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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	22-Feb-2013 18:42:12
Announcement No.	00131

>> 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 for the Year Ended 31 December 2012
Description	Please see the attached announcement released by Millennium & Copthorne Hotels New Zealand Limited on 22 February 2013.
Attachments	22022013-MCNZ-Results.pdf Total size = **588K** (2048K size limit recommended)

Close Window

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Income Statement

For the year ended 31 December 2012

DOLLARS IN THOUSANDS	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
Hotel revenue		75,796	84,979	34,316	37,401
Rental income		2,935	3,084	-	-
Property sales		26,456	11,397	-	-
Revenue		**105,187**	**99,460**	**34,316**	**37,401**
Cost of sales		(46,145)	(42,757)	(13,586)	(15,694)
Gross profit		**59,042**	**56,703**	**20,730**	**21,707**
Other income	2	29,665	17,894	26,448	7,995
Administration expenses	3	(20,705)	(28,611)	(6,779)	(9,574)
Other operating expenses	3	(18,616)	(18,195)	(7,916)	(8,258)
Operating profit		**49,386**	**27,791**	**32,483**	**11,870**
Finance income	5	2,552	3,127	5,368	3,054
Finance costs	5	(2,482)	(1,985)	(1,176)	(431)
Net finance income		**70**	**1,142**	**4,192**	**2,623**
Share of profit of associate	13	10,103	4,572	-	-
Profit before income tax		**59,559**	**33,505**	**36,675**	**14,493**
Income tax expense	6	(8,832)	(8,478)	(5,828)	(3,603)
Profit for the year		**50,727**	**25,027**	**30,847**	**10,890**
Attributable to:					
Owners of the parent		46,079	20,619	30,847	10,890
Non-controlling interests		4,648	4,408	-	-
Profit for the year		**50,727**	**25,027**	**30,847**	**10,890**
Basic earnings per share (cents)	9	13.19	5.90		
Diluted earnings per share (cents)	9	13.19	5.90		

Statement of Comprehensive Income

For the year ended 31 December 2012

DOLLARS IN THOUSANDS	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
Profit for the year		**50,727**	**25,027**	**30,847**	**10,890**
Other comprehensive income					
Foreign exchange translation movements	5	(10,105)	(43)	-	-
- Tax credit on foreign exchange translation movements	6,20	478	291	-	-
Revaluation/impairment of property, plant and equipment	10	(19,756)	(4,175)	(4,742)	(2,434)
- Tax credit/(expense) on revaluation/impairment of property, plant and equipment	6,20	6,330	(328)	3,171	(752)
Share of post acquisition reserves in associate	13	162	(6,735)	-	-
Total comprehensive income for the year		**27,836**	**14,037**	**29,276**	**7,704**
Total comprehensive income for the year attributable to :					
Owners of the parent		28,342	10,714	29,276	7,704
Non-controlling interests		(506)	3,323	-	-
Total comprehensive income for the year		**27,836**	**14,037**	**29,276**	**7,704**

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

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Changes in Equity

For the year ended 31 December 2012

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 2012	430,330	92,128	9,574	(112,820)	(85)	419,127	100,422	519,549
Movement in exchange translation reserve	-	-	(8,507)	-	-	(8,507)	(1,120)	(9,627)
Revaluation/impairment of property, plant & equipment	-	(9,388)	-	-	-	(9,388)	(4,038)	(13,426)
Transfer of revaluation reserve on disposal	-	(9,116)	-	9,116	-	-	-	-
Share of post acquisition reserves in associate	-	-	-	158	-	158	4	162
Total other comprehensive income/(loss)	-	(18,504)	(8,507)	9,274	-	(17,737)	(5,154)	(22,891)
Profit for the year	-	-	-	46,079	-	46,079	4,648	50,727
Total comprehensive income/(loss) for the year	-	(18,504)	(8,507)	55,353	-	28,342	(506)	27,836
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(4,191)	-	(4,191)	-	(4,191)
Non-controlling interests	-	-	-	-	-	-	(1,822)	(1,822)
Reclassification of exchange reserves	-	-	103	(103)	-	-	-	-
Supplementary dividends	-	-	-	(129)	-	(129)	-	(129)
Foreign investment tax credits	-	-	-	129	-	129	-	129
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	422	422
Balance at 31 December 2012	430,330	73,624	1,170	(61,761)	(85)	443,278	98,516	541,794

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

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Changes in Equity

For the year ended 31 December 2012

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 2011	430,330	96,243	8,784	(122,668)	(85)	412,604	98,264	510,868
Movement in exchange translation reserve	-	-	790	-	-	790	(542)	248
Revaluation of property, plant & equipment	-	(4,115)	-	-	-	(4,115)	(388)	(4,503)
Share of post acquisition reserves in associate	-	-	-	(6,580)	-	(6,580)	(155)	(6,735)
Total other comprehensive income/(loss)	-	(4,115)	790	(6,580)	-	(9,905)	(1,085)	(10,990)
Profit for the year	-	-	-	20,619	-	20,619	4,408	25,027
Total comprehensive income/(loss) for the year	-	(4,115)	790	14,039	-	10,714	3,323	14,037
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(4,191)	-	(4,191)	-	(4,191)
Non-controlling interests	-	-	-	-	-	-	(1,466)	(1,466)
Supplementary dividends	-	-	-	(130)	-	(130)	-	(130)
Foreign investment tax credits	-	-	-	130	-	130	-	130
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	301	301
Balance at 31 December 2011	430,330	92,128	9,574	(112,820)	(85)	419,127	100,422	519,549

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

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Changes in Equity

For the year ended 31 December 2012

Parent

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Accumulated Losses	Treasury Stock	Total Equity
Balance at 1 January 2012	430,330	53,564	(181,194)	(85)	302,615
Revaluation/impairment of property, plant and equipment	-	(1,571)	-	-	(1,571)
Transfer of revaluation reserve on disposal	-	(9,116)	9,116	-	-
Total other comprehensive income/(loss)	-	(10,687)	9,116	-	(1,571)
Profit for the year	-	-	30,847	-	30,847
Total comprehensive income/(loss) for the year	-	(10,687)	39,963	-	29,276
Transactions with owners, recorded directly in equity:					
Dividends paid to shareholders	-	-	(4,191)	-	(4,191)
Supplementary dividends	-	-	(129)	-	(129)
Foreign investment tax credits	-	-	129	-	129
Balance at 31 December 2012	**430,330**	**42,877**	**(145,422)**	**(85)**	**327,700**
Balance at 1 January 2011	430,330	56,750	(187,893)	(85)	299,102
Revaluation of property, plant and equipment	-	(3,186)	-	-	(3,186)
Total other comprehensive loss	-	(3,186)	-	-	(3,186)
Profit for the year	-	-	10,890	-	10,890
Total comprehensive income/(loss) for the year	-	(3,186)	10,890	-	7,704
Transactions with owners, recorded directly in equity:					
Dividends paid to shareholders	-	-	(4,191)	-	(4,191)
Supplementary dividends	-	-	(130)	-	(130)
Foreign investment tax credits	-	-	130	-	130
Balance at 31 December 2011	**430,330**	**53,564**	**(181,194)**	**(85)**	**302,615**

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

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Financial Position

As at 31 December 2012

		Group		Parent	
DOLLARS IN THOUSANDS	Note	2012	2011	2012	2011
SHAREHOLDERS' EQUITY					
Issued capital	8	430,330	430,330	430,330	430,330
Reserves		13,033	(11,118)	(102,545)	(127,630)
Treasury stock	8	(85)	(85)	(85)	(85)
Equity attributable to owners of the parent		**443,278**	**419,127**	**327,700**	**302,615**
Non-controlling interests		98,516	100,422	-	-
Total equity		**541,794**	**519,549**	**327,700**	**302,615**
Represented by:					
NON CURRENT ASSETS					
Property, plant and equipment	10	284,535	324,523	144,564	169,351
Development properties	11	124,193	143,034	-	-
Intangible assets	12	2,823	3,284	2,823	3,284
Loans due from related parties	26	-	-	42,546	42,546
Investments in subsidiaries		-	-	133,466	131,045
Investment in associates	13	128,059	124,951	-	-
Total non-current assets		**539,610**	**595,792**	**323,399**	**346,226**
CURRENT ASSETS					
Cash and cash equivalents	14	109,508	36,314	56,375	263
Trade and other receivables	15	15,362	18,235	4,328	6,929
Trade receivables due from related parties	26	-	-	9,512	8,027
Loans due from related parties	26	-	-	4,800	6,000
Inventories	16	1,454	1,495	418	452
Development properties	11	20,176	8,512	-	-
Total current assets		**146,500**	**64,556**	**75,433**	**21,671**
Total assets		**686,110**	**660,348**	**398,832**	**367,897**
NON CURRENT LIABILITIES					
Interest-bearing loans and borrowings	18	65,579	63,277	25,670	27,619
Provisions	19	676	437	676	437
Provision for deferred taxation	20	41,171	49,030	18,752	21,456
Total non-current liabilities		**107,426**	**112,744**	**45,098**	**49,512**
CURRENT LIABILITIES					
Trade and other payables	21	23,560	14,495	12,849	3,964
Trade payables due to related parties	26	465	461	465	461
Loans due to related parties	26	9,500	7,230	9,500	7,230
Provisions	19	2,243	4,168	2,243	3,843
Income tax payable	17	1,122	1,701	977	272
Total current liabilities		**36,890**	**28,055**	**26,034**	**15,770**
Total liabilities		**144,316**	**140,799**	**71,132**	**65,282**
NET ASSETS		541,794	519,549	327,700	302,615

