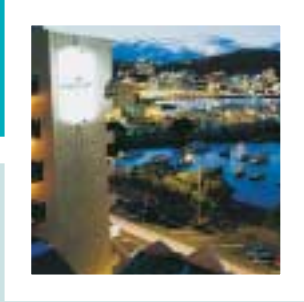
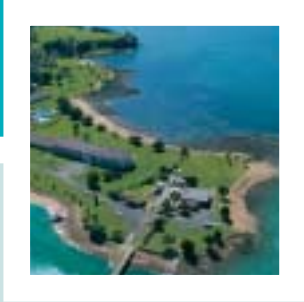
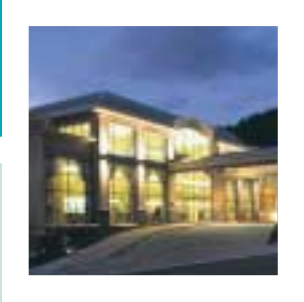


ANNUAL REPORT
2003



CONTENTS

DIRECTORS CERTIFICATE	IFC
CORPORATE PROFILE	IFC
TREND STATEMENT	2
SIGNIFICANT EVENTS	3
CHAIRMAN'S STATEMENT	4
MANAGING DIRECTOR'S REVIEW	12
GROUP CORPORATE STRUCTURE	25
BOARD OF DIRECTORS	28
CORPORATE GOVERNANCE	30

ANNUAL REPORT

CORPORATE PROFILE

CDL Hotels New Zealand Limited was incorporated in 1985 and has been listed on the New Zealand Stock Exchange since then. The principal activities of the group are:

- Ownership and operation of hotels in New Zealand;
- Land acquisition and development in New Zealand; and
- Ownership and operation of shopping centres and a marina in Australia.

It has a portfolio of 28 hotels, which are owned, leased, franchised and/or managed, with approximately 3,500 rooms in 15 locations in Australasia. It is the largest owner-operator of Hotels in New Zealand and through its subsidiaries, CDL Investments New Zealand Limited and Kingsgate International Corporation Limited, it also has extensive land and property development interests in both New Zealand and Australia.

FINANCIAL CALENDAR

ANNUAL REPORT MAILED	31 MARCH 2004
DIVIDEND PAYMENT	8 APRIL 2004
HALF YEAR END	30 JUNE 2004
INTERIM PROFIT ANNOUNCEMENT	JULY 2004
INTERIM REPORT MAILED	AUGUST 2004
FINANCIAL YEAR END	31 DECEMBER 2004
ANNUAL PROFIT ANNOUNCEMENT	FEBRUARY 2005
ANNUAL REPORT MAILED	MARCH 2005



The directors are pleased to present the Annual Report of CDL Hotels New Zealand Limited for the year ended 31 December 2003.

Signed for and on behalf of the Board of Directors

A handwritten signature in black ink, appearing to be 'J Wilson', written over a horizontal line.

J Wilson
Chairman
18 February 2004

A handwritten signature in black ink, appearing to be 'JM Tsang', written over a horizontal line.

JM Tsang
Managing Director
18 February 2004



KINGSGATE HOTEL TERRACES QUEENSTOWN



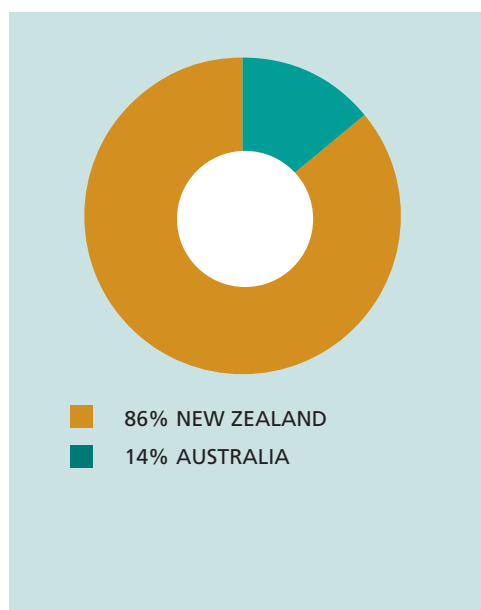
now you can
sleep
here, there &
everywhere

TREND STATEMENT

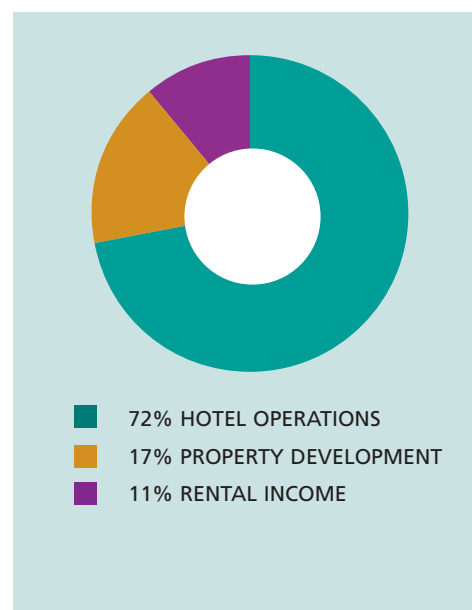
FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2003	CDL HOTELS NEW ZEALAND LIMITED & SUBSIDIARIES			
DOLLARS IN THOUSANDS	2003	2002	2001	2000
Total Revenue	168,317	190,116	202,332	242,112
Profit (Before Other Items and Taxation)	32,400	32,848	18,679	3,377
Group Net Profit (After Taxation)	17,034	17,106	10,694	1,450
Earnings Per Share (Before Other Items and Taxation)	9.3c	9.4c	5.3c	1.0c
Earnings Per Share	4.87c	4.89c	3.06c	0.41c
Dividends Per Share	1.40c	1.40c	1.40c	.70c
Net Asset Backing Per Share (Excluding Minority Interest)	68.9c	63.9c	62.5c	60.0c
Total Liabilities: Total Assets Ratio	25.25%	28.49%	33.10%	47.71%
Total Assets	471,585	455,798	478,770	576,912
Group Equity (Excluding Minority Interests)	241,032	223,533	218,655	209,653

GEOGRAPHICAL REVENUE SEGMENT

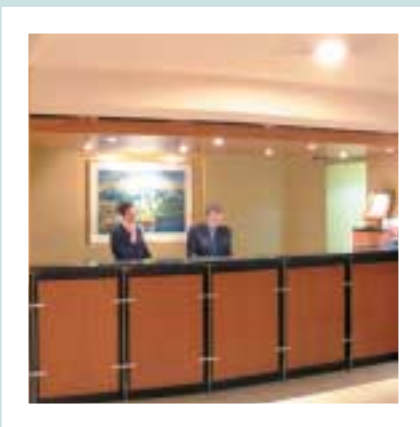


OPERATIONS REVENUE SEGMENT



SIGNIFICANT EVENTS 2003

- Shareholders' funds for the group improve to \$352.5 million.
- Kingsgate Hotel Willis Street sold during the first quarter of 2003.
- Company successfully re-launches the Kingsgate Hotels & Resorts brand into New Zealand.
- Refurbishment of the Copthorne Hotel Durham Street Christchurch.
- Company retains its "Tertiary" status as an ACC Accredited Employer.
- Retirement of Mr John Wilson as Chairman.



COPTHORNE HOTEL CHRISTCHURCH DURHAM STREET

FINANCIAL INFORMATION

CDL Hotels New Zealand Limited (CDL) has reported another set of respectable earnings for the second year in succession.

Trading conditions across the group were particularly challenging compared to the previous year. Lower revenue of \$168.3 million, down from \$190.1 million in 2002 was attributable to reduced Birkenhead Quays apartment sales and closure of Millennium Hotel Sydney.

Careful management of costs and a clear focus on business objectives across the various operations ensured that earnings were maintained despite lower revenue. Net profit after tax and minority interests for the year ended 31 December 2003 was \$17.0 million, compared to \$17.1 million for 2002.

CDL derives its earnings from three areas: the New Zealand hotel operations; the Australian operations of Kingsgate International Corporation Limited; and the property investment and development operations of CDL Investments New Zealand Limited.

Shareholders' funds for the group, including minority interests, improved to \$352.5 million on 31 December 2003, compared to \$325.9 million a year earlier. Net asset backing per share (excluding minority interests) increased to 68.9 cents per ordinary share (2002: 63.9 cents). Total assets amounted to \$471.6 million compared to \$455.8 million a year earlier.

CDL is the largest hotel operator in New Zealand, with a portfolio of 28 hotels with 3,576 rooms in 15 locations. It employs approximately 2,400 staff. The group continues to look for opportunities to expand its current portfolio.

The overall trading activity of the New Zealand hotel sector was extremely challenging as the industry faced two major crises, the conflict in Iraq and the outbreak of SARS.



MILLENNIUM HOTEL ROTORUA

Careful management of costs and a clear focus on business objectives across the various operations ensured that earnings were maintained despite lower revenue.

OPERATING RESULTS

NEW ZEALAND HOTEL OPERATIONS

CDL is a subsidiary of Millennium & Copthorne Hotels plc (M&C), which also owns, operates and manages hotels in Europe, Asia, the United States of America, the Middle East and North Africa. CDL owns, leases, franchises and manages a portfolio of 28 hotels in New Zealand under the Millennium, Copthorne and Kingsgate hotel brands. The New Zealand hotels continue to benefit from the relationship with the parent company, as it provides a key strategic link to M&C's global distribution and promotional network.

The overall trading activity of the New Zealand hotel sector was extremely challenging as the industry faced two major crises, the conflict in Iraq and the outbreak of SARS. It is fair to say that the Iraq conflict was not totally unexpected; however, the outbreak of SARS was. The effect of these crises meant that the company had to quickly refocus its entire sales and marketing, and operational strategies to offset the significant reduction in support it would receive from traditional international markets – especially the USA, Asia and Japan. The new strategies were successful, and while the ongoing effects of these two events are still being felt, the market is improving every month.

Despite the negative impact of these two events, turnover from the New Zealand hotel operations rose 0.8% above the 2002 calendar year to \$115.1 million. This growth figure was impacted by the loss of revenue as a result of the sale of Kingsgate Hotel Willis Street during the first quarter of 2003. Average occupancy remained in line with 2002 levels, whilst the average room rate increased by 4.7%. In combination, this produced an overall 4.4% increase in yield, once again bearing out our strategy of targeting higher-yielding sectors of the market.

CHAIRMAN'S
STATEMENT
CONTINUED



MILLENNIUM HOTEL QUEENSTOWN

International visitors constituted 61.0% of our guest profile for the year (2002: 62.9%). The policy of managing our exposure to the international market continues as we further develop the New Zealand domestic market. It should be noted that it is not our intention to sacrifice international growth but to grow both major sectors of the market concurrently.

Overall, the New Zealand hotel operations recorded positive revenue growth, with all regions – particularly the Bay of Islands, Queenstown, Christchurch and the provincial hotels – performing well. While Auckland benefited from the Americas Cup during the first quarter, it coincided with a traditional peak tourism period and, as such, the gains were not as great had the event been staged at a different time. Wellington continued to perform well despite increased pressure on room rates.

During the year under review, CDL re-launched the Kingsgate brand into New Zealand after terminating its agreement with Choice Hotels International Limited (CHI), the licensor of the Quality brand. The rebranding of all of the 15 former Quality hotels was conducted smoothly and was well within the agreed time frame and budget. The cost of rebranding has been offset by the savings in franchise fees formerly paid to CHI. Moreover, CDL now has total control over the sales and marketing initiatives of its total portfolio of 28 hotels in New Zealand. The market has reacted favourably to the rebranding.

Across the group, the Copthorne and Kingsgate branded hotels improved their position, recording increased revenues and profits well in excess of 2002 levels. The Millennium branded hotels were the most exposed to the negative impact of the two major world events. They are located in the prime international tourism centres of Queenstown, Christchurch and Rotorua. Despite substantial pressure on revenues, the Millennium division recorded increased profits due to an excellent revenue to profit conversion ratio.

Some major renovation works were completed during the year, including the refurbishment and air-conditioning of 161 guestrooms at the Copthorne Hotel Durham Street Christchurch, and the re-carpeting of the entire Millennium Hotel Queenstown and Millennium Hotel Christchurch. In addition to the refurbishment programmes carried out throughout the year, the company spent an additional 12.6% on repairs and maintenance across the hotels. This investment is already contributing to the improved revenue and profitability of the group.

