GENERAL ANNOUNCEMENT::ANNOUNCEMENT BY SUBSIDIARY COMPANY, CDL INVESTMENTS NEW ZEALAND LIMITED

Issuer & Securities

Issuer/ Manager

CITY DEVELOPMENTS LIMITED

Securities

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Announcement Details

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Submitted By (Co./ Ind. Name)

Enid Ling Peek Fong

Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below)

Please refer to the Announcement released by CDL Investments New Zealand Limited on 13 February 2019 relating to Full Year Results for the Year Ended 31 December 2018.

Attachments

13022019_CDLNZ_2018_Full%20Year%20Results.pdf

Total size =2399K MB

CDL Investments New Zealand Limited

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

In thousands of dollars	Note	Group 2018	Group 2017
Revenue		84,954	78,630
Cost of sales		(35,861)	(32,144)
Gross Profit		49,093	46,486
Other income		76	37
Administrative expenses	3, 4	(236)	(248)
Property expenses		(403)	(491)
Selling expenses		(2,151)	(2,123)
Other expenses	3, 4	(1,312)	(1,137)
Results from operating activities		45,067	42,524
Finance income	5	1,652	2,144
Net finance income		1,652	2,144
Profit before income tax		46,719	44,668
Income tax expense	6	(13,078)	(12,507)
Profit for the period		33,641	32,161
Total comprehensive income for the period		33,641	32,161
Profit attributable to:			
Equity holders of the parent		33,641	32,161
Total comprehensive income for the period		33,641	32,161
Earnings per share			
Basic earnings per share (cents)	13	12.10	11.60
Diluted earnings per share (cents)	13	12.10	11.60

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

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CDL Investments New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

		Group		
In thousands of dollars	Note	Share Capital	Retained Earnings	Total Equity
Balance at 1 January 2017		53,846	107,949	161,795
Total comprehensive income for the period				
Profit for the period		-	32,161	32,161
Total comprehensive income for the period		-	**32,161**	**32,161**
Transactions with owners of the Company				
Shares issued under dividend reinvestment plan	12	464	-	464
Dividend to shareholders	12	-	(8,308)	(8,308)
Supplementary dividend		-	(253)	(253)
Foreign investment tax credits		-	253	253
Balance at 31 December 2017		**54,310**	**131,802**	**186,112**
Balance at 1 January 2018		54,310	131,802	186,112
Total comprehensive income for the period				
Profit for the period		-	33,641	33,641
Total comprehensive income for the period		-	**33,641**	**33,641**
Transactions with owners of the Company				
Shares issued under dividend reinvestment plan	12	554	-	554
Dividend to shareholders	12	-	(9,713)	(9,713)
Supplementary dividend		-	(309)	(309)
Foreign investment tax credits		-	309	309
Balance at 31 December 2018		**54,864**	**155,730**	**210,594**

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

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CDL Investments New Zealand Limited

Consolidated Statement of Financial Position

As at 31 December 2018

In thousands of dollars	Note	Group 2018	Group 2017
SHAREHOLDERS' EQUITY			
Issued capital	12	54,864	54,310
Retained earnings		155,730	131,802
Total Equity		**210,594**	**186,112**
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment		4	5
Development property	8	124,652	90,595
Investment in associate		2	2
Total Non Current Assets		**124,658**	**90,602**
CURRENT ASSETS			
Cash and cash equivalents	11	7,280	18,774
Short term deposits	14	38,620	46,500
Trade and other receivables	10	1,984	1,726
Development property	8	45,072	34,104
Total Current Assets		**92,956**	**101,104**
Total Assets		**217,614**	**191,706**
NON CURRENT LIABILITIES			
Deferred tax liabilities	9	71	2
Total Non Current liabilities		**71**	**2**
CURRENT LIABILITIES			
Trade and other payables		2,175	2,133
Employee entitlements		32	27
Income tax payable		4,742	3,432
Total Current Liabilities		**6,949**	**5,592**
Total Liabilities		**7,020**	**5,594**
Net Assets		**210,594**	**186,112**