For and on behalf of the Board

R BOBB, DIRECTOR, 22 February 2013

BK CHIU, MANAGING DIRECTOR, 22 February 2013

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

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Cash Flows

For the year ended 31 December 2012

		Group		Parent	
DOLLARS IN THOUSANDS	Note	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		118,162	107,560	45,137	36,705
Receipts from insurers		19,496	10,166	18,068	5,700
Interest received		2,463	2,086	2,433	1,060
Dividends received	5	2	4	2,935	1,994
Cash was applied to:					
Payments to suppliers and employees		(84,964)	(89,801)	(37,015)	(30,527)
Payments to insurers		-	(724)	-	-
Interest paid		(2,554)	(2,003)	(1,149)	(367)
Income tax paid		(10,383)	(5,433)	(4,585)	(2,734)
Net cash inflow from operating activities		**42,222**	**21,855**	**25,824**	**11,831**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Receipts from insurers from the disposal of property, plant and equipment		37,589	7,115	36,651	-
Repayments from subsidiaries		-	-	1,200	200
Cash was applied to:					
Purchase of property, plant and equipment	10	(4,819)	(5,114)	(1,272)	(3,668)
Purchase of investments in subsidiaries		-	-	(2,421)	(1,994)
Purchase of investment in associate	13	-	(39,674)	-	-
Net cash inflow/(outflow) from investing activities		**32,770**	**(37,673)**	**34,158**	**(5,462)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was applied to:					
Repayment of borrowings	18	-	(59,197)	(1,949)	(46,966)
Drawdown of borrowings	18	2,302	74,585	-	74,585
Loans advanced to subsidiaries	26	-	-	-	(37,801)
Loans received from parent company	26	2,270	3,730	2,270	3,730
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	8	(4,191)	(4,191)	(4,191)	(4,191)
Dividends paid to non-controlling shareholders		(1,822)	(427)	-	-
Net cash inflow/(outflow) from financing activities		**(1,441)**	**14,500**	**(3,870)**	**(10,643)**
Net increase/(decrease) in cash and cash equivalents		**73,551**	**(1,318)**	**56,112**	**(4,274)**
Add opening cash and cash equivalents		36,314	38,422	263	4,537
Exchange rate adjustment		(357)	(790)	-	-
Closing cash and cash equivalents	14	**109,508**	**36,314**	**56,375**	**263**

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

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Statement of Cash Flows - continued

For the year ended 31 December 2012

DOLLARS IN THOUSANDS	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		50,727	25,027	30,847	10,890
Adjusted for non cash items:					
Impairment of intangibles	12	461	-	461	-
(Gain)/loss on sale of property, plant and equipment	2,3	(613)	(26)	48	-
Gain on disposal of damaged property	2,10	(18,402)	(5,452)	(18,402)	-
Depreciation	10	6,563	7,562	3,108	3,239
Unrealised foreign exchange losses		5	7	-	-
Share of profit of associate	13	(10,103)	(4,572)	-	-
Income tax expense	6	8,832	8,478	5,828	3,603
		37,470	31,024	21,890	17,732
Adjustments for movements in working capital:					
Decrease/(increase) in trade & other receivables		2,714	(672)	2,441	(2,991)
Decrease/(increase) in inventories		41	29	34	(30)
Decrease/(increase) in development properties		4,997	(1,497)	-	-
Increase in trade & other payables		9,861	255	8,701	815
Increase/(decrease) in related parties		4	134	(1,481)	(530)
Cash generated from operations		**55,087**	**29,273**	**31,585**	**14,996**
Interest expense	5	(2,482)	(1,985)	(1,176)	(431)
Income tax paid		(10,383)	(5,433)	(4,585)	(2,734)
Cash inflows from operating activities		**42,222**	**21,855**	**25,824**	**11,831**

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

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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 2012 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at Level 13, 280 Centre, 280 Queen Street, Auckland, New Zealand.

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

(a) Statement of compliance

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

The financial statements were authorised for issuance on 22 February 2013.

(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 27 - 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.

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

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

(h) Property, plant and equipment

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

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

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

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

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

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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)).

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(k) Intangible assets - continued

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.

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

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

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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.

Significant accounting policies - continued

(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.

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Significant accounting policies - continued

(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 2012, and have not been applied in preparing these financial statements.

- *NZ IFRS 9 - Financial Instruments (effective after 1 January 2015)*
- *NZ IFRS 10 - Consolidated Financial Statements (effective after 1 January 2013)*
- *NZ IFRS 11 - Joint Arrangements (effective after 1 January 2013)*
- *NZ IFRS 12 - Disclosure of Interests in Other Entities (effective after 1 January 2013)*
- *NZ IFRS 13 - Fair Value Measurement (effective after 1 January 2013)*
- *NZ IAS 19 - Employee Benefits (effective after 1 January 2013)*
- *NZ IAS 27 - Separate Financial Statements (effective after 1 January 2013)*
- *NZ IAS 28 - Investments in Associates and Joint Ventures (effective after 1 January 2013)*

The adoption of these standards is not expected to have a material impact on the Group's or Company's financial statements except for NZ IFRS 10 - Consolidated Financial Statements, NZ IFRS 13 - Fair Value Measurement and NZ IAS 28 - Investments in Associates and Joint Ventures, which will affect disclosures.

(z) Comparatives

Certain comparatives have been reclassified to conform to the current year's presentation.

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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 (pre-dominantly China).

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

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

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1. **Segment reporting** - continued
Operating segments

Dollars In Thousands	Hotel Operations 2012	Hotel Operations 2011	Residential Land Development 2012	Residential Land Development 2011	Residential & Commercial Property Development 2012	Residential & Commercial Property Development 2011	Group 2012	Group 2011
External revenue	75,796	84,979	26,456	11,397	2,935	3,084	105,187	99,460
Finance income	794	421	568	298	1,190	2,408	2,552	3,127
Finance expense	(730)	(1,266)	-	-	(1,752)	(719)	(2,482)	(1,985)
Depreciation and amortisation	(6,521)	(7,510)	(4)	(5)	(38)	(47)	(6,563)	(7,562)
Segment profit before income tax	37,909	21,710	12,926	5,359	(1,379)	1,864	49,456	28,933
Share of profit of associates	-	-	-	-	10,103	4,572	10,103	4,572
Profit before income tax	37,909	21,710	12,926	5,359	8,724	6,436	59,559	33,505
Income tax expense	(6,962)	(5,165)	(3,622)	(1,571)	1,752	(1,742)	(8,832)	(8,478)
Other material/non-cash items:								
Business interruption insurance income	11,263	12,442	-	-	-	-	11,263	12,442
Gain on disposal of damaged property	18,042	5,452	-	-	-	-	18,042	5,452
Earthquake provisions	-	(2,356)	-	-	-	-	-	(2,356)
Segment assets	362,950	347,489	108,028	99,160	87,073	88,748	558,051	535,397
Investment in associates	-	-	2	2	128,057	124,949	128,059	124,951
Total assets	362,950	347,489	108,030	99,162	215,130	213,697	686,110	660,348
Segment liabilities	(94,141)	(85,018)	(275)	(345)	(7,607)	(4,705)	(102,023)	(90,068)
Tax liabilities	(40,445)	(46,794)	(1,287)	(834)	(561)	(3,103)	(42,293)	(50,731)
Total liabilities	(134,586)	(131,812)	(1,562)	(1,179)	(8,168)	(7,808)	(144,316)	(140,799)
Capital expenditure	4,810	5,103	2	7	7	4	4,819	5,114

