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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	20-Feb-2008 12:45:09
Announcement No.	00026

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

Announcement Title *	Announcement of Full Year Results for the year ended 31 December 2007 of Subsidiary Company, Millennium & Copthorne Hotels New Zealand Limited
Description	Please see attached the above announcement released by Millennium & Copthorne Hotels New Zealand Limited on 20 February 2008.
Attachments:	MCHNZ_Press_Release.pdf MCHNZ_Chairmans_Review.pdf MCHNZ_Audited_Financial_Statements.pdf Total size = **1769K** (2048K size limit recommended)

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Consolidated Income Statement

For the year ended 31 December 2007

DOLLARS IN THOUSANDS	Note	Group 2007	Group 2006	Parent 2007	Parent 2006
Revenue		168,047	187,264	56,819	55,402
Cost of sales		(71,130)	(88,933)	(22,009)	(21,381)
Gross profit		**96,917**	**98,331**	**34,810**	**34,021**
Administration expenses	2	(32,831)	(33,152)	(12,584)	(12,793)
Other operating expenses	2	(28,177)	(24,150)	(10,054)	(9,714)
Operating profit before finance costs		**35,909**	**41,029**	**12,172**	**11,514**
Finance income	4	14,859	9,705	5,643	5,359
Finance costs	4	(4,170)	(3,412)	-	-
Net finance income		**10,689**	**6,293**	**5,643**	**5,359**
Share of loss of associate	12	(527)	-	-	-
Profit before tax		**46,071**	**47,322**	**17,815**	**16,873**
Income tax expense	5	(12,781)	(9,400)	(4,540)	(4,785)
Profit for the period		**33,290**	**37,922**	**13,275**	**12,088**
Attributable to:					
Equity holders of the parent		24,208	26,907	13,275	12,088
Minority interest		9,082	11,015	-	-
Profit for the period		**33,290**	**37,922**	**13,275**	**12,088**
Basic earnings per share (cents)	8	6.93	7.70		
Diluted earnings per share (cents)	8	6.93	7.70		

Consolidated Statement of Recognised Income and Expense

DOLLARS IN THOUSANDS	Note	Group 2007	Group 2006	Parent 2007	Parent 2006
Foreign exchange translation differences		3,259	4,950	-	-
Revaluation of property, plant and equipment		28,543	8,825	11,346	8,825
Net income recognised directly in equity		**31,802**	**13,775**	**11,346**	**8,825**
Profit for the period		**33,290**	**37,922**	**13,275**	**12,088**
Total recognised income and expense for the period	7	**65,092**	**51,697**	**24,621**	**20,913**
Attributable to:					
Equity holders of the parent		49,522	38,766	24,621	20,913
Minority interest		15,570	12,931	-	-
Total recognised income and expense for the period	7	**65,092**	**51,697**	**24,621**	**20,913**

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

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Consolidated Balance Sheet

As at 31 December 2007

		Group		Parent	
DOLLARS IN THOUSANDS	Note	2007	2006	2007	2006
SHAREHOLDERS' EQUITY					
Issued capital		430,330	430,330	430,330	430,330
Reserves		(34,191)	(74,833)	(134,523)	(150,413)
Treasury stock		(85)	(85)	(85)	(85)
Minority interests		114,207	127,257	-	-
Total equity	7	510,261	482,669	295,722	279,832
Represented by:					
NON CURRENT ASSETS					
Property, plant and equipment	9	295,030	245,104	137,246	122,944
Development properties	10	121,009	41,363	-	-
Intangible assets	11	4,686	4,815	4,738	4,839
Investments in subsidiaries		-	-	135,483	131,633
Investment in associate	12	41,793	-	-	-
Total non-current assets		462,518	291,282	277,467	259,416
CURRENT ASSETS					
Cash and cash equivalents	13	102,971	174,755	13,726	21,138
Trade and other receivables	14	26,007	18,512	10,312	6,156
Inventories	15	1,945	1,892	600	514
Income tax receivable	16	-	-	169	580
Development properties	10	11,413	74,488	-	-
Related party advances	25	-	-	9,750	4,628
Total current assets		142,336	269,647	34,557	33,016
Total assets		604,854	560,929	312,024	292,432
NON CURRENT LIABILITIES					
Interest-bearing loans and borrowings	17	53,995	44,299	-	-
Provisions	18	724	397	524	376
Provision for deferred taxation	19	17,141	12,874	9,987	7,322
Total non-current liabilities		71,860	57,570	10,511	7,698
CURRENT LIABILITIES					
Trade and other payables	20	17,680	17,510	5,310	4,607
Related parties	25	481	295	481	295
Provisions	18	4,483	1,328	-	-
Income tax payable	16	89	1,557	-	-
Total current liabilities		22,733	20,690	5,791	4,902
Total liabilities		94,593	78,260	16,302	12,600
NET ASSETS		510,261	482,669	295,722	279,832

For and on behalf of the Board

R BOBB, DIRECTOR, 20 February 2008

BK CHIU, MANAGING DIRECTOR, 20 February 2008

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

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Consolidated Statement of Cash Flows

