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Miscellaneous

* Asterisks denote mandatory information

Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
Date & Time of Broadcast	16-Feb-2011 17:13:44
Announcement No.	00059

>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Millennium & Copthorne Hotels New Zealand Limited on Full Year Results Ended 31 December 2010
Description	Please see the attached announcement released by Millennium & Copthorne Hotels New Zealand Limited on 16 February 2011.
Attachments	2010_MCHNZ_Results.pdf Total size = **1701K** (2048K size limit recommended)

Close Window

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Income Statement

For the year ended 31 December 2010

DOLLARS IN THOUSANDS	Note	Group 2010	Group 2009	Parent 2010	Parent 2009
Hotel revenue		103,574	100,065	51,113	47,492
Rental income		2,882	2,580	-	-
Property sales		9,430	5,306	-	-
Revenue		**115,886**	**107,951**	**51,113**	**47,492**
Cost of sales		(49,810)	(45,904)	(20,574)	(18,860)
Gross profit		**66,076**	**62,047**	**30,539**	**28,632**
Administration expenses	2	(27,495)	(27,501)	(10,320)	(10,410)
Other operating expenses	2	(23,980)	(15,698)	(11,242)	(8,241)
Operating profit		**14,601**	**18,848**	**8,977**	**9,981**
Finance income	4	2,066	2,198	2,760	499
Finance costs	4	(1,771)	(2,119)	(56)	(266)
Net finance income		**295**	**79**	**2,704**	**233**
Share of profit/(loss) of associate	12	(330)	1,609	-	-
Profit before income tax		**14,566**	**20,536**	**11,681**	**10,214**
Income tax expense pre Government Budget changes	5	(2,598)	(5,570)	(1,896)	(3,016)
Income tax expense relating to Government Budget changes	5	(24,609)	-	(9,847)	-
Profit/(loss) for the year		**(12,641)**	**14,966**	**(62)**	**7,198**
Attributable to:					
Equity holders of the parent		(10,123)	12,372	(62)	7,198
Non-controlling interests		(2,518)	2,594	-	-
Profit/(loss) for the year		**(12,641)**	**14,966**	**(62)**	**7,198**
Basic earnings per share (cents)	8	(2.90)	3.54		
Diluted earnings per share (cents)	8	(2.90)	3.54		

Statement of Comprehensive Income

For the year ended 31 December 2010

DOLLARS IN THOUSANDS	Note	Group 2010	Group 2009	Parent 2010	Parent 2009
Profit/(loss) for the year		**(12,641)**	**14,966**	**(62)**	**7,198**
Other comprehensive income					
Foreign exchange translation movements:					
- Recognised in equity	4	1,601	(13,447)	-	-
- Tax (expense)/credit on foreign exchange	5	(950)	(643)	-	-
Revaluation of property, plant and equipment:					
- Recognised in equity	9	8,862	(2,156)	1,058	(1,657)
- Tax (expense)/credit on revaluation	5	(4,787)	397	(1,267)	397
Share of post acquisition reserves in associate	12	94	(429)	-	-
Total comprehensive income/(loss) for the year		**(7,821)**	**(1,312)**	**(271)**	**5,938**
Total comprehensive income/(loss) for the year attributable to :					
Equity holders of the parent		(8,287)	(5,233)	(271)	5,938
Non-controlling interests		466	3,921	-	-
Total comprehensive income/(loss) for the year		**(7,821)**	**(1,312)**	**(271)**	**5,938**

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 2010

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 2010	430,330	93,447	9,838	(108,448)	(85)	425,082	98,798	523,880
Movement in exchange translation reserve	-	-	(1,054)	-	-	(1,054)	1,705	651
Revaluation of property, plant & equipment	-	2,796	-	-	-	2,796	1,279	4,075
Share of post acquisition reserves in associate	-	-	-	94	-	94	-	94
Total other comprehensive income	-	2,796	(1,054)	94	-	1,836	2,984	4,820
Profit/(loss) for the year	-	-	-	(10,123)	-	(10,123)	(2,518)	(12,641)
Total comprehensive income for the year	-	2,796	(1,054)	(10,029)	-	(8,287)	466	(7,821)
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Equity holders of the parent	-	-	-	(4,191)	-	(4,191)	-	(4,191)
Non-controlling interests	-	-	-	-	-	-	(1,435)	(1,435)
Supplementary dividends	-	-	-	(397)	-	(397)	-	(397)
Foreign investment tax credits	-	-	-	397	-	397	-	397
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	435	435
Balance at 31 December 2010	430,330	96,243	8,784	(122,668)	(85)	412,604	98,264	510,868

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 2010

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 2009	430,330	95,056	25,405	(116,200)	(85)	434,506	95,327	529,833
Movement in exchange translation reserve	-	-	(15,567)	-	-	(15,567)	1,477	(14,090)
Revaluation of property, plant & equipment	-	(1,609)	-	-	-	(1,609)	(150)	(1,759)
Share of post acquisition reserves in associate	-	-	-	(429)	-	(429)	-	(429)
Total other comprehensive income	-	(1,609)	(15,567)	(429)	-	(17,605)	1,327	(16,278)
Profit for the year	-	-	-	12,372	-	12,372	2,594	14,966
Total comprehensive income for the year	-	(1,609)	(15,567)	11,943	-	(5,233)	3,921	(1,312)
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Equity holders of the parent	-	-	-	(4,191)	-	(4,191)	-	(4,191)
Non-controlling interests	-	-	-	-	-	-	(450)	(450)
Supplementary dividends	-	-	-	(651)	-	(651)	-	(651)
Foreign investment tax credits	-	-	-	651	-	651	-	651
Balance at 31 December 2009	430,330	93,447	9,838	(108,448)	(85)	425,082	98,798	523,880

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 2010

Parent

Dollars In Thousands	Share Capital	Revaluation Reserve	Accumulated Losses	Treasury Stock	Total Equity
Balance at 1 January 2010	430,330	56,959	(183,640)	(85)	303,564
Revaluation of property, plant and equipment	-	(209)	-	-	(209)
Total other comprehensive income	-	(209)	-	-	(209)
Profit/(loss) for the year	-	-	(62)	-	(62)
Total comprehensive income for the year	-	(209)	(62)	-	(271)
Transactions with owners, recorded directly in equity:					
Dividends paid to shareholders	-	-	(4,191)	-	(4,191)
Supplementary dividends	-	-	(397)	-	(397)
Foreign investment tax credits	-	-	397	-	397
Balance at 31 December 2010	**430,330**	**56,750**	**(187,893)**	**(85)**	**299,102**
Balance at 1 January 2009	430,330	58,219	(186,647)	(85)	301,817
Revaluation of property, plant and equipment	-	(1,260)	-	-	(1,260)
Total other comprehensive income	-	(1,260)	-	-	(1,260)
Profit for the year	-	-	7,198	-	7,198
Total comprehensive income for the year	-	(1,260)	7,198	-	5,938
Transactions with owners, recorded directly in equity:					
Dividends paid to shareholders	-	-	(4,191)	-	(4,191)
Supplementary dividends	-	-	(651)	-	(651)
Foreign investment tax credits	-	-	651	-	651
Balance at 31 December 2009	**430,330**	**56,959**	**(183,640)**	**(85)**	**303,564**

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 2010

DOLLARS IN THOUSANDS	Note	Group 2010	Group 2009	Parent 2010	Parent 2009
SHAREHOLDERS' EQUITY					
Issued capital	7	430,330	430,330	430,330	430,330
Reserves		(17,641)	(5,163)	(131,143)	(126,681)
Treasury stock	7	(85)	(85)	(85)	(85)
Equity attributable to equity holders of the parent		412,604	425,082	299,102	303,564
Non-controlling interests		98,264	98,798	-	-
Total equity		510,868	523,880	299,102	303,564
Represented by:					
NON CURRENT ASSETS					
Property, plant and equipment	9	332,719	326,243	171,360	172,900
Development properties	10	146,683	138,748	-	-
Intangible assets	11	3,284	3,814	3,284	3,814
Investments in subsidiaries		-	-	129,051	126,812
Investment in associate	12	84,872	78,722	-	-
Total non-current assets		567,558	547,527	303,695	303,526
CURRENT ASSETS					
Cash and cash equivalents	13	38,422	31,345	4,537	2,284
Trade and other receivables	14	18,195	21,507	5,824	3,840
Trade receivables due from related parties	25	29	96	12,137	6,136
Inventories	15	1,524	1,654	422	459
Income tax receivable	16	353	123	-	-
Development properties	10	4,676	8,507	-	-
Related party advances	25	-	-	6,200	7,600
Total current assets		63,199	63,232	29,120	20,319
Total assets		630,757	610,759	332,815	323,845
NON CURRENT LIABILITIES					
Interest-bearing loans and borrowings	17	-	49,051	-	-
Provisions	18	558	407	383	407
Provision for deferred taxation	19	48,569	20,589	20,712	11,477
Total non-current liabilities		49,127	70,047	21,095	11,884
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	17	47,889	3,600	-	3,600
Trade and other payables	20	14,097	12,540	3,977	3,526
Trade payables due to related parties	25	3,856	517	3,856	517
Provisions	18	4,920	175	3,500	-
Income tax payable	16	-	-	1,285	754
Total current liabilities		70,762	16,832	12,618	8,397
Total liabilities		119,889	86,879	33,713	20,281
NET ASSETS		510,868	523,880	299,102	303,564