The group also retained its "Tertiary" status as an ACC Accredited Employer and it spent an additional 5.1% on training and human resources.

SALE OF KINGSGATE HOTEL – WILLIS STREET, WELLINGTON

The Company sold the Kingsgate Hotel Willis Street (formerly Quality Hotel Willis Street) on 31 March 2003. The hotel continues to be managed by Hospitality Services Limited, the management company of the group.

KINGSGATE INTERNATIONAL CORPORATION LIMITED (KIC)

Kingsgate International Corporation Limited, a 50.74% owned subsidiary of the company, reported a net operating profit after tax of \$4.02 million for the year ended 31 December 2003. Although this represents a decline from \$10.20 million for the previous year, it was a reasonable result given the closure of the Millennium Hotel Sydney for its conversion into Zenith Residences, a residential development of 97 apartments.

Other factors contributing to the decline in profits were the completion of the residential development sales of Birkenhead Quays Stages 2 and 3 and the impact of the conversion of earnings from the Australian operations given the stronger New Zealand dollar.

2003 net earnings were also affected by the exhaustion of previously accumulated Australian tax losses in September 2002. This had resulted in KIC incurring a tax charge of \$2.18 million for the 2003 year.

Total operating revenue was \$23.7 million, compared to \$50.9 million in 2002.

Looking at the operations, the soft demolition work is now completed at the former Millennium Hotel Sydney site. The main building contract for the Zenith Residences project is still being negotiated. The contractor is expected to commence building work once all the terms are finalised. While the sales process has begun, settlements are not due until completion and therefore no sales revenue has been taken into account in the 2003 financial year.

Revenue from the Kingsgate Shopping Centre was down slightly on the previous year, reflecting disruption brought about by the closure of the hotel. New service arrangements have been negotiated and occupancy remains high, at 92.8% of occupied space.

The Birkenhead Point Shopping Centre operations were more stable. Although there was more competition with the opening of new factory outlets, retail trade remained relatively healthy in 2003.



KINGSGATE HOTEL ORIENTAL BAY WELLINGTON

The performance of Birkenhead Point Marina was boosted by the major refurbishment in 2002 with revenue rising 21% in the year under review and profit rising 48.5%.

The Birkenhead Quays Residential Project, a key earnings driver over the years, obtained council approval for the fourth and final stage of the residential project during the year. No further development work has been scheduled at this stage, however, as the board reviews its options for the project.

CDL INVESTMENTS NEW ZEALAND LIMITED (CDLI)

CDL Investments New Zealand Limited ("CDLI"), a 61.48% (2002 60.12%) owned subsidiary of the company, reported a net profit after tax of \$6.60 million for the year, compared with an after-tax profit of \$5.99 million for 2002.

The total revenue of \$27.22 million was up 14% from that of the previous year. This reflects an increase in the number of sales, though there was a shift away from properties at the higher end of the market when compared to the previous year's activity.

Continuing on from the 2002 financial year, market conditions throughout 2003 were favourable for the New Zealand property market. Strong demand, low interest rates, a competitive exchange rate and continued strong population growth driven by net migration have seen an increase in sales during the 2003 financial year.

CDL Land New Zealand Limited recorded annual sales of 302 sections during the year, compared with 221 in 2002. This growth can be attributed, in particular, to increased sales in the Hamilton and Tauranga areas. Extensive development was undertaken in these areas during the 2002 financial year, and the benefits have been realised in the current year.

The company will continue to actively and selectively seek land investments and development opportunities in key growth areas to enhance future earnings. The company's strong balance sheet will enable it to take advantage of any opportunities that may arise.

DIVIDEND ANNOUNCEMENT

The company has resolved to pay a fully imputed dividend of 1.4 cents per ordinary share. This is in line with the previous year's payment.

CHANGES TO THE BOARD

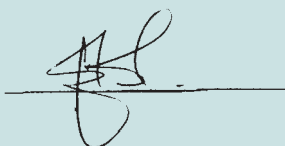
As was announced in January, I will be retiring as chief executive of Millennium & Copthorne Hotels Plc, effective from the end of February. I will also be retiring as chairman of CDL, KIC and CDLI. I am confident the company is in good shape and the board and management have the skills required to continue to drive performance. My replacement will be announced in due course.

OUTLOOK

The Board retains its positive long-term outlook. Support of the New Zealand hotels from off-shore markets is recovering well after the negative impact of the Iraq conflict and SARS. International visitor arrivals are predicted to remain strong as a result of increased airline capacity to New Zealand, the activities of Tourism

New Zealand and our own sales and marketing initiatives. There is a level of concern however that the strength of the New Zealand dollar may begin to have a bearing on the quantity of visitor arrivals from the USA. The New Zealand hotel market remains highly competitive; but our ongoing focus on yield growth, in conjunction with the strategy of building our New Zealand revenue base, should continue to bear fruit. Increasing the level of support from the New Zealand market should also provide a shield for any unforeseen fluctuations in international visitor flows. At the same time, our links to the international network of our parent company M&C will ensure we maintain or improve market share from our international markets.

The 2004 year has started positively, with good initial trading results throughout the group. Barring unforeseen circumstances, the board expects another profitable year.



John Wilson
CHAIRMAN

18 February, 2004



MILLENNIUM HOTEL CHRISTCHURCH

NEW ZEALAND HOTEL OPERATIONS 2003

Trading conditions for the core hotel division in the 2003 financial year were the most challenging that the company had faced in recent years. Not only did the company have to deal with the effects on world tourism of the Iraqi Conflict but, more importantly, from a New Zealand perspective, was the impact of SARS. While these events severely limited the company's ability to maximise performance, under the circumstances the hotel division performed well.

A key feature of the performance was the ability to increase yield by 4.4% at a time when average occupancy for the New Zealand hotels remained static. This increase in yield was very pleasing considering there was a substantial reduction in support from all traditional and emerging international markets during the second and third quarters.

While the focus of the group remains on yield growth, the current year's performance was not

achieved at the expense of market share. The group has been successful in maintaining its market share and in some instances, it has made gains on its competitors. The average occupancies of the group's hotels mirrored those achieved in 2002 with the exception of the Bay of Islands, which achieved strong growth. Average room rates continued to climb in all regions without exception.

The Auckland market continues to be adversely affected by the oversupply of accommodation. As New Zealand's 'gateway' city, this continues to place pressure on room rates in other parts of the country. The percentage of the inventory now controlled by the group in Auckland stayed at 5.3%. Occupancy in Auckland remained at 2002 levels, however, there was yield growth, partly as a result of the buoyant market created by the Americas Cup defence during the first quarter.

The Rotorua market was severely impacted by the effects of the two global events as it relies heavily on support from the international market. Rotorua's overall occupancy, however, achieved a level similar to 2002. It was pleasing to note that Kingsgate Hotel

While the focus of the group remains on yield growth, the current year's performance was not achieved at the expense of market share.

Rotorua and the Millennium Hotel Rotorua both recorded healthy yield growth on 2002 levels. This growth was a result of increased corporate, conference and incentive and domestic leisure support. The group controls 28% of the accommodation inventory in this town. Rotorua is experiencing a growth in accommodation with an increase of 16% on existing levels predicted during 2004.

In Wellington, the group controls 12.8% of the accommodation inventory. This region had a relatively quiet year as international tourist arrivals continued to select other destinations in New Zealand in preference to Wellington. Increased inventory during 2003 eroded much of the gains from other markets. Though on par with the previous year, room rates continue to be under pressure as a result of both corporate and government agencies seeking to reduce expenditure. The decision of Tourism Wellington to refocus its sales and marketing efforts, however,

bodes well for the future. The contributions by the Wellington hotels to the group's performance were again significant.

The significant growth in inventory experienced in Christchurch over the past six years slowed in 2003. This had a positive effect on the group as the Christchurch hotels achieved an improvement in yield over the 2002 year. This was despite a reduction in support from both the Asian and Japanese markets. Copthorne Hotel Durham Street embarked on a major refurbishment during this period and re-opened in September both on schedule and within budget. Copthorne Hotel Central, which completed a major refurbishment during the last quarter of 2002, exceeded operational performance expectations during 2003. The group controls 24.9% of the major accommodation inventory in the city.

The Queenstown market, which had shown excellent growth during 2002, was the most



COPTHORNE HOTEL & RESORT
QUEENSTOWN LAKEFRONT

A key feature of the performance was the ability to increase yield by 4.4% at a time when average occupancy for the New Zealand hotels remained static.

MANAGING
DIRECTOR'S REVIEW
CONTINUED



COPTHORNE HOTEL & RESORT BAY OF ISLANDS

affected of all regions as a result of the two major global events. In addition, the ski season failed to perform to its normal levels for a number of reasons, including the fact that Australian ski destinations enjoyed the best winter conditions for many years. This enticed a large number of Australians to stay at home and make best use of the excellent skiing. The company's support from the international conference and incentive markets during the 2003 year grew and this largely off-set the reduction of international leisure visitors. Queenstown recorded similar occupancies to those achieved in 2002. However, a higher average room rate was obtained during the year, resulting in an improvement in yield.

Excellent gains were made in the provincial centres especially in the Bay of Islands, which had a record year as a result of an increase in demand for conferences from both international and New Zealand organisations. The creation of a 400-seat conference centre from an existing under utilised venue has done much to enhance the appeal of this location.

HOTEL OPERATIONAL HIGHLIGHTS

The continued development in operations and sales and marketing of Millennium, Copthorne and Kingsgate Hotels formerly Quality Hotels has enabled the group to continue to offer improved

accommodation solutions. The group's marketing and sales strategies are designed to attract increased support from all sectors of the market. This serves as a platform to maximise potential revenues, and hence profits, as the various markets reach their full potential. The creation of distinctive styles within the three divisions has continued to be developed, however, the 'umbrella' slogan of 'Now you can sleep here there and everywhere' remains a key driver. The three divisions continue to work closely on both a national and regional basis to extract improved yields from the group's operations.

Of major significance during the year under review was the decision to re-brand all 15 Quality Hotels in New Zealand to Kingsgate Hotels. This decision was taken as a result of on-going discussions with Choice Hotels International relating to the future of the Quality Hotel brand after August 2006 – the original agreement's termination date. The group took the decision to exit this agreement early so as to enable it to fully maximise its relationship with Millennium & Copthorne in terms of sales and marketing representation and support. There were no exit costs and the re-branding exercise was completed on schedule and within budget. There has been a favourable reaction to this from both guests and the market.

The development of strategic alliances with key major industry partners continues to be a primary focus of the group. The continued expansion of Millennium & Copthorne's global presence plays an ever increasing role in the development of the international market support for New Zealand, especially as new airlines enter the market. Millennium & Copthorne continues with its objective of being a true 'global player'.

The group, despite the extremely challenging trading conditions, continued to make a significant investment in capital expenditure during the year. This included the installation of air-conditioning and the full guest room refurbishment of Copthorne Hotel Durham Street in Christchurch. Going forward, a continuation of this investment is planned. In addition, major refurbishment projects are presently under review for Millennium Hotel Rotorua, Millennium Hotel Christchurch and Kingsgate Hotel Rotorua. This on-going re-investment in the hotels ensures that the group is in a position to meet the ever changing demands of both the market and clients. This forms a key part of the group's sales and marketing strategy. Compared to 2002, an additional 12.5% was spent on repairs and maintenance.

Improving yield remains the primary focus for the group. Highlighting this focus was the company's ability to increase yield by 4.4% over the previous period despite suffering a significant reduction in

support from its traditional markets due to the aforementioned international issues. This growth in yield was a result of the company's ability to quickly react to the loss of these international markets and to focus on markets which could deliver clients in the short to medium term. Gross operating profit percentages improved throughout the year and are now at record levels, highlighting our ability to convert additional yield to profit at a higher than normal percentage – a key performance indicator for the group's management team.

The company resisted the temptation to reduce its level of investment in Human Resource and training functions as a result of the challenging trading conditions. As such, it continued the development and implementation of training programmes designed to improve the quality and productivity of the 130 department heads. In total, an additional 5% was invested in training compared to 2002. The investment continues to bear fruit. Further programmes to supplement The Executive Programme (introduced during 2001) and The Professional Development Programme (introduced in 1999) are presently being developed. These programmes remain the core training tool for staff members. The Graduate Training Programme is presently under review with the intention of launching a complementary Cadetship Programme. Several graduates from the in-house training programme are now in

The group, despite the extremely challenging trading conditions, continued to make a significant investment in capital expenditure during the year.