For the year ended 31 December 2007

		Group		Parent	
DOLLARS IN THOUSANDS	Note	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		161,062	185,967	52,653	54,470
Interest received		12,382	9,613	1,892	1,916
Dividends received		4	5	3,761	3,425
Cash was applied to:					
Payment to suppliers and employees		(114,804)	(133,275)	(39,360)	(40,221)
Purchase of development land		(25,574)	(8,262)	-	-
Interest paid		(4,047)	(3,429)	-	-
Income tax paid		(14,087)	(15,686)	(4,195)	(4,920)
Net Cash Inflow from Operating Activities		**14,936**	**34,933**	**14,751**	**14,670**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of residential development properties		6,542	24,082	-	-
Sale of property, plant and equipment		112	54	2	8
Cash was applied to:					
Purchase of property, plant and equipment	9	(26,290)	(10,162)	(4,462)	(2,898)
Purchase of investments in subsidiaries		-	-	(3,850)	(3,096)
Purchase of investment in associate	12	(42,517)	-	-	-
Payment for development properties		-	(627)	-	-
Net advances to subsidiaries		-	-	(5,122)	(363)
Net Cash Inflow / (Outflow) From Investing Activities		**(62,153)**	**13,347**	**(13,432)**	**(6,349)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from borrowings		9,696	729	-	-
Cash was applied to:					
Repayment of shares to minority shareholders		(27,090)	-	-	-
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	7	(8,731)	(7,335)	(8,731)	(7,335)
Dividends paid to minority shareholders	7	(2,620)	(2,350)	-	-
Net Cash Outflow from Financing Activities		**(28,745)**	**(8,956)**	**(8,731)**	**(7,335)**
Net (Decrease) / Increase in Cash and Cash Equivalents		**(75,962)**	**39,324**	**(7,412)**	**986**
Add opening cash and cash equivalents		174,755	132,958	21,138	20,152
Exchange rate adjustment		4,178	2,473	-	-
Closing Cash and Cash Equivalents	13	**102,971**	**174,755**	**13,726**	**21,138**

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

Consolidated Statement of Cash Flow Continued

For the year ended 31 December 2007

DOLLARS IN THOUSANDS	Note	Group 2007	Group 2006	Parent 2007	Parent 2006
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES					
Net profit after taxation		33,290	37,922	13,275	12,088
Adjusted for non cash items:					
Amortisation of intangibles	11	129	431	101	101
Loss on sale of property, plant and equipment		1,651	1,224	988	958
Depreciation	9	7,207	7,289	3,247	3,573
Unrealised foreign exchange gains		(828)	-	-	-
Share of loss of associate	12	527	-	-	-
Income tax expense	5	12,781	9,400	4,540	4,785
		54,757	56,266	22,151	21,505
Adjustments for movements in working capital:					
(Increase) in trade & other receivables		(8,630)	(2,608)	(4,156)	(950)
(Increase)/decrease in inventories		(53)	311	(86)	37
(Increase) in development properties		(20,855)	(2,487)	-	-
Increase/(decrease) in trade & other payables		7,822	2,578	851	(979)
Increase/(decrease) in related parties		152	(29)	186	(23)
Cash generated from operations		33,193	54,031	18,946	19,590
Interest payable	4	(4,170)	(3,412)	-	-
Income tax paid		(14,087)	(15,686)	(4,195)	(4,920)
Cash Inflows from Operating Activities		14,936	34,933	14,751	14,670

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

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 2007 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. Compliance with NZ IFRSs ensures that the consolidated financial statements also comply with International Financial Reporting Standards (IFRSs).

The consolidated financial statements were authorised for issuance on 20 February 2008.

(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.

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

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.

The accounting policies have been applied consistently to all periods presented in these financial statements throughout the Group for purposes of these consolidated 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.

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

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

Net investment in foreign operations
The effective portion of exchange differences arising from the translation of the net investment in foreign operations are taken to the exchange reserve. 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.

Significant accounting policies – continued

(e) Financial instruments - continued

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

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.

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

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

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.

Significant accounting policies – continued

(g) Property, plant and equipment - continued

Revaluation
Land and buildings are shown at fair value, based on a triennial cycle, and valuations by independent registered valuers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any 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 GAAP.

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)).

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.

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.

(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.

(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 profit or loss on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

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

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

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 2007, and have not been applied in preparing these consolidated financial statements:

- *NZ IFRS 3 Business Combinations*
- *NZ IFRS 4 Insurance Contracts*
- *NZ IFRS 8 Operating Segments*
- *NZ IAS 23 Borrowing Costs*
- *NZ IFRIC 11, NZ IFRS 2 Group and Treasury Share Transactions*
- *NZ IFRIC 12 Service Concession Arrangements*
- *NZ IFRIC 13 Customer Loyalty Programmes*
- *NZ IFRIC 14 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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. 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	2007	2006	2007	2006	2007	2006
Segment revenue	125,050	128,261	57,856	68,708	182,906	196,969
Segment profit before tax	13,764	20,323	32,834	26,999	46,598	47,322
Share of loss of associate	-	-	(527)	-	(527)	-
Income tax expense					(12,781)	(9,400)
Profit for the period					33,290	37,922
Segment assets	335,728	287,439	227,333	273,490	563,061	560,929
Investment in associate	-	-	41,793	-	41,793	-
Total assets	335,728	287,439	269,126	273,490	604,854	560,929
Segment liabilities	(75,579)	(60,184)	(1,784)	(3,645)	(77,363)	(63,829)
Tax liabilities	(15,118)	(11,037)	(2,112)	(3,394)	(17,230)	(14,431)
Total liabilities	(90,697)	(71,221)	(3,896)	(7,039)	(94,593)	(78,260)
Cash flows from operating activities	17,315	21,020	(2,379)	13,913	14,936	34,933
Cash flows from investing activities	(26,112)	(10,444)	(36,041)	23,791	(62,153)	13,347
Cash flows from financing activities	(643)	(7,651)	(28,102)	(1,305)	(28,745)	(8,956)
Capital expenditure	26,199	10,057	91	732	26,290	10,789

1. **Segment reporting (continued)**

Geographical segments

Dollars In Thousands	New Zealand 2007	New Zealand 2006	Australia 2007	Australia 2006	Asia 2007	Asia 2006	Consolidated 2007	Consolidated 2006
Segment revenue	165,585	159,911	17,321	37,058	-	-	182,906	196,969
Segment profit before tax	37,056	36,609	9,542	10,713	-	-	46,598	47,322
Share of loss of associate	-	-	-	-	(527)	-	(527)	-
Income tax expense							(12,781)	(9,400)
Profit for the period							33,290	37,922
Segment assets	428,595	365,521	134,466	195,408	-	-	563,061	560,929
Investment in associate	-	-	-	-	41,793	-	41,793	-
Total assets	428,595	365,521	134,466	195,408	41,793	-	604,854	560,929
Segment liabilities	(76,296)	(62,502)	(1,067)	(1,327)	-	-	(77,363)	(63,829)
Tax liabilities	(15,841)	(11,408)	(1,389)	(3,023)	-	-	(17,230)	(14,431)
Total liabilities	(92,137)	(73,910)	(2,456)	(4,350)	-	-	(94,593)	(78,260)
Cash flows from operating activities	12,500	29,834	2,436	5,099	-	-	14,936	34,933
Cash flows from investing activities	(26,114)	(10,447)	6,478	23,794	(42,517)	-	(62,153)	13,347
Cash flows from financing activities	(1,655)	(8,956)	(27,090)	-	-	-	(28,745)	(8,956)
Capital expenditure	26,201	10,060	89	729	-	-	26,290	10,789

