(6,442)	(14)	-	(8,118)
Disposals	-	-	65	2,477	-	-	2,542
Transfers within categories	-	(18)	-	18	-	-	-
Transfer accumulated depreciation against cost following revaluation	-	362	-	-	-	-	362
Transfer leasehold interest from intangibles	-	(1,450)	-	(43)	-	-	(1,493)
Movements in foreign exchange	-	-	-	(16)	-	-	(16)
Balance at 31 December 2008	-	**(4,452)**	**(1,590)**	**(67,012)**	**(114)**	-	**(73,168)**
Carrying amounts							
At 1 January 2007	64,663	118,528	16,971	41,602	70	3,270	245,104
At 31 December 2007	**84,139**	**147,426**	**20,284**	**41,667**	**54**	**1,460**	**295,030**
At 1 January 2008	84,139	147,426	20,284	41,667	54	1,460	295,030
At 31 December 2008	**112,769**	**163,110**	**19,956**	**37,870**	**40**	**1,101**	**334,846**

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9. **Property, plant and equipment** - continued

Parent

Dollars In Thousands	Freehold Land	Freehold Buildings	Plant, Equipment Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost						
Balance at 1 January 2007	37,453	65,946	52,064	54	426	155,943
Acquisitions	-	2,755	1,433	-	274	4,462
Disposals	-	(250)	(3,419)	-	-	(3,669)
Transfer from accumulated depreciation	-	(471)	-	-	-	(471)
Revaluation surplus	3,032	11,045	-	-	-	14,077
Balance at 31 December 2007	**40,485**	**79,025**	**50,078**	**54**	**700**	**170,342**
Balance at 1 January 2008	40,485	79,025	50,078	54	700	170,342
Acquisitions	27,493	9,195	2,099	-	151	38,938
Disposals	-	-	(146)	-	-	(146)
Transfers within categories	-	(16)	16	-	-	-
Transfer from accumulated depreciation	-	(195)	-	-	-	(195)
Transfer leasehold interest from intangibles	-	2,380	68	-	-	2,448
Revaluation surplus	640	3,191	-	-	-	3,831
Balance at 31 December 2008	**68,618**	**93,580**	**52,115**	**54**	**851**	**215,218**
Depreciation and impairment losses						
Balance at 1 January 2007	-	(1,818)	(31,134)	(47)	-	(32,999)
Depreciation charge for the year	-	(517)	(2,727)	(3)	-	(3,247)
Disposals	-	11	2,668	-	-	2,679
Transfer accumulated depreciation against cost following revaluation	-	471	-	-	-	471
Balance at 31 December 2007	**-**	**(1,853)**	**(31,193)**	**(50)**	**-**	**(33,096)**
Balance at 1 January 2008	-	(1,853)	(31,193)	(50)	-	(33,096)
Depreciation charge for the year	-	(597)	(2,913)	(3)	-	(3,513)
Disposals	-	-	116	-	-	116
Transfers within categories	-	(20)	20	-	-	-
Transfer accumulated depreciation against cost following revaluation	-	195	-	-	-	195
Transfer leasehold interest from intangibles	-	(1,535)	(43)	-	-	(1,578)
Balance at 31 December 2008	**-**	**(3,810)**	**(34,013)**	**(53)**	**-**	**(37,876)**
Carrying amounts						
At 1 January 2007	37,453	64,128	20,930	7	426	122,944
At 31 December 2007	**40,485**	**77,172**	**18,885**	**4**	**700**	**137,246**
At 1 January 2008	40,485	77,172	18,885	4	700	137,246
At 31 December 2008	**68,618**	**89,770**	**18,102**	**1**	**851**	**177,342**

The Directors consider the value of the hotel assets with a net book value of $335 million (2007: $295 million) to be within a range of $359 to $384 million (2007: $312 to $337 million). This is substantiated by valuations completed by DTZ New Zealand Limited, registered valuers, in December 2006, 2007 and 2008 in respect of hotel assets in Millennium & Copthorne Hotels New Zealand Limited of $235 million (2007: $189 million) and in respect of hotel assets in Quantum Limited of $149 million (2007: $147 million).

During 2008 three (2007: eight) of the Group's freehold hotel properties were subject to an external professional valuation by DTZ New Zealand Limited, registered valuers, on a highest and best use basis. Based on these valuations and in accordance with the Group accounting policies the respective properties' land and buildings were revalued to their fair value. A total of $6,390,000 (2007: $32,603,000) has been added to the carrying values of land and buildings.

During 2008 two (2007: one) of the Parent's freehold hotel properties were subject to an external professional valuation by DTZ New Zealand Limited, registered valuers, on a highest and best use basis. Based on these valuations and in accordance with the Group accounting policies the respective properties' land and buildings were revalued to their fair value. A total of $3,831,000 (2007: $14,077,000) has been added to the carrying values of land and buildings.

9. Property, plant and equipment - continued

The Group's hotel properties are stated at fair value by independent valuers. The basis of the valuation is the net present value of the future earnings of the assets. The major inputs and assumptions that are used in the valuation model that require judgement include forecasts of the future earnings, projected operational and maintenance expenditure profiles and discount rates (internal rate of return).

The Directors consider the net book value of the hotels not valued by independent valuers in 2008 to approximate their fair value as at 31 December 2008.