For and on behalf of the Board

R BOBB, DIRECTOR, 16 February 2011

BK CHIU, MANAGING DIRECTOR, 16 February 2011

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

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Statement of Cash Flows

For the year ended 31 December 2010

		Group		Parent	
DOLLARS IN THOUSANDS	Note	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		121,118	110,538	44,268	47,370
Interest received		1,947	2,145	527	450
Dividends received	4	34	5	2,240	1
Cash was applied to:					
Payment to suppliers and employees		(85,597)	(88,921)	(32,280)	(34,848)
Interest paid		(1,548)	(2,278)	(72)	(266)
Income tax paid		(5,164)	(3,772)	(3,244)	(1,924)
Net cash inflow from operating activities		**30,790**	**17,717**	**11,439**	**10,783**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of property, plant and equipment		-	21	-	21
Cash was applied to:					
Purchase of property, plant and equipment	9	(4,750)	(1,588)	(556)	(775)
Purchase of leasehold interests	11	-	(50)	-	(58)
Purchase of investments in subsidiaries		-	-	(2,239)	-
Purchase of investment in associate	12	(10,633)	-	-	-
Repayments from subsidiaries		-	-	1,400	1,250
Net cash (outflow)/inflow from investing activities		**(15,383)**	**(1,617)**	**(1,395)**	**438**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was applied to:					
Repayment of borrowings		(4,762)	(9,701)	(3,600)	(6,169)
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	7	(4,191)	(4,191)	(4,191)	(4,191)
Dividends paid to non-controlling shareholders		(418)	(450)	-	-
Net cash outflow from financing activities		**(9,371)**	**(14,342)**	**(7,791)**	**(10,360)**
Net increase in cash and cash equivalents		**6,036**	**1,758**	**2,253**	**861**
Add opening cash and cash equivalents		31,345	28,033	2,284	1,423
Exchange rate adjustment		1,041	1,554	-	-
Closing cash and cash equivalents	13	**38,422**	**31,345**	**4,537**	**2,284**

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 2010

DOLLARS IN THOUSANDS	Note	Group 2010	Group 2009	Parent 2010	Parent 2009
RECONCILIATION OF NET PROFIT/(LOSS) FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit/(loss) after taxation		(12,641)	14,966	(62)	7,198
Adjusted for non cash items:					
Amortisation of intangibles	11	69	82	69	82
Impairment of intangibles	11	461	-	461	-
(Gain)/Loss on sale of property, plant and equipment	2	64	(13)	13	(13)
Depreciation	9	7,093	7,578	3,154	3,279
Impairment of property, plant and equipment	9	-	202	-	202
Unrealised foreign exchange gains		(21)	(25)	-	-
Share of (profit)/loss of associate	12	330	(1,609)	-	-
Income tax expense	5	27,207	5,570	11,743	3,016
		22,562	**26,751**	**15,378**	**13,764**
Adjustments for movements in working capital:					
Decrease/(increase) in trade & other receivables		3,312	2,564	(7,998)	(170)
Decrease in inventories		130	89	37	31
(Increase) in development properties		(261)	(1,575)	-	-
Increase/(decrease) in trade & other payables		8,576	(4,464)	3,983	(943)
Increase/(decrease) in related parties		3,406	243	3,339	291
Cash generated from operations		**37,725**	**23,608**	**14,739**	**12,973**
Interest expense	4	(1,771)	(2,119)	(56)	(266)
Income tax paid		(5,164)	(3,772)	(3,244)	(1,924)
Cash inflows from operating activities		**30,790**	**17,717**	**11,439**	**10,783**

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 2010 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 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).

The financial statements were authorised for issuance on 16 February 2011.

(b) Basis of preparation

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 26 - Accounting Estimates and Judgements.

(c) Change in accounting policies

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

Significant accounting policies - continued

(d) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. 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, over the financial and operating policies. They are accounted for using the equity method. The financial statements include the Group's share of the income, expenses and reserves of the associate from the date that significant influence commences until the date that 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.

(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.

Significant accounting policies - continued

(f) Financial instruments - continued

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 shall be included in profit or loss when the compensation becomes receivable. Any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

(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 where certain assets have been re-valued. The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with 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.

(h) Property, plant and equipment

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.

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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 permanent diminution in value, 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 such as interest. Interest and other holding costs incurred after completion of development are expensed as incurred. All holding costs are written off through the income statement in the year incurred with the exception of interest holding costs which are capitalised during the period when active development is taking place. Revenue and profit are not recognised on development properties until the 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)).

Significant accounting policies - continued

(k) Intangible assets - Goodwill - continued

Negative goodwill arising on an acquisition is recognised directly in the income statement.

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.

(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.

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.

Significant accounting policies - continued

(o) Impairment - continued

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.

(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.

(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 2010, and have not been applied in preparing these financial statements.

- NZ IAS 24 - Related Party disclosures
- NZ IFRS 9 - Financial Instruments

None of these will have a material effect on the financial statements of the Group.

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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.

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.

1. **Segment reporting** - continued

Operating segments

Dollars In Thousands	Hotel Operations 2010	Hotel Operations 2009	Residential Land Development 2010	Residential Land Development 2009	Residential & Commercial Property Development 2010	Residential & Commercial Property Development 2009	Group 2010	Group 2009
External revenue	103,574	100,065	9,430	5,306	2,882	2,580	115,886	107,951
Finance income	442	613	283	229	1,341	1,356	2,066	2,198
Finance expense	(1,637)	(2,069)	-	(2)	(134)	(48)	(1,771)	(2,119)
Depreciation and amortisation	(7,112)	(7,610)	(4)	(4)	(46)	(46)	(7,162)	(7,660)
Segment profit before income tax	9,098	15,538	4,019	1,815	1,779	1,574	14,896	18,927
Share of profit/(loss) of associates	-	-	-	-	(330)	1,609	(330)	1,609
Profit/(loss) before income tax	9,098	15,538	4,019	1,815	1,449	3,183	14,566	20,536
Income tax expense	(26,282)	(2,948)	(1,108)	(551)	183	(2,071)	(27,207)	(5,570)
Other material non-cash items:								
Release of obsolete asset provision	-	1,000	-	-	-	-	-	1,000
Release of lease restoration costs provision	-	2,981	-	-	-	-	-	2,981
Earthquake provisions	(4,920)	-	-	-	-	-	(4,920)	-
Segment assets	362,397	351,405	95,568	92,892	87,567	87,617	545,532	531,914
Tax assets	27	771	(267)	(353)	593	(295)	353	123
Investment in associates	-	-	2	2	84,870	78,720	84,872	78,722
Total assets	362,424	352,176	95,303	92,541	173,030	166,042	630,757	610,759
Segment liabilities	(65,303)	(64,774)	(168)	(450)	(5,849)	(1,066)	(71,320)	(66,290)
Tax liabilities	(45,263)	(17,780)	(300)	(336)	(3,006)	(2,473)	(48,569)	(20,589)
Total liabilities	(110,566)	(82,554)	(468)	(786)	(8,855)	(3,539)	(119,889)	(86,879)
Capital expenditure	4,741	1,629	1	2	8	7	4,750	1,638

Geographical areas

Dollars In Thousands	New Zealand 2010	New Zealand 2009	Australia 2010	Australia 2009	Asia 2010	Asia 2009	Group 2010	Group 2009
External revenue	113,004	105,371	2,882	2,580	-	-	115,886	107,951
Finance income	749	851	1,317	1,347	-	-	2,066	2,198
Finance expense	(1,775)	(2,114)	4	(5)	-	-	(1,771)	(2,119)
Depreciation and amortisation	(7,116)	(7,614)	(46)	(46)	-	-	(7,162)	(7,660)
Segment profit before income tax	13,370	17,621	1,526	1,306	-	-	14,896	18,927
Share of profit of associates	-	-	-	-	(330)	1,609	(330)	1,609
Profit/(loss) before income tax	13,370	17,621	1,526	1,306	(330)	1,609	14,566	20,536
Income tax expense	(26,795)	(5,109)	(412)	(461)	-	-	(27,207)	(5,570)
Other material non-cash items:								
Release of obsolete asset provision	-	1,000	-	-	-	-	-	1,000
Release of lease restoration costs provision	-	2,981	-	-	-	-	-	2,981
Earthquake provisions	(4,920)	-	-	-	-	-	(4,920)	-
Segment assets	456,351	443,803	89,181	88,111	-	-	545,532	531,914
Tax assets	445	128	(92)	(5)	-	-	353	123
Investment in associates	2	2	-	-	84,870	78,720	84,872	78,722
Total assets	456,798	443,933	89,089	88,106	84,870	78,720	630,757	610,759
Segment liabilities	(70,312)	(65,288)	(1,008)	(1,002)	-	-	(71,320)	(66,290)
Tax liabilities	(45,834)	(18,717)	(2,735)	(1,872)	-	-	(48,569)	(20,589)
Total liabilities	(116,146)	(84,005)	(3,743)	(2,874)	-	-	(119,889)	(86,879)
Capital expenditure	4,742	1,631	8	7	-	-	4,750	1,638

