MILLENNIUM
HOTELS AND RESORTS

EAT Beautiful™

Beast & Butterflies
AUCKLAND

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LTD

ANNUAL REPORT 2018





CONTENTS

CALENDAR

Annual Report Issued	22 March 2019
Dividend Paid	17 May 2019
Annual Meeting	Late May 2019
Half Year End	30 June 2019
Interim Results	August 2019
Financial Year End	31 December 2019

Colin Sim
Chairman

BK Chiu
Managing Director

REVENUE

2014 $130.1m
2015 $136.5m
2016 $172.0m
2017 $187.3m
2018 $218.8m

PROFIT AFTER TAX & NCI

2014 $30.2m
2015 $21.7m
2016 $40.4m
2017 $43.1m
2018 $49.4m

DIVIDEND

2014 2.4cps
2015 2.8cps
2016 5.0cps
2017 6.0cps
2018 7.5cps

TOTAL ASSETS

2014 $585.4m
2015 $590.0m
2016 $713.9m
2017 $828.2m
2018 $898.2m

GROUP EQUITY

2014 $371.4m
2015 $389.3m
2016 $489.1m
2017 $588.9m
2018 $640.3m

NET ASSET BACKING / SHARE

2014 234.6cps
2015 245.9cps
2016 308.9cps
2017 372.0cps
2018 404.4cps

CHAIRMAN'S REVIEW

Financial Performance & Financial Position

Millennium & Copthorne Hotels New Zealand Limited (NZX:MCK) is pleased to report a profit attributable to owners of the parent of $49.4 million (2017: $43.1 million) for the year ended 31 December 2018.

MCK's revenue for the year increased to $218.8 million (2017: $187.3 million) and profit before tax and non-controlling interests totaled $85.1 million (2017: $74.9 million) reflecting positive hotel performance. Together with the contribution from majority-owned residential property developer CDL Investments New Zealand Limited, earnings per share increased to 31.21 cents per share (2017: 27.25 cents per share).

Shareholders' funds excluding non-controlling interests as at 31 December 2018 totaled $640.3 million (2017: $588.9 million). MCK's total assets at 31 December 2018 was $898.2 million (2017: $828.2 million) with net asset backing (with land and building revaluations and before distributions) as at 31 December 2018 also increasing to 404.41 cents per share (2017: 371.96 cents per share).

New Zealand Hotel Operations

It was pleasing to see further improvements in hotel revenue growth in 2018 which reflected both tourism growth and MCK's competitiveness. Our Gross Operating Profit increased by 21.7% with a 1.9 % point increase in total occupancy throughout the New Zealand Hotels. Both increases reflect positive contributions from M Social Auckland and Millennium Hotel New Plymouth Waterfront and the overall results were underpinned by the steady performances from MCK's Queenstown and Rotorua hotels throughout the year.

Tourism is tied to international events, both positive and negative but even more so in New Zealand given its location. New Zealand is particularly sensitive to negative wealth effects from the economies of our visitor countries. However domestic conditions have had more significant impacts on the accommodation sector in 2018 and will continue into 2019.

The tight supply of skills continues and changes to the immigration policies on work visas have not helped. These have immediate flow through effects on the quality of service and costs of doing business going beyond wage or salary rates.

Another domestic dampener affecting our cost of doing business is the Auckland Council's Accommodation Provider Targeted Rate (APTR) continues to impact the performance and profitability of MCK's Auckland hotels. The cost of the council rates, including APTR, to MCK in 2018 was 63% more in 2018 than the previous year. To-date council rates have increased by 109% from 2016 before the APTR was imposed. This targeted rate, used to fund ATEED activities, cannot be passed through to guests as Council had anticipated erroneously. The direct effect of the APTR is the erosion of our operational productivity gains we have made.

The judicial review action initiated by various Auckland hotel owner / operators to which MCK is a party is now well advanced and will be heard in the High Court later in 2019.

2019 will see new challenges for tourism and accommodation providers across New Zealand. Increased inventory in key markets such as Auckland will drive new competitive pressures from new entrants and existing operators. These international and domestic shifts necessitates on an urgent change in managing costs and revenue in 2019 and into 2020.

CDL Investments New Zealand Limited ("CDLI")

CDLI continued to perform strongly announcing another record operating profit after tax for the year ended 31 December 2018 of $33.6 million (2017: $32.2 million). Although it has seen signs of markets starting to slow down in some areas, CDLI is well positioned for the medium term having acquired additional land for development during 2018 and has a good pipeline of sections for sale across New Zealand.

CDLI maintained its ordinary dividend at 3.5 cents per share which MCK will take in cash when paid in May this year.

Australia Update

During 2018, two apartments at the Zenith Residences were sold and further units are being advertised for sale progressively as their leases come to an end. The rooftop penthouse area is also available for sale. Of the remaining leased apartments, occupancy continued to be positive at 98%. The Board is targeting further sales in 2019.

Dividend Announcement

In view of the improved result in 2018, MCK's Board has resolved to declare and pay all shareholders a fully imputed dividend of 7.5 cents per share (2017: 6.0 cents per share). The increased dividend reflects a sound trading result over the past 12 months, feedback from shareholders and the Board's progressive dividend policy.

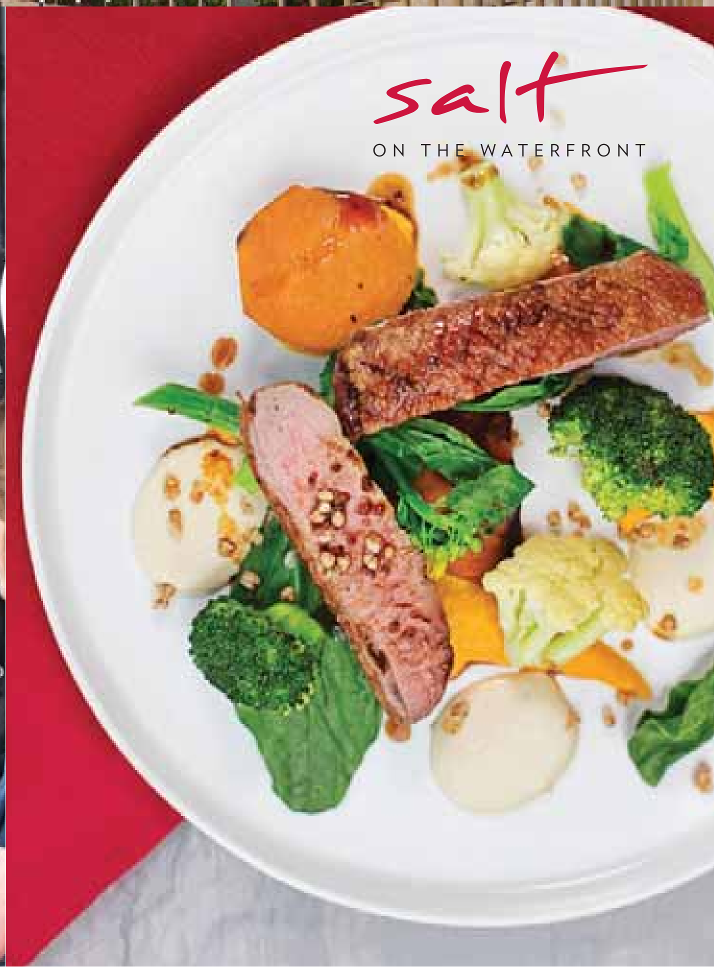
The dividend, payable to all shareholders, will be paid on 17 May 2019. The record date will be 10 May 2019.

Outlook

Although there are significant challenges ahead, the Board is confident that MCK will do well in 2019. We remain positive about the year ahead and expect growth in 2019 although slower.

On behalf of the Board, I would like to thank all of MCK's management and staff for their work in 2018.

Colin Sim
Chairman



MILLENNIUM
NEW PLYMOUTH
WATERFRONT

A NEW ADDITION TO THE FAMILY

The Millennium Hotel New Plymouth, Waterfront is located in the heart of the CBD with panoramic views of the Tasman Sea. Overlooking the Len Lye Wind Wand and the Coastal Foreshore Walkway, this property is within walking distance of many of the city's attractions including the Pukeariki Museum & Information centre, the Len Lye Centre and Govett Brewster Art Gallery, main street shopping, bars, cafes and the world famous Pukekura Park featuring the Bowl of Brooklands and Festival of the Lights.

MANAGING DIRECTOR'S REVIEW

Ever wonder how visitors spend their money when they come to New Zealand? The average number of days a tourist stays in NZ is around two weeks and 70% will fly into Auckland before heading to other popular destinations like Rotorua and Queenstown.

Let's follow a family of three, mum, dad and their young daughter on their first visit to New Zealand. They land in Auckland, clear immigration, buy some duty free, a Vodafone sim card, get their rental vehicle and off they go. First stop will probably be to Countdown to buy snacks and bottled water. They marvel at the blue skies and note that they have only seen one bus. They will then check into their hotel, freshen up, take a walk around the Viaduct, and will be surprised and amused that there are real fish swimming in the harbour. After that, they'll plan for the next day and they choose to take the Fullers ferry to Waiheke Island.

They will be walking on Queen Street as they stop in at various places for some quick shopping. In fact, they will do most of their shopping closer to their departure - some (Manuka) honey for gran, some Whittaker's chocolates to take back for other family and friends. The top item on their shopping list is a double sheepskin for their sitting room. If the price is right, maybe an alpaca rug.

Like many visitors they would have had a McDonalds hamburger and chips for lunch and Pacific Rose apples they bought from New World. Dinner is a sit-down affair most likely at a restaurant made popular on social media and located in the Viaduct.

Their next destination will be Rotorua and making good on their promise to their daughter, they will visit Hobbiton and not the Waitomo Caves. They will fill up at a petrol station in Matamata. You'd be surprised at the amount of snacks and drinks tourists buy from petrol stations. Their mince & cheese pies and coffee from that lunch place on the main street are really good. The daughter has a Tip Top Trumpet, Mum and Dad, something fancier from Kapiti. They will top up their sim cards – the mobile charges are higher here than in most of the rest of the world and data is more expensive.

As they drove towards Rotorua, past the green, undulating farms and the forests they can't help noticing the weird smell of the wind coming into their rental car. That's sulphur, explained Dad, as Rotorua is famous for its geothermal highlights like geysers and boiling mud as well as natural spas and mineral pools with different temperatures. Mum will like the Polynesian Spa. Much to see and experience in Rotorua. The sheep show at the Agrodome is a must, the daughter loves collies and she wants to be a vet and they also visit the new treetops excursion, the luge and have dinner at the top of the gondola ride.

That evening after dinner they will have mapped out their next must-do lists for the South Island over the next 5 days. They will fly to Christchurch on Air New Zealand and then hire a Toyota Highlander. Driving south through the Canterbury Plains and on to Central Otago, the daughter notes the spectacular views which were right out of the Lord of the Rings movies. They debate the must-dos in Queenstown but there are too many choices - the vineyards, jet boating, the list goes on.

They will only watch bungy jumping, partly because it's scary but also because the cost of one jump is as much as one night's accommodation. Besides, a day trip to the Milford Sound is spectacular and unique. And lucky they booked direct with their hotel in Queenstown as one of the perks they received was a room with a vista view of the lake. What a way to end the day, with a glass of New Zealand wine for Mum and Dad and some L&P for the daughter as they relax by enjoying the tranquillity of such magnificent natural surroundings.

At the end of a fantastic holiday, the daughter says, "I would like to come back to New Zealand and study here. Massey University has a vet course and grandad said he will help pay for the first two years, you and dad for the other three. Just say yes!"

So why this parable? Because it demonstrates the many economic linkages that tourism brings to New Zealand. Education and international students are literally a billion-dollar source of revenue to the country. Tourism benefits a wide spectrum of the country – from airlines, airports, rental vehicle companies, taxis, transport support services through to accommodation, bed and breakfasts, holiday parks, retail shops, food outlets, lunch places to restaurants, visitor attractions, supermarkets, telecommunications and so on. Our rural communities and farmers benefit as well when tourists come here and enjoy New Zealand's rich agricultural produce.

The statistics I refer to are not a surprise to anyone who knows the tourism industry and can be found in the Tourism Satellite Account which is maintained by the Ministry of Business, Employment and Innovation (MBIE). The Monthly Regional Tourism Estimates from the MBIE are revealing as well - 42% of total visitor spend went on retail followed by 18% going to food and beverage serving services. Passenger transport (excluding air) accounted for 17% with accommodation only 10% of total visitor spend. Accommodation is a smaller part of the cost of a holiday or visit. Visitors do not come to New Zealand just to sleep in hotels and motels, they come to see the country and take in the sights and experiences. It is therefore incongruous as to why policy makers would therefore single out accommodation providers when it is clear that other sectors see two or even over three times more visitor spend.

I have made comment previously on the Auckland Accommodation Providers Targeted rate (APTR) previously and stated that it singles out accommodation providers. MCK maintains that bed taxes and other similar levies are not the solution – they are unfair, disproportionate and inefficient. A lack of consultation and research, poorly informed analysis and a lack of accountability, waste and duplication results in significant and inequitable financial burdens to a limited sector of the economy.

Rayma Jenkins, President of the Bed & Breakfast Association of New Zealand has also said recently that "A bed tax is being suggested as the solution.....and again the burden is put on the accommodation industry when the wider community benefits. (Tourism) is an industry that brings spenders to the country, regions, cities, towns, villages and rural areas. And all New Zealanders benefit in some form or another from this industry." I agree with these comments.

Visitors spent a total of $39.1 billion in New Zealand in the year ended March 2018 according to the official statistics of MBIE. The Government takes in $1.7 billion in GST but has undertaken limited reinvestment into this sector. This in turn causes local governments to impose targeted rates in Auckland and calling for a bed tax in Queenstown. Will others follow? Surely the correct approach must be to do what is right, look at the facts, have the conviction and the courage to do the right thing.