Had the property, plant and equipment been carried under the cost model, the following carrying values would have been recognised:

Group

Dollars In Thousands	Freehold Land	Freehold Buildings	Leasehold Land & Buildings	Plant, Equipment Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Carrying amounts							
At 1 January 2007	18,762	86,276	18,213	41,602	70	3,270	168,193
At 31 December 2007	**18,762**	**100,027**	**23,284**	**41,667**	**54**	**1,460**	**185,254**
At 1 January 2008	18,762	100,027	23,284	41,667	54	1,460	185,254
At 31 December 2008	**46,255**	**110,458**	**22,956**	**37,870**	**40**	**1,101**	**218,680**

Parent

Dollars In Thousands	Freehold Land	Freehold Buildings	Plant, Equipment Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Carrying amounts						
At 1 January 2007	10,065	45,625	20,930	7	426	77,053
At 31 December 2007	**10,065**	**47,633**	**18,885**	**4**	**700**	**77,287**
At 1 January 2008	10,065	47,633	18,885	4	700	77,287
At 31 December 2008	**37,558**	**57,038**	**18,102**	**1**	**851**	**113,550**

10. Development properties

	Group		Parent	
Dollars In Thousands	2008	2007	2008	2007
Development land	85,399	80,165	-	-
Residential development	57,092	52,257	-	-
	142,491	132,422	-	-
Less expected to settle within one year	(2,383)	(11,413)	-	-
	140,108	**121,009**	-	-

Development land is carried at the lower of cost and net realisable value. No interest (2007: $nil) has been capitalised during the year. The value of development land held at 31 December 2008 was determined by independent registered valuers, DM Koomen SPINZ, of DTZ New Zealand Limited as $169.7 million (2007: $202.7 million).

The fair value of development land is determined by the independent valuer. The basis of the valuation is the hypothetical subdivision approach and/or block land sales comparisons to derive the residual block land values. The major inputs and assumptions that are used in the valuation model that require judgement include the individual section prices, allowances for profit and risk, projected completion and sell down periods and interest rate during the holding period.

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10. Development property - continued

Residential development at balance date consists of the residential development known as Zenith Residences. The value of Zenith Residences development held at 31 December 2008 was determined by D Sukkar of LandMark White (NSW) Pty Ltd, registered valuers as $68.4 million (A$57.5 million) (2007: $70.5 million (A$62.1 million)).

The fair value of the residential development is determined by the independent valuer. The basis of the valuation is gross realisations 'as is' assuming individual sales of unsold units. The major inputs and assumptions that are used in the valuation model that require judgement include interest rates, consumer confidence, unemployment and external economic factors.

11. Intangible assets

	Group			
Dollars In Thousands	Goodwill	Leasehold interests	Management Contracts	Total
Cost				
Balance at 1 January 2007	6,530	25,365	1,373	33,268
Additions	-	-	-	-
Balance at 31 December 2007	6,530	25,365	1,373	33,268
Balance at 1 January 2008	6,530	25,365	1,373	33,268
Transfer to property, plant & equipment	-	(2,303)	-	(2,303)
Balance at 31 December 2008	6,530	23,062	1,373	30,965
Amortisation and impairment losses				
Balance at 1 January 2007	(2,777)	(24,303)	(1,373)	(28,453)
Amortisation for the year	-	(129)	-	(129)
Balance at 31 December 2007	(2,777)	(24,432)	(1,373)	(28,582)
Balance at 1 January 2008	(2,777)	(24,432)	(1,373)	(28,582)
Amortisation for the year	-	(101)	-	(101)
Transfer to property, plant & equipment	-	1,493	-	1,493
Balance at 31 December 2008	(2,777)	(23,040)	(1,373)	(27,190)
Carrying amounts				
At 1 January 2007	3,753	1,062	-	4,815
At 31 December 2007	**3,753**	**933**	-	**4,686**
At 1 January 2008	3,753	933	-	4,686
At 31 December 2008	**3,753**	**22**	-	**3,775**

The above goodwill is attributed to Copthorne Hotel Auckland Harbourcity and Kingsgate Hotel Greymouth cash generating units for impairment testing purposes.

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11. **Intangible assets** - continued

	Parent		
Dollars In Thousands	Goodwill	Leasehold interests	Total
Cost			
Balance at 1 January 2007	6,522	2,710	9,232
Additions	-	-	-
Balance at 31 December 2007	6,522	2,710	9,232
Balance at 1 January 2008	6,522	2,710	9,232
Transfer to property, plant & equipment	-	(2,448)	(2,448)
Balance at 31 December 2008	6,522	262	6,784
Amortisation and impairment losses			
Balance at 1 January 2007	(2,777)	(1,616)	(4,393)
Amortisation for the year	-	(101)	(101)
Balance at 31 December 2007	(2,777)	(1,717)	(4,494)
Balance at 1 January 2008	(2,777)	(1,717)	(4,494)
Amortisation for the year	-	(101)	(101)
Transfer to property, plant & equipment	-	1,578	1,578
Balance at 31 December 2008	(2,777)	(240)	(3,017)
Carrying amounts			
At 1 January 2007	3,745	1,094	4,839
At 31 December 2007	**3,745**	**993**	**4,738**
At 1 January 2008	3,745	993	4,738
At 31 December 2008	**3,745**	**22**	**3,767**

The above goodwill is attributed to Copthorne Hotel Auckland Harbourcity and Kingsgate Hotel Greymouth cash generating units for impairment testing purposes.

