



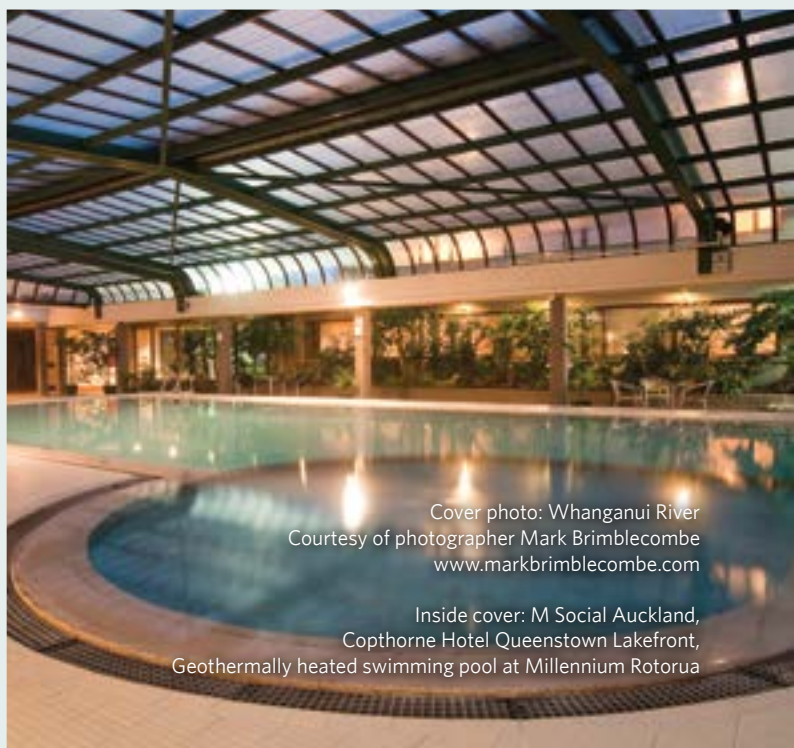
MILLENNIUM

HOTELS AND RESORTS

More than Meets the Eye

ANNUAL REPORT 2017





Cover photo: Whanganui River
Courtesy of photographer Mark Brimblecombe
www.markbrimblecombe.com

Inside cover: M Social Auckland,
Copthorne Hotel Queenstown Lakefront,
Geothermally heated swimming pool at Millennium Rotorua

FINANCIAL SUMMARY (2013 - 2017)

	2013	2014	2015	2016	2017
Revenue	\$119.2m	\$130.1m	\$136.5m	\$172.0m	\$187.3m
Profit after tax and NCI	\$27.1m	\$30.2m	\$21.7m	\$40.4m	\$43.1m
Dividend	1.2c	2.4c	2.8c	5.0c	6.0c
Total Assets	\$719.2m	\$585.4m	\$590.0m	\$713.9m	\$828.2m
Group Equity	\$466.4m	\$371.4m	\$389.3m	\$489.1m	\$588.9m
Net Asset Backing per share	133.4cps	234.6cps	245.9cps	308.9cps	372.0cps

CONTENTS

04	Chairman's Review
06	Showcasing NZ Internationally
07 - 08	Managing Director's Review
10	Directors' Profiles
11	Hotel Ownership
12 - 15	Corporate Governance

FIN 01 - 30	Financial Statements
FIN 31 - 35	Regulatory Disclosures and Statutory Information

CALENDAR

Annual Report Issued	28 March 2018
Dividend Paid	18 May 2018
Annual Meeting	Late May 2018
Half Year End	30 June 2018
Interim Results	July/August 2018
Financial Year End	31 December 2018

This report is dated 28 March 2018 and is signed on behalf of the Board of Millennium & Copthorne Hotels New Zealand by:



Colin Sim
Chairman



BK Chiu
Managing Director

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



EXPANDING OUR SOCIAL CIRCLE

October 2017 marked the opening of M Social Auckland, an innovative new lifestyle hotel with a prime position on Auckland's waterfront. A contemporary hotel for the curious, the explorers and those who thrive on new experiences, and the latest addition to Millennium & Copthorne Hotels' signature M Collection. The opening marks the completed rebrand of the Copthorne Harbour City hotel into Millennium & Copthorne Hotels' M Social Auckland. It is only the second M Social hotel opened world-wide after M Social Singapore.

MSOCIAL
AUCKLAND



Harbour Suite



Beast & Butterflies Restaurant

Beast & Butterflies
AUCKLAND

SHOWCASING NEW ZEALAND INTERNATIONALLY



At the New Zealand Hotel Industry Awards 2017, the General Manager of the Year award went to Millennium's own, Pipiana Whiston (second from right) of Millennium Hotel Rotorua.



Guests being served an authentic Chinese dinner banquet at Copthorne Hotel Rotorua.



Tania Barnes (left), Conference & Incentives Business Development Manager with Alison Smith (middle), National Director of Sales, Conferences & Incentives at AIME, Melbourne.



Lift Lobby Artwork at M Social Auckland featuring the "Kotuku" (White Heron) and the New Zealand Tomtit.

MANAGING DIRECTOR'S REVIEW

2017 was another year of growth for both our hotels and CDL Investments. It was also a year of notable events on our people front and with two more operating hotels. Grand Millennium Auckland had a full twelve months of operations and the team delivered an outstanding set of results. Our other hotels achieved double digit bottom line growth together with productivity gains and conversions from incremental revenue to gross operating profits. Financial metrics were achieved and a like for like comparison between 2016 and 2017 sees Net Profit before Tax growth of 22%.

M Social Auckland, previously Copthorne Hotel, Auckland, Harbour City reopened in October after a complete refurbishment and seismic upgrade work to 100% of the New Building Standard. Its prime location on the harbour front, contemporary interior design and above all, its service ethos, all add to the "live, work and play" concept. The timing of its opening in October was opportune and the hotel is trading well. The restaurant Beast & Butterflies has received excellent cuisine reviews and as one reviewer commented "this hotel restaurant has raised the bar". Beast & Butterflies is making its mark as the go-to restaurant for lunch and dinner on Auckland's

waterfront with its Pacific-Asian menu with street food influences.

While ownership of strategic real-estate assets underpin the hotel company's success, the overall experiences of travellers are complemented by the engagement with the people they meet in New Zealand. We were delighted when Pipiana Whiston, General Manager of Millennium Hotel Rotorua was awarded New Zealand Hotel Industry General Manager of the Year 2017. This accolade is well deserved and I congratulate Pipiana on such a fine achievement.

The continuing diversity of overseas visitors and changing demographics of New Zealand is also reflected in our employees many of whom are bilingual or even trilingual. In 2017, MCK partnered with the Government piloting a Pacific quota programme to recruit staff from the Pacific Islands to work in our hotels across the country. Successful candidates can also bring their families to live in New Zealand. We plan to continue with this programme in 2018 and develop similar initiatives.

As owners of hotels we are affected in different ways than companies that lease or manage properties. We have

continued our efforts in 2017 on a number of fronts including the funding of tourism activities, challenging unfair and disproportionate allocation of costs for activities that benefit a far broader range of commercial, community and public entities. Our ownership model intricately bonds us to many communities in regions across New Zealand. It is with conviction that we contribute, support and share with these communities the opportunities together. It was heartening to see these regions



NZ Kaka Beak



Millennium Hotel Rotorua is an active supporter of the Wingspan Birds of Prey Trust, where the hotel supports a Karearea (New Zealand falcon) named 'Millennium', or 'Milly' for short. Wingspan aims to restore populations of this endangered native falcon.

How impactful for New Zealand to lead and fly this flag when we give a legal person status to a river? It can position New Zealand to the rest of the world and to visitors to New Zealand that what sustains her natural beauty is the guardianship of her people. We want our guests when leaving New Zealand to have this impression and lasting memory. We are not like anywhere else in the world.

promoted by our sales and marketing team both domestically and at the many international outreaches we attended through-out the year.

