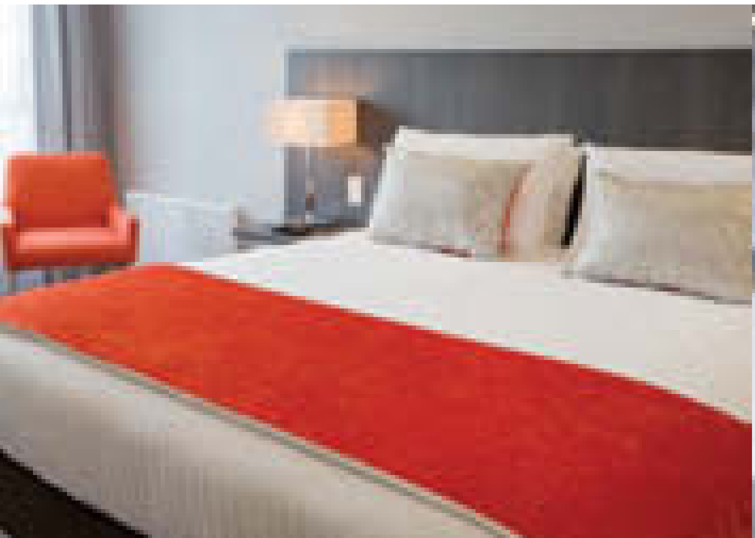
MILLENNIUM
HOTELS AND RESORTS

MILLENNIUM ▪ COPTHORNE ▪ KINGSGATE

# ANNUAL REPORT 2014



## FINANCIAL SUMMARY

Total Revenue and other income

**$148.2m**

Profit after tax and NCI

**$30.2m**

Dividend

**2.4cps**

Total Assets

**$585.4m**

Group Equity

**$371.4m**

Net Asset Backing Per Share

**234.6cps**

This report is dated 20 March 2015 and is signed on behalf of the Board of Millennium & Copthorne Hotels New Zealand by:

**HR Wong**
Chairman

**BK Chiu**
Managing Director

# CONTENTS & CALENDAR



| | |
|---|---|
| Annual Report Issued | 20 March 2015 |
| Dividend Paid | 15 May 2015 |
| Annual Meeting | Late May 2015 |
| Half Year End | 30 June 2015 |
| Interim Results | July/August 2015 |
| Financial Year End | 31 December 2015 |

Front & back cover: Newly refurbished Copthorne Hotel Palmerston North.
Behind: Wind farm near Palmerston North.


# CHAIRMAN'S REVIEW

### Financial Performance & Financial Position

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

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

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

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

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

### New Zealand Hotel Operations

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

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

Preparatory works such as applications for resource consents for the refurbishment of Copthorne Hotel Auckland Harbourcity are underway and we anticipate being in a position

Club Room at Millennium Hotel Rotorua

to commence site works at some point in the second half of 2015. The project will involve a complete refit of the building, internal and external services and completely new rooms. Further details of the refurbished hotel will be provided in 2015 once final designs and scope have been determined.

### Acquisition of remaining shares in Quantum Limited:

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

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

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

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

### Canterbury Update

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

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

### CDL Investments New Zealand Limited ("CDLI")

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

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

### Offshore Operations – Australia & China

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

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

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

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

2014 also saw MCK exit its seven-year

From top to bottom: Copthorne Hotel Palmerston North, Millennium Hotel Queenstown, Hillary's Restaurant Copthorne Hotel & Apartments Queenstown Lakeview.

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

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

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

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

In 2014, MCK recognized a total loss contribution of $0.37 million for the period to 22 July 2014 (2013 full year: $9.75 million) from FSGL in its accounts. This reflected the fact that FSGL's trading results during the period up until 22 July 2014 were a loss of SG$0.78 million which included a loss

*"The successful conversion of the Kingsgate Hotel Palmerston North to a Copthorne-branded hotel will contribute to future growth."*

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

## Dividend Announcement

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

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

## Outlook

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

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

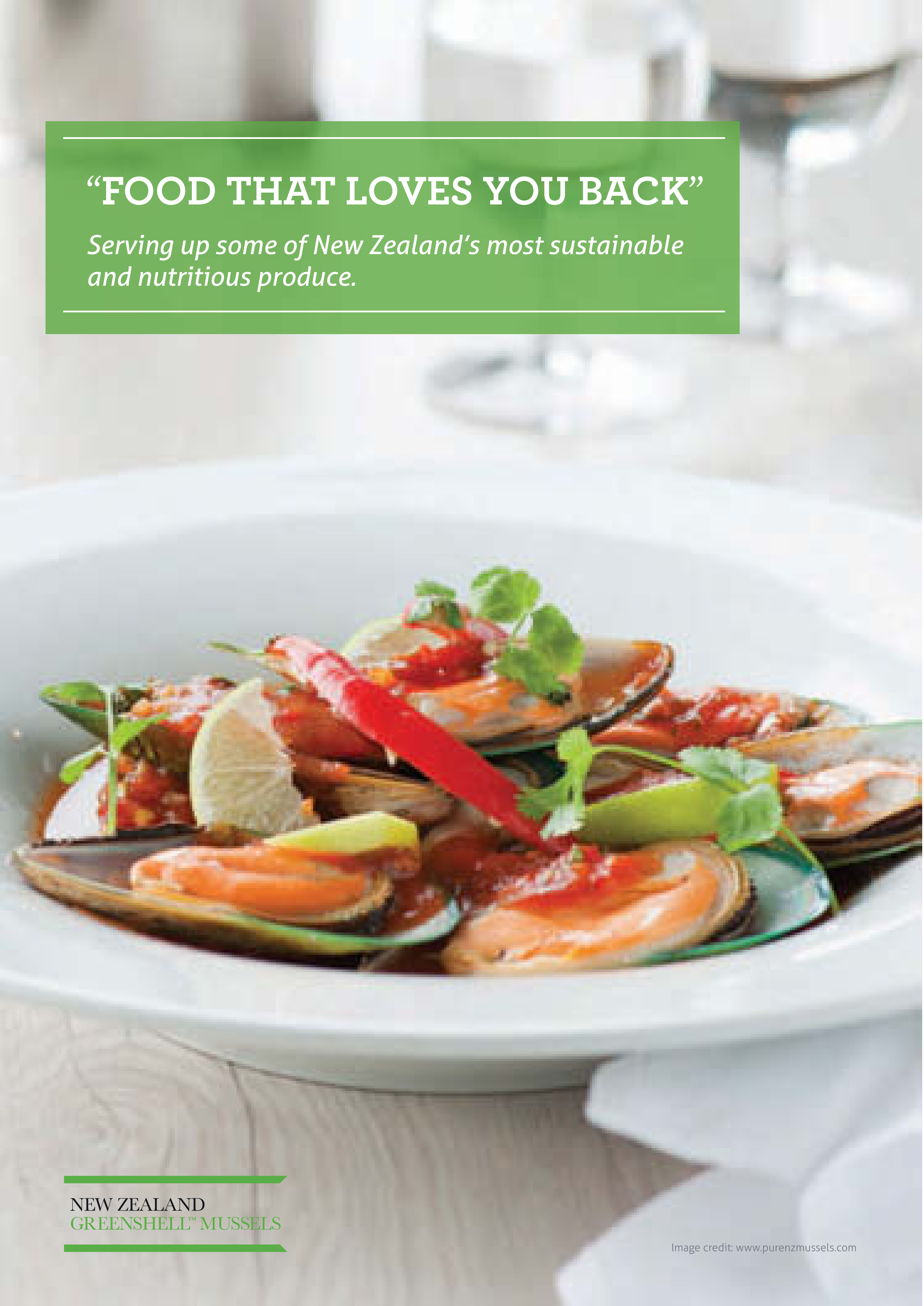
## Management and staff

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

**Wong Hong Ren**
Chairman

# "FOOD THAT LOVES YOU BACK"

*Serving up some of New Zealand's most sustainable and nutritious produce.*



NEW ZEALAND
GREENSHELL™ MUSSELS

Image credit: www.purenzmussels.com

# MANAGING DIRECTOR'S REVIEW

Reading through our company's achievements over the past twelve months, you would think that our core business was something other than hotels and hospitality. In fact, 2014 has been a year where we set out to increase revenues and profit conversions at all of our hotels across New Zealand and for the most part, that has been achieved.

The competitive environment of international travel and hospitality is very different today. New Zealand, as a destination, is a long way from major populations and markets. It depends on airlines flying both direct to New Zealand and across the Tasman. Over the past two years we have seen more flights from both Australia and from Asia to New Zealand increasing visitor arrivals to the country. The competitive environment has also been evolving at a speed facilitated by online travel agencies (OTAs) working on commission models. Most of these have international networks with heavy investments in their market research, technology and marketing that have enabled them to influence consumer choice of hotels. Today, different sales and marketing skill sets and refined business models are required in this new competitive environment to present our hotels and be the preferred choice.

MCK's restructured operations team has worked hard during the past twelve months at both an individual property and regional levels to improve their performance. Having our own centralised sales, marketing and support services organisation has also been an advantage. We are seeing the results of this targeted and detailed work through better occupancy, revenue and profit conversions across the group. I believe that we are on the right track with the plans and targets that we set during the previous year and we are executing our three year plan as we continue to look for ways to make further efficiencies and improvements. We continue to invest in our people, product and service, mindful of the fast changing information era and countervailing power of the big players.

In terms of product improvements, we continued making further investments in 2014, notably in Queenstown and in Palmerston North. Recent refurbishment and improvement works at all our three hotels in Queenstown-Millennium Hotel Queenstown and Copthorne Hotel & Apartments, Queenstown Lakeview and Copthorne Hotel & Resort Queenstown Lakefront-have produced excellent returns on their respective investments in the form of increased business from the conference and higher-yielding leisure markets. In Palmerston North, we also completed the refurbishment and rebranding of the tower block. As a consequence, we have rebranded the hotel to the Copthorne Hotel Palmerston North. We have therefore been able to attract new and previously held business, primarily in the corporate sector and we expect that this hotel will continue to benefit from its repositioning.