B K Chiu
Managing Director

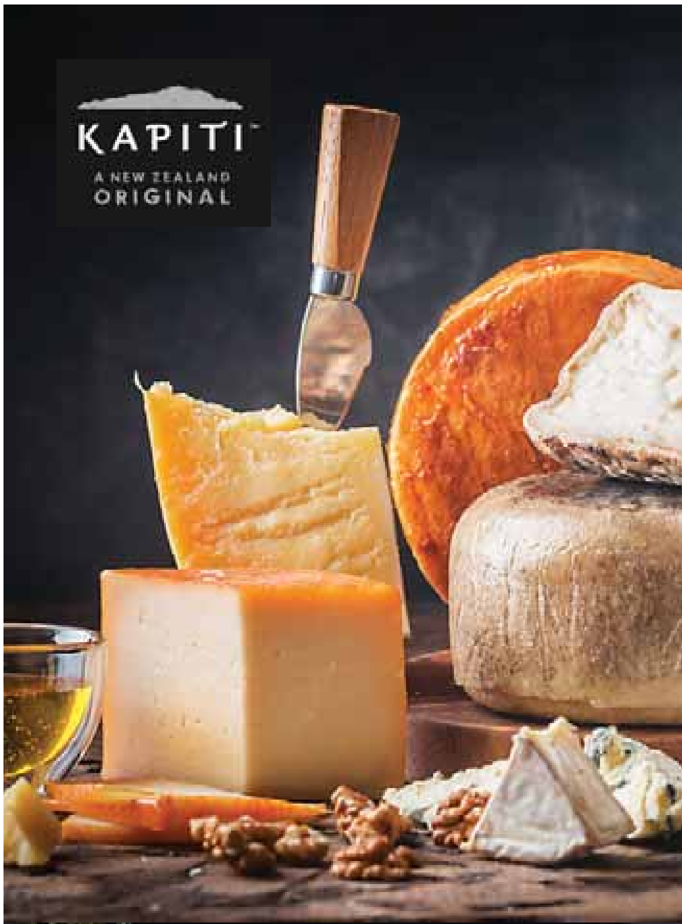
(Clockwise from left) Nikki from Copthorne Hotel Palmerston North whips up an Old Fashioned at the bar; Copthorne Hotel and Resort; Queenstown Lakefront with the Remarkables mountain range in the background; One80 Restaurant at Copthorne Hotel Wellington Oriental Bay's iconic Beef Wellington; Social dining in the heart of the waterfront at Beast & Butterflies Restaurant at M Social Auckland.

PARTNERSHIPS FOR THE FUTURE

PARTNERSHIP WITH KAPITI CHEESE

In collaboration with Fonterra, Millennium Hotels and Resorts New Zealand created a National Cheese Festival 'Festival du Fromage' to feature the delectable cheeses part of the Kapiti Fine Foods range. Fourteen hotels in the group took part by creating their own cheesy creation to offer to guests in July and August 2018.

Fonterra supplied each hotel with an 'inspiration kit' in order for our chefs to come up with concepts for their dishes. A successful joint social media marketing campaign was run to advertise the festival with both Kapiti and Millennium giving away a two-night stay and cheese hamper to a lucky winner.



M SOCIAL AUCKLAND HOSTS NEW ZEALAND FASHION WEEK

Millennium Hotels and Resorts New Zealand has been a proud sponsor of New Zealand Fashion Week for many years and was an elite sponsor in 2018. M Social Auckland was selected as the social and accommodation hub for designers, buyers, and guests coming into town for the fashion festival. To celebrate, Beast & Butterflies at M Social Auckland created Tirabuzon, a special cocktail for the fashion-forward consisting of passionfruit, apple, tequila and lime. A truly fashionable, sweet and tangy concoction and a refreshing treat for before and after a show.

The hotel also partnered with Kiwi Tuk Tuk, the only 100% electric tuk tuk operators in Auckland, to provide guests with a sustainable way to get around the city. Tuk tuks with M Social and Beast & Butterflies branding were used to transport guests in style between the hotel and the Viaduct Event Centre where the shows were held.

M Social Auckland also ran social media contests with prizes including tickets to shows for local designers.
Grand Millennium Auckland was also a part of the action playing host to the model auditions that took place a week earlier. The Hotel's Atrium Bar was transformed into a catwalk for model auditions and approximately 200 models attended the castings showcasing over 90 designers.

(Clockwise from left) The Festival Du Fromage promotional image as part of the collaboration with Fonterra for the 2018 National Cheese Festival;

New Generation Runway Show, New Zealand Fashion Week, ANZ Viaduct Events Centre, August 2018;

Not For You Runway Show, New Zealand Fashion Week, ANZ Viaduct Events Centre, August 2018;

Attending IMEX AMERICA 2018 (with Tourism New Zealand, Las Vegas October 2018);

Alison Smith, Director of Sales Conference and Incentives (left) and Tania Barnes Conference and Incentives Business Development Manager Australia (right) attending the Australian and New Zealand Professional Conference Association Conference (PCOA) in Melbourne;

M Social Auckland hosted the New Zealand launch of the new Samsung Galaxy Note9, a VIP event with a live art challenge 'draw off' between local artists using the building façade as their canvasses.

DIRECTORS' PROFILES

COLIN SIM
Chairman & Non-Executive Director

Mr Sim is the executive chairman of the East Quarter Group of companies (East Quarter Hurstville, EQ Projects and EQ Constructions) (EQ) in Australia. EQ is currently involved in the development and construction of residential units across New South Wales. Mr Sim is also an executive director of Waterbrook Lifestyle Resorts (Waterbrook); an award-winning creator, developer and operator of luxury resort lifestyles for retirees. Mr Sim has strong analytical skills and extensive experience in construction and property development/investment in Australia. He studied Mechanical Engineering in London and has lived in Sydney, Australia for the last 40 years. Mr Sim was appointed to the board in 2017.

B K CHIU
Managing Director

Mr Chiu is also the Managing Director of Millennium & Copthorne New Zealand Limited. Prior to joining the company, Mr. Chiu was Regional Vice - President and Managing Director, Asia of Merisant Company. He holds a Masters degree in agricultural economics and marketing from Massey University, Palmerston North. Mr Chiu was last re-elected to the Board at the 2017 annual meeting of shareholders.

KIAN SENG TAN
Non-Executive Director

Mr Tan was appointed to the Board effective from 28 February 2017 as a non-executive director.

Mr Tan is the Interim Group CEO of Millennium & Copthorne Hotels plc. Mr Tan's management background includes over 30 years of senior executive level experience managing SGX-listed businesses and US multinational corporations. His diverse experience incorporates operations, financial management, legal and investor relations, purchasing, business development, human resources, and information technology functions. He started his career as an accountant in the U.K. and audit manager in Malaysia with the audit firms currently known as Deloitte and PricewaterhouseCoopers respectively. Mr Tan is an associate of the Institute of Chartered Accountants in England and Wales. Mr Tan was elected to the Board at the 2017 annual meeting of shareholders.

KEVIN HANGCHI
Non-Executive Director

Mr Hangchi is currently Senior Vice President, Hong Leong Management Services Pte. Limited. He has global transactional experience across many of the Hong Leong Group's entities including listings and public offerings, mergers and acquisitions as well as capital markets issuances and banking facilities. Mr Hangchi has been called to the English and Singaporean bars and holds an honours degree in Accountancy and Law from the University of Southampton. Mr Hangchi was elected to the Board at the 2018 annual meeting of shareholders.

RICHARD BOBB
Independent Director, Chair of the Audit Committee

Mr Bobb is a Chartered Accountant and Chartered Tax Advisor with over forty years' experience. He is currently a member of the Professional Conduct Appeals Tribunal of Chartered Accountants Australia and New Zealand (formerly known as the Institute of Chartered Accountants in Australia) and was a member of New South Wales Joint State Taxes Committee of Chartered Accountants ANZ and CPA Australia. He was also a member and past Chairman of the Joint Legislation Review Committee and a member and past Chairman the Legislation Review Board of Chartered Accountants ANZ and CPA Australia. He is admitted as a Barrister in New South Wales and holds a Bachelor Commerce degree from the University of NSW, a Diploma in Law from the Barristers Admission Board (NSW) and a Master of Laws from the University of Sydney. He also holds a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia (now known as the Financial Services Institute of Australasia ("FINSIA")) and is a Fellow of FINSIA. Mr Bobb was last re-elected to the Board at the 2018 annual meeting of shareholders.

GRAHAM MCKENZIE
Independent Director, Member of the Audit Committee

Mr McKenzie is a Barrister and Solicitor with over thirty years experience in corporate and commercial law and is a former Partner and Consultant to Bell Gully, a leading New Zealand law firm. He is currently a member of the New Zealand Law Society Disciplinary Tribunal. Mr McKenzie is a member of the New Zealand Law Society and the Queensland Law Society, Australia and holds a Bachelor of Laws degree from Victoria University, Wellington and a Master of Laws degree from Warwick University, England. Mr McKenzie was a Director of CDL Investments New Zealand Limited from 2005 to 2006. Mr McKenzie was last re-elected to the Board at the 2017 annual meeting of shareholders.

HOTEL OWNERSHIP

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

OWNED

Millennium Hotel New Plymouth Waterfront

Millennium Hotel Rotorua

M Social Auckland

Copthorne Hotel & Resort Bay of Islands (49%)

Copthorne Hotel & Resort Queenstown Lakefront

Kingsgate Hotel Greymouth

Kingsgate Hotel Te Anau

HOSPITALITY SERVICES LIMITED

MANAGED/FRANCHISED

Grand Millennium Auckland

Kingsgate Hotel Autolodge Paihia

QUANTUM LIMITED

OWNED

Millennium Hotel Queenstown

Copthorne Hotel Auckland City

Copthorne Hotel Rotorua

Copthorne Hotel Palmerston North

Copthorne Hotel Wellington Oriental Bay

Copthorne Hotel & Apartments Queenstown Lakeview

Kingsgate Hotel Dunedin

FRANCHISED

Millennium Hotel & Resort Manuels Taupo

Copthorne Hotel & Resort Hokianga

Copthorne Hotel Grand Central New Plymouth

Copthorne Hotel & Resort Solway Park Wairarapa

Kingsgate Hotel The Avenue Wanganui

Hole In The Rock, Bay Of Islands

CORPORATE GOVERNANCE

Millennium & Copthorne Hotels New Zealand Limited is committed to maintaining strong corporate governance in line with best practice at all times. With that in mind, the company undertook a review of its corporate governance framework and objectives in 2018 and has adopted the following which, in the Board's opinion, complies materially with the NZX Corporate Governance Code ("the NZX Code") as well as the Financial Markets Authority Corporate Governance Principles and Guidelines (the FMA Principles).

PRINCIPLE 1 – ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold Management accountable for these standards being followed throughout the organisation.

All of MCK's directors are bound by the Board's Code of Ethics which is as follows:

- Directors shall undertake their duties with due care and diligence at all times and will conduct themselves honestly and with integrity. Directors shall not do anything, or cause anything to be done, which may or does bring MCK or the Board into disrepute.
- All Directors must act in the best interests of the company and exercise unfettered and independent judgement. All Directors must carry out their duties with integrity and honesty and participate in open and constructive discussions.
- To the best of their ability, Directors will use reasonable endeavours to ensure that MCK's records and documents (including its financial reports) are true and complete and comply with the requisite reporting standards and controls.
- So that the Board may determine a Director's independence and to ensure that there are no conflicts of interest, all Directors shall promptly disclose all relevant business and / or personal interests they may have to the Board forthwith as well as any relationships they may have with MCK.
- All Directors shall ensure that they do not support any organisation other than in a personal capacity without the prior written approval of the Chairman.
- Directors shall not accept any gifts or personal benefits from external parties if it could be perceived that this could compromise or influence any decision by the Board or by MCK.
- All Directors shall maintain and protect the confidentiality of all information about MCK at all times except where disclosure is permitted or required by law.
- All Directors shall ensure that they do not use company information and / or property for personal gain or profit. All Directors shall use and / or retain company information and property only for business purposes in their capacity as Directors of MCK or to meet legal obligations.
- All Directors shall comply with the laws and regulations that apply to MCK.
- All Directors shall immediately report any illegal or unethical behaviour of which they become aware to the Chairman of the Board and to the Chairman of the Audit Committee.

All of MCK's employees are expected to act in the best interests of MCK and to enhance the reputation of the company. MCK also has a number of operational policies which must be followed by employees and the MCK Code of Conduct forms part of each employee's employment agreement.

MCK also believes in fair dealing with its customers and suppliers, shareholders, employees and other stakeholders and external third parties.

MCK has recently revised its Share Trading Policy which applies to Directors and Officers. It also has a global Whistleblowing Policy which extends to all management and employees. The Whistleblowing Policy facilitates the disclosure and impartial investigation of any serious wrongdoing.

This policy advises employees of their right to disclose serious wrongdoing, and sets out the Company's internal procedures for receiving and dealing with such disclosures. The policy is consistent with, and facilitates, the Protected Disclosures Act 2000 and is supported by the Board.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

MCK's Board has responsibility, control and oversight of the business activities, strategic direction and the governance of MCK and its subsidiary companies. It looks at how the company is operating, how risk and compliance are managed, approving financial and other reports and capital expenditure and reporting to MCK's shareholders. The Board approves MCK's budgets and business plans as well as significant projects and has statutory obligations for other matters such as the payments of dividends and the issue of shares. The Board is accountable to MCK's shareholders for the company's performance.

Certain powers are delegated to Board Committees and Subcommittees. The role of the Committees is detailed under Principle 3.

Day-to-day management is delegated to the Managing Director and senior management. The levels of authority are approved by way of a Delegated Authorities Manual which is reviewed by the Audit Committee and ultimately approved by the Board.

Appointments to the Board are considered by the Board and the Board takes into account the skills required to allow it to carry out its functions and governance role. The Board does not impose a restriction on the tenure of any Director as it considers that such a restriction may lead to the loss of experience and expertise from the Board. MCK's Constitution specifies a minimum number of three directors and a maximum number of nine directors at any one time. Two directors must ordinarily be living in New Zealand. In line with the NZX Main Board Listing Rules, MCK is required to have at least two Independent Directors. Currently, MCK has determined that its Chair Colin Sim and Messrs. Bobb and McKenzie are Independent Directors as none of them have a Disqualifying Relationship (as that term is defined in the NZX Main Board Listing Rules) or Substantial Product Holders. Messrs Chiu, Hangchi and Tan are not considered by the Board to be Independent Directors.

Board meetings are generally held quarterly with additional meetings convened when required. The table below details directors' attendances during 2018.

Director	Meetings attended in 2018
Colin Sim (Chair)	2/3
Kian Seng Tan	3/3
BK Chiu (Managing Director)	3/3
Kevin Hangchi	3/3
Richard Bobb	3/3
Graham McKenzie	3/3

In 2018, the Board devised its own Skills Matrix to demonstrate the skills, experience and diversity of its Board.

Skill / Attribute	Relevant Director
Retail, marketing, brand and sales experience	Chiu
Governance Experience	Chiu, Hangchi, McKenzie, Sim
Large enterprise / Multinational business or leadership experience	Chiu, Hangchi, Sim, Tan
Accounting / Finance / Tax experience	Bobb, Hangchi
Legal or Regulatory knowledge and experience	Hangchi, McKenzie
Business strategy experience	Chiu, Sim, Tan
Property development / management experience	Chiu, Sim

The Board encourages all directors to undertake their own continuous education so that they can perform their duties as directors and provide maximum benefit to the Board and to shareholders.

In 2018, MCK also adopted its own Diversity and Inclusion Policy which is a separate stand-alone document.

PRINCIPLE 3 – BOARD COMMITTEES

The Board should use committees where this will enhance its effectiveness in key areas while still retaining board responsibility.

