Millennium & Copthorne Hotels New Zealand Limited

Consolidated Income Statement

For the year ended 31 December 2017

DOLLARS IN THOUSANDS	Note	Group 2017	Group 2016
Hotel revenue		105,567	94,607
Rental income		3,070	2,993
Property sales		78,630	74,435
Revenue		**187,267**	**172,035**
Cost of sales	4,11	(74,847)	(72,702)
Gross profit		**112,420**	**99,333**
Other income	2	-	4,311
Administration expenses	3,4	(20,504)	(17,246)
Other operating expenses	3,4	(19,148)	(16,737)
Operating profit		**72,768**	**69,661**
Finance income	5	4,072	3,027
Finance costs	5	(1,897)	(2,151)
Net finance income		**2,175**	**876**
Profit before income tax		**74,943**	**70,537**
Income tax expense	6	(19,847)	(20,117)
Profit for the year		**55,096**	**50,420**
Attributable to:			
Owners of the parent		43,116	40,447
Non-controlling interests		11,980	9,973
Profit for the year		**55,096**	**50,420**
Basic earnings per share (cents)	9	27.25	25.56
Diluted earnings per share (cents)	9	27.25	25.56

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

DOLLARS IN THOUSANDS	Note	Group 2017	Group 2016
Profit for the year		**55,096**	**50,420**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation/impairment of property, plant and equipment	10	75,326	79,424
- Tax expense on revaluation/impairment of property, plant and equipment	6, 17	(11,342)	(14,602)
		63,984	**64,822**
Items that are or may be reclassified to profit or loss			
Foreign exchange translation movements	5	3,426	(1,024)
- Tax credit on foreign exchange translation movements	5, 6	11	67
		3,437	**(957)**
Total comprehensive income for the year		**122,517**	**114,285**
Total comprehensive income for the year attributable to :			
Owners of the parent		107,648	104,312
Non-controlling interests		14,869	9,973
Total comprehensive income for the year		**122,517**	**114,285**

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017
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 2017	383,266	161,370	(3,323)	(52,224)	(26)	489,063	63,218	552,281
Movement in exchange translation reserve, net of tax	-	-	3,437	-	-	3,437	-	3,437
Revaluation/impairment of property, plant & equipment, net of tax	-	61,095	-	-	-	61,095	2,889	63,984
Total other comprehensive income/(loss)	-	61,095	3,437	-	-	64,532	2,889	67,421
Profit for the year	-	-	-	43,116	-	43,116	11,980	55,096
Total comprehensive income for the year	-	61,095	3,437	43,116	-	107,648	14,869	122,517
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(7,911)	-	(7,911)	-	(7,911)
Non-controlling interests	-	-	-	-	-	-	(3,662)	(3,662)
Supplementary dividends	-	-	-	(221)	-	(221)	-	(221)
Foreign investment tax credits	-	-	-	221	-	221	-	221
Movement in non-controlling interests without a change in control	-	-	-	80	-	80	385	465
Balance at 31 December 2017	383,266	222,465	114	(16,939)	(26)	588,880	74,810	663,690

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017
Group

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Non-controlling Interests	Total Equity
	Attributable to equity holders of the Group							
Balance at 1 January 2016	383,266	96,548	(2,366)	(88,129)	(26)	389,293	55,552	444,845
Movement in exchange translation reserve, net of tax	-	-	(957)	-	-	(957)	-	(957)
Revaluation/impairment of property, plant & equipment, net of tax	-	64,822	-	-	-	64,822	-	64,822
Total other comprehensive income/(loss)	-	64,822	(957)	-	-	63,865	-	63,865
Profit for the year	-	-	-	40,447	-	40,447	9,973	50,420
Total comprehensive income for the year	-	64,822	(957)	40,447	-	104,312	9,973	114,285
Transactions with owners, recorded directly in equity:								
Movement in fair value on assets held for sale	-	-	-	(1)	-	(1)	-	(1)
Dividends paid to:								
Owners of the parent	-	-	-	(4,430)	-	(4,430)	-	(4,430)
Non-controlling interests	-	-	-	-	-	-	(2,787)	(2,787)
Supplementary dividends	-	-	-	(124)	-	(124)	-	(124)
Foreign investment tax credits	-	-	-	124	-	124	-	124
Movement in non-controlling interests without a change in control	-	-	-	(111)	-	(111)	480	369
Balance at 31 December 2016	383,266	161,370	(3,323)	(52,224)	(26)	489,063	63,218	552,281

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Financial Position

As at 31 December 2017

DOLLARS IN THOUSANDS	Note	Group 2017	Group 2016
SHAREHOLDERS' EQUITY			
Issued capital	8	383,266	383,266
Reserves		205,640	105,823
Treasury stock	8	(26)	(26)
Equity attributable to owners of the parent		**588,880**	**489,063**
Non-controlling interests		74,810	63,218
Total equity		**663,690**	**552,281**
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment	10	505,908	422,603
Development properties	11	145,751	135,136
Investment in associates	12	2	2
Total non-current assets		**651,661**	**557,741**
CURRENT ASSETS			
Cash and cash equivalents	13	34,195	15,520
Short term bank deposits		88,890	85,598
Trade and other receivables	14	17,729	18,693
Inventories		1,646	1,508
Development properties	11	34,104	34,845
Total current assets		**176,564**	**156,164**
Total assets		**828,225**	**713,905**
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	66,000	66,000
Provision for deferred taxation	17	70,245	59,183
Total non-current liabilities		**136,245**	**125,183**
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	-	4
Trade and other payables	18	22,442	24,957
Trade payables due to related parties	23	1,981	2,137
Loans due to related parties	23	-	5,800
Income tax payable		3,867	3,543
Total current liabilities		**28,290**	**36,441**
Total liabilities		**164,535**	**161,624**
NET ASSETS		**663,690**	**552,281**

For and on behalf of the Board

R BOBB, DIRECTOR, 08 February 2018

BK CHIU, MANAGING DIRECTOR, 08 February 2018

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

DOLLARS IN THOUSANDS	Note	Group 2017	Group 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		188,776	169,208
Receipts from insurers	2	-	4,500
Interest received		3,428	3,370
Dividends received	5	2	7
Cash was applied to:			
Payments to suppliers and employees		(102,504)	(87,371)
Purchases of development land		(15,139)	-
Interest paid		(1,859)	(2,134)
Income tax paid		(19,782)	(16,571)
Net cash inflow from operating activities		**52,922**	**71,009**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was (applied to)/provided from:			
Proceeds from the sale of property, plant and equipment		12	10
Proceeds from the sale of assets held for sale		-	314
Purchases of property, plant and equipment	10	(14,466)	(32,565)
Investments in short term bank deposits		(3,292)	(25,643)
Net cash outflow from investing activities		**(17,746)**	**(57,884)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was (applied to)/provided from:			
Repayment of borrowings	15	(4)	(6,523)
Loans advanced from parent company		-	2,000
Repayment of loan from parent company	23	(5,800)	-
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	8	(7,911)	(4,430)
Dividends paid to non-controlling shareholders		(3,662)	(2,786)
Net cash inflow/(outflow) from financing activities		**(17,377)**	**(11,739)**
Net increase/(decrease) in cash and cash equivalents		**17,799**	**1,386**
Add opening cash and cash equivalents		15,520	14,021
Exchange rate adjustment		876	113
Closing cash and cash equivalents	13	**34,195**	**15,520**

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2017

DOLLARS IN THOUSANDS	Note	Group 2017	Group 2016
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		55,096	50,420
Adjusted for non-cash items:			
Goodwill written off		-	2,823
Gain on sale of property, plant and equipment	3	(5)	(9)
Depreciation	10	6,482	5,837
Unrealised foreign exchange (gain)/losses		65	(74)
Income tax expense	6	19,847	20,117
Gain on insurance claim	2	-	(4,311)
		81,485	**74,803**
Adjustments for movements in working capital:			
(Increase)/Decrease in trade & other receivables		964	2,120
(Increase)/Decrease in inventories		(138)	(256)
(Increase)/Decrease in development properties		(6,936)	8,030
Increase/(Decrease) in trade & other payables		(760)	3,514
Increase/(Decrease) in related parties		(156)	1,497
Cash generated from operations		**74,459**	**89,708**
Interest expense	5	(1,755)	(2,128)
Income tax paid		(19,782)	(16,571)
Cash inflows from operating activities		**52,922**	**71,009**

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 a Financial Markets Conduct Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The financial statements of the Company for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at Level 13, 280 Centre, 280 Queen Street, Auckland, New Zealand.