Geographical areas

Dollars In Thousands	New Zealand 2012	New Zealand 2011	Australia 2012	Australia 2011	Asia 2012	Asia 2011	Group 2012	Group 2011
External revenue	102,252	96,376	2,935	3,084	-	-	105,187	99,460
Finance income	1,409	803	1,143	1,285	-	1,039	2,552	3,127
Finance expense	(2,481)	(1,982)	(1)	(3)	-	-	(2,482)	(1,985)
Depreciation and amortisation	(6,525)	(7,515)	(38)	(47)	-	-	(6,563)	(7,562)
Segment profit before income tax	49,212	27,640	244	1,293	-	-	49,456	28,933
Share of profit of associates	-	-	-	-	10,103	4,572	10,103	4,572
Profit before income tax	49,212	27,640	244	1,293	10,103	4,572	59,559	33,505
Income tax expense	(8,686)	(8,125)	(146)	(353)	-	-	(8,832)	(8,478)
Other material/non-cash items:								
Business interruption insurance income	11,263	12,442	-	-	-	-	11,263	12,442
Gain on disposal of damaged property	18,042	5,452	-	-	-	-	18,042	5,452
Earthquake provisions	-	(2,356)	-	-	-	-	-	(2,356)
Segment assets	472,307	447,893	85,744	87,504	-	-	558,051	535,397
Investment in associates	2	2	-	-	128,057	124,949	128,059	124,951
Total assets	472,309	447,895	85,744	87,504	128,057	124,949	686,110	660,348
Segment liabilities	(100,137)	(89,067)	(1,886)	(1,001)	-	-	(102,023)	(90,068)
Tax liabilities	(40,216)	(48,106)	(2,077)	(2,625)	-	-	(42,293)	(50,731)
Total liabilities	(140,353)	(137,173)	(3,963)	(3,626)	-	-	(144,316)	(140,799)
Capital expenditure	4,812	5,110	7	4	-	-	4,819	5,114

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2. Other income

Dollars In Thousands	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
Business interruption insurance income		11,263	12,442	8,046	7,995
Gain on disposal of damaged property	10	18,402	5,452	18,402	-
		29,665	17,894	26,448	7,995

The business interruption insurance income relates to the three Christchurch properties affected by the earthquakes. The current year gain on disposal of damaged property relates to the settlement of material damage claims with insurers regarding Copthorne Hotel Christchurch Central, which is due to be demolished in the near future. The 2011 gain on disposal of damaged property relates to the settlement of material damage claims with insurers regarding Copthorne Hotel Christchurch City, which was demolished in the second half of the 2011.

3. Administration and other operating expenses

Dollars In Thousands	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
Depreciation	10	6,563	7,562	3,108	3,239
Auditors remuneration					
Audit fees		341	331	121	122
Tax compliance and advisory		219	323	(134)	20
Directors fees	25	334	334	151	151
Lease and rental expenses	23	2,667	6,472	518	2,593
Provision for bad debts					
Debts written off		46	26	8	15
Movement in doubtful debt provision		-	(30)	(15)	(11)
Impairment loss on goodwill	12	461	-	461	-
Net (gain)/loss on disposal of property, plant and equipment		613	(26)	(48)	-
Insurance excess costs of Christchurch earthquake	19	-	1,067	-	343
Other		28,077	30,747	10,525	11,360
		39,321	46,806	14,695	17,832

4. Personnel expenses

Dollars In Thousands	Group 2012	Group 2011	Parent 2012	Parent 2011
Wages and salaries	30,922	34,345	9,997	11,835
Employee related expenses and benefits	4,847	5,682	1,894	2,315
Contributions to defined contribution plans	333	340	83	91
Decrease in liability for long-service leave	(45)	(71)	-	-
	36,057	40,296	11,974	14,241

The personnel expenses are included in cost of sales, administration expenses and other operating expenses in the income statement. Total personnel expenses for 2011 include $0.8 million of redundancy costs associated with the closure of the Groups' three hotels in Christchurch.

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5. Net finance income

Recognised in the income statement

Dollars In Thousands	Group 2012	Group 2011	Parent 2012	Parent 2011
Interest income	2,550	2,067	2,433	1,060
Dividend income	2	4	2,935	1,994
Net foreign exchange gain	-	1,056	-	-
Finance income	2,552	3,127	5,368	3,054
Interest expense	(2,482)	(1,985)	(1,176)	(431)
Finance costs	(2,482)	(1,985)	(1,176)	(431)
Net finance income recognised in the income statement	70	**1,142**	**4,192**	**2,623**

Recognised in other comprehensive income

Dollars In Thousands	Group 2012	Group 2011	Parent 2012	Parent 2011
Foreign exchange translation movements	(10,105)	(43)	-	-
Net finance income recognised in other comprehensive income	**(10,105)**	**(43)**	**-**	**-**

6. Income tax expense

Recognised in the income statement

Dollars In Thousands	Group 2012	Group 2011	Parent 2012	Parent 2011
Current tax expense				
Current year	10,051	8,170	5,428	3,711
Adjustments for prior years	(168)	(116)	(67)	(100)
	9,883	8,054	5,361	3,611
Deferred tax expense				
Origination and reversal of temporary difference	84	941	467	(211)
Adjustments for prior years	(1,135)	(517)	-	203
	(1,051)	424	467	(8)
Total income tax expense in income statement	**8,832**	**8,478**	**5,828**	**3,603**

Reconciliation of tax expense

Dollars In Thousands	Group 2012	Group 2011	Parent 2012	Parent 2011
Profit before income tax	59,559	33,505	36,675	14,493
Income tax at the company tax rate of 28% (2011: 28%)	16,677	9,381	10,269	4,058
Adjusted for:				
Non-deductible expenses	195	2	129	-
Imputation credits	-	-	(822)	(558)
Tax rate difference (if different from 28% above)	(21)	8	-	-
Tax exempt revenues	(4,677)	(225)	(1,545)	-
Non-assessable gain on disposal of damaged property	(5,153)	-	(5,153)	-
Tax arising from investment in associate	97	(55)	-	-
Tax adjustment on depreciation recoverable	3,017	-	3,017	-
(Over)/under provided in prior years	(1,303)	(633)	(67)	103
Total income tax expense	**8,832**	**8,478**	**5,828**	**3,603**
Effective tax rate	15%	25%	16%	25%

The tax adjustment on depreciation recoverable is related to the disposal of Copthorne Hotel Central. The Group and Parent qualifies for tax relief in rolling over the depreciation recovery into a replacement building hence no tax is payable in respect of depreciation recovery in the current year. However a deferred tax liability continues to be provided as at 31 December 2012.

6. Income tax expense - continued

Deferred tax recognised in other comprehensive income

Dollars In Thousands	Group 2012	Group 2011	Parent 2012	Parent 2011
Relating to revaluation of property, plant and equipment	(6,330)	328	(3,171)	752
Relating to foreign currency translation of foreign subsidiaries	(478)	(291)	-	-
	(6,808)	37	(3,171)	752

7. Imputation credits

Dollars In Thousands	Group 2012	Group 2011
Imputation credits available for use in subsequent reporting periods	43,846	34,248

The KIN Holdings Group has A$9.6 million (2011: A$9.5 million) franking credits available as at 31 December 2012.

8. Capital and reserves

Share capital

	Group and Parent 2012 Shares	2012 $000's	2011 Shares	2011 $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 2012, the authorised share capital consisted of 349,598,066 ordinary shares (2011: 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.

8. Capital and reserves - continued

Dividends

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

Dollars In Thousands	Parent 2012	Parent 2011
Ordinary Dividend - 1.2 cents per qualifying ordinary share (2011: 1.2 cents)	4,191	4,191
Supplementary Dividend - 0.2118 cents per qualifying ordinary share (2011: 0.2118 cents)	129	130
	4,320	4,321

After 31 December 2012 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 (2011: 1.2 cents)	4,191
Special Dividend - 1.2 cents per qualifying ordinary share (2011: nil)	4,191
Supplementary Dividend - 0.2118 cents per qualifying ordinary share (2011: 0.2118 cents)	259
Total Dividends	8,641

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of $46,079,000 (2011: $20,619,000) and weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 349,268,439 (2011: 349,268,439), calculated as follows:

Profit attributable to ordinary shareholders

Dollars In Thousands	Group 2012	Group 2011
Profit for the year	50,727	25,027
Profit attributable to non-controlling interests	(4,648)	(4,408)
Profit attributable to ordinary shareholders	46,079	20,619

Weighted average number of ordinary shares

	Group 2012	Group 2011
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.