Committees help the Board in carrying out its responsibilities and MCK currently has one standing committee being its Audit Committee which is comprised solely of Independent Directors.

The current members of the Audit Committee are Richard Bobb (Chair) and Graham McKenzie. The Managing Director and senior management attend only by invitation.

The table below reports attendance of the Audit Committee members during 2018:

Director	Meetings attended in 2018
Richard Bobb	2/2
Graham McKenzie	2/2

The Board also forms subcommittees as and when required.

MCK does not currently have a Remuneration or Nominations Committee. The Board as a whole deals with the issues that would normally be dealt with by these committees and conducts periodic reviews of its fees and the remuneration of the Managing Director and senior management. Vacancies and appointments to the Board are considered by the Board as a whole. For those reasons, MCK does not consider it necessary to form and maintain either Committee at this time.

MCK has in the past formed a Due Diligence Committee (DDC) to oversee, review and report on material or complex transactions and will do so when required. The DDC will comprise only of Independent Directors, members of senior management and external advisors directly involved in the transaction.

The Board has not established a protocol which sets out procedures to be followed in the event of a takeover offer being received by the Company. This is because the Board considers that receipt of a takeover offer to be a very unlikely event in light of CDL Hotels Holdings New Zealand Limited's long-term majority shareholding in the Company. MCK is also the owner of property assets including "sensitive land" (as defined under the Overseas Investment Act 2015) which, if the subject of an overseas takeover offer, would require regulatory and / or government approvals for their acquisition.

MCK's Board believes that the Company would have sufficient time to adopt protocols and procedures necessary to respond to any such offer when received and to communicate those to shareholders. MCK's Board therefore believes that it is reasonable and appropriate for the Company not to follow Recommendation 3.6 of the new Code at this time but agrees with the principles behind Recommendation 3.6.

PRINCIPLE 4 – REPORTING & DISCLOSURE

The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures.

As an NZX-listed entity, MCK recognises the need to ensure that it is fully compliant in terms of reporting and disclosure and has in place a Continuous Disclosure Policy (CDP) which applies to MCK, its subsidiaries ("Group"), and all their respective directors and employees. The Board has appointed the Chairman, the Chairman of the Audit Committee, the Managing Director, the Company Secretary and the Vice President Finance to act as MCK's Continuous Disclosure Committee (the Disclosure Committee). A quorum of the Disclosure Committee shall consist of no less than three (3) of these persons.

The Disclosure Committee is responsible for:

- Determining what information amounts to material information and must be disclosed;
- Determining the timing of disclosure of any information in accordance with the CDP;
- Approving the content of any disclosure to NZX (including matters not directly covered by the CDP);
- Ensuring that all employees and directors within the Group whom the Committee considers appropriate receive a copy of the CDP and appropriate training with respect to it;
- Developing mechanisms designed to identify potential material information (e.g. agenda item on management meetings); and
- Liaising with legal advisers in respect of MCK's compliance with its continuous disclosure obligations.

The key points from the CDP are:

- No person may release material information concerning MCK to any person who is not authorised to receive it without the approval of the Disclosure Committee.
- The Board will consider at each Board meeting whether there is any information that may require disclosure in accordance with the CDP, and will note any disclosures made subsequent to the prior meeting. Any employee or director of MCK must inform a member of the Disclosure Committee as soon as practicable after that person becomes aware of any material information.
- The CDP includes a list of incidents which should be disclosed to a member of the Disclosure Committee. The Disclosure Committee must confer, decide whether disclosure is required, and coordinate disclosure of any material information in a form specified by the Listing Rules as soon as practicable after it becomes aware of the existence of material information, unless it determines:

  a. a reasonable person would not expect the information to be disclosed; and

  b. the information is confidential and its confidentiality is maintained; and

  c. one or more of the following applies:

     i. it would breach the law to disclose the information; or

     ii. the information concerns an incomplete proposal or negotiation; or

     iii. the information comprises matters of supposition or is insufficiently definite to warrant disclosure; or

     iv. the information is generated for internal management purposes of MCK or its subsidiaries; or

     v. the information is a trade secret.

  The Disclosure Committee will ensure that all Board members, not already aware of the information, are promptly provided with it.

- The Disclosure Committee is responsible for MCK's obligations under the Listing Rules to release material information to NZX to the extent necessary to prevent development or subsistence of a market for its listed securities which is materially influenced by false or misleading information emanating from the issuer or any associated person of the issuer; or other persons in circumstances in each case which would give such information substantial credibility.
- All employees of MCK, as soon as practicable after becoming aware of a rumour or speculation that is "generally available to the market", must disclose the existence of that rumour or speculation to a member of the Disclosure Committee.
- The Disclosure Committee is also responsible for co-ordinating MCK's responses to leaks and inadvertent disclosures. Even in the event that leaked or inadvertently disclosed information is not price sensitive, the Disclosure Committee should consider whether the information should be released to NZX via its market announcement platform in order to provide investors with equal access.

- All external communications by MCK must comply with the CDP, any media policy and the Company's rules with respect to confidential information. No material information is to be disclosed to such persons before it is released to NZX.

- Slides and presentations used in briefings should be released to NZX for immediate release to the market.

- Prior to approval and release of MCK's half year and full year results, the Vice President Finance and Company Secretary are required to provide a letter of representation to the Board (or its nominated subcommittee) that the financial statements have been prepared in accordance with generally accepted accounting practice and are correct in all material respects.

PRINCIPLE 5 – REMUNERATION

The remuneration of directors and executives should be transparent, fair and reasonable.

The total pool for Directors' Fees is capped at $200,000 and was last approved by shareholders in 1996. In 2018, all non-executive directors receive a base fee of NZ$35,000 per annum. The Chair of the Audit Committee receives a further NZ$7,000 per annum and member(s) of the Audit Committee receive NZ$3,500 per annum. Executive Directors do not receive Directors' or Committee fees.

Employee (including the Managing Director and senior management) remuneration is made up of two primary components being a fixed component and a short term incentive. Remuneration is determined with reference to market information as well as the responsibilities of the position, experience and overall performance. Short term incentives are designed to reward high performing employees with appropriate incentives which are measured on key performance indicators which are reviewed and monitored regularly and company performance. The Company reserves the right to suspend or adjust incentives if targets are not met. MCK does not currently have an employee share plan or a long term incentive scheme.

Employees are eligible for a range of benefits including discounted accommodation at MCK's hotels in New Zealand and Millennium & Copthorne Hotels around the world (subject to availability).

PRINCIPLE 6 – RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

While risks are a part of doing business, it does need to be monitored and addressed. MCK's Board, Audit Committee and Management Team all have a role in identifying areas of risk and understanding their impact on the Company as well as how these areas are to be managed and mitigated.

MCK's Management Team is responsible for the day-to-day identification, assessment and management of risks applicable to the Company as well as the implementation of appropriate controls, processes and policies to manage such risks. Management also ensures that there are training programmes in place to identify, manage, mitigate or eliminate hazards and risks in the workplace.

The Audit Committee's role is to review and report to the Board on the adequacy of Management's oversight and implementation of risks with particular regard to financial and operational risks. The Audit Committee also has oversight of the Company's Internal Audit function and reviews internal audit reports as part of its duties.

The Board is ultimately responsible for the oversight and implementation of the Company's responses to risk management.

MCK's Board has identified three main risks areas being Reputational, Operational and Financial Risks. Reputational Risks may arise through errors or omissions by staff or Management, failed procedures, an incident that affects guests or staff or external events. Operational Risks may arise from change in the competitive or regulatory environment, customer demand changes or even failing to keep properties competitive. Financial risks may arise where earnings or cashflow change or are affected in some way due to market conditions or events within or outside MCK's control.

MCK has a series of internal controls in place covering such areas as financial monitoring and reporting, human resources and risk management. The primary responsibility for monitoring and reporting against internal controls and remedying any deficiencies lies with Management.

MCK also keeps current insurances appropriate to its business with reputable global insurers.

PRINCIPLE 7 – AUDITORS

The Board should ensure the quality and independence of the external audit process.

External Audit plays a critical role in ensuring the integrity of financial reporting. The role of the external auditor is to plan and carry out an audit of MCK's annual financial reports and review the half-yearly reports. The Audit Committee reviews the performance and independence of the external auditors.

MCK has in place an External Auditor Independence Policy which deals with the provision of services by the MCK's external auditors, auditor rotation and the relationships between the external auditor and the Company. The policy states that:

The Audit Committee shall only recommend to the Board a firm to be external auditor if that firm:

- would be regarded by a reasonable investor, with full knowledge of all relevant facts and circumstances, as capable of exercising objective and impartial judgment on all issues encompassed within the auditor's engagement;

- audit partners are members of Chartered Accountants Australia New Zealand (CAANZ);

- has not, within two years prior to the commencement of the audit, had as a member of its audit engagement team MCK's Managing Director, Vice President Finance, Group Accounting Manager, or any member of the Company's Management who acts in a financial oversight role.

- does not allow the direct compensation of its audit partners for selling non-audit services to MCK.

The general principles to be applied in assessing non-audit services are as follows:

a. the external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work. This includes the provision of bookkeeping and payroll services as well as valuation services where such valuation forms an input into audited financial information;

b. the external auditor should not perform any function of management, or be responsible for making management decisions;

c. the external auditor should not be responsible for the design or implementation of financial information systems; and

d. the separation between internal audit and external audit should be maintained.

MCK's Audit Committee shall pre-approve all audit and related services that are to be provided by the auditor. Aside from core external audit services, it is appropriate for the MCK's auditors to provide the following services:

- due diligence (except valuations) on proposed transactions;
- review of financial information where third party verification is required or deemed necessary (outside the normal audit process);
- completion audits / reviews;
- financial model preparation or review;
- accounting policy advice;
- listing advice;
- accounting/technical training; and
- taxation services of an assurance nature.

It is not considered appropriate for MCK's external auditors to provide:

- book keeping services related to accounting records or financial statements;
- tax planning and strategy services unless specifically approved by the Audit Committee;
- appraisal / valuation services including opinions as to fairness;
- provision of payroll services;
- the design or implementation of financial information systems;
- outsourced internal audit and risk management services;
- legal services;
- management functions;
- broker / dealer / investment adviser / investment banking services;
- advocacy for the Company;
- actuarial services; and
- assistance in the recruitment of senior management.

These prohibitions apply to all offices of the audit firm, including overseas offices and affiliates.

The billing arrangements for services provided by MCK's external auditors should not include any contingent fees.

MCK's expects that its external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance, including independence rules and guidance issued by CAANZ.

The nature of services provided by MCK's auditors and the level of fees incurred should be reported to the Audit Committee Chairman semi-annually (or sooner where requested) to enable the Committee to perform its oversight role and report back to the Board. This policy does not prescribe any particular ratio of non-audit service fees to audit fees but the Committee shall monitored the fees and ratio.

The continued appointment of MCK's external auditors is confirmed annually by the Board on recommendation from the Audit Committee.

Rotation of the lead audit partner or firm will be required every five years. Lead audit partners who are rotated will be subject to a 2 year cooling off period (i.e. 2 years must expire between the rotation of an audit partner and that partner's next engagement with the Company).

The hiring by MCK of any former lead audit partner or audit manager must first be approved by the Chairman of the Audit Committee. There are no other restrictions on the hiring of other staff from the audit firm.

KPMG are currently MCK's external auditor and the lead external audit engagement partner was rotated earlier this year.

The Audit Committee monitors local and overseas practice on auditor independence regularly to ensure that this policy remains consistent with best practice and meets MCK's requirements.

MCK's external auditors also attend the Company's Annual Meeting to answer any questions from shareholders as to the audit and the content of the Annual Report.

MCK has an internal audit function to conduct audits and reviews of the Company's operations which is independent of the External Auditors. A programme of work is developed annually and submitted to the Audit Committee for approval. The areas covered by internal audit mainly centre around those which pose an operational business risk for MCK's hotels and corporate office functions. In this way, the internal audit function strengthens MCK's internal controls and provides the Audit Committee and the Board with an assessment of the functioning and overall adequacy of MCK's processes.

PRINCIPLE 8 – SHAREHOLDER RIGHTS & COMMUNICATION

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

MCK is committed to providing shareholders and stakeholders with timely information on its activities and performance. MCK does this through a number of channels including:

- announcements in accordance with continuous disclosure as required under the Listing Rules;
- publication of the company's annual and interim reports which are sent to all shareholders; and
- encouraging shareholders to attend the Annual Meeting in May of each year to hear the Chairman and the Managing Director provide updates on the company's performance, ask questions of the Board and vote on the resolutions to be determined at the meeting. Resolutions at shareholder meetings are usually determined by poll where each ordinary shareholder has one vote per share.

Relevant communications, copies of annual reports and key corporate governance documents and policies are now available on a dedicated webpage http://mckhotels.co.nz/investors/

Shareholders also receive a discount card for use at MCK's hotels within New Zealand which provides them with a twenty percent off Best Available Rate (subject to availability).

AS SEEN ON TV

MILLENNIUM HOTELS BOOK DIRECT TVC

Our television presence continues to promote all of our hotels effectively and this advertisement from 2018 promoted the benefits of booking direct on our brand website and "way more perks" of My Millennium membership.

AWAYTOGO.CO.NZ TVC

Our AwayToGo vouchers have proved to be very popular and the success of this advertising campaign made this package our highest selling accommodation deal.

LOCAL & INTERNATIONAL FLAVOURS AT THEIR FINEST

As our guests come from around the country and across the globe, we strive to serve up the best local and international flavours using the finest ingredients from around New Zealand.

SALT ON THE WATERFRONT

Salt is an award winning restaurant located inside Millennium Hotel New Plymouth Waterfront, offering stunning sea views from all tables. The restaurant is an ideal venue for breakfast, lunch and dinner or simply for coffee, light meal, or leisurely drink. Guests can get comfortable in our lounge area before moving to a table inside or bask in the sunshine on the large balcony.

Salt On The Waterfront promises an array of award-worthy dishes expertly prepared using some of New Zealand's finest ingredients.

JIMMY COOK'S KIWI KITCHEN

Jimmy Cook's Kiwi Kitchen, unique to Copthorne and Kingsgate hotels in New Zealand, draws its inspiration from Captain James Cook, the renowned explorer who visited New Zealand three times during the 18th Century. In addition to his seafaring activities, James Cook was known for having a grasp of nutrition that was ahead of his time.

Using fresh local produce, our chefs combine the indigenous flavours of New Zealand to create a relaxed dining environment.

BEAST & BUTTERFLIES

Located within M Social Auckland is Beast & Butterflies, a casual all-day dining destination complete with an outdoor terrace. The tantalising menu features Pacific-Asian flavours with street food influences including dishes that showcase the region's best fresh seafood.

