

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Income Statement

For the year ended 31 December 2015

DOLLARS IN THOUSANDS		<u>Group</u>	<u>Group</u>
	Note	2015	2014
Hotel revenue		86,094	83,086
Rental income		2,848	2,818
Property sales		47,599	44,160
Revenue		136,541	130,064
Cost of sales		(58,465)	(58,377)
Gross profit		78,076	71,687
Other income	2	-	18,138
Administration expenses	3	(20,602)	(26,645)
Other operating expenses	3	(17,592)	(18,799)
Operating profit		39,882	44,381
Finance income	5	3,406	4,236
Finance costs	5	(3,271)	(3,245)
Net finance income		135	991
Share of profit/(loss) of associate	13	-	(370)
Profit before income tax		40,017	45,002
Income tax expense	6	(11,645)	(9,422)
Profit for the year		28,372	35,580
Attributable to:			
Owners of the parent		21,670	30,191
Non-controlling interests		6,702	5,389
Profit for the year		28,372	35,580
Basic earnings per share (cents)	9	13.70	9.54
Diluted earnings per share (cents)	9	13.70	9.54

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

DOLLARS IN THOUSANDS		<u>Group</u>	<u>Group</u>
	Note	2015	2014
Profit for the year		28,372	35,580
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation/impairment of property, plant and equipment	10	3,255	17,793
- Tax expense on revaluation/impairment of property, plant and equipment	6, 21	(817)	(600)
		2,438	17,193
Items that are or may be reclassified to profit or loss			
Foreign exchange translation movements	5	1,532	(6,727)
- Tax credit on foreign exchange translation movements	5, 6	25	417
Share of post-acquisition reserves in associate	13	-	(933)
		1,557	(7,243)
Total comprehensive income for the year		32,367	45,530
Total comprehensive income for the year attributable to:			
Owners of the parent		25,858	39,766
Non-controlling interests		6,509	5,764
Total comprehensive income for the year		32,367	45,530

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Group

Attributable to equity holders of the Group

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2015	383,266	94,110	(4,116)	(101,874)	(26)	371,360	78,347	449,707
Movement in exchange translation reserve, net of tax	-	-	1,750	-	-	1,750	(193)	1,557
Revaluation/impairment of property, plant & equipment, net of tax	-	2,438	-	-	-	2,438	-	2,438
Share of post-acquisition reserves in associate	-	-	-	-	-	-	-	-
Total other comprehensive income/(loss)	-	2,438	1,750	-	-	4,188	(193)	3,995
Profit for the year	-	-	-	21,670	-	21,670	6,702	28,372
Total comprehensive income for the year	-	2,438	1,750	21,670	-	25,858	6,509	32,367
Transactions with owners, recorded directly in equity:								
Movement in fair value on assets held for sale	-	-	-	1	-	1	-	1
Dividends paid to:								
Owners of the parent	-	-	-	(3,797)	-	(3,797)	-	(3,797)
Non-controlling interests	-	-	-	-	-	-	(2,820)	(2,820)
Supplementary dividends	-	-	-	(109)	-	(109)	-	(109)
Foreign investment tax credits	-	-	-	109	-	109	-	109
Movement in non-controlling interests without a change in control	-	-	-	(4,129)	-	(4,129)	(26,484)	(30,613)
Balance at 31 December 2015	383,266	96,548	(2,366)	(88,129)	(26)	389,293	55,552	444,845

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Group

Attributable to equity holders of the Group

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Non-controlling Interests	Total Equity
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	-	15,802	(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)
Balance at 31 December 2014	383,266	94,110	(4,116)	(101,874)	(26)	371,360	78,347	449,707

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Financial Position

As at 31 December 2015

		<u>Group</u>	<u>Group</u>
DOLLARS IN THOUSANDS	Note	2015	2014
SHAREHOLDERS' EQUITY			
Issued capital	8	383,266	383,266
Reserves		6,053	(11,880)
Treasury stock	8	(26)	(26)
Equity attributable to owners of the parent		389,293	371,360
Non-controlling interests		55,552	78,347
Total equity		444,845	449,707
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment	10	316,634	309,148
Development properties	11	140,637	122,738
Intangible assets	12	2,823	2,823
Investment in associates	13	2	2
Total non-current assets		460,096	434,711
CURRENT ASSETS			
Cash and cash equivalents	14	14,021	24,022
Short term bank deposits		59,955	83,572
Trade and other receivables	15	16,131	16,849
Trade receivables due from related parties	25	27	-
Inventories		1,252	1,256
Development properties	11	38,247	24,652
Assets held for sale	16	319	298
Total current assets		129,952	150,649
Total assets		590,048	585,360
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	72,500	61,500
Provision for deferred taxation	19	42,881	41,865
Total non-current liabilities		115,381	103,365
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	27	6,921
Trade and other payables	20	20,571	20,967
Trade payables due to related parties	25	667	504
Loans due to related parties	25	3,800	-
Provisions	18	3,000	3,000
Income tax payable		1,757	896
Total current liabilities		29,822	32,288
Total liabilities		145,203	135,653
NET ASSETS		444,845	449,707