Amortisation and impairment charge
The amortisation and impairment charge is recognised in other operating expenses in the income statement:

	Group		Parent	
Dollars In Thousands	2008	2007	2008	2007
Other operating expenses	101	129	101	101
	101	129	101	101

Impairment
There was no impairment of goodwill and intangible assets during the year. Goodwill and intangible assets are reviewed for impairment each year. Goodwill is assessed for impairment by testing for impairment the value in use of the hotel to which the goodwill is allocated.

Based on this review the Directors are satisfied that there was no impairment of goodwill and intangible assets in the current year.

The testing for impairment requires management to estimate future cash flows to be generated by the cash generating units to which goodwill and intangible assets have been allocated. In estimating future cash flows, management has to make judgements on expected rate of growth in revenue and costs, the occupancy and average room rates expected to be achieved, and the appropriate discount rate to apply when discounting future cash flows.

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12. Investment in associate

The Group's share of profit in its associate for the year was $921,000 (2007: $ 527,000 loss).

During the year, the Group provided additional investment of USD 21million into its associate, First Sponsor Capital Limited. As not all cash calls were taken up by the Group's parent company, this resulted in a reduction in the Group's economic interest to 34.21% from 49.99%. The Group has, through First Sponsor Capital Limited, invested in Idea Valley Investment Holdings Limited (Cayman Islands). During the year, Idea Valley Investment Holdings Limited acquired 100% of Gaeronic Pte Limited, which owns a confectionery factory in the Sichuan province in the People's Republic of China. The principal activities of First Sponsor Capital Limited and its subsidiaries are property owner and developer, hotel operator, agency service of property sales, provision of property related consulting services and the manufacture of confectionery.

Summary financial information for associate, not adjusted for the percentage ownership held by the Group:

Dollars In Thousands	Ownership	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Revenues	Expenses	Profit/ (loss)
2008										
First Sponsor Capital Limited	34.21%	214,692	151,147	365,839	(44,222)	(24,428)	(68,650)	46,591	(43,898)	2,693
2007										
First Sponsor Capital Limited	49.99%	95,212	30,366	125,578	(26,547)	(11,305)	(37,852)	3,901	(4,955)	(1,054)

Movements in the carrying value of associate:

Dollars In Thousands	Group 2008	Group 2007
Balance at 1 January	41,793	-
Investment in associate	27,361	42,517
Share of post acquisition movement in foreign exchange reserves for the year	24,127	(197)
Share of other post acquisition reserves	1,242	-
Share of profit/(loss) for the year	921	(527)
Balance at 31 December	95,444	41,793

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13. Cash and cash equivalents

Dollars In Thousands	Group 2008	Group 2007	Parent 2008	Parent 2007
Term deposits	24,379	98,856	-	11,700
Cash	5,022	5,041	1,423	2,026
Bank overdrafts	(1,368)	(926)	-	-
Cash and cash equivalents	28,033	102,971	1,423	13,726

14. Trade and other receivables

Dollars In Thousands	Note	Group 2008	Group 2007	Parent 2008	Parent 2007
Trade receivables		12,795	14,285	4,039	4,480
Related parties	25	48	40	5,341	5,353
Other trade receivables and prepayments		11,276	11,682	426	479
		24,119	26,007	9,806	10,312

15. Inventories

Dollars In Thousands	Group 2008	Group 2007	Parent 2008	Parent 2007
Consumables	754	944	308	401
Finished goods	989	1,001	182	199
	1,743	1,945	490	600

16. Current tax assets and liabilities

Dollars In Thousands	Group 2008	Group 2007	Parent 2008	Parent 2007
Income tax receivable	1,445	-	-	169
Income tax payable	-	(89)	(32)	-

The current tax asset/(liability) represents the amount of income taxes receivable/(payable) in respect of current and prior periods.

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17. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 21.

Group

Dollars in Thousands	Currency	Interest Rate	Maturity	31 December 2008 Face Value	31 December 2008 Carrying amount	31 December 2007 Face Value	31 December 2007 Carrying amount
Secured bank loan	NZD	7.495%	31 Oct 2011	12,500	12,500	12,500	12,500
Secured bank loan	NZD	5.875%	31 Oct 2011	12,500	12,500	12,500	12,500
Secured bank loan	NZD	5.905%	31 Oct 2011	10,000	10,000	10,000	10,000
Revolving credit	NZD	5.525%	31 Oct 2011	17,583	17,583	18,995	18,995
Revolving credit	NZD	6.025%	30 Jun 2010	9,769	9,769	-	-
TOTAL				62,352	62,352	53,995	53,995

Parent

Dollars in Thousands	Currency	Interest Rate	Maturity	31 December 2008 Face Value	31 December 2008 Carrying amount	31 December 2007 Face Value	31 December 2007 Carrying amount
Revolving credit	NZD	6.025%	30 Jun 2010	9,769	9,769	-	-

Terms and debt repayment schedule

The bank loans are secured over land and buildings with a carrying amount of $237,682,000 (2007: $142,325,000). The bank loans have no fixed term of repayment. The Group facility matures on 31 October 2011 and the Parent company facility matures on 30 June 2010.