In 2015, we will commence a major refurbishment of the Copthorne Hotel Auckland Harbour City. While details are still to be finalised, the project will be a thorough 'top to toe' replacement of all guest rooms and building services and food and beverage areas. Our intent to make the hotel the flagship property for the Millennium & Copthorne group in New Zealand and to also create a new focal point for the Quay Street / Viaduct Harbour area. All of us at MCK are excited about this project and we are confident that we will have a gateway hotel for New Zealand's primary gateway city. We will update shareholders and stakeholders with more details later in the year.

The upgrade of the Copthorne Hotel, Harbour City, Auckland will mark the completion of MCK's current major capital expenditure plan for its New Zealand hotels.

For MCK, returning to Christchurch is a matter of timing. As we have said before, our intention to rebuild on our former Copthorne Hotel Christchurch Central site remains and we will look at the options at an appropriate time.

Investing in our people remains a priority for us as an organisation. We have invested in various tools to make our delivery of training to our employees more efficient and more effective to accommodate changing learning styles. One example is the active partnership we have sought to develop with Te Puni Kokiri (Ministry of Maori Development) to assist us in developing our Regional Maori employees by running a 6 month leadership development programme. We have been pleased with both the quality of the people who have taken part in the programme as well as their willingness to take their learnings and share them with their whanau (family) and iwi (sub-tribes). Over the coming year, we will continue to work with our regions to grow our own talent, where we are often one of the largest employers.

With a population of 4.5 million people, New Zealand has one of the highest number of stadiums and current or proposed convention centres per capita of population globally. The question has to be asked whether New Zealand is over capitalised in these publicly funded projects. The long term consequences of such projects can be serious for rate and tax payers and can also have the effect of shifting market power to select individuals or groups and between regions with unintended consequences. Simply put, there needs to be sufficient objective analysis in an integrated way of the benefits to the wider national economy, taking into account the economics of the projects, the politics of who pays and who benefits and the ethical considerations as well.

Departing from bricks, mortar and monuments, it is said that travel

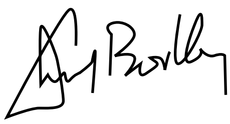
Showcasing New Zealand's agricultural produce to international conference and incentive buyers at Meetings New Zealand. From left to right: Guests Kay Gray and Brian Rakich from Bidvest NZ Ltd; B K Chiu, Managing Director, and Karl Luxon, Vice President Operations.

broadens horizons and minds both culturally and intellectually. It brings nations closer. The traditional Kiwi "Overseas Experience" (or 'OE') remains a rite of passage for the younger generation. The Baby Boomer generation now go on international cruises or travel to destinations they have not been to before. This is a worldwide trend and very notable as countries in their different stages of economic development become more affluent. New Zealand has benefitted from this trend with the increasing numbers of visitors of different cultures from non-traditional countries attracted by our scenic uniqueness.

Agriculture continues to be New Zealand's main export earner. We are seeing in this sector the emphasis on strict quality management or control of our exports and consumer focused initiatives such as the traceability of our agricultural produce from "pasture to plate".

Given that tourism is the second largest earner of New Zealand's export income, do we, as a country, offer the quality of experience beyond our scenic attractions? Does that quality start from the visitors' departure from their home country, continue over the journey here and does it extend to their arrival, stay and right up to departure? What is Kiwi hospitality and do we show it on arrival at the airport, in our hotels, motels and restaurants? Do we see it when our visitors use transportation or at attractions, in our shops or on the road? And what defines Kiwi cuisine? All of these moments can be some of the most memorable happenings that will be treasured by our (paying) guests visiting New Zealand. These can only help to form the image of New Zealand, her people and our standing in the world as a nation, a preferred destination and trading partner – an image of an achievable future that MCK aspires to and one where we have to earn the reputation that "everyone recommends us".

Finally, I would like to take this opportunity to thank our shareholders for their continued support of MCK during the past twelve months and to thank our staff at all levels of the business for their continued hard work which has contributed to another positive result.



**B K Chiu**
Managing Director

# DIRECTORS' PROFILES

## WONG HONG REN (Chairman & Non-Executive Director)

Mr. Wong is an Executive Director and Chief Executive Officer of Millennium & Copthorne Hotels Plc and Chairman of CDL Investments New Zealand Limited and M&C REIT Management Limited.

Mr. Wong was last re-elected to the Board at the 2014 annual meeting of shareholders.

## B K CHIU (Managing Director & Member of Audit and Due Diligence Committees)

Mr. Chiu is also the Managing Director of CDL Investments New Zealand Limited. Prior to joining the company, Mr. Chiu was Regional Vice - President and Managing Director, Asia of Merisant Company. He holds a Masters degree in agricultural economics and marketing from Massey University, Palmerston North.

Mr. Chiu was last re-elected to the Board at the 2012 annual meeting of shareholders.

## VINCENT YEO (Non-Executive Director)

Mr. Yeo is Chief Executive Officer and Executive Director of M&C REIT Management Limited. From 1993 to 1998, he was Managing Director of CDL Hotels New Zealand Limited (now Millennium & Copthorne Hotels New Zealand Limited) and CDL Investments New Zealand Limited. He previously also served as an Executive Director of Millennium & Copthorne Hotels plc in London and President, Millennium & Copthorne Hotels Asia Pacific Region.

Mr. Yeo was last re-elected to the Board at the 2013 annual meeting of shareholders.

## RICHARD BOBB (Independent Director, Chair of the Audit Committee & Member of the Due Diligence Committee)

Mr. Bobb is a Chartered Accountant with over thirty five years experience. He is currently a member of the Professional Conduct Tribunal of the Institute of Chartered Accountants in Australia and was a member of New South Wales Joint State Taxes Committee of the Institute of Chartered Accountants in Australia and the CPA Australia. He was also a member and past Chairman of the Joint Legislation Review Committee and a member and past Chairman the Legislation Review Board of the Institute of Chartered Accountants in Australia and the CPA Australia. He is admitted as a Barrister in New South Wales.

Mr. Bobb was last re-elected to the Board at the 2014 annual meeting of shareholders.

## GRAHAM MCKENZIE (Independent Director, Chair of the Due Diligence Committee & Member of the Audit Committee)

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

Mr. McKenzie was last re-elected to the Board at the 2013 annual meeting of shareholders.


# SUSTAINABILITY AT OUR HOTELS

We take the issue of environmental sustainability seriously and we are conscious of the effect that our operations and tourism as a whole have on the environment. That is why we are proud to participate in the Qualmark Green process. At our hotels, we have initiatives to mitigate energy, water and waste usage, contribute to community conservation activities and monitor the resources we use.

Images: Copthorne Hotel & Resort Bay of Islands herb gardens and Copthorne Hotel Queenstown Lakefront worm farm.

Enviro Award Gold

## ENVIRO-GOLD

Millennium Hotel Queenstown

Copthorne Hotel & Resort Queenstown Lakefront

Copthorne Hotel & Apartments Queenstown Lakeview

Copthorne Hotel & Resort Solway Park Wairarapa

Enviro Award Silver

## ENVIRO-SILVER

Millennium Hotel Rotorua

Copthorne Hotel & Resort Bay of Islands

Copthorne Hotel Auckland City

Copthorne Hotel Auckland HarbourCity

Copthorne Hotel Rotorua

Copthorne Hotel Wellington Oriental Bay

Kingsgate Hotel Hamilton

Kingsgate Hotel Te Anau

Enviro Award Bronze

## ENVIRO-BRONZE

Millennium Hotel & Resort Manuels Taupo

Kingsgate Hotel Dunedin

Kingsgate Hotel Greymouth

# CORPORATE GOVERNANCE

As an NZSX-listed company, Millennium & Copthorne Hotels New Zealand Limited (MCK) is committed to maintaining high standards of corporate governance in line with best practice. MCK has had regard to the NZX Corporate Governance Best Practice Code in Appendix 16 to the NZSX Listing Rules ('NZX Code') and the Corporate Governance Principles and Guidelines from the Securities Commission. Our Corporate Governance policies and processes are as follows:

## ROLE AND FUNCTION OF THE BOARD OF DIRECTORS

The Board has overall control and oversight of the business activities, the strategic direction and the governance of MCK and its subsidiaries. The Board looks at control and oversight of the company's businesses, risk management and compliance, management performance, approving and monitoring financial and other reports and capital expenditure and shareholder reporting. The Board approves MCK's budgets, business plans as well as significant projects and has statutory obligations for certain other matters, such as the payments of distributions and the issue of shares.

### Attendances of Directors

Board meetings are generally held quarterly with additional meetings convened when required. Decisions are made by consensus.

| Director | Meetings Attended |
|---|---|
| H R Wong (Chair) | 3/3 |
| B K Chiu | 3/3 |
| VWE Yeo | 3/3 |
| R Bobb | 3/3 |
| G A McKenzie | 3/3 |

Certain powers are delegated to Board Committees. Day-to-day management is delegated to the Managing Director and senior management. The levels of authority are approved by the Board.

## BOARD COMPOSITION

During 2014, MCK's Board consisted of Messrs. H R Wong (Chairman / Non-Executive Director), B K Chiu (Managing Director), V W E Yeo (Non-Executive Director), R Bobb (Independent Director) and G A McKenzie (Independent Director). MCK's Constitution requires a minimum number of 3 directors with a requirement that at least 2 be ordinarily resident in New Zealand.

All Directors must act in the best interests of the company and exercise independent and unfettered judgement. All Directors carry out their duties with integrity and honesty and participate in open and constructive discussions.

The Board does not impose a restriction on the tenure of any Director as it considers that such a restriction may lead to the loss of experience and expertise from the Board.

In line with the NZSX Listing Rules, MCK is required to have at least two Independent Directors and the Board is also required to determine who the Independent Directors are (NZSX Listing Rules 3.3.1 and 3.3.2). The Board has determined that Messrs Bobb and McKenzie are both Independent Directors as neither have a Disqualifying Relationship with MCK. Messrs Wong, Chiu, and Yeo are not considered to be Independent Directors.

## BOARD COMMITTEES

MCK currently has an Audit Committee, a Continuous Disclosure Committee and a Due Diligence Committee. Other ad-hoc committees as constituted as required:

### Audit Committee

Pursuant to NZSX Listing Rule 3.6, MCK maintains an Audit Committee. Its responsibilities include monitoring accounting policies and financial reporting, internal controls, risk management and corporate governance. The Committee also engages MCK's external auditors and monitors their independence. The Committee has a written charter outlining its role and responsibilities.