For and on behalf of the Board



R BOBB, DIRECTOR, 19 February 2016



BK CHIU, MANAGING DIRECTOR, 19 February 2016

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

		<u>Group</u>	<u>Group</u>
DOLLARS IN THOUSANDS	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		137,611	127,497
Receipts from insurers		-	57
Interest received		3,100	4,127
Dividends received	5	3	2
Cash was applied to:			
Payments to suppliers and employees		(112,372)	(95,018)
Purchase of development land		(8,697)	(4,522)
Interest paid		(3,353)	(2,428)
Income tax paid		(10,563)	(9,349)
Net cash inflow from operating activities		5,729	20,366
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was (applied to)/provided from:			
Proceeds from the sale of property, plant and equipment		20	-
Return of surplus capital from associate	13	-	4,309
Purchase of property, plant and equipment	10	(10,926)	(6,691)
Purchase of investments in subsidiaries		(31,000)	(14,250)
Purchase of investment in associate	13	-	(58,510)
Investments in short term bank deposits		23,617	(83,572)
Net cash outflow from investing activities		(18,289)	(158,714)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was (applied to)/provided from:			
Repayment of borrowings	17	(11,894)	(138,378)
Drawdown of borrowings	17	16,000	125,921
Loans advanced from parent company	25	3,800	-
Repayment of loan from parent company		-	(9,500)
Proceeds from the issuance of new shares net of issuance costs	8	-	111,231
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	8	(3,797)	(6,287)
Dividends paid to non-controlling shareholders		(2,820)	(2,473)
Net cash inflow from financing activities		1,289	80,514
Net decrease in cash and cash equivalents		(11,271)	(57,834)
Add opening cash and cash equivalents		24,022	82,085
Exchange rate adjustment		1,270	(229)
Closing cash and cash equivalents	14	14,021	24,022

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2015

DOLLARS IN THOUSANDS	Note	Group 2015	Group 2014
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		28,372	35,580
Adjusted for non-cash items:			
Gain on distribution in specie	2	-	(17,643)
Gain on sale of property, plant and equipment	3	(58)	(209)
Depreciation	10	6,662	9,051
Unrealised foreign exchange losses		71	722
Share of loss/(profit) of associate	13	-	370
Income tax expense	6	11,645	9,422
		46,692	37,293
Adjustments for movements in working capital:			
(Increase)/decrease in trade & other receivables		789	(3,112)
Decrease in inventories		4	123
Increase in development properties		(30,933)	(10,332)
Increase/(decrease) in trade & other payables		2,791	8,299
(Decrease)/increase in related parties		127	(33)
Cash generated from operations		19,470	32,238
Interest expense	5	(3,178)	(2,523)
Income tax paid		(10,563)	(9,349)
Cash inflows from operating activities		5,729	20,366

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

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 Financial Markets Conduct Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The financial statements of the Company for the year ended 31 December 2015 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; and development and sale of residential units in Australia.

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) as appropriate for 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") came into force and replaced the Financial Reporting Act 1993. This is effective for all for-profit entities with reporting periods beginning on or after 1 April 2014 and this became effective for the Group's 31 December 2015 year end. The change in legislation has no material impact on the Group's obligation to prepare general purpose financial statements. The Group is subject to the Financial Markets Conduct Act 2013.

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 the Group continues to apply NZ IFRS as applicable for Tier 1 for-profit entities. This has no material impact on the preparation and disclosures included in the financial statements.

The financial statements were authorised for issuance on 19 February 2016.

(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 26 - 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

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

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 (u).

(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

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

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) 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.

(j) 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 (n)).

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

The estimated useful lives utilised are as follows:

Leasehold interests	10 - 27 years
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(k) Cash and cash equivalents

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

Significant accounting policies - continued

(l) Trade and other receivables

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

(m) Inventories

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

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

(n) Impairment

The carrying amounts of the Group's assets other than development properties (see accounting policy (i)), inventories (see accounting policy (m)) and deferred tax assets (see accounting policy (v)), are reviewed at each balance 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.

(o) 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.

(p) Employee long-term service benefits

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

(q) Provisions

A provision is recognised in the 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.

(r) Trade and other payables

Trade and other payables are stated at cost.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

Significant accounting policies - continued

(s) Share capital

Repurchase of share capital

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

Dividends

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

(t) Revenue

Revenue represents amounts derived from:

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

(u) Expenses

Operating lease payments

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

Finance lease payments

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

Finance income and expenses

Finance income comprises interest income on funds invested, dividend income and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in 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.

(v) Income tax

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

Significant accounting policies - continued

(w) 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.

(x) 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 2015, and have not been applied in preparing these financial statements.

- *NZ IFRS 9 - Financial Instruments (effective after 1 January 2018)*
- *NZ IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2018)*
- *IFRS 16 - Leases (effective 1 January 2019)*

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

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Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

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 (up to July 2014).

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.

Operating segments

	Hotel Operations		Residential Land Development		Residential & Commercial Property Development		Group	
	2015	2014	2015	2014	2015	2014	2015	2014
<i>Dollars In Thousands</i>								
External revenue	86,094	83,086	47,599	44,160	2,848	2,818	136,541	130,064
Finance income	2,105	2,126	852	1,358	449	752	3,406	4,236
Finance expense	(3,266)	(1,225)	-	(12)	(5)	(2,008)	(3,271)	(3,245)
Depreciation and amortisation	(6,649)	(9,034)	(2)	(1)	(11)	(16)	(6,662)	(9,051)
Segment profit/(loss) before income tax	14,766	11,046	24,159	20,537	1,092	13,789	40,017	45,372
Share of (loss)/profit of associates	-	-	-	-	-	(370)	-	(370)
Profit before income tax	14,766	11,046	24,159	20,537	1,092	13,419	40,017	45,002
Income tax (expense)/credit	(4,604)	(4,346)	(6,686)	(5,827)	(355)	751	(11,645)	(9,422)
Other material/non-cash items:								
Business Interruption insurance income	-	495	-	-	-	-	-	495
Gain on distribution in specie	-	-	-	-	-	17,643	-	17,643
Segment assets	385,370	380,568	142,678	130,467	61,998	74,323	590,046	585,358
Tax assets	-	-	-	-	-	-	-	-
Investment in associates	-	-	2	2	-	-	2	2
Total assets	385,370	380,568	142,680	130,469	61,998	74,323	590,048	585,360
Segment liabilities	(92,853)	(84,867)	(234)	(240)	(7,478)	(7,785)	(100,565)	(92,892)
Tax liabilities	(44,691)	(43,154)	(2,157)	(1,740)	2,210	2,133	(44,638)	(42,761)
Total liabilities	(137,544)	(128,021)	(2,391)	(1,980)	(5,268)	(5,652)	(145,203)	(135,653)
Capital expenditure	10,917	6,685	1	3	8	3	10,926	6,691