As tourism grows and continues to contribute significant economic benefits to the country, the other side of the equation is the impact to the country, its infrastructure and the environment. There will always be tension between growth and conservation but there are worthwhile initiatives that we can do collectively and shape the character of the tourism we want and sustainable reputation that we aspire to. If you had followed the controversy on the naming of Whanganui with an "h" added, you would ask what's in a name? "A rose by any other name would smell as sweet". Ardent growers of heritage and modern roses and plant breeders will likely disagree. Sure enough, there was plenty of debate during the consultative process in 2015 to add a "h" to "Wanganui".

Then two years later in 2017 there was a significant landmark decision that took New Zealand to the forefront of environmental care and sustainability. That was when the Whanganui River was given a "person" status by the Justice Minister.

This legal status confers rights to the Whanganui River as would accord to a person or a company. To my knowledge, no other country has ventured into this domain. I think this landmark decision is worthy of reflection. It adds not only conviction for the care of our rivers but also commitment to the cause with some legal bite to make it happen! It can only reinforce our claim to being 100% Pure.

For me, it is the conviction behind that we are the guardians of our environment and heritage that puts New Zealand at the global forefront in caring for the environment. How impactful for New Zealand to lead and fly this flag when we give a legal status to a river? It can position New Zealand to the rest of the world and to visitors to New Zealand that what sustains her natural beauty is the guardianship of her people. We want our guests when leaving New Zealand to have this impression and lasting memory. We are not like anywhere else in the world.

Our land company CDL Investments New Zealand Limited had another excellent year in 2017 contributing significantly to our overall results. The summer has been conducive to earthworks as we

develop our subdivisions for the next two years. While demand overall has not been as exuberant as 2016, our portfolio across the country in key growth areas, the quality of our subdivisions and the housing gap continue to give us confidence in the building industry. We continue to evaluate opportunities for land acquisitions for a pipeline of quality sections for the years ahead.

2017 has again been a productive and satisfying year for MCK. Our focus will remain disciplined, to realise productivity gains together with revenue growth and the investment wisdom of the board. Thank you to all our staff in New Zealand and Australia for their commitment and diligence. Our culture based on mutual respect, sense of ownership and inspiring leadership remains close to our hearts to deliver the Outstanding Service Experience to our guests while keeping true to the principles behind People, Planet and Profit. I commend you on your achievements and look forward to the challenges and opportunities ahead in 2018.



B K Chiu
Managing Director



Lift Lobby Artwork at M Social Auckland. The display features the discipline and expression of modern dance and ballet. It is paired on the same lift lobby with a minimalist ink-pen drawing of Wushu practitioners against a backdrop of an ink brush painting of a Chinese mountain landscape.

AMBASSADORS OF EXCELLENCE



PIPIANA WHISTON, GENERAL MANAGER OF THE YEAR 2017

On behalf of Millennium, Copthorne and Kingsgate Hotels New Zealand, we sincerely congratulate Pipiana in winning this prestigious award, and thank her for the dedication and unique values that she brings to the hospitality of Millennium Hotel Rotorua.

Beyond running the hotel, Pipiana also contributes greatly to the Rotorua community; a current Maori in Tourism committee member and a mentor in the Big Brothers Big Sisters programme

In Pipiana's own words, the hospitality industry at the moment is "Vibrant, exciting, the best is yet to come." – we agree, and we can't wait to see what Pipiana and her team have in-store for the future!



New Zealand beef and lamb is renowned throughout the world for its quality and taste. The Excellence Awards are designed to acknowledge a consistently high standard of beef and lamb cuisine. Whenever you see the Beef and Lamb Excellence Award, you can expect tasty, skilfully composed and superbly presented beef and lamb dishes.

We are delighted that 5 of our restaurants at various locations around New Zealand have been selected as ambassadors for this prestigious award. Our proud ambassadors are as below:

ONE80 RESTAURANT

Copthorne Hotel & Resort
Wellington, Oriental Bay

MCKENZIE'S RESTAURANT & BAR

Kingsgate Hotel
Autolodge, Paihia

379 THE AVENUE

Kingsgate Hotel
The Avenue, Wanganui

SALT RESTAURANT

Millennium Hotel
New Plymouth, Waterfront

OBSERVATORY RESTAURANT

Millennium Hotel
Queenstown

THE GRILL

Copthorne Hotel & Resort
Solway Park, Wairarapa

The TripAdvisor Certificate of Excellence is a prestigious award that displays on hotel TripAdvisor profiles. Travelers trust hotels that have this award because it proves that a hotel or restaurant has overwhelmingly positive reviews.

The below Millennium properties and restaurants are proud recipients of this award:



DIRECTORS' PROFILES

COLIN SIM (Chairman & Non-Executive Director)

Mr Sim is the executive chairman of the East Quarter Group of companies (East Quarter Hurstville, EQ Projects and EQ Constructions) (EQ) in Australia. EQ is currently involved in the development and construction of residential units across New South Wales. Mr Sim is also an executive director of Waterbrook Lifestyle Resorts (Waterbrook); an award-winning creator, developer and operator of luxury resort lifestyles for retirees. Mr Sim has strong analytical skills and extensive experience in construction and property development/investment in Australia. He studied Mechanical Engineering in London and has lived in Sydney, Australia for the last 40 years. Mr Sim was appointed to the Board from 14 July 2017.

B K CHIU (Managing Director & Member of Audit Committee)

Mr Chiu is also the Managing Director of Millennium & Copthorne New Zealand Limited. Prior to joining the company, Mr. Chiu was Regional Vice - President and Managing Director, Asia of Merisant Company. He holds a Masters degree in agricultural economics and marketing from Massey University, Palmerston North. Mr Chiu was last re-elected to the Board at the 2017 annual meeting of shareholders.

KIAN SENG TAN (Non-Executive Director)

Mr Tan was appointed to the Board effective from 28 February 2017 as a non-executive director.

Mr Tan is the Interim Group CEO of Millennium & Copthorne Hotels plc. Mr Tan's management background includes over 30 years of senior executive level experience managing SGX-listed businesses and US multinational corporations. His diverse experience incorporates operations, financial management, legal and investor relations, purchasing, business development, human resources, and information technology functions. He started his career as an accountant in the U.K. and audit manager in Malaysia with the audit firms currently known as Deloitte and PricewaterhouseCoopers respectively. Mr Tan is an associate of the Institute of Chartered Accountants in England and Wales. Mr Tan was re-elected to the Board at the 2017 annual meeting of shareholders.

KEVIN HANGCHI (Non-Executive Director)

Mr Hangchi is currently Senior Vice President, Hong Leong Management Services Pte. Limited. He has global transactional experience across many of the Hong Leong Group's entities including listings and public offerings, mergers and acquisitions as well as capital markets issuances and banking facilities. Mr Hangchi has been called to the English and Singaporean bars and holds an honours degree in Accountancy and Law from the University of Southampton. Mr Hangchi was elected to the Board at the 2016 annual meeting of shareholders.

RICHARD BOBB (Independent Director, Chair of the Audit Committee)

Mr Bobb is a Chartered Accountant and Chartered Tax Advisor with over forty years' experience. He is currently a member of the Professional Conduct Appeals Tribunal of Chartered Accountants Australia and New Zealand (formerly known as the Institute of Chartered Accountants in Australia) and was a member of New South Wales Joint State Taxes Committee of Chartered Accountants ANZ and CPA Australia. He was also a member and past Chairman of the Joint Legislation Review Committee and a member and past Chairman the Legislation Review Board of Chartered Accountants ANZ and CPA Australia. He is admitted as a Barrister in New South Wales and holds a Bachelor Commerce degree from the University of NSW, a Diploma in Law from the Barristers Admission Board (NSW) and a Master of Laws from the University of Sydney. He also holds a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia (now known as the Financial Services Institute of Australasia ("FINSIA")) and is a Fellow of FINSIA. Mr Bobb was last re-elected to the Board at the 2016 annual meeting of shareholders.