For and on behalf of the Board

R AUSTIN, DIRECTOR, 13 February 2019

BK CHIU, MANAGING DIRECTOR, 13 February 2019

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

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CDL Investments New Zealand Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

In thousands of dollars	Note	Group 2018	Group 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		84,702	80,228
Interest received		1,722	1,875
Cash was applied to:			
Payment to suppliers		(32,833)	(29,687)
Payment to employees		(550)	(427)
Deposits paid on unconditional contracts for development land		-	(14,965)
Purchase of development land		(51,557)	(174)
Income tax paid		(11,390)	(10,968)
Net Cash Inflow/(Outflow) from Operating Activities		(9,906)	25,882
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Short term deposits		46,500	45,500
Cash was applied to:			
Purchase of plant and equipment		-	-
Short term deposits		(38,620)	(46,500)
Net Cash Inflow/(Outflow) From Investing Activities		7,880	(1,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Dividend paid		(9,159)	(7,844)
Supplementary dividend paid		(309)	(253)
Net Cash Outflow from Financing Activities		(9,468)	(8,097)
Net Increase/(Decrease) in Cash and Cash Equivalents		(11,494)	16,785
Add Opening Cash and Cash Equivalents		18,774	1,989
Closing Cash and Cash Equivalents	11	7,280	18,774

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

Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2018

In thousands of dollars	Note	Group 2018	Group 2017
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit after Taxation		33,641	32,161
Adjusted for non cash items:			
Depreciation		1	-
Income tax expense	6	13,078	12,507
Adjustments for movements in working capital:			
(Increase)/Decrease in receivables		(258)	1,292
Increase in development properties		(45,025)	(6,936)
Increase/(Decrease) in payables		47	(2,174)
Cash generated from operating activities		**1,484**	**36,850**
Income tax paid		(11,390)	(10,968)
Cash Inflow/(Outflow) from Operating Activities		**(9,906)**	**25,882**

SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

CDL Investments New Zealand Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is a FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The financial statements of the Company for the year ended 31 December 2018 comprises the Company and its subsidiary (together referred to as the "Group").

The principal activity of the Group is the development and sale of residential land properties.

(a) Statement of compliance

The 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 IFRS") and other applicable Financial Reporting Standards, as appropriate for Tier 1 profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issuance on 13 February 2019.

(b) Basis of preparation

The financial statements are presented in New Zealand Dollars ($), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of company 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 amounts recognised in the financial statements are described in Note 2 - Accounting Estimates and Judgements.

(c) Changes in accounting policies and new accounting standards adopted in the year

The Group has adopted two standards, NZ IFRS 15 *Revenue from Contracts with Customers* and NZ IFRS 9 *Financial Instruments,* which are mandatory for the financial periods beginning on 1 January 2018.

Impact of adoption of NZ IFRS 15 Revenue from Contracts with Customers

Effective 1 January 2018, the Group applied NZ IFRS 15 for its accounting of revenue from customers. The new standard replaces NZ IAS 18 *Revenue* and introduces a principles based five-step model to recognise revenue when a performance obligation is satisfied by transferring control of a good or service to the customer.

It has been determined that the impact of the new standard is not significant. All revenue of the Group is derived from the satisfaction of a single performance obligation, which is the sale of development property. There has been no change in the timing of revenue recognition for this performance obligation.

The Group elected to apply the cumulative effect method under NZ IFRS 15, which did not result in an impact on the financial statements for the year ended 31 December 2018.

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Significant accounting policies - continued

(c) **Changes in accounting policies and new accounting standards adopted in the year (continued)**

Impact of Adoption of NZ IFRS 9 Financial Instruments

Effective 1 January 2018, the Group applied NZ IFRS 9 for its accounting of financial instruments, which included the adoption of the "expected loss model", replacing the "incurred loss" impairment model for financial assets that are not measured at fair value through profit and loss (FVTPL). In accordance with the new standard, the Group's financial assets which consist primarily of trade and other receivables, are assessed for impairment on a forward looking basis taking into consideration not only past events and current conditions, but also forecast future economic conditions.

It has been determined that the impact of NZ IFRS 9 on the Group's impairment assessment of trade and other receivables is not significant. Other provisions of NZ IFRS 9 were not consider applicable to the Group's financial statements in 2018.

