General Announcement::Announcement by Subsidiary Company, Millennium & Copthorne Hotels New Zealand Limited

Issuer & Securities

Issuer/ Manager	CITY DEVELOPMENTS LIMITED
Securities	CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09
Stapled Security	No

Announcement Details

Announcement Title	General Announcement
Date & Time of Broadcast	17-Feb-2017 17:21:55
Status	New
Announcement Sub Title	Announcement by Subsidiary Company, Millennium & Copthorne Hotels New Zealand Limited
Announcement Reference	SG170217OTHRN8A6
Submitted By (Co./ Ind. Name)	Enid Ling Peek Fong
Designation	Company Secretary
Description (Please provide a detailed description of the event in the box below)	Please refer to the Announcement released by Millennium & Copthorne Hotels New Zealand Limited on 17 February 2017 relating to Full Year Results for the Year Ended 31 December 2016.

Attachments	17022017_MCHNZ_2016_Full Year Results.pdf Total size =4536K

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Income Statement

For the year ended 31 December 2016

DOLLARS IN THOUSANDS	Note	Group 2016	Group 2015
Hotel revenue		94,607	86,094
Rental income		2,993	2,848
Property sales		74,435	47,599
Revenue		**172,035**	**136,541**
Cost of sales	4,11	(72,702)	(58,465)
Gross profit		**99,333**	**78,076**
Other income	2	4,311	-
Administration expenses	3,4	(17,246)	(20,602)
Other operating expenses	3,4	(16,737)	(17,592)
Operating profit		**69,661**	**39,882**
Finance income	5	3,027	3,406
Finance costs	5	(2,151)	(3,271)
Net finance income		**876**	**135**
Profit before income tax		**70,537**	**40,017**
Income tax expense	6	(20,117)	(11,645)
Profit for the year		**50,420**	**28,372**
Attributable to:			
Owners of the parent		40,447	21,670
Non-controlling interests		9,973	6,702
Profit for the year		**50,420**	**28,372**
Basic earnings per share (cents)	9	25.56	13.70
Diluted earnings per share (cents)	9	25.56	13.70

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016 DOLLARS IN THOUSANDS	Note	Group 2016	Group 2015
Profit for the year		**50,420**	**28,372**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation/impairment of property, plant and equipment	10	79,424	3,255
- Tax expense on revaluation/impairment of property, plant and equipment	6, 19	(14,602)	(817)
		64,822	**2,438**
Items that are or may be reclassified to profit or loss			
Foreign exchange translation movements	5	(1,024)	1,532
- Tax credit on foreign exchange translation movements	5, 6	67	25
		(957)	**1,557**
Total comprehensive income for the year		**114,285**	**32,367**
Total comprehensive income for the year attributable to :			
Owners of the parent		104,312	25,858
Non-controlling interests		9,973	6,509
Total comprehensive income for the year		**114,285**	**32,367**

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Group

Attributable to equity holders of the Group

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

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
Group

Attributable to equity holders of the Group

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2015	383,266	94,110	(4,116)	(101,874)	(26)	371,360	78,347	449,707
Movement in exchange translation reserve, net of tax	-	-	1,750	-	-	1,750	(193)	1,557
Revaluation/impairment of property, plant & equipment, net of tax	-	2,438	-	-	-	2,438	-	2,438
Total other comprehensive income/(loss)	-	2,438	1,750	-	-	4,188	(193)	3,995
Profit for the year	-	-	-	21,670	-	21,670	6,702	28,372
Total comprehensive income for the year	-	2,438	1,750	21,670	-	25,858	6,509	32,367
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	-	-	-	(3,797)	-	(3,797)	-	(3,797)
Non-controlling interests	-	-	-	-	-	-	(2,820)	(2,820)
Supplementary dividends	-	-	-	(109)	-	(109)	-	(109)
Foreign investment tax credits	-	-	-	109	-	109	-	109
Movement in non-controlling interests without a change in control	-	-	-	(4,129)	-	(4,129)	(26,484)	(30,613)
Balance at 31 December 2015	**383,266**	**96,548**	**(2,366)**	**(88,129)**	**(26)**	**389,293**	**55,552**	**444,845**