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

1. Segment reporting - continued Geographical areas

<i>Dollars In Thousands</i>	New Zealand		Australia		Asia		Group	
	2015	2014	2015	2014	2015	2014	2015	2014
External revenue	133,693	127,246	2,848	2,818	-	-	136,541	130,064
Finance income	3,000	3,546	406	690	-	-	3,406	4,236
Finance expense	(3,266)	(3,241)	(5)	(4)	-	-	(3,271)	(3,245)
Depreciation and amortisation	(6,651)	(9,035)	(11)	(16)	-	-	(6,662)	(9,051)
Segment profit/(loss) before income tax	40,173	47,517	(156)	(2,145)	-	-	40,017	45,372
Share of (loss)/profit of associates	-	-	-	-	-	(370)	-	(370)
Profit before income tax	40,173	47,517	(156)	(2,145)	-	(370)	40,017	45,002
Income tax (expense)/credit	(11,402)	(10,056)	(242)	634	-	-	(11,645)	(9,422)
Other material/non-cash items:								
Business interruption insurance income	-	495	-	-	-	-	-	495
Gain on distribution in specie	-	17,643	-	-	-	-	-	17,643
Segment assets	528,377	512,892	61,667	72,466	-	-	590,046	585,358
Tax assets	-	-	-	-	-	-	-	-
Investment in associates	2	2	-	-	-	-	2	2
Total assets	528,379	512,894	61,667	72,466	-	-	590,048	585,360
Segment liabilities	(93,121)	(85,136)	(7,444)	(7,756)	-	-	(100,565)	(92,892)
Tax liabilities	(46,881)	(44,921)	2,243	2,160	-	-	(44,638)	(42,761)
Total liabilities	(140,002)	(130,057)	(5,201)	(5,596)	-	-	(145,203)	(135,653)
Capital expenditure	10,918	6,688	8	3	-	-	10,926	6,691

2. Other income

<i>Dollars In Thousands</i>	Note	Group	
		2015	2014
Business interruption insurance income		-	495
Gain on distribution in specie	13(f)	-	17,643
		-	18,138

There is no business interruption insurance income in the current period and in the previous period it relates to Millennium Hotel Christchurch.

3. Administration and other operating expenses

<i>Dollars In Thousands</i>	Note	Group	
		2015	2014
Depreciation	10	6,662	9,051
Auditors remuneration			
Audit fees		322	309
Tax compliance and advisory		122	210
Directors fees	24	260	265
Lease and rental expenses	22	2,171	2,139
Provision for bad debts			
Debts written off		22	27
Movement in doubtful debt provision		(12)	(12)
Net gain on disposal of property, plant and equipment		(58)	(209)
Other		28,705	33,664
		38,194	45,444

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

4. Personnel expenses

<i>Dollars In Thousands</i>	Group	
	2015	2014
Wages and salaries	32,628	31,798
Employee related expenses and benefits	4,994	5,253
Contributions to defined contribution plans	581	551
Increase/(decrease) in liability for long-service leave	28	13
	38,231	37,615

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	
	2015	2014
Interest income	3,381	4,234
Dividend income	3	2
Foreign exchange gain	22	-
Finance income	3,406	4,236
Interest expense	(3,178)	(2,523)
Foreign exchange loss	(93)	(722)
Finance costs	(3,271)	(3,245)
Net finance income recognised in the income statement	135	991

Recognised in other comprehensive income

<i>Dollars In Thousands</i>	Note	Group	
		2015	2014
Foreign exchange translation movements		1,557	(16,678)
Reclassification of exchange translation reserve to profit and loss arising from disposal of associate	13(f)	-	9,951
Net finance income recognised in other comprehensive income		1,557	(6,727)

6. Income tax expense

Recognised in the income statement

<i>Dollars In Thousands</i>	Group	
	2015	2014
Current tax expense		
Current year	10,757	9,909
Adjustments for prior years	664	1,416
	11,421	11,325
Deferred tax expense		
Origination and reversal of temporary difference	224	(1,903)
Adjustments for prior years	-	-
	224	(1,903)
Total income tax expense in the income statement	11,645	9,422

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

6. Income tax expense - continued

Reconciliation of tax expense

<i>Dollars In Thousands</i>	Group	
	2015	2014
Profit before income tax	40,017	45,002
Income tax at the company tax rate of 28% (2014: 28%)	11,205	12,601
Adjusted for:		
Non-deductible expenses	505	639
Tax rate difference (if different from 28% above)	10	(45)
Tax exempt income	(739)	(5,302)
Tax arising from investment in associate	-	113
Under/(over) provided in prior years	664	1,416
Total income tax expense	11,645	9,422
Effective tax rate	29%	21%

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

<i>Dollars In Thousands</i>	Group	
	2015	2014
Relating to revaluation of property, plant and equipment	817	600
Relating to foreign currency translation of foreign subsidiaries	(25)	(417)
	792	183

7. Imputation credits

<i>Dollars In Thousands</i>	Group	
	2015	2014
Imputation credits available for use in subsequent reporting periods	58,614	52,767

The KIN Holdings Group has A\$5.7 million (2014: A\$10.2 million) franking credits available as at 31 December 2015.