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10. Property, plant and equipment

Group

Dollars In Thousands	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost							
Balance at 1 January 2011	103,644	179,682	24,010	103,691	161	3,876	415,064
Acquisitions	-	88	5	945	12	4,064	5,114
Repairs completed by insurers	-	-	2,559	-	-	-	2,559
Disposals	-	-	(2,559)	(9,078)	(31)	-	(11,668)
Transfers between categories	-	2,763	484	(191)	-	(3,056)	-
Transfer from accumulated depreciation following revaluation	-	(127)	(249)	-	-	-	(376)
Movements in foreign exchange	-	-	-	(12)	(1)	-	(13)
Impairment	-	(1,700)	-	-	-	-	(1,700)
Revaluation surplus/(deficit)	(5,118)	2,684	(41)	-	-	-	(2,475)
Balance at 31 December 2011	**98,526**	**183,390**	**24,209**	**95,355**	**141**	**4,884**	**406,505**
Balance at 1 January 2012	98,526	183,390	24,209	95,355	141	4,884	406,505
Acquisitions	-	-	-	-	-	4,022	4,022
Repairs completed by insurers	-	670	-	127	-	-	797
Disposals	-	(16,028)	-	(12,890)	(10)	-	(28,928)
Transfers between categories	-	4,351	56	3,592	17	(8,016)	-
Transfer from accumulated depreciation following revaluation	-	(31)	(20)	-	-	-	(51)
Movements in foreign exchange	-	-	-	(21)	(1)	-	(22)
Impairment	(5,135)	(12,493)	(2,100)	-	-	-	(19,728)
Revaluation surplus/(deficit)	480	(508)	-	-	-	-	(28)
Balance at 31 December 2012	**93,871**	**159,351**	**22,145**	**86,163**	**147**	**890**	**362,567**
Depreciation and impairment losses							
Balance at 1 January 2011	-	(6,284)	(1,841)	(74,068)	(152)	-	(82,345)
Depreciation charge for the year	-	(1,741)	(214)	(5,600)	(7)	-	(7,562)
Disposals	-	-	-	7,509	31	-	7,540
Transfers between categories	-	(1,267)	(186)	1,456	(3)	-	-
Transfer accumulated depreciation against cost following revaluation	-	127	249	-	-	-	376
Movements in foreign exchange	-	-	-	8	1	-	9
Balance at 31 December 2011	**-**	**(9,165)**	**(1,992)**	**(70,695)**	**(130)**	**-**	**(81,982)**
Balance at 1 January 2012	-	(9,165)	(1,992)	(70,695)	(130)	-	(81,982)
Depreciation charge for the year	-	(1,821)	(329)	(4,411)	(2)	-	(6,563)
Disposals	-	538	-	9,895	10	-	10,443
Transfers between categories	-	(113)	-	113	-	-	-
Transfer accumulated depreciation against cost following revaluation	-	31	20	-	-	-	51
Movements in foreign exchange	-	-	-	18	1	-	19
Balance at 31 December 2012	**-**	**(10,530)**	**(2,301)**	**(65,080)**	**(121)**	**-**	**(78,032)**
Carrying amounts							
At 1 January 2011	103,644	173,398	22,169	29,623	9	3,876	332,719
At 31 December 2011	**98,526**	**174,225**	**22,217**	**24,660**	**11**	**4,884**	**324,523**
At 1 January 2012	98,526	174,225	22,217	24,660	11	4,884	324,523
At 31 December 2012	**93,871**	**148,821**	**19,844**	**21,083**	**26**	**890**	**284,535**

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10. **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 2011	66,759	94,549	52,339	54	333	214,034
Acquisitions	-	88	313	12	3,255	3,668
Disposals	-	-	(132)	(15)	-	(147)
Transfer from accumulated depreciation	-	(127)	-	-	-	(127)
Revaluation surplus/(deficit)	(5,118)	2,684	-	-	-	(2,434)
Balance at 31 December 2011	**61,641**	**97,194**	**52,520**	**51**	**3,588**	**214,994**
Balance at 1 January 2012	61,641	97,194	52,520	51	3,588	214,994
Acquisitions	-	-	-	-	1,272	1,272
Disposals	-	(15,801)	(10,341)	(10)	-	(26,152)
Transfers between categories	-	2,921	1,625	17	(4,563)	-
Transfer from accumulated depreciation	-	(31)	-	-	-	(31)
Impairment	(3,015)	(1,699)				(4,714)
Revaluation surplus	480	(508)	-	-	-	(28)
Balance at 31 December 2012	**59,106**	**82,076**	**43,804**	**58**	**297**	**185,341**
Depreciation and impairment losses						
Balance at 1 January 2011	-	(5,065)	(37,555)	(54)	-	(42,674)
Depreciation charge for the year	-	(986)	(2,253)	-	-	(3,239)
Disposals	-	-	128	15	-	143
Transfers between categories	-	(568)	569	(1)	-	-
Transfer accumulated depreciation against cost following revaluation	-	127	-	-	-	127
Balance at 31 December 2011	**-**	**(6,492)**	**(39,111)**	**(40)**	**-**	**(45,643)**
Balance at 1 January 2012	-	(6,492)	(39,111)	(40)	-	(45,643)
Depreciation charge for the year	-	(1,022)	(2,084)	(2)	-	(3,108)
Disposals	-	533	7,400	10	-	7,943
Transfers between categories	-	(105)	105	-	-	-
Transfer accumulated depreciation against cost following revaluation	-	31	-	-	-	31
Balance at 31 December 2012	**-**	**(7,055)**	**(33,690)**	**(32)**	**-**	**(40,777)**
Carrying amounts						
At 1 January 2011	66,759	89,484	14,784	-	333	171,360
At 31 December 2011	**61,641**	**90,702**	**13,409**	**11**	**3,588**	**169,351**
At 1 January 2012	61,641	90,702	13,409	11	3,588	169,351
At 31 December 2012	**59,106**	**75,021**	**10,114**	**26**	**297**	**144,564**

The Directors consider the value of the hotel assets with a net book value of $285 million (2011: $325 million) to be within a range of $302 to $322 million (2011: $337 to $357 million). This is substantiated by valuations completed by Bower Valuations Limited, registered valuers, in December 2010, 2011 and 2012, in respect of hotel assets in Millennium & Copthorne Hotels New Zealand Limited of $175 million (2011: $210 million) and in respect of hotel assets in Quantum Limited of $147 million (2011: $147 million).

During 2012 two (2011: three) 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 $28,000 (2011: $2.48 million deducted) has been deducted from the carrying values of land and buildings.

During 2012 two (2011: 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. Based on this valuation and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. A total of $28,000 (2011: $2.43 million deducted) has been deducted from the carrying values of land and buildings.

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

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 2012 to approximate their fair value as at 31 December 2012.

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 $19.73 million (2011: $1.70 million deducted) 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. Average annual growth rates appropriate to the hotels range from 2.0% to 7.1% (2011: 0.5% to 8.4%) over the five years projection. Pre-tax discount rates ranging between 8.25% and 10.50% (2011: 7.25% to 14.50%) were applied to the future cash flows of the individual hotels based on the specific circumstances of the property.

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

Group

Dollars In Thousands	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost less accumulated depreciation							
At 1 January 2011	45,794	106,382	24,366	29,623	9	3,876	210,050
At 31 December 2011	**45,794**	**106,225**	**24,455**	**24,660**	**11**	**4,884**	**206,029**
At 1 January 2012	45,794	106,225	24,455	24,660	11	4,884	206,029
At 31 December 2012	**40,659**	**81,329**	**17,638**	**21,083**	**26**	**890**	**161,625**

Parent

Dollars In Thousands	Freehold Land	Freehold Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost less accumulated depreciation						
At 1 January 2011	37,594	55,660	14,784	0	333	108,371
At 31 December 2011	**37,594**	**54,194**	**13,409**	**11**	**3,588**	**108,796**
At 1 January 2012	37,594	54,194	13,409	11	3,588	108,796
At 31 December 2012	**34,579**	**39,021**	**10,114**	**26**	**297**	**84,037**

CANTERBURY EARTHQUAKE

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

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

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10. Property, plant and equipment - continued

The Copthorne Hotel Christchurch Central suffered minor damage from the 4 September 2010 earthquake and remained open for business. The 22 February 2011 earthquake severely damaged the hotel. The hotel closed down for structural engineering assessment. The insurers have concluded that the hotel was uneconomic to repair. The material damage claim for Copthorne Hotel Central Christchurch was settled with the insurers on 22 November 2012. The net book value of the hotel of $18.16 million was disposed and a gain on disposal of $18.40 million was recognised in the income statement.

