

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Income Statement

For the year ended 31 December 2014

DOLLARS IN THOUSANDS	Note	Group		Parent	
		2014	2013	2014	2013
Hotel revenue		83,086	77,964	36,733	35,303
Rental income		2,818	2,893	-	-
Property sales		44,160	38,352	-	-
<b>Revenue</b>		<b>130,064</b>	<b>119,209</b>	<b>36,733</b>	<b>35,303</b>
Cost of sales		(58,377)	(53,165)	(14,550)	(14,307)
<b>Gross profit</b>		<b>71,687</b>	<b>66,044</b>	<b>22,183</b>	<b>20,996</b>
Other income	2	18,138	4,197	36,249	3,761
Administration expenses	3	(26,645)	(21,317)	(9,677)	(6,486)
Other operating expenses	3	(18,799)	(18,968)	(6,891)	(7,431)
<b>Operating profit</b>		<b>44,381</b>	<b>29,956</b>	<b>41,864</b>	<b>10,840</b>
Finance income	5	4,236	4,135	6,249	7,267
Finance costs	5	(3,245)	(2,712)	(1,470)	(1,371)
<b>Net finance income</b>		<b>991</b>	<b>1,423</b>	<b>4,779</b>	<b>5,896</b>
Share of profit/(loss) of associate	13	(370)	9,751	-	-
<b>Profit before income tax</b>		<b>45,002</b>	<b>41,130</b>	<b>46,643</b>	<b>16,736</b>
Income tax expense	6	(9,422)	(8,919)	(3,639)	(4,057)
<b>Profit for the year</b>		<b>35,580</b>	<b>32,211</b>	<b>43,004</b>	<b>12,679</b>
<b>Attributable to:</b>					
Owners of the parent		30,191	27,107	43,004	12,679
Non-controlling interests		5,389	5,104	-	-
<b>Profit for the year</b>		<b>35,580</b>	<b>32,211</b>	<b>43,004</b>	<b>12,679</b>
Basic earnings per share (cents)	9	9.54	7.76		
Diluted earnings per share (cents)	9	9.54	7.76		

## Statement of Comprehensive Income

For the year ended 31 December 2014

DOLLARS IN THOUSANDS	Note	Group		Parent	
		2014	2013	2014	2013
<b>Profit for the year</b>		<b>35,580</b>	<b>32,211</b>	<b>43,004</b>	<b>12,679</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Revaluation/impairment of property, plant and equipment	10	17,793	10,308	15,064	699
- Tax expense on revaluation/impairment of property, plant and equipment	6,21	(600)	(3,729)	(436)	(436)
		<b>17,193</b>	<b>6,579</b>	<b>14,628</b>	<b>263</b>
<b>Items that are or may be reclassified to profit or loss</b>					
Foreign exchange translation movements	5	(6,727)	(5,453)	-	-
- Tax credit on foreign exchange translation movements	6,21	417	1,815	-	-
Share of post acquisition reserves in associate	13	(933)	6	-	-
		<b>(7,243)</b>	<b>(3,632)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>45,530</b>	<b>35,158</b>	<b>57,632</b>	<b>12,942</b>
<b>Total comprehensive income for the year attributable to:</b>					
Owners of the parent		39,766	31,762	57,632	12,942
Non-controlling interests		5,764	3,396	-	-
<b>Total comprehensive income for the year</b>		<b>45,530</b>	<b>35,158</b>	<b>57,632</b>	<b>12,942</b>

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

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Statement of Changes in Equity

For the year ended 31 December 2014

### Group

#### Attributable to equity holders of the Group

	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Non-controlling Interests	Total Equity
<b>DOLLARS IN THOUSANDS</b>								
Balance at 1 January 2014	430,330	78,308	1,177	(43,303)	(85)	466,427	100,755	567,182
Movement in exchange translation reserve, net of tax	-	-	(15,244)	-	-	(15,244)	(1,017)	(16,261)
Reclassification of exchange translation reserve to profit or loss arising from disposal of associate	-	-	9,951	-	-	9,951	-	9,951
Revaluation/impairment of property, plant & equipment, net of tax	-	15,802	-	-	-	15,802	1,391	17,193
Share of post acquisition reserves in associate	-	-	-	(934)	-	(934)	1	(933)
Total other comprehensive income/(loss)	-	15,802	(5,293)	(934)	-	9,575	375	9,950
Profit for the year	-	-	-	30,191	-	30,191	5,389	35,580
Total comprehensive income for the year	-	-	(5,293)	29,257	-	39,766	5,764	45,530
Transactions with owners, recorded directly in equity:								
Redeemable preference shares issued	111,231	-	-	-	-	111,231	-	111,231
Capital reduction in subsidiary	-	-	-	-	-	-	(2,470)	(2,470)
Cancellation of shares and distribution in specie	(158,295)	-	-	(90,430)	59	(248,666)	-	(248,666)
Dividends paid to:								
Owners of the parent	-	-	-	(6,287)	-	(6,287)	-	(6,287)
Non-controlling interests	-	-	-	-	-	-	(2,473)	(2,473)
Supplementary dividends	-	-	-	(198)	-	(198)	-	(198)
Foreign investment tax credits	-	-	-	198	-	198	-	198
Movement in non-controlling interests without a change in control	-	-	-	8,889	-	8,889	(23,229)	(14,340)
<b>Balance at 31 December 2014</b>	<b>383,266</b>	<b>94,110</b>	<b>(4,116)</b>	<b>(101,874)</b>	<b>(26)</b>	<b>371,360</b>	<b>78,347</b>	<b>449,707</b>

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

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# Millennium & Cophorne Hotels New Zealand Limited and Subsidiaries

## Statement of Changes in Equity

For the year ended 31 December 2014

### Group

Attributable to equity holders of the Group

DOLLARS IN THOUSANDS	Attributable to equity holders of the Group						Non-controlling Interests	Total Equity
	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total		
Balance at 1 January 2013	430,330	73,624	1,170	(61,761)	(85)	443,278	98,516	541,794
Movement in exchange translation reserve, net of tax	-	-	7	-	-	7	(3,645)	(3,638)
Revaluation/impairment of property, plant & equipment	-	4,684	-	-	-	4,684	1,895	6,579
Share of post acquisition reserves in associate	-	-	-	(35)	-	(35)	41	6
Total other comprehensive income/(loss)	-	4,684	7	(35)	-	4,656	(1,709)	2,947
Profit for the year	-	-	-	27,107	-	27,107	5,104	32,211
Total comprehensive income for the year	-	-	4,684	7	27,072	-	31,763	35,158
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(8,382)	-	(8,382)	-	(8,382)
Non-controlling interests	-	-	-	-	-	-	(1,894)	(1,894)
Supplementary dividends	-	-	-	(316)	-	(316)	-	(316)
Foreign investment tax credits	-	-	-	316	-	316	-	316
Movement in non-controlling interests without a change in control	-	-	-	(232)	-	(232)	738	506
<b>Balance at 31 December 2013</b>	<b>430,330</b>	<b>78,308</b>	<b>1,177</b>	<b>(43,303)</b>	<b>(85)</b>	<b>466,427</b>	<b>100,755</b>	<b>567,182</b>

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

# Millennium & Copthome Hotels New Zealand Limited and Subsidiaries

## Statement of Changes in Equity

For the year ended 31 December 2014

### Parent

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Accumulated Losses	Treasury Stock	Total Equity
Balance at 1 January 2014	430,330	43,140	(141,125)	(85)	332,260
Revaluation/impairment of property, plant and equipment, net of tax	-	14,628	-	-	14,628
Total other comprehensive income	-	14,628	-	-	14,628
Profit for the year	-	-	43,004	-	43,004
Total comprehensive income for the year	-	14,628	43,004	-	57,632
Transactions with owners, recorded directly in equity:					
Redeemable preference shares issued	111,231	-	-	-	111,231
Cancellation of shares and distribution in specie	(158,295)	-	(90,430)	59	(248,666)
Dividends paid to shareholders	-	-	(6,287)	-	(6,287)
Amalgamation of subsidiary	-	-	(3,372)	-	(3,372)
Supplementary dividends	-	-	(198)	-	(198)
Foreign investment tax credits	-	-	198	-	198
<b>Balance at 31 December 2014</b>	<b>383,266</b>	<b>57,768</b>	<b>(198,210)</b>	<b>(26)</b>	<b>242,798</b>
Balance at 1 January 2013	430,330	42,877	(145,422)	(85)	327,700
Revaluation/impairment of property, plant and equipment, net of tax	-	263	-	-	263
Total other comprehensive income/(loss)	-	263	-	-	263
Profit for the year	-	-	12,679	-	12,679
Total comprehensive income/(loss) for the year	-	263	12,679	-	12,942
Transactions with owners, recorded directly in equity:					
Dividends paid to shareholders	-	-	(8,382)	-	(8,382)
Supplementary dividends	-	-	(316)	-	(316)
Foreign investment tax credits	-	-	316	-	316
<b>Balance at 31 December 2013</b>	<b>430,330</b>	<b>43,140</b>	<b>(141,125)</b>	<b>(85)</b>	<b>332,260</b>

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

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Statement of Financial Position

As at 31 December 2014

DOLLARS IN THOUSANDS	Note	<u>Group</u>		<u>Parent</u>	
		2014	2013	2014	2013
<b>SHAREHOLDERS' EQUITY</b>					
Issued capital	8	383,266	430,330	383,266	430,330
Reserves		(11,880)	36,182	(140,442)	(97,985)
Treasury stock	8	(26)	(85)	(26)	(85)
<b>Equity attributable to owners of the parent</b>		<b>371,360</b>	<b>466,427</b>	<b>242,798</b>	<b>332,260</b>
Non-controlling interests		78,347	100,755	-	-
<b>Total equity</b>		<b>449,707</b>	<b>567,182</b>	<b>242,798</b>	<b>332,260</b>
<b>Represented by:</b>					
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	10	309,148	293,719	155,345	143,744
Development properties	11	122,738	106,032	-	-
Intangible assets	12	2,823	2,823	2,823	2,823
Loans due from related parties	27	-	-	-	84,202
Investments in subsidiaries		-	-	78,935	136,518
Investment in associates	13	2	185,331	-	-
<b>Total non-current assets</b>		<b>434,711</b>	<b>587,905</b>	<b>237,103</b>	<b>367,287</b>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	14	24,022	82,085	193	22,425
Short term bank deposits		83,572	-	48,500	-
Trade and other receivables	15	16,849	13,517	4,787	3,895
Trade receivables due from related parties	27	-	-	4,302	12,158
Loans due from related parties	27	-	-	3,900	4,600
Income tax receivable	17	-	1,087	782	-
Inventories	16	1,256	1,379	264	379
Development properties	11	24,652	33,178	-	-
Assets held for sale	18	298	-	298	-
<b>Total current assets</b>		<b>150,649</b>	<b>131,246</b>	<b>63,026</b>	<b>43,457</b>
<b>Total assets</b>		<b>585,360</b>	<b>719,151</b>	<b>300,129</b>	<b>410,744</b>
<b>NON CURRENT LIABILITIES</b>					
Interest-bearing loans and borrowings	19	61,500	80,878	26,500	42,035
Provisions	20	-	742	-	742
Provision for deferred taxation	21	41,865	43,585	20,045	20,207
<b>Total non-current liabilities</b>		<b>103,365</b>	<b>125,205</b>	<b>46,545</b>	<b>62,984</b>
<b>CURRENT LIABILITIES</b>					
Interest-bearing loans and borrowings	19	6,921	-	3,572	-
Trade and other payables	22	20,967	14,484	3,710	3,095
Trade payables due to related parties	27	504	537	504	537
Loans due to related parties	27	-	9,500	-	9,500
Provisions	20	3,000	2,243	3,000	2,243
Income tax payable	17	896	-	-	125
<b>Total current liabilities</b>		<b>32,288</b>	<b>26,764</b>	<b>10,786</b>	<b>15,500</b>
<b>Total liabilities</b>		<b>135,653</b>	<b>151,969</b>	<b>57,331</b>	<b>78,484</b>
<b>NET ASSETS</b>		<b>449,707</b>	<b>567,182</b>	<b>242,798</b>	<b>332,260</b>