8. Capital and reserves

Share capital

	Group		Group	
	2015 Shares	2015 \$000's	2014 Shares	2014 \$000's
Ordinary shares issued 1 January	105,578,290	350,048	349,598,066	430,330
Ordinary shares cancelled via distribution in specie	-	-	(244,019,776)	(80,282)
Ordinary shares issued at 31 December - fully paid	105,578,290	350,048	105,578,290	350,048
Redeemable preference shares issued following rights issue	52,739,543	33,218	174,634,366	111,766
Capitalised costs of raising capital	-	-	-	(535)
Redeemable preference shares cancelled via distribution in specie	-	-	(121,894,823)	(78,013)
Redeemable preference shares issued at 31 December - fully paid	52,739,543	33,218	52,739,543	33,218
Ordinary shares repurchased and held as treasury stock 1 January	(99,547)	(26)	(329,627)	(85)
Treasury stock cancelled via distribution in specie	-	-	230,080	59
Ordinary shares repurchased and held as treasury stock 31 December	(99,547)	(26)	(99,547)	(26)
Total shares issued and outstanding	158,218,286	383,240	158,218,286	383,240

At 31 December 2015, the authorised share capital consisted of 105,578,290 ordinary shares (2014: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2014: 52,739,543 redeemable preference shares) with no par value.

During 2014 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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

8. Capital and reserves - continued

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.

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.

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	
	2015	2014
Ordinary Dividend - 2.4 cents per qualifying ordinary share (2014: 1.2 cents)	3,797	6,287
Special Dividend - nil cents per qualifying ordinary share (2014: nil cents)	-	-
Supplementary Dividend - 0.4235 cents per qualifying ordinary share (2014: 0.2118 cents)	109	198
	3,906	6,485

After 31 December 2015 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 - 2.8 cents per qualifying share (2014: 2.4 cents)	4,430
Supplementary Dividend - 0.4941 cents per qualifying share (2014: 0.4235 cents)	127
Total Dividends	4,557

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2015 was based on the profit attributable to ordinary and redeemable preference shareholders of \$21,670,000 (2014: \$30,191,000) and weighted average number of shares outstanding during the year ended 31 December 2015 of 158,218,286 (2014: 316,354,813), calculated as follows:

Profit attributable to shareholders

<i>Dollars In Thousands</i>	Group	
	2015	2014
Profit for the year	28,372	35,580
Profit attributable to non-controlling interests	(6,702)	(5,389)
Profit attributable to shareholders	21,670	30,191

Weighted average number of shares

	Group	
	2015	2014
Weighted average number of shares (ordinary and redeemable preference shares)	158,317,833	316,578,540
Effect of own shares held (ordinary shares)	(99,547)	(223,727)
Weighted average number of shares for earnings per share calculation	158,218,286	316,354,813

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

10. Property, plant and equipment

	Group						
	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
<i>Dollars In Thousands</i>							
Cost							
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
Balance at 31 December 2014	102,750	175,426	27,768	92,447	104	1,248	399,743
Balance at 1 January 2015	102,750	175,426	27,768	92,447	104	1,248	399,743
Acquisitions	-	-	-	71	-	10,855	10,926
Disposals	-	(4,218)	-	(4,562)	(39)	-	(8,819)
Transfers between categories	-	(2,134)	91	2,436	-	(393)	-
Transfer from accumulated depreciation following revaluation	-	(126)	-	-	-	-	(126)
Movements in foreign exchange	-	-	-	6	-	-	6
Revaluation surplus/(deficit)	336	2,919	-	-	-	-	3,255
Balance at 31 December 2015	103,086	171,867	27,859	90,398	65	11,710	404,985
Depreciation and impairment losses							
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
Balance at 31 December 2014	-	(14,937)	(2,500)	(73,072)	(86)	-	(90,595)
Balance at 1 January 2015	-	(14,937)	(2,500)	(73,072)	(86)	-	(90,595)
Depreciation charge for the year	-	(2,180)	(369)	(4,109)	(4)	-	(6,662)
Disposals	-	4,218	-	4,528	39	-	8,785
Transfers between categories	-	-	-	-	-	-	-
Transfer accumulated depreciation against cost following revaluation	-	126	-	-	-	-	126
Movements in foreign exchange	-	-	-	(5)	-	-	(5)
Balance at 31 December 2015	-	(12,773)	(2,869)	(72,658)	(51)	-	(88,351)
Carrying amounts							
At 1 January 2014	91,240	159,502	20,251	21,075	22	1,629	293,719
At 31 December 2014	102,750	160,489	25,268	19,375	18	1,248	309,148
At 1 January 2015	102,750	160,489	25,268	19,375	18	1,248	309,148
At 31 December 2015	103,086	159,094	24,990	17,740	14	11,710	316,634

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

10. Property, plant and equipment - continued

The Directors consider the value of the hotel assets with a net book value of \$316.6 million (2014: \$309.15 million) to be within a range of \$316.00 to \$325.00 million (2014: \$309.15 to \$323.20 million). This is substantiated by valuations completed by Bower Valuations Limited, registered valuers, on: 7 hotel assets valued in total at \$169.47 million in December 2013; 3 hotel assets valued in total at \$127.65 million in December 2014; and 3 hotel assets valued in total at \$28.00 million in December 2015.

During 2015 three (2014: three) of the Group's freehold and leasehold hotel properties were subject to an external professional valuation by Bower Valuations Limited, registered valuers, on a highest and best use basis. Based on these valuations and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. A total of \$3.26 million (2014: \$17.79 million) was added to the carrying values of land and buildings.