18. Provisions

Dollars In Thousands	Group FF&E Site Restoration	Parent FF&E
Balance at 1 January 2007	1,725	376
Provisions made during the year	3,782	327
Provisions used during the year	(300)	(179)
Balance at 31 December 2007	5,207	524
Non-current	724	524
Current	4,483	-
Balance at 1 January 2008	5,207	524
Provisions made during the year	308	151
Provisions used during the year	(1,684)	-
Balance at 31 December 2008	3,831	675
Non-current	850	675
Current	2,981	-

An obligation exists under certain leases to restore various aspects for the effect of the Group's operations and to maintain hotel equipment in running order. Provisions in respect of the estimates of such costs have been recognised.

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19. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
Dollars In Thousands	2008	2007	2008	2007	2008	2007
Property, plant and equipment	-	-	21,254	19,846	21,254	19,846
Development properties	(941)	(861)	-	-	(941)	(861)
Provisions	(2,018)	(2,388)	-	-	(2,018)	(2,388)
Employee benefits	(750)	(772)	-	-	(750)	(772)
Trade and other payables	-	-	1,633	1,316	1,633	1,316
Net investment in foreign operations	-	-	602	-	602	-
Net tax (assets) / liabilities	(3,709)	(4,021)	23,489	21,162	19,780	17,141

	Parent					
	Assets		Liabilities		Net	
Dollars In Thousands	2008	2007	2008	2007	2008	2007
Property, plant and equipment	-	-	12,641	11,141	12,641	11,141
Provisions	(990)	(879)	-	-	(990)	(879)
Employee benefits	(1)	(3)	-	-	(1)	(3)
Trade and other payables	(146)	(272)	-	-	(146)	(272)
Net tax (assets) / liabilities	(1,137)	(1,154)	12,641	11,141	11,504	9,987

Unrecognised deferred tax assets

The KIN Group has A$8.5 million (2007: A$7.4 million) franking credits available as at 31 December 2008.

Movement in temporary differences during the year

	Group			
Dollars In Thousands	Balance 1 Jan 07	Recognised in income	Recognised in equity	Balance 31 Dec 07
Property, plant and equipment	15,131	650	4,065	19,846
Development properties	(907)	46	-	(861)
Provisions	(410)	(1,978)	-	(2,388)
Employee benefits	(914)	142	-	(772)
Trade and other payables	(26)	1,342	-	1,316
	12,874	202	4,065	17,141

	Group			
Dollars In Thousands	Balance 1 Jan 08	Recognised in income	Recognised in equity	Balance 31 Dec 08
Property, plant and equipment	19,846	147	1,261	21,254
Development properties	(861)	(80)	-	(941)
Provisions	(2,388)	370	-	(2,018)
Employee benefits	(772)	22	-	(750)
Trade and other payables	1,316	317	-	1,633
Net investment in foreign operations	-	-	602	602
	17,141	776	1,863	19,780

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19. Deferred tax assets and liabilities - continued

Movement in temporary differences during the year

Dollars In Thousands	Parent Balance 1 Jan 07	Recognised in income	Recognised in equity	Balance 31 Dec 07
Property, plant and equipment	8,408	2	2,731	11,141
Provisions	(28)	(851)	-	(879)
Employee benefits	(3)	-	-	(3)
Trade and other payables	(1,055)	783	-	(272)
	7,322	(66)	2,731	9,987

Dollars In Thousands	Parent Balance 1 Jan 08	Recognised in income	Recognised in equity	Balance 31 Dec 08
Property, plant and equipment	11,141	542	958	12,641
Provisions	(879)	(111)	-	(990)
Employee benefits	(3)	2	-	(1)
Trade and other payables	(272)	126	-	(146)
	9,987	559	958	11,504

20. Trade and other payables

	Group		Parent	
Dollars In Thousands	2008	2007	2008	2007
Trade payables	1,625	2,278	695	729
Employee entitlements	2,515	2,640	-	38
Non-trade payables and accrued expenses	11,734	12,762	3,772	4,543
	15,874	17,680	4,467	5,310

21. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

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21. **Financial instruments** - continued

Interest rate risk
In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings with an ongoing review of its exposure to changes in interest rates on its borrowings, the maturity profile of the debt, and the cash flows of the underlying debt. The Group maintains its borrowings at fixed rates on short term which gives the Group flexibility in the context of the economic climate, business cycle, loan covenants, cash flows, and cash balances.

A reduction of 1.5% in interest rates at the reporting date would have increased profit before tax for the Group by $ 616,000 (2007: reduced profit before tax by $617,000), assuming all other variables remained constant. For the Parent this would have increased profit before tax by $126,000 (2007: reduced profit before tax by $30,000)), assuming all other variables remained constant.