For and on behalf of the Board



R BOBB, DIRECTOR, 10 February 2015



BK CHIU, MANAGING DIRECTOR, 10 February 2015

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

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# Millennium & Cophorne Hotels New Zealand Limited and Subsidiaries

## Statement of Cash Flows

For the year ended 31 December 2014

DOLLARS IN THOUSANDS	Note	<u>Group</u>		<u>Parent</u>	
		2014	2013	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Receipts from customers		127,497	125,284	35,434	39,565
Receipts from insurers		57	41	-	-
Interest received		4,127	3,988	2,554	4,215
Dividends received	5	2	2	3,695	3,052
<b>Cash was applied to:</b>					
Payments to suppliers and employees		(95,018)	(95,270)	(26,075)	(37,551)
Purchase of development land		(4,522)	(3,833)	-	-
Interest paid		(2,428)	(2,821)	(716)	(1,451)
Income tax paid		(9,349)	(10,492)	(2,737)	(3,958)
<b>Net cash inflow from operating activities</b>		<b>20,366</b>	<b>16,899</b>	<b>12,155</b>	<b>3,872</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash was (applied to)/provided from:</b>					
Proceeds from the sale of property, plant and equipment		-	37	-	2
Repayments from subsidiaries		-	-	700	200
Return of surplus capital from associate	13	4,309	-	4,309	-
Purchase of property, plant and equipment	10	(6,691)	(5,425)	(1,617)	(1,299)
Purchase of investments in subsidiaries		(14,250)	-	(14,250)	(3,052)
Purchase of investment in associate	13	(58,510)	(40,303)	(58,510)	-
Investments in short term bank deposits		(83,572)	-	(48,500)	-
<b>Net cash outflow from investing activities</b>		<b>(158,714)</b>	<b>(45,691)</b>	<b>(117,868)</b>	<b>(4,149)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash was (applied to)/provided from:</b>					
Repayment of borrowings	19	(138,378)	(44,319)	(99,535)	(35,869)
Drawdown of borrowings	19	125,921	59,618	87,572	52,234
Loans advanced to subsidiaries	27	-	-	-	(41,656)
Repayment of loan from parent company	27	(9,500)	-	(9,500)	-
Proceeds from the issuance of new shares net of issuance costs	8	111,231	-	111,231	-
Dividends paid to shareholders of Millennium & Cophorne Hotels New Zealand Ltd	8	(6,287)	(8,382)	(6,287)	(8,382)
Dividends paid to non-controlling shareholders		(2,473)	(1,894)	-	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>80,514</b>	<b>5,023</b>	<b>83,481</b>	<b>(33,673)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(57,834)</b>	<b>(23,769)</b>	<b>(22,232)</b>	<b>(33,950)</b>
Add opening cash and cash equivalents		82,085	109,508	22,425	56,375
Exchange rate adjustment		(229)	(3,654)	-	-
<b>Closing cash and cash equivalents</b>	14	<b>24,022</b>	<b>82,085</b>	<b>193</b>	<b>22,425</b>

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

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Statement of Cash Flows - continued

For the year ended 31 December 2014

DOLLARS IN THOUSANDS	Note	<u>Group</u>		<u>Parent</u>	
		2014	2013	2014	2013
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		35,580	32,211	43,004	12,679
<b>Adjusted for non cash items:</b>					
Gain on distribution in specie	2	(17,643)	-	(35,754)	-
Gain on sale of property, plant and equipment	3	(209)	(49)	(6)	(2)
Depreciation	10	9,051	6,522	5,079	2,818
Unrealised foreign exchange losses		722	-	719	-
Share of loss/(profit) of associate	13	370	(9,751)	-	-
Income tax expense	6	9,422	8,919	3,639	4,057
		<b>37,293</b>	<b>37,852</b>	<b>16,681</b>	<b>19,552</b>
<b>Adjustments for movements in working capital:</b>					
(Increase)/decrease in trade & other receivables		(3,112)	1,774	(1,788)	501
Decrease in inventories		123	75	115	39
Increase in development properties		(10,332)	(3,372)	-	-
Increase/(decrease) in trade & other payables		8,299	(6,337)	668	(8,352)
(Decrease)/increase in related parties		(33)	72	(33)	(2,574)
Cash generated from operations		<b>32,238</b>	<b>30,064</b>	<b>15,643</b>	<b>9,166</b>
Interest expense	5	(2,523)	(2,673)	(751)	(1,336)
Income tax paid		(9,349)	(10,492)	(2,737)	(3,958)
Cash inflows from operating activities		<b>20,366</b>	<b>16,899</b>	<b>12,155</b>	<b>3,872</b>

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

# **Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**

## **Notes to the Financial Statements for the year ended 31 December 2014**

### **Significant accounting policies**

Millennium & Copthorne Hotels New Zealand Limited is a company domiciled in New Zealand registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Millennium & Copthorne Hotels New Zealand Limited (the "Company") is an issuer in terms of the Financial Reporting Act 1993. The financial statements of the Company for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at Level 13, 280 Centre, 280 Queen Street, Auckland, New Zealand.

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

#### **(a) Statement of compliance**

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRSs).

From 1 April 2014, the new Financial Reporting Act 2013 ("FRA 2013") has come into force replacing the Financial Reporting Act 1993. This is effective for all for-profit entities with reporting periods beginning on or after 1 April 2014. This will be effective for the Group's 31 December 2015 year end. It is expected that the change in legislation will have no material impact on the Group's obligation to prepare general purpose financial statements.

In addition to the change in legislation the External Reporting Board of New Zealand ("XRB") has released a new accounting standards framework which establishes the financial standards to be applied to entities with statutory financial reporting obligations. The Group is currently reporting under NZ IFRS. Under the new XRB framework Management expects that the Group will continue to apply NZ IFRS as applicable for Tier 1 for-profit entities. Management expects that this will have no material impact on the preparation and disclosures included in the financial statements.

The financial statements were authorised for issuance on 10 February 2015.

#### **(b) Basis of preparation**

The financial statements are presented in New Zealand Dollars, rounded to the nearest thousand. They are prepared on the historical cost basis except that hotel land and buildings are stated at their fair value.

The preparation of financial statements in conformity with NZ IFRSs requires management to make judgments, estimates and assumptions that affect the application of the Group's policies and reported amounts of assets and liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 28 - Accounting Estimates and Judgements.

#### **(c) Change in accounting policies**

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

#### **(d) Basis of consolidation**

##### **Subsidiaries**

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

##### **Transactions eliminated on consolidation**

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### **Investments in associates**

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of equity-accounted investees, until the date on which significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.



# **Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**

## **Notes to the Financial Statements for the year ended 31 December 2014**

### **Significant accounting policies - continued**

#### **(e) Foreign currency**

##### **Foreign currency transactions**

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

##### **Financial statements of foreign operations**

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

#### **(f) Financial instruments**

##### **Non-derivative financial instruments**

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

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

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

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

#### **(g) Insurance proceeds**

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

Compensation from third parties to cover business interruption is determined with the agreed formula in the insurance policy and recognised in the profit and loss for the applicable period. Installment payments from third parties are not recognised in the profit and loss until full settlement is agreed with the third parties.

#### **(h) Property, plant and equipment**

##### **Initial recording**

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

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

##### **Subsequent measurement**

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

##### **Disposal or retirement**

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

##### **Revaluation**

Land and buildings are shown at fair value less subsequent depreciation for buildings. Fair value is determined by management using valuation models and confirmed by independent registered valuers on a triennial basis. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. Any decreases in value that offset a previous increase in value of the same asset is charged against reserves in equity, any other decrease in value is charged to the income statement.

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### Significant accounting policies - continued

#### (h) Property, plant and equipment - continued

##### Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives, as follows:

Building core	50 years or lease term if shorter
Building surfaces and finishes	30 years or lease term if shorter
Plant and machinery	15 - 20 years
Furniture and equipment	10 years
Soft furnishings	5 - 7 years
Computer equipment	5 years
Motor vehicles	4 years

No residual values are ascribed to building surfaces and finishes. Residual values ascribed to building core depend on the nature, location and tenure of each property.

#### (i) Investment in subsidiaries

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

#### (j) Development properties

Property held for future development and development property completed and held for sale are stated at the lower of cost and net realisable value. The net realisable value is determined by independent valuers. Cost includes the cost of acquisition, development, and holding costs. All holding costs incurred after completion of development are expensed as incurred. Revenue and profit are not recognised on development properties until the legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs.

#### (k) Intangible assets

##### Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. For business acquisitions that have occurred between 1 January 2004 and 31 December 2009, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. For acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Generally Accepted Accounting Practice. For acquisitions on or after January 2010, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

##### Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (o)).

##### Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

##### Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of other intangible assets.

The estimated useful lives utilised are as follows:

Management contracts	12 years
Leasehold interests	10 - 27 years

#### (l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

# **Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**

## **Notes to the Financial Statements for the year ended 31 December 2014**

### **Significant accounting policies – continued**

#### **(m) Trade and other receivables**

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (o)).

#### **(n) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

#### **(o) Impairment**

The carrying amounts of the Group's assets other than development properties (see accounting policy (j)), inventories (see accounting policy (n)) and deferred tax assets (see accounting policy (w)), are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

In relation to properties that have been damaged by earthquakes, the land and building are separately reviewed for impairment. The carrying value of land is compared to its fair value based on comparable market sales. The carrying value of building is compared to the indemnified sum insured for material damage.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement unless the asset is recorded at a re-valued amount in which case it is treated as a revaluation decrease through the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (groups of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

#### **(i) Calculation of recoverable amount**

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### **(ii) Reversals of impairment**

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

#### **(p) Interest-bearing loans and borrowings**

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

#### **(q) Employee long-term service benefits**

The Group's net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using their expected remuneration and an assessment of likelihood the liability will arise.

#### **(r) Provisions**

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

#### **(s) Trade and other payables**

Trade and other payables are stated at cost.

# **Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**

## **Notes to the Financial Statements for the year ended 31 December 2014**

### **Significant accounting policies - continued**

#### **(t) Share capital**

##### **Repurchase of share capital**

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

##### **Dividends**

Dividends are recognised as a liability in the period in which they are declared.

#### **(u) Revenue**

Revenue represents amounts derived from:

- The ownership, management and operation of hotels: recognised on an accruals basis to match the provision of the related goods and services.
- Income from property rental: recognised on an accruals basis, straight line over the lease period. Lease incentives granted are recognised as an integral part of the total rental income.
- Income from development property sales: recognised on the transfer of the related significant risk and rewards of ownership, which is not until legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs.

#### **(v) Expenses**

##### **Operating lease payments**

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

##### **Finance lease payments**

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

##### **Finance income and expenses**

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

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

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

#### **(w) Income tax**

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

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

Deferred tax is recognised in respect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that neither affect accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

# **Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**

## **Notes to the Financial Statements for the year ended 31 December 2014**

### **Significant accounting policies - continued**

#### **(x) Segment reporting**

An operating segment is a distinguishable component of the Group:

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

#### **(y) New standards and interpretations not yet adopted**

The following new standards and amendments to standards are not yet effective for the year ended 31 December 2014, and have not been applied in preparing these financial statements.

- *NZ IFRS 9 - Financial Instruments (effective after 1 January 2017)*
- *NZ IFRS 10 - Consolidated Financial Statements (effective 1 January 2016)*
- *NZ IFRS 11 - Joint Arrangements (effective 1 January 2016)*
- *NZ IFRS 15 - Revenue from Construction Contracts (effective 1 January 2017)*
- *NZ IAS 16 - Property, Plant and Equipment (effective 1 January 2016)*
- *NZ IAS 19 - Employee Benefits (effective after 1 January 2015)*
- *NZ IAS 38 - Intangible Assets (effective 1 January 2016)*
- *NZ IAS 28 - Investments in Associates and Joint Ventures (effective 1 January 2016)*

The adoption of these standards is not expected to have a material impact on the Group's or Company's financial statements.

**Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**  
**Notes to the Financial Statements for the year ended 31 December 2014**

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# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 1. Segment reporting

Segment information is presented in respect of the Group's reporting segments. Operating segments are the primary basis of segment reporting. The Group has determined that its chief operating decision maker is the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

#### Operating segments

The Group consisted of the following main operating segments:

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

#### Geographical areas

The Group operates in the following main geographical areas:

- New Zealand.
- Australia.
- Asia (predominantly China).