Or catch up with friends, old or new, at the Beast & Butterflies Bar. The drinks menu contains a range of classic and signature cocktails alongside a comprehensive wine list encompassing all regions of New Zealand and around the world.

KATSURA JAPANESE RESTAURANT

Katsura Japanese restaurant specialising in Steaks, Seafood and Teppanyaki was established in 1989 and has a dedicated following amongst Local and International guests.

Katsura's Chefs are the first each day into the seafood market and with over 25 years of relationships this ensures we get the first pick and often exclusivity. Katsura also features the very best in premium Japanese Beers, Whisky and Sake and twice weekly we showcase our famous Grand Seafood Buffet.

ONE80 RESTAURANT

Located inside Copthorne Wellington, Oriental Bay, Executive One80's award-winning chefs blend seasonal ingredients with a touch of city flair. They have created a kitchen culture that is based on techniques and different backgrounds, but continuously endeavor to serve new flavours and textures.

One80° Restaurant is focused in providing only the best seasonal ingredients & freshest local market produce. An award winning dining experience that is uniquely One80° Restaurant with "views to dine for."

MILLENNIUM HOTELS & RESORTS IN NEW ZEALAND

MILLENNIUM COLLECTION

1. Grand Millennium Auckland
71 Mayoral Drive, Auckland
Phone +64 6 366 3000
grandmillennium.auckland@millenniumhotels.co.nz

2. Millennium Hotel Rotorua
Cnr Eruera & Hinemaru Streets, Rotorua
Phone +64 7 347 1234
Fax +64 7 348 1234
millennium.rotorua@millenniumhotels.co.nz

3. Millennium Hotel & Resort Manuels Taupo
243 Lake Terrace, Taupo
Phone +64 7 378 5110
Fax +64 7 378 5341
millennium.taupo@millenniumhotels.co.nz

4. Millennium Hotel Queenstown
Cnr Frankton Road & Stanley Street, Queenstown
Phone +64 3 450 0150
Fax +64 3 441 8889
millennium.queenstown@millenniumhotels.co.nz

5. Millennium Hotel New Plymouth Waterfront
1 Egmont St, New Plymouth 4310
Phone +64 6 769 5301
Fax +64 6 769 5302
millennium.waterfront@millenniumhotels.co.nz

M COLLECTION

1. M Social Auckland
196 - 200 Quay Street, Auckland 1010
Phone +64 9 377 0349
msocial.auckland@millenniumhotels.com

COPTHORNE COLLECTION

1. Copthorne Hotel & Resort Bay of Islands
Tau Henare Drive, Paihia
Phone +64 9 402 7411
Fax +64 9 402 8200
copthorne.bayofislands@millenniumhotels.co.nz

2. Copthorne Hotel & Resort Hokianga
S.H 12 Omapere, Hokianga
Phone +64 9 405 8737
Fax +64 9 405 8801
copthorne.hokianga@millenniumhotels.co.nz

3. Copthorne Hotel Auckland City
150 Anzac Avenue, Auckland
Phone +64 9 379 8509
Fax +64 9 379 8582
copthorne.aucklandcity@millenniumhotels.co.nz

4. Copthorne Hotel Rotorua
Fenton Street, Rotorua
Phone +64 7 348 0199
Fax +64 7 346 1973
copthorne.rotorua@millenniumhotels.co.nz

5. Copthorne Hotel Grand Central New Plymouth
42 Powderham Street, New Plymouth
Phone +64 6 758 7495
Fax +64 6 758 7496
copthorne.newplymouth@millenniumhotels.co.nz

6. Copthorne Hotel Palmerston North
110 Fitzherbert Avenue, Palmerston North
Phone +64 6 356 8059
Fax +64 6 356 8604
copthorne.palmerston@millenniumhotels.co.nz

7. Copthorne Hotel & Resort Solway Park Wairarapa
High Street, South Masterton
Phone +64 6 370 0500
Fax +64 6 370 0501
reservations@solway.co.nz

8. Copthorne Hotel Wellington Oriental Bay
100 Oriental Parade, Wellington
Phone +64 4 385 0279
Fax +64 4 384 5324
copthorne.orientalbay@millenniumhotels.co.nz

9. Copthorne Hotel & Resort Queenstown Lakefront
Cnr Adelaide Street and Frankton Road, Queenstown
Phone +64 3 450 0260
Fax +64 3 442 7472
copthorne.lakefront@millenniumhotels.co.nz

10. Copthorne Hotel & Apartments Queenstown Lakeview
88 Frankton Road, Queenstown
Phone +64 3 442 7950
Fax +64 3 442 8066
copthorne.lakeview@millenniumhotels.co.nz

11. Kingsgate Hotel Autolodge Paihia
Marsden Road, Paihia
Phone +64 9 402 7416
Fax +64 9 402 8348
kingsgate.paihia@millenniumhotels.co.nz

12. Kingsgate Hotel The Avenue Wanganui
379 Victoria Avenue, Wanganui
Phone +64 6 349 0044
Fax +64 6 345 3250
kingsgate.wanganui@millenniumhotels.co.nz

13. Kingsgate Hotel Greymouth
32 Mawhera Quay, Greymouth
Phone +64 3 768 5085
Fax +64 3 768 5844
kingsgate.greymouth@millenniumhotels.co.nz

14. Kingsgate Hotel Te Anau
20 Lakefront Drive, Te Anau
Phone +64 3 249 7421
Fax +64 3 249 8037
kingsgate.teanau@millenniumhotels.co.nz

15. Kingsgate Hotel Dunedin
10 Smith Street, Dunedin
Phone +64 3 477 6784
Fax +64 3 474 0115
kingsgate.dunedin@millenniumhotels.co.nz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MILLENNIUM
HOTELS AND RESORTS
More than Meets the Eye

Financial Statements – Contents

Regulatory Disclosures and Statutory Information – Contents

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Income Statement

For the year ended 31 December 2018

DOLLARS IN THOUSANDS	Note	Group 2018	Group 2017
Hotel revenue		126,478	105,567
Rental income		3,009	3,070
Property sales		89,351	78,630
Revenue		**218,838**	**187,267**
Cost of sales	3,10	(89,004)	(74,847)
Gross profit		**129,834**	**112,420**
Administration expenses	2,3	(24,833)	(20,504)
Other operating expenses	2,3	(21,923)	(19,148)
Operating profit		**83,078**	**72,768**
Finance income	4	3,772	4,072
Finance costs	4	(1,748)	(1,897)
Net finance income		**2,024**	**2,175**
Profit before income tax		**85,102**	**74,943**
Income tax expense	5	(23,146)	(19,847)
Profit for the year		**61,956**	**55,096**
Attributable to:			
Owners of the parent		49,375	43,116
Non-controlling interests		12,581	11,980
Profit for the year		**61,956**	**55,096**
Basic earnings per share (cents)	8	31.21	27.25
Diluted earnings per share (cents)	8	31.21	27.25

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

DOLLARS IN THOUSANDS	Note	Group 2018	Group 2017
Profit for the year		**61,956**	**55,096**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation/impairment of property, plant and equipment	9	20,075	75,326
- Tax expense on revaluation/impairment of property, plant and equipment	5, 16	(5,541)	(11,342)
		14,534	**63,984**
Items that are or may be reclassified to profit or loss			
Foreign exchange translation movements	4	(3,060)	3,426
- Tax credit on foreign exchange translation movements	4, 5	(76)	11
		(3,136)	**3,437**
Total comprehensive income for the year		**73,354**	**122,517**
Total comprehensive income for the year attributable to :			
Owners of the parent		60,773	107,648
Non-controlling interests		12,581	14,869
Total comprehensive income for the year		**73,354**	**122,517**

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

Group

	Attributable to equity holders of the Group							
DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Exchange Reserve	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2018	383,266	222,465	114	(16,939)	(26)	588,880	74,810	663,690
Movement in exchange translation reserve, net of tax	-	-	(3,136)	-	-	(3,136)	-	(3,136)
Revaluation/impairment of property, plant & equipment, net of tax	-	14,534	-	-	-	14,534	-	14,534
Total other comprehensive income/(loss)	-	14,534	(3,136)	-	-	11,398	-	11,398
Profit for the year	-	-	-	49,375	-	49,375	12,581	61,956
Total comprehensive income for the year	-	14,534	(3,136)	49,375	-	60,773	12,581	73,354
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(9,493)	-	(9,493)	-	(9,493)
Non-controlling interests	-	-	-	-	-	-	(4,231)	(4,231)
Supplementary dividends	-	-	-	(242)	-	(242)	-	(242)
Foreign investment tax credits	-	-	-	242	-	242	-	242
Movement in non-controlling interests without a change in control	-	-	-	99	-	99	454	553
Balance at 31 December 2018	**383,266**	**236,999**	**(3,022)**	**23,042**	**(26)**	**640,259**	**83,614**	**723,873**

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

Group

Attributable to equity holders of the Group

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Exchange Reserve	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2017	383,266	161,370	(3,323)	(52,224)	(26)	489,063	63,218	552,281
Movement in exchange translation reserve, net of tax	-	-	3,437	-	-	3,437	-	3,437
Revaluation/impairment of property, plant & equipment, net of tax	-	61,095	-	-	-	61,095	2,889	63,984
Total other comprehensive income	-	61,095	3,437	-	-	64,532	2,889	67,421
Profit for the year	-	-	-	43,116	-	43,116	11,980	55,096
Total comprehensive income for the year	-	61,095	3,437	43,116	-	107,648	14,869	122,517
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(7,911)	-	(7,911)	-	(7,911)
Non-controlling interests	-	-	-	-	-	-	(3,662)	(3,662)
Supplementary dividends	-	-	-	(221)	-	(221)	-	(221)
Foreign investment tax credits	-	-	-	221	-	221	-	221
Movement in non-controlling interests without a change in control	-	-	-	80	-	80	385	465
Balance at 31 December 2017	**383,266**	**222,465**	**114**	**(16,939)**	**(26)**	**588,880**	**74,810**	**663,690**

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Financial Position

As at 31 December 2018

DOLLARS IN THOUSANDS	Note	Group 2018	Group 2017
SHAREHOLDERS' EQUITY			
Issued capital	7	383,266	383,266
Reserves		257,019	205,640
Treasury stock	7	(26)	(26)
Equity attributable to owners of the parent		**640,259**	**588,880**
Non-controlling interests		83,614	74,810
Total equity		**723,873**	**663,690**
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment	9	532,124	505,908
Development properties	10	163,106	145,751
Investment in associates	11	2	2
Total non-current assets		**695,232**	**651,661**
CURRENT ASSETS			
Cash and cash equivalents	12	14,437	34,195
Short term bank deposits		108,289	88,890
Trade and other receivables	13	21,515	17,729
Inventories		1,684	1,646
Development properties	10	57,025	34,104
Total current assets		**202,950**	**176,564**
Total assets		**898,182**	**828,225**
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	64,000	66,000
Provision for deferred taxation	16	75,844	70,245
Total non-current liabilities		**139,844**	**136,245**
CURRENT LIABILITIES			
Trade and other payables	17	25,132	22,442
Trade payables due to related parties	22	2,364	1,981
Income tax payable		6,969	3,867
Total current liabilities		**34,465**	**28,290**
Total liabilities		**174,309**	**164,535**
NET ASSETS		**723,873**	**663,690**

For and on behalf of the Board

R BOBB, 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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

DOLLARS IN THOUSANDS	Note	Group 2018	Group 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		215,311	188,776
Interest received		3,511	3,428
Dividends received	4	2	2
Cash was applied to:			
Payments to suppliers and employees		(115,782)	(102,504)
Purchases of development land	10	(51,557)	(15,139)
Interest paid		(1,755)	(1,859)
Income tax paid		(20,044)	(19,782)
Net cash inflow from operating activities		**29,686**	**52,922**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was (applied to)/provided from:			
Proceeds from the sale of property, plant and equipment		46	12
Purchases of property, plant and equipment	9	(14,375)	(14,466)
Investments in short term bank deposits		(19,399)	(3,292)
Net cash outflow from investing activities		**(33,728)**	**(17,746)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was (applied to)/provided from:			
Repayment of borrowings	14	(2,000)	(4)
Repayment of loan from parent company	22	-	(5,800)
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	7	(9,493)	(7,911)
Dividends paid to non-controlling shareholders		(4,231)	(3,662)
Net cash inflow/(outflow) from financing activities		**(15,724)**	**(17,377)**
Net increase/(decrease) in cash and cash equivalents		**(19,766)**	**17,799**
Add opening cash and cash equivalents		34,195	15,520
Exchange rate adjustment		8	876
Closing cash and cash equivalents	12	**14,437**	**34,195**

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows – continued

For the year ended 31 December 2018

DOLLARS IN THOUSANDS	Note	Group 2018	Group 2017
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		61,956	55,096
Adjusted for non-cash items:			
Gain on sale of property, plant and equipment	2	(2)	(5)
Depreciation	9	8,188	6,482
Unrealised foreign exchange (gain)/losses		13	65
Income tax expense	5	23,147	19,847
		93,302	**81,485**
Adjustments for movements in working capital:			
(Increase)/Decrease in trade & other receivables		(3,786)	964
(Increase)/Decrease in inventories		(38)	(138)
(Increase)/Decrease in development properties		(42,820)	(6,936)
Increase/(Decrease) in trade & other payables		4,445	(760)
Increase/(Decrease) in related parties		383	(156)
Cash generated from operations		**51,486**	**74,459**
Interest paid		(1,755)	(1,755)
Income tax paid		(20,045)	(19,782)
Cash inflows from operating activities		**29,686**	**52,922**

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 a Financial Markets Conduct 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 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at Level 13, 280 Centre, 280 Queen Street, Auckland, New Zealand.

The principal activities of the Group are ownership and operation of hotels in New Zealand; development and sale of residential land in New Zealand; and development and sale of residential units in Australia.

(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 IFRSs) as appropriate for Tier 1 profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRSs).

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

(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 hotel land and buildings are stated at their fair value (refer to Note 9).

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 23 – Accounting Estimates and Judgements.

(c) Change in accounting policies and new 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 period 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 replaced 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 can be the provision of hotel and conference rooms, sale of food and beverage, rental of property or sale of development property. There has been no change in the timing of revenue recognition for these performance obligations.

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.

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 considered 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.

Significant accounting policies - continued

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

(e) Insurance proceeds

Compensation from third parties for items of property, plant and equipment that were damaged, impaired, lost or given up is included in the profit or loss when the compensation becomes virtually certain. Any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

(f) Revenue

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

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 when the customer obtains control of the property and is able to direct and obtain the benefits from the property.

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1. Segment reporting

Operating segments
The Group consisted of the following main operating segments:

- Hotel operations, comprising income from the ownership and management of hotels.
- Residential land development, comprising the development and sale of residential land sections.
- Residential and commercial property development, comprising the development and sale of residential apartments.