In relation to the land at Copthorne Hotel Central Christchurch, the Canterbury Earthquake Recovery Authority (CERA) has earmarked the land as part of a performing arts precinct in its Christchurch rebuilding blueprint. CERA has notified the Group that it intends to compulsorily acquire the land.

As a result of the 4 September 2010 earthquake, the Copthorne Hotel Christchurch City closed to effect repairs to guest rooms and public areas together with a refurbishment of the same and reopened for business on 12 February 2011. These repairs, totalling $2.56 million were capitalised from work in progress to leasehold land and buildings.

The 22 February 2011 earthquake severely damaged and closed down the hotel. The Canterbury Earthquake Recovery Authority assessed and issued a demolition notice for the hotel. The demolition was completed in November 2011. The newly repaired assets which were completed for the 12 February 2011 reopening were damaged and the total of $2.56 million was written off to the income statement. A settlement was reached with the landlord and insurers in regards to the property. The carrying value of the leased property of $1.52 million was disposed resulting in a net sum of $5.45 million as a gain on disposal of the damaged property in the income statement in November 2011.

11. Development properties

	Group		Parent	
Dollars In Thousands	2012	2011	2012	2011
Development land	83,261	88,258	-	-
Residential development	61,108	63,288	-	-
	144,369	151,546	-	-
Less expected to settle within one year	(20,176)	(8,512)	-	-
	124,193	**143,034**	-	-
Development land recognised in cost of sales	11,384	4,130	-	-

Development land is carried at the lower of cost and net realisable value. No interest (2011: $nil) has been capitalised during the year. The value of development land held at 31 December 2012 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as $157.9 million (2011: $162.7 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.

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11. Development properties - continued

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 2012 was determined by D Sukkar AAPI of Property Logic Valuers (2011: R Laoulach of Landmark White (NSW) Pty Ltd), registered valuers as $78.2 million (A$61.9 million) (2011: $78.4 million (A$59.9 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.

12. Intangible assets

	Group		
Dollars In Thousands	Goodwill	Leasehold Interests	Total
Cost			
Balance at 1 January 2011	6,522	23,191	29,713
Balance at 31 December 2011	**6,522**	**23,191**	**29,713**
Balance at 1 January 2012	6,522	23,191	29,713
Balance at 31 December 2012	**6,522**	**23,191**	**29,713**
Amortisation and impairment losses			
Balance at 1 January 2011	(3,238)	(23,191)	(26,429)
Balance at 31 December 2011	**(3,238)**	**(23,191)**	**(26,429)**
Balance at 1 January 2012	(3,238)	(23,191)	(26,429)
Impairment for the year	(461)	-	(461)
Balance at 31 December 2012	**(3,699)**	**(23,191)**	**(26,890)**
Carrying amounts			
At 1 January 2011	3,284	-	3,284
At 31 December 2011	**3,284**	**-**	**3,284**
At 1 January 2012	3,284	-	3,284
At 31 December 2012	**2,823**	**-**	**2,823**

The above goodwill is attributed to the following cash generating units: Copthorne Hotel Auckland Harbourcity $2.82 million (2011: $2.82 million) and Kingsgate Hotel Greymouth $nil (2011: $0.46 million).

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12. **Intangible assets** - continued

	Parent		
Dollars In Thousands	Goodwill	Leasehold Interests	Total
Cost			
Balance at 1 January 2011	6,522	391	6,913
Balance at 31 December 2011	**6,522**	**391**	**6,913**
Balance at 1 January 2012	6,522	391	6,913
Balance at 31 December 2012	**6,522**	**391**	**6,913**
Amortisation and impairment losses			
Balance at 1 January 2011	(3,238)	(391)	(3,629)
Balance at 31 December 2011	**(3,238)**	**(391)**	**(3,629)**
Balance at 1 January 2012	(3,238)	(391)	(3,629)
Impairment for the year	(461)	-	(461)
Balance at 31 December 2012	**(3,699)**	**(391)**	**(4,090)**
Carrying amounts			
At 1 January 2011	3,284	-	3,284
At 31 December 2011	**3,284**	**-**	**3,284**
At 1 January 2012	3,284	-	3,284
At 31 December 2012	**2,823**	**-**	**2,823**

The above goodwill is attributed to the following cash generating units: Copthorne Hotel Auckland Harbourcity $2.82 million (2011: $2.82 million) and Kingsgate Hotel Greymouth $nil (2011: $0.46 million).

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

	Group		Parent	
Dollars In Thousands	2012	2011	2012	2011
Other operating expenses	461	-	461	-

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 8.50% and 14.00% (2011: 9.00% and 14.50%) were applied to the future cash flows. Average annual growth rates appropriate to the hotels range from 2.0% to 2.1% (2011: -0.2% to 4.3%) over the five years projection.

In the 2012 review of goodwill, in the case of Kingsgate Hotel Greymouth, the goodwill was tested and found to be impaired. An impairment loss of $0.46 million was charged to the profit and loss. No impairment was found in respect of Copthorne Hotel Auckland Harbourcity. In the 2011 review of goodwill no impairment was found in respect of either hotel.

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13. Investment in associates

The Group's share of profit of its associate, First Sponsor Capital Limited ("FSCL") for the year was $10.10 million (2011: $4.57 million). Prestons Road Limited has no revenue or expenses, therefore the Group's share of profit of its associate was nil (2011: nil).

The principal activities of FSCL and its subsidiaries are investment holding, property development and sales, property investments, real estate financing 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 the Group's subsidiary, CDL Land New Zealand Limited, and in this regard, it is charged with engaging suitably qualified consultants in fields such as geotechnical engineering, resource management compliance, subdivision of land, legal and regulatory compliance and related issues to enable the Group to develop its land at Prestons Road in Christchurch.

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

Dollars In Thousands	Ownership	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Revenues	Expenses	Profit
2012										
First Sponsor Capital Limited	34.21%	509,581	235,759	745,340	(175,127)	(185,382)	(360,509)	142,915	(112,940)	29,975
Prestons Road Limited	33.33%	4,070	-	4,070	(4,064)	-	(4,064)	-	-	-
2011										
First Sponsor Capital Limited	34.21%	592,595	235,649	828,244	(430,296)	(20,992)	(451,288)	16,632	(4,705)	11,927
Prestons Road Limited	33.33%	3,688	-	3,688	(3,682)	-	(3,682)	-	-	-

Movements in the carrying value of associates:

	Group			
	First Sponsor Capital Ltd		Prestons Road Ltd	
Dollars In Thousands	2012	2011	2012	2011
Balance at 1 January	124,949	84,870	2	2
Investment in associate	-	39,674	-	-
Share of post acquisition movement in foreign exchange reserves for the year	(7,157)	2,568	-	-
Share of post acquisition capital reserves	162	(6,735)	-	-
Share of profit for the year	10,103	4,618	-	-
Gain/(loss) on change in interest	-	(46)	-	-
Balance at 31 December	128,057	124,949	2	2

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14. Cash and cash equivalents

Dollars In Thousands	Group		Parent	
	2012	2011	2012	2011
Term deposits	106,368	32,363	56,300	-
Cash	4,136	4,814	75	263
Bank overdrafts	(996)	(863)	-	-
	109,508	**36,314**	**56,375**	**263**

15. Trade and other receivables

Dollars In Thousands	Group		Parent	
	2012	2011	2012	2011
Trade receivables	5,491	4,702	2,524	2,452
Insurance receivables	1,027	4,824	687	3,680
Other trade receivables and prepayments	8,844	8,709	1,117	797
	15,362	**18,235**	**4,328**	**6,929**

16. Inventories

Dollars In Thousands	Group		Parent	
	2012	2011	2012	2011
Consumables	650	670	306	337
Finished goods	804	825	112	115
	1,454	**1,495**	**418**	**452**
Inventory recognised in cost of sales	5,725	6,377	2,291	2,521

17. Current tax assets and liabilities

Dollars In Thousands	Group		Parent	
	2012	2011	2012	2011
Income tax payable	(1,122)	(1,701)	(977)	(272)

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

18. 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 22.