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

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) as appropriate for Tier 1 profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRSs).

The financial statements were authorised for issuance on 08 February 2018.

(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 (refer to Note 10).

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 24 - Accounting Estimates and Judgements.

(c) Change in accounting policies

The accounting policies have been applied consistently to all periods presented in these financial statements. The accounting policies are now included within the relevant notes to the consolidated financial statements.

(d) 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.

(e) 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.

(f) 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.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

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Millennium & Copthorne Hotels New Zealand Limited
Notes to the Consolidated Financial Statements for the year ended 31 December 2017

1. Segment reporting

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.

The Group has no major customer representing greater than 10% of the Group's total revenue.

Operating segments

	Hotel Operations		Residential Land Development		Residential Property Development		Group	
Dollars In Thousands	2017	2016	2017	2016	2017	2016	2017	2016
External revenue	105,567	94,576	78,667	74,471	3,033	2,988	187,267	172,035
Earnings before interest, depreciation & amortisation	35,925	33,748	42,526	36,584	799	5,166	79,250	75,498
Finance income	1,778	1,916	2,144	956	150	155	4,072	3,027
Finance expense	(1,897)	(2,151)	-	-	-	-	(1,897)	(2,151)
Depreciation and amortisation	(6,476)	(5,829)	(1)	(2)	(5)	(6)	(6,482)	(5,837)
Profit before income tax	29,330	27,684	44,669	37,538	944	5,315	74,943	70,537
Income tax (expense)/credit	(6,725)	(8,301)	(12,507)	(10,510)	(615)	(1,306)	(19,847)	(20,117)
Profit after income tax	22,605	19,383	32,162	27,028	329	4,009	55,096	50,420
Other material/non-cash items:								
Gain on insurance claim	-	4,311	-	-	-	-	-	4,311
Goodwill written-off	-	(2,823)	-	-	-	-	-	(2,823)
Release of earthquake and FF&E provisions	-	3,000	-	-	-	-	-	3,000
Release of excess remedial costs provided for Zenith Residences	-	-	-	-	-	4,393	-	4,393
Segment assets	572,697	486,137	191,703	168,276	63,823	59,490	828,223	713,903
Tax assets	-	-	-	-	-	-	-	-
Investment in associates	-	-	2	2	-	-	2	2
Total assets	572,697	486,137	191,705	168,278	63,823	59,490	828,225	713,905
Segment liabilities	(87,154)	(93,426)	(2,160)	(4,335)	(1,109)	(1,137)	(90,423)	(98,898)
Tax liabilities	(71,235)	(61,660)	(3,433)	(2,149)	556	1,083	(74,112)	(62,726)
Total liabilities	(158,389)	(155,086)	(5,593)	(6,484)	(553)	(54)	(164,535)	(161,624)
Capital expenditure	14,463	32,551	-	5	3	9	14,466	32,565

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1. **Segment reporting** - continued

Geographical areas

The Group operates in the following main geographical areas:

- New Zealand.
- Australia.

Segment revenue is based on the geographical location of the asset.

	New Zealand		Australia		Group	
Dollars In Thousands	2017	2016	2017	2016	2017	2016
External revenue	184,234	169,047	3,033	2,988	187,267	172,035
Earnings before interest, depreciation & amortisation	78,505	71,372	745	4,126	79,250	75,498
Finance income	3,922	2,873	150	154	4,072	3,027
Finance expense	(1,897)	(2,151)	-	-	(1,897)	(2,151)
Depreciation and amortisation	(6,477)	(5,831)	(5)	(6)	(6,482)	(5,837)
Profit before income tax	74,053	66,263	890	4,274	74,943	70,537
Income tax (expense)/credit	(19,248)	(18,828)	(599)	(1,289)	(19,847)	(20,117)
Profit after income tax	54,805	47,435	291	2,985	55,096	50,420
Other material/non-cash items:						
Gain on insurance claim	-	4,311	-	-	-	4,311
Goodwill written-off	-	(2,823)	-	-	-	(2,823)
Release of earthquake and FF&E provisions	-	3,000	-	-	-	3,000
Release of excess remedial costs provided for Zenith Residences	-	-	-	4,393	-	4,393
Segment assets	764,400	654,415	63,823	59,488	828,223	713,903
Tax assets	-	-	-	-	-	-
Investment in associates	2	2	-	-	2	2
Total assets	764,402	654,417	63,823	59,488	828,225	713,905
Segment liabilities	(90,384)	(98,868)	(39)	(30)	(90,423)	(98,898)
Tax liabilities	(74,673)	(63,814)	561	1,088	(74,112)	(62,726)
Total liabilities	(165,057)	(162,682)	522	1,058	(164,535)	(161,624)
Capital expenditure	14,463	32,556	3	9	14,466	32,565

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.

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.

2. **Other Income**

	Group	
Dollars In Thousands	2017	2016
Gain on insurance claim	-	4,311
	-	**4,311**

In May 2016, the insurers settled the Group's material damage claim in respect of the fixture, fittings and equipment at the Millennium Hotel Christchurch. This settlement of $4.50 million resulted in a gain on disposal of property plant and equipment of $4.31 million.

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3. Administration and other operating expenses

Dollars In Thousands	Note	Group 2017	Group 2016
Depreciation	10	6,482	5,837
Auditors remuneration			
Audit fees		306	294
Tax compliance and advisory fees		52	132
Directors fees	22	321	231
Lease and rental expenses	20	2,247	2,235
Provision for bad debts			
Debts written off		1	1
Movement in doubtful debt provision		46	34
Goodwill written-off		-	2,823
Net gain on disposal of property, plant and equipment		(5)	(9)
Release of earthquake and FF&E provisions for Millennium Hotel Christchurch	16	-	(3,000)
Release of excess remedial costs provided for Zenith Residences	11	-	(4,393)
Other		30,202	29,798
		39,652	33,983

4. Personnel expenses

Dollars In Thousands	Group 2017	Group 2016
Wages and salaries	36,517	34,345
Employee related expenses and benefits	1,382	1,079
Contributions to defined contribution plans	677	586
Increase in liability for long-service leave	88	56
	38,664	36,066

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

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.

5. Net finance income

Recognised in the income statement

Dollars In Thousands	Group 2017	Group 2016
Interest income	3,992	2,923
Dividend income	2	7
Foreign exchange gain	78	97
Finance income	4,072	3,027
Interest expense	(1,755)	(2,128)
Foreign exchange loss	(142)	(23)
Finance costs	(1,897)	(2,151)
Net finance income recognised in the income statement	**2,175**	**876**

5. Net finance income - continued

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.