GRAHAM MCKENZIE (Independent Director, Member of the Audit Committee)

Mr McKenzie is a Barrister and Solicitor with over thirty years experience in corporate and commercial law and is a former Partner and Consultant to Bell Gully, a leading New Zealand law firm. He is currently a member of the New Zealand Law Society Disciplinary Tribunal. Mr McKenzie is a member of the New Zealand Law Society and the Queensland Law Society, Australia and holds a Bachelor of Laws degree from Victoria University, Wellington and a Master of Laws degree from Warwick University, England. Mr McKenzie was a Director of CDL Investments New Zealand Limited from 2005 to 2006. Mr McKenzie was last re-elected to the Board at the 2015 annual meeting of shareholders.

HOTEL OWNERSHIP

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

OWNED

Millennium Hotel Rotorua
M Social Auckland
Copthorne Hotel & Resort Bay of Islands (49%)
Copthorne Hotel & Resort Queenstown Lakefront
Kingsgate Hotel Greymouth
Kingsgate Hotel Te Anau

QUANTUM LIMITED

OWNED

Millennium Hotel Queenstown
Copthorne Hotel Auckland City
Copthorne Hotel Rotorua
Copthorne Hotel Palmerston North
Copthorne Hotel Wellington Oriental Bay
Copthorne Hotel & Apartments Queenstown Lakeview
Kingsgate Hotel Dunedin

FRANCHISED

Millennium Hotel & Resort Manuels Taupo
Copthorne Hotel & Resort Hokianga
Copthorne Hotel Grand Central New Plymouth
Copthorne Hotel & Resort Solway Park Wairarapa
Kingsgate Hotel The Avenue Wanganui

HOSPITALITY SERVICES LIMITED

MANAGED/FRANCHISED

Grand Millennium Auckland
Kingsgate Hotel Autolodge Paihia



Photo: of Copthorne Hotel & Resort Bay of Islands

CORPORATE GOVERNANCE

As an NZX Main Board listed company, Millennium & Copthorne Hotels New Zealand Limited (MCK) is committed to maintaining high standards of corporate governance in line with best practice. MCK has adopted corporate governance practices prescribed in the NZX Corporate Governance Code 2017 (NZX Code) in the NZX Main Board and Debt Market Listing Rules (the Listing Rules), except where specifically noted otherwise below, and have had regard to the Corporate Governance Principles and Guidelines from the Financial Markets Authority.

Our Corporate Governance policies and processes are as follows:

ROLE AND FUNCTION OF THE BOARD OF DIRECTORS (NZX Code Principles 2 & 6)

The Board has overall control and oversight of the business activities, the strategic direction and the governance of MCK and its subsidiaries. The Board looks at control and oversight of the company's businesses, risk management and compliance, health & safety, management performance, approving and monitoring financial and other reports, capital expenditure and shareholder reporting. The Board approves MCK's budgets, business plans as well as significant projects and has statutory obligations for certain other matters, such as the payments of distributions and the issue of shares. The Board does not have a formal written charter but one is presently under review.

Attendances of Directors

Board meetings are generally held quarterly with additional meetings convened when required.

Director	Meetings Attended
C Sim (Chair)*	1/1

HRWong**	2/2
KS Tan*	2/2
BK Chiu (Managing Director)	3/3
K Hangchi	3/3
ATSLee**	0/1
R Bobb	3/3
GA McKenzie	3/3

*Mr Tan and Mr Sim were appointed to the Board on 1 March 2017 and 14 July 2017 respectively.

**Mr Lee and Mr Wong retired from the Board on 28 February 2017 and 30 June 2017 respectively.

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

BOARD COMPOSITION

As at 31 December 2017, MCK's Board consisted of Messrs C Sim (Chairman), B K Chiu (Managing Director), K S Tan (Non-Executive Director), K Hangchi (Non-Executive Director), R Bobb (Independent Director) and G A McKenzie (Independent Director). MCK's Constitution and the Listing Rules require a minimum number of 3 directors with a requirement that at least 2 be ordinarily resident in New Zealand.

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

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

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

BOARD COMMITTEES

MCK currently has an Audit Committee, a Continuous Disclosure Committee and constitutes other ad-hoc committees as required from time to time.

Audit Committee (NZX Code Principle 3)

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

During 2017, the members of this Committee were Messrs Bobb (Chair), McKenzie and Chiu. As Mr Chiu is MCK's Managing Director, MCK does not comply with the requirement under the NZX Code which states that the Audit Committee should comprise solely of non-executive directors of the company.



Sealy Tarns Hike Trail, Mount Cook

Attendance at Audit Committee

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

**Nomination Committee
(NZX Code Principle 2 & 3)**

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

**Remuneration Committee
(NZX Code Principles 3 & 5)**

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

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

**Continuous Disclosure Committee
(NZX Code Principle 4)**

MCK is committed to its obligations to inform shareholders and market participants of all material information that might affect the

price of its listed securities in accordance with the Listing Rules and the Financial Markets Conduct Act 2013.

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

The Disclosure Committee is responsible for:

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

The key points from the Policy are:

- No person may release material information concerning MCK to any person who is not authorised to receive it without the approval of the Disclosure Committee.
- The Board will consider at each Board meeting whether there is any information that may require disclosure in accordance with the Policy, and will note any disclosures made subsequent to the prior meeting. Any employee or director of MCK must inform a member of the Disclosure Committee as soon as practicable after that person becomes aware of any material information.
- The Policy includes a list of incidents which should be disclosed to a member of the Disclosure Committee. The Disclosure Committee must confer, decide whether disclosure is required, and coordinate disclosure of any material information in a form specified by the Listing Rules as soon as practicable after it becomes aware of the existence of material information, unless it determines:
 - a a reasonable person would not expect the information to be disclosed; and
 - b the information is confidential and its confidentiality is maintained; and
 - c one or more of the following applies:
 - i it would breach the law to disclose the information; or
 - ii the information concerns an incomplete proposal or negotiation; or

- iii the information comprises matters of supposition or is insufficiently definite to warrant disclosure; or
- iv the information is generated for internal management purposes of MCK or its subsidiaries; or
- v the information is a trade secret.

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

- The Disclosure Committee is responsible for MCK's obligations under the Listing Rules to release material information to NZX to the extent necessary to prevent development or subsistence of a market for its listed securities which is materially influenced by false or misleading information emanating from the issuer or any associated person of the issuer; or other persons in circumstances in each case which would give such information substantial credibility.
- All employees of MCK, as soon as practicable after becoming aware of a rumour or speculation that is "generally available to the market", must disclose the existence of that rumour or speculation to a member of the Disclosure Committee.
- The Disclosure Committee is also responsible for co-ordinating MCK's responses to leaks and inadvertent disclosures. Even in the event that leaked or inadvertently disclosed information is not price sensitive, the Disclosure Committee should consider whether the information should be released to NZX via its market announcement platform in order to provide investors with equal access.
- All external communications by MCK must comply with this Policy, any media policy and the Company's rules with respect to confidential information. No material information is to be disclosed to such persons before it is released to NZX.
- Slides and presentations used in briefings should be released to NZX for immediate release to the market.

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

CODE OF ETHICS (NZX Code Principle 1)

MCK is committed to conducting its business

in accordance with the highest standards of ethical behaviour and the board has a Code of Ethics. This states that:

- All Directors shall undertake their duties with due care and diligence at all times and will conduct themselves honestly and with integrity. All Directors shall not do anything, or cause anything to be done, which may or does bring the Company or the Board into disrepute.
- To the best of their ability, all Directors will use reasonable endeavours to ensure that the Company's records and documents (including its financial reports) are true and complete and comply with the requisite reporting standards and controls.
- So that the Board may determine a Director's independence and to ensure that there are no conflicts of interest, all Directors shall disclose all relevant business and / or personal interests they may have to the Board as well as any relationships they may have with the Company.
- All Directors shall ensure that they do not support any organisation other than in a personal capacity without the prior approval of the Chairman.
- Directors shall not accept gifts or personal benefits from external parties if it could be perceived that this could compromise or influence any decision by the Board or by the Company.
- All Directors shall maintain and protect the confidentiality of all information about MCK at all times except where disclosure is permitted or required by law.
- All Directors shall ensure that they do not use Company information and property for personal gain or profit. All Directors shall use and / or retain Company information and property only for business purposes in their capacity as Directors of the Company or to meet legal obligations.
- All Directors shall comply with the laws and regulations that apply to MCK including any disclosure requirements.
- All Directors shall report any illegal or unethical behaviour of which they become aware to the Chairman of the Board and to the Chairman of the Audit Committee.