The Group elected to apply the cumulative effect method under NZ IFRS 9 which did not result in an impact on the financial statements for the year ended 31 December 2018.

The accounting policies have been applied consistently to all periods presented in these financial statements. The accounting policies are now included within the relevant notes to the consolidated financial statements.

(d) **Basis of consolidation**

(i) **Subsidiaries**

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) **Subsidiaries**

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing these consolidated financial statements.

(e) **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation. 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. Depreciation on assets is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Plant and equipment	3 - 10 years

(f) **Trade and other payables**

Trade and other payables are stated at cost.

(g) **Revenue**

Revenue represents amounts derived from:

- Land and property sales: recognised when the customer obtains control of the property and is able to direct and obtain the benefits from the property.

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Significant accounting policies - continued

(h) New standards and interpretations not yet adopted

The following new standards and amendments to standards are not yet effective for the year ended 31 December 2018, and have not been applied in preparing these consolidated financial statements:

- *NZ IFRS 9 - Financial Instruments (effective after 1 January 2019)*
- *NZ IFRS 16 - Leases (effective 1 January 2019)*
- *2017 Omnibus Amendments to NZ IFRS Part B; Amendments to NZ IFRS 10 Consolidated Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2019)*
- *Annual Improvements to IFRS Standards 2015 - 2017 Cycle (effective 1 January 2019)*
- *NZ IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)*
- *Long-term Interests in Associates and Joint Ventures; amendments to NZ IFRS 9 (effective 1 January 2019)*
- *Prepayment Features with Negative Compensation (Amendment to NZ IFRS 9) (effective 1 January 2019)*

The Group has assessed the new standards and the adoption of these standards is not expected to have a material impact on the Group's financial statements.

1. SEGMENT REPORTING

Operating segments
The single operating segment of the Group consists of property operations, comprising the development and sale of residential land sections.

The Group has determined that its chief operating decision maker is the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

An operating segment is a distinguishable component of the Group:
- that is engaged in business activities from which it earns revenues and incurs expenses,
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions on resource allocation to the segment and assess its performance, and
- for which discrete financial information is available.

Geographical segments
Segment revenue is based on the geographical location of the segment assets. All segment revenues are derived in New Zealand.

Segment assets are based on the geographical location of the development property. All segment assets are located in New Zealand.

The Group has no major customer representing greater than 10% of the Group's total revenues.

2. 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.

Key sources of estimation uncertainty
In Note 14, detailed analysis is given of the interest rate and credit risk exposure of the Group and risks in relation thereto. The Group is also exposed to a risk of impairment to development properties should the carrying value exceed the market value due to market fluctuations in the value of development properties. However, there is no indication of impairment as in Note 8 the carrying value of development properties is $169,724,000 (2017: $124,699,000) while the market value determined by an independent registered valuer is $337,765,000 (2017: $276,316,000).

3. ADMINISTRATIVE AND OTHER EXPENSES

The following items of expenditure are included in administrative and other expenses:

In thousands of dollars	Note	Group 2018	Group 2017
Auditors' remuneration			
- Audit fees		53	52
- Scrutineering fees		3	-
- Tax compliance & advisory fees		12	1
Depreciation		1	-
Directors' fees	17	133	150
Operating lease and rental payments		82	83
Other		714	673
Total excluding personnel expenses		998	959

4. PERSONNEL EXPENSES

In thousands of dollars	Group 2018	Group 2017
Wages and salaries	494	396
Employee related expenses and benefits	55	29
Increase in liability for long-service leave	1	1
	550	426

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 remunerations and an assessment of likelihood the liability will arise.

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5. NET FINANCE INCOME

In thousands of dollars	Group	
	2018	2017
Interest income	1,652	2,144
Net finance income	**1,652**	**2,144**

Finance income and expense comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, and dividend income that are recognised in the profit or loss.

Finance income is recognised in profit or loss as it accrues, using the effective interest method.