2. Administration and other operating expenses

Dollars In Thousands	Note	Group 2010	Group 2009	Parent 2010	Parent 2009
Depreciation	9	7,093	7,578	3,154	3,279
Auditors remuneration					
Audit fees		346	298	128	109
Tax compliance and advisory		474	233	77	77
Directors fees		321	328	138	125
Lease and rental expenses	22	7,009	6,374	2,832	2,924
Provision for bad debts					
Debts written off		66	127	32	31
Movement in doubtful debt provision		76	(76)	9	(1)
Amortisation of other intangibles	11	69	82	69	82
Impairment loss on goodwill	11	461	-	461	-
Net (gain)/loss on disposal of property, plant and equipment		64	(13)	13	(13)
Impairment loss on property, plant and equipment		-	202	-	202
Release of obsolete asset provision		-	(1,000)	-	-
Release of lease restoration costs provision	18	-	(2,981)	-	-
Insurance excess costs of Christchurch earthquake	18	3,064	-	2,340	-
Other		32,432	32,047	12,309	11,836
		51,475	43,199	21,562	18,651

3. Personnel expenses

Dollars In Thousands	Group 2010	Group 2009	Parent 2010	Parent 2009
Wages and salaries	38,671	37,560	14,373	13,283
Employee related expenses and benefits	6,905	5,932	3,043	2,530
Contributions to defined contribution plans	326	192	100	57
Increase/(decrease) in liability for long-service leave	(29)	30	5	(1)
	45,873	43,714	17,521	15,869

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

4. Net finance income

Recognised in the income statement

Dollars In Thousands	Group 2010	Group 2009	Parent 2010	Parent 2009
Interest income	1,974	2,145	462	450
Dividend income	34	5	2,240	1
Net foreign exchange gain	58	48	58	48
Finance income	2,066	2,198	2,760	499
Interest expense	(1,771)	(2,119)	(56)	(266)
Finance costs	(1,771)	(2,119)	(56)	(266)
Net finance income recognised in the income statement	295	79	2,704	233

Recognised directly in equity

Dollars In Thousands	Group 2010	Group 2009	Parent 2010	Parent 2009
Foreign exchange translation movements	1,601	(13,447)	-	-
Net finance income recognised directly in equity	1,601	(13,447)	-	-

5. Income tax expense

Recognised in the income statement

Dollars In Thousands	Group 2010	Group 2009	Parent 2010	Parent 2009
Current tax expense				
Current year	5,185	3,990	3,732	2,550
Adjustments for prior years	(317)	1,084	43	96
	4,868	5,074	3,775	2,646
Deferred tax expense				
Origination and reversal of temporary difference	(891)	2,209	(513)	370
Adjustments for prior years	(102)	(1,713)	(102)	-
Change in building depreciation treatment	24,609	-	9,847	-
Change in corporate tax rate	(1,277)	-	(1,264)	-
	22,339	496	7,968	370
Total income tax expense in income statement	27,207	5,570	11,743	3,016

Reconciliation of tax expense

Dollars In Thousands	Group 2010	Group 2009	Parent 2010	Parent 2009
Profit before tax	14,566	20,536	11,681	10,214
Income tax using the company tax rate of 30%	4,370	6,161	3,504	3,064
Adjusted for:				
Non-deductible expenses	245	105	143	-
Imputation credits	(345)	-	(336)	-
Tax exempt revenues	264	(952)	(92)	(144)
Tax arising from investment in associate	(240)	885	-	-
Change in New Zealand corporate tax rate	(1,277)	-	(1,264)	-
(Over)/under provided in prior years	(419)	(629)	(59)	96
Income tax expense pre Government Budget changes	2,598	5,570	1,896	3,016
Change in building depreciation treatment	24,609	-	9,847	-
Total income tax expense	27,207	5,570	11,743	3,016
Effective tax rate	187%	27%	101%	30%

In the May 2010 Budget the government announced a reduction in the corporate tax rate from 30% to 28% and the removal of the ability to depreciate buildings with an estimated useful life of 50 years or more for tax purposes. Both of these changes are effective for the Group from 1 January 2011.

Deferred tax recognised directly in equity

Dollars In Thousands	Group 2010	Group 2009	Parent 2010	Parent 2009
Relating to revaluation of property, plant and equipment	4,787	(397)	1,267	(397)
Relating to foreign currency translation of foreign subsidiaries	950	643	-	-
	5,737	246	1,267	(397)

6. Imputation credits

Dollars In Thousands	Group 2010	Group 2009
Balance at beginning of year	9,590	11,072
Imputation credits attached to dividends received	480	-
Taxation paid	3,061	1,345
Taxation transferred	46	(1,413)
Imputation credits attached to dividends paid	(1,666)	(1,414)
	11,511	9,590
The imputation credits are available to shareholders of the parent company as follows :		
Through the parent company	11,511	9,590
Through subsidiaries	20,526	19,754
	32,037	29,344

The KIN Holdings Group has A$9.3 million (2009: A$9.1 million) franking credits available as at 31 December 2010.

7. Capital and reserves

Share capital

	Group and Parent			
	2010 Shares	2010 $000's	2009 Shares	2009 $000's
Shares issued 1 January	349,598,066	430,330	349,598,066	430,330
Total shares issued at 31 December - fully paid	349,598,066	430,330	349,598,066	430,330
Shares repurchased and held as treasury stock	(329,627)	(85)	(329,627)	(85)
Total shares issued and outstanding	349,268,439	430,245	349,268,439	430,245

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

At 31 December 2010, the authorised share capital consisted of 349,598,066 ordinary shares (2009: 349,598,066 ordinary shares) 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:

Dollars In Thousands	Parent 2010	Parent 2009
Ordinary Dividend - 1.2 cents per qualifying ordinary share (2009: 1.2 cents)	4,191	4,191
Tax relating to non resident shareholders	397	651
	4,588	4,842

After 31 December 2010 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 - 1.2 cents per qualifying ordinary share	4,191

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the loss attributable to ordinary shareholders of $10,123,000 (2009: $12,372,000 profit) and weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 349,268,439 (2009: 349,268,439), calculated as follows:

Profit/(loss) attributable to ordinary shareholders

	Group	
Dollars In Thousands	2010	2009
Profit/(loss) for the year	(12,641)	14,966
Profit/(loss) attributable to non-controlling interests	2,518	(2,594)
Profit/(loss) attributable to ordinary shareholders	(10,123)	12,372

Weighted average number of ordinary shares

	Group	
	2010	2009
Issued ordinary shares at 1 January	349,598,066	349,598,066
Effect of own shares held	(329,627)	(329,627)
Weighted average number of ordinary shares at 31 December	349,268,439	349,268,439

Diluted earnings per share

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

Earnings per share for continuing and discontinued operations

There were no discontinued operations during the year.

9. Property, plant and equipment

Group

Dollars In Thousands	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost							
Balance at 1 January 2009	112,769	167,562	21,546	104,882	154	1,101	408,014
Acquisitions	-	729	6	1,510	-	(657)	1,588
Disposals	-	-	(158)	(3,800)	-	-	(3,958)
Transfers between categories	(461)	(2,124)	2,139	442	4	-	-
Transfer from accumulated depreciation	-	(70)	(314)	-	-	-	(384)
Transfer to leasehold interest	-	(71)	-	-	-	-	(71)
Movements in foreign exchange	-	-	-	32	-	-	32
Revaluation deficit	(830)	(1,529)	-	-	-	-	(2,359)
Balance at 31 December 2009	**111,478**	**164,497**	**23,219**	**103,066**	**158**	**444**	**402,862**
Balance at 1 January 2010	111,478	164,497	23,219	103,066	158	444	402,862
Acquisitions	-	86	-	784	-	3,880	4,750
Disposals	-	-	-	(631)	-	-	(631)
Transfers between categories	-	12	-	435	1	(448)	-
Transfer from accumulated depreciation	-	(806)	(12)	-	-	-	(818)
Movements in foreign exchange	-	-	-	37	2	-	39
Revaluation surplus	(7,834)	15,893	803	-	-	-	8,862
Balance at 31 December 2010	**103,644**	**179,682**	**24,010**	**103,691**	**161**	**3,876**	**415,064**
Depreciation and impairment losses							
Balance at 1 January 2009	-	(4,452)	(1,590)	(67,012)	(114)	-	(73,168)
Depreciation charge for the year	-	(1,115)	(413)	(6,032)	(18)	-	(7,578)
Disposals	-	-	-	3,764	-	-	3,764
Transfers between categories	-	(319)	252	73	(6)	-	-
Transfer accumulated depreciation against cost following revaluation	-	70	314	-	-	-	384
Movements in foreign exchange	-	-	-	(21)	-	-	(21)
Balance at 31 December 2009	-	**(5,816)**	**(1,437)**	**(69,228)**	**(138)**	-	**(76,619)**
Balance at 1 January 2010	-	(5,816)	(1,437)	(69,228)	(138)	-	(76,619)
Depreciation charge for the year	-	(1,274)	(416)	(5,391)	(12)	-	(7,093)
Disposals	-	-	-	579	-	-	579
Transfer accumulated depreciation against cost following revaluation	-	806	12	-	-	-	818
Movements in foreign exchange	-	-	-	(28)	(2)	-	(30)
Balance at 31 December 2010	-	**(6,284)**	**(1,841)**	**(74,068)**	**(152)**	-	**(82,345)**
Carrying amounts							
At 1 January 2009	112,769	163,110	19,956	37,870	40	1,101	334,846
At 31 December 2009	**111,478**	**158,681**	**21,782**	**33,838**	**20**	**444**	**326,243**
At 1 January 2010	111,478	158,681	21,782	33,838	20	444	326,243
At 31 December 2010	**103,644**	**173,398**	**22,169**	**29,623**	**9**	**3,876**	**332,719**