2. **Administration and other operating expenses**

Dollars In Thousands	Note	Group 2007	Group 2006	Parent 2007	Parent 2006
Depreciation	9	7,207	7,289	3,247	3,573
Auditors remuneration					
Audit fees		327	333	78	75
Tax compliance and advisory		313	214	44	78
Directors fees		288	173	125	63
Lease and rental expenses	22	11,282	12,000	5,156	4,835
Provision for bad debts					
Debts written off		185	314	92	104
Movement in doubtful debt provision		(193)	(158)	(49)	(26)
Amortisation of other intangibles	11	129	431	101	101
Net loss on disposal of property, plant and equipment		1,651	1,224	988	958
Other		39,819	35,482	12,856	12,746
		61,008	57,302	22,638	22,507

3. Personnel expenses

	Group		Parent	
Dollars In Thousands	2007	2006	2007	2006
Wages and salaries	41,392	41,501	14,584	14,208
Employee related expenses and benefits	7,535	7,386	3,095	2,910
Contributions to defined contribution plans	39	45	-	-
Increase/(decrease) in liability for long-service leave	29	98	(1)	(3)
	48,995	49,030	17,678	17,115

4. Net finance income

	Group		Parent	
Dollars In Thousands	2007	2006	2007	2006
Interest income	12,366	9,676	1,852	1,916
Dividend income	4	5	3,761	3,425
Net foreign exchange gain	2,489	24	30	18
Finance income	14,859	9,705	5,643	5,359
Interest expense	(4,170)	(3,412)	-	-
Finance costs	(4,170)	(3,412)	-	-
Net finance income	10,689	6,293	5,643	5,359

5. Income tax expense

Recognised in the income statement

	Group		Parent	
Dollars In Thousands	2007	2006	2007	2006
Current tax expense				
Current year	13,949	12,079	4,812	4,461
Adjustments for prior years	(1,370)	325	(206)	327
	12,579	12,404	4,606	4,788
Deferred tax expense				
Origination and reversal of temporary difference	(126)	(2,887)	17	(3)
Reduction in tax rate	118	-	(83)	-
Adjustments for prior years	210	(117)	-	-
	202	(3,004)	(66)	(3)
Total income tax expense in income statement	12,781	9,400	4,540	4,785

5. **Income tax expense** - continued

Reconciliation of tax expense

	Group		Parent	
Dollars In Thousands	2007	2006	2007	2006
Profit before tax	46,071	47,322	17,815	16,873
Income tax using the company tax rate of 33%	15,203	15,616	5,879	5,568
Adjusted for:				
Effect of tax rate in foreign jurisdiction (rate decreased)	(48)	(284)	-	-
Non-deductible expenses	232	56	66	-
Imputation credits	(824)	(840)	(1,010)	(993)
Tax exempt revenues	(740)	(285)	(106)	(117)
Reduction in tax rate	118	-	(83)	-
Under / (over) provided in prior years	(1,160)	208	(206)	327
Normalised income tax expense	12,781	14,471	4,540	4,785
Change in tax base	-	(5,071)	-	-
	12,781	9,400	4,540	4,785

The change in tax base in 2006 arose as a consequence of the redevelopment of the Millennium Tower, Sydney, into a residential apartment complex, and the consequent impact to the tax cost base of the Tower under Australian tax jurisdiction.

Deferred tax recognised directly in equity

	Group		Parent	
Dollars In Thousands	2007	2006	2007	2006
Relating to revaluation of property, plant and equipment	4,065	2,576	2,731	2,576
	4,065	2,576	2,731	2,576

6. **Imputation credits**

	Parent	
Dollars In Thousands	2007	2006
Balance at beginning of year	8,503	6,109
Imputation credits attached to dividends received	1,010	993
Taxation paid	3,655	3,825
Taxation transferred	(795)	83
Imputation credits attached to dividends paid	(2,975)	(2,507)
	9,398	8,503
The imputation credits are available to shareholders of the parent company as follow:		
Through the parent company	9,398	8,503
Through subsidiaries	18,827	15,245
	28,225	23,748

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 2006	430,330	59,015	(5,039)	(159,954)	(85)	324,267	116,161	440,428
Movement in exchange translation reserve	-	-	3,034	-	-	3,034	1,916	4,950
Revaluation of property, plant & equipment	-	8,825	-	-	-	8,825	-	8,825
Income & expense recognised directly in equity	-	8,825	3,034	-	-	11,859	1,916	13,775
Net profit for the year	-	-	-	26,907	-	26,907	11,015	37,922
Total recognised income & expenses	-	8,825	3,034	26,907	-	38,766	12,931	51,697
Dividends paid to:								
Equity holders of the parent	-	-	-	(7,335)	-	(7,335)	-	(7,335)
Minority interests	-	-	-	-	-	-	(2,350)	(2,350)
Movement in minority interest	-	-	-	(286)	-	(286)	515	229
Balance at 31 December 2006	430,330	67,840	(2,005)	(140,668)	(85)	355,412	127,257	482,669

7. **Capital and reserves - continued**
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)
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

7. **Capital and reserves - continued**
Reconciliation of movement in capital and reserves

Parent **Attributable to equity holders of the Parent**

Dollars In Thousands	Share Capital	Revaluation Reserve	Accumulated Losses	Treasury Stock	Total Equity
Balance at 1 January 2006	430,330	35,175	(199,166)	(85)	266,254
Revaluation of property, plant and equipment	-	8,825	-	-	8,825
Income & expense recognised directly in equity	-	8,825	-	-	8,825
Net profit for the year	-	-	12,088	-	12,088
Total recognised income & expenses	-	8,825	12,088	-	20,913
Dividends to shareholders	-	-	(7,335)	-	(7,335)
Balance at 31 December 2006	430,330	44,000	(194,413)	(85)	279,832
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)
Balance at 31 December 2007	430,330	55,346	(189,869)	(85)	295,722

Share capital and share premium

Share capital	Group and parent			
	2007 Shares	2007 $000's	2006 Shares	2006 $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 2007, the authorised share capital consisted of 349,598,066 ordinary shares (2006: 349,598,066 ordinary shares).