6. INCOME TAX EXPENSE

Recognised in the statement of comprehensive income

In thousands of dollars	Group	
Current tax expense	**2018**	**2017**
Current year	13,012	12,508
Adjustments for prior years	(3)	-
	13,009	12,508
Deferred tax expense		
Origination and reversal of temporary differences	69	(1)
	69	(1)
Total income tax expense in the statement of comprehensive income	**13,078**	**12,507**

Reconciliation of effective tax rate

In thousands of dollars	Group	
	2018	**2017**
Profit before income tax	46,719	44,668
Income tax using the company tax rate of 28% (2017: 28%)	13,081	12,507
Adjusted for:		
Over provided in prior years	(3)	-
	13,078	**12,507**
Effective tax rate	**28%**	**28%**

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences relating to investments in subsidiaries are not provided for 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 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.

7. IMPUTATION CREDITS

In thousands of dollars	Group	
	2018	2017
Imputation credits available for use in subsequent reporting periods	57,594	49,673

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8. DEVELOPMENT PROPERTY

In thousands of dollars	Group	
	2018	2017
Expected to settle greater than one year	124,652	90,595
Expected to settle within one year	45,072	34,104
Development property	169,724	124,699

Development property is carried at the lower of cost and net realisable value. 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 profit or loss in the year incurred with the exception of interest holding costs which are capitalised during the period when active development is taking place. $287,000 (2017: nil) has been capitalised during the year. Development property includes deposits paid on unconditional contracts for development land.

The carrying amounts of the development property are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its 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. Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount the impairment loss is recognised in profit or loss.

The value of development property held at 31 December 2018 was determined, on an open market existing use basis, by an independent registered valuer, DM Koomen SPINZ of Extensor Advisory Limited as $337.8 million (2017: $276.3 million).

The fair value of development property as determined by the independent valuer is categorised as Level 3 based on the inputs to the valuation methodology. The basis of the valuation is the hypothetical subdivision approach and/or block land sales comparisons to derive the residual block values. The major unobservable inputs 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 rates during the holding period. The estimated fair value would increase or (decrease) if: the individual section prices were higher/(lower); the allowances for profit were higher/(lower); the allowances for risk were lower/(higher); the projected completion and sell down periods were shorter/(longer); and the interest rate during the holding period was lower/(higher).

9. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

In thousands of dollars	Group					
	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Plant and equipment	-	-	(1)	(1)	(1)	(1)
Development property	-	-	(126)	(47)	(126)	(47)
Employee benefits	56	41	-	-	56	41
Trade and other payables	-	5	-	-	-	5
Net tax assets/(liabilities)	56	46	(127)	(48)	(71)	(2)

Movement in deferred tax balances during the year

In thousands of dollars	Group		
	Balance 1 Jan 2017	Recognised in profit or loss	Balance 31 Dec 2017
Plant and equipment	-	(1)	(1)
Development property	(50)	3	(47)
Employee benefits	44	(3)	41
Trade and other payables	4	1	5
	(2)	-	(2)

9. DEFERRED TAX ASSETS AND LIABILITIES - continued

Movement in deferred tax balances during the year

In thousands of dollars	Group		
	Balance 1 Jan 2018	Recognised in profit or loss	Balance 31 Dec 2018
Plant and equipment	(1)	-	(1)
Development property	(47)	(79)	(126)
Employee benefits	41	15	56
Trade and other payables	5	(5)	-
	(2)	(69)	(71)

10. TRADE AND OTHER RECEIVABLES

In thousands of dollars	Group	
	2018	2017
Trade receivables	176	13
Other receivables and prepayments	1,808	1,713
Trade and other receivables	1,984	1,726

None of the trade and other receivables are impaired.

Trade and other receivables are stated at their cost less impairment losses. The carrying amounts of the trade and other receivables are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount the impairment loss is recognised in profit or loss.