9. Property, plant and equipment - continued

Parent

Dollars In Thousands	Freehold Land	Freehold Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost						
Balance at 1 January 2009	68,618	93,580	52,115	54	851	215,218
Acquisitions	-	490	830	-	(545)	775
Disposals	-	-	(1,267)	-	-	(1,267)
Transfers within categories	36	(378)	342	-	-	-
Transfer from accumulated depreciation	-	(70)	-	-	-	(70)
Transfer to leasehold interest	-	(71)	-	-	-	(71)
Revaluation deficit	(330)	(1,529)	-	-	-	(1,859)
Balance at 31 December 2009	**68,324**	**92,022**	**52,020**	**54**	**306**	**212,726**
Balance at 1 January 2010	68,324	92,022	52,020	54	306	212,726
Acquisitions	-	86	443	-	27	556
Disposals	-	-	(124)	-	-	(124)
Transfer from accumulated depreciation	-	(182)	-	-	-	(182)
Revaluation surplus	(1,565)	2,623	-	-	-	1,058
Balance at 31 December 2010	**66,759**	**94,549**	**52,339**	**54**	**333**	**214,034**
Depreciation and impairment losses						
Balance at 1 January 2009	-	(3,810)	(34,013)	(53)	-	(37,876)
Depreciation charge for the year	-	(644)	(2,634)	(1)	-	(3,279)
Disposals	-	-	1,259	-	-	1,259
Transfers within categories	-	(65)	65	-	-	-
Transfer accumulated depreciation against cost following revaluation	-	70	-	-	-	70
Balance at 31 December 2009	**-**	**(4,449)**	**(35,323)**	**(54)**	**-**	**(39,826)**
Balance at 1 January 2010	-	(4,449)	(35,323)	(54)	-	(39,826)
Depreciation charge for the year	-	(798)	(2,356)	-	-	(3,154)
Disposals	-	-	124	-	-	124
Transfers within categories	-	-	-	-	-	-
Transfer accumulated depreciation against cost following revaluation	-	182	-	-	-	182
Balance at 31 December 2010	**-**	**(5,065)**	**(37,555)**	**(54)**	**-**	**(42,674)**
Carrying amounts						
At 1 January 2009	68,618	89,770	18,102	1	851	177,342
At 31 December 2009	**68,324**	**87,573**	**16,697**	**-**	**306**	**172,900**
At 1 January 2010	68,324	87,573	16,697	-	306	172,900
At 31 December 2010	**66,759**	**89,484**	**14,784**	**-**	**333**	**171,360**

The Directors consider the value of the hotel assets with a net book value of $333 million (2009: $326 million) to be within a range of $361 to $386 million (2009: $358 to $383 million). This is substantiated by valuations completed by DTZ New Zealand Limited, registered valuers, in December 2008, and by Bower Valuations Limited, registered valuers, in December 2009 and December 2010, in respect of hotel assets in Millennium & Copthorne Hotels New Zealand Limited of $234 million (2009: $234 million) and in respect of hotel assets in Quantum Limited of $152 million (2009: $149 million).

During 2010 eight (2009: two) of the Group's freehold 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 $8,862,000 (2009: $1,859,000 deducted) has been added to the carrying values of land and buildings.

During 2010 one (2009: two) of the Parent's freehold hotel properties were subject to an external professional valuation by Bower Valuations Limited, registered valuers, on a highest and best use basis.

9. Property, plant and equipment - continued

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 $1,058,000 (2009: $1,859,000 deducted) has been added to the carrying values of land and buildings.

The Group's hotel properties are fair valued by independent valuers. The basis of the valuation is the net present value of the future earnings of the assets. The major 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 Directors consider the net book value of the hotels not valued by independent valuers in 2010 to approximate their fair value as at 31 December 2010.

During the year, the Group's hotels which were not subject to external professional valuations were tested for impairment. Based on these tests a total of $nil (2009: $500,000) 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. In estimating future cash flows, management has to make judgements on 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. Growth rates appropriate to the hotels range from 1.4% to 2.4% over the five years projection. Pre-tax discount rates ranging between 9.50% and 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
Carrying amounts							
At 1 January 2009	46,255	110,458	22,956	37,870	40	1,101	218,680
At 31 December 2009	**45,794**	**107,558**	**24,782**	**33,838**	**20**	**444**	**212,436**
At 1 January 2010	45,794	107,558	24,782	33,838	20	444	212,436
At 31 December 2010	**45,794**	**106,382**	**24,366**	**29,623**	**9**	**3,876**	**210,050**

Parent

Dollars In Thousands	Freehold Land	Freehold Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Carrying amounts						
At 1 January 2009	37,558	57,038	18,102	1	851	113,550
At 31 December 2009	**37,594**	**56,372**	**16,697**	**0**	**307**	**110,970**
At 1 January 2010	37,594	56,372	16,697	0	307	110,970
At 31 December 2010	**37,594**	**55,660**	**14,784**	**0**	**333**	**108,371**

10. Development properties

Dollars In Thousands	Group 2010	Group 2009	Parent 2010	Parent 2009
Development land	87,235	86,974	-	-
Residential development	64,124	60,281	-	-
	151,359	147,255	-	-
Less expected to settle within one year	(4,676)	(8,507)	-	-
	146,683	138,748	-	-

10. Development properties - continued

Development land is carried at the lower of cost and net realisable value. No interest (2009: $nil) has been capitalised during the year. The value of development land held at 31 December 2010 was determined by an independent registered valuer, DM Koomen SPINZ, of Darroch Limited as $159.4 million (2009: $171.6 million).

The fair value of development land is determined by the independent valuer. 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 inputs and assumptions 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 rate during the holding period.

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 2010 was determined by D Sukkar of Landmark White (NSW) Pty Ltd, registered valuers as $78.7 million (A$59.0 million) (2009: $73.3 million (A$58.4 million)).

The fair value of the residential development is determined by the independent valuer. The basis of the valuation is gross realisations 'as is' assuming individual sales of unsold units. The major inputs and assumptions that are used in the valuation model that require judgement include interest rates, consumer confidence, unemployment and external economic factors.

11. Intangible assets

	Group			
Dollars In Thousands	Goodwill	Leasehold Interests	Management Contracts	Total
Cost				
Balance at 1 January 2009	6,530	23,062	1,373	30,965
Additions for the year	(8)	58	-	50
Transfer to property, plant & equipment	-	71	-	71
Balance at 31 December 2009	6,522	23,191	1,373	31,086
Balance at 1 January 2010	6,522	23,191	1,373	31,086
Transfer from amortisation	-	-	(1,373)	(1,373)
Balance at 31 December 2010	6,522	23,191	-	29,713
Amortisation and impairment losses				
Balance at 1 January 2009	(2,777)	(23,040)	(1,373)	(27,190)
Amortisation for the year	-	(82)	-	(82)
Balance at 31 December 2009	(2,777)	(23,122)	(1,373)	(27,272)
Balance at 1 January 2010	(2,777)	(23,122)	(1,373)	(27,272)
Transfer to cost	-	-	1,373	1,373
Impairment for the year	(461)	-	-	(461)
Amortisation for the year	-	(69)	-	(69)
Balance at 31 December 2010	(3,238)	(23,191)	-	(26,429)
Carrying amounts				
At 1 January 2009	3,753	22	-	3,775
At 31 December 2009	3,745	69	-	3,814
At 1 January 2010	3,745	69	-	3,814
At 31 December 2010	3,284	-	-	3,284

The above goodwill is attributed to the following cash generating units: Copthorne Hotel Auckland Harbourcity $2,823,000 (2009: $2,823,000) and Kingsgate Hotel Greymouth $461,000 (2009: $922,000). The management contracts are attributable to the management of Kingsgate Hotel Queenstown Terraces. The previous management contracts have expired and therefore have been fully amortised over the contract period. The current management contracts do not carry any associated costs that are classified as intangible assets.

11. **Intangible assets** - continued

	Parent		
Dollars In Thousands	Goodwill	Leasehold Interests	Total
Cost			
Balance at 1 January 2009	6,522	262	6,784
Additions for the year	-	58	58
Transfer to property, plant & equipment	-	71	71
Balance at 31 December 2009	6,522	391	6,913
Balance at 1 January 2010	6,522	391	6,913
Balance at 31 December 2010	6,522	391	6,913
Amortisation and impairment losses			
Balance at 1 January 2009	(2,777)	(240)	(3,017)
Amortisation for the year	-	(82)	(82)
Balance at 31 December 2009	(2,777)	(322)	(3,099)
Balance at 1 January 2010	(2,777)	(322)	(3,099)
Impairment for the year	(461)	-	(461)
Amortisation for the year	-	(69)	(69)
Balance at 31 December 2010	(3,238)	(391)	(3,629)
Carrying amounts			
At 1 January 2009	3,745	22	3,767
At 31 December 2009	3,745	69	3,814
At 1 January 2010	3,745	69	3,814
At 31 December 2010	3,284	-	3,284

The above goodwill is attributed to the following cash generating units: Copthorne Hotel Auckland Harbourcity $2,823,000 (2009: $2,823,000) and Kingsgate Hotel Greymouth $461,000 (2009: $922,000)

Amortisation and impairment charge

The amortisation and impairment charge is recognised in other operating expenses in the income statement:

	Group		Parent	
Dollars In Thousands	2010	2009	2010	2009
Other operating expenses	530	82	530	82

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 five years based on budgets and forecasts at growth rates appropriate to the business. Pre-tax discount rates ranging between 9.50% and 14.00% were applied to the future cash flows. Growth rates appropriate to the hotels range from 1.7% to 1.8% over the five years projection.