During 2014, the members of this Committee were Messrs. Bobb (Chair), McKenzie and Chiu.

Millennium Feast & Revue Concert poolside of Millennium Hotel Rotorua

### Attendance at Audit Committee

| Director | Meetings Attended |
|---|---|
| R Bobb (Chair) | 2/2 |
| B K Chiu | 2/2 |
| GA McKenzie | 2/2 |

### Nomination Committee

MCK does not have a Nominations Committee. All nominations for the Board are considered by the Board as a whole. All Directors are involved in the selection and appointment process for any new Board members. The Board reviews its composition from time to time to ensure that it is equipped with appropriate experience and skills.

### Remuneration Committee

The Board does not have a Remuneration Committee. The Board considers its current level of remuneration sufficient to meet its current requirements. The Board last recommended to shareholders an increase in the total amount available for Directors fees in 1996.

The remuneration of the Managing Director and Senior Management is reviewed annually by the Board. The Group has a performance-based approach to remuneration and remuneration reviews are linked to and carried out after performance reviews.

### Continuous Disclosure Committee

MCK is committed to its obligations to inform shareholders and market participants of all material information that might affect the price of its listed securities in accordance with the NZSX Listing Rules and the Securities Markets Act 1988.

MCK's Board has adopted a continuous disclosure policy which applies to MCK, its subsidiaries ("Group"), and all their respective directors and employees. The Board has appointed the Chairman, the Chairman of the Audit Committee, the Managing Director, the Group Company Secretary and the Vice President Finance to act as MCK's Disclosure Committee. A quorum of the Committee shall consist of no less than three (3) of these persons.

The Disclosure Committee is responsible for:

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

The key points of the continuous disclosure policy are:

- No person may release material information concerning MCK to any person who is not authorised to receive it without the approval of the Disclosure Committee.
- The Board will also consider at each Board meeting whether there is any information that may require disclosure in accordance with the policy, and will note any disclosures made subsequent to the prior meeting. Any employee or director of MCK must inform a member of the Disclosure Committee as soon as practicable after that person becomes aware of any material information.
- The Policy includes list of incidents which should be disclosed to a

member of the Disclosure Committee. The Disclosure Committee must confer, decide whether disclosure is required, and coordinate disclosure of any material information in a form specified by the NZSX Listing Rules as soon as practicable after it becomes aware of the existence of material information, unless it determines:

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

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

c. one or more of the following applies:

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

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

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

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

   v. the information is a trade secret.

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

- The Disclosure Committee is responsible for MCK's obligations under the NZSX Listing Rules to release material information to NZSX necessary to prevent development or subsistence of a market for its listed securities which is materially influenced by false or misleading information emanating from the issuer or any associated person of the issuer; or other persons in circumstances in each case which would give such information substantial credibility.

- All employees of MCK, as soon as practicable after becoming aware of a rumour or speculation that is "generally available to the market" must disclose the existence of that rumour or speculation to a member of the Disclosure Committee.

- The Disclosure Committee is also responsible for co-ordinating MCK's responses to leaks and inadvertent disclosures. Even in the event that the leaked or inadvertently disclosed information is not price sensitive, the Disclosure Committee should consider whether the information should be released to NZX via its market announcement platform in order to provide investors with equal access.

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

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

- MCK requires all of its Directors and employees to comply with the Policy. The Disclosure Committee is responsible for ensuring that the Policy is complied with and for investigating any breach of the Policy. A deliberate or reckless breach of the Policy may result in the summary dismissal of the employee who deliberately or recklessly breaches the Policy, and a breach of the Policy or any relevant law may also attract civil or criminal legal penalties.

### Due Diligence Committee

In November 2013, MCK's Board formed a Due Diligence Committee consisting of the members of the Audit Committee to oversee due diligence issues relating to the issue of redeemable preference shares to the market in March 2014 and the distribution in specie of MCK's shareholding in First Sponsor Group Limited. The Committee comprised Messrs. McKenzie (Chair), Bobb and Chiu.

From January through to August 2014, the Committee held over twenty meetings and worked closely with Management and MCK's external legal, taxation and financial advisors to ensure that all legal and other obligations in connection with the issue of redeemable preference shares and distribution in specie were complied with and discharged.

While the Committee has discharged its business given that the distribution in specie has now been completed, should any other due diligence matter arise, it is able to reconvene as required.

## CODE OF ETHICS

MCK is committed to conducting its business in accordance with the highest standards of ethical behaviour and the board has a Code of Ethics. This states that:

- All Directors shall undertake their duties with care and diligence at all times and will conduct themselves honestly and with integrity. All Directors shall not do or cause anything to be done anything which may or does bring the Company or the Board into disrepute.

- To the best of their ability, all Directors will use reasonable endeavours to ensure that the Company's records and documents (including its financial reports) are true and complete and comply with the requisite reporting standards and controls.

- So that the Board may determine a Director's independence and to ensure that there are no conflicts of interest, all Directors shall disclose all relevant business and / or personal interests they may have to the Board as well as any relationships they may have with the Company.

- All Directors shall ensure that they do not support any organisation other than in a personal capacity without the prior approval of the Chairman.

- Directors shall not accept gifts or personal benefits from external parties if it could be perceived that this could compromise or influence any decision by the Board or by the Company.

- All Directors shall maintain and protect the confidentiality of all information about MCK at all times except where disclosure is permitted or required by law.

- All Directors shall ensure that they do not use Company Information and Property for personal gain or profit. All Directors shall use and / or retain Company Information and Property only for business purposes in their capacity as Directors of the Company or to meet legal obligations.

- All Directors shall comply with the laws and regulations that apply to MCK including any disclosure requirements.

- All Directors shall report any illegal or unethical behaviour of which they become aware to the Chairman of the Board and to the Chairman of the Audit Committee.

All employees of MCK are expected to act in the best interests of MCK and to enhance the reputation of the Company, its brands and its hotels. Guidance is provided to management and employees by way of code of conduct policies. The Company has a current Insider Trading Policy and a Whistleblowing Policy. The Whistleblowing Policy facilitates the disclosure and impartial investigation of any serious wrongdoing.

## EXTERNAL AUDITORS AND AUDITOR INDEPENDENCE

MCK has a policy regarding auditor independence which covers:

- provision of services by MCK's external auditors;

- external auditor rotation;

- the hiring of staff from the external audit firm; and

- relationships between the external auditor and MCK.

The policy states that:

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

- would be regarded by a reasonable investor, with full knowledge of all relevant facts and circumstances, as capable of exercising objective and impartial judgment on all issues encompassed within the auditor's engagement;
- audit partner's are members of the New Zealand Institute of Chartered Accountants (NZICA);
- has not, within two years prior to the commencement of the audit, had as a member of its audit engagement team MCK's Managing Director, Vice President Finance, Financial Controller, or any member of the Company's management who act in a financial oversight role.
- does not allow the direct compensation of its audit partners for selling non-audit services to MCK.

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

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

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

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

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

MCK's Audit Committee shall pre-approve all audit and related services that are to be provided by the auditor.

Aside from core external audit services, it is appropriate for the MCK's auditors to provide the following services:

- due diligence (but not valuations) on proposed transactions;
- review of financial information where third party verification is required or deemed necessary (outside the normal audit process);
- completion audits / reviews;
- financial model preparation or review;

From top to bottom: MCK Housekeepers Conference 2014, Welcoming mountain bikers at Millennium Hotel Rotorua, The AU CEO Institute Conference Queenstown July 14

- accounting policy advice (including opinions on compliance with New Zealand and international Generally Accepted Accounting Practice);
- listing advice;
- accounting/technical training; and
- taxation services of an assurance nature (e.g. review of tax computations and returns prior to filing and advice on interpretation and application of Inland Revenue's rulings and policies)

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

- book keeping services related to accounting records or financial statements;
- tax planning and strategy services unless specifically approved by the Audit Committee;
- appraisal / valuation services including opinions as to fairness;
- provision of payroll services;
- the design or implementation of financial information systems;
- outsourced internal audit and risk management services;
- legal services (these are services that could only be provided by a person who is qualified in law);
- management functions;
- broker / dealer / investment adviser / investment banking services;
- advocacy for the Company;
- actuarial services; and
- assistance in the recruitment of senior management.

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

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

It is expected that the MCK's external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance, including independence rules and guidance issued by NZICA.

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

Development of local and overseas practice with regard to auditor independence shall be monitored by the Audit Committee to ensure that this policy remains consistent with best practice and meets the Company's needs.

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

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

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

KPMG were appointed as external auditors to MCK in 1985. The lead external audit engagement partner was rotated in 2013. The role of the external auditor is to plan and carry out an audit of MCK's annual financial reports and review the half-yearly reports. The Audit Committee reviews the performance and independence of the external auditors.

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

## OCCUPATIONAL HEALTH AND SAFETY:

We are tertiary accredited under the Workplace Safety Management Programme (WSMP) with ACC (Accident Compensation Corporation) and have been since 2001. Tertiary accreditation recognises best practice across all aspects of workplace health and safety.

## INTERNAL CONTROLS AND RISK MANAGEMENT:

MCK has a series of internal controls in place covering such areas as financial monitoring and reporting, human resources and risk management. The primary responsibility for monitoring and reporting against internal controls and remedying any deficiencies lies with Management. MCK has an internal audit function to conduct audits and reviews of the Company's operations. MCK also keeps current insurances appropriate to its business with global insurers with a high prudential rating.

## SHAREHOLDER COMMUNICATIONS:

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

- announcements in accordance with continuous disclosure as required under the NZSX Listing Rules; and
- publication of the company's annual and interim reports which are sent to all shareholders and also made available through the company's website www.millenniumhotels.co.nz; and
- encouraging shareholders to attend the Annual Meeting to hear the Chairman and the Managing Director provide updates on the company's performance, ask questions of the Board and vote on the resolutions to be determined at the meeting.

## DIVERSITY POLICY:

MCK is committed to pursuing a culture of diversity within the Company. As a hospitality company hosting guests from around New Zealand and the world, we recognise the importance of supporting and valuing every employee as well as the promotion of acceptance and inclusion in the workplace.