The Group's fair value of hotel properties as determined by independent valuers is categorised as Level 3 based on the inputs to the valuation methodology. The basis of the valuation is the net present value of the future earnings of the assets. The major unobservable inputs and assumptions that are used in the valuation model that require judgement include forecasts of the future earnings, projected operational and maintenance expenditure profiles and discount rates (internal rate of return). The estimated fair value would increase 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 2015 to approximate their fair value as at 31 December 2015. This is on the basis that the Group's hotels which were not subject to external professional valuations were tested for impairment by management. Based on these tests no value (2014: \$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 1.14% to 4.04% (2014: 1.1% to 13.1%) over the five years projection. Pre-tax discount rates ranging between 7.50% and 10.75% (2014: 8.25% to 13.50%) 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:

<i>Dollars In Thousands</i>	Group						Total
	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	
Cost less accumulated depreciation							
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
At 1 January 2015	38,659	79,268	19,567	19,375	18	1,248	158,135
At 31 December 2015	38,659	74,954	19,289	17,743	14	11,710	162,369

Copthorne Hotel Auckland Harbours City

The Copthorne Hotel Auckland Harbours City closed down on 24 July 2015 for a major refurbishment project valued at over \$40.00 million. This project involves a complete replacement of the building services, new guest rooms and public areas. The obsolete assets were fully depreciated with the cost and accumulated depreciation, both totaling \$8.61 million, removed from the asset registers. The remaining building assets of \$5.65 million were transferred to work in progress for the construction phase. The capital committed at balance date is included in the total capital commitments in Note 23. The project is expected to complete in early 2017.

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.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

11. Development properties

<i>Dollars in Thousands</i>	Group	
	2015	2014
Development land	126,551	96,965
Residential development	52,333	50,425
	178,884	147,390
Less expected to settle within one year	(38,247)	(24,652)
	140,637	122,738
Development land recognised in cost of sales	20,908	21,839

Development land is carried at the lower of cost and net realisable value. No interest (2014: \$nil) has been capitalised during the year. The fair value of development land held at 31 December 2015 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as \$265.01 million (2014: \$205.97 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 2015 was determined by R Laoulach AAPI of Laoulach & Company Pty Ltd (2014: L Rogers AAPI of Landmark White (Sydney) Pty Ltd), registered valuers as \$76.58 million (A\$72.40 million) (2014: \$64.86 million (A\$62.00 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).

12. Intangible assets

Goodwill of \$2.82 million (2014: \$2.82 million) in the Group is attributed to the Copthorne Hotel Auckland Harbourcity cash generating unit.

Leasehold interests held by the Group of \$23.19 million are fully amortised.

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 7.50% (2014: 8.50%) was applied to the future cash flows. Average annual revenue growth of 4.04% (2014: 2.1%) was assumed over the 5 years projection.

In the 2015 review of goodwill no impairment (2014: nil) was found in respect of Copthorne Hotel Auckland Harbourcity.

13. Investment in associates

Prestons Road Limited has no revenue or expenses, therefore the Group's share of profit of its associate was nil (2014: nil). During the year, the Group maintained its 33.33% economic interest in Prestons Road Limited. The principal activity of Prestons Road Limited is as service provider to the Group's subsidiary, CDL Land New Zealand Limited, and in this regard, it is charged with engaging suitably qualified consultants in fields such as geotechnical engineering, resource management compliance, subdivision of land, legal and regulatory compliance and related issues to enable the Group to develop its land at Prestons Road in Christchurch.

The net assets of Prestons Road Limited not adjusted for the percentage ownership held by the Group is \$6,000, with the Group's share equal to \$2,000.

During 2014 the Group disposed of its investments in First Sponsor Capital Limited. The Group's share of loss of its associate, First Sponsor Group Limited ("FSGL") for 2014 was \$0.37 million FSGL and its subsidiaries are principally involved in investment holding, property development and sales, hotel operations, property investments and real estate financing in China.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

13. Investment in associates - continued

Movements in the carrying value of FSGL:

<i>Dollars In Thousands</i>	Note	Group
		First Sponsor Group Ltd
		2014
Balance at 1 January 2014		185,329
Amalgamation of subsidiary	13 (a)	-
Disposal of associate held by subsidiary	13 (b)	(2,470)
Distribution of shares from subsidiary	13 (b)	-
Investment in associate	13 (c)	58,510
Return of surplus capital	13 (d)	(4,309)
Movement in foreign exchange		(7,046)
Share of post-acquisition movement in foreign exchange reserves for the year		(7,322)
Share of post-acquisition capital reserves for the year		(933)
Share of loss for the year		(370)
Dilution gain		493
Disposal of associate under distribution in specie	13 (e),(f)	(221,565)
Reclassification to asset held for sale	13 (e), 16	(317)
Balance at 31 December 2014		-

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 Tai 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	-	-	-
	365,914,599		\$248,822	171,315,793		\$248,168

- 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

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

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. The gains on distribution are analysed as follow:

<i>Dollars In Thousands</i>	Note	Group 2014
Total value of the distribution	13 (e)	248,666
Less book value of FSGL shares distributed		*(221,565)
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

* at equity accounted value.

14. Cash and cash equivalents

<i>Dollars In Thousands</i>	Group	
	2015	2014
Cash	6,514	4,875
Term deposits	7,507	19,147
Bank overdrafts	-	-
	14,021	24,022

15. Trade and other receivables

<i>Dollars In Thousands</i>	Group	
	2015	2014
Trade receivables	6,078	6,014
Less provision for doubtful debts	(7)	(18)
Insurance receivables	-	309
Other trade receivables and prepayments	10,060	10,544
	16,131	16,849

16. Assets held for sale

<i>Dollars In Thousands</i>	Note	Group	
		2015	2014
First Sponsor Group Limited shares	13 (e)	317	317
Add/(Less): Movement in fair value		2	(19)
Carrying value		319	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 in 2014. The remaining shares were therefore reclassified from investments in associates to assets held for sale with the intention to sell. At balance date, the market price of the shares was \$1.30 (SG\$1.26) which converted to \$319,000 (2014: \$298,000). As a result a provision of \$2,000 (2014: \$19,000 decrease) was booked to reflect the increase in fair value.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

17. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 21.