Recognised in other comprehensive income

	Group	
Dollars In Thousands	2017	2016
Foreign exchange translation movements	3,437	(957)
Net finance income recognised in other comprehensive income	**3,437**	**(957)**

Exchange translation of 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.

6. Income tax expense

Recognised in the income statement

	Group	
Dollars In Thousands	2017	2016
Current tax expense		
Current year	20,790	18,373
Adjustments for prior years	(674)	(23)
	20,116	18,350
Deferred tax expense		
Origination and reversal of temporary difference	(157)	1,687
Changes in Tax Rates	103	-
Adjustments for prior years	(215)	80
	(269)	1,767
Total income tax expense in the income statement	**19,847**	**20,117**

Reconciliation of tax expense

	Group	
Dollars In Thousands	2017	2016
Profit before income tax	74,943	70,537
Income tax at the company tax rate of 28% (2016: 28%)	20,984	19,750
Adjusted for:		
Non-deductible expenses	-	790
Tax rate difference (if different from 28% above)	103	75
Tax exempt income	(351)	(555)
Under/(Over) - provided in prior years	(889)	57
Total income tax expense	**19,847**	**20,117**
Effective tax rate	26%	29%

6. Income tax expense - continued

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

Dollars In Thousands	Group 2017	Group 2017
Relating to revaluation of property, plant and equipment	11,342	14,602
Relating to foreign currency translation of foreign subsidiaries	(11)	(67)
	11,331	14,535

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.

7. Imputation credits

Dollars In Thousands	Group 2017	Group 2017
Imputation credits available for use in subsequent reporting periods	79,680	65,620

The KIN Holdings Group has A$5.5 million (2016: A$5.6 million) franking credits available as at 31 December 2017.

8. Capital and reserves

Share capital

	Group 2017 Shares	Group 2017 $000's	Group 2016 Shares	Group 2016 $000's
Ordinary shares issued 1 January	105,578,290	350,048	105,578,290	350,048
Ordinary shares issued at 31 December - fully paid	**105,578,290**	**350,048**	**105,578,290**	**350,048**
Redeemable preference shares 1 January	52,739,543	33,218	52,739,543	33,218
Redeemable preference shares issued at 31 December - fully paid	**52,739,543**	**33,218**	**52,739,543**	**33,218**
Ordinary shares repurchased and held as treasury stock 1 January	(99,547)	(26)	(99,547)	(26)
Ordinary shares repurchased and held as treasury stock 31 December	**(99,547)**	**(26)**	**(99,547)**	**(26)**
Total shares issued and outstanding	**158,218,286**	**383,240**	**158,218,286**	**383,240**

At 31 December 2017, the authorised share capital consisted of 105,578,290 ordinary shares (2016: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2016: 52,739,543 redeemable preference shares) with no par value.

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.

8. Capital and reserves - continued

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

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

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

Dollars In Thousands	Parent 2017	Parent 2016
Ordinary Dividend - 5.0 cents per qualifying ordinary share (2016: 2.8 cents)	7,911	4,430
Supplementary Dividend - 0.8824 cents per qualifying ordinary share (2016: 0.49412 cents)	221	124
	8,132	4,554

After 31 December 2017, 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 - 6.0 cents per qualifying share (2016: 5.0 cents)	9,493
Supplementary Dividend - 1.0588 cents per qualifying share (2016: 0.8824 cents)	273
Total Dividends	9,766

Dividends and tax
Dividends are recognised as a liability in the period in which they are declared. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

9. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 December 2017 was based on the profit attributable to ordinary and redeemable preference shareholders of $43,116,000 (2016: $40,447,000) and weighted average number of shares outstanding during the year ended 31 December 2017 of 158,218,286 (2016: 158,218,286), calculated as follows:

Profit attributable to shareholders

Dollars In Thousands	Group 2017	Group 2016
Profit for the year	55,096	50,420
Profit attributable to non-controlling interests	(11,980)	(9,973)
Profit attributable to shareholders	43,116	40,447

Weighted average number of shares

	Group 2017	Group 2016
Weighted average number of shares (ordinary and redeemable preference shares)	158,317,833	158,317,833
Effect of own shares held (ordinary shares)	(99,547)	(99,547)
Weighted average number of shares for earnings per share calculation	158,218,286	158,218,286

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

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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 2016	103,086	171,867	27,859	90,398	65	11,710	404,985
Acquisitions	-	-	-	14	-	32,551	32,565
Disposals	-	-	-	(5,017)	-	-	(5,017)
Transfers between categories	-	508	(21)	2,237	-	(2,724)	-
Transfer from accumulated depreciation following revaluation	-	(957)	(41)	-	-	-	(998)
Movements in foreign exchange	-	-	-	(9)	-	-	(9)
Revaluation surplus/(deficit)	25,775	43,889	9,760	-	-	-	79,424
Balance at 31 December 2016	**128,861**	**215,307**	**37,557**	**87,623**	**65**	**41,537**	**510,950**
Balance at 1 January 2017	128,861	215,307	37,557	87,623	65	41,537	510,950
Acquisitions	-	-	-	3	-	14,463	14,466
Disposals	-	-	-	(256)	-	-	(256)
Transfers between categories	-	45,489	24	8,888	1	(54,402)	-
Transfer from accumulated depreciation following revaluation	-	(136)	(149)	-	-	-	(285)
Movements in foreign exchange	-	-	-	25	-	-	25
Revaluation surplus/(deficit)	31,214	37,047	7,065	-	-	-	75,326
Balance at 31 December 2017	**160,075**	**297,707**	**44,497**	**96,283**	**66**	**1,598**	**600,226**
Depreciation and impairment losses							
Balance at 1 January 2016	-	(12,773)	(2,869)	(72,658)	(51)	-	(88,351)
Depreciation charge for the year	-	(2,047)	(370)	(3,416)	(4)	-	(5,837)
Disposals	-	-	-	4,835	-	-	4,835
Transfer accumulated depreciation against cost following revaluation	-	957	41	-	-	-	998
Movements in foreign exchange	-	-	-	8	-	-	8
Balance at 31 December 2016	**-**	**(13,863)**	**(3,198)**	**(71,231)**	**(55)**	**-**	**(88,347)**
Balance at 1 January 2017	-	(13,863)	(3,198)	(71,231)	(55)	-	(88,347)
Depreciation charge for the year	-	(2,451)	(399)	(3,628)	(4)	-	(6,482)
Disposals	-	-	-	250	-	-	250
Transfer accumulated depreciation against cost following revaluation	-	136	149	-	-	-	285
Movements in foreign exchange	-	-	-	(24)	-	-	(24)
Balance at 31 December 2017	**-**	**(16,178)**	**(3,448)**	**(74,633)**	**(59)**	**-**	**(94,318)**
Carrying amounts							
At 1 January 2016	103,086	159,094	24,990	17,740	14	11,710	316,634
At 31 December 2016	**128,861**	**201,444**	**34,359**	**16,392**	**10**	**41,537**	**422,603**
At 1 January 2017	128,861	201,444	34,359	16,392	10	41,537	422,603
At 31 December 2017	**160,075**	**281,529**	**41,049**	**21,650**	**7**	**1,598**	**505,908**

10. Property, plant and equipment - continued

The Directors consider the value of the hotel assets with a net book value of $505.9 million (2016: $422.6 million) to be within a range of $505.91 to $529.72 million (2016: $422.00 to $436.00 million). This is substantiated by valuations completed by Bower Valuations Limited, registered valuers, on: 3 hotel assets valued in total at $28.0 million in December 2015; 7 hotel assets valued in total at $245.69 million in December 2016; and 3 hotel assets valued in total at $251.48 million in December 2017.