All of our employees are expected to act in the best interests of the Company and to enhance the reputation of the Company. Guidance is provided to management and employees by way of code of conduct policies. The Company believes in fair dealing with its customers and suppliers, shareholders, employees and other stakeholders and external third parties.

MCK has a current Insider Trading Policy which applies to Directors and Officers and a Whistleblowing Policy which extends

to all management and employees. The Whistleblowing Policy facilitates the disclosure and impartial investigation of any serious wrongdoing. This policy advises employees of their right to disclose serious wrongdoing, and sets out the Company's internal procedures for receiving and dealing with such disclosures. The policy is consistent with, and facilitates, the Protected Disclosures Act 2000 and is supported by the Board.

EXTERNAL AUDITORS AND AUDITOR INDEPENDENCE (NZX Code Principle 7)

MCK has a policy regarding auditor independence which covers:

- provision of services by MCK's external auditors;
- external auditor rotation;
- the hiring of staff from the external audit firm; and
- relationships between the external auditor and MCK.

The policy states that:

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

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

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

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

- c) the external auditor should not be responsible for the design or implementation of financial information systems; and
- d) the separation between internal audit and external audit should be maintained.

MCK's Audit Committee shall pre-approve all audit and related services that are to be provided by the auditor. Aside from core external audit services, it is appropriate for the MCK's auditors to provide the following services:

- due diligence (but not valuations) on proposed transactions;
- review of financial information where third party verification is required or deemed necessary (outside the normal audit process);
- completion audits / reviews;
- financial model preparation or review;
- accounting policy advice (including opinions on compliance with New Zealand and international Generally Accepted Accounting Practice);
- listing advice;
- accounting/technical training; and
- taxation services of an assurance nature (e.g. review of tax computations and returns prior to filing and advice on interpretation and application of Inland Revenue's rulings and policies).

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

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

These prohibitions apply to all offices of the

audit firm, including overseas offices and affiliates.

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

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

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

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

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

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

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

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

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

DIVERSITY POLICY (NZX Code Principle 2)

MCK is committed to pursuing a culture of diversity within the Company. While the Company did not have a formal diversity policy in 2017, as a hospitality company hosting guests from around New Zealand and the world, we recognise the importance of supporting and valuing every employee as well as the promotion of diversity, acceptance and inclusion in the workplace.

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

Pursuant to NZX Main Board Listing Rule 10.4.5(j), set out below is a quantitative breakdown of the gender composition of the Company's directors, officers, hotel managers and other permanent employees as at 31 December 2017:

Gender composition by number and percentage

Position	2017		2016	
	Male	Female	Male	Female
Directors	6 (100%)	0 (0%)	6 (100%)	0 (0%)
Officers*	7 (64%)	4 (36%)	8 (73%)	3 (27%)
Hotel managers	12 (80%)	3 (20%)	11 (73%)	4 (27%)
Permanent employees	538 (42%)	732 (58%)	496 (42%)	691 (58%)

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

INTERNAL CONTROLS AND RISK MANAGEMENT

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

SHAREHOLDER COMMUNICATIONS (NZX Code Principle 8)

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

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

Dining with the Finest NZ Produce

About Our Restaurants

JIMMY COOK'S KIWI KITCHEN

Jimmy Cook's Kiwi Kitchen, unique to Copthorne and Kingsgate hotels in New Zealand, draws its inspiration from Captain James Cook, the renowned explorer who visited New Zealand three times during the 18th Century. In addition to his seafaring activities, James Cook was known for having a grasp of nutrition that was ahead of his time.

Using fresh local produce, our chefs combine the indigenous flavours of New Zealand to create a relaxed dining environment.

BEAST & BUTTERFLIES AUCKLAND

Located within M Social Auckland is Beast & Butterflies, a casual all-day dining destination complete with an outdoor terrace. The tantalising menu features Pacific-Asian flavours with street food influences including dishes that showcase the region's best fresh seafood.

Or catch up with friends, old or new, at the Beast & Butterflies Bar. The drinks menu contains a range of classic and signature cocktails alongside a comprehensive wine list encompassing all regions of New Zealand and around the world, complemented by an extensive bar menu.

KATSURA JAPANESE RESTAURANT

Katsura Japanese restaurant specialising in Steaks, Seafood and Teppanyaki was established in 1989 and has a dedicated following amongst Local and International guests.

Katsura's Chefs are the first each day into the seafood market and with over 25 years of relationships this ensures we get the first pick and often exclusivity. Katsura also features the very best in premium Japanese Beers, Whisky and Sake and twice weekly we showcase our famous Grand Seafood Buffet.

ONE80 RESTAURANT

Located inside Copthorne Wellington, Oriental Bay, Executive One80's award-winning chefs blend seasonal ingredients with a touch of city flair.

They have created a kitchen culture that is based on techniques and different backgrounds, but continuously endeavor to serve new flavours and textures.

One80° Restaurant is focused in providing only the best seasonal ingredients & freshest local market produce. An award winning dining experience that is uniquely One80° Restaurant with "views to dine for." Enjoy your meal.



MILLENNIUM HOTELS & RESORTS IN NEW ZEALAND



MILLENNIUM COLLECTION

1. Grand Millennium Auckland

71 Mayoral Drive, Auckland
Phone +64 6 366 3000
grandmillennium.auckland@millenniumhotels.co.nz

2. Millennium Hotel Rotorua

Cnr Eruera & Hinemaru Streets, Rotorua
Phone +64 7 347 1234
Fax +64 7 348 1234
millennium.rotorua@millenniumhotels.co.nz

3. Millennium Hotel & Resort Manuels Taupo

243 Lake Terrace, Taupo
Phone +64 7 378 5110
Fax +64 7 378 5341
millennium.taupo@millenniumhotels.co.nz

4. Millennium Hotel Queenstown

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

5. Millennium Hotel New Plymouth Waterfront

1 Egmont St, New Plymouth 4310
Phone +64 6 769 5301
Fax +64 6 769 5302
millennium.waterfront@millenniumhotels.co.nz



M COLLECTION

1. M Social Auckland

196 - 200 Quay Street, Auckland 1010
Phone +64 9 377 0349
msocial.auckland@millenniumhotels.com



COPHTHORNE COLLECTION

1. Cophorne Hotel & Resort Bay of Islands

Tau Henare Drive, Paihia
Phone +64 9 402 7411
Fax +64 9 402 8200
cophorne.bayofislands@millenniumhotels.co.nz

2. Cophorne Hotel & Resort Hokianga

S.H 12 Omapere, Hokianga
Phone +64 9 405 8737
Fax +64 9 405 8801
cophorne.hokianga@millenniumhotels.co.nz

3. Cophorne Hotel Auckland City

150 Anzac Avenue, Auckland
Phone +64 9 379 8509
Fax +64 9 379 8582
cophorne.aucklandcity@millenniumhotels.co.nz

4. Cophorne Hotel Rotorua

Fenton Street, Rotorua
Phone +64 7 348 0199
Fax +64 7 346 1973
cophorne.rotorua@millenniumhotels.co.nz

5. Cophorne Hotel Grand Central New Plymouth

42 Powderham Street, New Plymouth
Phone +64 6 758 7495
Fax +64 6 758 7496
cophorne.newplymouth@millenniumhotels.co.nz

6. Cophorne Hotel Palmerston North

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

7. Cophorne Hotel & Resort Solway Park Wairarapa

High Street, South Masterton
Phone +64 6 370 0500
Fax +64 6 370 0501
reservations@solway.co.nz

8. Cophorne Hotel Wellington Oriental Bay

100 Oriental Parade, Wellington
Phone +64 4 385 0279
Fax +64 4 384 5324
cophorne.orientalbay@millenniumhotels.co.nz

9. Cophorne Hotel & Resort Queenstown Lakefront

Cnr Adelaide Street and Frankton Road, Queenstown
Phone +64 3 450 0260
Fax +64 3 442 7472
cophorne.lakefront@millenniumhotels.co.nz