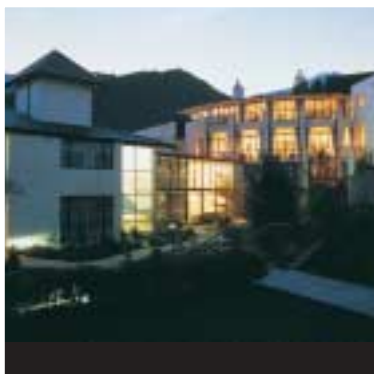
managerial positions and are progressing well in the company. Maintaining dialogue and interaction with tertiary institutions in order to meet the ever changing demands of the hospitality industry remains an integral part of the group's HR strategy.

INGRID – the Interactive Network for General Retrieval of Information and Data – is proving to be an extremely beneficial management tool as it enables the company to cost-effectively distribute all categories of information to general managers, heads of department and employees. It also has the added benefit, from a financial management and marketing perspective of rapid transmission of the latest information, statistics and key performance indicators. Increasingly, management is relying on the electronic medium for the latest market intelligence and data and as such is constantly looking at ways to improve service to internal customers.

The retention of 'Tertiary' status within the ACC's partnership programme in February 2003 was pleasing. The company has been advised that it has retained this status for 2004.

MARKET SEGMENTATION

Despite the impact of the two major global events, international visitors to New Zealand continued to play a significant role in tourism growth in 2003. Indeed, international visitors contributed 61.0% of the group's total business. (A chart indicating the country of origin of these visitors is shown.) This compares to 62.9% in 2002 and 65.0% in 2001. Managing the group's exposure to international markets continues to be a key focus. However, it should be noted that it is the group's intention to to grow both the international and New Zealand sectors of the market simultaneously. It is also important to understand that while international



COPTHORNE HOTEL & RESORT
QUEENSTOWN LAKEFRONT

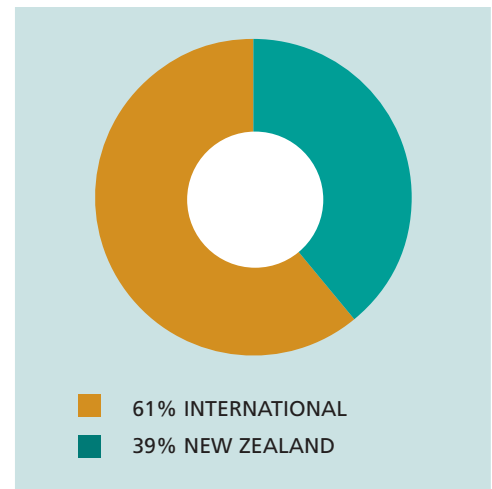
visitor statistics continue to be favourable, not all arrivals are tourists per se. Care must therefore be taken when attempting to equate increases in visitor arrivals to the growth of a particular sector of the accommodation market.

Tourism New Zealand (TNZ), a Government funded body, promotes New Zealand overseas with the obvious aim of increasing international visitor arrivals to this country. It concentrates its efforts on the traditional markets of Asia, Europe, Australia, the United States and Japan and has enjoyed positive growth over the years. The marketing of New Zealand as '100% Pure' continues to be well received. As well, New Zealand's profile has been lifted as a result of a number of highly acclaimed movies being filmed here.

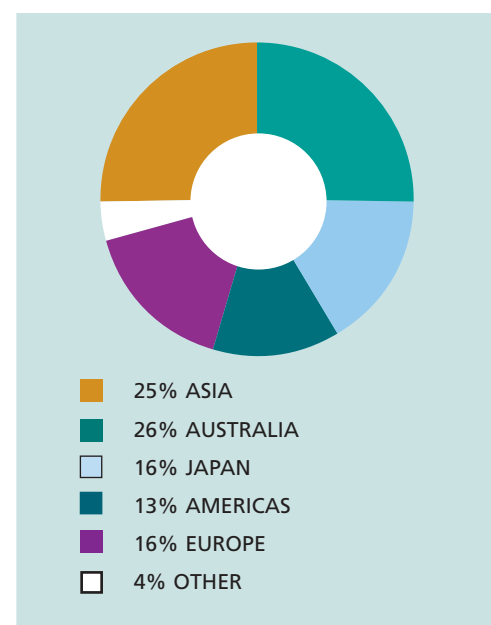
What will create further challenges for the hotel sector from an international perspective?

There is concern relating to the strength of the Kiwi dollar compared to the US dollar. In essence, this means the price of any tour or activity for a US visitor may be as much as 30% higher than in 2003. Against other major currencies, the rise in the Kiwi dollar has not been so pronounced. Further conflicts or terrorist action will potentially dampen tourism growth as will a reoccurrence of a SARS-like virus. In the short to medium term, the introduction of new airlines into this region will impact the cost of air travel through added competition. In the longer term, however, there is an issue of sustainability.

NEW ZEALAND INTERNATIONAL MIX 2003



VISITORS TO NEW ZEALAND BREAKDOWN BY MARKET SEGMENT 2003

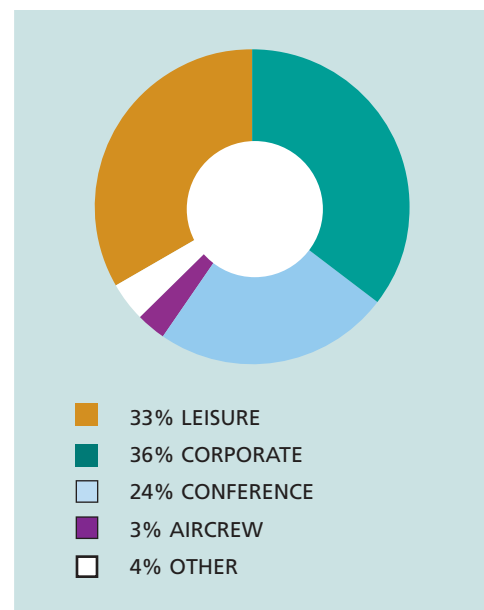


The Asian market to New Zealand continues to be 'price sensitive' as other international destinations, which suffered greatly as a result of SARS, woo this market with heavily discounted offers. India has yet to reach its potential as a new market for New Zealand. The Japanese market softened markedly as a result of SARS and the Iraqi conflict and has yet to fully recover, however, the outlook is encouraging. Good growth from both the United Kingdom and Europe is anticipated.

Support from the corporate market remains a key contributor to both the revenue and profitability of the group. This market, however, continues to be under threat as competitors strive to replace their poorer performing international markets with more lucrative corporate business, albeit at heavily discounted rates.

There has been a continued increase in domestic leisure support due, in part, to the group's ability to direct market a wide range of accommodation and price solutions. The company, through agreements it has put in place, now has the ability to market its hotels to personnel of its supply companies. The growth of this market remains at the forefront of the company's development strategies. Whilst increased airline capacity to New Zealand is welcomed because it implies more international visitor arrivals, the flip side is that it also increases capacity from New Zealand, which may also encourage more New Zealanders to travel

NEW ZEALAND MARKET MIX 2003



off-shore. In addition to the leisure market, the group has also increased its activity in the sports sector of the market, using its excellent relationship with the New Zealand Olympic and Commonwealth Games organisation, of which the company is an official sponsor.

The diversity of the company's hotels and their locations allows the group to accommodate the needs of all travellers – both those residing in New Zealand and from overseas – as the company says: you can 'Sleep, work, meet and play here, there and everywhere!'

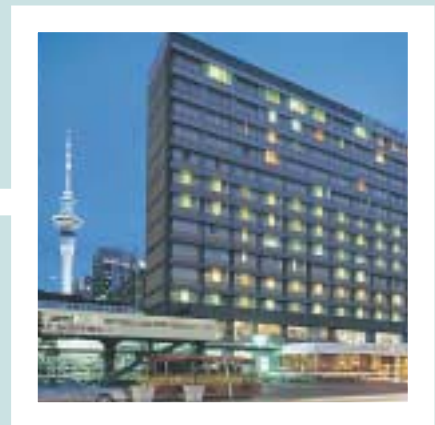
GROWTH STRATEGY

Growth of the group will continue to be achieved by the reinvestment in product, improved yield management practices, constant evaluation of management activities and sales and marketing initiatives, selective acquisitions and the securing of opportunities to franchise and manage hotels not fully-owned by the company.

Sales and marketing will continue to play the lead role in driving increased revenues. Of equal importance is the ability to improve the management the group's internet site as an increasing number of both existing and potential clients look to this medium for accommodation solutions. Already the company is experiencing an upward trend in reservations being received via the worldwide web.

The group will continue to work with its industry partners (both from within and outside its own business sector) in an effort to secure higher yielding business and hence generate additional shareholder value. It will strive to increase its market share of the 'desired' visitor arrivals from its New Zealand and international markets but not at the expense of yield. The group has adopted a stance of taking a substantial leadership role in matters relating to the strategic direction of the New Zealand tourism industry in general.

The company will continue with its participation in airline loyalty programmes and form strategic alliances as and when required. The continued development of the parent company's global sales offices in Japan, Australia, London, New York and Paris will continue to enhance CDL's ability to derive support from 'global' companies. The growth of the



COPTHORNE HOTEL AUCKLAND HARBOURCITY

The Group will continue with its promotion of its three brands – Millennium, Copthorne and Kingsgate – both within New Zealand and internationally.

parent company in North Africa and the Middle East will generate opportunities in the medium to longer term. This significant support of New Zealand from the M & C group worldwide cannot be overlooked as CDL increases its ability to attract quality business directly from source markets.

The group will continue with its promotion of its three brands – Millennium, Copthorne and Kingsgate – both within New Zealand and internationally. The attributable benefits of being the largest hotel owner and operator of hotels in New Zealand enables the company to seek opportunities to selectively expand its hotel network through franchising and management arrangements. Care, however, will be taken to ensure that any expansion programme does not impinge on the ability to maximise the returns from existing hotels.

SUBSIDIARY PERFORMANCES

KINGSGATE INTERNATIONAL CORPORATION LIMITED (KIC)

KIC represents the group's interest in Australia. Its assets comprise of the Zenith Residences (formerly Millennium Hotel Sydney), the Kingsgate Shopping Centre, the Birkenhead Point Shopping Centre, the Birkenhead Point Marina and the Birkenhead Quays Residential Project.

ZENITH RESIDENCES

As mentioned at the KIC AGM in May 2003, KIC was at a pivotal point in its history. Following the decision to convert the Millennium Tower into 97 luxury apartments, Millennium Hotel Sydney ceased operations on 31 March 2003. The closure of the hotel operations brings with it ensuing short-term costs such as redundancy payments, cancellation of lease contracts and losses on the sale of certain fixed assets. The hotel operations earned revenues of \$3.7 million for the financial year ending 31 December 2003, but an overall loss for the year of \$1.9 million.

The sale of the hotel's assets occurred in early April and the conversion project is well under way. Mid April saw the site being handed over to the project manager. The soft demolition works are now completed. The main building contract is still being negotiated.

While the sales process for Zenith Residences has begun, settlement is not due until completion of the project. Therefore, no sales revenue has been taken into account in 2003.

KINGSGATE SHOPPING CENTRE

Revenue from the Kingsgate Shopping Centre (underneath Zenith) of \$3.4 million is slightly down by 10% compared to the previous year, a good result given that approximately 1,000 square metres of floor space was held back since mid-2002



COPTHORNE HOTEL CHRISTCHURCH DURHAM STREET

pending the redevelopment, and that the revenue stream from the lease of the communications tower ceased in September 2003. Occupancy is at a high 92.8% of available space.

Closure of the hotel has brought major changes to the shopping centre operations, much of which was previously shared with the hotel. New service contracts have been negotiated (cleaning, security, waste management, maintenance etc) much of which were previously shared with the hotel.

BIRKENHEAD POINT SHOPPING CENTRE

Birkenhead Point Shopping Centre operations were more stable. The centre achieved an excellent 97.8% occupancy of retail space, compared to previous year's 98%.