During 2017, three (2016: seven) of the Group's freehold and leasehold hotel properties were subject to an external professional valuation by Bower Valuations Limited, registered valuers, on a highest and best use basis. Based on these valuations and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. A total of $75.33 million (2016: $79.42 million) was added to the carrying values of land and buildings.

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

The Directors consider the net book value of the hotels not valued by independent valuers in 2017 to approximate their fair value as at 31 December 2017. This is on the basis that the Group's hotels which were not subject to external professional valuations, 10 hotels in total, were tested for impairment by management. Based on these tests none of the 10 hotels was assessed to be impaired.

The testing for impairment requires management to estimate future cash flows to be generated by the cash generating units and is categorised as Level 3 based on the inputs to the impairment models. The major unobservable inputs that management use that require judgement in estimating future cash flows include expected rate of growth in revenue and costs, market segment mix, occupancy, average room rates expected to be achieved and the appropriate discount rate to apply when discounting future cash flows. Average annual growth rates appropriate to the hotels range from 1.25% to 3.74% (2016: 0.39% to 8.23%) over the five years projection. Pre-tax discount rates ranging between 8.50% and 14.50% (2016: 8.25% and 14.50%) were applied to the future cash flows of the individual hotels based on the specific circumstances of the property.

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.

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.

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10. Property, plant and equipment - continued

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 2016	38,659	74,954	19,289	17,743	14	11,710	162,369
At 31 December 2016	**38,659**	**73,415**	**18,898**	**16,395**	**10**	**41,537**	**188,914**
At 1 January 2017	38,659	73,415	18,898	16,395	10	41,537	188,914
At 31 December 2017	**38,659**	**116,453**	**18,523**	**21,653**	**7**	**1,598**	**196,893**

M Social Auckland (Copthorne Hotel Auckland Harbourcity)
The Copthorne Hotel Auckland Harbourcity closed down on 24 July 2015 for a major refurbishment project valued at over $40.00 million. This project included a complete replacement of the building services, seismic strengthening, new guest rooms and public areas. The hotel had a soft opening in early October 2017 under a new brand and a trading name i.e. M Social Auckland. The hotel was included in the triennial external valuation exercise at 31 December 2017. Based on this valuation the carrying value of the land was increased by $11.36 million. The Group determined the carrying value of the buildings to approximate fair value and therefore did not adjust its carrying value.

Canterbury Earthquake
With the insurance settlement of the Millennium Hotel Christchurch in May 2016, the Group presently has one property left in Christchurch City. This property is the land upon which the Copthorne Hotel Central Christchurch was sited before its demolition in 2013. The Group has commenced predesign work on a new hotel.

11. Development properties

	Group	
Dollars In Thousands	2017	2016
Development land	124,699	117,763
Residential development	55,156	52,218
	179,855	169,981
Less expected to settle within one year	(34,104)	(34,845)
	145,751	**135,136**
Development land recognised in cost of sales	32,144	33,747

Development land is carried at the lower of cost and net realisable value. No interest (2016: $nil) has been capitalised during the year. The fair value of development land held at 31 December 2017 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as $276.32 million (2016: $297.03 million).

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

Residential development at balance date consists of the residential development known as Zenith Residences in Sydney, Australia. The value of Zenith Residences held at 31 December 2017 was determined by R Laoulach AAPI of Laoulach & Company Pty Ltd, registered valuers as $93.97 million (A$85.50 million) (2016: $78.09 million (A$75.50 million)).

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

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11. Development properties - continued

In July 2016, Kingsgate Investment Pty Ltd (100% owned subsidiary within the Group) settled with the Owners Corporation in respect of the remedial costs of building defects at Zenith Residences, Sydney Australia. The excess consultancy, legal, and remedial costs of $4.39m were then released into the profit & loss.

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. Development properties also include deposits paid on unconditional contracts on land purchases. All holding costs incurred after completion of development are expensed as incurred. Revenue and profit are not recognised on development properties until the legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs and the development property is derecognised.

12. Investment in associates

The associate companies included in the financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2017 are:

	Principal Activity	Principal Place of Business	Holding % by CDL Land New Zealand Limited 2017	Holding % by CDL Land New Zealand Limited 2016
Prestons Road Limited	Service provider	NZ	33.33	33.33

Prestons Road Limited has no revenue or expenses, therefore the Group's share of profit of its associate was nil (2016: nil). During the year, the Group maintained its 33.33% economic interest in Prestons Road Limited. The principal activity of Prestons Road Limited is as service provider to the Group's subsidiary, CDL Land New Zealand Limited, and in this regard, it is charged with engaging suitably qualified consultants in fields such as geotechnical engineering, resource management compliance, subdivision of land, legal and regulatory compliance and related issues to enable the Group to develop its land at Prestons Road in Christchurch.

The net assets of Prestons Road Limited not adjusted for the percentage ownership held by the Group is $6,000, with the Group's share equal to $2,000. Prestons Road Limited has a 31 March balance date. No adjustment is made for the difference in balance date of Prestons Road Limited, because it has no revenue or profits to report.

Investment in associates

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

13. Cash and cash equivalents

	Group	
Dollars In Thousands	2017	2016
Cash	15,707	5,467
Call deposits	18,488	10,053
	34,195	15,520

Cash and cash equivalents comprise cash balances and call deposits with an 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.

14. Trade and other receivables

	Group	
Dollars In Thousands	2017	2016
Trade receivables	10,370	10,024
Less provision for doubtful debts	(89)	(42)
Other trade receivables and prepayments	7,448	8,711
	17,729	18,693

Trade and other receivables are stated at their cost less impairment losses. The carrying amounts of the trade receivables, other trade receivables, and prepayments 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 and provided for. 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.

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15. 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 19.

Group

		Interest	Facility	31 December 2017		31 December 2016	
Dollars in Thousands	Currency	Rate	Total	Face Value	Carrying Amount	Face Value	Carrying Amount
Revolving credit	NZD	2.44%	53,000	35,000	35,000	35,000	35,000
Revolving credit	NZD	2.44%	46,000	31,000	31,000	31,000	31,000
Overdraft	NZD	2.44%	6,000	-	-	4	4
TOTAL			105,000	66,000	66,000	66,004	66,004
Current				-	-	4	4
Non-current				66,000	66,000	66,000	66,000

Terms and debt repayment schedule
The bank loans are secured over hotel properties with a carrying amount of $467.67 million (2016: $389.81 million) - refer to Note 10. The bank loans have no fixed term of repayment before maturity. The Group facilities were renewed on 30 December 2016 with a new maturity of 31 July 2019.

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.

16. Provisions

As a result of the settlement of the Group's material damage claim with the insurers in May 2016, the earthquake provisions of $2.24 million and FF&E provision of $0.76 million relating to the Millennium Hotel Christchurch were released to other operating expenses in the income statement.

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.