10. Cophorne Hotel & Apartments Queenstown Lakeview

88 Frankton Road, Queenstown
Phone +64 3 442 7950
Fax +64 3 442 8066
cophorne.lakeview@millenniumhotels.co.nz

11. Kingsgate Hotel Autolodge Paihia

Marsden Road, Paihia
Phone +64 9 402 7416
Fax +64 9 402 8348
kingsgate.paihia@millenniumhotels.co.nz

12. Kingsgate Hotel The Avenue Wanganui

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

13. Kingsgate Hotel Greymouth

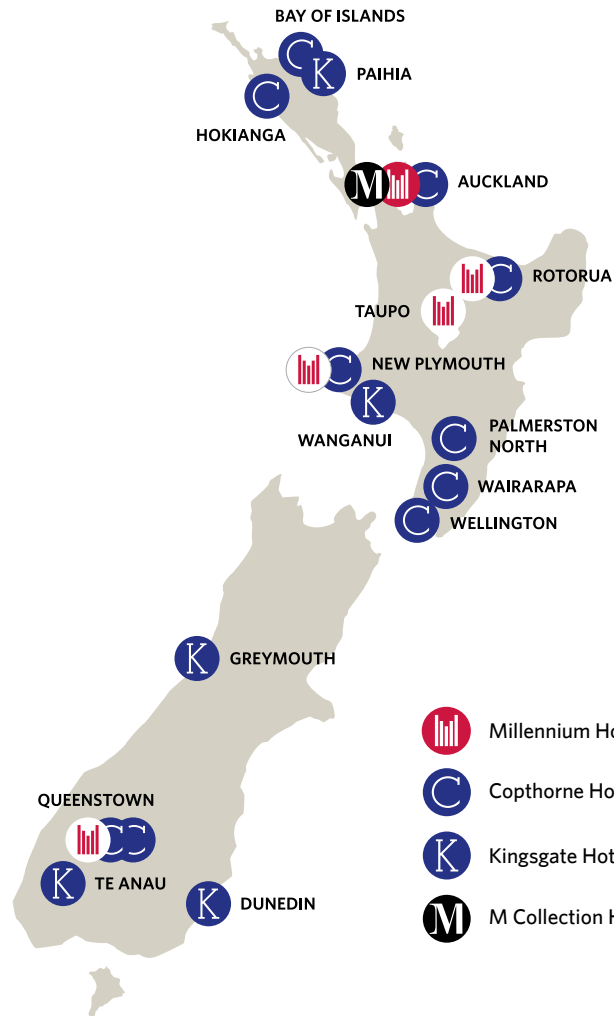
32 Mawhera Quay, Greymouth
Phone +64 3 768 5085
Fax +64 3 768 5844
kingsgate.greymouth@millenniumhotels.co.nz

14. Kingsgate Hotel Te Anau

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

15. Kingsgate Hotel Dunedin

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



Millennium Hotels & Resorts



Cophorne Hotels & Resorts



Kingsgate Hotels & Resorts



M Collection Hotels

AwaytoGo™
gift vouchers

Gifting made easy.

For friends and family or for yourself, choose from 21 Millennium, Copthorne and Kingsgate hotel locations - from accommodation packages to dining and spa treatment, you can even add your own personal message!

AwaytoGo.co.nz Gifting made easy.

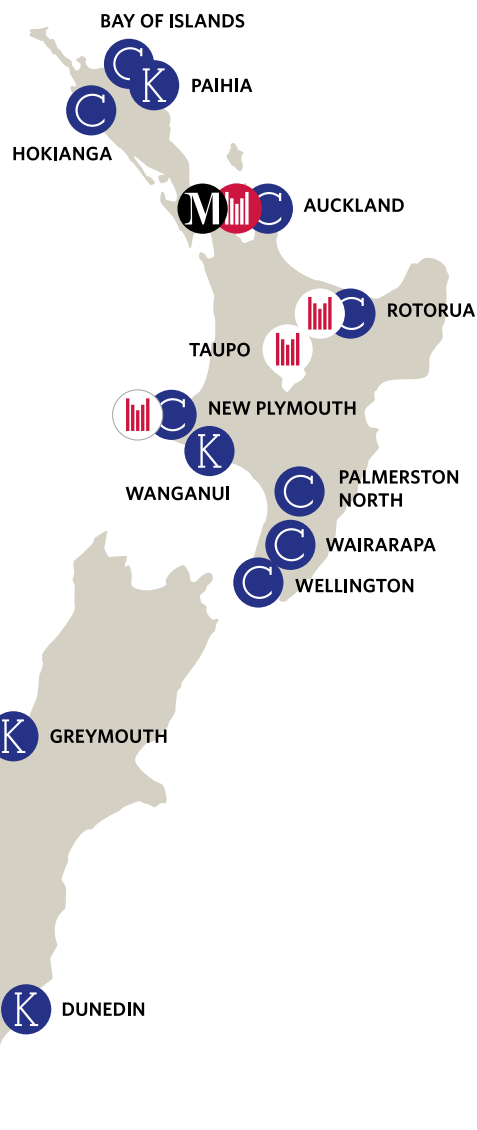
Moments
to
treasure...



Copthorne
Hotel & Resort
Bay of Islands



Friends
&
Fine Food



Buy now at www.awaytogo.co.nz



MILLENNIUM

HOTELS AND RESORTS

More than Meets the Eye

Financial Statements - Contents

Consolidated Income Statement	FIN 1
Consolidated Statement of Comprehensive Income	FIN 1
Consolidated Statement of Changes in Equity	FIN 2-3
Consolidated Statement of Financial Position	FIN 4
Consolidated Statement of Cash Flows	FIN 5-6
Notes to the Financial Statements	FIN 7-25
Audit Report	FIN 26-30

Regulatory Disclosures and Statutory Information - Contents

Shareholder Information	FIN 31
Waivers from NZX Limited	FIN 32
Statutory Information	FIN 33-35



Millennium & Copthorne Hotels New Zealand Limited

Consolidated Income Statement

For the year ended 31 December 2017

DOLLARS IN THOUSANDS	Note	Group	Group
		2017	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	Group
		2017	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

	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Non-controlling Interests	Total Equity
DOLLARS IN THOUSANDS								
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

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

	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Non-controlling Interests	Total Equity
DOLLARS IN THOUSANDS								
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) Profit for the year	-	64,822	(957)	-	-	63,865	-	63,865
Total comprehensive income for the year	-	-	-	40,447	-	40,447	9,973	50,420
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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Financial Position

As at 31 December 2017

DOLLARS IN THOUSANDS	Note	<u>Group</u> 2017	<u>Group</u> 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	<u>Group</u> 2017	<u>Group</u> 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

Millennium & Copthorne Hotels New Zealand Limited

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

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

Index

1. Segment reporting
2. Other income
3. Administration and other operating expenses
4. Personnel expenses
5. Net finance income
6. Income tax expense
7. Imputation credits
8. Capital and reserves
9. Earnings per share
10. Property, plant and equipment
11. Development properties
12. Investment in associates
13. Cash and cash equivalents
14. Trade and other receivables
15. Interest-bearing loans and borrowings
16. Provisions
17. Deferred tax assets and liabilities
18. Trade and other payables
19. Financial instruments
20. Operating leases
21. Capital commitments
22. Related parties
23. Group entities
24. Accounting estimates and judgements
25. New standards and interpretations not yet adopted
26. Subsequent events
27. Contingent Liability

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

<i>Dollars In Thousands</i>	Hotel Operations		Residential Land Development		Residential Property Development		Group	
	2017	2016	2017	2016	2017	2016	2017	2016
	External revenue	105,567	94,576	78,667	74,471	3,033	2,988	187,267
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

Millennium & Copthorne Hotels New Zealand Limited

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

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.

<i>Dollars In Thousands</i>	New Zealand		Australia		Group	
	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

<i>Dollars In Thousands</i>	Group	
	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.