11. CASH AND CASH EQUIVALENTS

In thousands of dollars	Group	
	2018	2017
Bank balances	2,280	8,274
Call deposits	5,000	10,500
Cash and cash equivalents	7,280	18,774

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

12. CAPITAL AND RESERVES

Share capital

	Parent			
	2018	2018	2017	2017
	Shares '000s	$000's	Shares '000s	$000's
Shares issued 1 January	277,514	54,310	276,947	53,846
Issued under dividend reinvestment plan	605	554	567	464
Total shares issued and outstanding	278,119	54,864	277,514	54,310

All shares carry equal rights and rank pari passu with regard to residual assets of the Company and do not have a par value. At 31 December 2018, the authorised share capital consisted of 278,118,487 fully paid ordinary shares (2017: 277,513,971).

Dividend Reinvestment Plan
In 1998, the Company adopted a Dividend Reinvestment Plan pursuant to which shareholders may elect to receive ordinary dividends in the form of either cash or additional shares in the Company. The additional shares are issued at the weighted average market price for the shares traded over the first five business days immediately following the Record Date.

Accordingly, the Company issued 604,516 additional shares under the Dividend Reinvestment Plan on 18 May 2018 (2017: 566,646) at a strike price of $0.9154 per share issued (2017: $0.8198).

12. CAPITAL AND RESERVES - continued

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

In thousands of dollars	Parent	
	2018	2017
3.5 cents per qualifying ordinary share (2017: 3.0 cents)	9,713	8,308
	9,713	8,308

After 31 December 2018 the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences. It is anticipated that a portion of the dividends declared will be paid by way of shares through the Dividend Reinvestment Plan.

In thousands of dollars	Parent
3.5 cents ordinary dividend per qualifying ordinary share	9,734
3.5 cents total dividend per qualifying ordinary share	9,734

13. EARNINGS PER SHARE

Basic and diluted earnings per share
The calculation of basic and diluted earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders of $33,641,000 (2017: $32,161,000); and weighted average number of ordinary shares outstanding during the year ended 31 December 2018 of 277,917,000 (2017: 277,325,000), calculated as follows:

Profit attributable to ordinary shareholders (basic & diluted)

In thousands of dollars	Group	
	2018	2017
Profit for the period	33,641	32,161
Profit attributable to ordinary shareholders	33,641	32,161

Weighted average number of ordinary shares

	Parent	
	2018	2017
	Shares '000s	Shares '000s
Issued ordinary shares at 1 January	277,514	276,947
Effect of 604,516 shares issued in May 2018	403	-
Effect of 566,646 shares issued in May 2017	-	378
Weighted average number of ordinary shares at 31 December	277,917	277,325

14. FINANCIAL INSTRUMENTS

The Group only holds non-derivative financial instruments which comprise trade and other receivables, cash and cash equivalents, short term deposits, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, 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.

In thousands of dollars		Group	
	Note	2018	2017
Financial Assets			
Cash and cash equivalents	11	7,280	18,774
Short term deposits		38,620	46,500
Trade and other receivables	10	1,984	1,726
Financial Liabilities			
Trade and other payables		2,175	2,133

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

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14. FINANCIAL INSTRUMENTS - continued

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.

The key factor in managing risk is that the Certificate of Title is only transferred to the purchaser when all cash is received in full upon settlement.

The Group's exposure to credit risk is mainly influenced by its customer base. As such it is concentrated to the default risk of its industry. However, geographically there is no credit risk concentration.

Cash, cash equivalents, and term deposits are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance 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.

Interest rate risk
The Group has no exposure to interest rate risk as there are no funding facilities (2017: nil). However, the Group is exposed to movements in interest rates on short-term investments which is explained in the Sensitivity analysis. Interest income is earned on the cash and cash equivalent balance and the short term deposits balance.

Effective interest and repricing analysis
In respect of income earning financial assets, the following tables indicate the effective interest rates at the balance sheet date and the periods in which they reprice.

Group		2018				2017			
In thousands of dollars	Note	Effective interest rate	Total	6 months or less	6-12 months	Effective interest rate	Total	6 months or less	6-12 months
Cash and cash equivalents	11	0.00% to 2.53%	7,280	7,280	-	0.00% to 2.67%	18,774	18,774	-
Short term deposits		3.20% to 3.46%	38,620	22,000	16,620	3.20% to 3.51%	46,500	42,000	4,500
			45,900	29,280	16,620		65,274	60,774	4,500

Sensitivity analysis
The Group manages interest rate risk by maximising its interest income through forecasting its cash requirements and cash inflows. Over the longer-term, however, permanent changes in interest rates will have an impact on profit.