Segment revenue is based on the geographical location of the asset. The Group has no major customer representing greater than 10% of the Group's total revenue.

The Parent operates in one segment only, being ownership and management of hotels in New Zealand.

#### Operating segments

<i>Dollars In Thousands</i>	Hotel Operations		Residential Land Development		Residential & Commercial Property Development		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	External revenue	83,086	77,964	44,160	38,352	2,818	2,893	130,064
Finance income	2,126	2,101	1,358	1,100	752	934	4,236	4,135
Finance expense	(1,225)	(475)	(12)	-	(2,008)	(2,237)	(3,245)	(2,712)
Depreciation and amortisation	(9,034)	(6,494)	(1)	(2)	(16)	(26)	(9,051)	(6,522)
Segment profit/(loss) before income tax	11,046	15,419	20,537	18,550	13,789	(2,590)	45,372	31,379
Share of (loss)/profit of associates	-	-	-	-	(370)	9,751	(370)	9,751
Profit before income tax	11,046	15,419	20,537	18,550	13,419	7,161	45,002	41,130
Income tax (expense)/credit	(4,346)	(4,493)	(5,827)	(5,146)	751	720	(9,422)	(8,919)
Other material/non-cash items:								
Business interruption insurance income	495	4,197	-	-	-	-	495	4,197
Gain on distribution in specie	-	-	-	-	17,643	-	17,643	-
Segment assets	380,568	337,522	130,467	120,333	74,323	74,878	585,358	532,733
Tax assets	-	(130)	-	(1,120)	-	2,337	-	1,087
Investment in associates	-	-	2	2	-	185,329	2	185,331
Total assets	380,568	337,392	130,469	119,215	74,323	262,544	585,360	719,151
Segment liabilities	(84,867)	(96,958)	(240)	(218)	(7,785)	(11,208)	(92,892)	(108,384)
Tax liabilities	(43,154)	(44,001)	(1,740)	(132)	2,133	548	(42,761)	(43,585)
Total liabilities	(128,021)	(140,959)	(1,980)	(350)	(5,652)	(10,660)	(135,653)	(151,969)
Capital expenditure	6,685	5,418	3	-	3	7	6,691	5,425

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 1. Segment reporting - continued

#### Geographical areas

<i>Dollars In Thousands</i>	New Zealand		Australia		Asia		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
External revenue	127,246	116,316	2,818	2,893	-	-	130,064	119,209
Finance income	3,546	3,256	690	879	-	-	4,236	4,135
Finance expense	(3,241)	(2,708)	(4)	(4)	-	-	(3,245)	(2,712)
Depreciation and amortisation	(9,035)	(6,496)	(16)	(26)	-	-	(9,051)	(6,522)
Segment profit/(loss) before income tax	47,517	32,268	(2,145)	(889)	-	-	45,372	31,379
Share of (loss)/profit of associates	-	-	-	-	(370)	9,751	(370)	9,751
Profit before income tax	47,517	32,268	(2,145)	(889)	(370)	9,751	45,002	41,130
Income tax (expense)/credit	(10,056)	(9,007)	634	88	-	-	(9,422)	(8,919)
Other material/non-cash items:								
Business interruption insurance income	495	4,197	-	-	-	-	495	4,197
Gain on distribution in specie	17,643	-	-	-	-	-	17,643	-
Segment assets	512,892	459,478	72,466	73,255	-	-	585,358	532,733
Tax assets	-	1,017	-	70	-	-	-	1,087
Investment in associates	2	2	-	-	-	185,329	2	185,331
Total assets	512,894	460,497	72,466	73,325	-	185,329	585,360	719,151
Segment liabilities	(85,136)	(105,283)	(7,756)	(3,101)	-	-	(92,892)	(108,384)
Tax liabilities	(44,921)	(44,133)	2,160	548	-	-	(42,761)	(43,585)
Total liabilities	(130,057)	(149,416)	(5,596)	(2,553)	-	-	(135,653)	(151,969)
Capital expenditure	6,688	5,418	3	7	-	-	6,691	5,425

### 2. Other Income

<i>Dollars In Thousands</i>	Note	Group		Parent	
		2014	2013	2014	2013
Business interruption insurance income		495	4,197	495	3,761
Gain on distribution in specie	13(f)	17,643	-	35,754	-
		<b>18,138</b>	<b>4,197</b>	<b>36,249</b>	<b>3,761</b>

The business interruption insurance income relates to Millennium Hotel Christchurch in the current period and in the previous period it relates to all three Christchurch properties affected by the earthquakes.

### 3. Administration and other operating expenses

<i>Dollars In Thousands</i>	Note	Group		Parent	
		2014	2013	2014	2013
Depreciation	10	9,051	6,522	5,079	2,818
Auditors remuneration					
Audit fees		309	301	140	100
Tax compliance and advisory		210	241	79	19
Directors fees	26	265	269	116	116
Lease and rental expenses	24	2,139	1,994	94	93
Provision for bad debts					
Debts written off		27	28	7	7
Movement in doubtful debt provision		(12)	(8)	(9)	13
Net gain on disposal of property, plant and equipment		(209)	(49)	(6)	(2)
Other		33,664	30,987	11,068	10,753
		<b>45,444</b>	<b>40,285</b>	<b>16,568</b>	<b>13,917</b>



**Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**  
**Notes to the Financial Statements for the year ended 31 December 2014**

**4. Personnel expenses**

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Wages and salaries	31,798	30,721	10,672	10,391
Employee related expenses and benefits	5,253	4,897	2,143	2,020
Contributions to defined contribution plans	551	490	161	137
Increase/(decrease) in liability for long-service leave	13	(35)	-	-
	<b>37,615</b>	<b>36,073</b>	<b>12,976</b>	<b>12,548</b>

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

**5. Net finance income**

**Recognised in the income statement**

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Interest income	4,234	4,133	2,554	4,215
Dividend income	2	2	3,695	3,052
Finance income	4,236	4,135	6,249	7,267
Interest expense	(2,523)	(2,673)	(751)	(1,336)
Net foreign exchange loss	(722)	(39)	(719)	(35)
Finance costs	(3,245)	(2,712)	(1,470)	(1,371)
<b>Net finance income recognised in the income statement</b>	<b>991</b>	<b>1,423</b>	<b>4,779</b>	<b>5,896</b>

**Recognised in other comprehensive income**

<i>Dollars In Thousands</i>	Note	Group		Parent	
		2014	2013	2014	2013
Foreign exchange translation movements		(16,678)	(5,453)	-	-
Reclassification of exchange translation reserve to profit and loss arising from disposal of associate	13(f)	9,951	-	-	-
<b>Net finance income recognised in other comprehensive income</b>		<b>(6,727)</b>	<b>(5,453)</b>	<b>-</b>	<b>-</b>

**6. Income tax expense**

**Recognised in the income statement**

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
<b>Current tax expense</b>				
Current year	9,909	8,401	2,919	2,911
Adjustments for prior years	1,416	18	1,318	127
	<b>11,325</b>	<b>8,419</b>	<b>4,237</b>	<b>3,038</b>
<b>Deferred tax expense</b>				
Origination and reversal of temporary difference	(1,903)	487	(598)	1,018
Adjustments for prior years	-	13	-	1
	<b>(1,903)</b>	<b>500</b>	<b>(598)</b>	<b>1,019</b>
<b>Total income tax expense in the income statement</b>	<b>9,422</b>	<b>8,919</b>	<b>3,639</b>	<b>4,057</b>

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 6. Income tax expense - continued

#### Reconciliation of tax expense

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Profit before income tax	45,002	41,130	46,643	16,736
Income tax at the company tax rate of 28% (2013: 28%)	12,601	11,516	13,060	4,686
Adjusted for:				
Non-deductible expenses	639	167	307	97
Imputation credits	-	-	(1,034)	(854)
Tax rate difference (if different from 28% above)	(45)	(11)	-	-
Tax exempt income	(5,302)	(2,830)	(10,012)	-
Non-assessable gain on disposal of damaged property	-	(10)	-	-
Tax arising from investment in associate	113	56	-	-
Under/(over) provided in prior years	1,416	31	1,318	128
<b>Total income tax expense</b>	<b>9,422</b>	<b>8,919</b>	<b>3,639</b>	<b>4,057</b>
Effective tax rate	21%	22%	8%	24%

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

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Relating to revaluation of property, plant and equipment	600	3,729	436	436
Relating to foreign currency translation of foreign subsidiaries	(417)	(1,815)	-	-
	183	1,914	436	436

### 7. Imputation credits

<i>Dollars In Thousands</i>	Group	
	2014	2013
Imputation credits available for use in subsequent reporting periods	52,767	46,547

The KIN Holdings Group has A\$10.2 million (2013: A\$10.0 million) franking credits available as at 31 December 2014.

### 8. Capital and reserves

#### Share capital

	Group and Parent			
	2014 Shares	2014 \$000's	2013 Shares	2013 \$000's
Ordinary shares issued 1 January	349,598,066	430,330	349,598,066	430,330
Ordinary shares cancelled via distribution in specie	(244,019,776)	(80,282)	-	-
<b>Ordinary shares issued at 31 December - fully paid</b>	<b>105,578,290</b>	<b>350,048</b>	<b>349,598,066</b>	<b>430,330</b>
Redeemable preference shares issued following rights issue	174,634,366	111,766	-	-
Capitalised costs of raising capital	-	(535)	-	-
Redeemable preference shares cancelled via distribution in specie	(121,894,823)	(78,013)	-	-
<b>Redeemable preference shares issued at 31 December - fully paid</b>	<b>52,739,543</b>	<b>33,218</b>	<b>-</b>	<b>-</b>
Ordinary shares repurchased and held as treasury stock 1 January	(329,627)	(85)	(329,627)	(85)
Treasury stock cancelled via distribution in specie	230,080	59	-	-
<b>Ordinary shares repurchased and held as treasury stock 31 December</b>	<b>(99,547)</b>	<b>(26)</b>	<b>(329,627)</b>	<b>(85)</b>
<b>Total shares issued and outstanding</b>	<b>158,218,286</b>	<b>383,240</b>	<b>349,268,439</b>	<b>430,245</b>

During the period the Company undertook a capital raising exercise to fund further investment in First Sponsor Capital Limited, repay some debt, and fund proposed refurbishment work. On 17 February 2014 the Company announced the offer for eligible shareholders to acquire one non-voting redeemable preference share for every two ordinary shares held. The offer was oversubscribed and the application monies were received by the closing date on 19 March 2014. On 24 March 2014, 174,634,366 redeemable preference shares were allotted at \$0.64 per preference share and trading commenced on 25 March 2014. The non-voting redeemable preference shares rank equally with ordinary shares with respect to all distributions made by the Company (including without limitation, to dividend payments) except for any distributions made in the context of a liquidation of the Company.

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 8. Capital and reserves - continued

At a special meeting of the shareholders on 19 June 2014, the shareholders approved a detailed proposal to return capital to the shareholders by way of a scheme of arrangement under Part 15 of the Companies Act. This scheme involved: the cancellation of approximately 70% of the Company's ordinary and redeemable preference shares; and the distribution of substantially all of the shares in First Sponsor Group Limited to both holders of ordinary and redeemable preference shares.

On 17 July 2014, pursuant to the scheme, 244,019,776 ordinary shares were cancelled at the historical average price of \$0.329 cents per share while 121,894,823 redeemable preference shares were cancelled at the issue price of \$0.64 cents per share. The treasury stock were also cancelled at the same ratio with 230,080 shares cancelled at the historical average of \$0.259 per share.

At 31 December 2014, the authorised share capital consisted of 105,578,290 ordinary shares (2013: 349,598,066 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2013: nil) with no par value.