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

Operating segments

	Hotel Operations		Residential Land Development		Residential Property Development		Group	
Dollars In Thousands	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
External revenue	126,478	105,567	85,030	78,667	7,330	3,033	218,838	187,267
Earnings before interest, depreciation & amortisation	43,826	35,925	45,069	42,526	2,370	799	91,265	79,250
Finance income	1,923	1,778	1,652	2,144	197	150	3,772	4,072
Finance expense	(1,748)	(1,897)	-	-	-	-	(1,748)	(1,897)
Depreciation and amortisation	(8,172)	(6,476)	(1)	(1)	(14)	(5)	(8,187)	(6,482)
Profit before income tax	35,829	29,330	46,720	44,669	2,553	944	85,102	74,943
Income tax (expense)/credit	(9,565)	(6,725)	(13,078)	(12,507)	(503)	(615)	(23,146)	(19,847)
Profit after income tax	26,264	22,605	33,642	32,162	2,050	329	61,956	55,096
Segment assets	617,040	572,697	217,613	191,703	63,527	63,823	898,180	828,223
Investment in associates	-	-	2	2	-	-	2	2
Total assets	617,040	572,697	217,615	191,705	63,527	63,823	898,182	828,225
Segment liabilities	(88,083)	(87,154)	(2,207)	(2,160)	(1,206)	(1,109)	(91,496)	(90,423)
Tax liabilities	(78,178)	(71,235)	(4,813)	(3,433)	178	556	(82,813)	(74,112)
Total liabilities	(166,261)	(158,389)	(7,020)	(5,593)	(1,028)	(553)	(174,309)	(164,535)
Material additions to segment assets:								
Property, plant and equipment expenditure	14,326	14,463	-	-	49	3	14,375	14,466
Residential land development expenditure	-	-	29,329	23,941	-	-	29,329	23,941
Purchase of land for residential land development	-	-	51,557	15,139	-	-	51,557	15,139

1. **Segment reporting -** continued

Geographical areas

The Group operates in the following main geographical areas:

- New Zealand.
- Australia.

Segment revenue is based on the geographical location of the asset.

	New Zealand		Australia		Group	
Dollars In Thousands	2018	2017	2018	2017	2018	2017
External revenue	211,508	184,234	7,330	3,033	218,838	187,267
Earnings before interest, depreciation & amortisation	88,909	78,505	2,356	745	91,265	79,250
Finance income	3,575	3,922	197	150	3,772	4,072
Finance expense	(1,748)	(1,897)	-	-	(1,748)	(1,897)
Depreciation and amortisation	(8,173)	(6,477)	(14)	(5)	(8,187)	(6,482)
Profit before income tax	82,563	74,053	2,539	890	85,102	74,943
Income tax (expense)/credit	(22,646)	(19,248)	(500)	(599)	(23,146)	(19,847)
Profit after income tax	59,917	54,805	2,039	291	61,956	55,096
Segment assets	835,080	764,400	63,100	63,823	898,180	828,223
Investment in associates	2	2	-	-	2	2
Total assets	835,082	764,402	63,100	63,823	898,182	828,225
Segment liabilities	(90,335)	(90,384)	(1,161)	(39)	(91,496)	(90,423)
Tax liabilities	(82,982)	(74,673)	169	561	(82,813)	(74,112)
Total liabilities	(173,317)	(165,057)	(992)	522	(174,309)	(164,535)
Material additions to segment assets:						
Property, plant and equipment expenditure	14,326	14,463	49	3	14,375	14,466
Residential land development expenditure	29,329	23,941	-	-	29,329	23,941
Purchase of land for residential land development	51,557	15,139	-	-	51,557	15,139

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.

Segment information is presented in respect of the Group's reporting segments. Operating segments are the primary basis of segment reporting. 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.

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.

2. Administration and other operating expenses

Dollars In Thousands	Note	Group 2018	Group 2017
Depreciation	9	8,187	6,482
Auditors remuneration			
Audit fees		317	306
Scrutineering fees		8	-
Tax compliance and advisory fees		56	52
Directors fees	21	303	321
Lease and rental expenses	19	2,536	2,247
Provision for bad debts			
Debts written off		30	1
Movement in doubtful debt provision		(21)	46
Net gain on disposal of property, plant and equipment		(2)	(5)
Other		35,342	30,202
		46,756	**39,652**

3. Personnel expenses

Dollars In Thousands	Group 2018	Group 2017
Wages and salaries	42,946	36,517
Employee related expenses and benefits	1,211	1,382
Contributions to defined contribution plans	772	677
Increase in liability for long-service leave	59	88
	44,988	**38,664**

The personnel expenses are included in cost of sales, administration expenses and other operating expenses in the income statement.

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.

4. Net finance income

Recognised in the income statement

Dollars In Thousands	Group 2018	Group 2017
Interest income	3,742	3,992
Dividend income	2	2
Foreign exchange gain	28	78
Finance income	3,772	4,072
Interest expense	(1,735)	(1,755)
Foreign exchange loss	(13)	(142)
Finance costs	(1,748)	(1,897)
Net finance income recognised in the income statement	**2,024**	**2,175**

Finance income and expenses
Finance income comprises interest income on funds invested, dividend income and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

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

4. Net finance income - continued

Recognised in other comprehensive income

Dollars In Thousands	Group 2018	Group 2017
Foreign exchange translation movements	(3,136)	3,437
Net finance income recognised in other comprehensive income	**(3,136)**	**3,437**

Exchange translation of 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 date. The revenues and expenses of foreign operations are translated to New Zealand dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on re-translation are recognised directly as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the exchange reserve is released into the income statement.

5. Income tax expense

Recognised in the income statement

Dollars In Thousands	Group 2018	Group 2017
Current tax expense		
Current year	23,271	20,790
Adjustments for prior years	(107)	(674)
	23,164	20,116
Deferred tax expense		
Origination and reversal of temporary difference	93	(157)
Changes in Tax Rates	(104)	103
Adjustments for prior years	(7)	(215)
	(18)	(269)
Total income tax expense in the income statement	**23,146**	**19,847**

Reconciliation of tax expense

Dollars In Thousands	Group 2018	Group 2017
Profit before income tax	85,102	74,943
Income tax at the company tax rate of 28% (2017: 28%)	23,829	20,984
Adjusted for:		
Non-deductible expenses	7	-
Tax rate difference (if different from 28% above)	(54)	103
Tax exempt income	(523)	(351)
Under/(Over) - provided in prior years	(113)	(889)
Total income tax expense	**23,146**	**19,847**
Effective tax rate	27%	26%

Deferred tax expense/(credit) recognised in other comprehensive income

Dollars In Thousands	Group 2018	Group 2017
Relating to revaluation of property, plant and equipment	5,541	11,342
Relating to foreign currency translation of foreign subsidiaries	76	(11)
	5,617	11,331

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 other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

5. Income tax expense - continued

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 the 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 neither affect 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 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.

6. Imputation credits

	Group	
Dollars In Thousands	**2018**	**2017**
Imputation credits available for use in subsequent reporting periods	93,071	79,680

The KIN Holdings Group has A$5.5 million (2017: A$5.5 million) franking credits available as at 31 December 2018.

7. Capital and reserves

Share capital

	Group		Group	
	2018 Shares	**2018 $000's**	**2017 Shares**	**2017 $000's**
Ordinary shares issued 1 January	105,578,290	350,048	105,578,290	350,048
Ordinary shares issued at 31 December - fully paid	**105,578,290**	**350,048**	**105,578,290**	**350,048**
Redeemable preference shares 1 January	52,739,543	33,218	52,739,543	33,218
Redeemable preference shares issued at 31 December - fully paid	**52,739,543**	**33,218**	**52,739,543**	**33,218**
Ordinary shares repurchased and held as treasury stock 1 January	(99,547)	(26)	(99,547)	(26)
Ordinary shares repurchased and held as treasury stock 31 December	**(99,547)**	**(26)**	**(99,547)**	**(26)**
Total shares issued and outstanding	**158,218,286**	**383,240**	**158,218,286**	**383,240**

At 31 December 2018, the authorised share capital consisted of 105,578,290 ordinary shares (2017: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2017: 52,739,543 redeemable preference shares) with no par value.

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.

Revaluation reserve
The revaluation reserve relates to property, plant and equipment. Movements in the revaluation reserve arise from the revaluation surpluses and deficits of property, plant and equipment.

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

7. Capital and reserves – continued

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

Dollars In Thousands	Parent	
	2018	**2017**
Ordinary Dividend - 6.0 cents per qualifying share (2017: 5.0 cents)	9,493	7,911
Supplementary Dividend – 1.0588 cents per qualifying share (2017: 0.8824 cents)	242	221
	9,735	8,132

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.

Dollars In Thousands	Parent
Ordinary Dividend - 7.5 cents per qualifying share (2017: 6.0 cents)	11,866
Supplementary Dividend – 1.3235 cents per qualifying share (2017: 1.0588 cents)	302
Total Dividends	12,168

Dividends and tax
Dividends are recognised as a liability in the period in which they are declared. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

8. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 December 2018 was based on the profit attributable to ordinary and redeemable preference shareholders of $49,375,000 (2017: $43,116,000) and weighted average number of shares outstanding during the year ended 31 December 2018 of 158,218,286 (2017: 158,218,286), calculated as follows:

Profit attributable to shareholders

Dollars In Thousands	Group	
	2018	**2017**
Profit for the year	61,956	55,096
Profit attributable to non-controlling interests	(12,581)	(11,980)
Profit attributable to shareholders	49,375	43,116

Weighted average number of shares

	Group	
	2018	**2017**
Weighted average number of shares (ordinary and redeemable preference shares)	158,317,833	158,317,833
Effect of own shares held (ordinary shares)	(99,547)	(99,547)
Weighted average number of shares for earnings per share calculation	158,218,286	158,218,286

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

9. **Property, plant and equipment**

Group

Dollars In Thousands	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost							
Balance at 1 January 2017	128,861	215,307	37,557	87,623	65	41,537	510,950
Acquisitions	-	-	-	3	-	14,463	14,466
Disposals	-	-	-	(256)	-	-	(256)
Transfers between categories	-	45,489	24	8,888	1	(54,402)	-
Transfer from accumulated depreciation following revaluation	-	(136)	(149)	-	-	-	(285)
Movements in foreign exchange	-	-	-	25	-	-	25
Revaluation surplus/(deficit)	31,214	37,047	7,065	-	-	-	75,326
Balance at 31 December 2017	**160,075**	**297,707**	**44,497**	**96,283**	**66**	**1,598**	**600,226**
Balance at 1 January 2018	160,075	297,707	44,497	96,283	66	1,598	600,226
Acquisitions	2,500	6,925	-	1,525	-	3,425	14,375
Disposals	-	-	-	(114)	-	-	(114)
Transfers between categories	-	1,675	11	2,498	10	(4,194)	-
Transfer from accumulated depreciation following revaluation	-	(399)	-	-	-	-	(399)
Movements in foreign exchange	-	-	-	(18)	-	-	(18)
Revaluation surplus/(deficit)	387	19,787	(100)	-	-	-	20,074
Balance at 31 December 2018	**162,962**	**325,695**	**44,408**	**100,174**	**76**	**829**	**634,144**
Depreciation and impairment losses							
Balance at 1 January 2017	-	(13,863)	(3,198)	(71,231)	(55)	-	(88,347)
Depreciation charge for the year	-	(2,451)	(399)	(3,628)	(4)	-	(6,482)
Disposals	-	-	-	250	-	-	250
Transfer accumulated depreciation against cost following revaluation	-	136	149	-	-	-	285
Movements in foreign exchange	-	-	-	(24)	-	-	(24)
Balance at 31 December 2017	**-**	**(16,178)**	**(3,448)**	**(74,633)**	**(59)**	**-**	**(94,318)**
Balance at 1 January 2018	-	(16,178)	(3,448)	(74,633)	(59)	-	(94,318)
Depreciation charge for the year	-	(3,645)	(441)	(4,096)	(5)	-	(8,187)
Disposals	-	-	-	70	-	-	70
Transfer accumulated depreciation against cost following revaluation	-	399	-	-	-	-	399
Movements in foreign exchange	-	-	-	16	-	-	16
Balance at 31 December 2018	**-**	**(19,424)**	**(3,889)**	**(78,643)**	**(64)**	**-**	**(102,020)**
Carrying amounts							
At 1 January 2017	128,861	201,444	34,359	16,392	10	41,537	422,603
At 31 December 2017	**160,075**	**281,529**	**41,049**	**21,650**	**7**	**1,598**	**505,908**
At 1 January 2018	160,075	281,529	41,049	21,650	7	1,598	505,908
At 31 December 2018	**162,692**	**306,271**	**40,519**	**21,531**	**12**	**829**	**532,124**

9. Property, plant and equipment – continued

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

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

Subsequent measurement
Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses, except for land and buildings which are re-valued. The Group recognises the cost of replacing part of such an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Revaluation
Land and buildings are shown at fair value less subsequent depreciation for buildings. Fair value is determined by management using valuation models and confirmed by independent registered valuers This is performed on a staged triennial basis for each hotel asset unless its carrying value is no longer considered to reflect its fair value, in which an earlier valuation may be necessary. 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 re-valued 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.

The Directors consider the value of the hotel assets with a net book value of $532.12 million (2017: $505.9 million) to be within a range of $532.12 to $543.10 million (2017: $505.91 to $529.72 million). This is substantiated by valuations completed by Bower Valuations Limited, registered valuers, on: five hotel assets valued in total at $157.54 million in December 2018; three hotel assets valued in total at $251.48 million in December 2017; and seven hotel assets valued in total at $245.69 million in December 2016. One hotel, M Social Auckland, was inspected in December 2017 after a soft opening in October 2017, and again in December 2018 to assess its fair value after a full year of trading.

During 2018, five (2017: three) of the Group's freehold and leasehold hotel properties were subject to an external professional valuation by Bower Valuations Limited, registered valuers, on a highest and best use basis. Based on these valuations and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. A total of $20.07 million (2017: $75.33 million) was added to the carrying values of land and buildings.

The Group's fair value of hotel properties as determined by independent valuers is categorised as Level 3 based on the inputs to the valuation methodology. The basis of the valuation is the net present value of the future earnings of the assets. The major unobservable inputs and assumptions that are used in the valuation model that require judgement include forecasts of the future earnings, projected operational and maintenance expenditure profiles and discount rates (internal rate of return).