A decrease of one percentage point in interest rates would have decreased the Group's profit before income tax by $422,000 (2017: $605,000) in the current period.

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. It is the Group's policy to provide credit and liquidity enhancement only to wholly owned subsidiaries.

The following table sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis:

Group	2018				2017	
In thousands of dollars	Balance Sheet	6 months or less	6-12 months	Balance Sheet	6 months or less	6-12 months
Trade and other payables	2,175	2,175	-	2,133	1,990	143
	2,175	2,175	-	2,133	1,990	143

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14. FINANCIAL INSTRUMENTS - continued

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

(a) Cash, accounts receivable, accounts payable and related party receivables. The carrying amount for these balances approximate their fair value because of the short maturities of these items.

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.

There have been no material changes in the Group's management of capital during the period.

15. OPERATING LEASES

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

In thousands of dollars	Group	
	2018	2017
Less than one year	16	13
Between one and five years	27	21
	43	34

During the year ended 31 December 2018, $16,000 was recognised as an expense in profit or loss in respect of operating leases (2017: $17,000) and $76,000 (2017: $37,000) was recognised as other income in profit or loss in respect of leases.

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

16. COMMITMENTS

As at 31 December 2018, the Group had entered into contractual commitments for development expenditure and purchases of land. Contractual agreements for the purchase of land are subject to a satisfactory outcome of the Group's due diligence process, board approval, and OIO approval. Development expenditure represents amounts contracted and forecast to be incurred in 2019 in accordance with the Group's development programme.

On 11 February 2019, the Group withdrew from an agreement to purchase land to the value of $35.00 million due to Plan Change timing and zoning issues along with infrastructural constraints.

In thousands of dollars	Group	
	2018	2017
Development expenditure	42,496	32,665
Land purchases	46,132	35,956
	88,628	68,621

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17. RELATED PARTIES

Identity of related parties
The Company has a related party relationship with its subsidiary as well as a fellow subsidiary of its parent (see Note 18), and with its Directors and executive officers.

Transactions with key management personnel
None of the Directors of the Company and their immediate relatives have control of the voting shares of the Company. Key management personnel include the Board comprising non-executive directors and executive directors.

The total remuneration and value of other benefits earned by each of the Directors of the Company for the year ending 31 December 2018 was:

In thousands of dollars	Group	
	2018	2017
C Sim	38	15
HR Wong	-	40
VWE Yeo	30	30
KS Tan	-	-
R Austin	35	35
J Henderson	30	30
Total for non-executive directors	133	150
BK Chiu	-	-
Total for executive directors	-	-
	133	150

Non-executive directors receive director's fees only. The executive directors do not receive remuneration or any other benefits as a director of the Parent Company or of the Company's subsidiary.

Total remuneration of non-executive directors is included in "administrative and other expenses" (see Note 3).

Investment in associate
The Company's subsidiary, CDL Land New Zealand Limited, has a 33.33% investment in Prestons Road Limited. The principal activities of Prestons Road Limited are as a service provider and in this regard, it is charged with engaging suitably qualified consultants in fields such as geotechnical engineering, resource management compliance, subdivision of land, legal and regulatory compliance and related issues.

The associate has no revenue or expenses, therefore the Group's share of profit in its associate for the year was nil (2017: nil).

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

Prestons Road Limited	Group	
In thousands of dollars	2018	2017
Current assets	34	34
Current liabilities	28	28
Net assets (100%)	6	6
Group interests	33.33%	33.33%
Group's interest of net assets	2	2
Carrying amount in associates	2	34

Movements in the carrying value of the associate:

	Group	
In thousands of dollars	2018	2017
Balance at 1 January	2	2
Purchase of investment	-	-
Balance at 31 December	2	2

17. RELATED PARTIES - Investment in associate - continued

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control 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.