Retail trade is expected to stay relatively healthy in 2004, although growth is forecast to ease from the high rates achieved over the past two years. New leases have been negotiated with such lifestyle brands as Freedom Furniture, Mountain Designs Sportswear, Brooks, Helly Hansen, Diana Ferrari Footwear and Donut King.

The operating expenses of Birkenhead Point Shopping Centre have been managed carefully during the year and are down 10.8% compared to the previous year. This excellent result was achieved despite having to incur major repairs following severe storms which hit Sydney in February and April 2003. Overall, the profit result was down slightly by 4.5% over last year due to reduced revenues.

BIRKENHEAD POINT MARINA

Birkenhead Point Marina, following a major refurbishment in 2002, boosted its revenue for the year under review by 21%. Leasing activity at the marina has been very buoyant.

The Birkenhead Point Marina's profit result is up 48.5% compared to the previous year – a very pleasing outcome.

BIRKENHEAD QUAYS RESIDENTIAL PROJECT

The Birkenhead Quays Residential project, a key driver of both revenue and earnings in past years, derived earnings from the sale of the final available apartment in the 2003 year. Approval for the fourth and final stage of the residential project was given by the Council on 1 July 2003. However, no further development work or marketing effort has been scheduled pending further consideration by the board.

CDL INVESTMENTS NEW ZEALAND LIMITED (CDLI)

CDLI's land-based operations once again benefited from very favourable market conditions.

New Zealand's housing sector has experienced a strong cyclical upswing over the last 18 months with house sales and new housing construction both lifting to record levels. A distinguishing feature of the current housing cycle is its wide geographical spread compared to the last upswing in the mid 1990s, which was largely concentrated on the Auckland region.

Reflecting this national shift, CDL Land New Zealand Limited recorded a jump in section sales from 221 in the 2002 financial year to 302 in the current year with Hamilton and Tauranga, in particular, featuring strongly.

While the company experienced an overall increase in sales revenue of 14% on the previous year, margins were slightly lower as there was a shift away from properties at the higher end of the market. Margins in the 2002 year had been boosted by demand for higher priced properties such as Waimanu Bay in Auckland.

A continued focus on operating efficiencies ensured that the company was able to convert the healthy lift in sales into earnings.

While the momentum that has driven the property market over the past couple of years has spilled over into trading in the current financial year, there are real signs that the market is easing. However, with a robust balance sheet, no debt and an efficiently run and diversified property portfolio as well as a varied range of development projects in the pipeline, the company is well placed to retain its share of the residential property market.

OUTLOOK

The long term growth prospects for the tourism sector in New Zealand remains positive, however, the ability to increase occupancies in the shoulder and off peak seasons continues to play a major part in the company's ability to improve annual yield growth. Trading conditions in the short to medium term could be significantly affected by the threatening outbreak of Avian Flu in Asia and care has to be taken that this does not assume the proportions of SARS. The group in New Zealand has made a very positive start to the year.

A strong performance in the first quarter of this year has been achieved despite not having the benefits of an America's Cup challenge in Auckland. The improved understanding in both the business and social community of the potential to generate economic growth via tourism initiatives – especially in the regions – will see increased investment in 'destinational' sales and marketing

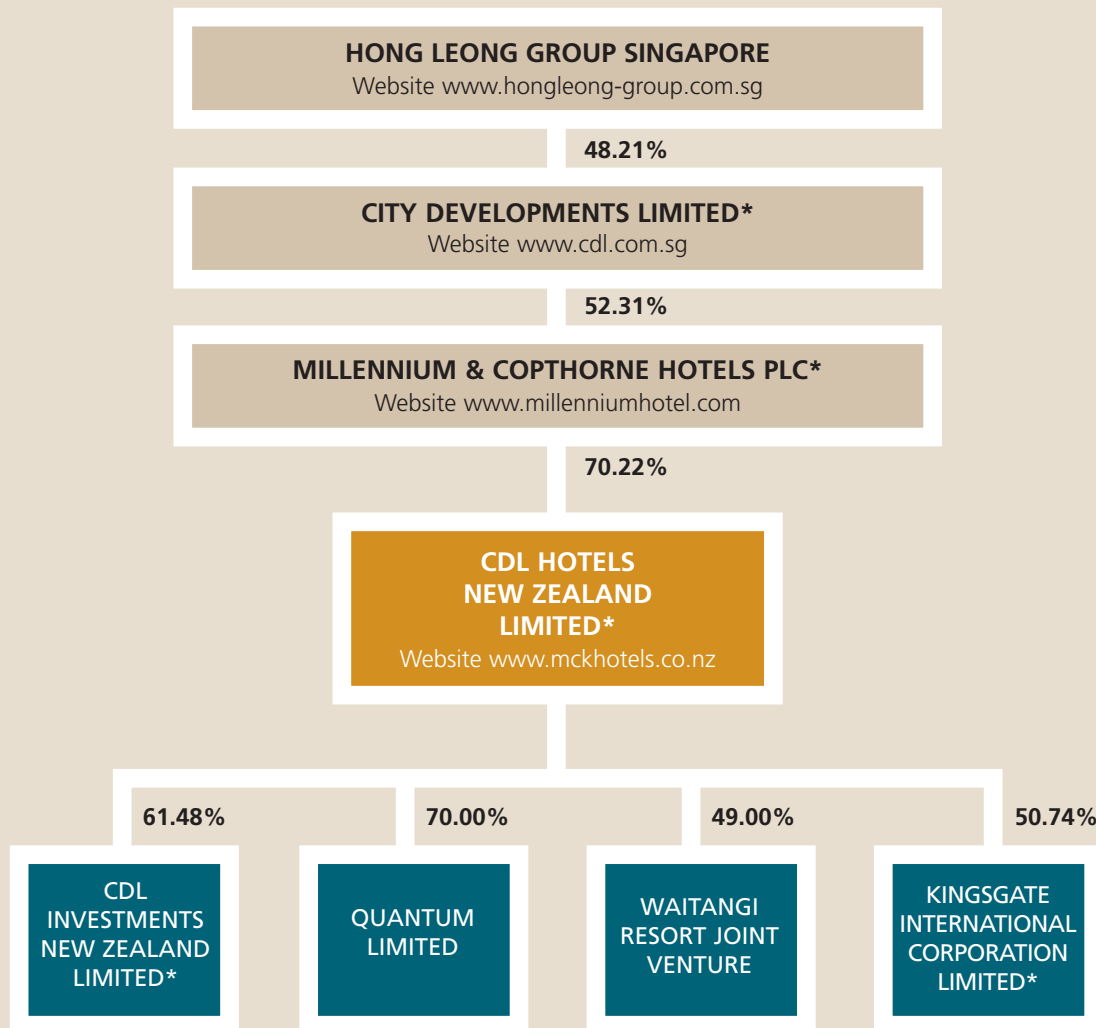
activity. This activity will stimulate demand for accommodation which in turn will lead to employment opportunities. The company is already working with a number of regional authorities in an effort to improve 'destinational' awareness. The Government's willingness to address some of the major issues associated with tourism growth augurs well for the Tourism Industry and the group.

The management team is fully committed to and is focused on improving the group's performance for the ensuing year notwithstanding the generally challenging business environment.



JM Tsang
Managing Director
18 February 2004

**GROUP
CORPORATE
STRUCTURE**



** Public listed companies*

HOTEL OWNERSHIP AND OPERATIONAL STRUCTURE

CDL HOTELS NEW ZEALAND LIMITED

100%

70%

OWNED

Kingsgate Hotel Greenlane Auckland	(220)
Millennium Hotel Rotorua	(227)
Copthorne Hotel Christchurch Central	(142)
Copthorne Hotel & Resort Queenstown Lakefront	(241)
Kingsgate Hotel Te Anau	(94)
Kingsgate Hotel Greymouth	(102)
Copthorne Hotel & Resort Bay of Islands (49%)	(145)
TOTAL HOTELS	7

LEASED

Copthorne Hotel Auckland HarbourCity	(187)
Millennium Hotel Christchurch	(179)
TOTAL HOTELS	2

ROOMS

CDL Owned	7	1,171
CDL Leased	2	366
Quantum Owned	7	873
Quantum Leased	3	372
Franchised	7	660
Quantum Managed	2	134
TOTAL	28	3,576

BRAND BREAKDOWN

	ROOMS	PROPS
Millennium	626	3
Copthorne	1,347	10
Kingsgate	1,603	15
TOTAL	3,576	28

QUANTUM LIMITED

OWNED

Copthorne Hotel Auckland Anzac Avenue	(110)
Kingsgate Hotel Rotorua	(136)
Kingsgate Hotel Palmerston North	(151)
Kingsgate Hotel Oriental Bay Wellington	(116)
Kingsgate Hotel Terraces Queenstown	(85)
Kingsgate Hotel Dunedin	(55)
Millennium Hotel Queenstown	(220)
TOTAL HOTELS	7

LEASED

Kingsgate Hotel Parnell Auckland	(117)
Copthorne Hotel Christchurch Durham Street	(161)
Copthorne Hotel Wellington Plimmer Towers	(94)
TOTAL HOTELS	3

FRANCHISED

Copthorne Hotel Commodore Christchurch Airport	(115)
Copthorne Hotel & Resort Taupo Manuels	(51)
Copthorne Hotel & Resort Masterton Solway Park	(101)
Kingsgate Hotel Whangarei	(95)
Kingsgate Hotel Hamilton	(147)
Kingsgate Hotel Autolodge Paihia	(77)
Kingsgate Hotel Autolodge Christchurch	(74)
TOTAL HOTELS	7

100%

HOSPITALITY SERVICES LTD (Hotel Management Company)

MANAGED

Kingsgate Hotel Brydone, Oamaru	(50)
Kingsgate Hotel Willis Street Wellington	(84)
TOTAL HOTELS	2

now you can
sleep
 here, there &
 everywhere


MILLENNIUM
 HOTELS AND RESORTS


COPTHORNE
 HOTELS AND RESORTS


KINGSGATE
 HOTELS AND RESORTS



NEW ZEALAND

BAY OF ISLANDS

Copthorne Hotel & Resort Bay of Islands
 Kingsgate Hotel Autolodge Paihia

WHANGAREI

Kingsgate Hotel Whangarei

AUCKLAND

Copthorne Hotel Auckland Anzac Avenue
 Copthorne Hotel Auckland HarbourCity
 Kingsgate Hotel Parnell Auckland
 Kingsgate Hotel Greenlane Auckland

HAMILTON

Kingsgate Hotel Hamilton

ROTORUA

Millennium Hotel Rotorua
 Kingsgate Hotel Rotorua

TAUPO

Copthorne Hotel & Resort Manuels Taupo

PALMERSTON NORTH

Kingsgate Hotel Palmerston North

MASTERTON

Copthorne Hotel & Resort Solway Park Masterton

WELLINGTON

Copthorne Hotel Wellington Plimmer Towers
 Kingsgate Hotel Oriental Bay Wellington
 Kingsgate Hotel & Conference Centre Willis Street

GREYMOUTH

Kingsgate Hotel Greymouth

CHRISTCHURCH

Millennium Hotel Christchurch
 Copthorne Hotel Christchurch Central
 Copthorne Hotel Christchurch Durham Street
 Copthorne Hotel Commodore Christchurch Airport
 Kingsgate Hotel Autolodge Christchurch

DUNEDIN

Kingsgate Hotel Dunedin

OAMARU

Kingsgate Hotel Brydone Oamaru

TE ANAU

Kingsgate Hotel Te Anau

QUEENSTOWN

Millennium Hotel Queenstown
 Kingsgate Hotel Terraces Queenstown
 Copthorne Hotel & Resort Queenstown Lakefront

BOARD OF DIRECTORS

The names of persons holding office as Directors of the Company as at 31 December 2003 and the names of any persons who ceased to hold office as Directors of the Company during the accounting period are as follows:

JOHN WILSON, 62, non-executive Chairman of the Company, appointed in August 1999 is the Chief Executive Officer of Millennium & Copthorne Hotels Plc ("M&C"). Mr Wilson retired from the Board of CDL Hotels New Zealand Limited effective 29 February 2004.

TSANG JAT MENG, 71, Managing Director, was appointed non-executive Director in December 1990, and Managing Director in July 2000. Mr Tsang is also the Managing Director of CDL Investments New Zealand Limited and Executive Director of Kingsgate International Corporation Limited. Prior to his appointment to the board, Mr Tsang was a senior partner and shareholder of a stockbroking company, Tsang & Ong of Singapore. In 1983, Mr Tsang was appointed Deputy Chairman of the Singapore Stock Exchange for a 5-year term.