17. 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	2017	2016	2017	2016	2017	2016
Property, plant and equipment	-	-	72,132	61,175	72,132	61,175
Development properties	(1,103)	(1,139)	-	-	(1,103)	(1,139)
Provisions	(75)	(81)	-	-	(75)	(81)
Employee benefits	(1,135)	(978)	-	-	(1,135)	(978)
Trade and other payables	(411)	(576)	-	-	(411)	(576)
Net investment in foreign operations	-	-	837	782	837	782
Net tax (assets) / liabilities	(2,724)	(2,774)	72,969	61,957	70,245	59,183

Movement in deferred tax balances during the year

	Group			
Dollars In Thousands	Balance 1 Jan 16	Recognised in income	Recognised in equity	Balance 31 Dec 16
Property, plant and equipment	46,594	(21)	14,602	61,175
Development properties	(1,149)	(10)	20	(1,139)
Provisions	(2,109)	2,040	(12)	(81)
Employee benefits	(768)	(210)	-	(978)
Trade and other payables	(545)	(32)	1	(576)
Net investment in foreign operations	858	-	(76)	782
	42,881	1,767	14,535	59,183

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17. Deferred tax assets and liabilities - continued

Dollars In Thousands	Group Balance 1 Jan 17	Recognised in income	Recognised in equity	Balance 31 Dec 17
Property, plant and equipment	61,175	(385)	11,342	72,132
Development properties	(1,139)	103	(67)	(1,103)
Provisions	(81)	6	-	(75)
Employee benefits	(978)	(157)	-	(1,135)
Trade and other payables	(576)	164	1	(411)
Net investment in foreign operations	782	-	55	837
	59,183	(269)	11,331	70,245

18. Trade and other payables

Dollars In Thousands	Group 2017	2016
Trade payables	1,787	1,952
Employee entitlements	3,905	3,344
Non-trade payables and accrued expenses	16,750	19,661
	22,442	24,957

Trade and other payables are stated at cost.

19. 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.

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

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

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

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

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

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

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

The maximum exposure to credit risk in Australia is $23,000 (2016: $41,000). All other credit risk exposure relates to New Zealand.

Market risk

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

An increase of 1.0% in interest rates would have increased profit before tax for the Group in the current period by $0.48 million (2016: $0.12 million increase), assuming all other variables remained constant.

19. Financial instruments - continued

Effective interest and re-pricing analysis

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

Group		2017				2016			
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less	6 to 12 months
Interest bearing cash & cash equivalents *	13	0.25% to 2.67%	34,195	34,195	-	0.25% to 3.10%	15,380	15,380	-
Short term bank deposits *		2.14% to 3.68%	88,890	34,649	54,241	1.90% to 3.60%	85,598	34,858	50,740
Secured bank loans *	15	2.44%	(66,000)	(66,000)	-	2.525%	(66,000)	(66,000)	-
Bank overdrafts *	15	2.44%	-	-	-	2.525%	(4)	(4)	-

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

(ii) Foreign currency risk

The Group owns 100.00% (2016: 100.00%) of KIN Holdings Limited. Substantially all the operations of this subsidiary is denominated in foreign currencies. The foreign currencies giving rise to this risk are Australian Dollars. The Group has determined that the primary risk affects the carrying values of the net investments in its foreign operations with the currency movements being recognised in the foreign currency translation reserves. The Group has not taken any measurements to manage this risk.

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

Capital management

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

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

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

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

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

Fair values

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

Group *Dollars In Thousands*	Note	Carrying amount 2017	Fair value 2017	Carrying amount 2016	Fair value 2016
LOANS AND RECEIVABLES					
Cash and cash equivalents	13	34,195	34,195	15,520	15,520
Short term bank deposits		88,890	88,890	85,598	85,598
Trade and other receivables	14	17,729	17,729	18,693	18,693
OTHER LIABILITIES					
Secured bank loans and overdrafts	15	(66,000)	(66,000)	(66,004)	(66,004)
Trade and other payables	18	(22,442)	(22,442)	(24,957)	(24,957)
Trade payables due to related parties	23	(1,981)	(1,981)	(2,137)	(2,137)
Loans due to related parties	23	-	-	(5,800)	(5,800)
		50,391	50,391	20,913	20,913
Unrecognised (losses) / gains		-	-	-	-

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19. Financial instruments - continued

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

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

20. Operating leases

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

	Group	
Dollars In Thousands	2017	2016
Less than one year	992	956
Between one and five years	2,562	3,029
More than five years	89	447
	3,643	4,432

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

During the year ended 31 December 2017, $2.25 million was recognised as an expense in the income statement in respect of operating leases (2016: $2.24 million).

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.

21. Capital commitments

As at 31 December 2017, the Group had entered into contractual commitments for capital expenditure, development expenditure, and purchase of an existing business and assets. The majority of the capital committed in 2016 is related to the refurbishment of Copthorne Hotel Auckland Harbourcity (refer to Note 10).

	Group	
Dollars In Thousands	2017	2016
Capital expenditure	3,746	13,579
Purchase of business and assets	10,988	-
Development expenditure	68,621	13,589
	83,355	27,168

22. Related parties

Identity of related parties
The Group has a related party relationship with its parent, subsidiaries (see Note 23), associates and with its directors and executive officers.

Transactions with key management personnel
On 11 September 2017, a director of the Company sold 906,000 company's shares to CDL Hotels Holdings New Zealand Limited. As a result of the sale, there was no control (2016: 0.57%) of the voting shares of the Company by directors of the company and their immediate relatives. There were no loans (2016: $nil) advanced to directors for the year ended 31 December 2017. Key management personnel include the Board and the Executive Team.

Total remuneration for key management personnel

	Group	
Dollars In Thousands	2017	2016
Non-executive directors	321	231
Executive director	532	518
Executive officers	756	751
	1,609	1,500

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

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Millennium & Copthorne Hotels New Zealand Limited
Notes to the Consolidated Financial Statements for the year ended 31 December 2017

23. Group entities

Control of the Group
Millennium & Copthorne Hotels New Zealand Limited is a 75.78% (2016: 75.20%) owned (economic interests from both ordinary and preference shares) 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 2017	Group 2016
Trade payables and receivables due to related parties			
Millennium & Copthorne Hotels plc	Recharge of expenses	(654)	(558)
Millennium & Copthorne International Limited	Recharge of expenses	-	(31)
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	-	(7)
CDLHT (BVI) One Ltd	Rent payment	(1,327)	(1,541)
		(1,981)	(2,137)
Loans due to related parties			
CDL Hotels Holdings New Zealand Limited	Inter-company loan	-	(5,800)
		-	(5,800)

No debts with related parties were written off or forgiven during the year. No interest was charged on these payables during 2017 and 2016. There are no set repayment terms. During this period costs amounting to $250,000 (2016: $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.

On 7 September 2016, the Group commenced operations of the Grand Millennium Auckland under a management lease agreement with CDLHT (BVI) One Ltd, a subsidiary of CDL Hospitality Trusts Singapore. Under the accounting standards, the Group accounts for the results of the Grand Millennium Auckland on a net basis. The Group records the management, franchise and incentive incomes derived from the management of the hotel in the profit and loss. At the balance sheet date, there was an amount owing to CDLHT (BVI) One Ltd of $1.33 million being rent payable with respect to the leasing of the property. During the year ended 31 December 2017, the Group received $1.62 million (2016: $496,000) in management, franchise, and incentive fees.

At the balance sheet date, the company has fully repaid the loan due to CDL Hotels Holdings New Zealand Limited which was interest bearing. The interest rates were fixed and ranged between 2.00% and 2.37% (2016: 2.22% to 2.47%).

During the year consulting fees of $12,000 (2016: $41,000) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder and director.