Revaluation reserve
The revaluation reserve relates to property, plant and equipment. Where property, plant and equipment is reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

Exchange reserve
The exchange reserve comprises the effective portion of foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

7. **Capital and reserves - continued**

Dividends

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

Dollars In Thousands	Parent 2007	Parent 2006
Ordinary Dividend - 2.5 cents per qualifying ordinary share (2006: 2.1 cents)	8,731	7,335
Tax relating to non resident shareholders	1,326	1,105
	10,057	8,440

After 31 December 2007 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 - 2.5 cents per qualifying ordinary share	8,731

8. **Earnings per share**

Basic earnings per share

The calculation of basic earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders of $24,208,000 (2006: $26,907,000) and weighted average number of ordinary shares outstanding during the year ended 31 December 2007 of 349,268,439 (2006: 349,268,439), calculated as follows:

Profit attributable to ordinary shareholders

Dollars In Thousands	Group 2007	Group 2006
Profit for the period	24,208	26,907
Profit attributable to ordinary shareholders	24,208	26,907

Weighted average number of ordinary shares

	Group 2007	Group 2006
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.

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 2006	61,069	110,239	16,256	113,525	170	907	302,166
Acquisitions	-	3,063	1,242	3,470	24	2,363	10,162
Disposals	-	(500)	500	(6,239)	(54)	-	(6,293)
Transfer from accumulated depreciation	-	-	-	55	-	-	55
Movements in foreign exchange	-	-	-	8	3	-	11
Revaluation surplus	3,594	7,807	-	-	-	-	11,401
Balance at 31 December 2006	**64,663**	**120,609**	**17,998**	**110,819**	**143**	**3,270**	**317,502**
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**
Depreciation and impairment losses							
Balance at 1 January 2006	-	(1,415)	(855)	(67,687)	(103)	-	(70,060)
Depreciation charge for the year	-	(666)	(172)	(6,433)	(18)	-	(7,289)
Disposals	-	-	-	4,966	49	-	5,015
Movements in foreign exchange	-	-	-	(8)	(1)	-	(9)
Transfer accumulated depreciation against cost following revaluation	-	-	-	(55)	-	-	(55)
Balance at 31 December 2006	-	**(2,081)**	**(1,027)**	**(69,217)**	**(73)**	-	**(72,398)**
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
Movements in foreign exchange	-	-	-	(5)	-	-	(5)
Transfer accumulated depreciation against cost following revaluation	-	862	14	-	-	-	876
Balance at 31 December 2007	-	**(2,064)**	**(1,275)**	**(63,006)**	**(100)**	-	**(66,445)**
Carrying amounts							
At 1 January 2006	61,069	108,824	15,401	45,838	67	907	232,106
At 31 December 2006	64,663	118,528	16,971	41,602	70	3,270	245,104
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

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 2006	33,859	56,297	52,501	80	499	143,236
Acquisitions	-	1,842	1,129	-	(73)	2,898
Disposals	-	-	(1,566)	(26)	-	(1,592)
Revaluation surplus	3,594	7,807	-	-	-	11,401
Balance at 31 December 2006	37,453	65,946	52,064	54	426	155,943
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
Depreciation and impairment losses						
Balance at 1 January 2006	-	(1,387)	(28,594)	(71)	-	(30,052)
Depreciation charge for the year	-	(431)	(3,140)	(2)	-	(3,573)
Disposals	-	-	600	26	-	626
Balance at 31 December 2006	-	(1,818)	(31,134)	(47)	-	(32,999)
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)
Carrying amounts						
At 1 January 2006	33,859	54,910	23,907	9	499	113,184
At 31 December 2006	37,453	64,128	20,930	7	426	122,944
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

The Directors consider the value of the hotel assets with a net book value of $295 million (2006: $245 million) to be within the range of $312 to $337 million (2006: $276 to $306 million). This is substantiated by valuations completed by DTZ New Zealand Limited, registered valuers, in December 2005, 2006 and 2007 in respect of hotel assets in Millennium & Copthorne Hotels New Zealand Limited of $189 million (2006: $168 million) and in December 2005, 2006 and 2007 in respect of hotel assets in Quantum Limited of $147 million (2006: $138 million).

During 2007 eight (2006: three) of the Group's hotels were subject to an external professional valuation by DTZ New Zealand Limited, registered valuers, on an open market existing 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 $32,603,000 (2006: $11,401,000) has been added to the carrying values of land and buildings.

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 capital expenditure profiles and discount rates (internal rate of return).

9. Property, plant and equipment – continued

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 2006	18,762	84,349	16,658	45,838	67	907	166,581
At 31 December 2006	18,762	86,276	18,213	41,602	70	3,270	168,193
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

Parent

Dollars In Thousands	Freehold Land	Freehold Buildings	Plant, Equipment Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Carrying amounts						
At 1 January 2006	10,065	44,202	23,907	9	499	78,682
At 31 December 2006	10,065	45,625	20,930	7	426	77,053
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

10. Development property

	Group		Parent	
Dollars In Thousands	2007	2006	2007	2006
Development land	80,165	59,310	-	-
Residential development	52,257	56,541	-	-
	132,422	115,851	-	-
Less expected to settle within one year	(11,413)	(74,488)	-	-
	121,009	41,363	-	-

Development land is carried at the lower of cost and net realisable value. No interest (2006: $ nil) has been capitalised during the year. The value of development land held at 31 December 2007 was determined by independent registered valuers, DM Koomen SPINZ, of DTZ New Zealand Limited as $202.7 million (2006: $157.0 million).