#### Revaluation reserve

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

#### Exchange reserve

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

#### Dividends

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

<i>Dollars In Thousands</i>	Parent	
	2014	2013
Ordinary Dividend - 1.2 cents per qualifying ordinary share (2013: 1.2 cents)	6,287	4,191
Special Dividend - nil cents per qualifying ordinary share (2013: 1.2 cents)	-	4,191
Supplementary Dividend - 0.2118 cents per qualifying ordinary share (2013: 0.4235 cents)	198	316
	6,485	8,698

After 31 December 2014 the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

<i>Dollars In Thousands</i>	Parent
Ordinary Dividend - 2.4 cents per qualifying share (2013: 1.2 cents)	3,797
Supplementary Dividend - 0.4235 cents per qualifying share (2013: 0.2118 cents)	120
Total Dividends	3,917

### 9. Earnings per share

#### Basic earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the profit attributable to ordinary and redeemable preference shareholders of \$30,191,000 (2013: \$27,107,000) and weighted average number of shares outstanding during the year ended 31 December 2014 of 316,354,813 (2013: 349,268,439), calculated as follows:

#### Profit attributable to shareholders

<i>Dollars In Thousands</i>	Group	
	2014	2013
Profit for the year	35,580	32,211
Profit attributable to non-controlling interests	(5,389)	(5,104)
Profit attributable to shareholders	30,191	27,107

#### Weighted average number of shares

	Group	
	2014	2013
Weighted average number of shares (ordinary and redeemable preference shares)	316,578,540	349,598,066
Effect of own shares held (ordinary shares)	(223,727)	(329,627)
Weighted average number of shares for earnings per share calculation	316,354,813	349,268,439

#### Diluted earnings per share

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

**Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**  
**Notes to the Financial Statements for the year ended 31 December 2014**

10. Property, plant and equipment

Group

<i>Dollars In Thousands</i>	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
<b>Cost</b>							
Balance at 1 January 2013	93,871	159,351	22,145	86,163	147	890	362,567
Acquisitions	-	-	-	92	-	5,333	5,425
Disposals	-	-	-	(535)	(40)	-	(575)
Transfers between categories	-	492	8	4,094	-	(4,594)	-
Transfer from accumulated depreciation following revaluation	-	(1,078)	(21)	-	-	-	(1,099)
Movements in foreign exchange	-	-	-	(82)	(3)	-	(85)
Revaluation surplus/(deficit)	(2,631)	12,173	766	-	-	-	10,308
<b>Balance at 31 December 2013</b>	<b>91,240</b>	<b>170,938</b>	<b>22,898</b>	<b>89,732</b>	<b>104</b>	<b>1,629</b>	<b>376,541</b>
Balance at 1 January 2014	91,240	170,938	22,898	89,732	104	1,629	376,541
Acquisitions	-	8	-	202	-	6,481	6,691
Disposals	-	-	(426)	(582)	-	-	(1,008)
Transfers between categories	(2,000)	3,093	2,653	3,116	-	(6,862)	-
Transfer from accumulated depreciation following revaluation	-	(167)	(86)	-	-	-	(253)
Movements in foreign exchange	-	-	-	(21)	-	-	(21)
Revaluation surplus/(deficit)	13,510	1,554	2,729	-	-	-	17,793
<b>Balance at 31 December 2014</b>	<b>102,750</b>	<b>175,426</b>	<b>27,768</b>	<b>92,447</b>	<b>104</b>	<b>1,248</b>	<b>399,743</b>
<b>Depreciation and impairment losses</b>							
Balance at 1 January 2013	-	(10,530)	(2,301)	(65,080)	(121)	-	(78,032)
Depreciation charge for the year	-	(1,960)	(336)	(4,222)	(4)	-	(6,522)
Disposals	-	-	-	516	40	-	556
Transfers between categories	-	(24)	(31)	55	-	-	-
Transfer accumulated depreciation against cost following revaluation	-	1,078	21	-	-	-	1,099
Movements in foreign exchange	-	-	-	74	3	-	77
<b>Balance at 31 December 2013</b>	<b>-</b>	<b>(11,436)</b>	<b>(2,647)</b>	<b>(68,657)</b>	<b>(82)</b>	<b>-</b>	<b>(82,822)</b>
Balance at 1 January 2014	-	(11,436)	(2,647)	(68,657)	(82)	-	(82,822)
Depreciation charge for the year	-	(3,669)	(365)	(5,013)	(4)	-	(9,051)
Disposals	-	1	426	578	-	-	1,005
Transfers between categories	-	-	-	-	-	-	-
Transfer accumulated depreciation against cost following revaluation	-	167	86	-	-	-	253
Movements in foreign exchange	-	-	-	20	-	-	20
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>(14,937)</b>	<b>(2,500)</b>	<b>(73,072)</b>	<b>(86)</b>	<b>-</b>	<b>(90,595)</b>
<b>Carrying amounts</b>							
At 1 January 2013	93,871	148,821	19,844	21,083	26	890	284,535
<b>At 31 December 2013</b>	<b>91,240</b>	<b>159,502</b>	<b>20,251</b>	<b>21,075</b>	<b>22</b>	<b>1,629</b>	<b>293,719</b>
At 1 January 2014	91,240	159,502	20,251	21,075	22	1,629	293,719
<b>At 31 December 2014</b>	<b>102,750</b>	<b>160,489</b>	<b>25,268</b>	<b>19,375</b>	<b>18</b>	<b>1,248</b>	<b>309,148</b>

**Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**  
**Notes to the Financial Statements for the year ended 31 December 2014**

10. Property, plant and equipment - continued

	<u>Parent</u>						
	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
<i>Dollars In Thousands</i>							
<b>Cost</b>							
Balance at 1 January 2013	59,106	82,076	-	43,804	58	297	185,341
Acquisitions	-	-	-	-	-	1,299	1,299
Disposals	-	-	-	(104)	-	-	(104)
Transfers between categories	-	713	-	587	-	(1,300)	-
Transfer from accumulated depreciation	-	(230)	-	-	-	-	(230)
Revaluation surplus/(deficit)	(860)	1,559	-	-	-	-	699
<b>Balance at 31 December 2013</b>	<b>58,246</b>	<b>84,118</b>	<b>-</b>	<b>44,287</b>	<b>58</b>	<b>296</b>	<b>187,005</b>
Balance at 1 January 2014	58,246	84,118	-	44,287	58	296	187,005
Acquisitions	-	-	-	-	-	1,617	1,617
Disposals	-	-	-	(96)	-	-	(96)
Transfers between categories	(2,000)	244	2,000	738	-	(982)	-
Transfer from accumulated depreciation	-	(168)	-	-	-	-	(168)
Revaluation surplus/(deficit)	13,510	1,554	-	-	-	-	15,064
<b>Balance at 31 December 2014</b>	<b>69,756</b>	<b>85,748</b>	<b>2,000</b>	<b>44,929</b>	<b>58</b>	<b>931</b>	<b>203,422</b>
<b>Depreciation and impairment losses</b>							
Balance at 1 January 2013	-	(7,055)	-	(33,690)	(32)	-	(40,777)
Depreciation charge for the year	-	(1,061)	-	(1,753)	(4)	-	(2,818)
Disposals	-	-	-	104	-	-	104
Transfer accumulated depreciation against cost following revaluation	-	230	-	-	-	-	230
<b>Balance at 31 December 2013</b>	<b>-</b>	<b>(7,886)</b>	<b>-</b>	<b>(35,339)</b>	<b>(36)</b>	<b>-</b>	<b>(43,261)</b>
Balance at 1 January 2014	-	(7,886)	-	(35,339)	(36)	-	(43,261)
Depreciation charge for the year	-	(2,679)	-	(2,396)	(4)	-	(5,079)
Disposals	-	-	-	95	-	-	95
Transfer accumulated depreciation against cost following revaluation	-	168	-	-	-	-	168
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>(10,397)</b>	<b>-</b>	<b>(37,640)</b>	<b>(40)</b>	<b>-</b>	<b>(48,077)</b>
<b>Carrying amounts</b>							
At 1 January 2013	59,106	75,021	-	10,114	26	297	144,564
<b>At 31 December 2013</b>	<b>58,246</b>	<b>76,232</b>	<b>-</b>	<b>8,948</b>	<b>22</b>	<b>296</b>	<b>143,744</b>
At 1 January 2014	58,246	76,232	-	8,948	22	296	143,744
<b>At 31 December 2014</b>	<b>69,756</b>	<b>75,351</b>	<b>2,000</b>	<b>7,289</b>	<b>18</b>	<b>931</b>	<b>155,345</b>

The Directors consider the value of the hotel assets with a net book value of \$309.15 million (2013: \$293.72 million) to be within a range of \$309.15 to \$323.20 million (2013: \$293.72 to \$310.47 million). This is substantiated by valuations completed by Bower Valuations Limited, registered valuers, in December 2012, 2013 and 2014, in respect of hotel assets in Millennium & Copthorne Hotels New Zealand Limited of \$187.32 million (2013: \$174.59 million) and in respect of hotel assets in Quantum Limited of \$135.88 million (2013: \$135.88 million).

During 2014 three (2013: seven) of the Group's freehold and leasehold hotel properties were subject to an external professional valuation by Bower Valuations Limited, registered valuers, on a highest and best use basis. Based on these valuations and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. A total of \$17.79 million was added to (2013: \$10.31 million) the carrying values of land and buildings.

During 2014 two (2013: one) of the Parent's freehold and leasehold hotel properties were subject to an external professional valuation by Bower Valuations Limited, registered valuers, on a highest and best use basis. Based on this valuation and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. A total of \$15.06 million was added to the carrying values of land and buildings (2013: \$0.70 million).

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 10. Property, plant and equipment - continued

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

The Directors consider the net book value of the hotels not valued by independent valuers in 2014 to approximate their fair value as at 31 December 2014.

During the year, the Group's hotels which were not subject to external professional valuations were tested for impairment. Based on these tests no value (2013: \$nil) has been deducted from the carrying value of freehold land and buildings. The testing for impairment requires management to estimate future cash flows to be generated by the cash generating units and is categorised as Level 3 based on the inputs to the impairment models. The major unobservable inputs that management use that require judgement in estimating future cash flows include expected rate of growth in revenue and costs, market segment mix, occupancy, average room rates expected to be achieved and the appropriate discount rate to apply when discounting future cash flows. Average annual growth rates appropriate to the hotels range from 1.1% to 13.1% (2013: 0.4% to 6.9%) over the five years projection. Pre-tax discount rates ranging between 8.25% and 13.50% (2013: 8.50% to 14.00%) were applied to the future cash flows of the individual hotels based on the specific circumstances of the property.

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

		<u>Group</u>						
		Freehold	Freehold	Leasehold	Plant,	Motor	Work	
<i>Dollars In Thousands</i>		Land	Buildings	Land and	Equipment,	Vehicles	In	Total
				Buildings	Fixtures		Progress	
					and Fittings			
<b>Cost less accumulated depreciation</b>								
At 1 January 2013		40,659	81,329	17,638	21,083	26	890	161,625
At 31 December 2013		40,659	79,837	17,279	21,075	22	1,629	160,501
At 1 January 2014		40,659	79,837	17,279	21,075	22	1,629	160,501
At 31 December 2014		38,659	79,268	19,567	19,375	18	1,248	158,135

		<u>Parent</u>						
		Freehold	Freehold	Leasehold	Plant,	Motor	Work	
<i>Dollars In Thousands</i>		Land	Buildings	Land and	Equipment,	Vehicles	In	Total
				Buildings	Fixtures		Progress	
					and Fittings			
<b>Cost less accumulated depreciation</b>								
At 1 January 2013		34,579	39,021	-	10,114	26	297	84,037
At 31 December 2013		34,579	38,673	-	8,948	22	296	82,518
At 1 January 2014		34,579	38,673	-	8,948	22	296	82,518
At 31 December 2014		32,579	36,238	2,000	7,289	18	931	79,055

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 10. Property, plant and equipment - continued

#### Canterbury Earthquake

The Canterbury region and Christchurch city suffered two earthquakes on 4 September 2010 and 22 February 2011. At that time the Group operated three hotels in the Christchurch CBD; Millennium Hotel Christchurch (leased); Copthorne Hotel Christchurch Central (owned); and Copthorne Hotel Christchurch City (leased).

The Millennium Hotel Christchurch suffered minor damage from the 4 September 2010 earthquake and remained open for business. The 22 February 2011 earthquake further damaged the hotel and it is now closed down for the required engineering assessment and repair. The Group is insured for building damage.

The Copthorne Hotel Christchurch Central suffered minor damage from the 4 September 2010 earthquake and remained open for business. The 22 February 2011 earthquake severely damaged the hotel after which the insurers assessed that the hotel was uneconomic to repair. The material damage claim for Copthorne Hotel Central Christchurch was settled with the insurers on 22 November 2012. The hotel was demolished in October 2013. In relation to the land at Copthorne Hotel Central Christchurch, the Canterbury Earthquake Recovery Authority (CERA) had earmarked the land as part of a performing arts precinct in its Christchurch rebuilding blueprint. CERA has lifted the designation and there is no encumbrance on the land.