Subsidiary companies
The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2017 are:

	Principal Activity	Principal Place of Business	Group Holding % 2017	Group Holding % 2016
Context Securities Limited	Investment Holding	NZ	100.00	100.00
Copthorne Hotel & Resort Bay of Islands Joint Venture	Hotel Operations	NZ	49.00	49.00
Quantum Limited	Holding Company	NZ	100.00	100.00
100% owned subsidiaries of Quantum Limited are:				
Hospitality Group Limited	Holding Company	NZ		
100% owned subsidiaries of Hospitality Group Limited are:				
Hospitality Leases Limited	Lessee Company/Hotel Operations	NZ		
QINZ Anzac Avenue Limited	Hotel Owner	NZ		
Hospitality Services Limited	Hotel Operations/Franchise Holder	NZ		
CDL Investments New Zealand Limited	Holding Company	NZ	66.56	66.70
100% owned subsidiaries of CDL Investments New Zealand Limited are:				
CDL Land New Zealand Limited	Property Investment and Development	NZ		
KIN Holdings Limited	Holding Company	NZ	100.00	100.00
100% owned subsidiaries of KIN Holdings Limited are:				
Kingsgate Investments Pty Limited	Residential Apartment Developer	Australia		

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

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

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23. Group entities - continued

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

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

24. Accounting estimates and judgements

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

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

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

Assessing whether individual properties are impaired may involve estimating the future cash flows expected to be generated by those properties. This will in turn involve assumptions, including expected rate of growth in revenue and costs, occupancy and average room rates and an appropriate discount rate, to apply when discounting future cash flows. With respect to the carrying value of the Harbour City work in progress assets which are held at cost, the Group have performed an impairment assessment in the current year to assess the recoverable amount. The methods used are in line with those described above.

The Group has one remaining property affected by the Christchurch earthquakes. In assessing the land for impairment the following assumption was made: the land is not affected by liquefaction or other geological issues which prevent the rebuild of a replacement building upon it.

Development property
The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is $179.86 million (2016: $169.98 million) while the fair value determined by independent valuers is $370.29 million (2016: $375.12 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.

25. 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 2017, and have not been applied in preparing these financial statements.

- NZ IFRS 9 - Financial Instruments (effective after 1 January 2018). Based on assessments, this standard has no impact on the Group's financial statements.
- NZ IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2018). Based on assessments of the impact of this standard on each class of revenue recognised within the group, this standard is not expected to have a material impact on the Group's financial statements.
- IFRS 16 - Leases (effective 1 January 2019). The Group leases a number of hotels under operating leases. This standard requires a right of use asset and a corresponding lease liability to be recognised on the balance sheet in respect of the leased assets. The current lease expenses will be replaced with an interest expense and an amortisation expense in the income statement. Based on preliminary assessments, this standard is expected to have a material impact on the financial statements.

The Group intends to adopt these standards on the effective dates.

26. Subsequent event

The Group executed a sale and purchase agreement on 1 December 2017 to purchase the business, land, buildings, chattels and other assets which comprise The Waterfront Hotel in New Plymouth. The agreement became unconditional on 11 January 2018. The deposit of 10% was paid on 11 January 2018 and the settlement of the balance of the purchase price and full possession occurred on 1 February 2018. The full purchase consideration is disclosed in Note 21.

27. Contingent liability

The Group has an outstanding claim from the main contractor of the Copthorne Hotel Harbourcity City project. The Group received the notice for an arbitration but no date has been set. The total of the claim is unknown and the outcome of the arbitration is indeterminate at present, hence no liability has been recognised in the financial statements at balance date.

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Independent Auditor's Report

To the shareholders of Millennium & Copthorne Hotels New Zealand Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Millennium & Copthorne Hotels New Zealand Limited (the company) and its subsidiaries (the group) on pages FIN1 to FIN25:

i. present fairly in all material respects the group's financial position as at 31 December 2017 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 December 2017;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $3.7 million determined with reference to a benchmark of group profit before tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
1. Valuation of M Social Redevelopment	
Refer to note 10 of the consolidated financial statements. The redeveloped hotel was substantially operating by December 2017. The hotel land and buildings are therefore part of the portfolio of assets recognised at fair value. To establish fair value, management obtained an independent valuation and prepared their own assessment of fair value. Management revalued the land based on an external valuation however did not revalue the building on the basis that it would be premature until there is an established pattern of trading results and in their judgement the carrying value of the redeveloped building is a fair reflection of fair value at 31 December 2017. There is significant judgement to determine the fair value of the redevelopment. The valuation relies on assumptions and trading performance which is largely unproven. There is also potential for additional costs to complete as negotiations with the third party contractor occur with respect to final costs and the project has not yet received final sign off.	Our procedures focused on obtaining evidence to support the carrying value of the M Social Hotel land and building at 31 December 2017. — We met with the project manager and legal counsel to understand progress of project completion and assessed the likelihood for additional costs to complete. — We attended a site visit of the hotel in September 2017. — We challenged the external valuation by comparing projected post redevelopment revenue and profits to historical trends and market data achieved by similar quality rated hotels in the Auckland region as well as to management's budgets and achieved results to date since opening. — We reviewed the methodology for the land valuation and benchmarked against publically available comparable data. — We compared key valuation assumptions including discount rates and terminal multipliers to historical rates and those used by the independent valuer for other hotels in the portfolio. — We met with the valuer to understand and challenge key assumptions used in the report. — We used our own valuation specialist to assess the appropriateness of the external valuation methodology and key assumptions including discount rates and terminal multipliers. — We reviewed management's own assessment of the valuation of the hotel assets and challenged the assumptions used. We consider the approach taken by the group on the valuation of the M Social Hotel land and building is reasonable.

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2. Valuation of Hotel Land and Building assets

Refer to note 10 of the consolidated financial statements.

Land and buildings of $483m (representing 58% of assets) are recognised at fair value in the financial statements. To establish fair value, each hotel is required to undergo an independent valuation on a tri-annual basis. In the intervening years, management complete an impairment assessment.

The valuations and impairment assessments are based on future cashflow forecast models and available market data which have a number of assumptions built into the models. The key assumptions (including forecast growth, occupancy rates and revenue per available room) are inherently judgemental and consequently a change in the assumptions could have a material impact on the valuations.

Our procedures on the independently valued hotels involved the following:

- Using our own valuation specialist to assist us in assessing the appropriateness of the valuation model used, including compliance with relevant accounting standards and alignment to market practice.
- We assessed the scope of work performed, competency, professional qualifications and experience of the external expert engaged by the group.
- We challenged the key assumptions used within each valuation in determining the fair value of these hotel assets. This included a comparison of occupancy rates, revenue per available room, market growth and expected inflation with externally derived data including external hotel industry reports.
- We also performed our own assessment of other key inputs such as estimated future costs, discount rates and terminal multipliers, and considered the external expert's estimates with historical hotel performance.
- We performed sensitivities and break-even analysis on the key assumptions.

Our testing indicated that the estimates and assumptions used were reasonable in the context of the group's property portfolio.

The hotels not within the tri-annual valuation cycle were assessed for impairment by management.

- We considered management's impairment assessment of each hotel's recoverable amount. This included comparing actual hotel performance to previous forecasts.
- Based on this analysis, two hotels warranted a detailed impairment review. For these hotels we challenged the key assumptions used in determining the recoverable amount of the hotel assets.
- We also considered future forecasts, comparing these to internal plans and external market information.

Our testing indicated that the estimates and assumptions used were reasonable in the context of the group's property portfolio.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's Review, Managing Director's Review, disclosures relating to corporate governance and the financial summary included in the Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have received the Chairman's Review and have nothing to report in regards to it. The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report and we will report the matters identified, if any, to those charged with governance.

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is **Jason Doherty**.