WONG HONG REN, 52, was appointed non-executive Director in February 1992 when the Hong Leong Group first invested in New Zealand. He is also an Executive Director of M&C and a non-executive Director of CDL Investments New Zealand Limited and Kingsgate International Corporation Limited. Mr Wong is the Group Investment Manager for the Hong Leong Group in Singapore.

VINCENT YEO, 35, was appointed non-executive Director in April 1993 and was later appointed Managing Director of the Australian and New Zealand operations of the Company. During that time, he was responsible for developing and integrating the hotels into the largest hotel chain in New Zealand. In February 1998, he took up the position of Executive Director of M&C with special responsibilities in sales and marketing, based in London. In June 2001, he returned to Asia to assume the role of Chief Executive Officer of City e-Solutions Limited, a listed subsidiary of City Developments Limited. In October 2001, he also assumed the role of Chief Operating Officer for Millennium & Copthorne Hotels Asia Pacific region and in 2003, he was appointed President.

JOHN HENDERSON, 57, non-executive Director, was appointed to the Board in October 2000. He also sits on the board of CDL Investments New Zealand Limited and Kingsgate International Corporation Limited. He has held various positions during his 28 years with the Starwood Hotels and Resorts Group. His last position before returning to New Zealand was Regional Vice President (Operations) for Asia Pacific Division where he had direct responsibility for 29 Sheraton and Westin Hotels in China, Japan, Korea, Taiwan and Guam. Mr Henderson was also a director for Starwood Joint Ventures in Tokyo, Hong Kong and Beijing and Chairman of the China Hotel Development Company. Between May 1986 to May 1990, Mr Henderson was the Chief Executive of the Sheraton Group in New Zealand and Area Manager of the South Pacific region.

GRAHAM ANDREW MCKENZIE, 52, non-executive Director, was appointed to the Board in December 1999. Mr McKenzie is a senior partner in national law firm, Bell Gully and leads key aspects of the commercial practice.

GORDON BK WILSON, 47 the Chief Operating Officer, was appointed as a non executive Director to the Board in February 2003 and has been the Chief Operating Officer of the Company since September 1999. Mr Wilson is responsible for the operations, financial performance and sales and marketing functions of the Company. Mr Wilson has held many senior management positions both overseas and in New Zealand. He has worked in all major corporate and leisure destinations in New Zealand and has a thorough understanding of the industry in this region.

ROLE OF THE BOARD OF DIRECTORS

The Board is responsible for the proper direction and control of the Group's activities. This responsibility includes such areas of stewardship as the identification and control of the Group's business risks, the integrity of management information systems and reporting to shareholders. While the Board acknowledges that it is responsible for the overall control framework of the Group, it recognises that no cost effective internal control system will prevent all errors and irregularities. The system is based upon procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility, sound risk management, a programme of internal audit, and the careful selection and training of qualified personnel.

BOARD OPERATIONS

The Board meets several times a year establishing the Group's principal objectives, determining major strategies for achieving those objectives and providing the policy framework within which the Group operates. Each year management submits to the Board a proposed annual budget for approval prior to the commencement of each financial year. Major policies which are subject to the Board's approval and review include capital expenditure, treasury policy, guidelines for the appointment of senior staff and delegated authority limits.

BOARD MEMBERS	MEETINGS ATTENDED
J Wilson	4
JM Tsang	4
HR Wong	3
GA McKenzie	4
VWE Yeo	4
J Henderson	4
GBK Wilson	4
4 Meetings held	

The Company's constitution requires that Directors stand for re-election to the Board at the Annual Meeting of Shareholding once every three years.

GROUP MANAGEMENT STRUCTURE

The Group's organisational structure is focused on its business operational activities of Hotel operations throughout New Zealand plus monitoring the operations of CDL Investments New Zealand Limited and Kingsgate International Corporation Limited. These operations are all separately managed, with at least one of the Company's Directors being on the Board of each subsidiary. The Board compares the actual business results of these operations to forecasts and to budgets at Board meetings.

RISK IDENTIFICATION AND MANAGEMENT

The Group has in place policies and procedures to identify areas of significant business risk and implement procedures to effectively manage those risks. Where appropriate, the Board obtains advice directly from external advisers. Once a significant business risk is identified, the Board is advised and corrective action is taken promptly to mitigate and monitor the risk.

BOARD COMMITTEES

The Board has an Audit Committee that focus on specific areas of the Board's responsibilities. This Committee has a Board approved charter outlining the Committee's authority, duties, responsibilities and relationship with the Board.

AUDIT COMMITTEE

This Committee of independent Directors is required to establish a framework of internal control mechanisms to ensure proper management of the Group's affairs and support effective business risk management. The Committee is accountable to the Board for ensuring the ability and independence of the external auditors, KPMG, addressing the recommendations of the external auditors, directing and monitoring the internal audit function and reviewing the adequacy and quality of the internal and external audit processes.

The Committee provides the Board with additional assurance regarding the accuracy of financial information for inclusion in the Group's Annual Report, including the financial statements. These controls include: safeguarding of assets; maintaining proper accounting records; complying with legislation and ensuring the reliability and integrity of financial information, design and implementation of appropriate risk management systems.

AUDIT COMMITTEE MEMBERS	MEETINGS ATTENDED
J Henderson (Chairman)	2
GA McKenzie	2
2 Meetings held	

The group's Managing Director, Vice President Finance and external auditors were invited to these meetings. The auditors have direct access to the committee Chairman.

OCCUPATIONAL HEALTH AND SAFETY

In February 2001 CDL Hotels New Zealand Limited entered into a partnership programme with ACC under which CDL administers all accident claims made by its employees. It also rehabilitates accident cases back to the work-place. The Hotels were initially granted secondary level but after an audit of the Hotels in December 2001 they were elevated to tertiary level, a status enjoyed by only 2% of companies in New Zealand.

THE ROLE OF SHAREHOLDERS

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders in the Annual Report, the Interim Report and the release of specific announcements to the New Zealand Stock Exchange as required. The Board encourages participation of shareholders at the annual meeting to ensure a high level of accountability and identification with the Group's strategies and goals.

CONTENTS

AUDITORS' REPORT	2
FINANCIAL STATEMENTS	3
SHAREHOLDER INFORMATION	16
STATUTORY INFORMATION	18
CORPORATE DIRECTORY	IBC

FINANCIAL REPORT

**To the Shareholders of CDL Hotels New Zealand Limited**

We have audited the financial statements on pages 3 to 15. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 December 2003. This information is stated in accordance with the accounting policies set out on pages 7 and 8.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date.

AUDITORS' RESPONSIBILITIES

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

BASIS OF OPINION

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

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

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

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

UNQUALIFIED OPINION

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 3 to 15:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company and group as at 31 December 2003 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 18 February 2004 and our unqualified opinion is expressed as at that date.

A handwritten signature in dark ink, appearing to read 'KPMG', is written over a light blue background.

Auckland

FOR THE YEAR ENDED 31 DECEMBER 2003		GROUP		PARENT	
DOLLARS IN THOUSANDS	NOTE	2003	2002	2003	2002
TOTAL REVENUE					
Hotel		121,099	132,911	60,218	54,578
Property		47,218	57,205	-	-
		168,317	190,116	60,218	54,578
Net Profit Before Taxation	3	32,400	32,848	14,580	9,656
Taxation	4	(10,195)	(7,431)	(4,464)	(2,768)
Net Profit After Taxation		22,205	25,417	10,116	6,888
Minority Interest		(5,171)	(8,311)	-	-
Net Profit		17,034	17,106	10,116	6,888
EARNINGS PER SHARE (CENTS)					
- Primary		4.87c	4.89c		
- Fully Diluted		4.87c	4.89c		

Primary and Fully Diluted earnings per share is based on the net profit after taxation attributable to ordinary shareholders and the weighted average number of ordinary shares on issue during the year.

STATEMENTS OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2003		GROUP		PARENT	
DOLLARS IN THOUSANDS	NOTE	2003	2002	2003	2002
Net Profit for the Year:					
Parent		17,034	17,106	10,116	6,888
Minority Interest		5,171	8,311	-	-
Increase in Property Revaluation Reserve					
Parent	7	-	2,803	-	-
Minority Interest		-	2,720	-	-
Movement in Exchange Translation Reserve					
Parent	7	5,355	(10,141)	-	-
Minority Interest		5,266	(9,843)	-	-
Total Recognised Revenue and Expenses for the Year		32,826	10,956	10,116	6,888
Movement in Minority Interest		(1,355)	(404)	-	-
Dividends Paid:					
Parent		(4,890)	(4,890)	(4,890)	(4,890)
Movement in Equity for the Year		26,581	5,662	5,226	1,998
Equity at Start of Year		325,943	320,281	200,465	198,467
Equity at End of Year		352,524	325,943	205,691	200,465

The attached notes on pages 7 to 15 form part of, and are to be read in conjunction with, these Financial Statements.

AS AT 31 DECEMBER 2003		GROUP		PARENT	
DOLLARS IN THOUSANDS	NOTE	2003	2002	2003	2002
Share Capital	6	430,330	430,330	430,330	430,330
Reserves	7	(189,213)	(206,712)	(224,554)	(229,780)
Treasury Stock	6	(85)	(85)	(85)	(85)
Minority Interest		111,492	102,410	-	-
Total Equity		352,524	325,943	205,691	200,465
Represented by:					
NON CURRENT ASSETS					
Fixed Assets	8	181,621	254,445	93,573	98,132
Investment Properties	9	137,682	109,788	-	-
Development Properties for Resale	10	73,061	21,013	-	-
Intangible Assets	12	5,818	6,761	4,219	4,653
Investment in Subsidiaries		-	-	96,235	94,118
Total Non Current Assets		398,182	392,007	194,027	196,903
CURRENT ASSETS					
Cash and Deposits		20,244	9,162	11,636	4,520
Advances to Subsidiaries	17	-	-	3,956	3,995
Accounts Receivable	13	31,749	35,296	7,586	6,777
Inventories		1,461	1,370	632	489
Prepaid Taxation		-	582	-	-
Hotel Property for Resale	11	-	4,080	-	-
Development Properties for Resale	10	19,949	13,301	-	-
Total Current Assets		73,403	63,791	23,810	15,781
Total Assets		471,585	455,798	217,837	212,684
NON CURRENT LIABILITIES					
Term Borrowings	14	85,743	91,944	-	-
Provision for Deferred Taxation	4	9,525	5,200	4,532	2,483
Total Non Current Liabilities		95,268	97,144	4,532	2,483
CURRENT LIABILITIES					
Bank Overdraft		-	-	-	-
Accounts Payable and Accruals	15	22,528	23,357	7,156	6,531
Related Parties	17	313	258	313	1,314
Provision for Taxation		252	2,196	145	1,891
Current Portion of Term Liabilities	14	700	6,900	-	-
Total Current Liabilities		23,793	32,711	7,614	9,736
Total Liabilities		119,061	129,855	12,146	12,219
Net Assets		352,524	325,943	205,691	200,465

The attached notes on pages 7 to 15 form part of, and are to be read in conjunction with, these Financial Statements.