MCK is proud to have a workforce of diverse cultures, nationalities and talented and motivated people.

Pursuant to NZX Main Board Listing Rule 10.4.5(j), set out below is a quantitative breakdown of the gender composition of the Company's directors, officers, hotel managers and other permanent employees as at 31 December 2014:

### Gender composition by number and percentage

| Position | 2014 | | 2013 | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| Directors | 5 (100%) | 0 (0%) | 5 (100%) | 0 (0%) |
| Officers* | 6 (67%) | 3 (33%) | 7 (78%) | 2 (22%) |
| Hotel managers | 11 (11%) | 2 (15%) | 9 (69%) | 4 (31%) |
| Permanent employees | 383 (40%) | 564 (60%) | 395 (42%) | 545 (58%) |

* Officers comprise the Company's Managing Director / CEO and his direct reports.

# HOTEL OWNERSHIP

## MILLENNIUM & COPTHORNE HOTELS IN NEW ZEALAND

### OWNED

Millennium Hotel Rotorua

Copthorne Hotel & Resort Bay of Islands (49%)

Copthorne Hotel Auckland HarbourCity

Copthorne Hotel Christchurch Central (closed)

Copthorne Hotel & Resort Queenstown Lakefront

Kingsgate Hotel Greymouth

Kingsgate Hotel Te Anau

### LEASED

Millennium Hotel Christchurch (closed)

100%

## QUANTUM LIMITED

### OWNED

Millennium Hotel Queenstown

Copthorne Hotel Auckland City

Copthorne Hotel Rotorua

Copthorne Hotel Palmerston North

Copthorne Hotel Wellington Oriental Bay

Copthorne Hotel & Apartments Queenstown Lakeview

Kingsgate Hotel Dunedin

### FRANCHISED

Millennium Hotel & Resort Manuels Taupo

Copthorne Hotel & Resort Hokianga

Copthorne Hotel Grand Central New Plymouth

Copthorne Hotel & Resort Solway Park Wairarapa

Kingsgate Hotel Autolodge Paihia

Kingsgate Hotel Whangarei

Kingsgate Hotel The Avenue Wanganui

Kingsgate Hotel Wellington

100%

## HOSPITALITY SERVICES LIMITED

### MANAGED/FRANCHISED

Kingsgate Hotel Hamilton

# MILLENNIUM HOTELS & RESORTS THROUGHOUT NEW ZEALAND

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

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

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

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

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

**Copthorne Hotel Auckland HarbourCity**
196-200 Quay Street, Auckland
Phone +64 9 375 9030
Fax +64 9 307 8159
copthorne.harbourcity@millenniumhotels.co.nz

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

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

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

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

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

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

**Copthorne Hotel & Resort Queenstown Lakefront**
Cnr Adelaide Street and Frankton Road, Queenstown
Phone +64 3 442 8123
Fax +64 3 442 7472
copthorne.lakefront@millenniumhotels.co.nz

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

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

**Kingsgate Hotel Whangarei**
9 Riverside Drive, Whangarei
Phone +64 9 430 4080
Fax +64 9 438 4320
kingsgate.whangarei@millenniumhotels.co.nz

**Kingsgate Hotel Hamilton**
100 Garnett Avenue, Te Rapa, Hamilton
Phone +64 7 849 0860
Fax +64 7 849 0660
kingsgate.hamilton@millenniumhotels.co.nz

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

**Kingsgate Hotel Wellington**
24 Hawkstone Street, Thorndon, Wellington
Phone +64 4 473 2208
Fax +64 4 473 3892
kingsgate.wellington@millenniumhotels.co.nz

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

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

**Kingsgate Hotel Dunedin**
10 Smith Street, Dunedin
Phone +64 3 477 6784
Fax +64 3 474 0115
kingsgate.dunedin@millenniumhotels.co.nz

MILLENNIUM
HOTELS AND RESORTS

MILLENNIUM ▪ COPTHORNE ▪ KINGSGATE

## Financial Statements – Contents



## Regulatory Disclosures and Statutory Information – Contents



Reception at Copthorne Hotel Wellington, Oriental Bay

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Income Statement

### For the year ended 31 December 2014

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

## Statement of Comprehensive Income

### For the year ended 31 December 2014

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

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

# Statement of Changes in Equity

## For the year ended 31 December 2014

**Group**

| DOLLARS IN THOUSANDS | Share Capital | Revaluation Reserve | Exchange Reserve | Accumulated Losses | Treasury Stock | Total | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Group | | | | | | | |
| 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** |

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

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Statement of Changes in Equity

### For the year ended 31 December 2014

Group

| | Attributable to equity holders of the Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| DOLLARS IN THOUSANDS | Share Capital | Revaluation Reserve | Exchange Reserve | Accumulated Losses | Treasury Stock | Total | Non-controlling Interests | Total Equity |
| Balance at 1 January 2013 | 430,330 | 73,624 | 1,170 | (61,761) | (85) | 443,278 | 98,516 | 541,794 |
| Movement in exchange translation reserve, net of tax | - | - | 7 | - | - | 7 | (3,645) | (3,638) |
| Revaluation/impairment of property, plant & equipment | - | 4,684 | - | - | - | 4,684 | 1,895 | 6,579 |
| Share of post acquisition reserves in associate | - | - | - | (35) | - | (35) | 41 | 6 |
| Total other comprehensive income/(loss) | - | 4,684 | 7 | (35) | - | 4,656 | (1,709) | 2,947 |
| Profit for the year | - | - | - | 27,107 | - | 27,107 | 5,104 | 32,211 |
| Total comprehensive income for the year | - | 4,684 | 7 | 27,072 | - | 31,763 | 3,395 | 35,158 |
| Transactions with owners, recorded directly in equity: | | | | | | | | |
| Dividends paid to: | | | | | | | | |
| Owners of the parent | - | - | - | (8,382) | - | (8,382) | - | (8,382) |
| Non-controlling interests | - | - | - | - | - | - | (1,894) | (1,894) |
| Supplementary dividends | - | - | - | (316) | - | (316) | - | (316) |
| Foreign investment tax credits | - | - | - | 316 | - | 316 | - | 316 |
| Movement in non-controlling interests without a change in control | - | - | - | (232) | - | (232) | 738 | 506 |
| **Balance at 31 December 2013** | **430,330** | **78,308** | **1,177** | **(43,303)** | **(85)** | **466,427** | **100,755** | **567,182** |

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

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Statement of Changes in Equity

### For the year ended 31 December 2014

Parent

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

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

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Statement of Financial Position

### As at 31 December 2014

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

**For and on behalf of the Board**

R BOBB, DIRECTOR

10 February 2015

BK CHIU, MANAGING DIRECTOR

10 February 2015

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

# Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

## Statement of Cash Flows

### For the year ended 31 December 2014

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

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

## Statement of Cash Flows – continued

### For the year ended 31 December 2014

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

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

## Significant accounting policies

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

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

### (a) Statement of compliance

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

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

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

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

### (b) Basis of preparation

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

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

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

### (c) Change in accounting policies

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

### (d) Basis of consolidation

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

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

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

## Significant accounting policies – continued

### (e) Foreign currency

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

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

### (f) Financial instruments

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

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

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

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

### (g) Insurance proceeds

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

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

### (h) Property, plant and equipment

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

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

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

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

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

## Significant accounting policies – continued

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

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

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

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

**(i) Investment in subsidiaries**

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

**(j) Development properties**

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

**(k) Intangible assets**

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

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

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

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

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

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

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

The estimated useful lives utilised are as follows:

| | |
|---|---|
| Management contracts | 12 years |
| Leasehold interests | 10 – 27 years |

**(l) Cash and cash equivalents**

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

## Significant accounting policies - continued

**(m) Trade and other receivables**

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

**(n) Inventories**

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

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

**(o) Impairment**

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

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

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

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

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

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

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

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

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

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

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

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

**(r) Provisions**

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

**(s) Trade and other payables**

Trade and other payables are stated at cost.

## Significant accounting policies - continued

### (t) Share capital

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

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

### (u) Revenue

Revenue represents amounts derived from:

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

### (v) Expenses

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

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

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

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

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

### (w) Income tax

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

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

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

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

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

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

## Significant accounting policies – continued

### (x) Segment reporting

An operating segment is a distinguishable component of the Group:

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

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

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

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

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

Index

## 1. Segment reporting

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

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

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

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

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

**Geographical areas**
The Group operates in the following main geographical areas:
- New Zealand.
- Australia.
- Asia (predominantly China).

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

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

**Operating segments**

| | Hotel Operations | | Residential Land Development | | Residential & Commercial Property Development | | Group | |
|---|---|---|---|---|---|---|---|---|
| *Dollars In Thousands* | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| External revenue | 83,086 | 77,964 | 44,160 | 38,352 | 2,818 | 2,893 | 130,064 | 119,209 |
| Finance income | 2,126 | 2,101 | 1,358 | 1,100 | 752 | 934 | 4,236 | 4,135 |
| Finance expense | (1,225) | (475) | (12) | - | (2,008) | (2,237) | (3,245) | (2,712) |
| Depreciation and amortisation | (9,034) | (6,494) | (1) | (2) | (16) | (26) | (9,051) | (6,522) |
| Segment profit/(loss) before income tax | 11,046 | 15,419 | 20,537 | 18,550 | 13,789 | (2,590) | 45,372 | 31,379 |
| Share of (loss)/profit of associates | - | - | - | - | (370) | 9,751 | (370) | 9,751 |
| Profit before income tax | 11,046 | 15,419 | 20,537 | 18,550 | 13,419 | 7,161 | 45,002 | 41,130 |
| Income tax (expense)/credit | (4,346) | (4,493) | (5,827) | (5,146) | 751 | 720 | (9,422) | (8,919) |
| Other material/non-cash items: | | | | | | | | |
| Business interruption insurance income | 495 | 4,197 | - | - | - | - | 495 | 4,197 |
| Gain on distribution in specie | - | - | - | - | 17,643 | - | 17,643 | - |
| Segment assets | 380,568 | 337,522 | 130,467 | 120,333 | 74,323 | 74,878 | 585,358 | 532,733 |
| Tax assets | - | (130) | - | (1,120) | - | 2,337 | - | 1,087 |
| Investment in associates | - | - | 2 | 2 | - | 185,329 | 2 | 185,331 |
| Total assets | 380,568 | 337,392 | 130,469 | 119,215 | 74,323 | 262,544 | 585,360 | 719,151 |
| Segment liabilities | (84,867) | (96,958) | (240) | (218) | (7,785) | (11,208) | (92,892) | (108,384) |
| Tax liabilities | (43,154) | (44,001) | (1,740) | (132) | 2,133 | 548 | (42,761) | (43,585) |
| Total liabilities | (128,021) | (140,959) | (1,980) | (350) | (5,652) | (10,660) | (135,653) | (151,969) |
| Capital expenditure | 6,685 | 5,418 | 3 | - | 3 | 7 | 6,691 | 5,425 |