For and on behalf of

KPMG

Jason Doherty
KPMG Auckland

8 February 2018

Full Year Preliminary Announcements and Full Year Results

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

Results for announcement to the market

Reporting Period	12 months to 31 December 2017
Previous Reporting Period	12 months to 31 December 2016

	Amount (000s)	Percentage change	
Revenue from ordinary activities	NZ$ 187,267	Up	8.85%
Profit (loss) from ordinary activities after tax attributable to security holders	NZ$ 43,116	Up	6.60%
Net profit (loss) attributable to security holders	NZ$ 43,116	Up	6.60%
Basic earnings per share (cents per share)	27.25c	Up	6.60%
Diluted earnings per share (cents per share)	27.25c	Up	6.60%
Net tangible assets per share (cents per share)	371.96c	Up	20.41%

Interim/Final Dividend	Amount per security	Imputed amount per security
Final Dividend	Dividend of 6.0 cents per share	Fully imputed

Record Date	11 May 2018
Dividend Payment Date	18 May 2018

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

Details of the reporting period and the previous corresponding reporting period:
This report is for the full year ended 31 December 2017 and should be read in conjunction with the most recent annual financial report. Comparatives are in respect of the full year ended 31 December 2016.

Information prescribed by NZX:
Please refer to "Results for announcement to the market" and below.

--Statement of Financial Performance
Refer to the Annual Financial Statements.

--Statement of Financial Position
Refer to the Annual Financial Statements.

--Statement of Cash Flows
Refer to the Annual Financial Statements.

--Details of individual and total dividends or distributions and dividend or distribution payments
On 1 February 2018, the Directors declared a final dividend of 6.0 cents per ordinary and redeemable preference share payable on 18 May 2018. The total dividend payable will be $9.49 million. The dividend will be fully imputed and supplementary dividends will be paid to non-resident shareholders. The dividend has not been recognised in the 31 December 2017 financial statements.

	NZ$ (million)	NZ cents per share
Distributions declared		
Final dividend for the 2017 Financial Year (ordinary and redeemable preference shares)	NZ$ 9.49	6.00c
Last distribution paid		
Final dividend for the 2016 Financial Year (ordinary and redeemable preference shares)	NZ$ 7.91	5.00c

--Details of Dividend Reinvestment Plans in operation
MCK does not have a Dividend Reinvestment Plan in operation.

--Net Tangible Assets per security (with comparatives for the previous corresponding period)

NZ cents per share	Current full year	Previous full year
Ordinary shares	371.96c	308.91c
Redeemable Preference shares	371.96c	308.91c

--Details of entities over which control has been gained or lost during the period
Nil.

--Details of associates and joint ventures

Name	% Held Current Full Year	% Held Previous Corresponding Full Year	Contributions to Net Profit Current Full Year	Contributions to Net Profit Previous Full Year
Prestons Road Limited	33.33%	33.33%	$ -	$ -

Basis of preparation of financial statements:
The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) as appropriate for Tier 1 profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRSs).

Accounting Policies:
Refer to the Annual Financial Statements.

Changes in accounting policies:
There are no changes to accounting policies during the period.

Audit Report:
The Independent Auditor's report is at pages FIN26 to FIN30 of the Annual Financial Statements.

Additional Information:
None.

DATE: 8 February 2018

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages): 1

Full name of Issuer	MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED
Name of officer authorised to make this notice	TROY DANDY, GROUP COMPANY SECRETARY
Authority for event, e.g. Directors' resolution	BOARD RESOLUTION
Contact phone number	09 353 5005
Contact fax number	09 309 3244
Date	08 / 02 / 2018

Nature of event
Tick as appropriate

- *Bonus Issue* ☐ — *If ticked, state whether: Taxable* ☐ */ Non Taxable* ☐
- *Conversion* ☐
- *Interest* ☐
- *Rights Issue Renouncable* ☐
- *Rights Issue non-renouncable* ☐
- Capital change ☐
- Call ☐
- Dividend ☒ — If ticked, state whether: Interim ☐ Full Year ☒ Special ☐
- DRP Applies ☐

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities	Ordinary
ISIN	NZMCKE0004S9

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities	
ISIN (*If unknown, contact NZX*)	
Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g ① for ② ... *for*	
Conversion, Maturity, Call Payable or Exercise Date (*Enter N/A if not applicable*)	
Treatment of Fractions	
Tick if pari passu ☐ *OR provide an explanation of the ranking*	
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	$0.060
Excluded income per security (only applicable to listed PIEs)	N/A
Currency	NZD
Total monies	$6,328,725
Source of Payment	Cashflow

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.010588
Date Payable	18/05/18

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	N/A
Resident Withholding Tax	$0.004167
Imputation Credits (Give details)	$0.023333
Foreign Withholding Tax	
FDP Credits (Give details)	N/A

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	11/05/18
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date.*	18/05/18
Notice Date *Entitlement letters, call notices, conversion notices mailed*	N/A
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	N/A

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

NZX

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages): 1

Full name of Issuer	MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED
Name of officer authorised to make this notice	TROY DANDY, GROUP COMPANY SECRETARY
Authority for event, e.g. Directors' resolution	BOARD RESOLUTION
Contact phone number	09 353 5005
Contact fax number	09 309 3244
Date	08 / 02 / 2018

Nature of event
Tick as appropriate

Bonus Issue	☐
If ticked, state whether: *Taxable*	☐
/ Non Taxable	☐
Conversion	☐
Interest	☐
Rights Issue Renouncable	☐
Rights Issue non-renouncable	☐
Capital change	☐
Call	☐
Dividend	X
If ticked, state whether: Interim	☐
Full Year	X
Special	☐
DRP Applies	☐

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities	Redeemable Preference Shares
ISIN	NZMCKE0005S6

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities	
ISIN	

If unknown, contact NZX

Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g 1 for 2	for
Conversion, Maturity, Call Payable or Exercise Date	
Treatment of Fractions	
Tick if pari passu	☐
OR provide an explanation of the ranking	
Strike price per security for any issue in lieu or date Strike Price available.	

Enter N/A if not applicable

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	$0.060
Excluded income per security (only applicable to listed PIEs)	N/A
Currency	NZD
Total monies	$3,164,373
Source of Payment	Cashflow

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.010588
Date Payable	18/05/18

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	N/A
Resident Withholding Tax	$0.004167
Imputation Credits (Give details)	$0.023333
Foreign Withholding Tax	
FDP Credits (Give details)	N/A

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	11/05/18
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date.*	18/05/18
Notice Date *Entitlement letters, call notices, conversion notices mailed*	N/A
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	N/A

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

CHAIRMAN'S REVIEW

Financial Performance & Financial Position

The Directors of Millennium & Copthorne Hotels New Zealand Limited ("MCK") are pleased to report a profit attributable to owners of the parent of $43.1 million (2016: $40.4 million) for the year ended 31 December 2017.

MCK's revenue for the year increased to $187.3 million (2016: $172.0 million) and profit before tax and non-controlling interests totalled $74.9 million (2016: $70.5 million). The increases in revenue and profit from 2016 reflects both positive trading conditions in the tourism industry in New Zealand and ongoing positive sales activity from majority-owned CDL Investments New Zealand Limited.

On a like for like basis, comparing operating hotels in 2016 and 2017 (excluding Grand Millennium Auckland and M Social Auckland), MCK's revenue growth was 7% and NPBT increased by 22%, reflecting the outstanding profit conversion efficiencies from both operating hotels and CDL Investments.