18. GROUP ENTITIES

Control of the Group
CDL Investments New Zealand Limited is a subsidiary of Millennium & Copthorne Hotels New Zealand Limited by virtue of Millennium & Copthorne Hotels New Zealand Limited owning 66.42% (2017: 66.56%) of the Company and having three out of six of the Directors on the Board. Millennium & Copthorne Hotels New Zealand Limited is 70.79% (2017: 70.79%) owned by CDL Hotels Holdings New Zealand Limited (computed on voting shares), which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate holding company is Hong Leong Investment Holdings Pte Ltd in Singapore.

During the year CDL Investments New Zealand Limited has reimbursed its parent, Millennium & Copthorne Hotels New Zealand Limited, $314,000 (2017: $313,000) for expenses incurred by the parent on behalf of the Group.

During 2018, CDL Investments New Zealand Limited issued no additional shares (2017: nil) to its parent, Millennium & Copthorne Hotels New Zealand Limited, under the Dividend Reinvestment Plan (see Note 12). The total shares on issue to Millennium & Copthorne Hotels New Zealand Limited is 184,724,438 (2017: 184,724,438).

Independent Auditor's Report

To the shareholders of CDL Investments New Zealand Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of CDL Investments New Zealand Limited (the company) and its subsidiaries (the group) on pages 1 to 17:

i. present fairly in all material respects the Group's financial position as at 31 December 2018 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to taxation compliance, taxation advisory and scrutineering at the group's annual meeting of shareholders. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2.3 million determined with reference to a benchmark of group profit before tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Capitalisation and Allocation of Development Costs	
Refer to note 8 of the consolidated financial statements. The group's development property comprises land and costs incurred to develop land into subdivisions and individual properties for sale. At 31 December 2018 development properties amounted to $169.7 million representing 80.6% of net assets in the consolidated statement of financial position. Determining whether to capitalise or expense costs relating to development of the land is subjective as it depends whether the costs enhance the land or maintain the current value. In addition there is significant judgement in determining how to allocate the costs to individual properties.	To assess the capitalisation of development costs we examined the operating effectiveness of the Group's process to capitalise and record development costs. We then obtained invoices for a sample of capitalised costs to check whether the nature of the expense met the capitalisation criteria in the accounting standards. We found no exceptions. Our procedures over the allocation of these development costs involved considering the costs capitalised to properties sold versus costs capitalised to the remaining properties in the portfolio, and in comparison to realised value upon sale. We also checked for consistency in approach between periods. The evidence we obtained demonstrated the allocation of costs was in line with our expectations.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Director's review, disclosures relating to corporate governance, the trend statement and financial summary and the other information included in the Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have received the Director's Review and have nothing to report in this regard. The Annual Report is expected to be made available to us after the date of this Independent Auditors Report and we will report the matters identified, if any, to those charged with governance.

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Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is **Aaron Woolsey**

For and on behalf of

KPMG

KPMG
Auckland
13 February 2019

DIRECTORS' REVIEW

Financial Performance

CDL Investments New Zealand Limited ("CDI") recorded a profit after tax of $33.6 million for the year ended 31 December 2018, an increase of 4.6% from the previous year (2017: $32.2 million). This result is the ninth consecutive year of profit growth for the company.

Property sales & other income totaled $85.0 million (2017: $78.7 million). Profit before tax also increased to $46.7 million (2017: $44.7 million). Shareholders' funds as at 31 December 2018 increased to $210.6 million (2017: $186.1 million) and the Company's total assets stood at $217.6 million (2017: $191.7 million). The net tangible asset per share (at book value) at balance date was 75.7 cents (2017: 67.1 cents).

Dividend Announcement

Reflecting the result, CDI has resolved to maintain its fully imputed ordinary dividend at 3.5 cents per share payable on 17 May 2019. The record date will be 3 May 2019. The Dividend Reinvestment Plan will apply to this dividend.

Land portfolio

At 31 December 2018, the independent market value of CDI's land holdings was $337.8 million (2017: $276.3 million). At cost, the portfolio was valued at $169.7 million (2017:$124.7 million) in line with CDI's accounting policies. This reflects both the sales made during the year as well as acquisitions of 86.4 hectares of land in 2018 in Hamilton and Christchurch.