1. **Segment reporting** - continued

**Geographical areas**

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

2. **Other income**

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

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

3. **Administration and other operating expenses**

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

### 4. Personnel expenses

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

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**

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

**Recognised in other comprehensive income**

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

### 6. Income tax expense

**Recognised in the income statement**

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

## 6. Income tax expense – continued

### Reconciliation of tax expense

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

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

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

## 7. Imputation credits

| *Dollars In Thousands* | Group 2014 | Group 2013 |
|---|---|---|
| Imputation credits available for use in subsequent reporting periods | 52,767 | 46,547 |

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

## 8. Capital and reserves

### Share capital

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

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

## 8. Capital and reserves - continued

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

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

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

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

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

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

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

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

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

## 9. Earnings per share

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

**Profit attributable to shareholders**

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

**Weighted average number of shares**

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

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

## 10. Property, plant and equipment

Group

| *Dollars In Thousands* | Freehold Land | Freehold Buildings | Leasehold Land and Buildings | Plant, Equipment, Fixtures and Fittings | Motor Vehicles | Work In Progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at 1 January 2013 | 93,871 | 159,351 | 22,145 | 86,163 | 147 | 890 | 362,567 |
| Acquisitions | - | - | - | 92 | - | 5,333 | 5,425 |
| Disposals | - | - | - | (535) | (40) | - | (575) |
| Transfers between categories | - | 492 | 8 | 4,094 | - | (4,594) | - |
| Transfer from accumulated depreciation following revaluation | - | (1,078) | (21) | - | - | - | (1,099) |
| Movements in foreign exchange | - | - | - | (82) | (3) | - | (85) |
| Revaluation surplus/(deficit) | (2,631) | 12,173 | 766 | - | - | - | 10,308 |
| **Balance at 31 December 2013** | **91,240** | **170,938** | **22,898** | **89,732** | **104** | **1,629** | **376,541** |
| 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** |
| **Depreciation and impairment losses** | | | | | | | |
| Balance at 1 January 2013 | - | (10,530) | (2,301) | (65,080) | (121) | - | (78,032) |
| Depreciation charge for the year | - | (1,960) | (336) | (4,222) | (4) | - | (6,522) |
| Disposals | - | - | - | 516 | 40 | - | 556 |
| Transfers between categories | - | (24) | (31) | 55 | - | - | - |
| Transfer accumulated depreciation against cost following revaluation | - | 1,078 | 21 | - | - | - | 1,099 |
| Movements in foreign exchange | - | - | - | 74 | 3 | - | 77 |
| **Balance at 31 December 2013** | **-** | **(11,436)** | **(2,647)** | **(68,657)** | **(82)** | **-** | **(82,822)** |
| 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)** |
| **Carrying amounts** | | | | | | | |
| At 1 January 2013 | 93,871 | 148,821 | 19,844 | 21,083 | 26 | 890 | 284,535 |
| **At 31 December 2013** | **91,240** | **159,502** | **20,251** | **21,075** | **22** | **1,629** | **293,719** |
| 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** |

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

Parent

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

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

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

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

**10. Property, plant and equipment** – continued

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

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

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

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

**Group**

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

**Parent**

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

## 10. Property, plant and equipment – continued

Canterbury Earthquake

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

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

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

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

## 11. Development properties

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

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

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

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

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

## 12. Intangible assets

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

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

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

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

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

## 13. Investment in associates

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

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

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

| | Group | | |
|---|---|---|---|
| | 2014 | 2013 | |
| *Dollars in Thousands* | Prestons Road Limited | First Sponsor Capital Limited | Prestons Road Limited |
| Current assets | 1,818 | 750,564 | 207 |
| Non-current assets | - | 176,868 | - |
| Current liabilities | (1,812) | (217,384) | (201) |
| Non-current liabilities | - | (159,312) | |
| Non-controlling interests | - | (5,585) | - |
| Net assets (100%) | **6** | **545,151** | **6** |
| Group interests | 33.33% | 34.00% | 33.33% |
| Group's interest of net assets | 2 | 185,329 | 2 |
| Carrying amount in associates | 2 | 185,329 | 2 |

| | | | |
|---|---|---|---|
| Revenues | - | 153,855 | - |
| Profit (100%) | - | 28,678 | - |
| Other comprehensive income ("OCI") (100%) | - | 31,107 | - |
| Group interests | 33.33% | 34.00% | 33.33% |
| Group's share of (losses)/profits | - | 9,751 | - |
| Group's share of OCI | - | 10,575 | - |
| Group's share of profits and OCI | - | 20,326 | - |

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

**13. Investment in associates** - continued

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

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

**Reorganisation of investments in associates before the scheme of arrangement**
As preparation for the implementation of the scheme of arrangements, the Company consolidated its investments held by its subsidiaries, by way of capital reorganisation and transfer of the investments from its subsidiaries.

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

**13 (b)** On 21 March 2014, KIN Holdings Limited (61.30% owned subsidiary of the Company) carried out a capital reduction and a distribution in specie exercise whereby its entire FSCL shares held were distributed to 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 |
| | 365,684,519 | | $248,666 | 171,315,793 | | $248,168 |
| Treasury stock | 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.

**13. Investment in associates** - continued

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

**Gain on the distribution in specie**

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

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

* at equity accounted value, ** at cost.

**14. Cash and cash equivalents**

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

**15. Trade and other receivables**

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

**16. Inventories**

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

**17. Current tax assets and liabilities**

| | Group | | Parent | |
|---|---|---|---|---|
| *Dollars In Thousands* | 2014 | 2013 | 2014 | 2013 |
| Income tax receivable | - | 1,087 | 782 | - |
| Income tax payable | (896) | - | - | (125) |

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

## 18. Assets held for sale

| *Dollars In Thousands* | Note | Group 2014 | Group 2013 | Parent 2014 | Parent 2013 |
|---|---|---|---|---|---|
| First Sponsor Group Limited shares | 13 (e) | 317 | - | 317 | - |
| Less provision for impairment | | (19) | - | (19) | - |
| Carrying value | | 298 | - | 298 | - |

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

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

## 19. Interest-bearing loans and borrowings

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

**Group**

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

**Parent**

| | | | | | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|---|---|---|---|
| *Dollars in Thousands* | Currency | Interest Rate | Maturity | Facility Total | Face Value | Carrying Amount | Face Value | Carrying Amount |
| Revolving credit | NZD | 4.390% | | | 17,000 | 17,000 | 10,000 | 10,000 |
| Revolving credit | NZD | 3.460% | | | - | - | 5,000 | 5,000 |
| Revolving credit | NZD | 3.540% | | | - | - | 5,000 | 5,000 |
| Revolving credit | NZD | 4.420% | | | 9,500 | 9,500 | 22,035 | 22,035 |
| Overdraft | NZD | 4.100% | | | 3,572 | 3,572 | - | - |
| **TOTAL** | | | **31 Jan 2017** | **50,000** | **30,072** | **30,072** | **42,035** | **42,035** |
| Current | | | | | 3,572 | 3,572 | - | - |
| Non-current | | | | | 26,500 | 26,500 | 42,035 | 42,035 |

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

## 20. Provisions

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

## 20. Provisions - continued

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

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

## 21. Deferred tax assets and liabilities

**Recognised deferred tax assets and liabilities**
Deferred tax assets and liabilities are attributable to the following:

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

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

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

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

| | Group | | | |
|---|---|---|---|---|
| *Dollars In Thousands* | 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** |

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

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

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

## 22. Trade and other payables

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

## 23. Financial instruments

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

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

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

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

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

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

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

**Market risk**

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

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

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

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

**23. Financial instruments** – continued

**Effective interest and re-pricing analysis** – continued

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

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

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

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

**Capital management**
The Group's capital includes share capital and retained earnings.

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

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

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

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

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

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

**23. Financial instruments** - continued

**Fair values** - continued

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

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

(a) Cash, accounts receivable, accounts payable 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.

**24. Operating leases**

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

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

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

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

**25. Capital commitments**

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

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

**26. Related parties**

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

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

## 26. Related parties - continued

**Total remuneration for key management personnel**

| *Dollars In Thousands* | Group 2014 | Group 2013 | Parent 2014 | Parent 2013 |
|---|---|---|---|---|
| Non-executive directors | 265 | 269 | 116 | 116 |
| Executive director | 535 | 546 | 535 | 546 |
| Executive officers | 703 | 588 | 703 | 588 |
| | **1,503** | **1,403** | **1,354** | **1,250** |

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

## 27. Group entities

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

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

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

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

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

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

**Parent**

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

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

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

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

**27. Group entities -** continued

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

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

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

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

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

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

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

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

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

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

**27. Group entities -** continued

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

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

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

**28. Accounting estimates and judgements**

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

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

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

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

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

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

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

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

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

**29. Subsequent event and commitment**

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

# Independent auditor's report

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

### Report on the company and group financial statements

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

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

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

***Auditor's responsibility***

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

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

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

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

***Opinion***

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

- comply with generally accepted accounting practice in New Zealand;

- give a true and fair view of the financial position of the company and the group as at 31 December 2014 and of the financial performance and cash flows of the company and the group for the year then ended.

**Report on other legal and regulatory requirements**

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

- we have obtained all the information and explanations that we have required; and

- in our opinion, proper accounting records have been kept by Millennium & Copthorne Hotels New Zealand Limited as far as appears from our examination of those records.