	The estimated fair value would increase	The estimated fair value would decrease
If forecast future earnings were	higher	lower
If projected operational and maintenance expenditures were	lower	higher
If the discount rates were	lower	higher

Impairment
The testing for impairment requires management to estimate future cash flows to be generated by the cash generating units and is categorised as Level 3 based on the inputs to the impairment models. The major unobservable inputs that management use that require judgement in estimating future cash flows include expected rate of growth in revenue and costs, market segment mix, occupancy, average room rates expected to be achieved and the appropriate discount rate to apply when discounting future cash flows. Average annual growth rates appropriate to the hotels range from 1.19% to 3.46% (2017: 1.25% to 3.74%) over the five years projection. Pre-tax discount rates ranging between 8.50% and 11.25% (2017: 8.50% and 14.50%) were applied to the future cash flows of the individual hotels based on the specific circumstances of the property.

Depreciation
Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued 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

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

9. Property, plant and equipment – continued

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.
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 and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost less accumulated depreciation							
At 1 January 2017	38,659	73,415	18,898	16,395	10	41,537	188,914
At 31 December 2017	**38,659**	**116,453**	**18,523**	**21,653**	**7**	**1,598**	**196,893**
At 1 January 2018	38,659	116,453	18,523	21,653	7	1,598	196,893
At 31 December 2018	**41,159**	**121,408**	**18,093**	**21,534**	**12**	**829**	**203,035**

10. Development properties

	Group	
Dollars In Thousands	2018	2017
Development land	169,724	124,699
Residential development	50,407	55,156
	220,131	179,855
Less expected to settle within one year	(57,025)	(34,104)
	163,106	**145,751**
Development land recognised in cost of sales	35,861	32,144
Residential development recognised in cost of sales	2,216	-

Development land is carried at the lower of cost and net realisable value. Interest of $287,000 (2017: $nil) was capitalised during the year. The fair value of development land held at 31 December 2018 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as $337.77 million (2017: $276.32 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 land 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	The estimated fair value would decrease
If the individual section prices were	higher	lower
If the allowances for profit were	higher	lower
If the allowances for risk were	lower	higher
If the projected completion and sell down periods were	shorter	longer
If the interest rates during the holding period were	lower	higher

Residential development at balance date consists of the residential development known as Zenith Residences in Sydney, Australia. The value of Zenith Residences held at 31 December 2018 was determined by R Laoulach AAPI of Laoulach & Company Pty Ltd, registered valuers as $90.98 million (A$86.99 million) (2017: $93.97 million (A$85.50 million)).

The fair value of the residential development 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 gross realisations 'as is' assuming individual sales of unsold units. The major unobservable inputs and assumptions that are used in the valuation model that require judgement include the interest rates, consumer confidence, unemployment rate and residential unit demand.

	The estimated fair value would increase	The estimated fair value would decrease
If the interest rates were	lower	higher
If the consumer confidence was	optimistic	pessimistic
If the unemployment rate was	lower	higher
If the residential unit demand was	stronger	weaker

10. Development properties - continued

Development properties
Property held for future development and development property completed and held for sale are 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. Development properties also include deposits paid on unconditional contracts on land purchases. All holding costs incurred after completion of development are expensed as incurred. 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 and the development property is derecognised.

11. Investment in associates

The associate companies included in the financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2018 are:

	Principal Activity	Principal Place of Business	Holding % by CDL Land New Zealand Limited 2018	Holding % by CDL Land New Zealand Limited 2017
Prestons Road Limited	Service provider	NZ	33.33	33.33

Prestons Road Limited has no revenue or expenses, therefore the Group's share of profit of its associate was nil (2017: nil). During the year, the Group maintained its 33.33% economic interest in Prestons Road Limited. The principal activity of Prestons Road Limited is as service provider to the Group's subsidiary, CDL Land New Zealand Limited, 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 to enable the Group to develop its land at Prestons Road in Christchurch.

The net assets of Prestons Road Limited not adjusted for the percentage ownership held by the Group is $6,000, with the Group's share equal to $2,000. Prestons Road Limited has a 31 March balance date. No adjustment is made for the difference in balance date of Prestons Road Limited, because it has no revenue or profits to report.

Investment in associates
Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of equity-accounted investees, until the date on which 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.

12. Cash and cash equivalents

	Group	
Dollars In Thousands	**2018**	**2017**
Cash	8,313	15,707
Call deposits	6,124	18,488
	14,437	**34,195**

Cash and cash equivalents comprise cash balances and call deposits with a 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.

13. Trade and other receivables

	Group	
Dollars In Thousands	**2018**	**2017**
Trade receivables	13,147	10,370
Less provision for doubtful debts	(69)	(89)
Other trade receivables and prepayments	8,437	7,448
	21,515	**17,729**

Trade and other receivables are stated at their cost less impairment losses. The carrying amounts of the trade receivables, other trade receivables, and prepayments 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 and provided for. 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.

14. 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 18.

Group

Dollars in Thousands	Currency	Interest Rate	Facility Total	31 December 2018 Face Value	31 December 2018 Carrying Amount	31 December 2017 Face Value	31 December 2017 Carrying Amount
Revolving credit	NZD	2.70%	**53,000**	35,000	35,000	35,000	35,000
Revolving credit	NZD	2.70%	**46,000**	29,000	29,000	31,000	31,000
Overdraft	NZD	2.70%	**6,000**	-	-	-	-
TOTAL			**105,000**	**64,000**	**64,000**	**66,000**	**66,000**
Current				-	-	-	-
Non-current				64,000	64,000	66,000	66,000

Terms and debt repayment schedule
The bank loans are secured over hotel properties with a carrying amount of $475.86 million (2017: $467.67 million) - refer to Note 9. The bank loans have no fixed term of repayment before maturity. The Group facilities were renewed on 7 December 2018 with a new maturity of 31 January 2022.

Interest-bearing loans and borrowings
Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and 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.

15. Provisions

A provision is recognised in the statement of financial position 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.

16. 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	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Property, plant and equipment	-	-	78,063	72,132	78,063	72,132
Development properties	(876)	(1,103)	-	-	(876)	(1,103)
Provisions	(75)	(75)	-	-	(75)	(75)
Employee benefits	(1,276)	(1,135)	-	-	(1,276)	(1,135)
Trade and other payables	(849)	(411)	-	-	(849)	(411)
Net investment in foreign operations	-	-	857	837	857	837
Net tax (assets) / liabilities	**(3,076)**	**(2,724)**	**78,920**	**72,969**	**75,844**	**70,245**

Movement in deferred tax balances during the year

	Group			
Dollars In Thousands	**Balance 1 Jan 17**	**Recognised in income**	**Recognised in equity**	**Balance 31 Dec 17**
Property, plant and equipment	61,175	(385)	11,342	72,132
Development properties	(1,139)	103	(67)	(1,103)
Provisions	(81)	6	-	(75)
Employee benefits	(978)	(157)	-	(1,135)
Trade and other payables	(576)	164	1	(411)
Net investment in foreign operations	782	-	55	837
	59,183	**(269)**	**11,331**	**70,245**

16. Deferred tax assets and liabilities - continued

	Group			
Dollars In Thousands	**Balance 1 Jan 18**	**Recognised in income**	**Recognised in equity**	**Balance 31 Dec 18**
Property, plant and equipment	72,132	390	5,541	78,063
Development properties	(1,103)	175	52	(876)
Provisions	(75)	(3)	3	(75)
Employee benefits	(1,135)	(141)	-	(1,276)
Trade and other payables	(411)	(439)	1	(849)
Net investment in foreign operations	837	-	20	857
	70,245	**(18)**	**5,617**	**75,844**

17. Trade and other payables

	Group	
Dollars In Thousands	**2018**	**2017**
Trade payables	2,900	1,787
Employee entitlements	4,372	3,905
Non-trade payables and accrued expenses	17,860	16,750
	25,132	**22,442**

Trade and other payables are stated at cost.

18. Financial instruments

The Group only holds non-derivative financial instruments which comprise cash and cash equivalents, trade and other receivables, trade receivables due from related parties, related party advances, secured bank loans, trade and other payables and trade payables due to related parties.

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 in accounting policies 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.

Exposure to credit, liquidity and market risks arises in the normal course of the Group's business.

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

Credit risk
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. There are no significant aged debtors which have not been fully provided for.

Investments are allowed only in short-term financial instruments and only with counterparties approved by the Board, such that the exposure to a single counterparty is minimised.

At 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 in the statement of financial position.

The maximum exposure to credit risk in Australia is $42,000 (2017: $23,000). All other credit risk exposure relates to New Zealand.

Market risk

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

An increase of 1.0% in interest rates would have increased profit before tax for the Group in the current period by $0.40 million (2017: $0.48 million increase), assuming all other variables remained constant.

18. Financial instruments - continued

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

Group		2018				2017			
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less	6 to 12 months
Interest bearing cash & cash equivalents *	12	0.25% to 3.05%	14,437	14,437	-	0.25% to 2.67%	34,195	34,195	-
Short term bank deposits *		2.18% to 3.64%	108,289	33,886	85,403	2.14% to 3.68%	88,890	34,649	54,241
Secured bank loans *	14	2.70%	(64,000)	(64,000)	-	2.44%	(66,000)	(66,000)	-
Bank overdrafts *	14	2.70%	-	-	-	2.44%	-	-	-

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

(ii) Foreign currency risk
The Group owns 100.00% (2017: 100.00%) of KIN Holdings Limited. Substantially all the operations of this subsidiary is denominated in foreign currencies. The foreign currencies giving rise to this risk are Australian Dollars. The Group has determined that the primary risk affects the carrying values of the net investments in its foreign operations with the currency movements being recognised in the foreign currency translation reserves. The Group has not taken any measurements to manage this risk.

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

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 were no changes in the Group's capital management policies during the year.

Fair values
The fair values together with the carrying amounts shown in the statement of financial position are as follows:

Group *Dollars In Thousands*	Note	Carrying amount 2018	Fair value 2018	Carrying amount 2017	Fair value 2017
LOANS AND RECEIVABLES					
Cash and cash equivalents	12	14,437	14,437	34,195	34,195
Short term bank deposits		108,289	108,289	88,890	88,890
Trade and other receivables	13	21,515	21,515	17,729	17,729
OTHER LIABILITIES					
Secured bank loans and overdrafts	14	(64,000)	(64,000)	(66,000)	(66,000)
Trade and other payables	17	(25,132)	(25,132)	(22,442)	(22,442)
Trade payables due to related parties	22	(2,364)	(2,364)	(1,981)	(1,981)
Loans due to related parties	22	-	-	-	-
		52,745	**52,745**	**50,391**	**50,391**
Unrecognised (losses) / gains		-	-	-	-

18. 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 table:

(a) Cash, accounts receivable, accounts payable and related party balances. The carrying amounts for these balances approximate their fair value because of the short maturities of these items.
(b) Borrowings. The carrying amounts for the borrowings represent their fair values because the interest rates are reset to market periodically, every 1 to 2 months.

19. Operating leases

Leases as lessee
The minimum amount payable under non-cancellable operating lease rentals are as follows:

	Group	
Dollars In Thousands	2018	2017
Less than one year	1,357	992
Between one and five years	2,722	2,562
More than five years	2,201	89
	6,280	**3,643**

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. Typically these leases include a base rent plus a performance related element which becomes payable if revenue exceeds a specified level.

During the year ended 31 December 2018, $2.54 million was recognised as an expense in the income statement in respect of operating leases (2017: $2.25 million).

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.

20. Capital commitments

As at 31 December 2018, the Group had entered into contractual commitments for capital expenditure, 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.

	Group	
Dollars In Thousands	2018	2017
Capital expenditure	3,057	3,746
Purchase of business and assets	-	10,988
Development expenditure	42,496	32,665
Land purchases	46,132	35,956
	91,685	**83,355**

21. Related parties

Identity of related parties
The Group has a related party relationship with its parent, subsidiaries (see Note 22), associates and with its directors and executive officers.

Transactions with key management personnel
Directors of the Company and their immediate relatives control nil (2017: Nil) of the voting shares of the Company. There were no loans (2017: $nil) advanced to directors for the year ended 31 December 2018. Key management personnel include the Board and the Executive Team.

Total remuneration for key management personnel

	Group	
Dollars In Thousands	2018	2017
Non-executive directors	303	321
Executive director	599	532
Executive officers	856	756
	1,758	**1,609**

Non-executive directors receive director’s fees only. Executive director and executive officers receive short-term employee benefits which include a base salary and an incentive plan. They do not receive remuneration or any other benefits as a director of the Parent Company or its subsidiaries. Directors’ fees are included in “administration expenses” (see Note 2) and remuneration for executive director and executive officers are included in “personnel expenses” (see Note 3).

22. Group entities

Control of the Group
Millennium & Copthorne Hotels New Zealand Limited is a 75.78% (2017: 75.78%) owned (economic interests from both ordinary and preference shares) subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Ltd in Singapore.

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

		Group	
Dollars In Thousands	Nature of balance	2018	2017
Trade payables and receivables due to related parties			
Millennium & Copthorne Hotels plc	Recharge of expenses	(871)	(654)
Millennium & Copthorne International Limited	Recharge of expenses	(35)	-
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	3	-
CDLHT (BVI) One Ltd	Rent payment	(1,461)	(1,327)
		(2,364)	**(1,981)**
Loans due to related parties			
CDL Hotels Holdings New Zealand Limited	Inter-company loan	-	-
		-	-

No debts with related parties were written off or forgiven during the year. No interest was charged on these payables during 2018 and 2017. There are no set repayment terms. During this period costs amounting to $250,000 (2017: $250,000) have been recorded in the income statement in respect of fees payable to Millennium & Copthorne International Limited for the provision of management and marketing support.

On 7 September 2016, the Group commenced operations of the Grand Millennium Auckland under a management lease agreement with CDLHT (BVI) One Ltd, a subsidiary of CDL Hospitality Trusts Singapore. Under the accounting standards, the Group accounts for the results of the Grand Millennium Auckland on a net basis. The Group records the management, franchise and incentive incomes derived from the management of the hotel in the profit and loss. At the balance sheet date, there was an amount owing to CDLHT (BVI) One Ltd of $1.46 million being rent payable with respect to the leasing of the property. During the year ended 31 December 2018, the Group received $1.58 million (2017: $1.62 million) in management, franchise, and incentive fees.

At the balance sheet date, the company has fully repaid the loan due to CDL Hotels Holdings New Zealand Limited which was interest bearing. The interest rates were fixed and ranged between 1.75% and 2.07% (2017: 2.00% to 2.37%).

During the year consulting fees of $10,500 (2017: $12,000) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder and director.