Group		Interest Rate	Facility Total	31 December 2015		31 December 2014	
<i>Dollars in Thousands</i>	Currency			Face Value	Carrying Amount	Face Value	Carrying Amount
Revolving credit	NZD	3.275%		12,500	12,500	12,500	12,500
Revolving credit	NZD	3.275%		12,500	12,500	12,500	12,500
Revolving credit	NZD	3.275%		10,000	10,000	10,000	10,000
Revolving credit	NZD	3.275%		37,500	37,500	17,000	17,000
Revolving credit	NZD	-		-	-	9,500	9,500
Overdraft	NZD	3.100%		27	27	6,921	6,921
TOTAL			105,000	72,527	72,527	68,421	68,421
Current				27	27	6,921	6,921
Non-current				72,500	72,500	61,500	61,500

Terms and debt repayment schedule

The bank loans are secured over hotel properties with a carrying amount of \$283.28 million (2014: \$275.68 million) - refer to Note 10. The bank loans have no fixed term of repayment before maturity. The Group facilities mature on 31 January 2017.

18. Provisions

<i>Dollars in Thousands</i>	Group		
	Earthquake provisions	FF&E and Site Restoration	Total
Balance at 1 January 2014	2,243	742	2,985
Provisions made during the year	-	15	15
Balance at 31 December 2014	2,243	757	3,000
Non-current	-	-	-
Current	2,243	757	3,000
Balance at 1 January 2015	2,243	757	3,000
Provisions made during the year	-	-	-
Balance at 31 December 2015	2,243	757	3,000
Non-current	-	-	-
Current	2,243	757	3,000

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 2015, the earthquake provisions of \$2.24 million relate to Millennium Hotel Christchurch.

19. 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	
	2015	2014	2015	2014	2015	2014
Property, plant and equipment	-	-	46,594	45,571	46,594	45,571
Development properties	(1,149)	(1,103)	-	-	(1,149)	(1,103)
Provisions	(2,109)	(2,248)	-	-	(2,109)	(2,248)
Employee benefits	(768)	(735)	-	-	(768)	(735)
Trade and other payables	(545)	(472)	-	-	(545)	(472)
Net investment in foreign operations	-	-	858	852	858	852
Net tax (assets) / liabilities	(4,571)	(4,558)	47,452	46,423	42,881	41,865

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

19. Deferred tax assets and liabilities - continued

Movement in deferred tax balances during the year

<i>Dollars In Thousands</i>	Group			
	Balance 1 Jan 14	Recognised in income	Recognised in equity	Balance 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

<i>Dollars In Thousands</i>	Group			
	Balance 1 Jan 15	Recognised in income	Recognised in equity	Balance 31 Dec 15
Property, plant and equipment	45,573	204	817	46,594
Development properties	(1,103)	(33)	(13)	(1,149)
Provisions	(2,250)	161	(20)	(2,109)
Employee benefits	(735)	(33)	-	(768)
Trade and other payables	(471)	(75)	1	(545)
Net investment in foreign operations	851	-	7	858
	41,865	224	792	42,881

20. Trade and other payables

<i>Dollars In Thousands</i>	Group	
	2015	2014
Trade payables	1,351	1,253
Employee entitlements	2,632	2,497
Non-trade payables and accrued expenses	16,588	17,217
	20,571	20,967

21. 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.

Credit risk - continued

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 \$1.84 million (2014: \$1.86 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 decreased profit before tax for the Group in the current period by \$0.01 million (2014: \$0.27 million increase), assuming all other variables remained constant.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

21. Financial instruments - continued

Effective interest and re-pricing analysis

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

Group		2015				2014			
		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>	<i>Note</i>								
Interest bearing cash & cash equivalents *	14	0.10% to 3.22%	13,961	13,961	-	0.10% to 4.25%	23,955	23,955	-
Short term bank deposits *		2.35% to 4.70%	59,955	18,755	41,200	3.07% to 4.82%	83,572	71,072	12,500
Secured bank loans *	17	3.275%	(72,500)	(72,500)	-	4.39% to 4.43%	(61,500)	(61,500)	-
Bank overdrafts *	17	3.10%	(27)	(27)	-	4.10%	(6,921)	(6,921)	-

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

(ii) Foreign currency risk

The Group owns 100.00% (2014: 61.30%) of KIN Holdings Limited and 0.04% (2014: 0.04%) of First Sponsor Group Limited. Substantially all the operations of these subsidiary groups and assets held for sale are denominated in foreign currencies. 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	Carrying amount	Fair value	Carrying amount	Fair value
			2015	2015	2014	2014
<i>Dollars In Thousands</i>						
LOANS AND RECEIVABLES						
Cash and cash equivalents	14		14,021	14,021	24,022	24,022
Short term bank deposits			59,955	59,955	83,572	83,572
Trade and other receivables	15		16,131	16,131	16,849	16,849
Trade payables due from related parties	25		27	27	-	-
OTHER LIABILITIES						
Secured bank loans and overdrafts	17		(72,527)	(72,527)	(68,421)	(68,421)
Trade and other payables	20		(20,571)	(20,571)	(20,967)	(20,967)
Trade payables due to related parties	25		(667)	(667)	(504)	(504)
Loans due to related parties	25		(3,800)	(3,800)	-	-
			(7,431)	(7,431)	34,551	34,551
Unrecognised (losses) / gains			-	-	-	-

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

21. Financial Instruments - continued

Estimation of fair values

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

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

22. Operating leases

Leases as lessee

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

<i>Dollars In Thousands</i>	Group	
	2015	2014
Less than one year	961	972
Between one and five years	3,450	3,665
More than five years	965	1,711
	5,376	6,348

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 2015, \$2.17 million was recognised as an expense in the income statement in respect of operating leases (2014: \$2.14 million).

23. Capital commitments

As at 31 December 2015, the Group had entered into contractual commitments for capital expenditure (\$38.58 million) and development expenditure (\$12.51 million) totalling \$51.09 million (2014: \$1.91 million capital expenditure and \$20.07 million development expenditure). The majority of the capital committed relates to the refurbishment of Copthorne Hotel Auckland Harbourcity (refer to Note 10).