Effective interest and repricing analysis
In respect of income-earning financial assets and interest-bearing financial liabilities the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

Group		2008				2007		
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less
Interest bearing cash & cash equivalents *	13	4.02% to 7.30%	29,313	24,742	4,571	5.25% to 8.78%	103,793	103,793
Secured bank facility *	17	5.53% to 7.50%	(62,352)	(62,352)	-	8.63% to 9.37%	(53,995)	(53,995)
Bank overdrafts *	13	5.82%	(1,368)	(1,368)	-	8.69%	(926)	(926)

Parent		2008			2007		
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	Effective interest rate	Total	6 months or less
Interest bearing cash & cash equivalents *	13	4.02% to 5.00%	1,390	1,390	7.40% to 8.78%	13,686	13,686
Secured bank facility *	17	6.03%	(9,769)	(9,769)	-	-	-

* These assets / (liabilities) bear interest at a fixed rate.

Foreign currency risk
The Company owns 61.30% of KIN Holdings Limited and 34.21% of First Sponsor Capital Limited. Substantially all the operations of these subsidiary and associate groups are denominated in foreign currencies.

The Group is not exposed to any other foreign currency risks.

21. **Financial instruments** - continued

Capital management
The Group's capital includes share capital and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is not subject to any external imposed capital requirements.

The allocation of capital is, to a large extent, driven by optimisation of the return achieved on the capital allocated.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Fair values
The fair values together with the carrying amounts shown in the balance sheet are as follows:

Group		Carrying amount	Fair value	Carrying amount	Fair value
Dollars In Thousands	Note	2008	2008	2007	2007
Cash and cash equivalents	13	28,033	28,033	102,971	102,971
LOANS AND RECEIVABLES					
Trade and other receivables	14	24,119	24,119	26,007	26,007
OTHER LIABILITIES					
Secured bank loans	17	(62,352)	(62,352)	(53,995)	(53,995)
Trade and other payables and related parties	20, 25	(16,100)	(16,100)	(18,161)	(18,161)
		(26,300)	(26,300)	56,822	56,822
Unrecognised (losses) / gains			-		-

Parent		Carrying amount	Fair value	Carrying amount	Fair value
Dollars In Thousands	Note	2008	2008	2007	2007
Cash and cash equivalents	13	1,423	1,423	13,726	13,726
LOANS AND RECEIVABLES					
Trade and other receivables and advances to subsidiaries	14, 25	18,656	18,656	20,062	20,062
OTHER LIABILITIES					
Secured bank loans	17	(9,769)	(9,769)	-	-
Trade and other payables and related parties	20, 25	(4,693)	(4,693)	(5,791)	(5,791)
		5,617	5,617	27,997	27,997
Unrecognised (losses) / gains			-		-

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Estimation of fair values
The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

(a) Cash, accounts receivable, accounts payable and related party balances. The carrying amount for these balances approximate their fair value because of the short maturities of these items.
(b) Borrowings. The carrying amount for the borrowings represent their fair values because the interest rates are reset to market periodically, every 1 to 2 months.
Fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

22. Operating leases

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
Dollars In Thousands	2008	2007	2008	2007
Less than one year	6,698	9,579	2,943	5,247
Between one and five years	13,868	28,472	2,752	17,080
More than five years	6,980	33,004	-	23,410
	27,546	71,055	5,695	45,737

The Group leases a number of hotels and motor vehicles under operating leases. The hotel leases typically run for a period of years, with an option to renew the lease after that date. Lease payments are increased regularly to reflect market rentals.

During the year ended 31 December 2008, $9,719,000 was recognised as an expense in the income statement in respect of operating leases (2007: $11,282,000). Operating lease expenses for the Parent were $4,269,000 in 2008 (2007: $5,156,000).

23. Capital commitments

As at 31 December 2008, the Group entered into contracts to purchase property, plant and equipment for $3,297,000 (2007: $4,148,000).
As at 31 December 2008, the Parent entered into contracts to purchase property, plant and equipment for $903,000 (2007: $nil).

24. Related parties

Identity of related parties
The Group has a related party relationship with its parent, subsidiaries (see note 25), associates and with its directors and executive officers.

Transactions with key management personnel
Directors of the Company and their immediate relatives control 0.71% (2007: 0.71%) of the voting shares of the Company. Loans to directors for the year ended 31 December 2008 amounted to $nil (2007: $nil). The key management personnel compensation consists of short-term employee benefits.

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24. Related parties - continued

Total remuneration is included in "personnel expenses" (see note 3):

Dollars In Thousands	Group 2008	Group 2007	Parent 2008	Parent 2007
Directors	915	993	579	660
Executive officers	687	637	589	516
	1,602	1,630	1,168	1,176

25. Group entities

Control of the Group
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.

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

Dollars In Thousands	Note	Nature of balance	Group 2008	Group 2007
Millennium & Copthorne Hotels plc		Recovery of expenses	37	40
Millennium & Copthorne International Ltd		Recovery of expenses	11	-
	14		48	40
Millennium & Copthorne Hotels plc		Recharge of expenses	(220)	(480)
Millennium & Copthorne International Ltd		Recharge of expenses	(6)	(1)
			(226)	(481)

No debts with related parties were written off or forgiven during the year. No interest was charged on these advances during 2008 and 2007. There are no set repayment terms. During this period costs amounting to $250,000 (2007: $250,000) have been recorded in the Income Statement in respect of fees payable to Millennium & Copthorne International Limited for the provision of management and marketing support.