Millennium & Copthorne Hotels New Zealand Limited

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

3. Administration and other operating expenses

<i>Dollars In Thousands</i>	Note	Group	
		2017	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

<i>Dollars In Thousands</i>	Group	
	2017	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

<i>Dollars In Thousands</i>	Group	
	2017	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

Millennium & Copthorne Hotels New Zealand Limited

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

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

<i>Dollars In Thousands</i>	Group	
	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

<i>Dollars In Thousands</i>	Group	
	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

<i>Dollars In Thousands</i>	Group	
	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%

Millennium & Copthorne Hotels New Zealand Limited

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

6. Income tax expense - continued

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

<i>Dollars In Thousands</i>	Group	
	2017	2016
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

<i>Dollars In Thousands</i>	Group	
	2017	2016
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		Group	
	2017 Shares	2017 \$000's	2016 Shares	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.

Millennium & Copthorne Hotels New Zealand Limited

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

8. Capital and reserves – continued

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.

Revaluation reserve

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

Exchange reserve

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

Dividends

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

<i>Dollars In Thousands</i>	Parent	
	2017	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.

<i>Dollars In Thousands</i>	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

<i>Dollars In Thousands</i>	Group	
	2017	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	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.

Millennium & Copthorne Hotels New Zealand Limited

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

10. Property, plant and equipment

<i>Dollars In Thousands</i>	Group						
	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

Millennium & Copthorne Hotels New Zealand Limited

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

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.

Millennium & Copthorne Hotels New Zealand Limited

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

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:

<i>Dollars In Thousands</i>	Group						Total
	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	
Cost less accumulated depreciation							
At 1 January 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 Harbourside)

The Copthorne Hotel Auckland Harbourside 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 pre-design work on a new hotel.

11. Development properties

<i>Dollars In Thousands</i>	Group	
	2017	2016
Development land	124,699	117,763
Residential development	55,156	52,218
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).

Millennium & Copthorne Hotels New Zealand Limited

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

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

<i>Dollars In Thousands</i>	Group	
	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

<i>Dollars In Thousands</i>	Group	
	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

Millennium & Copthorne Hotels New Zealand Limited

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

14. Trade and other receivables – continued

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.

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							
Dollars in Thousands	Currency	Interest Rate	Facility Total	31 December 2017		31 December 2016	
				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:

Dollars In Thousands	Group					
	Assets		Liabilities		Net	
	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

Dollars In Thousands	Group			
	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

Millennium & Copthorne Hotels New Zealand Limited

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

17. Deferred tax assets and liabilities - continued

<i>Dollars In Thousands</i>	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

<i>Dollars In Thousands</i>	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.

Millennium & Copthorne Hotels New Zealand Limited

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

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	Note	2017				2016			
		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	Note	Carrying amount		Fair value	
		2017	2017	2016	2016
<i>Dollars In Thousands</i>					
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		-	-	-	-

Millennium & Copthorne Hotels New Zealand Limited

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

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:

- 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.
- 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:

<i>Dollars In Thousands</i>	Group	
	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).

<i>Dollars In Thousands</i>	Group	
	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 25), 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.

Millennium & Copthorne Hotels New Zealand Limited

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

22. Related Parties – continued

Total remuneration for key management personnel

<i>Dollars In Thousands</i>	Group	
	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).

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:

<i>Dollars In Thousands</i>	Nature of balance	Group	
		2017	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.

Millennium & Copthorne Hotels New Zealand Limited

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

23. Group entities – continued

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.

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.

Millennium & Copthorne Hotels New Zealand Limited

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

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.
- NZ 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.

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.



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.



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

A handwritten signature in blue ink that reads 'KPMG'.

Jason Doherty
KPMG Auckland

8 February 2018

REGULATORY DISCLOSURES

20 LARGEST ORDINARY SHAREHOLDERS (as at 28 February 2018) (Listing Rule 10.4.5(b))

Rank	Name	Units	%
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	74,743,077	70.79
2.	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD <HKBN45>	6,526,286	6.18
3.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	5,962,409	5.65
4.	NATIONAL NOMINEES NEW ZEALAND LIMITED - NZCSD <NNLZ90>	1,906,987	1.81
5.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD <CNOM90>	1,787,268	1.69
6.	SKY HILL LIMITED	1,648,494	1.56
7.	ZETA BETA LIMITED	1,550,586	1.47
8.	ACCIDENT COMPENSATION CORPORATION - NZCSD <ACCI40>	1,440,459	1.36
9.	LENG BENG KWEK	906,000	0.86
10.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD <HKBN90>	758,139	0.72
11.	AMALGAMATED DAIRIES LIMITED	684,980	0.65
12.	KAY HONG CHIAM	475,251	0.45
13.	CUSTODIAL SERVICES LIMITED <A/C 6>	398,238	0.38
14.	MFL MUTUAL FUND LIMITED - NZCSD <MFLA90>	363,297	0.34
15.	JALAER INVESTMENTS LIMITED	268,977	0.25
16.	CASTLE POINT FUNDS - NZCSD	169,275	0.16
17.	GEOK LOO GOH	168,002	0.16
18.	ASB NOMINEES LIMITED <707112 A/C ML>	166,953	0.16
19.	SITA SINGH	151,000	0.14
20.	ASB NOMINEES LIMITED <129244 ML A/C>	140,000	0.13

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

20 LARGEST REDEEMABLE PREFERENCE SHAREHOLDERS (as at 28 February 2018) (Listing Rule 10.4.5(b))

Rank	Name	Units	%
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	45,224,095	85.75
2.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	2,945,671	5.59
3.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD <HKBN90>	1,690,342	3.21
4.	ACCIDENT COMPENSATION CORPORATION - NZCSD <ACCI40>	1,002,075	1.90
5.	LENG BENG KWEK	453,000	0.86
6.	NATIONAL NOMINEES NEW ZEALAND LIMITED - NZCSD <NNLZ90>	344,226	0.65
7.	KAY HONG CHIAM	211,324	0.40
8.	ASB NOMINEES LIMITED <707112 A/C ML>	136,425	0.26
9.	ALAN DAVID WHITE	101,100	0.19
10.	CUSTODIAL SERVICES LIMITED <A/C 4>	36,400	0.07
11.	THEODORE JOHN VAN GELDERMALSEN + MARGARET GAY FREEMANTLE <GOLDEN DOWNS S/F A/C>	35,000	0.07
12.	CUSTODIAL SERVICES LIMITED <A/C 3>	31,600	0.06
13.	HOWARD CEDRIC ZINGEL	31,592	0.06
14.	JOAN LESLEY THOMPSON	30,200	0.06
15.	ROGER EDWARD HAYWARD + SUSAN ELIZABETH HAYWARD <TENANTS IN COMMON>	28,909	0.05
16.	JOHN WILSON	24,160	0.05
17.	SEA AND PEAK EQUITIES LIMITED	23,400	0.04
18.	LYNNE MARIE MARX-SHEATHER + WALTER BRENT SHEATHER + PATRICIA VERA SHEATHER + SIMON MIDDLETON PALMER <SHEATHER FAMILY A/C>	22,263	0.04
19.	RICHARD ALEXANDER COUTTS	22,228	0.04
20.	JENNIFER GAYE SIMPSON	21,300	0.04

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

HOLDINGS SIZE – ORDINARY SHARES (as at 28 February 2018)

Range	Total Holders	Number of shares	Percentage of Issued Capital
1 - 99	5	208	0.00
100 - 199	27	4,090	0.00
200 - 499	470	162,547	0.15
500 - 999	339	241,685	0.23
1,000 - 1,999	224	319,133	0.30
2,000 - 4,999	215	655,746	0.62
5,000 - 9,999	114	806,567	0.76
10,000 - 49,999	85	1,715,594	1.62
50,000 - 99,999	14	947,640	0.90
100,000 - 499,999	10	2,134,836	2.02
500,000 - 999,999	2	1,590,980	1.51
1,000,000+	4	96,999,264	91.87
Rounding	-	-	0.02
Total	1,509	105,578,290	100.00