Group

Dollars in Thousands	Currency	Interest Rate	Maturity	Facility Total	31 December 2012 Face Value	31 December 2012 Carrying Amount	31 December 2011 Face Value	31 December 2011 Carrying Amount
Secured bank loan	NZD	3.380%	31 Oct 2014	12,500	12,500	12,500	12,500	12,500
Secured bank loan	NZD	3.342%	31 Oct 2014	12,500	12,500	12,500	12,500	12,500
Secured bank loan	NZD	3.360%	31 Oct 2014	10,000	10,000	10,000	10,000	10,000
Revolving credit	NZD	3.200%	31 Oct 2014	20,000	4,909	4,909	658	658
Secured bank loan	NZD	3.300%	1 July 2014	10,000	10,000	10,000	10,000	10,000
Secured bank loan	NZD	3.350%	1 July 2014	10,000	10,000	10,000	10,000	10,000
Revolving credit	NZD	3.200%	1 July 2014	25,000	5,670	5,670	7,619	7,619
TOTAL				**100,000**	**65,579**	**65,579**	**63,277**	**63,277**
Non-current					65,579	65,579	63,277	63,277

Parent

Dollars in Thousands	Currency	Interest Rate	Maturity	Facility Total	31 December 2012 Face Value	31 December 2012 Carrying Amount	31 December 2011 Face Value	31 December 2011 Carrying Amount
Secured bank loan	NZD	3.300%	1 July 2014	10,000	10,000	10,000	10,000	10,000
Secured bank loan	NZD	3.350%	1 July 2014	10,000	10,000	10,000	10,000	10,000
Revolving credit	NZD	3.200%	1 July 2014	25,000	5,670	5,670	7,619	7,619
TOTAL				**45,000**	**25,670**	**25,670**	**27,619**	**27,619**
Non-current					25,670	25,670	27,619	27,619

Terms and debt repayment schedule

The bank loans are secured over land and buildings with a carrying amount of $253.00 million (2011: $268.29 million) - refer to note 10. The bank loans have no fixed term of repayment before maturity. The Group's facility matures on 1 July 2014 and 31 October 2014 and the Parent Company's facility matures on 1 July 2014.

19. Provisions

Dollars In Thousands	Group Earthquake provisions	Group FF&E and Site Restoration	Parent Earthquake provisions	Parent FF&E
Balance at 1 January 2011	4,920	558	3,500	383
Provisions made during the year	2,356	54	343	54
Provisions used during the year	(3,283)	-	-	-
Balance at 31 December 2011	**3,993**	**612**	**3,843**	**437**
Non-current	-	437	-	437
Current	3,993	175	3,843	-
Balance at 1 January 2012	3,993	612	3,843	437
Provisions made during the year	-	239	-	239
Provisions used during the year	(1,750)	(175)	(1,600)	-
Balance at 31 December 2012	**2,243**	**676**	**2,243**	**676**
Non-current	-	676	-	676
Current	2,243	-	2,243	-

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

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19. Provisions - continued

The Group's three hotel properties and the Parent's two hotel properties affected by the Canterbury earthquakes are fully insured for material damage. Total material damages estimated at $4.92 million for the Group and $3.50 million for the Parent were provided in 2010 after the 4 September 2010 earthquake. The provision recorded relates to both cash amounts payable to the insurance companies of the Group of $3.06 million (Parent: $3.06 million) and amounts provided on the basis of engineering reports for damaged assets which are expected to be reimbursed under insurance policies of $1.856 million (Parent: $1.86 million). As a result of the 22 February 2011 earthquake an additional provision for material damage excess was booked for $1.07 million (Group) and $0.34 million (Parent). In relation to the demolition of Copthorne Hotel Christchurch City a provision for demolition costs was booked at $0.15 million (Group). During 2012 provisions were utilised on settlement of the material damage claim for Copthorne Hotel Christchurch Central. The balance of the earthquake provisions as at 31 December 2012 solely relate to Millennium Hotel Christchurch.

20. 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	2012	2011	2012	2011	2012	2011
Property, plant and equipment	-	-	42,481	47,157	42,481	47,157
Development properties	(1,197)	(1,210)	-	-	(1,197)	(1,210)
Provisions	(990)	(1,052)	-	-	(990)	(1,052)
Employee benefits	(636)	(637)	-	-	(636)	(637)
Trade and other payables	(1,962)	(707)	-	-	(1,962)	(707)
Net investment in foreign operations	-	-	3,475	5,479	3,475	5,479
Net tax (assets) / liabilities	(4,785)	(3,606)	45,956	52,636	41,171	49,030

	Parent					
	Assets		Liabilities		Net	
Dollars In Thousands	2012	2011	2012	2011	2012	2011
Property, plant and equipment	-	-	20,790	22,531	20,790	22,531
Provisions	(669)	(878)	-	-	(669)	(878)
Employee benefits	-	-	-	-	-	-
Trade and other payables	(1,369)	(197)	-	-	(1,369)	(197)
Net tax (assets) / liabilities	(2,038)	(1,075)	20,790	22,531	18,752	21,456

Movement in deferred tax balances during the year

	Group			
Dollars In Thousands	Balance 1 Jan 11	Recognised in income	Recognised in equity	Balance 31 Dec 11
Property, plant and equipment	48,309	(1,480)	328	47,157
Development properties	(1,197)	(42)	29	(1,210)
Provisions	(1,875)	821	2	(1,052)
Employee benefits	(731)	92	2	(637)
Trade and other payables	(542)	(165)	-	(707)
Net investment in foreign operations	4,605	1,198	(324)	5,479
	48,569	424	37	49,030

	Group			
Dollars In Thousands	Balance 1 Jan 12	Recognised in income	Recognised in equity	Balance 31 Dec 12
Property, plant and equipment	47,157	1,654	(6,330)	42,481
Development properties	(1,210)	(38)	51	(1,197)
Provisions	(1,052)	22	40	(990)
Employee benefits	(637)	35	(34)	(636)
Trade and other payables	(707)	(1,255)	-	(1,962)
Net investment in foreign operations	5,479	(1,469)	(535)	3,475
	49,030	(1,051)	(6,808)	41,171

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20. **Deferred tax assets and liabilities** - continued

Movement in deferred tax balances during the year

Dollars In Thousands	Parent Balance 1 Jan 11	Recognised in income	Recognised in equity	Balance 31 Dec 11
Property, plant and equipment	22,570	(791)	752	22,531
Provisions	(1,724)	846	-	(878)
Employee benefits	-	-	-	-
Trade and other payables	(134)	(63)	-	(197)
	20,712	(8)	752	21,456

Dollars In Thousands	Parent Balance 1 Jan 12	Recognised in income	Recognised in equity	Balance 31 Dec 12
Property, plant and equipment	22,531	1,430	(3,171)	20,790
Provisions	(878)	209	-	(669)
Employee benefits	-	-	-	-
Trade and other payables	(197)	(1,172)	-	(1,369)
	21,456	467	(3,171)	18,752

21. **Trade and other payables**

	Group		Parent	
Dollars In Thousands	2012	2011	2012	2011
Trade payables	1,575	1,576	398	479
Insurance settlements received in advance	4,822	-	4,331	-
Employee entitlements	2,039	2,146	-	-
Non-trade payables and accrued expenses	15,124	10,773	8,120	3,485
	23,560	14,495	12,849	3,964

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

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 $0.15 million (2011: $0.30 million). All other credit risk exposure relates to New Zealand.

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22. 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 $0.15 million (2011: $0.39 million), assuming all other variables remained constant. For the Parent this would have reduced profit before tax by $0.12 million (2011: $0.35 million), 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		2012				2011			
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less	6 to 12 months
Interest bearing cash & cash equivalents *	14	1.14% to 5.10%	110,433	56,856	53,577	1.23% to 6.08%	37,103	37,103	-
Secured bank loans *	18	3.20% to 3.38%	(65,579)	(65,579)	-	3.20% to 3.56%	(63,277)	(63,277)	-
Bank overdrafts *	14	2.94%	(996)	(996)	-	3.06%	(863)	(863)	-

Parent		2012				2011			
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less	6 to 12 months
Interest bearing cash & cash equivalents *	14	2.50% to 4.60%	56,354	14,054	42,300	2.50%	242	242	-
Secured bank loans *	18	3.20% to 3.35%	(25,670)	(25,670)	-	3.20% to 3.38%	(27,619)	(27,619)	-

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

(ii) Foreign currency risk
The Group owns 61.30% of KIN Holdings Limited and 34.21% of First Sponsor Capital Limited. Substantially all the operations of these subsidiary and associate groups are denominated in foreign currencies. The foreign currencies giving rise to this risk are Australian Dollars and US Dollars. The Group has determined that the primary risk affects the carrying values of the net investments in its foreign operations with the currency movements being recognised in the foreign currency translation reserves. The Group has not taken any measurements to manage this risk.