10 February 2015
Auckland

## REGULATORY DISCLOSURES

### 20 LARGEST ORDINARY SHAREHOLDERS (as at 28 February 2015) (Listing Rule 10.4.5(b)

| Rank | Shareholder | No. of Securities | % |
|---|---|---|---|
| 1. | CDL HOTELS HOLDINGS NEW ZEALAND LIMITED | 74,139,077 | 70.22 |
| 2. | BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD | 5,962,409 | 5.65 |
| 3. | HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD | 3,207,681 | 3.04 |
| 4. | HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD | 2,772,833 | 2.63 |
| 5. | ZETA BETA LIMITED | 2,739,787 | 2.60 |
| 6. | GUARDIAN NOMINEES NO 2 LIMITED - WPAC WHOLESALE PROPERTY TRUST - NZCSD | 2,405,739 | 2.28 |
| 7. | ACCIDENT COMPENSATION CORPORATION - NZCSD | 2,370,767 | 2.25 |
| 8. | SKY HILL LIMITED | 1,596,742 | 1.51 |
| 9. | CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD | 1,352,078 | 1.28 |
| 10. | LENG BENG KWEK | 906,000 | 0.86 |
| 11. | NATIONAL NOMINEES NEW ZEALAND LIMITED - NZCSD | 704,423 | 0.67 |
| 12. | AMALGAMATED DAIRIES LIMITED | 684,980 | 0.65 |
| 13. | HONG REN WONG | 604,000 | 0.57 |
| 14. | KAY HONG CHIAM | 475,251 | 0.45 |
| 15. | CUSTODIAL SERVICES LIMITED | 268,780 | 0.25 |
| 16. | JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT - NZCSD | 205,682 | 0.19 |
| 17. | GEOK LOO GOH | 168,002 | 0.16 |
| 18. | STEPHEN JOHN LOBB + NICOLETTA MARIA BARTOLI | 159,447 | 0.15 |
| 19. | ASB NOMINEES LIMITED | 156,653 | 0.15 |
| 20. | SITA SINGH | 151,000 | 0.14 |

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

### 20 LARGEST REDEEMABLE PREFERENCE SHAREHOLDERS (as at 28 February 2015) (Listing Rule 10.4.5(b)

| Rank | Shareholder | No. of Securities | % |
|---|---|---|---|
| 1. | CDL HOTELS HOLDINGS NEW ZEALAND LIMITED | 44,922,095 | 85.18 |
| 2. | BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD | 2,945,671 | 5.59 |
| 3. | ACCIDENT COMPENSATION CORPORATION - NZCSD | 1,640,091 | 3.11 |
| 4. | GUARDIAN NOMINEES NO 2 LIMITED - WPAC WHOLESALE PROPERTY TRUST - NZCSD | 1,000,791 | 1.90 |
| 5. | LENG BENG KWEK | 453,000 | 0.86 |
| 6. | HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD | 438,332 | 0.83 |
| 7. | HONG REN WONG | 302,000 | 0.57 |
| 8. | KAY HONG CHIAM | 211,324 | 0.40 |
| 9. | ZETA BETA LIMITED | 144,427 | 0.27 |
| 10. | ASB NOMINEES LIMITED | 136,425 | 0.26 |
| 11. | VINCENT WEE ENG YEO | 75,500 | 0.14 |
| 12. | JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT - NZCSD | 50,000 | 0.09 |
| 13. | THEODORE JOHN VAN GELDERMALSEN + MARGARET GAY FREEMANTLE | 40,000 | 0.08 |
| 14. | HOWARD CEDRIC ZINGEL | 31,592 | 0.06 |
| 15. | STEPHEN JOHN LOBB + NICOLETTA MARIA BARTOLI | 30,200 | 0.06 |
| 16. | JOAN LESLEY THOMPSON | 30,200 | 0.06 |
| 17. | ROGER EDWARD HAYWARD + SUSAN ELIZABETH HAYWARD | 28,909 | 0.05 |
| 18. | JOHN WILSON | 24,160 | 0.05 |
| 19. | LING FOO KOK | 20,134 | 0.04 |
| 20. | FORSYTH BARR CUSTODIANS LIMITED | 16,607 | 0.03 |

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

### HOLDINGS SIZE – ORDINARY SHARES (as at 27 February 2015)

| Range | Total Holders | Number of shares | Percentage of Issued Capital |
|---|---|---|---|
| 1 - 99 | 4 | 207 | 0.00 |
| 100 - 199 | 26 | 4,070 | 0.00 |
| 200 - 499 | 517 | 179,851 | 0.17 |
| 500 - 999 | 363 | 259,104 | 0.25 |
| 1,000 - 1,999 | 212 | 307,106 | 0.29 |
| 2,000 - 4,999 | 200 | 604,349 | 0.57 |
| 5,000 - 9,999 | 74 | 536,288 | 0.51 |
| 10,000 - 49,999 | 58 | 1,376,020 | 1.30 |
| 50,000 - 99,999 | 9 | 612,432 | 0.58 |
| 100,000 - 499,999 | 11 | 2,025,525 | 1.92 |
| 500,000 - 999,999 | 3 | 2,194,980 | 2.08 |
| **Total** | **1,481** | **105,578,290** | **100.00** |

### HOLDINGS SIZE – REDEEMABLE PREFERENCE SHARES (as at 27 February 2015)

| Range | Total Holders | Number of shares | Percentage of Issued Capital |
|---|---|---|---|
| 100 - 199 | 46 | 7,164 | 0.01 |
| 200 - 499 | 45 | 13,731 | 0.03 |
| 500 - 999 | 30 | 20,940 | 0.04 |
| 1,000 - 1,999 | 24 | 33,960 | 0.06 |
| 2,000 - 4,999 | 8 | 28,825 | 0.05 |
| 5,000 - 9,999 | 6 | 42,678 | 0.08 |
| 10,000 - 49,999 | 11 | 260,509 | 0.49 |
| 50,000 - 99,999 | 1 | 75,500 | 0.14 |
| 100,000 - 499,999 | 5 | 1,247,176 | 2.36 |
| 1,000,000 - | 2 | 51,009,060 | 96.72 |
| Rounding | | | 0.02 |
| **Total** | **178** | **52,739,543** | **100.00** |

## DOMICILE OF ORDINARY SHAREHOLDERS (as at 28 February 2015)

| | Number | Number of shares | Percentage of Issued Capital |
|---|---|---|---|
| New Zealand | 1371 | 98,348,017 | 93.15 |
| Overseas holders | 110 | 7,230,273 | 6.85 |
| **Total** | **1481** | **105,578,290** | **100.00** |

## DOMICILE OF REDEEMABLE PREFERENCE SHAREHOLDERS (as at 28 February 2015)

| | Number | Number of shares | Percentage of Issued Capital |
|---|---|---|---|
| New Zealand | 161 | 51,460,596 | 97.57 |
| Overseas holders | 17 | 1,278,947 | 2.43 |
| **Total** | **178** | **52,739,543** | **100.00** |

## WAIVERS FROM NZX LIMITED

On 24 December 2014, NZX Limited granted the Company a waiver from NZX Main Board Listing Rule 9.2.1 in respect of the requirement in that Rule to obtain prior shareholder approval in relation to the acquisition by the Company of the remaining 38.7% of the shares in KIN Holdings Limited ("KIN Holdings"), which were owned by Tai Tak Holdings Pte Ltd ("Tai Tak"). The Company and Tai Tak were "Related Parties" for the purposes of the NZX Main Board Listing Rules because Tai Tak and the Company were parties to a shareholders' agreement in relation to KIN Holdings and also because two directors of Tai Tak or its related companies were directors of certain subsidiaries of the Company. The waiver was granted because, among other reasons, negotiations between the Company and Tai Tak in relation to the transaction were undertaken on an arm's length basis and Tai Tak had no ability to influence MCK's decision to enter into the transaction.

On 3 April 2014, NZX Limited granted the Company a waiver from NZX Main Board Listing Rule 5.2.3 for a period of 12 months from 25 March 2014 in respect of the requirements in that Rule for the new preference shares in the Company to be held by at least 500 members of the public holding at least 25% of the number of shares in that class or NZX to otherwise be satisfied that the Company will maintain a spread of holders of preference shares that is sufficient to ensure that there is a liquid market in those shares. This Rule is informally referred to as the "spread requirement". The waiver was granted because, among other reasons, the Company had no control over the uptake of the new preference shares (which were offered under a pro rata rights issue) and that it would have been detrimental to the holders of the new preference shares if quotation was declined on the basis that the spread requirement was not met. The implications of the waiver are that the preference shares may not be widely held, and there may be reduced liquidity in the preference shares.

NZX Regulation granted the waiver on the condition that the waiver, its conditions and its implications be prominently disclosed in the Company's 2014 half year and full year reports and that the Company notifies NZX Regulation of any material change to the spread of the preference shares.

On 14 February 2014, NZX Limited granted the Company a waiver from NZX Main Board Listing Rule 9.2.1 in respect of the requirement in that Rule to obtain prior shareholder approval in relation to the acquisition by a wholly owned subsidiary of new preference shares in the Company's then-associate company First Sponsor Capital Limited ("FSCL"). The Company and FSCL were "Related Parties" for the purposes of the NZX Main Board Listing Rules because the Company, FSCL and a number of the Company's subsidiaries have common directors. The waiver was granted because, among other reasons, negotiations between the Company and FSCL in relation to the transaction were undertaken on an arm's length basis and FSCL had no ability to influence MCK's decision to enter into the transaction.

## SUBSTANTIAL SECURITY HOLDERS

According to notices given to the Company under the Securities Markets Act 1988, as at 28 February 2015, the substantial security holders in the Company are noted below:

| | Securities | Class | % |
|---|---|---|---|
| CDL Hotels Holdings New Zealand Limited | 74,139,077 | Ordinary Shares | 70.22% |
| Aberdeen Asset Management Limited | 5,434,524 | Ordinary Shares | 5.15% |
| Aberdeen Asset Management Asia Limited | 11,896,933 | Ordinary Shares | 11.27% |

CDL Hotels Holdings New Zealand Limited is a wholly owned subsidiary of Millennium & Copthorne Hotels plc. As at 28 February 2015, the total number of issued voting securities of Millennium & Copthorne Hotels New Zealand Limited (all of which are ordinary shares) was 105,578,290. There is no treasury stock held by the Company.
The total number of non-voting redeemable preference shares was 52,739,543. As these securities are non-voting securities, there is no requirement to provide substantial security holder notices.