Subsidiary companies
The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2018 are:

	Principal Activity	Principal Place of Business	Group Holding % 2018	Group Holding % 2017
Context Securities Limited	Investment Holding	NZ	100.00	100.00
Copthorne Hotel & Resort Bay of Islands Joint Venture	Hotel Operations	NZ	49.00	49.00
Quantum Limited	Holding Company	NZ	100.00	100.00
100% owned subsidiaries of Quantum Limited are:				
Hospitality Group Limited	Holding Company	NZ		
100% owned subsidiaries of Hospitality Group Limited are:				
Hospitality Leases Limited	Lessee Company/Hotel Operations	NZ		
QINZ Anzac Avenue Limited	Hotel Owner	NZ		
Hospitality Services Limited	Hotel Operations/Franchise Holder	NZ		
CDL Investments New Zealand Limited	Holding Company	NZ	66.42	66.56
100% owned subsidiaries of CDL Investments New Zealand Limited are:				
CDL Land New Zealand Limited	Property Investment and Development	NZ		
KIN Holdings Limited	Holding Company	NZ	100.00	100.00
100% owned subsidiaries of KIN Holdings Limited are:				
Kingsgate Investments Pty Limited	Residential Apartment Developer	Australia		

All of the above subsidiaries have a 31 December balance date.

Although the Group owns less than half of the voting power of the Copthorne Hotel & Resort Bay of Islands Joint Venture, it is able to control the financial and operating policies of the Copthorne Hotel & Resort Bay of Islands Joint Venture so as to obtain benefits from its activities by virtue of an agreement with the other parties of the Joint Venture. Therefore, the results of the Joint Venture are consolidated from the date control commenced until the date control ceases.

22. Group entities - continued

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 financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the 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.

23. 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.

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

The Group has one remaining property affected by the Christchurch earthquakes. In assessing the land for impairment the following assumption was made: the land is not affected by liquefaction or other geological issues which prevent the rebuild of a replacement building upon it.

Development property
The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is $220.13 million (2017: $179.86 million) while the fair value determined by independent valuers is $428.75 million (2017: $370.29 million).

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

24. 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 financial statements.

IFRS 16 – Leases (effective 1 January 2019). The Group leases a number of hotels and motor vehicles under operating leases. This standard requires a right of use asset and a corresponding lease liability to be recognised on the balance sheet in respect of the leased assets. The current lease expenses will be replaced with an interest expense and an amortization expense in the income statement.

The Group intends to adopt the modified retrospective approach in applying NZ IFRS16 on the effective date. Based on detailed assessments, this standard will have a material impact on the Net Assets in the Statement of Financial Position on transition and an immaterial impact on the Net Profit after Tax in the Income Statement in 2019. There are no impacts on the cash flows and the loan covenants. The following tables illustrate the impacts on the financial statements.

Statement of Financial Position *Dollars In Thousands*	Reverse interests in long term leased assets and adjust the asset revaluation reserves.	Record new assets and new liabilities	Impact on opening balances @ 1 January 2019
Revaluation reserve	(7,595)	-	(7,595)
Equity	**(7,595)**	**-**	**(7,595)**
Property, plant and equipment	(7,595)	-	(7,595)
Right of use assets	-	15,040	15,040
Total assets	**(7,595)**	**15,040**	**7,445**
Current lease liabilities	-	340	340
Non current lease libilities	-	14,700	14,700
Total liabilities	**-**	**15,040**	**15,040**
Net Assets	**(7,595)**	**-**	**(7,595)**
Net Asset Value			**(4.8003) cents per share**

24. New standards and interpretations not yet adopted - continued

The Group have several long-term leases: leases which renew at 21 year cycles for perpetuity at the discretion of the Group on the land at Copthorne Hotel Auckland City, at Kingsgate Hotel Greymouth, and a motel and manager's house at Millennium Hotel Rotorua. In addition, there is a long-term lease of the basement carpark at M Social Auckland, which expires in 2083, the lease of corporate office, which expires in 2023, and a long term lease of the land at Copthorne Hotel & Resort Bay of Islands, which expires in 2087. The interests in long term leases have been recorded and classified as leasehold land in property, plant and equipment as at 31 December 2018. On transition to NZ IFRS 16, these interests totalling $7.60 million will be reversed out of property plant, equipment with the corresponding total of $7.60 million reversed out of the asset revaluation reserves.

The long term leases of the land and carpark at the hotels and the motor vehicles will be recorded as "right of use" assets totalling $15.04 million and their corresponding lease liabilities under current liabilities of $0.34 million and non-current liabilities of $14.70 million. Exempted are leases shorter than 12 months and leased assets with value below $8,000. Excluded are leases, which have variable rentals, and leases of managed hotels under service and management contracts. The use of increment borrowing rates used to discount the leased assets and liabilities requires significant judgement and can have a material impact on the calculation of the lease liability and right of use asset. The indicative incremental borrowing rates used in the assessment are subject to further review and refinement.

Income Statement *Dollars In Thousands*	Lease payments now booked to lease liabilities in the Balance Sheet	Additional amortization of right of use assets now booked to the Profit & Loss	Additional interest on lease liabilities now booked to Profit & Loss	Impact on FY2019 performance
Other operating expenses	(2,029)	1,275	-	(754)
EBITDA	2,029	(1,275)	-	754
Net finance income	-	-	(1,007)	(1,007)
Net profit/(loss) before tax	2,029	(1,275)	(1,007)	(253)
Less income tax (expense)/credit	(568)	357	282	71
Net profit/(loss) after tax	**1,461**	**(918)**	**(725)**	**(182)**
Earnings per Share				**(0.1151) cents per share**

On application of NZ IFRS 16, lease payments will no longer be expensed into the income statement. Instead, they will be accounted as reductions in the lease liabilities in the statement of financial position. There will be an additional expense of $1.28 million due to the straight line amortization of the right of use assets over the term of the leases. Interest costs, computed at the relevant incremental borrowing rates totalling $1.00 million are additional expenses in the income statement. These costs are computed on the leases, which exist at balance date, and further costs may arise upon new leases, which may be contracted during 2019.

Other standards and interpretations, which are not yet effective for the year ended 31 December 2018, are:

- NZ IFRS 9 Financial Instruments (effective 1 January 2019) - Based on assessments, this standard has no impact on the Group's financial statements.
- 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) - Based on assessments, this standard has no impact on the Group's financial statements.
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle (effective 1 January 2019) – Minor amendments and editorial corrections to existing standard which have no impact on the financial statements.
- NZ IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019) – This interpretation has no impact on the financial statements.
- Long-term Interests in Associates and Joint Ventures; amendments to NZ IFRS 9 (effective 1 January 2019) – These amendments have no impact on the financial statements.
- Prepayment Features with Negative Compensation (Amendment to NZ IFRS 9) (effective 1 January 2019) – This amendment has no impact on the financial statements.

25. Contingent liability

The Group has an outstanding claim from the main contractor of the Copthorne Hotel Harbourcity City project. The Group received the notice for an arbitration but no date has been set. The total of the claim is unknown and the outcome of the arbitration is indeterminate at present, hence no liability has been recognised in the financial statements at balance date.

Independent Auditor's Report

To the shareholders of Millennium & Copthorne Hotels New Zealand Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Millennium & Copthorne Hotels New Zealand Limited (the company) and its subsidiaries (the group) on pages FIN1 to FIN26:

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 & 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 $4.1 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.

KPMG

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
1. Valuation of Hotel Land and Building assets	
Refer to note 9 of the consolidated financial statements. Hotel land and buildings of $509.5 million (representing 70% of net assets) are recognised at fair value in the financial statements. To establish fair value, each hotel is required to undergo an independent valuation on a tri-annual basis. In the intervening years, management complete an impairment assessment, and assess whether the carrying value of each hotel continues to reflect fair value. The valuations and impairment assessments are based on discounted future cashflow models which include a number of assumptions taking into consideration future economic and market conditions. The key assumptions (including forecast growth, occupancy rates and revenue per available room) are inherently judgemental and consequently a change in the assumptions could have a material impact on the valuations and the carrying value of the hotel land and buildings.	Our procedures on the independently valued hotels involved the following: — Using our own valuation specialist to assist us in assessing the appropriateness of the valuation model used, including compliance with relevant accounting standards and alignment to market practice. — We assessed the scope of work performed, competency, professional qualifications and experience of the external expert engaged by the group. — We challenged the key assumptions used within each valuation in determining the fair value of these hotel assets. This included a comparison of occupancy rates, revenue per available room, market growth and expected inflation with externally derived data including external hotel industry reports. — We also performed our own assessment of other key inputs such as estimated future costs, discount rates and terminal multipliers, and considered the external expert's estimates with historical hotel performance. — We performed sensitivities and break-even analysis on the key assumptions. Our testing indicated that the estimates and assumptions used were reasonable in the context of the group's property portfolio. For those hotels assets that were not valued within the tri-annual valuation cycle, management assessed these assets for impairment, and assessed whether their carrying value continues to reflect fair value. — We considered management's impairment assessment of each hotel's recoverable amount. This included comparing actual hotel performance to previous forecasts. — Based on this analysis two hotels warranted a detailed impairment review. For these hotels we challenged the key assumptions used in determining the recoverable amount of the hotel land and buildings. We also considered future forecasts, comparing these to internal plans and external market information. — Three hotels were identified where there were indicators the property was outperforming expectation compared to projections in their previous valuations. We challenged key assumptions in the cashflow models used by management to assess that the carrying value of these hotels continues to reflect fair value. Our testing indicated that the estimates and assumptions used were reasonable in the context of the group's property portfolio.

KPMG

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 Chairman's Review, Managing Director's Review, disclosures relating to corporate governance, the 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 Chairman's Review and have nothing to report in regards to it. The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report and we will report the matters identified, if any, to those charged with governance.

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-1/

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

REGULATORY DISCLOSURES

20 LARGEST ORDINARY SHAREHOLDERS (as at 1 March 2019) (Listing Rule 3.7.1 c)

Rank	Shareholder	No. of Securities	%
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	74,743,077	70.79
2.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	5,962,409	5.65
3.	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD	5,666,701	5.37
4.	NATIONAL NOMINEES NEW ZEALAND LIMITED - NZCSD	2,758,417	2.61
5.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT - NZCSD	2,568,748	2.43
6.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	1,873,578	1.77
7.	ACCIDENT COMPENSATION CORPORATION - NZCSD	1,164,603	1.10
8.	SKY HILL LIMITED	917,449	0.87
9.	LENG BENG KWEK	906,000	0.86
10.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	733,276	0.69
11.	AMALGAMATED DAIRIES LIMITED	684,980	0.65
12.	KAY HONG CHIAM	475,251	0.45
13.	MFL MUTUAL FUND LIMITED - NZCSD	463,297	0.44
14.	CUSTODIAL SERVICES LIMITED	399,780	0.38
15.	JALAER INVESTMENTS LIMITED	277,977	0.26
16.	GEOK LOO GOH	168,002	0.16
17.	ASB NOMINEES LIMITED	166,953	0.16
18.	SITA SINGH	151,000	0.14
19.	ASB NOMINEES LIMITED	140,000	0.13
20.	HOWARD CEDRIC ZINGEL	139,915	0.13

NZCSD is the New Zealand Central Securities Depositary and provides a custodial depositary service to its clients and does not have a beneficial interest in the shares held in its name.

20 LARGEST REDEEMABLE PREFERENCE SHAREHOLDERS (as at 1 March 2019) (Listing Rule 3.7.1 c))

Rank	Shareholder	No. of Securities	%
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	45,224,095	85.75
2.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	2,945,671	5.59
3.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	1,675,950	3.18
4.	ACCIDENT COMPENSATION CORPORATION - NZCSD	935,848	1.77
5.	LENG BENG KWEK	453,000	0.86
6.	NATIONAL NOMINEES NEW ZEALAND LIMITED - NZCSD	397,131	0.75
7.	KAY HONG CHIAM	211,324	0.40
8.	ASB NOMINEES LIMITED	136,425	0.26
9.	ALAN DAVID WHITE	107,400	0.20
10.	CUSTODIAL SERVICES LIMITED	44,600	0.08
11.	JENNIFER GAYE SIMPSON	43,000	0.08
12.	CUSTODIAL SERVICES LIMITED	40,300	0.08
13.	THEODORE JOHN VAN GELDERMALSEN + MARGARET GAY FREEMANTLE	38,000	0.07
14.	HOWARD CEDRIC ZINGEL	31,592	0.06
15.	JOAN LESLEY THOMPSON	30,200	0.06
16.	ROGER EDWARD HAYWARD + SUSAN ELIZABETH HAYWARD	28,909	0.05
17.	SEA AND PEAK EQUITIES LIMITED	23,400	0.04
18.	LYNNE MARIE MARX-SHEATHER + WALTER BRENT SHEATHER + PATRICIA VERA SHEATHER + SIMON MIDDLETON PALMER	22,263	0.04
19.	RICHARD ALEXANDER COUTTS	22,228	0.04
20.	LING FOO KOK	20,134	0.04

NZCSD is the New Zealand Central Securities Depositary and provides a custodial depositary service to its clients and does not have a beneficial interest in the shares held in its name.

HOLDINGS SIZE – ORDINARY SHARES (as at 1 March 2019)

Range	Total Holders	Number of shares	Percentage of Issued Capital
1 - 99	5	208	0.00
100 - 199	32	4,844	0.00
200 - 499	469	161,673	0.15
500 - 999	327	231,595	0.22
1,000 - 1,999	212	305,089	0.29
2,000 - 4,999	231	708,564	0.67
5,000 - 9,999	118	834,135	0.79
10,000 - 49,999	89	1,705,006	1.61
50,000 - 99,999	15	1,109,829	1.05
100,000 - 499,999	9	2,039,678	1.93
500,000 - 999,999	3	2,508,429	2.38
1,000,000 -	2	95,969,240	90.90
Rounding			0.01
Total	**1512**	**105,578,290**	**100.00**

HOLDINGS SIZE – REDEEMABLE PREFERENCE SHARES (as at 1 March 2019)

Range	Total Holders	Number of shares	Percentage of Issued Capital
100 - 199	38	5,843	0.01
200 - 499	39	12,067	0.02
500 - 999	25	17,351	0.03
1,000 - 1,999	23	32,781	0.06
2,000 - 4,999	19	69,250	0.13
5,000 - 9,999	12	73,862	0.14
10,000 - 49,999	19	441,545	0.84
100,000 - 499,999	4	908,149	1.72
1,000,000 -	2	51,178,695	97.04
Rounding			0.01
Total	**181**	**52,739,543**	**100.00**

DOMICILE OF ORDINARY SHAREHOLDERS (as at 1 March 2019)

	Number	Number of shares	Percentage of Issued Capital
New Zealand	1,417	102,554,685	97.14
Overseas holders	95	3,023,605	2.86
Total	**1,512**	**105,578,290**	**100.00**

DOMICILE OF REDEEMABLE PREFERENCE SHAREHOLDERS (as at 1 March 2019)

	Number	Number of shares	Percentage of Issued Capital
New Zealand	170	51,984,976	98.57
Overseas holders	11	754,567	1.43
Total	**181**	**52,739,543**	**100.00**

WAIVERS FROM NZX LIMITED

On 23 March 2018, NZX Limited (**NZX**) granted the Company a waiver from NZX Main Board Listing Rule (**Listing Rule**) 5.2.3 in respect of its preference shares for a period of twelve months from that date (the **Preference Shares Waiver**).
Listing Rule 5.2.3 provides that a class of securities will generally not be considered for quotation unless those securities are held by at least 500 members of the public, holding at least 25% of the number of securities of the class issued, with each member holding at least a minimum holding.
NZX granted the Preference Shares Waiver on the following conditions:

(a) that the directors of the Company certify to NZX Regulation that allowing the preference shares to remain quoted is in the best interests of the holders of the preference shares;
(b) the Company clearly and prominently discloses the waiver, its conditions and the implications in its half-year and annual reports; and
(c) that the Company consistently monitors the total number of Members of the Public holding Preference Shares and the percentage of Preference Shares held by Members of the Public holding at least a Minimum Holding; and
(d) the Company notifies NZX Regulation as soon as practicable if there are material changes to the total number of Members of the Public holding Preference Shares, and /or the percentage of Preference Shares held by Members of the Public.