Based on this review the Directors are satisfied that there was no impairment of leasehold interests in the current year.

In the 2010 review of goodwill, no impairment was found in respect of Copthorne Hotel Auckland Harbourcity. However, in the case of Kingsgate Hotel Greymouth, the goodwill was tested and found to be impaired. An impairment loss of $461,000 was charged to the profit and loss.

12. Investment in associates

The Group's share of loss of its associate, First Sponsor Capital Limited ("FSCL") for the year was $330,000 (2008: $1,609,000 profit). Prestons Road Limited has no revenue or expenses, therefore the Group's share of profit of its associate was nil (2009: nil).

In May 2010, the Group increased its investment in First Sponsor Capital Limited by providing a pro-rated share of emergency funding being US$ 3.421m (NZ$ 5.112m at the then prevailing exchange rate). The Group maintained its 34.21% economic interest after providing this funding. The funding was provided when FSCL became aware that certain assets owned by its subsidiary, Idea Valley Investment Holdings Limited ("IVIHL"), had been sold without authorisation by the Group's joint venture partner Cheung Ping Kwong ("Cheung") and the company seals for other entities in the Group had been seized. The funding was required to meet short term cash requirements for the Group's development activities.

In December 2010, the Group further increased its investment in its associate by partially participating in the first stage of a new capital call, investing a further US$ 4.211m (NZ$ 5.521m at the then prevailing exchange rate) through a subsidiary company. This partial participation reduced the Group's economic interest in First Sponsor Capital Limited to 29.63%.

On 5 January 2011, the Group announced that settlement agreements had been entered into on 31 December 2010 between Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ"), Tai Tak Industries Pte. Limited ("Tai Tak"), Cheung and his related company Guangdong Huiying Group Limited. Under the terms of the agreements, completion of certain transactions would result in full and final settlement of all outstanding issues between MCHNZ, Tai Tak, FSCL and Cheung in relation to IVIHL and its subsidiaries. The transactions include Cheung transferring his interest in the joint venture and transferring the equity interests and intercompany balances in relation to various land holdings and IVIHL in effect transferring an equity interest in a different entity to Cheung in return. Cheung has also undertaken to provide assistance and indemnities to IVIHL and cooperate with IVIHL's lawyers and auditors in respect of his obligations under the agreement. The Strategic Co-operation Agreement between MCHNZ, Tai Tak, Cheung and his related company on 27 September 2007 was terminated on 26 January 2011. Litigation commenced by the FSCL group against Cheung and corresponding counterclaims are in the process of being withdrawn. The result for First Sponsor Capital Limited for the year to 31 December 2010 reflect the financial consequences of the unauthorised asset disposals made by Cheung. The nature of the Settlement Agreement is such that the parties to the agreement have a number of steps to complete prior to the agreement taking full effect and as a consequence the impacts of the agreement have not been accounted for in the results of First Sponsor Capital Limited for the year ended 31 December 2010 as not all required steps were completed at this date. As most of the material steps required to be executed by Cheung and his related company have been carried out, the financial impact of accounting for the settlement agreements is expected to be recognised in the Group's financial statements in the first half of 2011.

The principal activities of First Sponsor Capital Limited and its subsidiaries are investment holding, property owner and developer, agency service of property sales, landscape design and construction, property agency and consultancy services and the manufacture and sale of confectionery.

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 its 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.

12. Investment in associates - continued

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

Dollars In Thousands	Ownership	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Revenues	Expenses	Profit
2010										
First Sponsor Capital Limited	29.63%	326,321	136,037	462,358	(125,741)	(18,190)	(143,931)	44,003	(43,075)	928
Prestons Road Limited	33.33%	2	-	2	(2)	-	(2)	-	-	-
2009										
First Sponsor Capital Limited	34.21%	144,817	174,885	319,702	(34,221)	(18,866)	(53,087)	48,922	(44,218)	4,704
Prestons Road Limited	33.33%	1	-	1	(1)	-	(1)	-	-	-

Movements in the carrying value of associates:

	Group			
	First Sponsor Capital Ltd		Prestons Road Ltd	
Dollars In Thousands	2010	2009	2010	2009
Balance at 1 January	78,720	95,444	2	2
Investment in associate	10,633	-	-	-
Share of post acquisition movement in foreign exchange reserves for the year	(4,059)	(17,904)	-	-
Share of post acquisition capital reserves	(94)	(429)	-	-
Share of profit/(loss) for the year	(682)	1,609	-	-
Gain on dilution	352	-	-	-
Balance at 31 December	84,870	78,720	2	2

13. Cash and cash equivalents

Dollars In Thousands	Group		Parent	
	2010	2009	2010	2009
Term deposits	30,239	26,370	-	-
Cash	9,047	6,332	4,537	2,284
Bank overdrafts	(864)	(1,357)	-	-
	38,422	31,345	4,537	2,284

14. Trade and other receivables

Dollars In Thousands	Group		Parent	
	2010	2009	2010	2009
Trade receivables	7,229	11,797	4,269	3,306
Other trade receivables and prepayments	10,966	9,710	1,555	534
	18,195	21,507	5,824	3,840

15. Inventories

Dollars In Thousands	Group		Parent	
	2010	2009	2010	2009
Consumables	696	749	312	321
Finished goods	828	905	110	138
	1,524	1,654	422	459

16. Current tax assets and liabilities

Dollars In Thousands	Group		Parent	
	2010	2009	2010	2009
Income tax receivable	353	123	-	-
Income tax payable	-	-	(1,285)	(754)

The current tax asset/(liability) represents the amount of income taxes receivable/(payable) in respect of current and prior periods.

17. Interest-bearing loans and borrowings

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

Group

					31 December 2010		31 December 2009	
Dollars in Thousands	Currency	Interest Rate	Maturity	Facility Total	Face Value	Carrying Amount	Face Value	Carrying Amount
Secured bank loan	NZD	3.705%	31 Oct 2011	12,500	12,500	12,500	12,500	12,500
Secured bank loan	NZD	3.705%	31 Oct 2011	12,500	12,500	12,500	12,500	12,500
Secured bank loan	NZD	3.705%	31 Oct 2011	10,000	10,000	10,000	10,000	10,000
Revolving credit	NZD	3.375%	31 Oct 2011	20,000	12,889	12,889	14,051	14,051
Revolving credit	NZD	n/a	30 June 2011	5,000	-	-	3,600	3,600
TOTAL				60,000	47,889	47,889	52,651	52,651

Parent

					31 December 2010		31 December 2009	
Dollars in Thousands	Currency	Interest Rate	Maturity	Facility Total	Face Value	Carrying Amount	Face Value	Carrying Amount
Revolving credit	NZD	n/a	30 June 2011	5,000	-	-	3,600	3,600

Terms and debt repayment schedule

The bank loans are secured over land and buildings with a carrying amount of $140,117,000 (2009: $235,388,000) - refer to note 9. The bank loans have no fixed term of repayment before maturity. The Group's facility matures on 31 October 2011 and the Parent Company's facility matures on 30 June 2011, although this facility was re-paid in 2010. The Group has already commenced negotiations subsequent to balance date to extend its banking facilities. At the date of this report the bank has confirmed an intention to seek approval to rollover the banking facilities at maturity date for a 3 year and 4 month term, with negotiations continuing on specific terms, including loan pricing.

18. Provisions

	Group		Parent	
Dollars In Thousands	Earthquake provisions	FF&E Site Restoration	Earthquake provisions	FF&E
Balance at 1 January 2009	-	3,831	-	675
Provisions made during the year	-	284	-	284
Provisions released during the year	-	(2,981)	-	-
Provisions used during the year	-	(552)	-	(552)
Balance at 31 December 2009	-	582	-	407
Non-current	-	407	-	407
Current	-	175	-	-
Balance at 1 January 2010	-	582	-	407
Provisions made during the year	4,920	287	3,500	287
Provisions used during the year	-	(311)	-	(311)
Balance at 31 December 2010	4,920	558	3,500	383
Non-current	-	558	-	383
Current	4,920	-	3,500	-

An obligation to third parties 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 estimates of such costs have been recognised. Provisions of $2.981m were released in 2009 in relation to lease restoration costs no longer required following the resolution of a dispute with a landlord for a hotel no longer operated by the Group.

18. Provisions - continued

The Group's three hotel properties and the Parent's two hotel properties affected by the Canterbury earthquake on 4 September 2010 are fully insured for material damage. Total material damages estimated at $4.920m for the Group and $3.500m for the Parent were provided during the year. The provision recorded relates to both cash amounts payable to the insurance companies of the Group of $3.064m (Parent: $2.340m) and amounts provided on the basis of engineering reports for damaged assets which are expected to be reimbursed under insurance policies of $1.856m (Parent: $1.160m). A receivable has been recorded in respect of amounts where the insurance company has accepted the claim. A further aftershock occurred on 26 December 2010 but, at the time of finalising these accounts, has not been treated as a separate event by the Group's insurers.