Residential development at balance date consists of the residential development known as Zenith Residences. Interest of $ nil (2006: $ nil) has been capitalised to residential development properties during the year. The value of Zenith Residences development held at 31 December 2007 was determined by D Sukkar of LandMark White (NSW) Pty Ltd, registered valuers as $70.5 million (A$62.1 million). (2006: The value of Zenith Residences development held at 31 December 2006 was determined by D Sukkar of LandMark White (NSW) Pty Ltd, registered valuers as $74.6 million (A$66.8 million).

11. Intangible assets

	Group			
Dollars In Thousands	Goodwill	Leasehold interests	Management Contracts	Total
Cost				
Balance at 1 January 2006	6,530	25,365	1,373	33,268
Additions	-	-	-	-
Balance at 31 December 2006	6,530	25,365	1,373	33,268
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
Amortisation and impairment losses				
Balance at 1 January 2006	(2,777)	(23,872)	(1,373)	(28,022)
Amortisation for the year	-	(431)	-	(431)
Balance at 31 December 2006	(2,777)	(24,303)	(1,373)	(28,453)
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)
Carrying amounts				
At 1 January 2006	3,753	1,493	-	5,246
At 31 December 2006	3,753	1,062	-	4,815
At 1 January 2007	3,753	1,062	-	4,815
At 31 December 2007	3,753	933	-	4,686

11. Intangible assets - continued

Dollars In Thousands	Parent		
	Goodwill	Leasehold interests	Total
Cost			
Balance at 1 January 2006	6,522	2,710	9,232
Additions	-	-	-
Balance at 31 December 2006	6,522	2,710	9,232
Balance at 1 January 2007	6,522	2,710	9,232
Additions	-	-	-
Balance at 31 December 2007	6,522	2,710	9,232
Amortisation and impairment losses			
Balance at 1 January 2006	(2,777)	(1,515)	(4,292)
Amortisation for the year	-	(101)	(101)
Balance at 31 December 2006	(2,777)	(1,616)	(4,393)
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)
Carrying amounts			
At 1 January 2006	3,745	1,195	4,940
At 31 December 2006	3,745	1,094	4,839
At 1 January 2007	3,745	1,094	4,839
At 31 December 2007	3,745	993	4,738

Amortisation and impairment charge

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

Dollars In Thousands	Group		Parent	
	2007	2006	2007	2006
Other operating expenses	129	431	101	101
	129	431	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 group of hotels 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.

12. Investment in associate

The Group's share of loss in its associate for the year was $527,000 (2006: $ nil).

During the year, the Group acquired a 49.99% investment in First Sponsor Capital Limited. The Group has, through First Sponsor Capital Limited, invested in Guangdong Idea Valley City Strategy Limited. The principal activities of Guangdong Idea Valley City Strategy Limited and its subsidiaries are property owner and developer, agency service of property sales and provision of property related consulting services.

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)
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:

	Group	
Dollars In Thousands	2007	2006
Balance at 1 January	-	-
Purchase of investment	42,517	-
Share of post acquisition movement in foreign exchange reserves for the year	(197)	-
Share of loss for the year	(527)	-
Balance at 31 December	41,793	-

13. Cash and cash equivalents

	Group		Parent	
Dollars In Thousands	2007	2006	2007	2006
Time deposits	98,856	170,187	11,700	19,500
Cash and cash equivalents	5,041	6,360	2,026	1,638
Bank overdrafts	(926)	(1,792)	-	-
Cash and cash equivalents	102,971	174,755	13,726	21,138

14. Trade and other receivables

		Group		Parent	
Dollars In Thousands	Note	2007	2006	2007	2006
Trade receivables		14,285	14,137	4,480	4,726
Related parties	25	40	6	5,353	986
Other trade receivables and pre-payments		11,682	4,369	479	444
		26,007	18,512	10,312	6,156

15. Inventories

	Group		Parent	
Dollars In Thousands	2007	2006	2007	2006
Raw materials and consumables	944	882	401	362
Finished goods	1,001	1,010	199	152
	1,945	1,892	600	514

16. Current tax assets and liabilities

	Group		Parent	
Dollars In Thousands	2007	2006	2007	2006
Income tax receivable	-	-	169	580
Income tax payable	(89)	(1,557)	-	-

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

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		Parent	
Dollars In Thousands	2007	2006	2007	2006
Secured bank loans	53,995	44,299	-	-
Less current portion of secured bank loans	-	-	-	-
Non-current liabilities	53,995	44,299	-	-
Current liabilities	-	-	-	-

Terms and debt repayment schedule
The bank loans are secured over land and buildings with a carrying amount of $142,325,000 (2006: $112,186,000). The bank loans have no fixed term of repayment and the bank facility matures on 31 October 2011.

18. Provisions

Dollars In Thousands	Group FF&E Site Restoration	Parent FF&E
Balance at 1 January 2006	2,864	1,787
Provisions made during the year	586	303
Provisions used during the year	(1,725)	(1,714)
Balance at 31 December 2006	1,725	376
Non-current	397	376
Current	1,328	-

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	-

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.

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	2007	2006	2007	2006	2007	2006
Property, plant and equipment	-	-	19,846	15,131	19,846	15,131
Development properties	(861)	(907)	-	-	(861)	(907)
Investment properties	-	-	-	-	-	-
Provisions	(2,388)	(410)	-	-	(2,388)	(410)
Employee benefits	(772)	(914)	-	-	(772)	(914)
Trade and other payables	-	(26)	1,316	-	1,316	(26)
Net tax (assets) / liabilities	(4,021)	(2,257)	21,162	15,131	17,141	12,874

	Parent					
	Assets		Liabilities		Net	
Dollars In Thousands	2007	2006	2007	2006	2007	2006
Property, plant and equipment	-	-	11,141	8,408	11,141	8,408
Provisions	(879)	(28)	-	-	(879)	(28)
Employee benefits	(3)	(3)	-	-	(3)	(3)
Trade and other payables	(272)	(1,055)	-	-	(272)	(1,055)
Net tax (assets) / liabilities	(1,154)	(1,086)	11,141	8,408	9,987	7,322

Unrecognised deferred tax assets

The KIN Group has A$7.4 million (2006: A$4.7 million) franking credits available as at 31 December 2007.