For, and on behalf of, the Board



J WILSON
CHAIRMAN
18 FEBRUARY 2004



JM TSANG
MANAGING DIRECTOR
18 FEBRUARY 2004

FOR THE YEAR ENDED 31 DECEMBER 2003		GROUP		PARENT	
DOLLARS IN THOUSANDS	Note	2003	2002	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers		172,667	180,897	56,827	53,269
Interest Received		784	532	944	279
Dividends Received		-	-	701	2
		173,451	181,429	58,472	53,550
Cash was applied to:					
Payments to Suppliers and Employees		(118,861)	(123,177)	(40,759)	(39,881)
Interest Paid		(5,222)	(6,374)	(14)	(88)
Capitalised Interest on Development Properties		(70)	(473)	-	-
Income Tax Paid		(8,570)	(5,253)	(4,206)	(1,609)
		(132,723)	(135,277)	(44,979)	(41,578)
Net Cash Inflow from Operating Activities		40,728	46,152	13,493	11,972
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Fixed Assets		5,597	133	2	68
Net Advances from Subsidiaries		-	-	-	417
		5,597	133	2	485
Cash was applied to:					
Purchase of Fixed Assets		(8,053)	(11,547)	(527)	(8,294)
Purchase of Investment Properties		(268)	(2,833)	-	-
Payment on Development Properties		(6,202)	-	-	-
Net advances to Subsidiaries		-	-	(962)	-
		(14,523)	(14,380)	(1,489)	(8,294)
Net Cash Outflow From Investing Activities		(8,926)	(14,247)	(1,487)	(7,809)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was applied to:					
Repayment of Borrowings		(15,108)	(25,002)	-	-
Dividends Paid to Shareholders of CDL Hotels NZ Limited		(4,890)	(4,890)	(4,890)	(4,890)
Dividends Paid to Minority Shareholders		(1,251)	(404)	-	-
		(21,249)	(30,296)	(4,890)	(4,890)
Net Cash Outflow from Financing Activities		(21,249)	(30,296)	(4,890)	(4,890)
Net Increase / (Decrease) in Cash Held		10,553	1,609	7,116	(727)
Add Opening Cash Brought Forward		9,162	8,649	4,520	5,247
Exchange Movement on Opening Cash		529	(1,096)	-	-
Closing Cash		20,244	9,162	11,636	4,520

The attached notes on pages 7 to 15 form part of, and are to be read in conjunction with, these Financial Statements.

FOR THE YEAR ENDED 31 DECEMBER 2003

DOLLARS IN THOUSANDS

	Note	GROUP		PARENT	
		2003	2002	2003	2002
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES					
Net Profit after Taxation		22,205	25,417	10,116	6,888
Adjusted for non cash items:					
Amortisation of Intangibles and Deferred Expenditure		943	1,017	434	434
Depreciation		9,294	10,305	4,504	4,450
Movement in Deferred Taxation		4,325	(46)	2,049	(1,657)
Dividends Received in Shares		-	-	(2,117)	-
Provision for diminution in value of Hotel Property		-	500	-	-
		36,767	37,193	14,986	10,115
Adjustments for movements in working capital:					
(Increase)/Decrease in Receivables		3,996	(8,523)	(809)	(1,190)
Increase in Inventories		(81)	(112)	(143)	(97)
Decrease in Development Properties		2,671	12,045	-	-
Increase/(Decrease) in Taxation Due		(1,362)	2,093	(1,746)	1,648
Increase/(Decrease) in Payables		(1,205)	3,620	482	1,334
		4,019	9,123	(2,216)	1,695
Less items classified as investing activities:					
(Profit)/Loss on Sale of Fixed Assets		(58)	(164)	723	162
		(58)	(164)	723	162
Cash Inflows from Operating Activities		40,728	46,152	13,493	11,972

The attached notes on pages 7 to 15 form part of, and are to be read in conjunction with, these Financial Statements.

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

CDL Hotels New Zealand Limited is a New Zealand publicly listed company, registered under the Companies Act 1993.

The Group consists of CDL Hotels New Zealand Limited and its subsidiaries. CDL Hotels New Zealand Limited is an issuer for the purposes of the Financial Reporting Act 1993.

STATUTORY BASE

These financial statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

MEASUREMENT BASE

The measurement base adopted is that of historical cost, except in the case of certain assets which have been revalued.

a) Basis of Consolidation

The consolidated financial statements include the accounts of CDL Hotels New Zealand Limited and its subsidiaries from the date of acquisition. All significant inter-company balances and transactions are eliminated on consolidation. On acquisition of subsidiary companies, fair values are attributed to the net assets acquired. The purchase method of consolidation has been applied.

Goodwill arising on consolidation is amortised on a straight line basis over the period considered appropriate by the Directors, not exceeding 20 years. Any discount on acquisition is applied to the reduction of the fair values of the non-monetary assets acquired by the Company.

b) Foreign Currency

Overseas assets and liabilities are translated to New Zealand dollars using the rate of exchange ruling at balance date. Revenues and expenses are translated at the average exchange rate for the year. Exchange gains and losses resulting from translation of the opening net overseas investment, revenues and expenses, at rates different to the rate at which assets and liabilities are translated are recognised in the Exchange Translation Reserve.

Foreign currency transactions are recorded at the exchange rates in effect at the date of the transaction except where forward currency contracts have been taken out to cover foreign currency commitments. Where forward currency contracts have been taken out the transactions are translated at the rate contained in the contract. Monetary assets and liabilities arising from trading transactions or overseas borrowings are valued at closing rates. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance except where monetary liabilities are identified as a hedge against a foreign operation in which case the gain/loss is credited to the Exchange Translation Reserve.

Other exchange gains and losses are included in the Statement of Financial Performance for the year.

c) Fixed Assets

All fixed assets, other than investment properties, are recorded at cost less accumulated depreciation.

d) Investment Properties

Investment properties under development are carried at the lower of cost or net realisable value. Cost includes the carrying value of the property at commencement of the development and all direct development costs, including interest for the period of development. Once completed, investment properties are carried at net current value and are subject to annual independent valuations. No charge is made in the Statement of Financial Performance for depreciation of investment properties. Property revaluations are taken directly to the Property Revaluation Reserve except where the revaluations are below cost, in which case they are taken directly to the Statement of Financial Performance.

e) Development Properties for Resale

Property held for future development is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, and holding costs such as interest and rates. Interest and other holding costs incurred after completion of development are expensed as incurred. All holding costs are written off through the Statement of Financial Performance in the year incurred with the exception of interest holding costs which are capitalised during the period when active development is taking place. Revenue and profit are not recognised on development properties until the point of formal unconditional contract for sale.

f) Depreciation

Depreciation is calculated using the straight line method to write off the cost of depreciable assets over their expected useful lives which are:

Freehold Buildings	50 - 100 years
Leasehold Buildings	15 - 75 years
Furniture and Fittings, Plant and Equipment	2 - 80 years
Motor Vehicles	6 - 7 years

Land is not depreciated.

g) Taxation

The taxation charge for the year is the estimated total liability in respect of the profit after allowance for permanent differences. The Group follows the comprehensive liability method of accounting for deferred taxation, with the exception of KIC which follows the partial method. Future tax benefits to the extent they exceed related deferred taxation liabilities are not recognised unless realisation of the assets is virtually certain.

h) Intangible Assets

Intangible assets are recorded at cost and amortised on a straight line basis over their expected useful lives which are:

Management Contracts	12 years
Leasehold Interests	10 - 27 years
Pre Opening Expenses	3 - 5 years

i) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis.

j) Accounts Receivable

Accounts receivable have been valued at estimated realisable value after making provision for doubtful debts.

k) Financial Instruments

The Group manages its foreign exchange and interest rate risks based on its assessments of current and forecast market conditions and its facilities available. Surplus funds on hand from time to time are lodged with recognised banks. Any financial instruments entered into to protect any Group exposure are accounted for on the same basis as the underlying exposure and revenue or costs brought to account accordingly.

l) Changes in Accounting Policy

There have been no changes in accounting policies and all policies have been applied on a consistent basis with the previous year.

2 PRINCIPAL ACTIVITIES OF THE GROUP

The principal activities of the Group are:

1. Ownership and operation of hotels in New Zealand and Australia.
2. Land acquisition and development in New Zealand.
3. Ownership and operation of shopping centres and a marina in Australia.
4. Development of a residential complex for resale in Australia.

The principal subsidiary companies of CDL Hotels New Zealand Limited included in the consolidated financial statements as at 31 December 2003 are:

	Principal Activity	HOLDING BY CDL HOTELS NEW ZEALAND LIMITED %
Context Securities Limited	Investment Holding	100.00
Millennium & Copthorne Hotel Limited	Dormant	100.00
All Seasons Hotels & Resorts Limited	Dormant	100.00
Copthorne Hotel & Resort Bay of Islands Joint Venture	Hotel Operations	49.00

	Principal Activity	HOLDING BY CDL HOTELS NEW ZEALAND LIMITED %
Quantum Limited	Holding Company	70.00
<i>100% owned subsidiaries of Quantum Limited are:</i>		
QINZ Holdings (New Zealand) Limited	Holding Company	
Quality Hotels Limited	Franchise Holder (Quality)	
QINZ Anzac Avenue Limited	Hotel Owner	
Hospitality Group Limited	Holding Company	
Hospitality Leases Limited	Lessee Company	
Hospitality Services Limited	Hotel Operations	
CDL Investments New Zealand Limited	Holding Company	61.48
<i>100% owned subsidiaries of CDL Investments New Zealand Limited are:</i>		
CDL Land New Zealand Limited	Property Investment and Development	
Landcorp Property Limited	Non Trading	
LPL Group Limited	Holding Company	
Kingsgate International Corporation Limited	Holding Company	50.74
<i>100% owned subsidiaries of Kingsgate International Corporation Limited are:</i>		
Kingsgate Holdings Pty Limited	Holding Company	
Kingsgate Investments Pty Limited	Hotel and Shopping Centre Owner	
Kingsgate Hotels Pty Limited	Hotel Operations	
Birkenhead Holdings Pty Limited	Holding Company	
Birkenhead Investments Pty Limited	Shopping Centre Owner/Operator and Lessee of Marina/Residential Apartment Developer	
Birkenhead Services Pty Limited	Service Company	
Hotelcorp New Zealand Limited	Holding Company	

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2003	2002	2003	2002
3 OPERATING PROFIT BEFORE OTHER ITEMS AND TAXATION				
The operating profit is arrived at after (crediting) and charging:				
Depreciation:				
Freehold Buildings	1,398	1,942	690	686
Leasehold Buildings	234	230	-	-
Furniture and Fittings, Plant and Equipment	7,657	8,126	3,814	3,764
Motor Vehicles	5	7	-	-
Auditors' Remuneration:				
Audit Fees	247	222	59	54
Tax Advisory Services	279	344	73	59
Directors' Remuneration:				
Directors' Fees	120	125	29	31
Other Payments to Directors	692	569	-	-
Lease and Rental Expenses	10,262	12,360	4,587	4,700
Provision for Bad Debts:				
Debts Written Off	174	484	120	57
Movement in Doubtful Debt Provision	(134)	189	85	52
Amortisation of Goodwill	280	280	280	280
Amortisation of Other Intangibles	663	664	154	154
Interest Expense	5,222	6,684	14	42
Interest Income	(784)	(543)	(943)	(290)
Loss/(Gain) on Sale of Fixed Assets	(58)	(164)	723	(162)
Foreign Exchange (Gain)/Loss	(25)	19	(29)	32
Dividends Income	-	(6)	(2,818)	(2)
Provision for diminution in value of Hotel Property	-	500	-	-
Profit on Sale of Development Properties - Kingsgate	(104)	(1,813)	-	-

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2003	2002	2003	2002
4 TAXATION				
Net Profit Before Taxation	32,400	32,848	14,580	9,656
Taxation Thereon at 33%	10,692	10,840	4,811	3,186
Adjusted for taxation effect of:				
Tax Rate Difference	(181)	(375)	-	-
Permanent Differences	(501)	837	(347)	100
Taxation Losses Not Previously Recognised	1,039	(5,823)	-	(36)
Subvention Payment	-	-	-	868
Group Tax Loss Offsets	-	-	-	(1,650)
Write-off deferred tax liability due to asset reclassification	(1,100)	-	-	-
Prior Year Provision	246	1,952	-	300
Taxation Expense	10,195	7,431	4,464	2,768
Taxation expense consists of:				
Current Taxation	5,870	7,375	2,415	4,425
Deferred Taxation	4,325	56	2,049	(1,657)
	10,195	7,431	4,464	2,768

Kingsgate International Corporation, a group within the CDL Hotels New Zealand Group, has A\$ 6.6 million unrecognised Australian taxation losses (2002: Nil) available for utilisation against future Australian taxable profits. The KIC Group has \$nil (2002: \$1.0 million) franking credits available as at 31 December 2003.

The benefit of these losses will only be obtained if:

- (i) The particular Tax Group with the losses derives further taxable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised in the respective tax jurisdiction.
- (ii) The Group continues to comply with the conditions for deductibility and the carry forward of losses in accordance with statutory requirements.
- (iii) The returns meet Inland Revenue Department approval.
- (iv) There are no changes in tax legislation that adversely affect the Group's ability to carry these losses forward.