The Copthorne Hotel Christchurch City was demolished, the lease terminated and a settlement was reached with the landlord and insurers in regards to the property in November 2011.

### 11. Development properties

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Development land	96,965	86,633	-	-
Residential development	50,425	52,577	-	-
	147,390	139,210	-	-
Less expected to settle within one year	(24,652)	(33,178)	-	-
	<b>122,738</b>	<b>106,032</b>	-	-
Development land recognised in cost of sales	21,839	17,997	-	-

Development land is carried at the lower of cost and net realisable value. No interest (2013: \$nil) has been capitalised during the year. The value of development land held at 31 December 2014 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as \$205.97 million (2013: \$177.51 million).

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

Residential development at balance date consists of the residential development known as Zenith Residences in Sydney, Australia. The value of Zenith Residences held at 31 December 2014 was determined by L Rogers AAPI of Landmark White (Sydney) Pty Ltd (2013: R Laoulach AAPI of Landmark White (Sydney) Pty Ltd), registered valuers as \$64.86 million (A\$62.00 million) (2013: \$71.47 million (A\$65.58 million)).

The fair value of the residential development as determined by the independent valuer is categorised as Level 3 based on the inputs to the valuation methodology. The basis of the valuation is gross realisations 'as is' assuming individual sales of unsold units. The major unobservable inputs and assumptions that are used in the valuation model that require judgement include the interest rates, consumer confidence, unemployment rate and residential unit demand. The estimated fair value would increase or (decrease) if: the interest rates were lower / (higher); the consumer confidence was optimistic / (pessimistic); the unemployment rate was lower / (higher); the residential unit demand was stronger / (weaker).

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 12. Intangible assets

Goodwill of \$2.82 million (2013: \$2.82 million) in the Group and Parent is attributed to the Copthorne Hotel Auckland HarbourCity cash generating unit.

Leasehold interests held by the Group of \$23.19 million and Parent of \$0.39 million are fully amortised and/or impaired.

#### Impairment

Goodwill is tested for impairment each year and intangibles are tested for impairment when there is an indicator of impairment. Goodwill is assessed for impairment by testing the value in use of the hotel to which the goodwill is allocated. Intangible assets are assessed for impairment by testing the value in use of the hotel to which the asset is allocated.

When testing the value in use of a hotel a discounted cash flow model is used. The future cash flows are projected over six years based on budgets and forecasts at growth rates appropriate to the business. A pre-tax discount rate of 8.50% (2013: 8.50%) was applied to the future cash flows. Average annual revenue growth of 2.1% (2013: 2.2%) was assumed over the six years projection.

In the 2014 review of goodwill no impairment (2013: nil) was found in respect of Copthorne Hotel Auckland Harbourcity.

### 13. Investment in associates

The Group's share of loss of its associate, First Sponsor Group Limited ("FSG") for the year was \$0.37 million (2013: \$9.75 million share of profit of First Sponsor Capital Limited ("FSC"). FSG and its subsidiaries are principally involved in investment holding, property development and sales, hotel operations, property investments and real estate financing in China.

Prestons Road Limited has no revenue or expenses, therefore the Group's share of profit of its associate was nil (2013: nil). During the year, the Group maintained its 33.33% economic interest in Prestons Road Limited. The principal activity of Prestons Road Limited is as service provider to the Group's subsidiary, CDL Land New Zealand Limited, and in this regard, it is charged with engaging suitably qualified consultants in fields such as geotechnical engineering, resource management compliance, subdivision of land, legal and regulatory compliance and related issues to enable the Group to develop its land at Prestons Road in Christchurch.

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

	Group		
	2014	2013	
<i>Dollars in Thousands</i>	Prestons Road Limited	First Sponsor Capital Limited	Prestons Road Limited
Current assets	1,818	750,564	207
Non-current assets	-	176,868	-
Current liabilities	(1,812)	(217,384)	(201)
Non-current liabilities	-	(159,312)	-
Non-controlling interests	-	(5,585)	-
Net assets (100%)	6	545,151	6
Group interests	33.33%	34.00%	33.33%
Group's interest of net assets	2	185,329	2
Carrying amount in associates	2	185,329	2
Revenues	-	153,855	-
Profit (100%)	-	28,678	-
Other comprehensive income ("OCI") (100%)	-	31,107	-
Group interests	33.33%	34.00%	33.33%
Group's share of (losses)/profits	-	9,751	-
Group's share of OCI	-	10,575	-
Group's share of profits and OCI	-	20,326	-

During the year, the Group disposed of its investments in First Sponsor Capital Limited.



# Millennium & Cophorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 13. Investment in associates - continued

#### Movements in the carrying value of associates:

Dollars in Thousands	Note	Group		Parent	
		First Sponsor Group Ltd		First Sponsor Group Ltd	
		2014	2013	2014	2013
Balance at 1 January		185,329	128,057	-	-
Amalgamation of subsidiary	13 (a)	-	-	155,116	-
Disposal of associate held by subsidiary	13 (b)	(2,470)	-	-	-
Distribution of shares from subsidiary	13 (b)	-	-	3,912	-
Investment in associate	13 (c)	58,510	40,303	58,510	-
Return of surplus capital	13 (d)	(4,309)	-	(4,309)	-
Movement in foreign exchange		(7,046)	(3,254)	-	-
Share of post acquisition movement in foreign exchange reserves for the year		(7,322)	10,569	-	-
Share of post acquisition capital reserves for the year		(933)	6	-	-
Share of (loss)/profit for the year		(370)	9,751	-	-
Dilution gain/(loss)		493	(103)	-	-
Disposal of associate under distribution in specie	13 (e),(f)	(221,565)	-	(212,912)	-
Reclassification to asset held for sale	13 (e), 18	(317)	-	(317)	-
Balance at 31 December		-	185,329	-	-

#### Reorganisation of investments in associates before the scheme of arrangement

As preparation for the implementation of the scheme of arrangements, the Company consolidated its investments held by its subsidiaries, by way of capital reorganisation and transfer of the investments from its subsidiaries.

13 (a) On 21 March 2014, MCHNZ Investments Limited (100% owned subsidiary of the Company) amalgamated with the Company and the existing 119,299,296 FSCL preference shares and 245 FSCL ordinary shares held by MCHNZ Investments Limited were transferred to the Company, being the continuing entity.

13 (b) On 21 March 2014, KIN Holdings Limited (61.30% owned subsidiary of the Company) carried out a capital reduction and a distribution in specie exercise whereby its entire FSCL shares held were distributed to Tal Tak Asia Properties Pte Limited (non-controlling interest of 38.70%: 2,102,013 preference shares at fair value of \$2.47 million) and the Company (61.30%: 3,329,545 preference shares). The Company recorded the transfer of 3,329,545 shares at fair value of \$3.91 million.

#### Investment in associate

13 (c) On 11 February 2014 the Company received notice from FSCL of a capital call of SG\$190.00 million in March 2014 to fund further expansion of its development properties in Chengdu, Sichuan Province, China. The Company increased its investments by providing additional capital of \$58.51 million (SG\$63.50 million) on 26 March 2014 and was issued with 50,134,440 preference shares.

In September 2013, the Group increased its investment in FSCL by providing additional capital of US\$33.42 million (NZ\$40.30 million at the then prevailing exchange rate) as the Group's share of the US\$100.00 million capital call made by FSCL. The additional capital was provided to enable FSCL to fund further development of its properties in Chengdu, Sichuan Province, China.

#### Reorganisation of FSCL before the IPO

13 (d) As part of the capital reorganisation of FSGL before its Initial Public Offer (IPO), 245 ordinary shares and 172,763,281 preference shares held by the Company in FSCL were exchanged for 171,561,263 shares in FSGL on 31 March 2014. As a result surplus capital of \$4.31 million was returned from FSCL. The Company ended up with 31.42% interests in FSGL at 31 March 2014.

#### Scheme of arrangement and the distribution in specie

13 (e) Pursuant to the scheme of arrangement which was approved by the shareholders of the Company on 19 June 2014, the cancellation of capital and the distribution in specie of the FSGL shares took effect on 17 July 2014. The implementation of the scheme resulted in:

Class of shares	Number of shares cancelled	20 day VWAP	Total value of shares cancelled (\$'000)	Number of FSGL shares distributed	Fair value	Total value of FSGL shares distributed (\$'000)
Ordinary	243,789,696	\$0.68	\$165,777	114,210,355	\$1.448	\$165,445
Redeemable preference	121,894,823	\$0.68	\$82,889	57,105,438	\$1.448	\$82,723
Treasury stock	365,684,519		\$248,666	171,315,793		\$248,168
	230,080	\$0.68	\$156	-	-	-
	<b>365,914,599</b>		<b>\$248,822</b>	<b>171,315,793</b>		<b>\$248,168</b>

- The cancellation ratio and the distribution ratio are the same for both ordinary and preference shares. For every 1,000 shares, 698 shares were cancelled and 327 FSGL shares were distributed.

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 13. Investment in associates - continued

- 243,789,696 ordinary shares amounting to \$165.78 million (at 20 day volume weighted average price (VWAP) of \$0.68 cents per ordinary share) were cancelled in exchange for 114,210,355 FSGL shares amounting to \$165.45 million (at the fair value of \$1.448 cents per share (computed at SG\$1.55 at foreign exchange rate of 1.07));
- 121,894,823 redeemable preference shares amounting to \$82.89 million (at 20 day volume weighted average price of \$0.68 cents per ordinary share) were cancelled in exchange for 57,105,438 FSGL shares amounting to \$82.72 million at the fair value of \$1.448 cents per share (computed at SG\$1.55 at foreign exchange rate of 1.07);
- 230,080 repurchased ordinary shares held as treasury stock were cancelled amounting to \$0.16 million (at 20 day volume weighted average price of \$0.68 cents per ordinary share). No FSGL shares were exchanged for the treasury stock cancelled; and
- 245,470 FSGL shares were left undistributed due to the rounding of the approved cancellation and distribution ratios. The remaining shares were then reclassified to assets held for sale.
- The distribution has been accounted for in accordance to IFRIC 17 - Distributions of non-cash assets to owners.

### Gain on the distribution in specie

13 (f) The distribution of the FSGL shares at fair value over the equity accounted book value at the Group level resulted in a gain on distribution in specie which was recognised in the profit and loss. The cumulative exchange movements which were recognised in the Other Comprehensive Income were reclassified to the profit and loss and recognised in the gain. In the case of the Company, the accounting standards require the investments in FSGL to be held at cost and this resulted in a higher gain on distribution in specie to be recognised in the profit and loss. The gains on distribution are analysed as follow:

<i>Dollars In Thousands</i>	Note	Group	Parent
		2014	2014
Total value of the distribution	13 (e)	248,666	248,666
Less book value of FSGL shares distributed		*(221,565)	** (212,912)
Add dilution gain in FSGL		493	-
Less reclassification of cumulative exchange movements from exchange translation reserves	5	(9,951)	-
Gain on distribution in specie	2	17,643	35,754

\* at equity accounted value, \*\* at cost.

### 14. Cash and cash equivalents

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Cash	4,875	3,360	193	87
Term deposits	19,147	79,856	-	22,338
Bank overdrafts	-	(1,131)	-	-
	24,022	82,085	193	22,425

### 15. Trade and other receivables

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Trade receivables	6,014	4,472	2,978	2,407
Less provision for doubtful debts	(18)	(30)	(6)	(14)
Insurance receivables	309	1,017	309	688
Other trade receivables and prepayments	10,544	8,058	1,506	814
	16,849	13,517	4,787	3,895

### 16. Inventories

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Consumables	509	600	197	279
Finished goods	747	779	67	100
	1,256	1,379	264	379
Inventory recognised in cost of sales	5,869	5,786	2,272	2,370

### 17. Current tax assets and liabilities

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Income tax receivable	-	1,087	782	-
Income tax payable	(896)	-	-	(125)

The current tax liability represents the amount of income taxes payable in respect of current and prior periods.