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

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22. 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 *Dollars In Thousands*	Note	Carrying amount 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
LOANS AND RECEIVABLES					
Cash and cash equivalents	14	109,508	109,508	36,314	36,314
Trade and other receivables	15	15,362	15,362	18,235	18,235
Trade receivables due from related parties	26	-	-	-	-
OTHER LIABILITIES					
Secured bank loans	18	(65,579)	(65,579)	(63,277)	(63,277)
Trade and other payables	21	(23,560)	(23,560)	(14,495)	(14,495)
Trade payables due to related parties	26	(465)	(465)	(461)	(461)
Loans due to related parties	26	(9,500)	(9,500)	(7,230)	(7,230)
		25,766	25,766	(30,914)	(30,914)
Unrecognised (losses) / gains			-		-

Parent *Dollars In Thousands*	Note	Carrying amount 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
LOANS AND RECEIVABLES					
Cash and cash equivalents	14	56,375	56,375	263	263
Trade and other receivables	15	4,328	4,328	6,929	6,929
Trade receivables due from related parties	26	9,512	9,512	8,027	8,027
Loans due from related parties	26	47,346	47,346	48,546	48,546
OTHER LIABILITIES					
Secured bank loans	18	(25,670)	(25,670)	(27,619)	(27,619)
Trade and other payables	21	(12,849)	(12,849)	(3,964)	(3,964)
Trade payables due to related parties	26	(465)	(465)	(461)	(461)
Loans due to related parties	26	(9,500)	(9,500)	(7,230)	(7,230)
		69,077	69,077	24,491	24,491
Unrecognised (losses) / gains			-		-

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22. 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.

23. Operating leases

Leases as lessee

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

	Group		Parent	
Dollars In Thousands	2012	2011	2012	2011
Less than one year	889	3,662	94	2,452
Between one and five years	2,819	9,861	376	7,131
More than five years	2,025	2,228	658	460
	5,733	15,751	1,128	10,043

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.

The operating lease commitments reduced in 2012 when the lease for Kingsgate Hotel Parnell (Group) terminated in July 2012 and the rental abatement for Millennium Hotel Christchurch started in March 2012 when engineering repairs commenced.

During the year ended 31 December 2012, $2.67 million was recognised as an expense in the income statement in respect of operating leases (2011: $6.47 million). Operating lease expenses for the Parent were $0.52 million in 2012 (2011: $2.59 million).

24. Capital commitments

As at 31 December 2012, the Group had entered into contractual commitments to purchase property, plant and equipment for $7.08 million (2011: $6.11 million).

As at 31 December 2012, the Parent had entered into contractual commitments to purchase property, plant and equipment for $0.58 million (2011: $1.52 million).

25. Related parties

Identity of related parties

The Group has a related party relationship with its parent, subsidiaries (see note 26), associates and with its directors and executive officers.

Transactions with key management personnel

Directors of the Company and their immediate relatives control 0.71% (2011: 0.71%) of the voting shares of the Company. Loans to directors for the year ended 31 December 2012 amounted to $nil (2011: $nil). Key management personnel include the Board and the Executive Team.

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25. Related parties - continued

Total remuneration for key management personnel

Dollars In Thousands	Group 2012	Group 2011	Parent 2012	Parent 2011
Non-executive directors	334	334	151	151
Executive director	499	497	499	497
Executive officers	585	571	585	571
	1,418	1,402	1,235	1,219

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 3) and remuneration for executive directors and executive officers are included in "personnel expenses" (see note 4).

26. 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 2012	Group 2011
Trade payables due to related parties			
Millennium & Copthorne Hotels plc	Recharge of expenses	(414)	(454)
CDL Hotels Holdings New Zealand Ltd	Recharge of expenses	(51)	(7)
		(465)	(461)
Loans due to related parties			
CDL Hotels Holdings New Zealand Ltd	Inter-company loan	(9,500)	(7,230)
		(9,500)	(7,230)

No debts with related parties were written off or forgiven during the year. No interest was charged on these advances during 2012 and 2011. There are no set repayment terms. During this period costs amounting to $250,000 (2011: $250,000) have been recorded in the income statement in respect of fees payable to Millennium & Copthorne International Limited for the provision of management and marketing support.

The loan due to related parties currently has an interest rate of 3.22% (2011: 3.20%). The loan is repayable on demand.

During the year consulting fees of $14,000 (2011: $13,000) 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 $4.80 million (2011: $6.00 million) and from MCHNZ Investments Limited of $42.55 million (2011: $42.55 million). Net interest on advances of $219,000 (2011: $268,000) was charged to Context Securities Limited during the year and $1.75 million (2011: $716,000) was charged to MCHNZI Investments during the year. The average interest rate charged during the year to Context Securities Limited was 4.42% (2011: 4.44%) and for MCHNZ Investments Limited it was 4.08% (2011: 4.10%) respectively. Both these two loans are repayable on demand.

26. Group entities - continued

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

Dollars In Thousands		Nature of balance	Parent 2012	Parent 2011
Trade receivables due from related parties				
Millennium & Copthorne Hotels plc		Recovery of expenses	-	-
Context Securities Ltd		Prepaid expenses	3,469	3,668
MCHNZ Investments Ltd		Inter-company account	5,572	3,570
Quantum Ltd		Management fees	471	789
			9,512	**8,027**
Loans receivable due from related parties				
Context Securities Limited		Inter-company loan	4,800	6,000
MCHNZ Investments Ltd		Inter-company loan	42,546	42,546
			47,346	**48,546**
Trade payables due to related parties				
Millennium & Copthorne Hotels plc		Recharge of expenses	(414)	(454)
CDL Hotels Holdings New Zealand Ltd		Recharge of expenses	(51)	(7)
			(465)	**(461)**
Loans due to related parties				
CDL Hotels Holdings New Zealand Ltd		Inter-company loan	(9,500)	(7,230)
			(9,500)	**(7,230)**

No debts with related parties were written off or forgiven during the year. No interest was charged on trade receivables and trade payables balances during 2011 and 2012. The loan due to related parties currently has an interest rate of 3.22% (2011: 3.20%) and the loan due from related parties has an interest rate of 4.05% (2011: 4.08%). These loans are repayable on demand.

During the year dividend income of $2.42 million (2011: $1.99 million) was received from CDL Investments New Zealand Limited and $514,000 (2011: $nil) was received from Quantum Group Ltd. The dividends received from CDL Investments New Zealand Limited were reinvested into 6,587,862 shares (at a strike price of $0.3675 per share) under the Dividend Reinvestment Plan.

Management fees of $837,000 (2011: $963,000) were charged to 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 2012 are:

	Principal Activity	Holding % by MCHNZ Investments Limited 2012	Holding % by MCHNZ Investments Limited 2011
First Sponsor Capital Limited	Investment Holding	34.21	34.21
		Holding % by CDL Land New Zealand Limited 2012	Holding % by CDL Land New Zealand Limited 2011
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.

26. Group entities - continued

Subsidiary companies

The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2012 are:

	Principal Activity	Group holding % 2012	Group holding % 2011
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	66.83	66.28
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 International Pty Limited	Holding Company		
Kingsgate Hotels Pty Limited	Dormant		
Birkenhead Holdings Pty Limited	Holding Company		
Birkenhead Investments Pty Limited	Deregistered 27 June 2012		
Birkenhead Services Pty Limited	Dormant/Service Company		
Hotelcorp New Zealand Limited	Holding Company		

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

27. 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.

27. 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.

The Group has two (2011: two) properties affected by the Christchurch earthquakes. In assessing the two properties for impairments the following assumptions were made:

- The adequacy of the insurance cover for material damage which will cover the cost of all necessary repairs or replacement properties.
- The length of the insurance period during which the Group is covered for business interruption for the properties.
- The security cordon around the properties is lifted within a reasonable time to allow for access to the properties for repairs and reinstatement.
- The land underlying the properties is not affected by liquefaction or other geological issues which prevent repairs or reinstatement of the properties.

Development property

The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is $144.37 million (2011: $151.55 million) while the fair value determined by independent valuers is $233.00 million (2011: $241.00 million).

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

Goodwill

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

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.

28. Subsequent events

Subsequent to the year end, FSCL entered into an agreement with a third party to inter alia, dispose of its entire 70% equity interest in a subsidiary which developed the Fogang Cityspring project. The residential component of Fogang Cityspring has been substantially sold and a commercial centre has been retained for rental as an investment property. The implied sale consideration for the commercial centre is more than double that of its historical cost but below its carrying book value.

The transaction is considered an adjusting event and hence the full financial impact was recorded in December 2012.

KPMG

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 41. The financial statements comprise the statements of financial position as at 31 December 2012, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand 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) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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.

KPMG

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 auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages FIN 1 to FIN 41:

- 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 group as at 31 December 2012 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

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

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

KPMG

22 February 2013

Auckland

CHAIRMAN'S REVIEW

Financial Performance & Financial Position

For the year ended 31 December 2012, Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ") has reported a record profit attributable to owners of the parent of $46.1 million (2011: $20.6 million), an increase over the 2011 results of 123%. . The most significant contributors to the improved results were from First Sponsor Capital Limited, the Company's investment in China and from CDL Investments New Zealand Limited, its land development subsidiary.