19. 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	2010	2009	2010	2009	2010	2009
Property, plant and equipment	-	-	48,309	20,016	48,309	20,016
Development properties	(1,197)	(1,055)	-	-	(1,197)	(1,055)
Provisions	(1,875)	(1,219)	-	-	(1,875)	(1,219)
Employee benefits	(731)	(743)	-	-	(731)	(743)
Trade and other payables	(542)	(395)	-	-	(542)	(395)
Net investment in foreign operations	-	-	4,605	3,985	4,605	3,985
Net tax (assets) / liabilities	(4,345)	(3,412)	52,914	24,001	48,569	20,589

	Parent					
	Assets		Liabilities		Net	
Dollars In Thousands	2010	2009	2010	2009	2010	2009
Property, plant and equipment	-	-	22,570	12,866	22,570	12,866
Provisions	(1,724)	(1,056)	-	-	(1,724)	(1,056)
Employee benefits	-	(1)	-	-	-	(1)
Trade and other payables	(134)	(332)	-	-	(134)	(332)
Net tax (assets) / liabilities	(1,858)	(1,389)	22,570	12,866	20,712	11,477

Movement in temporary differences during the year

	Group			
Dollars In Thousands	Balance 1 Jan 09	Recognised in income	Recognised in equity	Balance 31 Dec 09
Property, plant and equipment	21,254	(841)	(397)	20,016
Development properties	(941)	34	(148)	(1,055)
Provisions	(2,018)	802	(3)	(1,219)
Employee benefits	(750)	8	(1)	(743)
Trade and other payables	1,633	(108)	(1,920)	(395)
Net investment in foreign operations	602	601	2,782	3,985
	19,780	496	313	20,589

	Group			
Dollars In Thousands	Balance 1 Jan 10	Recognised in income	Recognised in equity	Balance 31 Dec 10
Property, plant and equipment	20,016	23,506	4,787	48,309
Development properties	(1,055)	(47)	(95)	(1,197)
Provisions	(1,219)	(655)	(1)	(1,875)
Employee benefits	(743)	12	-	(731)
Trade and other payables	(395)	(147)	-	(542)
Net investment in foreign operations	3,985	(330)	950	4,605
	20,589	22,339	5,641	48,569

19. Deferred tax assets and liabilities - continued

Movement in temporary differences during the year

Dollars In Thousands	Parent Balance 1 Jan 09	Recognised in income	Recognised in equity	Balance 31 Dec 09
Property, plant and equipment	12,641	622	(397)	12,866
Provisions	(990)	(66)	-	(1,056)
Employee benefits	(1)	-	-	(1)
Trade and other payables	(146)	(186)	-	(332)
	11,504	370	(397)	11,477

Dollars In Thousands	Parent Balance 1 Jan 10	Recognised in income	Recognised in equity	Balance 31 Dec 10
Property, plant and equipment	12,866	8,437	1,267	22,570
Provisions	(1,056)	(668)	-	(1,724)
Employee benefits	(1)	1	-	-
Trade and other payables	(332)	198	-	(134)
	11,477	7,968	1,267	20,712

20. Trade and other payables

Dollars In Thousands	Group 2010	Group 2009	Parent 2010	Parent 2009
Trade payables	1,606	1,906	828	626
Employee entitlements	2,509	2,388	-	-
Non-trade payables and accrued expenses	9,982	8,246	3,149	2,900
	14,097	12,540	3,977	3,526

21. Financial instruments

The Group only holds non-derivative financial instruments which comprise cash and cash equivalents, trade and other receivables, trade receivables due from related parties, related party advances, 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 liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

At the 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 $251,000 (2009: $5.1 million). All other credit risk exposure relates to New Zealand.

21. **Financial instruments** - continued

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 at the reporting date would have reduced profit before tax for the Group by $165,000 (2009: $281,000), assuming all other variables remained constant. For the Parent this would have increased profit before tax by $10,000 (2009: $13,000 decrease), 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		2010				2009			
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 *	13	1.74% to 6.01%	39,195	39,195	-	1.32% to 5.10%	32,612	28,682	3,930
Secured bank loans *	17	3.375% to 3.705%	(47,889)	(47,889)	-	2.88% to 3.35%	(52,651)	(52,651)	-
Bank overdrafts *	13	3.540%	(864)	(864)	-	3.12%	(1,357)	(1,357)	-

Parent		2010			2009		
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	Effective interest rate	Total	6 months or less
Interest bearing cash & cash equivalents *	13	3.00%	4,503	4,503	2.50%	2,251	2,251
Secured bank loans *	17	n/a	-	-	3.35%	(3,600)	(3,600)

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

(ii) Foreign currency risk
The Group owns 61.30% of KIN Holdings Limited and 29.63% of First Sponsor Capital Limited. Substantially all the operations of these subsidiary and associate groups are denominated in foreign currencies.

The Group has determined that foreign currency risk is low and as such has not used any measurements to manage this risk.

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

21. **Financial instruments** - continued

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	2010	2010	2009	2009
Cash and cash equivalents	13	38,422	38,422	31,345	31,345
LOANS AND RECEIVABLES					
Trade and other receivables	14	18,195	18,195	21,507	21,507
Trade receivables due from related parties	25	29	29	96	96
OTHER LIABILITIES					
Secured bank loans	17	(47,889)	(47,889)	(52,651)	(52,651)
Trade and other payables	20	(14,097)	(14,097)	(12,540)	(12,540)
Trade and other payables due to related parties	25	(3,856)	(3,856)	(517)	(517)
		(9,196)	(9,196)	(12,760)	(12,760)
Unrecognised (losses) / gains			-		-

Parent		Carrying amount	Fair value	Carrying amount	Fair value
Dollars In Thousands	Note	2010	2010	2009	2009
Cash and cash equivalents	13	4,537	4,537	2,284	2,284
LOANS AND RECEIVABLES					
Trade and other receivables	14	5,824	5,824	3,840	3,840
Trade receivables due from related parties	25	12,137	12,137	6,136	6,136
Related party advances	25	6,200	6,200	7,600	7,600
OTHER LIABILITIES					
Secured bank loans	17	-	-	(3,600)	(3,600)
Trade and other payables	20	(3,977)	(3,977)	(3,526)	(3,526)
Trade payables due to related parties	25	(3,856)	(3,856)	(517)	(517)
		20,865	20,865	12,217	12,217
Unrecognised (losses) / gains			-		-

21. Financial instruments - continued

Estimation of fair values

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

(a) Cash, accounts receivable, accounts payable and related party balances. The carrying amount for these balances approximate their fair value because of the short maturities of these items.

(b) Borrowings. The carrying amount for the borrowings represent their fair values because the interest rates are reset to market periodically, every 1 to 2 months.

22. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
Dollars In Thousands	2010	2009	2010	2009
Less than one year	5,265	5,679	2,360	2,752
Between one and five years	16,920	7,908	9,123	-
More than five years	2,167	4,067	-	-
	24,352	17,654	11,483	2,752

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 2010, $7,009,000 was recognised as an expense in the income statement in respect of operating leases (2009: $6,374,000). Operating lease expenses for the Parent were $2,832,000 in 2010 (2009: $2,924,000).

23. Capital commitments

As at 31 December 2010, the Group had entered into contractual commitments to purchase property, plant and equipment for $1,298,000 (2009: $1,669,000).

As at 31 December 2010, the Parent had entered into contractual commitments to purchase property, plant and equipment for $nil (2009: $nil).

24. Related parties

Identity of related parties

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

Transactions with key management personnel

Directors of the Company and their immediate relatives control 0.71% (2009: 0.71%) of the voting shares of the Company. Loans to directors for the year ended 31 December 2010 amounted to $nil (2009: $nil). Key management personnel include the Board and the Executive Team.

24. Related parties - continued

Total remuneration for key management personnel

Dollars In Thousands	Group 2010	Group 2009	Parent 2010	Parent 2009
Non-executive directors	321	328	125	125
Executive directors	394	616	394	387
Executive officers	465	457	465	457
	1,180	1,401	984	969

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

25. Group entities

Control of the Group
Millennium & Copthorne Hotels New Zealand Limited is a 70.22% owned subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc 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 2010	Group 2009
Trade receivables due from related parties			
Millennium & Copthorne Hotels plc	Recovery of expenses	18	96
CDL Hotels Holdings New Zealand Ltd	Recovery of expenses	11	-
		29	96
Trade and other payables due to related parties			
Millennium & Copthorne Hotels plc	Recharge of expenses	(356)	(517)
CDL Hotels Holdings New Zealand Ltd	Inter-company loan	(3,500)	-
		(3,856)	(517)

No debts with related parties were written off or forgiven during the year. No interest was charged on these advances during 2010 and 2009. There are no set repayment terms. During this period costs amounting to $250,000 (2009: $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.

During the year consulting fees of $11,000 (2009: $15,000) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder and director.

Parent
At balance date, there were interest bearing unsecured inter-company advances owing from Context Securities Limited of $6,200,000 (2009: $7,600,000). Net interest on advances of $295,000 (2009: $403,000) was received from Context Securities Limited during the year. The average interest rate charged during the year was 4.52% (2009: 5.16%). These are repayable on demand.

25. **Group entities** - continued

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

Dollars In Thousands	Note	Nature of balance	Parent 2010	Parent 2009
Trade receivables due from related parties				
Millennium & Copthorne Hotels plc		Recovery of expenses	18	96
Context Securities Ltd		Prepaid expenses	4,476	4,558
MCHNZ Investments Ltd		Inter-company account	2,349	993
MCHNZ Investments Ltd		Inter-company loan	4,745	-
KIN Holdings Ltd		Recovery of expenses	-	(14)
Quantum Ltd		Management fees	538	503
CDL Hotels Holdings New Zealand Ltd		Recovery of expenses	11	-
			12,137	6,136
Trade payables due to related parties				
CDL Hotels Holdings New Zealand Ltd		Inter-company loan	(3,500)	
Millennium & Copthorne Hotels plc		Recharge of expenses	(356)	(517)
			(3,856)	(517)

No debts with related parties were written off or forgiven during the year. No interest was charged on these advances during 2010 and 2009. These are repayable on demand. During the year dividend income of $2,239,000 (2009: $nil) was received from CDL Investments New Zealand Limited.