# Millennium & Copthome Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 18. Assets held for sale

<i>Dollars in Thousands</i>	Note	Group		Parent	
		2014	2013	2014	2013
First Sponsor Group Limited shares	13 (e)	317	-	317	-
Less provision for impairment		(19)	-	(19)	-
Carrying value		298	-	298	-

Due to the rounding which was part of the approved cancellation and distribution ratios, 245,470 First Sponsor Group Limited shares were left undistributed. The remaining shares were therefore reclassified from investments in associates to assets held for sale with the intention to sell.

The remaining shares were reclassified at equity accounted value of \$317,000. At balance date, the market price of the shares was \$1.21 (SG\$1.25) which converted to \$298,000. As a result a provision of \$19,000 was booked to reflect the impairment.

### 19. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

Group					31 December 2014		31 December 2013	
<i>Dollars in Thousands</i>	Currency	Interest Rate	Maturity	Facility Total	Face Value	Carrying Amount	Face Value	Carrying Amount
					Revolving credit	NZD	4.390%	
Revolving credit	NZD	4.400%			12,500	12,500	12,500	12,500
Revolving credit	NZD	4.430%			10,000	10,000	10,000	10,000
Revolving credit	NZD	3.200%			-	-	3,843	3,843
Revolving credit	NZD	4.390%			17,000	17,000	10,000	10,000
Revolving credit	NZD	3.460%			-	-	5,000	5,000
Revolving credit	NZD	3.540%			-	-	5,000	5,000
Revolving credit	NZD	4.420%			9,500	9,500	22,035	22,035
Overdraft	NZD	4.100%			6,921	6,921	-	-
<b>TOTAL</b>			<b>31 Jan 2017</b>	<b>105,000</b>	<b>68,421</b>	<b>68,421</b>	<b>80,878</b>	<b>80,878</b>
Current					6,921	6,921	-	-
Non-current					61,500	61,500	80,878	80,878

Parent					31 December 2014		31 December 2013	
<i>Dollars in Thousands</i>	Currency	Interest Rate	Maturity	Facility Total	Face Value	Carrying Amount	Face Value	Carrying Amount
					Revolving credit	NZD	4.390%	
Revolving credit	NZD	3.460%			-	-	5,000	5,000
Revolving credit	NZD	3.540%			-	-	5,000	5,000
Revolving credit	NZD	4.420%			9,500	9,500	22,035	22,035
Overdraft	NZD	4.100%			3,572	3,572	-	-
<b>TOTAL</b>			<b>31 Jan 2017</b>	<b>50,000</b>	<b>30,072</b>	<b>30,072</b>	<b>42,035</b>	<b>42,035</b>
Current					3,572	3,572	-	-
Non-current					26,500	26,500	42,035	42,035

#### Terms and debt repayment schedule

The bank loans are secured over hotel properties with a carrying amount of \$275.68 million (2013: \$261.74 million) - refer to note 10. The bank loans have no fixed term of repayment before maturity. The Group and Parent Company facilities mature on 31 January 2017.

### 20. Provisions

<i>Dollars in Thousands</i>	Group		Parent	
	Earthquake provisions	FF&E and Site Restoration	Earthquake provisions	FF&E
Balance at 1 January 2013	2,243	676	2,243	676
Provisions made during the year	-	66	-	66
<b>Balance at 31 December 2013</b>	<b>2,243</b>	<b>742</b>	<b>2,243</b>	<b>742</b>
Non-current	-	742	-	742
Current	2,243	-	2,243	-
Balance at 1 January 2014	2,243	742	2,243	742
Provisions made during the year	-	15	-	15
<b>Balance at 31 December 2014</b>	<b>2,243</b>	<b>757</b>	<b>2,243</b>	<b>757</b>
Non-current	-	-	-	-
Current	2,243	757	2,243	757

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 20. Provisions - continued

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

As at 31 December 2014, the earthquake provisions of \$2.24 million relate to Millennium Hotel Christchurch.

### 21. Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>Dollars In Thousands</i>	Group					
	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Property, plant and equipment	-	-	45,571	46,078	45,571	46,078
Development properties	(1,103)	(1,084)	-	-	(1,103)	(1,084)
Provisions	(2,248)	(1,406)	-	-	(2,248)	(1,406)
Employee benefits	(735)	(657)	-	-	(735)	(657)
Trade and other payables	(472)	(726)	-	-	(472)	(726)
Net investment in foreign operations	-	-	852	1,380	852	1,380
Net tax (assets) / liabilities	(4,558)	(3,873)	46,423	47,458	41,865	43,585

<i>Dollars In Thousands</i>	Parent					
	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Property, plant and equipment	-	-	20,889	21,193	20,889	21,193
Provisions	(693)	(691)	-	-	(693)	(691)
Employee benefits	-	-	-	-	-	-
Trade and other payables	(151)	(295)	-	-	(151)	(295)
Net tax (assets) / liabilities	(844)	(986)	20,889	21,193	20,045	20,207

#### Movement in deferred tax balances during the year

<i>Dollars In Thousands</i>	Group			
	Balance	Recognised in	Recognised in	Balance
	1 Jan 13	income	equity	31 Dec 13
Property, plant and equipment	42,481	(132)	3,729	46,078
Development properties	(1,197)	(86)	199	(1,084)
Provisions	(990)	(452)	36	(1,406)
Employee benefits	(636)	(65)	44	(657)
Trade and other payables	(1,962)	1,235	1	(726)
Net investment in foreign operations	3,475	-	(2,095)	1,380
	41,171	500	1,914	43,585

<i>Dollars In Thousands</i>	Group			
	Balance	Recognised in	Recognised in	Balance
	1 Jan 14	income	equity	31 Dec 14
Property, plant and equipment	46,078	(1,105)	600	45,573
Development properties	(1,084)	(70)	51	(1,103)
Provisions	(1,406)	(904)	60	(2,250)
Employee benefits	(657)	(78)	-	(735)
Trade and other payables	(726)	254	1	(471)
Net investment in foreign operations	1,380	-	(529)	851
	43,585	(1,903)	183	41,865

#### Movement in deferred tax balances during the year

<i>Dollars In Thousands</i>	Parent			
	Balance	Recognised in	Recognised in	Balance
	1 Jan 13	income	equity	31 Dec 13
Property, plant and equipment	20,790	(33)	436	21,193
Provisions	(669)	(22)	-	(691)
Trade and other payables	(1,369)	1,074	-	(295)
	18,752	1,019	436	20,207

<i>Dollars In Thousands</i>	Parent			
	Balance	Recognised in	Recognised in	Balance
	1 Jan 14	income	equity	31 Dec 14
Property, plant and equipment	21,193	(740)	436	20,889
Provisions	(691)	(2)	-	(693)
Trade and other payables	(295)	144	-	(151)
	20,207	(598)	436	20,045

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 22. Trade and other payables

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Trade payables	1,253	1,513	421	674
Insurance settlements received in advance	-	499	-	499
Employee entitlements	2,497	2,256	-	-
Non-trade payables and accrued expenses	17,217	10,216	3,289	1,922
	<b>20,967</b>	<b>14,484</b>	<b>3,710</b>	<b>3,095</b>

### 23. Financial instruments

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

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

#### Liquidity risk

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

#### Credit risk

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

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

At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The maximum exposure to credit risk in Australia is \$1.86 million (2013: \$0.17 million). All other credit risk exposure relates to New Zealand.

#### Market risk

##### (i) Interest rate risk

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

An increase of 1.0% in interest rates would have increased profit before tax for the Group in the current period by \$0.27 million (2013: \$0.10 million reduction), assuming all other variables remained constant. For the Parent this would have increased profit before tax by \$0.16 million (2013: \$0.48 million reduction), assuming all other variables remained constant.

#### Effective interest and re-pricing analysis

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

Group	Note	2014			2013				
		Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less	6 to 12 months
Interest bearing cash & cash equivalents *	14	0.10% to 4.25%	23,955	23,955	-	1.20% to 4.29%	83,155	80,655	2,500
Short term bank deposits *		3.07% to 4.82%	83,572	71,072	12,500	-	-	-	-
Secured bank loans *	19	4.39% to 4.43%	(61,500)	(61,500)	-	3.20% to 3.54%	(80,878)	(80,878)	-
Bank overdrafts *	14,19	4.10%	(6,921)	(6,921)	-	3.00%	(1,131)	(1,131)	-

**Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries**  
**Notes to the Financial Statements for the year ended 31 December 2014**

23. Financial instruments - continued

Effective interest and re-pricing analysis - continued

Parent	Note	2014				2013			
		Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less	6 to 12 months
<i>Dollars In Thousands</i>									
Interest bearing cash & cash equivalents *	14	3.50%	166	166	-	1.20% to 4.29%	22,405	22,405	-
Short term bank deposits *		4.52% to 4.75%	48,500	36,000	12,500	-	-	-	-
Secured bank loans *	19	4.39% to 4.42%	(26,500)	(26,500)	-	3.20% to 3.54%	(42,035)	(42,035)	-
Bank overdrafts	19	4.10%	(3,572)	(3,572)	-	-	-	-	-

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

(ii) Foreign currency risk

The Group owns 61.30% of KIN Holdings Limited and 0.04% (2013: 34.00%) of First Sponsor Group Limited. Substantially all the operations of these subsidiary groups and assets held for sale are denominated in foreign currencies. In the comparative period the asset held for sale was classified as an investment in associate. The foreign currencies giving rise to this risk are Australian Dollars and Singapore Dollars. The Group has determined that the primary risk affects the carrying values of the net investments in its foreign operations with the currency movements being recognised in the foreign currency translation reserves. The Group has not taken any measurements to manage this risk.

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

Capital management

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

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

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

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

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There were no changes in the Group's capital management policies during the year.

Fair values

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

Group	Note	2014		2013	
		Carrying amount	Fair value	Carrying amount	Fair value
<i>Dollars In Thousands</i>					
LOANS AND RECEIVABLES					
Cash and cash equivalents	14	24,022	24,022	82,085	82,085
Short term bank deposits		83,572	83,572	-	-
Trade and other receivables	15	16,849	16,849	13,517	13,517
OTHER LIABILITIES					
Secured bank loans and overdrafts	19	(68,421)	(68,421)	(80,878)	(80,878)
Trade and other payables	22	(20,967)	(20,967)	(14,484)	(14,484)
Trade payables due to related parties	27	(504)	(504)	(537)	(537)
Loans due to related parties	27	-	-	(9,500)	(9,500)
		<b>34,551</b>	<b>34,551</b>	<b>(9,797)</b>	<b>(9,797)</b>
Unrecognised (losses) / gains			-		-

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 23. Financial Instruments - continued

Fair values - continued

Parent	Note	Carrying amount		Fair value	
		2014	2014	2013	2013
<i>Dollars In Thousands</i>					
<b>LOANS AND RECEIVABLES</b>					
Cash and cash equivalents	14	193	193	22,425	22,425
Short term bank deposits		48,500	48,500	-	-
Trade and other receivables	15	4,787	4,787	3,895	3,895
Trade receivables due from related parties	27	4,302	4,302	12,158	12,158
Loans due from related parties	27	3,900	3,900	88,802	88,802
<b>OTHER LIABILITIES</b>					
Secured bank loans and overdrafts	19	(30,072)	(30,072)	(42,035)	(42,035)
Trade and other payables	22	(3,710)	(3,710)	(3,095)	(3,095)
Trade payables due to related parties	27	(504)	(504)	(537)	(537)
Loans due to related parties	27	-	-	(9,500)	(9,500)
		<b>27,396</b>	<b>27,396</b>	<b>72,113</b>	<b>72,113</b>
Unrecognised (losses) / gains		-	-	-	-

#### Estimation of fair values

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

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

### 24. Operating leases

#### Leases as lessee

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

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Less than one year	972	977	94	94
Between one and five years	3,665	3,425	376	376
More than five years	1,711	3,040	2	564
	<b>6,348</b>	<b>7,442</b>	<b>472</b>	<b>1,034</b>

The Group leases a number of hotels and motor vehicles under operating leases. The hotel leases typically run for a period of years, with an option to renew the lease after that date. Lease payments are increased regularly to reflect market rentals. Typically these leases include a base rent plus a performance related element which becomes payable if revenue exceeds a specified level.