Revenue and other income for the year increased to $116.5 million (2011: $111.9 million) and this helped increase MCHNZ's profit before tax, non-controlling interests and associates to $49.5 million (2011: $28.9 million). Again, the Company benefitted from some one-off gains relating to the 2011 Canterbury Earthquake as insurance settements were finalised. A gain on disposal of $18.4 million in respect of Copthorne Hotel Christchurch Central was recorded after the settlement of the material damage insurance claim.

Earnings per share reflected the increased profit and revenue at 13.19 cents per share (2011: 5.90 cents per share).

Shareholders' funds excluding non-controlling interests as at 31 December 2012 totaled $443.3 million (2011: $419.1 million) with total assets at $686.1 million (2011: $660.3 million). Net asset backing (with land and building revaluations and before distributions) as at 31 December 2012 increased to 126.8 cents per share (2011: 119.9 cents per share).

Ongoing effects of the 2011 Canterbury Earthquakes

By way of update:

- Millennium Hotel Christchurch and Copthorne Hotel Christchurch Central remain closed for the foreseeable future and reservations will not be taken until further notice. While repair works have commenced at Millennium Hotel Christchurch, the insurers are working with the landlord on the extent and scope of the works required and on current estimates will take at least two years to complete;

- During the year, confidential settlements for the business interruption insurance claims for both Millennium Hotel Christchurch and Copthorne Hotel Christchurch Central relating to the 2011 earthquakes were reached with the Company's insurers. The Company has received the proceeds from these settlements. The only outstanding claim is the material damage claim for Millennium Hotel Christchurch. The hotel is understood to be repairable and further work has been completed to establish the scope and cost of repairs but work on site has been suspended pending further discussions between the owner of the building and the insurers;

- The land on which Copthorne Hotel Christchurch Central was located was identified by the Canterbury Earthquake Recovery Authority's Central Christchurch Development Unit (CCDU) for compulsory acquisition for the Cultural Precinct. As at 31 December 2012, discussions were continuing with CCDU in relation to the site;

- Insurance cover for the New Zealand hotels continues to remain in place and the Company has the benefit of continuing to access the Millennium & Copthorne Hotels' global insurance policy wordings and insurers.

New Zealand Hotel Operations

Revenue for the New Zealand hotel operations (16 owned / leased / operated hotels excluding 12 franchised properties) for the period under review was $87.1 million (2011: $97.4 million). Hotel occupancy for the period was down to 63.6% across the Group (2011: 64.3%).

The ongoing effects of the 2011 Canterbury Earthquakes continue to be felt and visitor numbers, particularly from key destinations such as North America, Europe and Japan show little or no growth. The Company has been able to secure its share of inbound business from China and is concentrating on increasing market share for conference and incentive business. In 2013, it will conduct a comprehensive review of its operations, sales and marketing functions to improve its performance across all of these areas.

CDL Investments New Zealand Limited ("CDLI")

CDLI announced an increased operating profit after tax for the year ended 31 December 2012 of $9.3 million (2011: $3.8 million) and reported an increase in its section sales from 77 in 2011 to 123 in 2012 reflecting a more positive market in general, CDLI is targeting to better its 2012 results in 2013.

CDLI increased its ordinary dividend to 1.7 cents per share from 1.4 cents per share for 2011. MCHNZ's stake in CDLI is currently 66.83%.

Offshore Operations – Australia & China

In Australia, short term leasing of the units at the Zenith Residences continued during the year with occupancy of over 90% recorded. While marketing of the units is ongoing, no sales were made in 2012.

The Company's 34% associate, First Sponsor Capital Limited (FSCL), reported a net profit of US$ 24.3 million for the financial year ended 31 December 2012 (2011: US$9.4 million). The Company's share of the profit is NZ $10.1 million

As at 31 December 2012, the residential component of Chengdu Cityspring was substantially sold. With the handover of the residential units sold in April 2012, FSCL recognized profit from these residential sales, thus contributing to the significant increase in profit for the year. The 195-room M Hotel Chengdu is scheduled to open in 2013 and will be managed by the Millennium & Copthorne Group. The remaining portion of the development comprises small-office home-office (SOHO) and retail units which are available for sale or rental. The SOHO units for sale are 77% sold under option agreements or sale and purchase agreements to-date. These SOHO units are expected to be handed over to the buyers in mid-2013 when upon profit will be recognized.

Progress on the Wenjiang development site in Chengdu, purchased in November 2011 and named as Millennium Waterfront, is on track. The land is intended for residential, commercial and hotel development. The total residential component comprises 50 apartment blocks with 7,110 units. The sale of 5 blocks of 779 residential units was launched since 24 November 2012. As at 31 December 2012, 370 out of the 779 residential units launched have been sold under option agreements or sale and purchase agreements. Development will be phased according to demand. Construction of the Millennium branded hotel with convention facilities is scheduled to commence in 2013.

FSCL continued with further sales of its Lianzhou Cityspring development in Guangdong Province during FY2012. Subsequent to the year end, FSCL entered into an agreement with a third party to inter alia, dispose of its entire 70% equity interest in a subsidiary which developed the Fogang Cityspring project. The residential component of Fogang Cityspring has been substantially sold and a commercial centre has been retained for rental as an investment property. The implied sale consideration for the commercial centre is more than double that of its historical cost but below its carrying book value. The transaction is considered an adjusting event and the financial impact of same was recorded in 2012.

Development planning work for the mixed use Dongguan Humen site is progressing well. FSCL will time its sales launch taking into consideration market conditions and local development rules.

Dividend Announcement

The Company has resolved to pay a fully imputed ordinary dividend of 1.2 cents per share and a fully imputed special dividend of 1.2 cents per share. The total dividend of 2.4 cents per share (2011: 1.2 cents per share) will be paid on 10 May 2013. The record date will be 3 May 2013.

Outlook

One-off gains and exceptional contributions from First Sponsor Capital Limited and CDL Investments New Zealand Limited boosted the Company's 2012 results and some of these contributions are unlikely to be repeated in 2013. That said, the Company is well-placed for future profitability from all of its business activities over the medium term and is focused on improvements to deliver consistent results to shareholders.

There are still many challenges in 2013, particularly in respect of the core hotel business. Management is looking carefully at how it can increase sales and better target marketing to ensure that its properties are well patronised and delivering an outstanding service experience.

The Board and Management are therefore positive about the Company's overall prospects over the next twelve months.

Management and staff

On behalf of the Board, I thank the Company's management and staff for their work and commitment during another positive year for the Company.

Wong Hong Ren
Chairman
22 February 2013

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND REPORTS ALL-TIME RECORD PROFIT

Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) today reported its preliminary results for the year ended 31 December 2012 and announced a profit after tax and non-controlling interests of $46.1 million (2011: $20.6 million) on total revenue of $105.2 million (2011: $99.5 million). The result is the best in the Group's history.

"Exceptional contributions from our investment in China through First Sponsor Capital Limited and from our residential property development company CDL Investments New Zealand and one-off gains significantly boosted our profit for 2012", said MCK's Managing Director Mr. B K Chiu.

MCK recorded a profit contribution of $10.1 million from its 34% associate company First Sponsor Capital Limited (FSCL) which had recognised profits on completion of the residential portions of its Cityspring Chengdu development in China. The Group also received $9.3million from its 67% subsidiary CDL Investments New Zealand Limited which also posted an increased profit for 2012.

Reflecting the profit result, the Company will pay a total dividend of 2.4 cents per share fully imputed which comprises an ordinary dividend of 1.2 cents per share and a special dividend of 1.2 cents per share (2011: ordinary dividend of 1.2 cents per share, no special dividend). The dividend will be paid to shareholders on 10 May 2013. The record date will be 3 May 2013.

Looking at the year ahead, Mr. Chiu noted that there was still work to be done and the focus would be on the core hotel operations business.

"With the fast-changing hotel environment, we need to adapt and innovate in order to meet new market trends quickly and effectively. The same applies to CDL Investments as we match the pace of our development to meet our customers' demands", he said.

Summary of results:

• Profit after tax and non-controlling interests	$46.1 million	(2011: $20.6 m)
• Profit before tax and non-controlling interests	$59.6 million	(2011: $33.5 m)
• Total group revenue	$105.2 million	(2011: $99.5 m)
• Shareholders' funds excluding non-controlling interests	$443.3. million	(2011: $419.1 m)
• Total assets	$686.1 million	(2011: $660.3 m)

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