Movement in temporary differences during the year

	Group			
Dollars In Thousands	Balance 1 Jan 06	Recognised in income	Recognised in equity	Balance 31 Dec 06
Property, plant and equipment	12,305	250	2,576	15,131
Development properties	4,239	(5,146)	-	(907)
Investment properties	(256)	256	-	-
Provisions	(298)	(112)	-	(410)
Employee benefits	(855)	(59)	-	(914)
Trade and other payables	(1,833)	1,807	-	(26)
	13,302	(3,004)	2,576	12,874

	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

19. Deferred tax assets and liabilities - continued

Movement in temporary differences during the year

Dollars In Thousands	Parent			
	Balance 1 Jan 06	Recognised in income	Recognised in equity	Balance 31 Dec 06
Property, plant and equipment	5,787	45	2,576	8,408
Provisions	(38)	10	-	(28)
Employee benefits	-	(3)	-	(3)
Trade and other payables	(1,000)	(55)	-	(1,055)
	4,749	(3)	2,576	7,322

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

20. Trade and other payables

Dollars In Thousands	Group		Parent	
	2007	2006	2007	2006
Trade payables	2,278	3,703	729	578
Employee entitlements	2,640	2,748	38	11
Non-trade payables and accrued expenses	12,762	11,059	4,543	4,018
	17,680	17,510	5,310	4,607

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.

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.

21. **Financial instruments** - continued

Interest rate risk
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		2007			2006		
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	5.25% to 8.78%	103,793	103,793	3.90% to 7.67%	174,203	174,203
Secured bank facility *	17	8.63% to 9.37%	(53,995)	(53,995)	7.65% to 8.16%	(44,299)	(44,299)
Bank overdrafts *	13	8.69%	(926)	(926)	7.96%	(1,792)	(1,792)

Parent		2007			2006		
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	7.40% to 8.78%	13,686	13,686	7.25% to 7.64%	21,099	21,099

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

Sensitivity analysis
In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Foreign currency risk
The Company owns 61.30% of KIN Holdings Limited and 49.99% of First Sponsor Capital Limited. Substantially all the operations of these subsidiary and associate groups are denominated in foreign currencies. The effective portion of exchange gains and losses resulting from translation of the net investment in foreign subsidiaries and associated companies are carried forward in the Exchange Translation Reserve.

At balance date, the Group has net assets totalling $225.9 million (2006: $207.2 million) that are not hedged. The Group does not have any other foreign currency monetary assets or monetary liabilities that are not hedged for the lesser of the next twelve months and the period until settlement.

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	2007	2007	2006	2006
Trade and other receivables	14	26,007	26,007	18,512	18,512
Cash and cash equivalents	13	102,971	102,971	174,755	174,755
Secured bank loans	17	(53,995)	(53,995)	(44,299)	(44,299)
Trade and other payables, provisions and related parties	18, 20, 25	(23,368)	(23,368)	(19,530)	(19,530)
		51,615	51,615	129,438	129,438
Unrecognised (losses) / gains			-		-

Parent		Carrying amount	Fair value	Carrying amount	Fair value
Dollars In Thousands	Note	2007	2007	2006	2006
Trade and other receivables and advances to subsidiaries	14, 25	20,062	20,062	10,784	10,784
Cash and cash equivalents	13	13,726	13,726	21,138	21,138
Trade and other payables, provisions and related parties	18, 20, 25	(6,315)	(6,315)	(5,278)	(5,278)
		27,473	27,473	26,644	26,644
Unrecognised (losses) / gains			-		-

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, inventories. The carrying amount for these balances approximate their value because of the short maturities of these items.
(b) Shares in companies and other investments. The carrying amount for these balances represents cost less impairment, if any.
(c) Borrowings. The carrying amount for the borrowings represent their fair values because the interest rates are reset to market periodically, every 3 to 6 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:

Dollars In Thousands	Group 2007	Group 2006	Parent 2007	Parent 2006
Less than one year	9,579	11,013	5,247	4,892
Between one and five years	28,472	30,399	17,080	17,677
More than five years	33,004	38,208	23,410	23,248
	71,055	79,620	45,737	45,817

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. None of the leases includes contingent rentals.

During the year ended 31 December 2007, $11,282,000 was recognised as an expense in the income statement in respect of operating leases (2006: $12,000,000). Operating lease expenses for the Parent were $5,156,000 in 2007 (2006: $4,835,000).

23. Capital commitments

As at 31 December 2007, the Group entered into contracts to purchase property, plant and equipment for $4,148,000 (2006: $3,806,000).
As at 31 December 2007, the Parent entered into contracts to purchase property, plant and equipment for $nil (2006: $nil).

24. Related parties

Identity of related parties

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

Transactions with key management personnel

Directors of the Company and their immediate relatives control 0.71% (2006: 0.71%) of the voting shares of the Company. Loans to directors for the year ended 31 December 2007 amounted to $nil (2006: $nil). The key management personnel compensation consists of short-term employee benefits.

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

Dollars In Thousands	Group 2007	Group 2006	Parent 2007	Parent 2006
Directors	993	683	660	385
Executive officers	637	591	516	478
	1,630	1,274	1,176	863

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.

25. Group entities - Control of the Group - continued

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

Dollars In Thousands	Note	Nature of balance	Group 2007	Group 2006
Millennium & Copthorne Hotels plc	14	Recovery of expenses	40	6
Millennium & Copthorne Hotels plc		Recharge of expenses	(480)	(43)
Millennium & Copthorne International Ltd		Recharge of expenses	(1)	(252)
			(481)	(295)

No debts with related parties were written off or forgiven during the year. No interest was charged on these advances during 2007 and 2006. There are no set repayment terms. During this period costs amounting to $250,000 (2006: $250,000) have been recorded in the Income Statement in respect of fees payable to Millennium & Copthorne Hotels plc for the provision of management and marketing support.