During the 2008 year, legal fees of $357,000 were paid to Bell Gully of which Mr. GA McKenzie (Director) was a consultant from May 2008. Mr. GA McKenzie was not a consultant of Bell Gully in 2007. During the year consulting fees of $34,000 (2007: $17,000) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder and director.

Parent
At balance date, there were interest bearing inter-company advances owing from Context Securities Limited of $8,850,000 (2007: $9,750,000). Net interest on advances of $865,000 (2007: $462,000) was received from Context Securities Limited during the year. The average interest rate charged during the year was 9.66% (2007: 9.55%). These are repayable on demand.

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25. Group entities - continued

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

Dollars In Thousands	Note	Nature of balance	Parent 2008	Parent 2007
Millennium & Copthorne Hotels plc		Recovery of expenses	37	40
Context Securities Ltd		Prepaid expenses	4,612	4,558
MCHNZ Investments Ltd		Intercompany account	33	(90)
Kingsgate International Corporation Ltd		Intercompany account	-	(76)
Quantum Ltd		Management fees	648	921
Millennium & Copthorne International Ltd		Recovery of expenses	11	-
	14		5,341	5,353
Millennium & Copthorne Hotels plc		Recharge of expenses	(220)	(480)
Millennium & Copthorne International Ltd		Recharge of expenses	(6)	(1)
			(226)	(481)

No debts with related parties were written off or forgiven during the year. No interest was charged on these advances during 2008 and 2007. These are repayable on demand. During the year dividend income of $4,016,000 (2007: $3,760,000) was received from CDL Investments New Zealand Limited.

Management fees of $1,197,000 (2007:$ 1,230,000) were received from Quantum Limited during the year.

Although the Group owns less than half of the voting power of Bay of Islands Joint Venture, it is able to govern the financial and operating policies of the company by virtue of an agreement with the other investors of the Joint Venture. Consequently, the Group consolidates its investment in the company.

Associate companies

The associate companies included in the consolidated financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2008 are:

	Principal Activity	Holding % by MCHNZ Investments Limited 2008	Holding % by MCHNZ Investments Limited 2007
First Sponsor Capital Limited	Investment Holding	34.21	49.99
		Holding % by CDL Land New Zealand Limited 2008	Holding % by CDL Land New Zealand Limited 2007
Prestons Road Limited	Service Provider	33.33	33.33

All of the above associates have 31 December balance dates with the exception of Prestons Road Limited which has a 31 March balance date. No adjustment is made for the difference in balance date of Prestons Road Limited.

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25. Group entities - continued

Subsidiary companies

The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2008 are:

	Principal Activity	Group holding % 2008	Group holding % 2007
Context Securities Limited	Investment Holding	100.00	100.00
MCHNZ Investments Limited	Investment Holding	100.00	100.00
Millennium & Copthorne Hotels Limited	Dormant	100.00	100.00
All Seasons Hotels & Resorts Limited	Dormant	100.00	100.00
Copthorne Hotel & Resort Bay of Islands Joint Venture	Hotel Operations	49.00	49.00
Quantum Limited	Holding Company	70.00	70.00
100% owned subsidiaries of Quantum Limited are:			
QINZ Holdings (New Zealand) Limited	Holding Company		
Kingsgate Hotels and Resorts Limited	Dormant/(Franchise Holder)		
Hospitality Group Limited	Holding Company		
100% owned subsidiaries of Hospitality Group Limited are:			
Hospitality Leases Limited	Lessee Company/Hotel Operations		
QINZ Anzac Avenue Limited	Hotel Owner		
Hospitality Services Limited	Hotel Operations/Franchise Holder		
CDL Investments New Zealand Limited	Holding Company	65.16	64.32
100% owned subsidiaries of CDL Investments New Zealand Limited are:			
CDL Land New Zealand Limited	Property Investment and Development		
KIN Holdings Limited	Holding Company	61.30	61.30
100% owned subsidiaries of KIN Holdings Limited are:			
Kingsgate International Corporation Limited	Holding Company		
Kingsgate Holdings Pty Limited	Holding Company		
Kingsgate Investments Pty Limited	Residential Apartment Developer		
Kingsgate Hotels Pty Limited	Dormant		
Birkenhead Holdings Pty Limited	Holding Company		
Birkenhead Investments Pty Limited	Dormant /(Shopping Centre Owner)		
Birkenhead Services Pty Limited	Dormant/(Service Company)		
Hotelcorp New Zealand Limited	Holding Company		

All of the above subsidiaries have 31 December balance.

During the year KIN Holdings Limited reduced its paid up share capital from $72.00 million to $10.65 million (2007: reduced from $142.00 million to $72.00 million) by repaying $61.35 million (2007: $72.00 million) to its shareholders.

26. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below.

26. Accounting estimates and judgements - continued

Property, plant and equipment

The Group adopted a revaluation model of valuing land and buildings rather than the cost model. This results in any future decreases in asset values being charged in the income statement unless there is a surplus for that asset in the revaluation account in which case the decrease can be charged to equity.

Assessing whether individual properties are impaired may involve estimating the future cash flows expected to be generated by those properties. This will in turn involve assumptions, including expected rate of growth in revenue and costs, occupancy and average room rates and an appropriate discount rate, to apply when discounting future cash flows.

Development property

The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is $142,491,000 (2007: $132,422,000) while the fair value determined by independent valuers is $238,100,000 (2007: $273,200,000).