On 3 April 2018, NZX also granted the Company a waiver from Listing Rule 5.2.3 in respect of its ordinary shares for a period of twelve months from that date (the **Ordinary Shares Waiver**).
NZX granted the Ordinary Shares Waiver on the following conditions:

(a) that the Company clearly and prominently discloses the waiver, its conditions and the implications in its half-year and annual reports; and
(b) that the Company consistently monitors the total number of Members of the Public holding Ordinary Shares and the percentage of Ordinary Shares held by Members of the Public holding at least a Minimum Holding; and
(c) the Company notifies NZX Regulation as soon as practicable if there are material changes to the total number of Members of the Public holding Ordinary Shares, and /or the percentage of Ordinary Shares held by Members of the Public.

The implication of these waivers is that the Company's preference and ordinary shares may not be widely held and there may be reduced liquidity in both classes of shares.

SUBSTANTIAL SECURITY HOLDERS

According to notices given to the Company under the Securities Markets Act 1988, as at 1 March 2019, the substantial security holders in the Company are noted below:

	Securities	Class	%
CDL Hotels Holdings New Zealand Limited	74,139,077	Ordinary Shares	70.79%
Aberdeen Standard Asia Focus plc	5,962,409	Ordinary Shares	5.65%
Aberdeen Standard Investments (Asia) Limited	13,960,356	Ordinary Shares	13.24%

CDL Hotels Holdings New Zealand Limited is a wholly owned subsidiary of Millennium & Copthorne Hotels plc. As at 1 March 2019, the total number of issued voting securities of Millennium & Copthorne Hotels New Zealand Limited (all of which are ordinary shares) was 105,578,290. The Company holds 99,547 repurchased ordinary shares as treasury stock.
The total number of non-voting redeemable preference shares was 52,739,543. As these securities are non-voting securities, there is no requirement to provide substantial security holder notices.

STATUTORY INFORMATION

DIRECTORS (section 211 (1)(i) Companies Act 1993)
As at 31 December 2018, the Company's Directors were Messrs. C Sim, BK Chiu, R Bobb, K Hangchi, GA McKenzie and KS Tan. Messrs. Chiu, Hangchi and Tan were appointed by Millennium & Copthorne plc

The gender breakdown of the Board is 6 male directors and 0 female directors. MCK currently has 4 female and 6 male officers.

INTERESTS REGISTER (sections 189 (1) (c) and 211(1)(e) Companies Act 1993)
The Company maintains an Interests Register as required under the Companies Act 1993. For the period under review, the following entries were recorded:

USE OF COMPANY INFORMATION (section 145 Companies Act 1993)
During 2018, the Board did not receive any notices from any Directors of the Company requesting the use of company information which they would have received in their capacity as Directors which would not otherwise have been available to them.

SHARE DEALING (section 148, Companies Act 1993)
No share dealings by Directors occurred during 2018.

DIRECTORS' AND ASSOCIATED PERSONS SHAREHOLDINGS (as at 31 December 2018)

Director	2017	2018
C Sim	Nil	Nil
B K Chiu	Nil	Nil
K Hangchi	Nil	Nil
KS Tan	Nil	Nil
R Bobb	Nil	Nil
GA McKenzie	Nil	Nil

REMUNERATION (section 161 and 211(1)(f), Companies Act 1993)
The total remuneration and value of other benefits earned received by each of the Directors of the Company for the year ending 31 December 2018 was:

Director	Remuneration
C Sim	35,000
B K Chiu (*)	598,684
K Hangchi	35,000
KS Tan (*)	Nil
R Bobb	42,000
GA McKenzie	38,500

(*)Mr. KS Tan is currently Interim Group Chief Executive Officer of Millennium & Copthorne Hotels plc and Mr. B K Chiu is an employee of the Company. Neither of these persons received remuneration as a director of the Company or of any of the Company's subsidiaries.

INDEMNITY AND INSURANCE (section 162, Companies Act 1993)
In accordance with the Company's constitution, the Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

GENERAL DISCLOSURES OF INTEREST (section 140(2), Companies Act 1993)
As at 31 December 2018, the Directors of the Company have made general disclosures of interest in the following companies:

C SIM

Chairman / Director of:
CDL Investments New Zealand Limited

Director of:
Autocaps (Aust) Pty Ltd
Autocaps Pastoral Division Pty Limited
Autocaps Vogue Pty Limited
Bathurst Range Investments Pty Limited
Builders Recycling Properties Pty Ltd
Builders Recycling Operations Pty Ltd
CS Investments No. 1 Pty Ltd
Desert Rose Group Pty Limited
Desert Rose Holdings Pty Limited
DMM Investments (NSW) Pty Ltd
Dockside Parramatta Pty Limited
Dockside Venues Pty Ltd
East Quarter Group Pty Ltd
East Quarter Hurstville Pty Limited
EQ Constructions Pty Ltd
EQ Equity Pty Ltd
EQ Finance Services Pty Limited
EQ Gosford Pty Ltd
EQ Projects Pty Ltd
EQ Projects Holdings Pty Ltd
EQ Property Holdings Pty Ltd
EQ Revesby Pty Ltd
EQ Riverside Pty Ltd
EQ Zetland Pty Ltd
EQ Zetland Finance Pty Ltd
Hurstville NSW Pty Limited
Llenruk Pty Ltd
Naxta Pty Ltd
New Dale Sim Pty Ltd
PBD Phoenix Pty Limited
PCC Devco 1 Pty Limited
Phoenix Palm Developments Pty Limited
Preslite Drive Technologies Pty Limited
SSK Investments Pty Ltd
SSK Investments No 2 Pty Ltd
SSK Investments O/S Pty Ltd
Waterbrook Bayview Pty Ltd
Waterbrook Bayview Investment Pty Ltd
Waterbrook Bayview Village Management Pty Ltd
Waterbrook Bowral Pty Ltd
Waterbrook Bowral Investment Pty Ltd
Waterbrook Brand Pty Ltd
West Quarter Hurstville Pty Limited

R BOBB
Director of:
Bobb Management Pty Ltd
Birkenhead Holdings Pty Ltd
Birkenhead Investments Pty Ltd
Continental Investments Pty Ltd
Furscarbo Pty Ltd
Hotelcorp New Zealand Pty Ltd
Kingsgate Hotel Pty Ltd
Kingsgate Holdings Pty Ltd
Kingsgate Investments Pty Ltd
Melmark Securities Pty Ltd.
Millennium & Copthorne Hotels Pty Ltd.
RAB Capital Pty Ltd
Star Securities Australia Pty Ltd
Trans National Properties Ltd

BK CHIU
Chairman / Director of:
Quantum Ltd
Waitangi Resort Joint Venture Committee

Director of:
All Seasons Hotels & Resorts Ltd
CDL Investments New Zealand Ltd
CDL Land New Zealand Ltd
Context Securities Ltd
Hospitality Group Ltd
Hospitality Leases Ltd
Hospitality Services Ltd
Kingsgate Hotels & Resorts Ltd
Millennium & Copthorne Hotels Ltd
QINZ Holdings (New Zealand) Ltd
QINZ (Anzac Avenue) Ltd

K HANGCHI
Director of:
CDL Hotels Holdings New Zealand Limited
KIN Holdings Limited
Hong Leong Finance Limited
Hong Leong Finance Nominees Pte Ltd
Hong Leong Nominees (Private) Limited
Millennium Securities Nominees Pte Ltd
Millennium Securities Pte Ltd
Singapore Nominees Private Ltd
Sun Yuan Holdings Pte Ltd
Sun Yuan Overseas Pte Ltd

G A MCKENZIE
Director of:
CMO Energy NZ
GMACK Consulting Ltd
Luxottica Retail New Zealand Ltd
McHarry Holdings Ltd
Saw 2015 Ltd

K S TAN

Chairman / President/ Director of: Grand Plaza Hotel Corporation
Director / President of: The Philippine Fund Limited

Internal Director of: CDL Hotels (Korea) Ltd
Executive Director / Chief Executive Officer of: Millennium & Copthorne Hotels plc
Commissioner of: PT Millennium Sirih Jakarta Hotel

Director of:
CDL Investments New Zealand Limited
CDL Entertainment & Leisure Pte Ltd
City Century Pte Ltd
First Sponsor Group Limited
Harbour Land Corporation
Hong Leong Hotel Development Limited
Millennium & Copthorne Hotels Management (Shanghai) Limited
Millennium & Copthorne International Limited
Rogo Realty Corporation

EMPLOYEE REMUNERATION (section 211(1) (g) Companies Act 1993)
The number of employees or former employees of the Company and its subsidiaries (excluding publicly listed subsidiaries) who received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum in 2018 are as follows:

Remuneration and value of other benefits	Number. of employees
100,001 – 110,000	4
110,001 – 120,000	4
120,001 – 130,000	2
130,001 – 140,000	2
150,001 – 160,000	3
160,001 – 170,000	1
180,001 – 190,000	3
190,001 – 200,000	3
200,001 – 210,000	1
220,001 – 230,000	3
230,001 – 240,000	1
390,001 – 400,000	1
590,001 – 600,000	1

DONATIONS (section 211(1)(h) and (2)
The Company and its subsidiaries made donations to charity totaling $319 during the year.

AUDIT FEES (section 211(1)(j) and (2)
During the period under review, the following amounts were payable to the external auditors KPMG:

	2017 ($'000)		2018 ($'000)	
	New Zealand	**Australia**	**New Zealand**	**Australia**
Annual Audit	283	23	292	25
KPMG Other Services	52	nil	64	nil

SUBSIDIARY COMPANIES AND DIRECTORS (section 211(2) of the Companies Act 1993)
The Company's subsidiaries and their directors as at 31 December 2018 are listed below:

NAME	DIRECTORS	OWNERSHIP	ACTIVITY
All Seasons Hotels and Resorts Ltd	BK Chiu, JB Pua	100%	Non-trading
Birkenhead Holdings Pty Ltd	R Bobb, JB Pua	100%	Holding Company (Australia)
Birkenhead Investments Pty Ltd	R Bobb, JB Pua	100%	Holding Company (Australia)
CDL Investments New Zealand Ltd (▼)	C Sim, RJ Austin, BK Chiu, J Henderson, KS Tan, VWE Yeo	66.42%	Holding Company
CDL Land New Zealand Ltd*	BK Chiu, JB Pua	66.42%	Property Investment & Development Company
Context Securities Ltd	BK Chiu, JB Pua	100%	Investment Holding Company
Hospitality Group Ltd	BK Chiu, N Hood, KF Luxon	100%	Holding Company
Hospitality Leases Ltd	BK Chiu	100%	Lessee Company
Hospitality Services Ltd	BK Chiu, KF Luxon, JB Pua	100%	Hotel Management Company
Hotelcorp New Zealand Ltd	R Bobb, JB Pua	100%	Holding Company (Australia)
KIN Holdings Ltd	JB Pua, K Hangchi	100%	Holding company
Kingsgate Holdings Pty Ltd	R Bobb, JB Pua	100%	Holding Company
Kingsgate Hotels And Resorts Ltd	BK Chiu, JB Pua	100%	Franchise Holder
Kingsgate Hotels Ltd	JB Pua	100%	Non-trading
Kingsgate Hotel Pty Ltd	R Bobb, JB Pua	100%	Non-trading (Australia)
Kingsgate Investments Pty Ltd	R Bobb, JB Pua	100%	Residential Apartment Owner (Australia)
Kingsgate International Corporation Ltd	JB Pua,	100%	Holding Company
Millennium & Copthorne Hotels Ltd	BK Chiu, JB Pua	100%	Non-trading
Millennium & Copthorne Hotels Pty Ltd	R Bobb, JB Pua	100%	Non-trading (Australia)
QINZ (Anzac Avenue) Ltd	BK Chiu, JB Pua	100%	Hotel Owner
QINZ Holdings (New Zealand) Ltd	BK Chiu, JB Pua	100%	Holding Company
Quantum Ltd	BK Chiu, KF Luxon, JB Pua,	100%	Holding company

(▼) Listed on the New Zealand Stock Exchange
* Mr DJ Lindsay ceased to be a director of CDL Land New Zealand Limited on 15 November 2018
--Where the directors of the Company's subsidiaries are employees of the Company, they do not receive any remuneration or other benefits as a director. Their remuneration and other benefits are received as employees and are included in the relevant banding under Employee Remuneration.

--The following persons received remuneration as Directors of the Company's subsidiaries during 2018: C Sim ($37,500), VWE Yeo ($30,000), RJ Austin ($35,000), J Henderson ($30,000).

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BOARD OF DIRECTORS

Colin Sim	(Chairman)
BK Chiu	(Managing Director)
Kian Seng Tan	(Non-Executive Director)
Kevin Hangchi	(Non-Executive Director)
Richard Bobb	(Independent Director)
Graham McKenzie	(Independent Director)

SENIOR MANAGEMENT

Greg Borrageiro	(Director, Information Technology)
Evette Chauvineau	(New Zealand Marketing Manager)
Brendan Davies	(Director, International Sales & Marketing)
Craig Fletcher	(Director, Property Management)
Takeshi Ito	(Vice President Legal & Company Secretary)
Karl Luxon	(Vice President Operations)
Boon Pua	(Vice President Finance)
Kim-Marie Rixson	(Vice President Human Resources)
Alison Smith	(National Director of Sales, Conferences and Incentives)
Josie Wilson	(National Distribution & Revenue Manager)

REGISTERED OFFICE & CONTACT DETAILS

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AUDITORS

KPMG, Auckland

BANKERS

ANZ Bank New Zealand Limited
Hong Kong & Shanghai Banking Corporation Limited

SOLICITORS

Bell Gully

SHARE REGISTRAR

Computershare Investor Services Limited,
Level 2, 159 Hurstmere Road, Takapuna,
Private Bag 92119, Auckland 1020, New Zealand
Telephone: +64 9 488 8700
Facsimile: +64 9 488 8787
email: enquiry@computershare.co.nz

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Company Code: MCK

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