24. Related parties

Identity of related parties

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

Transactions with key management personnel

Directors of the Company and their immediate relatives control 0.71% (2014: 0.71%) of the voting shares of the Company. There were no loans (2014: \$nil) advanced to directors for the year ended 31 December 2015. Key management personnel include the Board and the Executive Team.

Total remuneration for key management personnel

<i>Dollars In Thousands</i>	Group	
	2015	2014
Non-executive directors	260	265
Executive director	604	535
Executive officers	684	703
	1,548	1,503

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).

25. Group entities

Control of the Group

Millennium & Copthorne Hotels New Zealand Limited is a 75.20% (2014: 75.20%) 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.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

25. Group entities - continued

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	
		2015	2014
Trade payables and receivables due to related parties			
Millennium & Copthorne Hotels plc	Recharge of expenses	(667)	(504)
Millennium & Copthorne International Limited	Recharge of expenses	2	-
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	25	-
		(640)	(504)
Loans due to related parties			
CDL Hotels Holdings New Zealand Limited	Inter-company loan	(3,800)	-
		(3,800)	-

No debts with related parties were written off or forgiven during the year. No interest was charged on these payables during 2015 and 2014. There are no set repayment terms. During this period costs amounting to \$250,000 (2014: \$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 is interest bearing. The interest rates were fixed and range between 2.47% and 3.06% (2014: 2.50 to 3.06%).

During the year consulting fees of \$78,000 (2014: \$41,000) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder and director.

Associate companies

The associate companies included in the financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2015 are:

Principal Activity	Principal Place of Business	Holding % by CDL Land New Zealand Limited 2015	Holding % by CDL Land New Zealand Limited 2014
Prestons Road Limited	Service provider	NZ	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 2015 are:

Principal Activity	Principal Place of Business	Group Holding % 2015	Group Holding % 2014
Context Securities Limited	Investment Holding	NZ	100.00
MCHNZ Investments Limited (amalgamated with the Parent)	Investment Holding	NZ	n/a
Copthorne Hotel & Resort Bay of Islands Joint Venture	Hotel Operations	NZ	49.00
Quantum Limited	Holding Company	NZ	100.00
100% owned subsidiaries of Quantum Limited are:			
Hospitality Group Limited	Holding Company	NZ	
100% owned subsidiaries of Hospitality Group Limited are:			
Hospitality Leases Limited	Lessee Company/Hotel Operations	NZ	
QINZ Anzac Avenue Limited	Hotel Owner	NZ	
Hospitality Services Limited	Hotel Operations/Franchise Holder	NZ	
CDL Investments New Zealand Limited	Holding Company	NZ	66.91
100% owned subsidiaries of CDL Investments New Zealand Limited are:			
CDL Land New Zealand Limited	Property Investment and Development	NZ	67.06
KIN Holdings Limited	Holding Company	NZ	100.00
100% owned subsidiaries of KIN Holdings Limited are:			
Kingsgate Investments Pty Limited	Residential Apartment Developer	Australia	61.30

Millennium & Copthorne Hotels New Zealand Limited **Notes to the Consolidated Financial Statements for the year ended 31 December 2015**

25. Group entities - continued

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

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

On 21 March 2014, MCHNZ Investments Limited (100% owned subsidiary of the Company) amalgamated with the Company. Quantum Limited became a wholly owned subsidiary of the Company on 30 November 2014.

On 27 February 2015, the Group acquired the 38.70% interest it did not already own in KIN Holdings Limited from Tai Tak Holdings Pte. Limited for a cash consideration of \$31.00 million. The Group recognised a decrease in revenue reserves of \$4.20 million and a decrease in non-controlling interests of \$26.80 million. The effects of the acquisition on the equity attributable to the owners of the Company are as follow:

<i>Dollars In Thousands</i>	<i>Assets and Liabilities</i>
Ownership interest at 1 January 2015	69,652
Effect of increase in ownership interest	(12,638)
Share of comprehensive income	738
Ownership interest at 31 December 2015	57,752

26. Accounting estimates and judgements

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

Critical accounting judgements in applying the Group's accounting policies

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

Property, plant and equipment

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

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 \$178.88 million (2014: \$147.39 million) while the fair value determined by independent valuers is \$341.59 million (2014: \$270.83 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.



Independent auditor's report

To the shareholders of Millennium & Copthorne Hotels New Zealand Limited

We have audited the accompanying consolidated financial statements of Millennium & Copthorne Hotels New Zealand Limited and its subsidiaries ("the group") on pages FIN1 to FIN29. The financial statements comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement and consolidated 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.

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

Directors' responsibility for the consolidated financial statements

The directors are responsible on behalf of the company for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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 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 consolidated 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 group in relation to taxation compliance and advisory. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Opinion

In our opinion, the consolidated financial statements on pages FIN1 to FIN29 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2015 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of the KPMG firm, written in dark ink.

19 February 2016
Auckland

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

Results for announcement to the market

Reporting Period	12 months to 31 December 2015
Previous Reporting Period	12 months to 31 December 2014

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ\$ 136,541	Up 4.98%
Profit (loss) from ordinary activities after tax attributable to security holders	NZ\$ 21,670	Down (28.22%)
Net profit (loss) attributable to security holders	NZ\$ 21,670	Down (28.22%)

Interim/Final Dividend	Amount per security	Imputed amount per security
Final Dividend	Dividend of 2.8 cents per share	Fully imputed

Record Date	13 May 2016
Dividend Payment Date	20 May 2016

Comments:	Please refer to the attached Chairman's Review.
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CHAIRMAN'S REVIEW

Financial Performance & Financial Position

The Directors of Millennium & Copthorne Hotels New Zealand Limited ("MCK") are pleased to report a profit attributable to owners of the parent of \$21.7 million (2014: \$30.2 million which included a one-off gain of \$17.6 million) for the year ended 31 December 2015. MCK's revenue for the year increased to \$136.5 million (2014: \$130.1 million). The increases in revenue and profit on a like-for-like basis is pleasing given the closure of Copthorne Hotel Auckland Harbourcity for refurbishment from July 2015.