In determining fair values, the valuers will also make assumptions relating to section prices, sell down periods, consumer confidence, unemployment rates, interest rates and external economic factors.

Make good provisions

The Group is exposed to obligations to restore various aspects on certain sites it leases at the end of the lease. The leases in respect of which these obligations exists will expire in 2010.

This involves making judgements about the likelihood of an amount becoming payable, quantification of potential obligations and estimating when such obligations are likely to be settled.

Goodwill

The carrying value of goodwill is assessed annually to ensure it is not impaired. This assessment generally requires management to estimate future cash flows to be generated by cash generating units to which the goodwill is allocated. Estimating future cash flows entails making judgements on expected occupancy rates and average room rates, growth in revenue and costs and an appropriate discount rate to apply when discounting cash flows.

Trade and other receivables

Trade and other receivables are stated at cost less any provision for impairment. The assessment for possible impairment requires the Group to make certain judgements surrounding the recoverability of these assets. A review of recoverability is made whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

Revenue recognition

Revenue is recognised on the sale of development properties on the transfer of the related significant risk and rewards of ownership. The Group considers this to be not until legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs.

Lease classification

Upon commencement of a lease arrangement, the Group assesses the classification of the lease based on the risks and rewards of ownership, whether it is non-cancellable, the term of the lease relative to the useful life of the asset and the present value of its minimum lease payments. The Group reviews the classification whenever there is a change in the lease terms.

KPMG

KPMG

Audit report

To the shareholders of Millennium & Copthorne Hotels New Zealand Limited

We have audited the financial statements on pages FIN 1 to FIN 38. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 December 2008. This information is stated in accordance with the accounting policies set out on pages FIN 5 to FIN 12.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 December 2008 and the results of its operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements;

- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company and certain of its subsidiaries in relation to taxation services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

KPMG

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;

- the financial statements on pages FIN 1 to FIN 38:

  - comply with New Zealand generally accepted accounting practice;

  - give a true and fair view of the financial position of the company and group as at 31 December 2008 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 16 February 2009 and our unqualified opinion is expressed as at that date.

KPMG.

Auckland

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

Results for announcement to the market

Reporting Period	12 months to 31 December 2008
Previous Reporting Period	12 months to 31 December 2007

	Amount (000s)	Percentage change	
Revenue from ordinary activities	NZ$ 123,680	Down	(26.40%)
Profit (loss) from ordinary activities after tax attributable to security holders	NZ$ 17,770	Down	(26.59%)
Net profit (loss) attributable to security holders	NZ$ 17,770	Down	(26.59%)

Interim/Final Dividend	Amount per security	Imputed amount per security
Final Dividend	1.2 cents	Fully imputed

Record Date	1 May 2009
Dividend Payment Date	8 May 2009

Comments:	Please refer to the attached Directors' Review.

CHAIRMAN'S REVIEW

Financial Performance

Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ") has reported an operating profit after tax of $17.8 million for the year ended 31 December 2008 (2007: $24.2 million). Operating profit before tax, minorities and associates was $26.6 million (2007: $46.6 million) with the New Zealand hotel operations contributing 50.5 per cent, CDL Investments New Zealand Limited contributing 8.8 per cent and the Australian operations contributing 34.5 per cent.

Group revenue (excluding finance income) for the period under review was $123.7 million. This was a decrease of 26.4 % percent on the previous twelve months (2007: $168.0 million). Gross operating profit decreased by 25.3 % to $72.4 million (2007: $96.9 million). Earnings per share were 5.09 cents per share (2007: 6.93 cents).

The most significant factors affecting revenue and profitability were the performance of CDL Investments New Zealand Limited due to extremely negative market conditions, reductions in inventory and revenue resulting from the expiry of the lease for the Copthorne Hotel Wellington Plimmer Towers, and the sharp downturn in visitor numbers and bookings experienced in the last quarter of 2008. These negative factors are forecast to continue for the near term.

Financial Position

Shareholders' funds excluding minority interests as at 31 December 2008 totaled $434.5 million (2007: $396.1 million) with total assets at $631.9 million (2007: $604.9 million). Net asset backing (with land and building revaluations and before distributions) as at 31 December 2008 was 124.3 cents per share compared to 113.3 cents per share as at 31 December 2007.

New Zealand Hotel Operations

Revenue for the New Zealand hotel operations (17 (2007: 18) owned / leased / operated hotels excluding 13 franchised properties) for the period under review was $118.6 million (2007: $125.1 million). Hotel occupancy for the period was 66.5 percent across the Group.

During 2008, the Company acquired the freehold and leasehold interests to the Copthorne Hotel Auckland Harbourcity and also completed a soft refurbishment at the hotel including the installation of noise-reduction glazing. A three-month management agreement for the Metropolis Hotel Auckland was also entered into and completed during the period under review. In line with the Company's progressive maintenance and refurbishment programme, refurbishment and maintenance works were carried out and completed at Copthorne Hotel & Resort Queenstown Lakefront, Millennium Hotel Queenstown, Millennium Hotel Christchurch, Copthorne Hotel Christchurch Central and Kingsgate Hotel Rotorua.