Management fees of $1,008,000 (2009:$ 912,000) were received from Quantum Limited during the year.

Although the Group owns less than half of the voting power of Bay of Islands Joint Venture, it is able to govern the financial and operating policies of the company by virtue of an agreement with the other investors of the Joint Venture. Consequently, the Group consolidates its investment in the company.

Associate companies
The associate companies included in the financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2010 are:

	Principal Activity	Holding % by MCHNZ Investments Limited 2010	Holding % by MCHNZ Investments Limited 2009
First Sponsor Capital Limited	Investment Holding	29.63	34.21
		Holding % by CDL Land New Zealand Limited 2010	Holding % by CDL Land New Zealand Limited 2009
Prestons Road Limited	Service Provider	33.33	33.33

All of the above associates have 31 December balance dates with the exception of Prestons Road Limited which has a 31 March balance date. No adjustment is made for the difference in balance date of Prestons Road Limited.

25. Group entities - continued

Subsidiary companies

The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2010 are:

	Principal Activity	Group holding % 2010	Group holding % 2009
Context Securities Limited	Investment Holding	100.00	100.00
MCHNZ Investments Limited	Investment Holding	100.00	100.00
Millennium & Copthorne Hotels Limited	Dormant	100.00	100.00
All Seasons Hotels & Resorts Limited	Dormant	100.00	100.00
Copthorne Hotel & Resort Bay of Islands Joint Venture	Hotel Operations	49.00	49.00
Quantum Limited	Holding Company	70.00	70.00
100% owned subsidiaries of Quantum Limited are:			
QINZ Holdings (New Zealand) Limited	Holding Company		
Kingsgate Hotels and Resorts Limited	Dormant/Franchise Holder		
Hospitality Group Limited	Holding Company		
100% owned subsidiaries of Hospitality Group Limited are:			
Hospitality Leases Limited	Lessee Company/Hotel Operations		
QINZ Anzac Avenue Limited	Hotel Owner		
Hospitality Services Limited	Hotel Operations/Franchise Holder		
CDL Investments New Zealand Limited	Holding Company	65.74	65.16
100% owned subsidiaries of CDL Investments New Zealand Limited are:			
CDL Land New Zealand Limited	Property Investment and Development		
KIN Holdings Limited	Holding Company	61.30	61.30
100% owned subsidiaries of KIN Holdings Limited are:			
Kingsgate International Corporation Limited	Holding Company		
Kingsgate Holdings Pty Limited	Holding Company		
Kingsgate Investments Pty Limited	Residential Apartment Developer		
Kingsgate Hotels Pty Limited	Dormant		
Birkenhead Holdings Pty Limited	Holding Company		
Birkenhead Investments Pty Limited	Dormant /Shopping Centre Owner		
Birkenhead Services Pty Limited	Dormant/Service Company		
Hotelcorp New Zealand Limited	Holding Company		

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

26. Accounting estimates and judgements

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

Critical accounting judgements in applying the Group's accounting policies

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

26. Accounting estimates and judgements - continued

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.

Development property
The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is $151,359,000 (2009: $147,255,000) while the fair value determined by independent valuers is $238,100,000 (2009: $244,900,000).

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.

Make good provisions
The Group is exposed to obligations to restore various aspects on certain sites it leases at the end of the lease. The leases in respect of which these obligations exists will expire in 2010.

This involves making judgements about the likelihood of an amount becoming payable, quantification of potential obligations and estimating when such obligations are likely to be settled.

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.

Trade and other receivables
Trade and other receivables are stated at cost less any provision for impairment. The assessment for possible impairment requires the Group to make certain judgements surrounding the recoverability of these assets. A review of recoverability is made whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

Revenue recognition
Revenue is recognised on the sale of development properties on the transfer of the related significant risk and rewards of ownership. The Group considers this to be not until legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs.

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 40. The financial statements comprise the statement of financial position of the company and the consolidated statement of financial position of the group as at 31 December 2010, the income statement and statements of comprehensive income, changes in equity and cash flows of the company and the consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows of the group for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 and International Financial Reporting Standards 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 general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements of Millennium & Copthorne Hotels New Zealand Limited and its subsidiaries ("the company and group") on pages FIN 1 to FIN 40:

- comply with generally accepted accounting practice in New Zealand;

- comply with International Financial Reporting Standards;

- give a true and fair view of the financial position of the company and the consolidated financial position of the group as at 31 December 2010 and of the financial performance and cash flows of the company and the consolidated financial performance and consolidated cash flows of the group for the year ended on that date.

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 and its subsidiaries as far as appears from our examination of those records.

KPMG.

16 February 2011

Auckland

CHAIRMAN'S REVIEW

Financial Performance

For the year ended 31 December 2010, Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ") has reported a loss attributable to equity holders of the parent of $10.1 million (2009: $12.4 million profit).

The disappointing result was directly attributable to two factors – the first being a one-off, non-cash adjustment of $24.6 million required to be made under International Financial Reporting Standards as a result of the Government's announcement in May 2010 of the removal of the ability to depreciate buildings for tax purposes, with effect from 1 January 2011. This was reported in the half-year report. The second related to First Sponsor Capital Limited, the Group's joint venture vehicle in China in respect of which the Group recorded a net loss of $0.3 million. More detailed commentary on both matters appears below. Due to the negative result, earnings per share were a negative 2.90 cents per share (2009: 3.54 cents positive earnings).

MCHNZ did record a profit before tax, non-controlling interests and associates of $14.9 million (2009: $18.9 million) with the New Zealand hotel operations contributing 62.8 percent, CDL Investments New Zealand Limited contributing 27.0 percent and the Australian operations contributing 10.2 percent.

Putting aside the impact of the Chinese Joint Venture and the impact of the Canterbury Earthquake in September 2010, the New Zealand hotel operations themselves were mostly in line with targets set in terms of revenue and gross profit. It is disappointing that this fact is not able to be reflected in the overall results. Both revenue and gross profit were above 2009 levels and Group revenue (excluding finance income) for the period under review was $115.9 million, an increase of 7.4 percent on the previous year (2009: $108.0 million). Gross profit increased by 6.5 percent to $66.1 million (2009: $62.0 million).

Financial Position

Shareholders' funds excluding non-controlling interests as at 31 December 2010 totaled $412.6 million (2009: $425.1 million) with total assets at $630.8 million (2009: $610.8 million). Net asset backing (with land and building revaluations and before distributions) as at 31 December 2010 was 118.0 cents per share (2009: 121.6 cents per share).

Effect of the Government's tax changes on the Group's financial position

As advised in the half-year report, in May 2010, the New Zealand Government announced the removal of the ability to depreciate buildings for tax purposes, with effect from 1 January 2011. The Company released a statement to the NZX in July 2010 outlining the effect of these changes, notably an increase in its deferred tax liability.

The key impact from these changes is a one-off, non-cash adjustment required under International Financial Reporting Standards. This is shown in Note 5 of the Notes to the Consolidated Financial Statements. The adjustment and the corresponding deferred tax liability has dramatically reduced the Group's profitability by $24.6 million. As previously stated, the reason that the changes have impacted on the Group so heavily is because of the Group's policy of favouring ownership of its core assets rather than leasing of same. The change made by the International Accounting Standards Board (IASB) in December 2010 to International Accounting Standard 12 (IAS 12) does not apply to the hotels in the Group.

Therefore, from 1 January 2011 the net impact of the removal of building depreciation together with the reduction in the corporate tax rate will be to increase the total tax paid by the MCK Group by an estimated $750,000 per annum.

The Government also announced in May 2010 that it would undertake a review of the definition of "*building structure*" for tax purposes. Of particular concern at that time to the Group was the treatment of building fit-out and what was to be included and excluded. The outcome of this review was positive in that Inland Revenue classified hotels as non-residential buildings and also further clarified the definition of "*building structure*" and what constituted the building itself and what constituted fit-out. The revised definitions will allow refurbishments undertaken by the Group to be depreciable for tax purposes.

New Zealand Hotel Operations

Revenue for the New Zealand hotel operations (17 owned / leased / operated hotels excluding 12 franchised properties) for the period under review was $103.6 million (2009: $100.1 million). Hotel occupancy for the period was 66.3 percent across the Group (2009: 62.4%).

During the year, the most significant event was the Canterbury Earthquake on 4 September 2010. This affected the Group's three Christchurch CBD hotels (Millennium Hotel Christchurch [leased], Copthorne Hotel Christchurch Central [owned], Copthorne Hotel Christchurch Durham Street [leased]. While both Millennium Hotel Christchurch and Copthorne Hotel Christchurch Central remained open for business throughout, both hotels have had some minor damage as a result of the earthquake. Copthorne Hotel Christchurch Durham Street had to be closed to effect repairs to guest rooms and public areas and these repairs, together with a refurbishment of same, will be completed in February 2011. The hotel will be renamed as Copthorne Hotel Christchurch City upon reopening. From a financial standpoint, the overall impact caused by the earthquake in terms of insurance costs and repair costs recognized in 2010 totals approximately $3.1 million. The Group is insured for the damage and for business interruption and claims have been filed accordingly. Management is working with the insurers and loss adjusters to effect repairs, minimise impact on our guests and staff and complete recovery of our operations. The Board would like to thank all our Christchurch-based staff for getting through a very difficult time while maintaining their service excellence. Many favourable comments have been received from our guests and this is testament to the efforts of our Christchurch staff.