Good progress is being made on the commercial areas which are part of our Prestons Park and Stonebrook subdivisions and we anticipate that these should be ready for occupation in the first half of 2020.

Summary and Outlook

With our recent land acquisitions, the Board is confident that the future of the company and its core business is secure. The Board is also satisfied that the changes to the Overseas Investment Act introduced in 2018 merely adds additional procedural steps and will not materially affect the Company's acquisitions of land already zoned residential. The Board is therefore confident in CDI's business model of developing residential sections in growth areas.

While we are confident that 2019 will be profitable, we are already seeing a slowing property market and this sentiment will impact our sections sales in coming months. 2019 will therefore necessitate some degree of flexibility in our sales approaches in order to maintain our positive sales tempo.

Management and staff

On behalf of the Board, I thank our management and staff for their work in 2018.

I would like to take this opportunity to acknowledge two members of the CDI family who we lost in the course of 2018. Long-standing former Independent Director Rob Challinor passed away after a long illness in October and our highly respected former Executive Director John Lindsay passed away after a short illness in November. The Board sent its condolences to both families and will mark their respective contributions to CDI at an appropriate time in the future.

Colin Sim
Chairman
13 February 2019

PROFIT GROWTH FOR CDL INVESTMENTS NEW ZEALAND

Property development company CDL Investments New Zealand Limited (**NZX: CDI**) today reported an increased profit after tax as part of its results for the year ended 31 December 2018.

CDI increased its profit after tax by 4.6% to $33.6 million with property sales & other income increasing by 8.1% to $85.0 million over 2017.

"It's pleasing to report a ninth consecutive year of profit growth", said managing director Mr. B K Chiu. "Market conditions, especially in the last half of 2018, started changing with the number of sales slowing noticeably and this is something we expect will continue into much of 2019", he added.

CDI also reported that it had acquired over 86 hectares of land in the past year in Hamilton and Christchurch for future development.

"These acquisitions were made at strategic locations. It was important to have a pipeline to continue our core activity of residential land development for sustainable growth across a geographical spread where the company has built its experience on", said Mr. Chiu.

He also noted that the recent changes to the Overseas Investment Act added additional procedural steps for the acquisition of land already zoned residential. The new regulations would not materially affect CDI's business model of residential development.

CDI's Board resolved to maintain its dividend at 3.5 cents per share fully imputed which would be paid to shareholders on 17 May 2019. The Record Date would be 3 May 2019 and the Dividend Reinvestment Plan will apply to this dividend.

Speaking to the outlook for 2019, Mr. Chiu noted that the company would need to adopt a flexible sales plan as well as timing the development and release of sections appropriately. "The diversification of land into commercial development adjacent to our Prestons Park (Christchurch) and Stonebrook (Rolleston) subdivisions will add a recurring income stream for the company in 2020. At the same time CDI's strong balance sheet allows the company to capitalise on land acquisition opportunities in an environment where housing supply still lags behind demand", he said.

Summary of results:

• Profit after tax	$33.6 million (2017: $32.2 million)
• Profit before tax	$46.7 million (2017: $44.7 million)
• Total revenue & other income	$85.0 million (2017: $78.7 million)
• Shareholders' funds	$210.6 million (2017: $186.1 million)
• Total assets	$217.6 million (2017: $191.7 million)
• Net tangible asset value (at book value)	75.7 cents per share (2017: 67.1cps)
• Earnings per share	12.10 cents per share (2017: 11.60cps)

About CDL Investments New Zealand Limited:

CDL Investments New Zealand Limited (NZX:CDI) has a proud track record of acquiring and developing residential sections in New Zealand for over two decades. With a focus on creating and developing a range of high-quality residential sections to New Zealanders, CDI has successfully completed numerous subdivision projects in Auckland, Hamilton, Tauranga, Hastings, Havelock North, Taupo, Nelson, Christchurch, Rolleston (Canterbury) and Queenstown. CDI is a majority-owned subsidiary of NZX-listed Millennium & Copthorne Hotels New Zealand Limited.

ENDS

Issued by CDL Investments New Zealand Limited

Enquiries to:
B K Chiu, Managing Director
(09) 353 5058