REGULATORY DISCLOSURES

HOLDINGS SIZE – REDEEMABLE PREFERENCE SHARES (as at 28 February 2018)

Range	Total Holders	Number of shares	Percentage of Issued Capital
100 - 199	38	5,894	0.01
200 - 499	41	12,695	0.02
500 - 999	26	18,106	0.03
1,000 - 1,999	24	34,196	0.06
2,000 - 4,999	13	47,221	0.09
5,000 - 9,999	14	89,341	0.17
10,000 - 49,999	20	423,832	0.80
100,000 - 499,999	4	901,849	1.71
1,000,000 -	2	51,206,409	97.09
Rounding	-	-	0.02
Total	182	52,739,543	100.00

DOMICILE OF ORDINARY SHAREHOLDERS (as at 28 February 2018)

	Number	Number of shares	Percentage of Issued Capital
New Zealand	1,409	100,201,951	94.91
Overseas holders	100	5,376,339	5.09
Total	1,509	105,578,290	100.00

DOMICILE OF REDEEMABLE PREFERENCE SHAREHOLDERS (as at 28 February 2018)

	Number	Number of shares	Percentage of Issued Capital
New Zealand	168	51,959,128	98.52
Overseas holders	14	780,415	1.48
Total	182	52,739,543	100.00

WAIVERS FROM NZX LIMITED

On 23 March 2017, NZX Limited (**NZX**) granted the Company a waiver from NZX Main Board Listing Rule (**Listing Rule**) 5.2.3 in respect of its preference shares for a period of twelve months from 23 March 2017 (the **Preference Shares Waiver**).

Listing Rule 5.2.3 provides that a class of securities will generally not be considered for quotation unless those securities are held by at least 500 members of the public, holding at least 25% of the number of securities of the class issued, with each member holding at least a minimum holding.

NZX granted the Preference Shares Waiver on the following conditions:

- (a) that the directors of the Company certify to NZX Regulation that allowing the preference shares to remain quoted is in the best interests of the holders of the preference shares;
- (b) the Company clearly and prominently discloses the waiver, its conditions and the implications in its half-year and annual reports;
- (c) that the Company consistently monitors the spread of its preference shares and provides NZX Regulation with quarterly updates during the period of the waiver; and
- (d) notifies NZX Regulation of any material change to the total shareholder number or spread of its preference shares.

On 13 April 2017, NZX granted the Company a waiver from Listing Rule 5.2.3 in respect of its ordinary shares for a period of twelve months from 13 April 2017 (the **Ordinary Shares Waiver**).

NZX granted the Ordinary Shares Waiver on the following conditions:

- (a) that the Company clearly and prominently discloses the waiver, its conditions and the implications in its half-year and annual reports;
- (b) that the Company monitors the shareholding the spread of its ordinary shares and provides NZX Regulation with quarterly updates during the period of the waiver; and
- (c) notifies NZX Regulation of any material change to the total shareholder number or spread of its ordinary shares.

The implication of these waivers is that the Company's preference and ordinary shares may not be widely held and there may be reduced liquidity in both classes of shares.

SUBSTANTIAL PRODUCT HOLDERS

As at 31 December 2017, the substantial product holders in the Company are noted below:

	Securities	Class	%
CDL Hotels Holdings New Zealand Limited	74,743,077	Ordinary Shares	70.79%
Aberdeen Asset Management Limited	5,427,145	Ordinary Shares	5.15%
Aberdeen Asset Management Asia Limited	5,962,409	Ordinary Shares	5.65%

CDL Hotels Holdings New Zealand Limited is a wholly owned subsidiary of Millennium & Copthorne Hotels plc. As at 1 March 2018, the total number of issued voting securities of Millennium & Copthorne Hotels New Zealand Limited (all of which are ordinary shares) was 105,578,290. The Company holds 99,547 repurchased ordinary shares as treasury stock. The total number of non-voting redeemable preference shares was 52,739,543. As these securities are non-voting securities, there is no requirement to provide substantial security holder notices.

STATUTORY INFORMATION

DIRECTORS (section 211 (1)(i) Companies Act 1993)

As at 31 December 2017, the Company's Directors were Messrs C Sim, BK Chiu, KS Tan, R Bobb and GA McKenzie. Mr Lee retired on 28 February 2017 and Mr Wong retired on 30 June 2017. Mr Tan was appointed 1 March 2017 and Mr Sim was appointed 14 July 2017.

INTERESTS REGISTER (sections 189 (1) (c) and 211(1)(e) Companies Act 1993)

The Company maintains an Interests Register as required under the Companies Act 1993. For the period under review, the following entries were recorded:

USE OF COMPANY INFORMATION (section 145 Companies Act 1993)

During 2017, the Board did not receive any notices from any Directors of the Company requesting the use of company information which they would have received in their capacity as Directors which would not otherwise have been available to them.

SHARE DEALING (section 148, Companies Act 1993)

Mr HR Wong disposed of 604,000 ordinary shares and 302,000 redeemable preference shares of the Company on 11 September 2017.

DIRECTORS' AND ASSOCIATED PERSONS SHAREHOLDINGS (as at 31 December 2017)

Director	2017
C Sim	Nil
HR Wong	Nil
B K Chiu	Nil
KS Tan	Nil
ATS Lee	Nil
K Hangchi	Nil
R Bobb	Nil
GA McKenzie	Nil

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

The total remuneration and value of other benefits earned received by each of the Directors of the Company for the year ending 31 December 2017 was:

Director	2017
C Sim	17,500
HR Wong	17,500
B K Chiu (*)	532,307
KS Tan (*)	Nil
ATS Lee (*)	Nil
K Hangchi	35,000
R Bobb	42,000
GA McKenzie	38,500

(*) Mr Lee was Chief Executive and Executive Director of Millennium & Copthorne Hotels plc until his retirement on 28 February 2017. Mr Tan is the Interim Group Chief Executive Officer of Millennium & Copthorne Hotels plc and Mr Chiu an employee of the Company. None of these persons received remuneration as a director of the Company or of any of the Company's subsidiaries.

INDEMNITY AND INSURANCE (section 162, Companies Act 1993)

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

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

As at 31 December 2017, the Directors of the Company have made general disclosures of interest in the following companies:

C SIM

Chairman / Director of:

CDL Investments New Zealand Limited

Director of:

Autocaps (Aust) Pty Ltd
Autocaps Vogue Pty Limited
Builders Recycling Properties Pty Ltd
CS Investments No. 1 Pty Ltd
Desert Rose Holdings Pty Limited
Dockside Parramatta Pty Limited
East Quarter Hurstville Pty Limited
EQ Equity Pty Ltd
EQ Gosford Pty Ltd
EQ Property Holdings Pty Ltd
EQ Riverside Pty Ltd
Llenruk Pty Ltd
PBD Phoenix Pty Limited
Phoenix Palm Development Pty Limited
Proactive Management Systems Pty Ltd
SSK Investments O/S Pty Ltd
Waterbrook Bayview Investment Pty Limited
Waterbrook Bowral Pty Limited
Waterbrook Brand Pty Limited

Autocaps Pastoral Division Pty Limited
Bathurst Range Investments Pty Limited
Builders Recycling Operations Pty Ltd
Desert Rose Group Pty Limited
DMM Investments (NSW) Pty Ltd
Dockside Venues Pty Ltd
EQ Constructions Pty Ltd
EQ Finance Services Pty Limited
EQ Projects Pty Ltd
EQ Revesby Pty Ltd
Hurstville NSW Pty Limited
Naxta Pty Ltd
PCC Devco 1 Pty Limited
Preslite Drive Technologies Pty Ltd
SSK Investments No. 2 Pty Ltd
Waterbrook Bayview Pty Ltd
Waterbrook Bayview Village Management Pty Ltd
Waterbrook Bowral Investment Pty Limited
West Quarter Hurstville Pty Limited

KS TAN

Chairman / Director of:

CDL Entertainment & Leisure Pte Ltd
City Century Pte. LtdFirst Sponsor Group Limited
Harbour Land Corporation
Millennium & Copthorne Hotels Management (Shanghai) Limited
Millennium & Copthorne International Limited
The Philippine Fund Limited

CDL Hotels (Korea) Ltd
Grand Plaza Hotel Corporation
Hong Leong Hotel Development Limited
Millennium & Copthorne Hotels New Zealand Limited
Rogo Realty Corporation

K HANGCHI

Director of:

Millennium Securities Nominees Pte Ltd
Sun Yuan Holdings Pte Ltd
KIN Holdings Ltd
Hong Leong Finance Nominees Pte Ltd
Singapore Nominees Private Ltd

Hong Leong Nominees (Private) Ltd
Millennium Securities Pte Ltd
Sun Yuan Overseas Pte Ltd
CDL Hotels Holdings New Zealand Ltd
Hong Leong Finance Ltd

BK CHIU

Chairman / Director of:
Quantum Ltd

Waitangi Resort Joint Venture Committee

Director of:

All Seasons Hotels & Resorts Ltd
CDL Land New Zealand Ltd
Hospitality Group Ltd
Hospitality Services Ltd
Millennium & Copthorne Hotels Ltd
QINZ (Anzac Avenue) Ltd

CDL Land New Zealand Ltd
Context Securities Ltd
Hospitality Leases Ltd
Kingsgate Hotels & Resorts Ltd
QINZ Holdings (New Zealand) Ltd

R BOBB*Director of:*

Bobb Management Pty Ltd
Birkenhead Investments Pty Ltd
Continental Investments Pty Ltd
Furscarbo Pty Ltd
Kingsgate Hotel Pty Ltd
Kingsgate Investments Pty Ltd
Millennium & Copthorne Hotels Pty Ltd.
Star Securities Australia Pty Ltd

Birkenhead Holdings Pty Ltd
Bobb Nominees Pty Ltd
EquiOptions Pty Ltd
Hotelcorp New Zealand Pty Ltd
Kingsgate Holdings Pty Ltd
Melmark Securities Pty Ltd.
RAB Capital Pty Ltd
Trans National Properties Ltd

G A MCKENZIE*Director of:*

CMO Energy NZ
Luxottica Retail New Zealand Ltd
Redbank Energy (NZ) Limited

GMACK Consulting Ltd
McHarry Holdings Ltd
Saw 2015 Ltd

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

The number of employees or former employees of the Company and its subsidiaries (excluding publicly listed subsidiaries) who received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded \$100,000 per annum in 2017 are as follows:

Remuneration and value of other benefits	Number of employees
100,000 – 110,000	0
110,001 – 120,000	5
120,001 – 130,000	2
130,001 – 140,000	1
140,001 – 150,000	1
150,001 – 160,000	2
180,001 – 190,000	3
190,001 – 200,000	4
200,001 – 210,000	2
230,001 – 240,000	1
360,001 – 370,000	1
530,001 – 540,000	1

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

The Company and its subsidiaries made donations totalling \$358.53 during the year.

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

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

	2016 (\$'000)		2017 (\$'000)	
	New Zealand	Australia	New Zealand	Australia
Annual Audit	271	23	283	23
KPMG Other Services	132	Nil	52	Nil

SUBSIDIARY COMPANIES AND DIRECTORS (section 211(2) of the Companies Act 1993)
The Company's subsidiaries and their directors as at 31 December 2017 are listed below:

NAME	DIRECTORS	OWNERSHIP	ACTIVITY
All Seasons Hotels and Resorts Ltd	BK Chiu, JB Pua	100%	Non-trading
Birkenhead Holdings Pty Ltd	R Bobb, JB Pua	100%	Holding Company (Australia)
Birkenhead Investments Pty Ltd	R Bobb, JB Pua	100%	Holding Company (Australia)
CDL Investments New Zealand Ltd (▼)	C Sim, RJ Austin, BK Chiu, J Henderson, KS Tan, VWE Yeo	66.56%	Holding Company
CDL Land New Zealand Ltd	BK Chiu, DJ Lindsay, JB Pua	66.56%	Property Investment & Development Company
Context Securities Ltd	BK Chiu, JB Pua	100%	Investment Holding Company
Hospitality Group Ltd	BK Chiu, N Hood, KF Luxon	100%	Holding Company
Hospitality Leases Ltd	BK Chiu	100%	Lessee Company
Hospitality Services Ltd	BK Chiu, KF Luxon, JB Pua	100%	Hotel Management Company
Hotelcorp New Zealand Pty Ltd	R Bobb, JB Pua	100%	Holding Company (Australia)
KIN Holdings Ltd	JB Pua, K Hangchi,	100%	Holding company
Kingsgate Holdings Pty Ltd	R Bobb, JB Pua	100%	Holding Company
Kingsgate Hotels And Resorts Ltd	BK Chiu, JB Pua	100%	Franchise Holder
Kingsgate Hotels Ltd	JB Pua	100%	Non-trading
Kingsgate Hotel Pty Ltd	R Bobb, JB Pua	100%	Non-trading (Australia)
Kingsgate Investments Pty Ltd	R Bobb, JB Pua	100%	Residential Apartment Owner (Australia)
Kingsgate International Corporation Ltd	JB Pua	100%	Holding Company
Millennium & Copthorne Hotels Ltd	BK Chiu, JB Pua	100%	Non-trading
Millennium & Copthorne Hotels Pty Ltd	R Bobb, JB Pua	100%	Non-trading (Australia)
QINZ (Anzac Avenue) Ltd	BK Chiu, JB Pua	100%	Hotel Owner
QINZ Holdings (New Zealand) Ltd	BK Chiu, JB Pua	100%	Holding Company
Quantum Ltd	BK Chiu, KF Luxon, JB Pua,	100%	Holding company

(▼) Listed on the New Zealand Stock Exchange

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

--Mr. HR Wong retired as a director of Birkenhead Holdings Pty Ltd, Birkenhead Investments Pty Ltd, CDL Land New Zealand Limited, Hotelcorp New Zealand Ltd, KIN Holdings Limited, Kingsgate Holdings Pty Ltd, Kingsgate Hotel Pty Ltd, Kingsgate International Corporation Limited, Kingsgate Investments Pty Ltd, Millennium & Copthorne Hotels Pty Ltd., and Quantum Limited on 28 February 2015. Mr. CHL Ho retired as a director of Birkenhead Investments Pty Ltd, KIN Holdings Limited, Kingsgate International Corporation Limited and Kingsgate Investments Pty Ltd. on 27 February 2015. Mr. HK Ho retired as a director of KIN Holdings Limited on the same date.

--The following persons received remuneration as Directors of the Company's subsidiaries during 2017: VWE Yeo (\$30,000), RJ Austin (\$35,000), J Henderson (\$30,000), C Sim (\$15,000), HR Wong (\$15,000).

BOARD OF DIRECTORS

Colin Sim	(Chairman)
BK Chiu	(Managing Director)
Kian Seng Tan	(Non-Executive Director)
Kevin Hangchi	(Non-Executive Director)
Richard Bobb	(Independent Director)
Graham McKenzie	(Independent Director)

SENIOR MANAGEMENT

Greg Borrageiro	(Director, Information Technology)
Evette Chauvineau	(New Zealand Marketing Manager)
Troy Dandy	(Group Company Secretary & Legal Counsel)
Brendan Davies	(Director, International Sales & Marketing)
Craig Fletcher	(Director, Property Management)
Karl Luxon	(Vice President Operations)
Boon Pua	(Vice President Finance)
Kim-Marie Rixson	(Director, Human Resources)
Alison Smith	(National Director of Sales, Conferences and Incentives)
Josie Wilson	(National Distribution & Revenue Manager)

REGISTERED OFFICE & CONTACT DETAILS

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

AUDITORS

KPMG, Auckland

BANKERS

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

SOLICITORS

Bell Gully

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING:

New Zealand Exchange (NZX)
Company Code: MCK



HEAD OFFICE

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

NATIONAL CONFERENCE OFFICE

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

SALES

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

CENTRAL RESERVATIONS

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

www.millenniumhotels.com