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2003	2002	2003	2002
Deferred Taxation				
Opening Balance	5,200	5,246	2,483	4,140
Current Year Charge	4,325	56	2,049	(1,657)
Foreign Currency Translation	-	(102)	-	-
Closing Balance	9,525	5,200	4,532	2,483

5 IMPUTATION CREDIT ACCOUNT

Balance at Beginning of Year		(698)	101
Taxation Refunded		(69)	-
Imputation Credits Attached to Dividends Received		569	-
Taxation Paid		3,537	840
Imputation Credits Attached to Dividends Paid		(1,672)	(1,639)
		1,667	(698)
The Imputation credits are available to shareholders of the Parent Company as follows:			
Through the Parent Company		1,667	(698)
Through Subsidiaries		6,706	5,493
		8,373	4,795

	GROUP AND PARENT			
	2003	2003	2002	2002
	SHARES	\$ '000	SHARES	\$ '000
6 SHARE CAPITAL				
Total Shares Issued	349,598,066	430,330	349,598,066	430,330
Shares Repurchased and Held as Treasury Stock	(329,627)	(85)	(329,627)	(85)
Total Shares Issued and Outstanding	349,268,439	430,245	349,268,439	430,245

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

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2003	2002	2003	2002
7 RESERVES				
Exchange translation reserve				
Opening Balance	(7,299)	2,842	-	-
Current Year Movement	5,355	(10,141)	-	-
Closing Balance	(1,944)	(7,299)	-	-
Property revaluation reserve				
Opening Balance	7,840	5,037	-	-
Revaluation in Year	-	2,803	-	-
Closing Balance	7,840	7,840	-	-
Accumulated losses				
Opening Balance	(207,253)	(219,469)	(229,780)	(231,778)
Net Profit	17,034	17,106	10,116	6,888
Dividends	(4,890)	(4,890)	(4,890)	(4,890)
Closing Balance	(195,109)	(207,253)	(224,554)	(229,780)
Total Reserves	(189,213)	(206,712)	(224,554)	(229,780)

8 FIXED ASSETS

Cost

Freehold Land	22,261	42,896	13,564	13,564
Freehold Buildings	96,778	157,973	53,410	53,369
Leasehold Land and Buildings	18,659	18,471	-	-
Furniture and Fittings, Plant and Equipment	113,271	131,918	59,635	59,853
Motor Vehicles	114	123	69	69
Capital Work in Progress	6,143	1,547	51	30
Less Transfer to Current Assets	Note 11	(5,491)	-	-
	257,226	347,437	126,729	126,885
Accumulated Depreciation				
Freehold Buildings	(11,245)	(16,659)	(5,934)	(5,243)
Leasehold Land and Buildings	(2,594)	(2,354)	-	-
Furniture and Fittings, Plant and Equipment	(61,675)	(75,267)	(27,153)	(23,441)
Motor Vehicles	(91)	(123)	(69)	(69)
Less Transfer to Current Assets	Note 11	1,411	-	-
	(75,605)	(92,992)	(33,156)	(28,753)
Net Book Value	181,621	254,445	93,573	98,132

8 FIXED ASSETS (continued)

The Directors consider the value of the hotel assets with a net book value of \$182 million to be within the range of \$240 to \$270 million (2002: \$240 to \$270 million). This is substantiated by valuations completed by DTZ New Zealand Limited, registered valuers, in December 2003 in respect of hotel assets in CDL Hotels New Zealand Limited of \$147 million (2002: \$127 million) and in December 2002 in respect of hotel assets in Quantum Limited of \$115 million (2002: \$110 million).

The Directors are of the opinion that this basis provides a reasonable estimate of the recoverable amount of the assets.

The Millennium Hotel Sydney ceased operations on 31 March 2003 at which point the historical costs of land, buildings, plant and equipment were reclassified. Based on valuations, the historical costs of the Kingsgate Shopping Centre were reclassified to investment properties and the historical costs of the hotel consisting of the Bayswater Tower and the Zenith Residencies were reclassified to development properties.

DOLLARS IN THOUSANDS	GROUP	
	2003	2002
9 INVESTMENT PROPERTIES		
Investment Properties	137,682	109,788

The investment properties at Birkenhead Point and Kings Cross, Sydney, were valued by Michael Steur, of CB Richard Ellis, Registered Valuers, on 31 December 2003. The investment properties consist of 2 shopping centres and a marina. The valuation of \$111 million (A\$102 million) (2002: \$111 million (A\$104 million)) for Birkenhead Point was based on existing use. The shopping centre at Kings Cross was valued at \$28.5 million (A\$25 million) (2002: not applicable as it was valued as part of the Millennium Hotel Sydney).

DOLLARS IN THOUSANDS	GROUP	
	2003	2002
10 DEVELOPMENT PROPERTIES FOR RESALE		
Development Land	31,033	33,704
Residential Development	61,977	610
	93,010	34,314
Less expected to settle within one year	19,949	13,301
	73,061	21,013

Development land for resale is carried at the lower of cost and net realisable value. Interest of \$70,000 (2002: \$473,000) has been capitalised during the year. The value of development land held at 31 December 2003 was determined by an independent registered valuer, DM Koomen FNZIV, of DTZ New Zealand Limited as \$63 million (2002: \$59 million).

Residential development for resale at balance date consists of the residential development known as Zenith Residencies (2002: Birkenhead Quays). Nil interest (2002: nil) has been capitalised to residential development properties for resale during the year.

DOLLARS IN THOUSANDS	GROUP	
	2003	2002
11 HOTEL PROPERTY FOR RESALE		
Cost		
Freehold Land	-	1,373
Freehold Buildings	-	2,797
Furniture and Fittings, Plant and Equipment	-	1,321
	-	5,491
Accumulated Depreciation		
Freehold Buildings	-	(460)
Furniture and Fittings, Plant and Equipment	-	(951)
	-	(1,411)
Net Book Value	-	4,080

Subsequent to balance date on 31 December 2002, a sale and purchase agreement to sell the Quality Hotel Willis Street became unconditional on 31 January 2003 with settlement on 31 March 2003.

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2003	2002	2003	2002
12 INTANGIBLE ASSETS				
Goodwill	2,870	3,150	2,823	3,103
Management Contracts	180	298	-	-
Leasehold Interests	2,768	3,313	1,396	1,550
	5,818	6,761	4,219	4,653

13 ACCOUNTS RECEIVABLE

Trade Receivables	25,083	29,752	5,804	5,167
Other Receivables	5,901	5,127	92	186
Related Parties	Note 17	765	417	1,690
	31,749	35,296	7,586	6,777

14 TERM BORROWINGS

Borrowings:

Secured Over All Fixed Assets, Investment Properties and Development Properties for Resale	86,443	98,844	-	-
Less Amount Classified as Current Liability	700	6,900	-	-
	85,743	91,944	-	-

All loans are repayable in full on maturity with maturity dates between December 2004 and August 2006. The average prevailing interest rate as at 31 December 2003 was 5.77% (2002: 6.35%).

15 ACCOUNTS PAYABLE AND ACCRUALS

Trade Payables	1,920	2,420	274	628
Other Payables and Accruals	18,442	18,162	6,859	5,171
Employee Entitlements Payable	2,166	2,775	23	732
	22,528	23,357	7,156	6,531

16 SEGMENTAL INFORMATION

	HOTEL	PROPERTY	TOTAL
(a) Industry Segments			
2003			
Segment Revenue	121,099	47,218	168,317
Net Profit After Taxation Before Minority Interests	10,930	11,275	22,205
Segment Total Assets	210,370	261,216	471,586
2002			
Segment Revenue	132,911	57,205	190,116
Net Profit After Taxation Before Minority Interests	8,830	16,587	25,417
Segment Total Assets	285,408	170,390	455,798
	NZ	AUSTRALIA	TOTAL
(b) Geographic Segments			
2003			
Segment Revenue	144,925	23,392	168,317
Net Profit After Taxation Before Minority Interests	18,351	3,854	22,205
Segment Total Assets	263,070	208,516	471,586
2002			
Segment Revenue	139,265	50,851	190,116
Net Profit After Taxation Before Minority Interests	15,213	10,204	25,417
Segment Total Assets	260,762	195,036	455,798

17 RELATED PARTY

CONSOLIDATED

CDL Hotels New Zealand Limited is a 70.22% owned subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc. The ultimate parent company is Hong Leong Investment Holdings Pte Limited.

During this period costs amounting to \$380,000 (2002: \$452,000) have been recorded in the Statement of Financial Performance in respect of:

- (i) Reimbursement of expenses incurred by Millennium & Copthorne Hotels plc on behalf of the New Zealand subsidiary; and
- (ii) Fees payable to Millennium & Copthorne Hotels plc for the provision of management and marketing support.

During the year legal fees of \$99,000 (2002: \$26,000) were paid to Bell Gully, of which Mr. GA McKenzie (Director) is a partner.

PARENT

At balance date, there were interest bearing intercompany advances owing from subsidiaries. Net interest on advances of \$206,000 (2002: \$208,000) was received from subsidiaries during the year. The average interest rate charged during the year was 5.37% (2002: 5.25%). There were no set repayment terms.

During the year dividend income was received from the following subsidiaries: Quantum Limited \$700,000 (2002: nil); and CDL Investments New Zealand Limited \$2,118,000 (2002: nil).

Management fees of \$1,131,000 (2002: \$1,188,000) were received from Quantum Limited during the year.

Nil subvention payment (2002:\$868,000 in order to obtain tax losses of \$5 million) was made to Quantum Limited during the year.

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2003	2002	2003	2002
18 COMMITMENTS				
(a) Capital Expenditure Committed but not Contracted	30,000	-	-	-
(b) Capital Expenditure Committed and Contracted	10,498	821	-	-
(c) Lease Commitments				
At balance date the Group and Parent had the following Operating Lease Commitments Payable:				
Not Later Than One Year	10,378	10,440	4,609	4,492
Later Than One Year and Not Later Than Two Years	10,387	10,375	4,702	4,582
Later Than Two Years and Not Later Than Five Years	26,390	28,916	14,676	14,304
Later Than Five Years	59,766	53,480	42,231	49,356
	106,921	103,211	66,218	72,734

19 FINANCIAL INSTRUMENTS

Credit Risk

Financial instruments which potentially subject the Group to credit risk principally consist of cash, accounts receivable, certificates of deposit and government stock. Certificates of deposit are placed with a registered bank. There is no significant concentration of credit risk. Maximum credit exposure as at balance date is as follows:

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2003	2002	2003	2002
Cash and Short Term Deposits	20,244	9,162	11,636	4,520
Accounts Receivable	31,749	35,296	7,586	6,777

Interest Rate Risk

Interest rates on floating rate borrowings are periodically reset to market, every 3 to 6 months. The Group has entered into interest rate swap transactions to manage its floating rate exposure under its borrowing facilities. This off balance sheet hedge is accounted for on the same basis as the underlying floating rate exposure. Interest on both the borrowing facility and interest rate swaps are accounted for on an accrual basis over the life of the borrowing and interest swaps, respectively. The principal or contract amount of the interest rate swap outstanding at balance date was \$5 million (2002: nil).

Currency Risk

The Company owns 50.74% of Kingsgate International Corporation Limited. Substantially all the operations of this subsidiary are denominated in a foreign currency. Exchange gains and losses resulting from translation of the net investment in foreign subsidiaries are carried forward in the Exchange Translation Reserve.

At balance date, the Group has net assets totalling \$160.2 million (2002: \$145.8 million) that are not hedged. The Group does not have any other foreign currency monetary assets or monetary liabilities that are not hedged for the lesser of the next twelve months and the period until settlement.

Fair Value

- Cash, accounts receivable, accounts payable, inventories, prepaid taxation. The carrying amount for these balances approximate their value because of the short maturities of these items.
- Shares in companies and other investments. The carrying amount for these balances represent the Directors' estimates of their fair values.
- Borrowings. The carrying amount for the borrowings represent their fair values because the interest rates are reset to market periodically, every 3 to 6 months. The interest rate swap agreements calculated on a net present value at market interest rates for the unexpired term as at balance date have an approximate fair value of (\$18,000) (2002: nil).