Shareholders' funds excluding non-controlling interests as at 31 December 2017 totalled $588.9 million (2016: $489.1 million). Total assets at 31 December 2017 were $828.2 million (2016: $713.9 million). Net asset backing (with land and building revaluations and before distributions) as at 31 December 2017 increased to 371.96 cents per share (2016: 308.91 cents per share).

Earnings per share increased to 27.25 cents per share (2016: 25.56 cents per share).

New Zealand Hotel Operations

2017 saw the first full year of operations of Grand Millennium Auckland and, after an extensive refurbishment and rebuild of the former Copthorne Hotel on Quay Street, the opening of M Social Auckland in Q4 of 2017. Together with other hotels in the MCK network, we achieved growth in guests from all major geographical segments. Hotel revenues increased by 11.6% to $105.6 million (2016: $94.6 million) and revenue per available room (RevPAR) increased by 8.2%. This increase in yield was assisted by the company's domestic customer campaigns and ongoing initiatives to capitalize on the changing dynamics of visitors from China and South-east Asia.

With an increase in occupancy rates, a resolution to the shortage of labour in the hospitality sector was crucial. To overcome this hurdle and retain talent in our hotels, we are pleased to report that MCK established a ground-breaking partnership and collaboration with the government and various institutions. Proactive management drove further gains as we adapted our systems to achieve better cost management, while improving the company's customer preference ratings.

In July 2017, Auckland Council narrowly voted to introduce a controversial targeted rate on a selection of accommodation providers. This discriminatory form of tax by the Auckland Council, now implemented, has garnered strong opposition from the accommodation industry in Auckland who intend to initiate a judicial review of the Council's targeted rate in 2018.

M Social Update

October 2017 saw the opening of the 190 room M Social Auckland. Since its opening, it has benefitted from keen demand owing to the hotel's innovative design, social spaces and service ethos. Appeal from key markets, including International and New Zealand business and leisure travellers has been extremely positive, as the hotel's fresh thinking supports the coming of age of Auckland City. With its own entrance on Quay Street, the Beast and Butterflies Restaurant and Bar has been embraced and well-patronised by locals and the growing population of downtown CBD residents. MCK considered it important to complement the hotel's 100% NBS seismic rating with creative design and décor and we are very proud of the end result. Customer self-service technologies have been under trial at M Social Auckland, and we will continue to ensure that we provide the appropriate balance between convenience and service in a meaningful way, both for our customers, and to maximise the efficiency in the operation of the hotel.

CDL Investments New Zealand Limited ("CDLI")

CDLI continued to perform strongly announcing another record operating profit after tax for the year ended 31 December 2017 of $32.2 million (2016: $27.0 million). The Overseas Investment Amendment Bill proposed by the Government in December 2017 will have some but minimal impact on CDLI's business model of acquiring land for residential development. The proposed legislation was designed to curb the demand from a segment of buyers but not to "impede the broader objective of increasing the supply of residential housing".

CDLI increased its ordinary dividend to 3.5 cents per share (2016: 3.0 cents per share). The Dividend Reinvestment Plan will apply to this dividend.

Australia Update

In Australia, occupancy at the Zenith residences was high at 98% and balcony remediation work fully completed in October 2017. We have initiated a marketing campaign for the sale of a selection of our units in 2018.

Dividend Announcement

Reflecting its positive results in 2017, MCK has resolved to declare and pay all shareholders a fully imputed dividend of 6.0 cents per share (2016: 5.0 cents per share) which represents a 20% increase over the 2016 dividend. The Board has chosen to increase MCK's dividend as it remains confident of MCK's ability to deliver consistent results and returns from its business units.

The dividend, payable to all shareholders, will be paid on 18 May 2018. The record date will be 11 May 2018.

Outlook

We expect 2018 to be another positive and exciting year for MCK. With the addition of Grand Millennium Auckland and M Social Auckland in particular, we expect to benefit from the growing number of tourist and business visitors. Being different hotels that appeal to different market segments, Grand Millennium Auckland and M Social Auckland will assist MCK in attracting a diverse variety of visitors.

In February the company acquired the Waterfront Hotel New Plymouth, an iconic 42 room hotel featuring the award-winning Salt Restaurant. This earnings accretive acquisition will further facilitate new opportunities for our global MCK customers from both leisure and business travel sectors. The Waterfront Hotel, which will be branded a Millennium Hotel, sits in a different market to the Copthorne Grand Central New Plymouth. The acquisition will boost our supplier, customer and national networks, in turn benefitting both hotels.

In light of these developments, CDLI’s developments and the planned sale of a selection of Zenith apartment units, we look forward to another successful year in 2018.

Management and staff

The Board and I sincerely thank the Company’s management and staff for their diligent work during 2017 to deliver these excellent results.

Colin Sim
Chairman
8 February 2018

MILLENNIUM
HOTELS AND RESORTS

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND REPORTS INCREASED 2017 REVENUES AND PROFIT

Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) today reported its preliminary results for the year ended 31 December 2017 and announced a profit after tax attributable to owners of the parent of $43.1 million (2016: $40.4 million) on total revenue of $187.3 million (2016: $ 172.0 million).

On a like for like basis between operating hotels in 2016 and 2017 (excluding Grand Millennium Auckland and M Social Auckland), MCK's revenue growth was 7% while NPBT increased by 22%, reflecting the outstanding profit conversion efficiencies of the revenue growth from both operating hotels and CDL Investments. Growth in hotel revenue came from all major geographical segments with significant yield increases resulting from initiatives focused on the changing dynamics of visitors from China and South-east Asian countries.

Grand Millennium Auckland had its first full year of trading and it delivered an outstanding set of results. In October 2017, M Social Auckland on Quay Street was opened after undergoing an extensive rebuild and refurbishment to the former Copthorne Hotel, Auckland Harbour City. The new hotel has a 100% NBS seismic rating but it is the creative design, décor and its service ethos that had guests and bloggers complimenting it. The Beast and Butterflies Restaurant and Bar has its own entrance directly from Quay Street. Operating like a standalone restaurant, the menu is Pacific Asian style with street food influences, and the service prompted one food writer to comment "style with substance" and that "the bar for hotel restaurants has been raised".

M Social Auckland's appeal to both international and New Zealand business and leisure travelers has been encouraging as the hotel's fresh thinking supports the coming of age of Auckland City.

MCK Chairman Mr. Colin Sim was pleased with the Company's results, ongoing efficiency gains and newly re-opened hotel M Social Auckland on Auckland's waterfront.

"Shareholders and guests alike will be pleased with this exceptional hotel with its lifestyle orientation and service ethos. We are looking forward to improving our results again in 2018", he said.

MCK has resolved to declare an increased and fully imputed dividend of 6.0 cents per share for 2017 to all shareholders (2016: 5.0 cents per share). The dividend reflects the continued positive operational profitability of the Company. With the reopening of M Social Auckland and the newly acquired Waterfront Hotel New Plymouth, the Board is confident in exceeding its 2017 trading results in 2018. The dividend will be paid to shareholders on 18 May 2018. The record date will be 11 May 2018.

Summary of results:

• Profit after tax and non-controlling interests	$43.1 million	(2016: $40.4m)
• Profit before tax and non-controlling interests	$74.9 million	(2016: $70.5m)
• Group revenue	$187.3 million	(2016: $172.0m)
• Shareholders' funds excluding non-controlling interests	$588.9 million	(2016: $489.1m)
• Total assets	$828.2 million	(2016: $713.9m)
• Earnings per share (cents per share)	27.25 cents	(2016: 25.56 cents)

ENDS

Issued by Millennium & Copthorne Hotels New Zealand Limited

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