Profit before tax and non-controlling interests totaled \$40.0 million (2014: \$45.0 million which included a one-off gain of \$17.6 million). The key contributors to profit were CDL Investments New Zealand Limited's (CDLI) land development and the company's core New Zealand hotels businesses.

Shareholders' funds excluding non-controlling interests as at 31 December 2015 totaled \$389.3 million (2014: \$371.4 million). Total assets at 31 December 2015 were \$590.0 million (2014: \$585.4million). Net asset backing (with land and building revaluations and before distributions) as at 31 December 2015 has increased to 245.9 cents per share (2014: 234.6 cents per share).

Earnings per share increased to 13.70 cents per share (2014: 9.54 cents per share).

New Zealand Hotel Operations

Increased occupancy from higher visitor numbers and improved demand has resulted in further increases in average room rates and gross operating profits across MCK's portfolio of New Zealand hotels. Revenue for the hotels increased by 3.6% to \$86.1 million (2014: \$83.1 million) and revenue per available room (RevPAR) increased by 14.7% over 2014. Occupancy also increased to 77.1% in 2015 (2013: 73.7%). The Board is pleased with the efficiencies made which has enabled these increases to be achieved.

Millennium Hotel Queenstown and Copthorne Hotel Rotorua continued to make gains after completion of their refurbishment projects. The performance of these hotels and Copthorne Hotel, Oriental Bay Wellington reflected the fact that New Zealand remains a popular destination for Chinese, United States and European visitors.

As announced In July 2015, Copthorne Hotel Auckland Harbourcity was closed for a refurbishment program which is expected to be completed by the first quarter of 2017. The hotel will be extensively refurbished and its operations will be appropriately repositioned to reflect the new look and the investment which will be made to the property.

Canterbury Update

The lease on Millennium Hotel Christchurch ended in November 2015. MCK's insurance claim for its chattels and property is in the process of being finalized and we expect the claim to be settled in the first half of 2016. MCK is studying development options for its former Copthorne Hotel Christchurch Central site.

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 2015 of \$17.5 million (2014: \$14.7 million) and reported an increase in its section sales from 248 in 2014 to 255 in 2015 reflecting ongoing demand for residential sections across CDLI's geographically diverse portfolio.

CDLI maintained its ordinary dividend at 2.2 cents per share. MCK's stake in CDLI reduced slightly to 66.91% as a result of MCK taking its dividend in cash and not shares.

Australia Update

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 last year.

Progress in resolving the litigation affecting a wholly-owned subsidiary is being made with a view to resolution during the year.

Dividend Announcement

MCK has resolved to declare and pay all shareholders a fully imputed ordinary dividend of 2.8 cents per ordinary share (2014: 2.4 cents per share) which represents a 17% increase over the 2014 dividend per ordinary share). This increased dividend reflects the increased operational profitability in 2015 as well as the Board's confidence in the future consistent profitability from MCK's core operations.

The dividend, payable to all shareholders, will be paid on 20 May 2016. The record date will be 13 May 2016.

Outlook

2016 will be an exciting year for the company as we continue work on the refurbishment of Copthorne Hotel Auckland Harbourcity. We are looking forward to showcasing to our customers and stakeholders one of the best locations in New Zealand.

The benefits of MCK's recent refurbishment programme of its hotels are also showing results on our top and bottom lines with increases in occupancy, average rate and gross profit. Tourism in New Zealand is experiencing positive growth in visitor numbers and we expect current trends to continue in the near term. As a result of this, we believe that MCK can deliver consistent results and returns over that time.

Management and staff

On behalf of the Board, I thank the Company's management and staff for their work and commitment to the Company during the last twelve months.

Wong Hong Ren
Chairman
19 February 2016



MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND REPORTS INCREASED 2015 REVENUES AND OCCUPANCY

Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) today reported its preliminary results for the year ended 31 December 2015 and announced a profit after tax and attributable to owners of the parent of \$21.7 million (2014: \$30.2 million which included a one-off gain of \$17.6 million) on total revenue of \$ 136.5 million (2014: \$ 130.1 million).

Continued improvements in MCK's core operations in hotels together with strong sales at MCK's land development subsidiary CDL Investments New Zealand Limited contributed to the improved results. MCK's core New Zealand hotel operations also saw improvements in revenue, gross operating profit and revenue per available room and the company increased overall hotel occupancy to 77.1%.

MCK Chairman Mr. HR Wong said that the Board was pleased with the continued improvement in the core hotel business and the resulting increases in revenue that the company had achieved over the past twelve months.

"Our continued focus on our core businesses and the efficiencies we have been making in both areas are producing results for our shareholders", he said.

MCK has resolved to declare and pay all shareholders a fully imputed dividend of 2.8 cents per share for 2015. This increased dividend reflects the increased operational profitability in 2015 as well as the Board's confidence in the future consistent profitability from MCK's core operations. The dividend will be paid to shareholders on 20 May 2016. The record date will be 13 May 2016.

Summary of results:

• Profit after tax and non-controlling interests	\$21.7 million	(2014: \$30.2 m*)
• Profit before tax and non-controlling interests	\$40.0 million	(2014: \$45.0 m*)
• Group revenue	\$136.5 million	(2014: \$130.1 m)
• Shareholders' funds excluding non-controlling interests	\$389.3 million	(2014: \$371.4 m)
• Total assets	\$590.0 million	(2014: \$585.4m)
• Earnings per share (cents per share)	13.70 cents	(2014: \$9.54 cents)

*includes one-off gains in 2014 of \$17.6 million resulting from the distribution in specie of its shareholding in First Sponsor Group Limited.

ENDS

Issued by Millennium & Copthorne Hotels New Zealand Limited

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