During the year ended 31 December 2014, \$2.14 million was recognised as an expense in the income statement in respect of operating leases (2013: \$1.99 million). Operating lease expenses for the Parent were \$0.09 million in 2014 (2013: \$0.09 million).

### 25. Capital commitments

As at 31 December 2014, the Group had entered into contractual commitments for capital expenditure (\$1.91 million) and development expenditure (\$20.07 million) totalling \$21.98 million (2013: \$5.99 million capital expenditure and \$17.50 million development expenditure).

As at 31 December 2014, the Parent had entered into contractual commitments for capital expenditure totalling \$1.60 million (2013: \$1.08 million).

### 26. Related parties

#### Identity of related parties

The Group has a related party relationship with its parent, subsidiaries (see note 27), associates and with its directors and executive officers.

#### Transactions with key management personnel

Directors of the Company and their immediate relatives control 0.71% (2013: 0.71%) of the voting shares of the Company. Loans to directors for the year ended 31 December 2014 amounted to \$nil (2013: \$nil). Key management personnel include the Board and the Executive Team.

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 26. Related parties - continued

#### Total remuneration for key management personnel

<i>Dollars In Thousands</i>	Group		Parent	
	2014	2013	2014	2013
Non-executive directors	265	269	116	116
Executive director	535	546	535	546
Executive officers	703	588	703	588
	<b>1,503</b>	<b>1,403</b>	<b>1,354</b>	<b>1,250</b>

Non-executive directors receive director's fees only. Executive director and executive officers receive short-term employee benefits which include a base salary and an incentive plan. They do not receive remuneration or any other benefits as a director of the Parent Company or its subsidiaries. Directors' fees are included in "administration expenses" (see note 3) and remuneration for executive director and executive officers are included in "personnel expenses" (see note 4).

### 27. Group entities

#### Control of the Group

Millennium & Copthorne Hotels New Zealand Limited is a 75.20% (2013: 70.22%) owned subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Ltd in Singapore.

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

<i>Dollars In Thousands</i>	Nature of balance	Group	
		2014	2013
<b>Trade payables due to related parties</b>			
Millennium & Copthorne Hotels plc	Recharge of expenses	(504)	(535)
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	-	(2)
		<b>(504)</b>	<b>(537)</b>
<b>Loans due to related parties</b>			
CDL Hotels Holdings New Zealand Limited	Inter-company loan	-	(9,500)
		<b>-</b>	<b>(9,500)</b>

No debts with related parties were written off or forgiven during the year. No interest was charged on these advances during 2014 and 2013. There are no set repayment terms. During this period costs amounting to \$250,000 (2013: \$250,000) have been recorded in the income statement in respect of fees payable to Millennium & Copthorne International Limited for the provision of management and marketing support.

The loan due to CDL Hotels Holdings New Zealand Limited was repaid on 17 March 2014. The interest rates were fixed and range between 2.50% and 3.06% (2013: 3.14%).

During the year consulting fees of \$41,000 (2013: \$49,000) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder and director.

#### Parent

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

<i>Dollars In Thousands</i>	Nature of balance	Parent	
		2014	2013
<b>Trade receivables due from related parties</b>			
Context Securities Ltd	Prepaid expenses	3,412	3,516
MCHNZ Investments Ltd	Inter-company account	-	7,991
Quantum Ltd	Management fees	890	651
		<b>4,302</b>	<b>12,158</b>
<b>Loans receivable due from related parties</b>			
Context Securities Limited	Inter-company loan	3,900	4,600
MCHNZ Investments Ltd	Inter-company loan	-	84,202
		<b>3,900</b>	<b>88,802</b>
<b>Trade payables due to related parties</b>			
Millennium & Copthorne Hotels plc	Recharge of expenses	(504)	(535)
CDL Hotels Holdings New Zealand Ltd	Recharge of expenses	-	(2)
		<b>(504)</b>	<b>(537)</b>
<b>Loans due to related parties</b>			
CDL Hotels Holdings New Zealand Ltd	Inter-company loan	-	(9,500)
		<b>-</b>	<b>(9,500)</b>

At balance date, there were interest bearing unsecured inter-company advances owing from Context Securities Limited of \$3.90 million (2013: \$4.60 million). The loan to MCHNZ Investments Limited of \$84.20 million was repaid on 21 March 2014. Net interest on advances of \$210,000 (2013: \$205,000) was charged to Context Securities Limited during the year and \$0.76 million (2013: \$2.23 million) was charged to MCHNZ Investments up to repayment date. The average interest rate charged during the year to Context Securities Limited was 4.97% (2013: 4.40%) and for MCHNZ Investments Limited it was 4.12% (2013: 4.10%). Both loans are repayable on demand.

The loan due to CDL Hotels Holdings New Zealand Limited was repaid on 17 March 2014. The interest rates were fixed and range between 2.50% and 3.06% (2013: 3.14%).



# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 27. Group entities - continued

No debts with related parties were written off or forgiven during the year. No interest was charged on trade receivables and trade payable balances during 2013 and 2014.

During the year dividend income of \$3.69 million (2013: \$3.05 million) was received from CDL Investments New Zealand Limited. The dividends received from CDL Investments New Zealand Limited were taken in cash in the current period (2013: 5,213,206 shares issued at \$0.5854 per share under the Dividend Reinvestment Plan.)

Management fees of \$845,000 (2013: \$799,000) were charged to Quantum Limited during the year.

#### Associate companies

The associate companies included in the financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2014 are:

	Principal Activity	Principal Place of Business	Holding % by CDL Land New Zealand Limited 2014	Holding % by CDL Land New Zealand Limited 2013
Prestons Road Limited	Service provider	NZ	33.33	33.33

Prestons Road Limited has a 31 March balance date. No adjustment is made for the difference in balance date of Prestons Road Limited, because it has no revenue or profits to report.

#### Subsidiary companies

The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2014 are:

	Principal Activity	Principal Place of Business	Group Holding % 2014	Group Holding % 2013
Context Securities Limited	Investment Holding	NZ	100.00	100.00
MCHNZ Investments Limited (amalgamated with the Parent)	Investment Holding	NZ	n/a	100.00
Millennium & Copthorne Hotels Limited	Dormant	NZ	100.00	100.00
All Seasons Hotels & Resorts Limited	Dormant	NZ	100.00	100.00
Copthorne Hotel & Resort Bay of Islands Joint Venture	Hotel Operations	NZ	49.00	49.00
<b>Quantum Limited</b>	Holding Company	NZ	100.00	70.00
100% owned subsidiaries of Quantum Limited are:				
QINZ Holdings (New Zealand) Limited	Holding Company	NZ		
Kingsgate Hotels and Resorts Limited	Dormant/Franchise Holder	NZ		
Hospitality Group Limited	Holding Company	NZ		
100% owned subsidiaries of Hospitality Group Limited are:				
Hospitality Leases Limited	Lessee Company/Hotel Operations	NZ		
QINZ Anzac Avenue Limited	Hotel Owner	NZ		
Hospitality Services Limited	Hotel Operations/Franchise Holder	NZ		
<b>CDL Investments New Zealand Limited</b>	Holding Company	NZ	67.06	67.25
100% owned subsidiaries of CDL Investments New Zealand Limited are:				
CDL Land New Zealand Limited	Property Investment and Development	NZ		
<b>KIN Holdings Limited</b>	Holding Company	NZ	61.30	61.30
100% owned subsidiaries of KIN Holdings Limited are:				
Kingsgate International Corporation Limited	Holding Company	NZ		
Kingsgate Holdings Pty Limited	Holding Company	Australia		
Kingsgate Investments Pty Limited	Residential Apartment Developer	Australia		
Kingsgate International Pty Limited (de-registered 9/10/13)	Dormant	Australia		
Kingsgate Hotels Pty Limited	Dormant	Australia		
Birkenhead Holdings Pty Limited	Holding Company	Australia		
Birkenhead Investments Pty Limited	Dormant	Australia		
Hotelcorp New Zealand Limited	Holding Company	Australia		

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

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

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Notes to the Financial Statements for the year ended 31 December 2014

### 27. Group entities - continued

On 21 March 2014, MCHNZ Investments Limited (100% owned subsidiary of the Company) amalgamated with the Company.

On 30 November 2014, the Company acquired the 30% interest it did not already own in Quantum Limited from Te Tumu Paeroa for a cash consideration of \$14.25 million. The Group recognised an increase in revenue reserves of \$8.77 million and a decrease in non-controlling interests of \$23.02 million. The effects of the acquisition on the equity attributable to the owners of the Company are as follow:

<i>Dollars In Thousands</i>	<b>Assets and Liabilities</b>
Company's ownership interest at 1 January 2014	53,086
Effect of increase in Company's ownership interest	23,025
Share of comprehensive income	691
Company's ownership interest at 31 December 2014	76,802

### 28. Accounting estimates and judgements

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

#### Critical accounting judgements in applying the Group's accounting policies

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

#### Property, plant and equipment

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

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

The Group has two remaining properties affected by the Christchurch earthquakes. In assessing the property for impairment the following assumptions were made:

- The adequacy of the insurance cover for material damage which will cover the cost of all necessary repairs or replacement properties.
- The length of the insurance period during which the Group is covered for business interruption for the properties.
- The land underlying the properties is not affected by liquefaction or other geological issues which prevent repairs or reinstatement of the properties.

#### Development property

The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is \$147.39 million (2013: \$139.21 million) while the fair value determined by independent valuers is \$270.83 million (2013: \$248.98 million).

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

#### Goodwill

The carrying value of goodwill is tested annually for impairment. This assessment generally requires management to estimate future cash flows to be generated by cash generating units to which the goodwill is allocated. Estimating future cash flows entails making judgements on expected occupancy rates and average room rates, growth in revenue and costs and an appropriate discount rate to apply when discounting cash flows.

### 29. Subsequent event and commitment

As announced on 24 December 2014, the Company has entered into a conditional agreement with the Tai Tak Group to acquire the remaining 38.70% of the shares in KIN Holdings Limited for \$31.00 million. This acquisition is subject to approval by the Australian Foreign Investment Review Board ("FIRB"). The approval from FIRB was received on 6 February 2015 with the acquisition to be settled at the end of February 2015. This transaction is considered a non-adjusting event at balance date.



## Independent auditor's report

### **To the shareholders of Millennium & Copthorne Hotels New Zealand Limited**

#### **Report on the company and group financial statements**

We have audited the accompanying financial statements of Millennium & Copthorne Hotels New Zealand Limited ("the company") and the group, comprising the company and its subsidiaries, on pages FIN 1 to FIN 34. The financial statements comprise the statements of financial position as at 31 December 2014, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

#### *Directors' responsibility for the company and group financial statements*

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Our firm has also provided other services to the company and group in relation to taxation and advisory and general accounting services. Subject to certain restrictions, 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 auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

### *Opinion*

In our opinion the financial statements on pages FIN 1 to FIN 34:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company and the group as at 31 December 2014 and of the financial performance and cash flows of the company and the group for the year then ended.

### **Report on other legal and regulatory requirements**

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Millennium & Copthorne Hotels New Zealand Limited as far as appears from our examination of those records.

10 February 2015  
Auckland

# CHAIRMAN'S REVIEW

## Financial Performance & Financial Position

Millennium & Copthorne Hotels New Zealand Limited ("MCK") has reported a profit attributable to owners of the parent of \$30.2 million (2013: \$27.1 million) for the year ended 31 December 2014. MCK's revenue and other income for the year increased to \$148.2 million (2013: \$123.4 million).

MCK's profit before tax and non-controlling interests was \$45.0 million (2013: \$41.1 million). The key contributors to profit were CDL Investments New Zealand Limited's (CDLI) land development and sales operations, the company's core New Zealand hotels businesses, and a one-off gain of \$17.6 million resulting from the distribution of the Company's shareholding in First Sponsor Group Limited (FSGL) during the year. There was also an additional cost of \$2.1 million as a result of accelerated depreciation in respect of Copthorne Hotel Auckland Harbourcity.

Shareholders' funds excluding non-controlling interests as at 31 December 2014 totalled \$371.4 million (2013: \$466.4 million). This reduction came about as a result of the capital reduction undertaken as part of the distribution in specie in relation to the exit from FSGL and which is outlined in more detail below. Part of the reduction was offset by the issue of \$111.2 million worth of non-voting redeemable preference shares (RPSs) in March 2014 which allowed the Company to strengthen its balance sheet ahead of the capital reduction.