During the 2006 year legal fees of $103,000 were paid to Bell Gully of which Mr. GA McKenzie (Director) was a partner.
During the year accounting fees of $17,000 (2006: $26,000) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder/director.

Parent
At balance date, there were interest bearing inter-company advances owing from Context Securities Limited of $9,750,000 (2006: $4,628,000). Net interest on advances of $462,000 (2006: $314,000) was received from Context Securities Limited during the year. The average interest rate charged during the year was 9.55% (2006: 7.25%). There were no repayment terms.

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

Dollars In Thousands	Note	Nature of balance	Parent 2007	Parent 2006
Millennium & Copthorne Hotels plc		Recovery of expenses	40	6
Context Securities Ltd		Prepaid expenses	4,558	-
MCHNZ Investments Ltd		Intercompany account	(90)	-
Kingsgate International Corporation Ltd		Intercompany account	(76)	-
Quantum Ltd		Management fees	921	980
	14		5,353	986
Millennium & Copthorne Hotels plc		Recharge of expenses	(480)	(43)
Millennium & Copthorne International Ltd		Recharge of expenses	(1)	(252)
			(481)	(295)

No debts with related parties were written off or forgiven during the year. No interest was charged on these advances during 2007 and 2006. There are no set repayment terms.
During the year dividend income of $3,760,000 (2006: $3,096,000) and $ nil (2006: $328,000) were received from CDL Investments New Zealand Limited and Quantum Limited, respectively.

Management fees of $1,230,000 (2006:$ 1,314,000) 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.

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 2007 are:

	Principal Activity	Holding by Millennium & Copthorne Hotels New Zealand Limited %
Context Securities Limited	Investment Holding	100.00
MCHNZ Investments Limited	Investment Holding	100.00
Millennium & Copthorne Hotels Limited	Dormant	100.00
All Seasons Hotels & Resorts Limited	Dormant	100.00
Copthorne Hotel & Resort Bay of Islands Joint Venture	Hotel Operations	49.00
Quantum Limited	Holding Company	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	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
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 / (Shopping Centre Owner)	
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	

Associate company

The associate company included in the consolidated financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2007 is:

	Principal Activity	Holding by MCHNZ Investments Limited %
First Sponsor Capital Limited	Investment Holding	49.99

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.

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.

Development property

The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is $132,422,000 (2006: $115,851,000) while the net realisable value determined by independent valuers is $273,200,000 (2006: $208,144,000). Accordingly there has to be a significant decline in value before the Group is affected.

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 between 2008 and 2010.

Key sources of estimation uncertainty

Note 11 contains information about the assumptions and their risk factors relating to goodwill impairment.

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 37. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 December 2007. 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 2007 and the results of their 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 judgements 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 and general accounting 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 37:

    - 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 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 20 February 2008 and our unqualified opinion is expressed as at that date.

KPMG.

Auckland

CHAIRMAN'S REVIEW

Financial Performance

Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ") has reported an operating profit after tax of $24.2 million for the year ended 31 December 2007 (2006: $26.9 million). Operating profit before tax, minorities and associates was $46.6 million (2006: $47.3 million) with the New Zealand hotel operations contributing 29.5 per cent, CDL Investments New Zealand Limited contributing 50.0 per cent and the Australian operations contributing 20.5 per cent.

Group revenue (excluding finance income) for the period under review was $168.0 million. This was a decrease of 10.6 % percent on the previous twelve months (2006: $187.3 million). Gross operating profit decreased by 1.4 % to $96.9 million (2006: $98.3 million). Earnings per share were 6.93 cents per share (2006: 7.70 cents).

Revenue was affected by a mix of positive and negative factors during the year. The three Auckland properties all provided positive contributions and increased revenue. Further gains were also made at the Qualmark 5-star rated Millennium Hotel Christchurch. These gains were offset by decreases in rooms inventory and associated revenue to allow completion of refurbishment work at Copthorne Hotel Wellington Oriental Bay and Copthorne Hotel & Resort Bay of Islands, as well as the closure of Kingsgate Hotel Greenlane at the end of its lease in April 2007.

MCHNZ adopted the New Zealand equivalents to the International Financial Reporting Standards ('NZ IFRS') in 2005.

Financial Position

Shareholders' funds excluding minority interests as at 31 December 2007 totaled $396.1 million (2006: $355.4 million) with total assets at $604.9 million (2006: $560.9 million). Net asset backing (with land and building revaluations and before distributions) as at 31 December 2007 was 113.3 cents per share compared to 101.7 cents per share as at 31 December 2006.

New Zealand Hotel Operations

Revenue for the New Zealand hotel operations (18 (2006: 19) owned / leased / operated hotels excluding 13 franchised properties) for the period under review was $125.1 million. (2006: $128.3 million). Hotel occupancy for the period was 69 percent across the Group.

During the period under review, a rebuild of our 118-room hotel at Oriental Bay, Wellington was undertaken, culminating in the rebranding of the property from a Kingsgate Hotel to the current Copthorne Hotel standard. Feedback on the well appointed rooms, restaurant, conference and public areas complemented by an entrance along Oriental Parade has been universally positive. The hotel is trading ahead of previous years.

A new 35-room wing was completed at the Copthorne Hotel & Resort Bay of Islands which included installation of New Zealand's largest single flat plate solar collection system to heat water to the guestrooms and to the hotel pools.

In line with the Company's progressive maintenance and refurbishment programme, refurbishment and maintenance works were carried out and completed at Millennium Hotel Rotorua, Millennium Hotel Queenstown, Copthorne Hotel Auckland Harbourcity, Kingsgate Hotel Palmerston North, Kingsgate Hotel Dunedin and Kingsgate Hotel Te Anau.

MCHNZ also welcomed Copthorne Hotel Taupo and Kingsgate Hotel Portland Wellington to its network of 32 properties in New Zealand.