20 LARGEST SHAREHOLDERS

AS AT 19 FEBRUARY 2004

	SECURITIES	%
1. CDL Hotels Holdings New Zealand Limited	245,493,635	70.22
2. Accident Compensation Corporation	17,713,519	5.07
3. Citibank Nominees (New Zealand) Limited	15,379,968	4.40
4. National Nominees New Zealand Limited (NNNZL)	14,794,891	4.23
5. Raymond John Randolph French & Alys Gay Christabel French	4,438,000	1.27
6. Leng Beng Kwek	3,000,000	0.86
7. Amalgamated Dairies Limited	2,268,147	0.65
8. Hong Ren Wong	2,000,000	0.57
9. Jat Meng Tsang	1,500,000	0.43
10. Kappa Alpha Limited	1,260,000	0.36
11. Kay Hong Chiam	1,219,500	0.35
12. Contemporara Holdings Private Limited	1,000,000	0.29
13. MFL Mutual Fund Limited	900,000	0.26
14. Custody and Investment Nominees Limited	661,973	0.19
15. AFG Trust Assets Limited	605,000	0.17
16. ANZ Nominees Limited	578,000	0.16
17. New Zealand Land Brokers Limited	550,000	0.16
18. Hemat Lal Patel	550,000	0.16
19. Financial Planners Auckland Limited	521,105	0.15
20. Vincent Wee Eng Yeo	500,000	0.14
Total	314,933,738	90.09

NNNZL is a nominee company providing custodian services to its clients. The details of the individual shareholders as at 19 February 2004 are:

SHAREHOLDING	SECURITIES	%
1. Bank of New York, Brussels	800,000	0.23
2. Boston Safe Deposit & Trust Company	13,594,891	3.89
3. Chase Manhattan Bank	400,000	0.12

HOLDINGS SIZE

AS AT 19 FEBRUARY 2004

	SHAREHOLDING		SHAREHOLDING	
	NUMBER	%	NUMBER	%
1 - 999	14	0.46	7,350	0.01
1,000 - 1,999	897	29.74	1,092,312	0.31
2,000 - 9,999	1,348	44.69	5,725,309	1.64
10,000 - 49,999	586	19.43	10,387,312	2.97
50,000 and over	171	5.68	332,385,783	95.07
Total	3,016	100.00	349,598,066	100.00

DOMICILE OF SHAREHOLDERS

AS AT 19 FEBRUARY 2004

	SHAREHOLDING		SHAREHOLDING	
	NUMBER	%	NUMBER	%
New Zealand	2,886	95.70	331,686,482	94.88
Australia	63	2.10	371,645	0.10
Others	67	2.20	17,539,939	5.02
Total	3,016	100.00	349,598,066	100.00

DIRECTORS' SHAREHOLDINGS

AS AT 19 FEBRUARY 2004

	2003	2002
J Wilson	-	-
JM Tsang	1,500,000	1,500,000
HR Wong	2,000,000	2,000,000
VWE Yeo	500,000	500,000
J Henderson	-	-
GA McKenzie	-	-
GBK Wilson	-	-

SUBSTANTIAL SECURITY HOLDERS

AS AT 19 FEBRUARY 2004

The following persons are deemed to be substantial security holders in accordance with Section 26 of the Securities Amendment Act, 1988.

SHAREHOLDERS	VOTING SECURITIES	%
CDL Hotels Holdings New Zealand Limited	245,493,635	70.22

CDL Hotels Holdings New Zealand Limited is a wholly owned subsidiary of Millennium & Copthorne Hotels Plc.

As at 19 February 2004, the total number of issued voting securities of CDL Hotels New Zealand Limited was 349,598,066, and this includes 329,627 shares held by the Company as treasury stock.

INTERESTS REGISTER RECORD

The following entries were recorded in the interests register of the Company and its subsidiaries during the year ended 31 December 2003:

DIRECTORS' INTERESTS IN TRANSACTIONS

There was no record of any transactions by the Directors of the Company in the Company or its subsidiaries during the accounting year.

SHARE DEALINGS OF DIRECTORS

There was no record of any share transactions by the Directors of the Company in the Company or its subsidiaries during the accounting year.

GENERAL DISCLOSURE OF INTEREST BY DIRECTORS

In accordance with Section 140(2) of the Companies Act, 1993, the Directors of the Company have made general disclosures of their interest in the following companies:

DIRECTOR	POSITION	COMPANY
J Wilson	(retired 29 February 2004) Chairman	CDL Investments New Zealand Limited
		Kingsgate International Corporation Limited
	Director	CDL (New York) L.L.C
		CDL Hotels (Korea) Limited
		CDL Hotels USA, Inc
		CDL Management L.L.C
		CDL West 45th Street L.L.C
		M&C Hotels Holdings USA Limited
		Millennium & Copthorne (Austrian) Holdings Limited
		New Plaza Associates, L.L.C
		NPA/DIT Limited Partnership
		Plaza Operating Partners Ltd
		Republic Hotels & Resorts Limited
SI Komplex II Gastronomiebetriebsgesellschaft mbH		
Chief Executive Officer	Millennium & Copthorne Hotels Plc	
JM Tsang	Managing Director	CDL Investments New Zealand Limited
	Chairman	Quantum Limited
		Hospitality Group Ltd
	Director	Hospitality Services Ltd
		Kingsgate International Corporation Limited
		Kingsgate Hotel Pty Ltd
		Kingsgate Holdings Pty Ltd
		Millennium & Copthorne Hotels and Resorts Pty Ltd
		Kingsgate Investments Pty Ltd
		Hotelcorp New Zealand Pty Ltd
		Birkenhead Holdings Pty Ltd
		Birkenhead Investments Pty Ltd
		Birkenhead Services Pty Ltd

GENERAL DISCLOSURE OF INTEREST BY DIRECTORS (CONTINUED)

DIRECTOR	POSITION	COMPANY
HR Wong	Director	Millennium & Copthorne Hotels Plc
		City e-Solutions Limited
		Kingsgate International Corporation Limited
		CDL Investments New Zealand Limited
		Republic Hotels and Resorts Limited
		Quantum Limited
		CDL Hotels Holdings New Zealand Limited
		Hospitality Group Limited
		Hospitality Services Limited
		Hospitality Leases
		Quality Hotels Limited
		QINZ Holdings (NZ) Limited
		QINZ (Anzac Avenue) Limited
		Kingsgate Holdings Pty Ltd
		Hotelcorp New Zealand Limited
		Kingsgate Hotel Pty Ltd
		Birkenhead Holdings Pty Ltd
		Birkenhead Investments Pty Ltd
		Birkenhead Services Pty Ltd
		Landcorp Property Ltd
LPL Group Ltd		
CDL Land New Zealand Limited		
Context Securities Ltd		
Millennium & Copthorne Hotels Ltd		
All Seasons Hotels & Resorts Ltd		
Millennium & Copthorne Hotels Pty Ltd		
ATOS Holding AG		
M&C Hotels Holdings Ltd		
VWE Yeo	Chief Executive Officer	City e-Solutions Limited
	Director	Amarin Plaza Public Company Limited
		Millennium & Copthorne Hotels Ltd
	Wrep Thailand Holdings	
	Kingsgate International Corporation Limited	
	CDL Investments New Zealand Limited	
	Swan Inc	
	CDL Hotels Holdings New Zealand Limited	
President	Swan Holdings Limited	
GA McKenzie	Partner	Belly Gully Buddle Weir
	Director	Burmah Castrol Chemicals (NZ) Limited
J Henderson	Director	CDL Investments New Zealand Limited Kingsgate International Corporation Limited
GBK Wilson	Chairman	Major Accommodation Providers
	Director	Quantum Limited
		Hospitality Group Ltd
		Hospitality Services Ltd

DIRECTORS' REMUNERATION *

Directors' remuneration paid in the year ended 31 December 2003 were as follows:

DIRECTORS	DIRECTORS' FEES (\$'000)		OTHER BENEFITS (\$'000)	
	PARENT	SUBSIDIARIES	PARENT	SUBSIDIARIES
J Wilson	-	-	-	-
JM Tsang	-	-	476	-
HR Wong	-	-	-	-
VWE Yeo	-	-	-	-
GA McKenzie	20	-	-	-
J Henderson	15	-	-	-
GBK Wilson	-	-	238	-
JE Paki	-	17	-	-
BJ Mackie	-	9	-	-
RT Charters	-	13	-	-
K Arasaratnam ¹	-	-	88	-
SNB Harrison ¹	-	-	161	-

1. These persons, who are Directors of some of the subsidiaries, do not receive any remuneration or benefit as a Director as they are employees of the parent company, CDL Hotels New Zealand Limited.

INDEMNITY AND INSURANCE

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.

INFORMATION USED BY DIRECTORS

During the year, the Board received no 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.

* This does not include public listed subsidiaries of the Group, as they are recorded separately.

BOARD OF DIRECTORS OF SUBSIDIARY COMPANIES

The names of persons holding office as Directors of the subsidiaries of the Company as at 31 December 2003 and the names of any persons who ceased to hold office as Directors of the Company during the accounting period are as follows:

NAME	POSITION	OWNERSHIP	ACTIVITY
CDL Investments New Zealand Limited		61.48%	Public listed company. Property development and investment property management
J Wilson	(retired 29 February 2004) Chairman		
JM Tsang	Managing Director		
HR Wong	Director		
VWE Yeo	Director		
DJ Lindsay	Director		
J Henderson	Director		
Kingsgate International Corporation Limited		50.74%	Public listed company Hotel, shopping centres and marina ownership and operations
J Wilson	(retired 29 February 2004) Chairman		
JM Tsang	Director		
HR Wong	Director		
VWE Yeo	Director		
SG Ho	Director		
CHL Ho	Director		
J Henderson	Director		
Quantum Limited		70%	Joint venture company Hotel ownership and operations
JM Tsang	Chairman		
HR Wong	Director		
JE Paki	Director		
BJ Mackie	Director		
RT Charters	Director		
GBK Wilson	Director		
SNB Harrison	Director		
Hospitality Services Limited		70%	Hotel management company
JM Tsang	Chairman		
HR Wong	Director		
JE Paki	Director		
BJ Mackie	Director		
RT Charters	Director		
GBK Wilson	Director		
K Arasaratnam	(resigned) Director		
SNB Harrison	Director		

EXECUTIVE EMPLOYEES' REMUNERATION

The number of employees or former employees of the Company and its subsidiaries* who received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded \$100,000 per annum are as follows:

	NUMBER OF EMPLOYEES
100,000 to 110,000	3
110,001 to 120,000	2
120,001 to 130,000	3
130,001 to 140,000	1
140,001 to 150,000	-
150,001 to 160,000	1
160,001 to 170,000	2
170,001 to 180,000	-
180,001 to 190,000	-
190,001 to 200,000	-
200,000 to 210,000	-
210,001 to 220,000	-
221,000 to 230,000	-
230,001 to 240,000	1
470,001 to 480,000	1

DONATIONS

During the year, the Company and its subsidiaries* made no donations to charity.

AUDIT COMMITTEE OF DIRECTORS

The Company does have a properly constituted Audit Committee of Directors. The members of the committee are the two independent Directors, Mr John Henderson and Mr Graham McKenzie. Mr Henderson is the Chairman of the committee.

AUDITORS' REMUNERATION

During the year, the following amounts were payable to the auditors of the Company

	2003	2002
	\$'000	\$'000
KPMG Audit	247	222
KPMG Other Services	279	344

* This does not include the public listed subsidiaries of the Group as they are reported separately.

COMPANY DIRECTORS

J Wilson	Chairman (retired 29 February 2004)
JM Tsang	Managing Director
HR Wong	Director
VWE Yeo	Director
GBK Wilson	Director
GA McKenzie	Director
J Henderson	Director

REGISTERED OFFICE

280 Centre
Level 13
280 Queen Street
Auckland, New Zealand
PO Box 5640, Wellesley Street
Auckland, New Zealand

Telephone 64 9 309 6021
Facsimile 64 9 309 3244
DX CX10036 Auckland
Website www.mckhotels.co.nz

AUDITORS

KMPG

BANKERS

ANZ Banking Group (New Zealand) Limited, Auckland

SHARE REGISTRY

Computershare Registry Services
Level 2
159 Hurstmere Road
Takapuna, New Zealand
Private Bag 92119, Auckland 1020

Telephone 64 9 488 8700
Facsimile 64 9 488 8787

STOCK EXCHANGE LISTING

New Zealand Stock Exchange



CDL HOTELS NEW ZEALAND LIMITED