## STATUTORY INFORMATION

**DIRECTORS** (section 211 (1)(i) Companies Act 1993)
As at 31 December 2014, the Company's Directors were Messrs. HR Wong, BK Chiu, VWE Yeo, R Bobb and GA McKenzie. No directors resigned during 2014, nor were any appointed during 2014.

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

<u>USE OF COMPANY INFORMATION</u> (section 145 Companies Act 1993)
During 2014, the Board did not receive any notices from any Directors of the Company requesting the use of company information which they would have received in their capacity as Directors which would not otherwise have been available to them.

<u>SHARE DEALING</u> (section 148, Companies Act 1993)
No share dealings by Directors occurred during 2014.

<u>DIRECTORS' AND ASSOCIATED PERSONS SHAREHOLDINGS</u> (as at 31 December 2014)

| Director | 2013 | 2014 |
|---|---|---|
| HR Wong | 2,000,000 | 2,000,000 |
| B K Chiu | Nil | Nil |
| VWE Yeo | 500,000 | 500,000 |
| R Bobb | Nil | Nil |
| GA McKenzie | Nil | Nil |

REMUNERATION (section 161 and 211(1)(f), Companies Act 1993)

The total remuneration and value of other benefits earned received by each of the Directors of the Company for the year ending 31 December 2014 was:

| Director | Remuneration |
|---|---|
| HR Wong (*) | Nil |
| B K Chiu (*) | 535,054 |
| VWE Yeo | 35,000 |
| R Bobb (#) | 72,500 |
| GA McKenzie (#) | 88,500 |

(#) The total disclosed includes all board and Committee fees for the Audit and Due Diligence Committee work undertaken in 2014.
(*) Mr. H R Wong is Chief Executive and Executive Director of Millennium & Copthorne Hotels plc and did not receive remuneration as a director of the Company or of any of the Company's subsidiaries. Mr. B K Chiu is an employee of the Company and did not receive remuneration as a director of the Company or of any of the Company's subsidiaries.

INDEMNITY AND INSURANCE (section 162, Companies Act 1993)

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

GENERAL DISCLOSURES OF INTEREST (section 140(2), Companies Act 1993)

As at 31 December 2014, the Directors of the Company have made general disclosures of interest in the following companies:

**HR WONG**

| | | |
|---|---|---|
| *Chairman / President/ Director of:* | Grand Plaza Hotel Corporation | |
| *Chairman / Director / Legal Representative of:* | Beijing Fortune Hotel Co. Ltd. | |
| *Chairman / Director of:* | CDL Investments New Zealand Limited | M&C Business Trust Management Limited |
| | M&C REIT Management Limited | |
| *Director / President of:* | The Philippine Fund Ltd | |
| *Director / Representative Director of:* | CDL Hotels (Korea) Ltd | |
| *Executive Director / Chief Executive Officer of:* | Millennium & Copthorne Hotels plc | |
| *Director of:* | Birkenhead Holdings Pty Ltd | Birkenhead Investments Pty Ltd |
| CDL Hotels Holdings New Zealand Limited | CDL Land New Zealand Limited | Hotelcorp New Zealand Ltd |
| KIN Holdings Limited | Kingsgate Holdings Pty Ltd | Kingsgate Hotel Pty Ltd |
| Kingsgate International Corporation Limited | Kingsgate Investments Pty. Ltd | Millennium & Copthorne Hotels Pty Ltd |
| Quantum Limited | | |
| CDL Entertainment & Leisure Pte Ltd | CDL Hotels (Labuan) Limited | CDL Hotels (Singapore) Pte Ltd |
| CDL Hotels Japan Pte. Ltd | CDLHT MTN PTE. LTD | Chancery Ltd |
| City Hotels Pte Ltd | Copthorne Orchid Hotel Singapore Pte Ltd | First Sponsor (Guangdong) Limited |
| First Sponsor Group Limited | Harbour Land Corporation | Harrow Entertainment Pte Ltd |
| Hospitality Holdings Pte Ltd | International Design Link Pte Ltd | London Britannia Hotel Limited |
| M&C (India) Holdings Pte Ltd | M&C (Mauritius) Holdings Limited | M&C Holdings (Thailand) Limited |
| M&C Hospitality Holdings (Asia) Limited | M&C Hospitality International Limited | M&C Hotel Enterprises (Asia) Limited |
| M&C Hotel Investments Pte. Ltd | M&C Hotels Holdings Ltd | M&C Hotels Holdings Japan Pte. Ltd |
| M&C Hotels Holdings USA Limited | M&C Hotels Japan Pte. Ltd | |
| Millennium & Copthorne Hotel Holdings (Hong Kong) Ltd | Millennium & Copthorne Hotels (Hong Kong) Ltd | Millennium & Copthorne International Limited |
| Millennium & Copthorne Middle East Holdings Limited | Newbury Investments Pte Ltd | Republic Hotels Suzhou Pte Ltd |
| Republic Iconic Hotel Pte Ltd | RHR Capital Pte. Ltd | Rogo Realty Corporation |
| TOSCAP Limited | Zatrio Pte Ltd. | Zillion Holdings Ltd |
| *President / Commissioner of:* | PT. Millennium Hotels & Resorts | |
| *Commissioner of:* | PT. Millennium Sirih Jakarta Hotel | |
| *Member of Management Board:* | ATOS Holding AG | |

**VWE YEO**

| | | |
|---|---|---|
| *Executive Director / Chief Executive Officer of:* | M&C Business Trust Management Limited | M&C REIT Management Limited |
| *Director of:* | CDL Hotels Holdings New Zealand Limited | CDL Investments New Zealand Limited |
| KIN Holdings Ltd | Kingsgate International Corporation Ltd | |
| CDL HBT Hanei Pte Ltd | CDL HBT Oceanic Holdings Pte Ltd | CDL HBT Oceanic Ltd |
| CDL HBT Oceanic Maldives Private | CDL HBT Oceanic Two Ltd | CDLHT (BVI) One Ltd |
| CDLHT Hanei One Pte Ltd | CDLHT Hanei Two Pte Ltd | CDLHT MTN Pte. Ltd |
| CDLHT Oceanic Holdings Pte Ltd | CDLHT Oceanic Ltd | CDLHT Oceanic Two Ltd |
| CDLHT Oceanic Maldives Private | CDLHT Sancuary Limited | CDLHT Sunrise Limited |
| CDLHT Sunshine Limited | CDLHT Two Ltd | CES Education Holdings Pte Ltd |
| Fena Estate Company Limited | Hospitality Holdings Pte Ltd | Hospitality Ventures Pte Ltd |
| Sanctuary Sands Maldives Private Limited | Sun Four Investments Limited | Sun One Investments Limited |
| Sun Three Investments Limited | Sun Two Investments Limited | Sunshine Hotels Australia Pty Ltd |

**BK CHIU**

| | | |
|---|---|---|
| *Chairman / Director of:* | Quantum Ltd | Waitangi Resort Joint Venture Committee |
| *Director of:* | All Seasons Hotels & Resorts Ltd | CDL Land New Zealand Ltd |
| CDL Land New Zealand Ltd | Context Securities Ltd | Hospitality Group Ltd |
| Hospitality Leases Ltd | Hospitality Services Ltd | Kingsgate Hotels & Resorts Ltd |
| Millennium & Copthorne Hotels Ltd | QINZ Holdings (New Zealand) Ltd | QINZ (Anzac Avenue) Ltd |

**R BOBB**

| | | |
|---|---|---|
| *Director of:* | Bobb Management Pty Ltd | Birkenhead Holdings Pty Ltd |
| Birkenhead Investments Pty Ltd | Bobb Nominees Pty Ltd | Continental Investments Pty Ltd |
| Furscarbo Pty Ltd | Hotelcorp New Zealand Pty Ltd | Kingsgate Hotel Pty Ltd |
| Kingsgate Holdings Pty Ltd | Kingsgate Investments Pty Ltd | Melmark Securities Pty Ltd. |
| Millennium & Copthorne Hotels Pty Ltd. | RAB Capital Pty Ltd | Star Securities Australia Pty Ltd |
| Trans National Properties Ltd | | |
| *Consultant to:* | Richard A Bobb Chartered Accountants | |

**G A MCKENZIE**

| | | |
|---|---|---|
| *Director of:* | CMO Energy NZ | GMACK Consulting Ltd |
| Luxottica Retail New Zealand Ltd | McHarry Holdings Ltd | Redbank Energy (NZ) Limited |

**EMPLOYEE REMUNERATION** (section 211(1) (g) Companies Act 1993)

The number of employees or former employees of the Company and its subsidiaries (excluding publicly listed subsidiaries) who received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum in 2014 are as follows:

| Remuneration and value of other benefits | Number. of employees |
|---|---|
| 100,001 – 110,000 | 4 |
| 110,001 - 120,000 | 1 |
| 120,001 – 130,000 | 1 |
| 130,001 – 140,000 | 3 |
| 140,001 – 150,000 | 3 |
| 150,001 – 160,000 | 2 |
| 160,001 – 170,000 | 1 |
| 170,001 – 180,000 | 3 |
| 190,001 – 200,000 | 1 |
| 220,001 – 230,000 | 1 |
| 240,001 – 250,000 | 1 |
| 250,001 – 260,000 | 1 |
| 500,001 – 550,000 | 1 |

**DONATIONS** (section 211(1)(h) and (2)

The Company and its subsidiaries made donations to charity totalling $9,782.06 during the year.