CDL Investments New Zealand Limited ("CDLI")

CDLI announced an operating profit after tax for the year ended 31 December 2010 of $2.9 million (2009: $1.3 million). While this is a welcome improvement from the previous year, slow trading conditions and a weak economy continue but CDLI managed to increase its section sales in 2010 to 54 sections from 34 in 2009. CDLI's focus for 2011 will be on increasing sales in selected subdivisions.

CDLI has declared an ordinary dividend of 1.2 cents per share. MCHNZ's stake in CDLI is currently 65.74%.

Australian Operations

In November 2010, the Company received the funds held on trust in respect of the sale of the Birkenhead Point Marina after agreement was reached on the marina lease between NSW Maritime (previously Waterways) and the purchaser.

Short term leasing of the units at the Zenith Residences continued during the year with occupancy of over 95% recorded.

Joint Venture in China (First Sponsor / i-Vale)

First Sponsor Capital Limited ("FSCL"), the Group's associated company, reported a net attributable profit of USD 0.7 million for the 2010 financial year. The Group's exposure to FSCL was reduced from 34% to 30% as at 31 December 2010 as the Group did not fully participate in shareholder funding of FSCL that was undertaken in the same month. Due to the applicable accounting rules and the dilution of its equity interests in FSCL, the Group therefore recorded a net loss of $0.3 million in connection with its investment in FSCL for the full year. This was a significant improvement over the $5.3 million loss that was recorded as at 30 June 2010.

The asset recovery efforts made by FSCL during 2010 in relation to its Guangdong investments held through Idea Valley Investment Holdings Limited ("IVIHL") and its Chinese subsidiaries (together "the Idea Valley Entities") have been successful. On 5 January 2011, MCHNZ announced that a Settlement Agreement had been entered into on 31 December 2010 between MCHNZ, Tai Tak Industries Pte. Limited ("Tai Tak), Cheung Ping Kwong ("Cheung") and his related company Guangdong Huiying Group Limited. Under the terms of the Settlement Agreement, completion of certain transactions would result in full and final settlement of all outstanding issues between FSCL and Cheung in relation to the Idea Valley Entities. The key transactions under the Settlement Agreement included:

1. Cheung transferring his entire shareholding interest in IVIHL (approximately 20%) to FSCL. This was completed on 31 December 2010.

2. IVIHL regaining the following interests previously disposed of by Cheung:

   (a) 80% equity interest and its associated intercompany balances in the Idea Valley Entity which owns a mixed use development project in Humen Town, Dongguan City, Guangdong Province ("Humen Equity Interest"); and

   (b) 85% equity interest and its associated intercompany balances in the Idea Valley Entity which owns two parcels of development land in Huizhou City, Guangdong Province ("Huizhou Entity Interest").

   The relevant agreements were executed on 31 December 2010. The intercompany balances were acquired on 31 December 2010. The acquisition of the equity interest in Humen Equity Interest and Huizhou Equity Interest were completed on 18 January 2011 and 26 January 2011 respectively.

3. Payment by Cheung and his related company of RMB23.96 million (equivalent to NZD 4.73 million, based on a RMB/NZD exchange rate of 5.07 as at 5 January 2011) to the IVIHL group. This payment was made on 6 January 2011 and was applied to reduce the acquisition cost of a 49% equity interest in a Dongguan company ("Dongguan Entity Interest") committed by Cheung on behalf of the IVIHL group.

On completion of the above transactions, FSCL then transferred to Cheung the Dongguan Entity Interest, and will be transferring to Cheung the entire equity interest in an Idea Valley Entity which owns an industrial property in Xi'an City by 31 March 2011, all bought by Cheung on behalf of the IVIHL group with the proceeds from the various sales transactions which he had previously undertaken.

The Strategic Co-operation Agreement signed between MCHNZ, Tai Tak, Cheung and his related company on 27 September 2007 was terminated on 26 January 2011. Litigations commenced by the FSCL group against Cheung and corresponding counterclaims have been withdrawn.

The settlement results in Cheung no longer having any further interest in the IVIHL group. We thank our shareholders for their understanding and patience as the Group sorted out the various complex issues. We would also like to express our gratitude to the Chinese, New Zealand and Singaporean governments and diplomatic officials for their assistance in the asset recovery exercise.

FSCL's operations in Chengdu, Sichuan Province have remained secure throughout the year. The development of the Cityspring project in Chengdu is progressing well. Since June 2010, 5 out of 6 residential blocks have been formally launched with 569 sale and purchase agreements in excess of US$80 million and 25 option agreements signed as at 27 January 2011. This represents a sale rate of 98% out of the total 608 units formally launched. Revenue and profit recognition for the residential portion of Cityspring Chengdu is expected by the end of 2011. The project also includes a hospitality-related component which is expected to be completed in 2012. The Chengdu operations constitute approximately 41% of the FSCL Group's net assets as at 31 December 2010.

MCHNZ remains committed to its investment in FSCL and is confident that China is and will be a source of good returns over the medium term.

Dividend Announcement

The Company has resolved to pay a fully imputed ordinary dividend of 1.2 cents per share payable on 13 May 2011 (2009: 1.2 cents per share). The record date will be 6 May 2011.

The level of the dividend reflects the current profitability of the Company as well as the Board's cautious and prudent approach in response to the ongoing difficult economic climate.

Outlook

From the hotel operating point of view, 2011 will be an exciting year as New Zealand as a whole gets ready to hold the 2011 Rugby World Cup in September and October. The tournament will provide the New Zealand tourism industry with a much-needed boost which will be reflected in the last quarter of the year. However, a wider recovery of international visitor numbers and domestic spending is yet to be seen and is still some time away.

Our approach in 2011 will be to build on what we have been doing operationally in 2009 and 2010, to watch our costs, to increase our online presence and marketing and to target growing market segments. With our strong network across New Zealand and globally, we are well-placed to do this.

Having now resolved the disputes with Cheung Ping Kwong, our focus in China is to ensure that the gains we have made both in Guangdong and Sichuan Provinces are able to be realized within the next one to two years.

Management and staff

On behalf of the Board, I thank the Company's management and staff for their work and commitment during a very challenging 2010.

Wong Hong Ren
Chairman
16 February 2010

TAX CHANGES WIPE OUT PROFITS
AT MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND

New Zealand's largest hotel operator, Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) today reported its preliminary results for the year ended 31 December 2010.

The Company announced that the group had achieved a loss after tax and non-controlling interests of $10.1 million (2009: $12.4 million profit) on total revenue of $115.9 million (2009: $108.0 million).

"The loss arises from the change in tax policy announced by the Government in May last year removing the ability to depreciate buildings for tax purposes with effect from this year", said MCK Chairman Mr. H R Wong. "It has had a disproportionate effect on our results given that we believe it is better to own our portfolio than to rely on leases or other similar arrangements", he said.

Mr. Wong also noted that the Group's investment in China had recorded a profit for the financial year and a settlement with its now-former joint venture partner Cheung Ping Kwong had also been agreed. However, due to the applicable accounting rules and the dilution of its equity interests in FSCL, the Group recorded a net loss of $0.3 million in connection with its Chinese investment. This result, however, was a significant improvement from the $5.3 million loss that was recorded as at 30 June 2010.

"The settlement means that Cheung no longer has any further interest in the Idea Valley group. Much of the losses and provisions that were made have been able to be written back. We have retained control of valuable assets that are critical to our future success and we remain committed to our investment", he said.

Mr. Wong said that Idea Valley could now move on and continue developing its portfolio and deliver positive returns to shareholders. He also expressed the Board's gratitude to the Chinese, New Zealand and Singaporean governments and diplomatic officials for their assistance.

Managing Director Mr. B K Chiu noted that the results completely overshadowed the fact that MCK's New Zealand hotel and land development operations and its Australian property investments were in fact profitable in 2010 from revenue growth of 7.4%.

"MCK recorded a profit before tax, non-controlling interests and associates of $14.9 million. The New Zealand hotels performed satisfactorily and were mostly in line with targets set in terms of revenue and gross profit. We also received the funds relating to the Birkenhead Point Marina and it is therefore disappointing that we are not able to reflect these positive outcomes in our results", he said.

Mr. Chiu was also positive about the upcoming Rugby World Cup to be held in September and October of this year.

"The tournament will provide the New Zealand tourism industry with a much-needed boost which will be reflected in the last quarter of the year. But the last two years have been very challenging for us and the recovery is still slow. 2011 will be a year where we will focus on the positive while continuing to keep our costs under control, increasing our online presence and marketing and targeting growing market segments", he said.

Summary of results:

• Loss after tax and non-controlling interests	($10.1 million)	(2009: $12.4 m profit)
• Profit before tax, non-controlling interests and associates	$14.9 million	(2009: $18.9 m)
• Total group revenue	$115.9 million	(2009: $108.0 m)
• Shareholders' funds excluding non-controlling interests	$412.6 million	(2009: $425.1 m)
• Total assets	$630.8 million	(2009: $610.8 m)

ENDS
Issued by Millennium & Copthorne Hotels New Zealand Limited

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