Also reflecting the distribution of the stake in FSGL but not any diminution of value of MCK's core assets, total assets at 31 December 2014 were \$585.4 million (2013: \$719.2 million).

Net asset backing (with land and building revaluations and before distributions) as at 31 December 2014 has increased significantly to 234.6 cents per share reflecting, inter alia, the impact of the share cancellation which occurred in the latter part of July 2014. (2013: 133.4 cents per share, based on the share capital as at 31 December 2013).

## New Zealand Hotel Operations

The past twelve months have seen average room rates and gross operating profits rise as key properties undertook initiatives to drive revenue and margins and completed refurbishment works in the company's property enhancement plans. Revenue for the operating hotels increased by 6.6% to \$83.1 million (2013: \$78.0 million) and revenue per available room (REVPAR) increased by 13.3% over 2013. Occupancy also increased to 73.7% in 2014 (2013: 67.7%). Our hotels in Auckland and Queenstown in particular performed well. MCK's market development investment in emerging countries notably China continues to contribute to the group's hotels performance.

Recent statistics show that the number of overseas visitors continues to increase, notably from China and the United States. With new and increased air services from Asia and a renewed appetite for travel from key markets, we expect current demand patterns to continue over the short term.

Preparatory works such as applications for resource consents for the refurbishment of Copthorne Hotel Auckland Harbourcity are underway and we anticipate being in a position to commence site works at some point in the second half of 2015. The project will involve a complete refit of the building, internal and external services and completely new rooms. Further details of the refurbished hotel will be provided in 2015 once final designs and scope have been determined.

## Acquisition of remaining shares in Quantum Limited:

As previously stated, on 10 July 2014, MCK announced that it had entered into a conditional agreement with Te Maori Lodges Limited, a subsidiary of the Maori Trustee, for the acquisition of the 30% interest in Quantum Limited which it does not already own.

Quantum Limited is the principal operating subsidiary of MCK and owns or leases seven hotels including Millennium Hotel Queenstown, Copthorne Hotel Rotorua and Kingsgate Hotel Dunedin. Completion of the agreement will result in MCK taking ownership of these hotels through wholly owned subsidiaries.

Completion of the purchase was subject to approval by the Overseas Investment Office and this approval was received in November 2014 with completion taking place on 28 November. The financial impact of the acquisition has been recognized in the second half of 2014 and has added 5.5 cents per share to MCK's net asset backing. From a practical point of view, this means that save for its leased and unit title properties, MCK now owns its hotel assets outright.

We would like to again acknowledge and thank the Maori Trustee, Te Tumu Paeroa for their support of Quantum Limited and its operations over the past two decades.

## Canterbury Update

No resolution has yet been reached between the landlord of Millennium Hotel Christchurch and the insurers on the repair or rebuild of this hotel. MCK will update shareholders and the wider market if there are any further developments.

The acquisition designation on Copthorne Hotel Christchurch Central was lifted by the Canterbury Earthquake Recovery Authority in the first half of 2014 and, as stated previously, MCK will look at future plans for the site at an appropriate time in the near future.

## CDL Investments New Zealand Limited (“CDLI”)

CDLI continued to perform strongly and announced another increased operating profit after tax for the year ended 31 December 2014 of \$14.7 million (2013: \$13.4 million) and reported an increase in its section sales from 202 in 2013 to 248 in 2014 reflecting continuing positive market conditions across CDLI's portfolio.

CDLI increased its ordinary dividend to 2.2 cents per share from 2.0 cents per share in 2013. MCHNZ's stake in CDLI reduced slightly to 67.06% as a result of MCK taking its dividend in cash and not shares.

## Offshore Operations – Australia & China

In Australia, short term leasing of the units at the Zenith Residences continued during the year with occupancy of over 95% recorded. No sales of the owned units were made in 2014.

On 24 December, MCK announced that it had entered into a conditional agreement with the Tai Tak Group (Tai Tak) for the acquisition of the remaining 38.7% of the shares in KIN Holdings Limited (KIN Holdings) which MCK did not already own. KIN Holdings is the holding company for MCK's Australian operations and assets, which include the residential units at the Zenith Residences in Sydney and a sales office. The price agreed for the acquisition of the shares was NZ\$ 31 million in cash, which is subject to adjustment in relation to working capital. MCK has now obtained approval from the Australian Foreign Investment Review Board (FIRB) and this transaction is expected to settle on the last business day of February 2015. MCK also applied for, and was granted, a waiver from the requirement under Rule 9.2.1 of the NZX Main Board Listing Rules to obtain the prior approval of MCK shareholders in relation to the acquisition of the remaining KIN Holdings shares. This transaction ends a long established association in Australia that started in the early 1990s with the Tai Tak Group, a Singaporean family-owned private investment group. KIN Holdings and its subsidiaries, which included the formerly listed Kingsgate International Corporation Limited, owned and developed a number of residential and commercial mixed-used developments and other assets in Sydney such as the Birkenhead Point Marina development in Drummoyne and Kingsgate Shopping Centre in Potts Point. MCK and the Tai Tak Group have been long term investors together in Australia and more recently in China and the Board has greatly appreciated their input. MCK appreciates that Tai Tak's investment focus has shifted to other directions and we thank them for their unqualified support over the years.

MCK's reasons for the acquisition are straightforward. The Zenith Residences are a valuable property asset for MCK and the wider group and we have confidence in the residential property market in Sydney and regional sales data over recent months supports this view. The acquisition will allow MCK to manage this asset independently and confirms its intention to invest in strategic assets in Australia.

The financial impact of the acquisition will be recognized in 2015 as the acquisition is yet to be completed.

2014 also saw MCK exit its seven-year investment in its associate company First Sponsor Group Limited (FSGL). In June, MCK shareholders were sent information relating to a scheme of arrangement under which the company undertook a distribution *in specie* of its shareholding in First Sponsor Group Limited (FSGL) by way of a capital reduction. Shareholders were also sent a copy of FSGL's preliminary prospectus. At a special meeting held on 19 June, ordinary and preference shareholders voted to approve the proposed scheme which took effect on 17 July following final orders from the High Court received on 10 July.

Under the scheme, for every 1000 ordinary or preference shares held by shareholders, 698 shares were cancelled and shareholders received 327 FSGL shares. To arrive at the cancellation ratio, MCK used a volume-weighted average price of 68 cents per MCK share (ordinary or preference), an exchange rate of NZ\$1.00 / S\$1.07 and has assumed a price for each FSGL share of S\$1.55 (being the mid point of the price range set out in the FSGL preliminary prospectus).

On 22 July, FSGL completed its Initial Public Offering of shares and listed on the Singapore Exchange. MCK Shareholders were given the option of using a block sale facility to sell their FSGL shares or have them transferred to an NZX or ASX broker account or a Singaporean CDP account or sub-account. Shareholders could also elect to hold their shares and receive share certificates. The block sale facility was operated by Trustees Executors and ran for a six week period. Shareholders who participated in the block sale facility received their sale proceeds in September.

Due to rounding, the Company retained a small shareholding in FSGL after completion of the scheme. The Company agreed not to sell or deal with these shares for a minimum period of six months from the listing date but will look to dispose of this non-core shareholding at some stage at an appropriate time.

In 2014, MCK recognized a total loss contribution of \$0.37 million for the period to 22 July 2014 (2013 full year: \$9.75 million) from FSGL in its accounts. This reflected the fact that FSGL's trading results during the period up until 22

July 2014 were a loss of SG\$0.78 million which included a loss of SG\$12.42 million for the six month period to 30 June 2014 (2013 full year: SG\$29.4 million profit from First Sponsor Capital Limited). That said, on completion of the scheme, MCK's net asset value as at 31 December 2014 has increased from 133.4 cents per share at the same time in 2013 to 234.6 cents per share.

### Dividend Announcement

MCK has resolved to pay a fully imputed ordinary dividend of 2.4 cents per share (2013: 1.2 cents per ordinary share). The dividend will be paid on 15 May 2015. The record date will be 8 May 2015.

Taking into account the return of capital by way of distribution in specie which was undertaken in July 2014 as well as the dividend which has been declared for the 2014 financial year, shareholders will have made a 21% gain on their shareholding (\$139.60 in monetary terms on every 1000 shares [at \$0.68 per share]) in the period from May 2014 to May 2015 on their shareholding. This is calculated on the current value of FSGL's and MCK's ordinary shares (being NZ\$1.21 per share and NZ\$1.34 respectively at 3 February 2015) assuming that shareholders chose to hold both their FSGL and MCK ordinary shares.

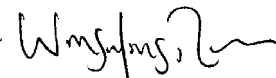
### Outlook

2015 will represent a new start and a chance to reevaluate MCK's strategic priorities over the next two to three years. With the acquisition of its interests in Quantum Limited and KIN Holdings Limited, to be settled at the end of this month, MCK will be able to review and simplify its operating structures. The property improvements made in our three Queenstown hotels, Copthorne Hotel and Resort Bay of Islands and the successful conversion of the Kingsgate Hotel Palmerston North to a Copthorne-branded hotel will contribute to future growth. The refurbishment of Copthorne Hotel Auckland Harbourcity will also give MCK a landmark property and will also allow MCK to reposition and rebrand this important hotel. Management will also look at sustaining increases in revenue and profit that have been seen in 2014. The Board is therefore positive about MCK's prospects for the medium term.

New Zealand's economic indicators are pointing to growth over the next few years. MCK must therefore ensure that it can take full advantage of increased tourism and business activity in all areas of its operations.

### Management and staff

On behalf of my fellow directors, I would like to thank the Company's management and staff for their work and dedication during 2014, a year of unique challenges and consolidation for MCK.



**Wong Hong Ren**  
Chairman  
10 February 2015

## MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND REPORTS INCREASED 2014 PROFIT AND DIVIDEND

Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) today reported its preliminary results for the year ended 31 December 2014 and announced a profit after tax and non-controlling interests of \$30.2 million (2013: \$27.1 million) on total revenue and other income of \$ 148.2 million (2013: \$ 123.4 million).

As well as an increased profit result, MCK also announced an increase in its fully imputed dividend from 1.2 cents per share for the 2013 financial year to 2.4 cents per share for 2014. The dividend will be paid to shareholders on 15 May 2015. The record date will be 8 May 2015.

The results capped off what Chairman H R Wong described as a “year of unique challenges and consolidation for the Company”. MCK’s challenges included raising over \$110 million worth of new capital before undertaking a return of capital in the form of an in specie distribution of First Sponsor Group Limited shares to MCK’s shareholders in July 2014.

MCK’s core operations in hotels and property development saw improved results with the land development unit (through NZX-listed CDL Investments New Zealand Limited) contributing to MCK’s overall profit through increased section sales and resulting profits. MCK’s core New Zealand hotel operations also saw improvements in revenue with an increase of 6.6% percent and occupancy increasing to 73.7%.

During 2014, MCK consolidated its operations in New Zealand and in Australia. In November, it completed the acquisition of the 30 percent interest in an operating subsidiary it did not already own from the Maori Trustee which means that it now owns outright its freehold hotel interests in New Zealand and in late December it announced that it had entered into an agreement to acquire the minority stake in an operating subsidiary which deals with its Australian operations from the Singaporean-based Tai Tak Group. MCK announced yesterday that this transaction will settle at the end of February 2015.

MCK also announced that preliminary works for the refurbishment of its key Auckland hotel Copthorne Hotel Auckland Harbourcity had commenced and that it was anticipated that site works would commence at some stage in the second half of this year.

Mr. Wong noted that property improvements and refurbishments had and would contribute to future growth. With management looking to sustain increases in revenue and profit, he said that the Board was positive about MCK’s medium-term future prospects.

### **Summary of results:**

• Profit after tax and non-controlling interests	\$30.2 million	(2013: \$27.1 m)
• Profit before tax and non-controlling interests	\$45.0 million	(2013: \$41.1 m)
• Group revenue and other income	\$148.2 million	(2013: \$123.4 m)
• Shareholders’ funds excluding non-controlling interests	\$371.4 million	(2013: \$466.4 m)
• Total assets	\$585.4 million	(2013: \$719.2m)

### **ENDS**

Issued by Millennium & Copthorne Hotels New Zealand Limited

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