**AUDIT FEES** (section 211(1)(j) and (2)

During the period under review, the following amounts were payable to the external auditors KPMG:

| | 2013 ($'000) | | 2014 ($'000) | |
|---|---|---|---|---|
| | New Zealand | Australia | New Zealand | Australia |
| Annual Audit | 276 | 25 | 254 | 25 |
| KPMG Other Services | 311 | nil | 296 | nil |

**SUBSIDIARY COMPANIES AND DIRECTORS** section 211(2) of the Companies Act 1993

The Company's subsidiaries and their directors as at 31 December 2014 are listed below:

| NAME | DIRECTORS | OWNERSHIP | ACTIVITY |
|---|---|---|---|
| **All Seasons Hotels and Resorts Ltd** | BK Chiu, JB Pua | 100% | Non-trading |
| **Birkenhead Holdings Pty Ltd** | HR Wong, R Bobb, JB Pua | 61.30% | Holding Company (Australia) |
| **Birkenhead Investments Pty Ltd** | HR Wong, R Bobb, CHL Ho, JB Pua | 61.30% | Shopping Centre Owner (Australia) |
| **CDL Investments New Zealand Ltd (▼)** | HR Wong, RL Challinor, BK Chiu, J Henderson, VWE Yeo | 67.06% | Holding Company |
| **CDL Land New Zealand Ltd** | HR Wong, BK Chiu, DJ Lindsay, JB Pua | 67.06% | Property Investment & Development Company |
| **Context Securities Ltd** | BK Chiu, JB Pua | 100% | Investment Holding Company |
| **Hospitality Group Ltd** | BK Chiu, T Ito, KF Luxon, JB Pua | 100% | Holding Company |
| **Hospitality Leases Ltd** | BK Chiu | 100% | Lessee Company |
| **Hospitality Services Ltd** | BK Chiu, KF Luxon, JB Pua | 100% | Hotel Management Company |
| **Hotelcorp New Zealand Ltd** | HR Wong, R Bobb, JB Pua | 61.30% | Holding Company (Australia) |
| **KIN Holdings Ltd** | HR Wong, CHL Ho, HK Ho, VWE Yeo | 61.30% | Holding company |
| **Kingsgate Holdings Pty Ltd** | HR Wong, R Bobb, JB Pua | 61.30% | Holding Company |
| **Kingsgate Hotels And Resorts Ltd** | BK Chiu, JB Pua | 100% | Franchise Holder |
| **Kingsgate Hotels Ltd** | JB Pua | 61.30% | Non-trading |
| **Kingsgate Hotel Pty Ltd** | HR Wong, R Bobb, JB Pua | 61.30% | Non-trading (Australia) |
| **Kingsgate Investments Pty Ltd** | HR Wong, R Bobb, CHL Ho, JB Pua | 61.30% | Residential Apartment Owner (Australia) |
| **Kingsgate International Corporation Ltd** | HR Wong, CHL Ho, VWE Yeo | 61.30% | Holding Company |
| **Millennium & Copthorne Hotels Ltd** | BK Chiu, JB Pua | 100% | Non-trading |
| **Millennium & Copthorne Hotels Pty Ltd** | HR Wong, R Bobb, JB Pua | 61.30% | Non-trading (Australia) |
| **QINZ (Anzac Avenue) Ltd** | BK Chiu, JB Pua | 100% | Hotel Owner |
| **QINZ Holdings (New Zealand) Ltd** | BK Chiu, JB Pua | 100% | Holding Company |
| **Quantum Ltd** | BK Chiu, KF Luxon, JB Pua, HR Wong | 100% | Holding company |

**(▼)** Listed on the New Zealand Stock Exchange

--Where the directors of the Company's subsidiaries are employees of the Company, they do not receive any remuneration or other benefits as a director. Their remuneration and other benefits are received as employees and are included in the relevant banding under Employee Remuneration.

--Mr. K F Luxon was appointed as director of Hospitality Group Limited on 17 September 2014.

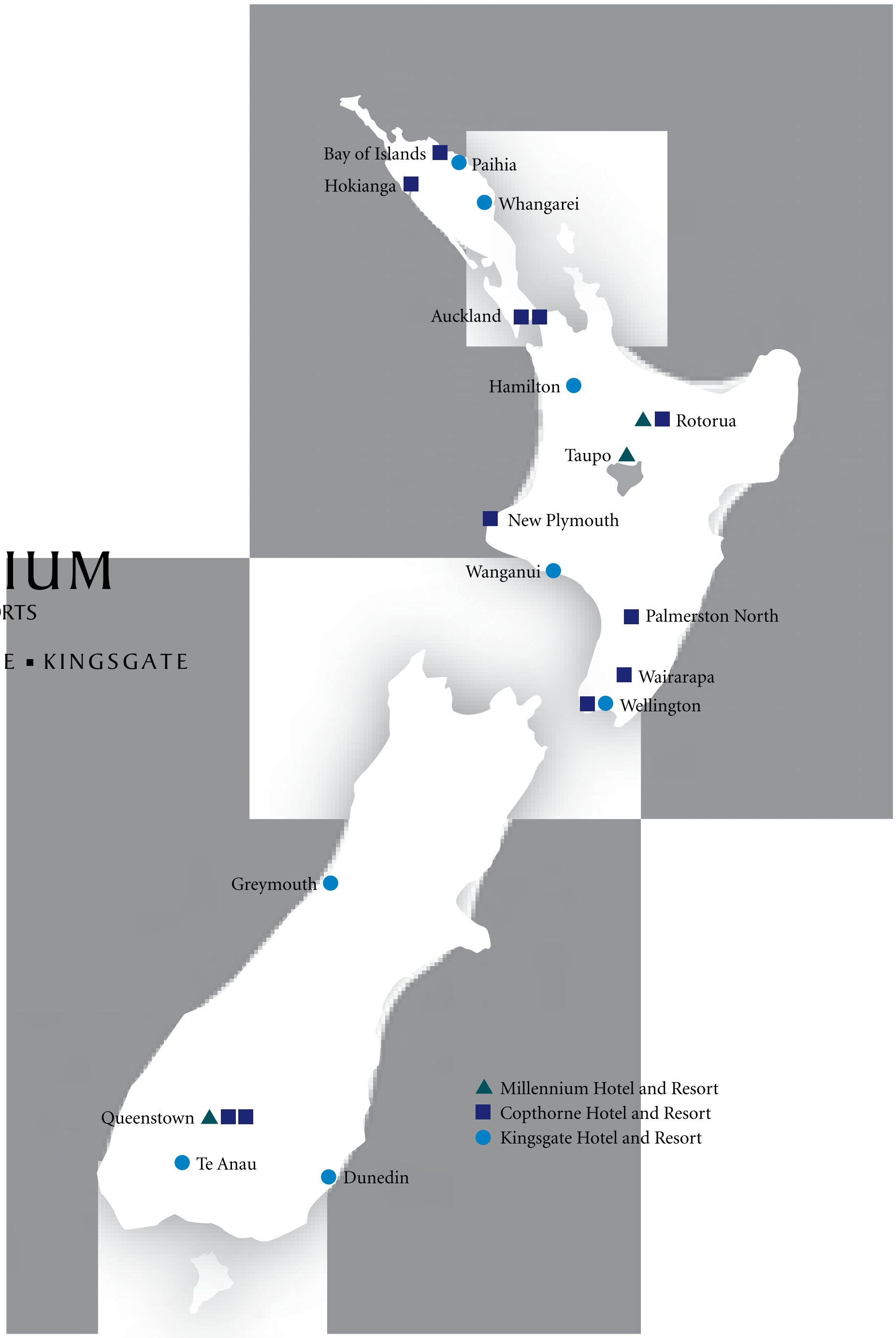
--Messrs N McKissack and W Stone retired as directors of Hospitality Group Limited. Hospitality Leases Limited, Hospitality Services Limited, Kingsgate Hotels and Resorts Limited, QINZ (Anzac Avenue) Limited, QINZ Holdings (New Zealand) Limited and Quantum Limited on 28 November 2014. Mr. J Tuuta retired as a director of Quantum Limited and as an alternate director of Hospitality Services Limited on 28 November 2014.

--The following persons received remuneration as Directors of the Company's subsidiaries during 2014: VWE Yeo ($30,000), R L Challinor ($35,000), J Henderson ($30,000).

This page has been left blank intentionally.

MILLENNIUM
HOTELS AND RESORTS

MILLENNIUM ▪ COPTHORNE ▪ KINGSGATE




## BOARD OF DIRECTORS

| | |
|---|---|
| Wong Hong Ren | (Chairman) |
| BK Chiu | (Managing Director) |
| Vincent Yeo | (Non-Executive Director) |
| Richard Bobb | (Independent Director) |
| Graham McKenzie | (Independent Director) |

## SENIOR MANAGEMENT

| | |
|---|---|
| Greg Borrageiro | (Director, Information Technology) |
| Brendan Davies | (Director, International Sales & Marketing) |
| Kieran Davis | (Director, Property Management) |
| Takeshi Ito | (Group Company Secretary) |
| Emma Kirkland | (Marketing Manager) |
| Karl Luxon | (Vice President Operations) |
| Boon Pua | (Vice President Finance) |
| Kim-Marie Rixson | (Director, Human Resources) |
| Alison Smith | (National Director of Sales, Conferences and Incentives) |
| Josie Wilson | (National Distribution & Revenue Manager) |

## REGISTERED OFFICE & CONTACT DETAILS

Level 13, 280 Queen Street, Auckland, New Zealand
PO Box 5640, Wellesley Street, Auckland 1141
Telephone: (09) 353 5010
Facsimile: (09) 309 3244
Website: www.millenniumhotels.com
e-mail: sales.marketing@millenniumhotels.co.nz

## AUDITORS

KPMG, Auckland

## BANKERS

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

## SOLICITORS

Bell Gully

## SHARE REGISTRAR

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

## STOCK EXCHANGE LISTING:

New Zealand Exchange (NZX)
Company Code: MCK

MILLENNIUM
HOTELS AND RESORTS

MILLENNIUM ▪ COPTHORNE ▪ KINGSGATE

**Head Office**

Head Office Tel: (09) 353 5010
Level 13, 280 Centre, 280 Queen Street
PO Box 5640, Wellesley St, Auckland

**National Conference Office**

Ph: 0800 4 MEETINGS (0800 4 633 846)
Email: meetings@millenniumhotels.co.nz
www.meetingsnz.co.nz

**Sales**

Email: sales.marketing@millenniumhotels.co.nz
International Sales Tel: (09) 353 5085
Corporate Sales Auckland Tel: (09) 353 5010
Corporate Sales Wellington Tel: (04) 382 0770

**Central Reservations**

Ph: 0800 808 228
Email: central.res@millenniumhotels.co.nz