The Group's lease on the Copthorne Hotel Wellington Plimmer Towers ended in April 2008 and the franchise agreement with the Kingsgate Hotel Beachcomber Nelson was terminated by mutual agreement in December 2008.

CDL Investments New Zealand Limited ("CDLI")

CDLI announced an operating profit after tax for the year ended 31 December 2008 of $1.7 million (2007: $15.1 million). Reflecting the rapid negative change in market conditions during 2008, CDLI sold only 23 sections in 2008. Its land portfolio still remains robust and is valued at $169.7 million (2007: $202.7 million). CDLI has no debt and has been able to withstand current market turbulence by rapidly changing the pace of its development programme in key areas and deferring commencement or completion of development projects at little capital cost.

MCHNZ increased its stake in CDLI during 2008 by electing to receive its dividend in shares. MCHNZ now holds 65.16% of CDLI (2007: 64.32%).

Australian Operations

During 2008, short term leasing of the units at the Zenith Residences proved successful and over 95% of the units are now occupied.

Despite proactive efforts to do so, the Company has still not yet received the funds held on trust in respect of the sale of the Birkenhead Point Marina. Recovery of the funds is dependent on finalization of the terms of the new lease between NSW Maritime (previously Waterways) and the purchaser. These discussions, which are outside our control, have continued without any final resolution.

Joint Venture in China (First Sponsor / i-Vale)

Notwithstanding the difficult conditions in China, First Sponsor Capital Limited, a 34% associate whose main investment is in the i-vale group, has reported a profit of US$1.9 million in 2008 of which the Group's share is NZ$921,000. Acquisition of the majority sections of a strata-titled resort hotel in Hainan Island was completed within the period under review. Further acquisition of the remaining sections of the hotel have been complicated by various litigations initiated mainly by the creditors of the vendor, some of which the i-vale group is also involved in. The i-vale group has also taken legal action against the vendor and the guarantors. As detailed in the interim report, the i-vale group also made acquisitions in Lianzhou, Guangdong Province and Chengdu, Sichuan Province.

In 2009, the group will concentrate on development and sale of its existing portfolio. Having due regard to the current trading environment, the group will pace its development carefully, adjust progress as required and assuming no unforeseen events, is expected to continue to be profitable.

Dividend Announcement

The Company has resolved to pay a fully imputed ordinary dividend of 1.2 cents per share payable on 8 May 2009 (2008: 2.5 cents per share). The record date will be 1 May 2009.

The reduced dividend reflects the caution we issued to shareholders in August 2008 as to profit and dividend expectations. Given the extremely challenging conditions anticipated for 2009, the Board reiterates that shareholders cannot expect profits and dividends at levels seen in previous years as both depend on the Company's ability to maintain its market share.

Outlook

2009 will be a very challenging year. The effects of the global slowdown and financial crises have not yet been fully felt and will doubtless affect all sectors of the domestic and international economy. Given the dramatic reductions in international inbound visitor numbers coupled with these crises and a slowing economy, it will therefore be some time before sufficient confidence returns to the global tourism industry and a broader recovery in the wider economy commences in earnest.

Our outlook and our approach to the next eighteen months is to be very cautious. Our goal is to ensure that we maintain our market share in critical market segments and protect what is a robust underlying business. We will continue to deliver an outstanding service experience to all our guests and we will also carefully monitor and maximise how we do business. We believe that 2009 can be a profitable year if we are able to meet our targets, but we are extremely conscious of the challenges and difficulties we must overcome in order to achieve those goals.

Management and staff

On behalf of the Board of Directors, I wish to thank the Company's management and staff for their work and commitment during 2008.

Wong Hong Ren
Chairman
16 February 2009

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND
"VERY CAUTIOUS" FOR 2009 AND 2010

New Zealand's largest hotel operator, Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) today reported its preliminary results for the year ended 31 December 2008.

Managing Director Mr. B K Chiu announced that the company had achieved an operating profit of $17.8 million (2007: $24.2 million) on total revenue of $123.7 million (2007: $168.0 million).

"The results directly reflect dramatically negative trading conditions experienced by CDL Investments New Zealand Limited during 2008 and a sharp decline in tourist numbers and bookings seen in the last three months of the year", he said.

The Company, which owns, leases, manages and franchises a portfolio of 31 hotels across New Zealand and trades under the Millennium, Copthorne and Kingsgate brands, has resolved to pay a fully imputed ordinary dividend of 1.2 cents per share. The dividend would be payable to shareholders on 15 May 2009. The record date is 8 May 2009.

Asked about the prospects for the year ahead, Mr. Chiu sounded a warning note.

"In 2009, we will see the most challenging economic and financial conditions in many years and the full impact of these conditions will be spread over a longer period of time than we previously anticipated. That said, we believe we have a robust underlying business and we will be working to maximize profitability using the various resources available to us", he said.

<u>Summary of results:</u>

•	Operating profit after tax	$17.8 million	(2007:$24.2 million)
•	Operating profit before tax and minorities & associates	$26.6 million	(2007: $46.6 million)
•	Total group revenue	$123.7 million	(2007:$168.0 million)
•	Shareholders' funds excluding minority interests	$434.5 million	(2007: $396.1 million)
•	Total assets	$631.9 million	(2007: $604.9 million)

ENDS
Issued by Millennium & Copthorne Hotels New Zealand Limited

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