CDL Investments New Zealand Limited ("CDLI")

CDLI announced an operating profit after tax for the year ended 31 December 2007 of $15.1 million (2006: $10.9 million). During 2007, CDLI sold over 200 sections and the value of its land portfolio increased by $45.7 million to $202.7 million. This very positive result reflected the prevailing market conditions.

MCHNZ increased its stake in CDLI during 2007 by electing to receive its dividend in shares. MCHNZ now holds 64.32% of CDLI (2005: 63.48%).

Australian Operations

During 2007, marketing of the Zenith Residences continued but the number of unit sales achieved was below expectations. There was more interest shown in short term leasing of the units and a number of leases were entered into. Traditionally, such leasing has led to sales in the medium term.

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 have continued without any final resolution.

Joint Venture in China (i-Vale)

The Company announced in late September 2007 that it had, through a wholly owned subsidiary, entered into a Strategic Cooperation Agreement to invest in a property related group of companies operating predominantly in China ('i-Vale Group') with another wholly owned subsidiary of Tai Tak Estates Sdn Bhd ('Tai Tak'), the Company's long time Singapore-based investment partner in Australia, Guangdong Idea Valley Group Co., Ltd., the then holding company of i-Vale Group and its Chief Executive Officer, Mr Cheung Ping Kwong. Obligations under the Strategic Cooperation Agreement have essentially been completed at balance date. As at 31 December 2007, the Company and Tai Tak have each contributed approximately NZD 43.7 million into a special purpose entity, First Sponsor Capital Limited ('First Sponsor'), which has acquired a 60% majority equity interest in i-Vale Group with the management team of i-Vale Group, including Mr Cheung, holding the remaining 40% minority equity stake.

For the period ended 31 December 2007, due primarily to a foreign exchange loss of USD 2.1 million recorded by First Sponsor as a result of the weakening of Australian cash reserves held by it against its USD reporting currency, First Sponsor recorded a profit after tax of approximately USD 114,000 but a net attributable loss after minority interest of USD 812,000 for which the Company shares approximately 50% of this profit and loss impact.

In late January 2008, Millennium & Copthorne Hotels plc (through a wholly owned subsidiary) and Tai Tak, each contributed an additional USD15 million into First Sponsor to fund the expansion plan of First Sponsor. As such, the Company's economic interest in First Sponsor is now approximately 34%.

The Company is not ruling out increasing its investment in First Sponsor provided that the anticipated returns can be met or exceeded.

Dividend Announcement

The Company has resolved to pay a fully imputed ordinary dividend of 2.5 cents per share payable on 9 May 2008 (2006: 2.5 cents per share). The record date will be 2 May 2008.

Outlook

During 2008, the Company will be building on a number of successful projects and initiatives completed during 2007 as well as obtaining satisfactory returns on investment from new and upgraded inventory. The decline in international visitor numbers remains a concern and the Company's focus will therefore be boosting its presence in critical market segments in order to grow its market share, particularly in the corporate and conferencing markets. Further, the Company remains willing and able to grow both within New Zealand and overseas where suitable opportunities arise and is in the advantageous position of not being highly geared.

Management and staff

On behalf of the Board of Directors, I thank the Company's management and staff for their efforts during 2007.

Wong Hong Ren
Chairman
20 February 2008

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND UPGRADES PROPERTIES FOR GROWTH IN 2008

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 2007.

Chairman Mr. Wong Hong Ren announced that the company had achieved an operating profit of $24.2 million (2006: $26.9 million) on total revenue of $168.0 million (2006: $187.3 million).

"Overseas visitor numbers into New Zealand from some key markets have been declining year on year and this, together with the level of the New Zealand dollar, is a concern. Despite that, we have been able to deliver profitable results for another year even with reduced inventory", he said.

Those inventory reductions were mostly due to the closure of Kingsgate Hotel Greenlane Auckland and refurbishment work carried out in 2007 as part of the Company's ongoing programme of progressive refurbishments. In 2007, work was carried out at the Company's hotels in Wellington, Christchurch and the Bay of Islands.

"This investment secures our future. Our new Copthorne Hotel Wellington Oriental Bay, Qualmark five-star Millennium Hotel Christchurch and the new wing at the Copthorne Hotel & Resort Bay of Islands all give us a solid platform to build on over the next few years", said Mr. Wong.

Mr. Wong noted that the 2007 results were not truly indicative of the Company's true performance in 2007.

"The operating profit does not reflect the fact that the New Zealand hotel operations performed satisfactorily despite reduced inventory, nor does it reflect the very strong results of CDL Investments", he said.

Mr. Wong also noted that the obligations under the i-Vale Strategic Cooperation Agreement in China had essentially been completed. While i-Vale made an operating profit in 2007, its results were affected by a foreign exchange loss which had been reflected in the Company's results.

The Company, which owns, leases, manages and franchises a portfolio of hotels across New Zealand and trades under the Millennium, Copthorne and Kingsgate brands, has resolved to maintain a fully imputed ordinary dividend of 2.5 cents per share. The dividend would be payable to shareholders on 9 May 2008. The record date is 2 May 2008.

Looking at the prospects for 2008, Managing Director Mr. B K Chiu said that success would come from raising the bar across all areas of the Company, particularly when it came to service.

"2007 saw the enhancement of our hotel assets across our network. That enhancement included a commitment to sustainability and the environment with the installation of New Zealand's largest single plate solar heating panels at Copthorne Hotel & Resort Bay of Islands. In 2008 we aim to go further, grow our hotel business and deliver a truly outstanding hospitality experience to all of our guests each and every time they stay, dine and conference with us", he said.

<u>Summary of results:</u>

• Operating profit after tax	$24.2 million	(2006:$26.9 million)
• Operating profit before tax and minorities & associates	$46.6 million	(2006: $47.3 million)
• Total group revenue	$168.0 million	(2006:$187.3 million)
• Shareholders' funds excluding minority interests	$396.1 million	(2006: $355.4 million)
• Total assets	$604.9 million	(2006: $560.9 million)

ENDS

Issued by Millennium & Copthorne Hotels New Zealand Limited

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