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Financial Position

As at 31 December 2016

DOLLARS IN THOUSANDS	Note	Group 2016	Group 2015
SHAREHOLDERS' EQUITY			
Issued capital	8	383,266	383,266
Reserves		105,823	6,053
Treasury stock	8	(26)	(26)
Equity attributable to owners of the parent		**489,063**	**389,293**
Non-controlling interests		63,218	55,552
Total equity		**552,281**	**444,845**
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment	10	422,603	316,634
Development properties	11	135,136	140,637
Intangible assets	12	-	2,823
Investment in associates	13	2	2
Total non-current assets		**557,741**	**460,096**
CURRENT ASSETS			
Cash and cash equivalents	14	15,520	14,021
Short term bank deposits		85,598	59,955
Trade and other receivables	15	18,693	16,131
Trade receivables due from related parties	25	-	27
Inventories		1,508	1,252
Development properties	11	34,845	38,247
Assets held for sale	16	-	319
Total current assets		**156,164**	**129,952**
Total assets		**713,905**	**590,048**
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	66,000	72,500
Provision for deferred taxation	19	59,183	42,881
Total non-current liabilities		**125,183**	**115,381**
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	4	27
Trade and other payables	20	24,957	20,571
Trade payables due to related parties	25	2,137	667
Loans due to related parties	25	5,800	3,800
Provisions	18	-	3,000
Income tax payable		3,543	1,757
Total current liabilities		**36,441**	**29,822**
Total liabilities		**161,624**	**145,203**
NET ASSETS		**552,281**	**444,845**

For and on behalf of the Board

R BOBB, DIRECTOR, 17 February 2017

BK CHIU, MANAGING DIRECTOR, 17 February 2017

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

DOLLARS IN THOUSANDS	Note	Group 2016	Group 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		169,208	137,611
Receipts from insurers	2	4,500	-
Interest received		3,370	3,100
Dividends received	5	7	3
Cash was applied to:			
Payments to suppliers and employees		(87,371)	(112,372)
Purchase of development land		-	(8,697)
Interest paid		(2,134)	(3,353)
Income tax paid		(16,571)	(10,563)
Net cash inflow from operating activities		**71,009**	**5,729**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was (applied to)/provided from:			
Proceeds from the sale of property, plant and equipment		10	20
Proceeds from the sale of assets held for sale	16	314	-
Purchase of property, plant and equipment	10	(32,565)	(10,926)
Purchase of investments in subsidiaries		-	(31,000)
Investments in short term bank deposits		(25,643)	23,617
Net cash outflow from investing activities		**(57,884)**	**(18,289)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was (applied to)/provided from:			
Repayment of borrowings	17	(6,523)	(11,894)
Drawdown of borrowings	17	-	16,000
Loans advanced from parent company	25	2,000	3,800
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	8	(4,430)	(3,797)
Dividends paid to non-controlling shareholders		(2,786)	(2,820)
Net cash inflow/(outflow) from financing activities		**(11,739)**	**1,289**
Net increase/(decrease) in cash and cash equivalents		**1,386**	**(11,271)**
Add opening cash and cash equivalents		14,021	24,022
Exchange rate adjustment		113	1,270
Closing cash and cash equivalents	14	**15,520**	**14,021**

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2016

DOLLARS IN THOUSANDS	Note	Group 2016	Group 2015
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		50,420	28,372
Adjusted for non-cash items:			
Goodwill written off	12	2,823	-
Gain on sale of property, plant and equipment	3	(9)	(58)
Depreciation	10	5,837	6,662
Unrealised foreign exchange (gain)/losses		(74)	71
Income tax expense	6	20,117	11,645
Gain on insurance claim	2	(4,311)	-
		74,803	**46,692**
Adjustments for movements in working capital:			
Increase in trade & other receivables		2,120	789
(Increase)/Decrease in inventories		(256)	4
Decrease/(Increase) in development properties		8,030	(30,933)
Increase in trade & other payables		3,514	2,791
Increase in related parties		1,497	127
Cash generated from operations		**89,708**	**19,470**
Interest expense	5	(2,128)	(3,178)
Income tax paid		(16,571)	(10,563)
Cash inflows from operating activities		**71,009**	**5,729**

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

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Significant accounting policies

Millennium & Copthorne Hotels New Zealand Limited is a company domiciled in New Zealand registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Millennium & Copthorne Hotels New Zealand Limited (the "Company") is a Financial Markets Conduct Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The financial statements of the Company for the year ended 31 December 2016 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 17 February 2017.

(b) Basis of preparation

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

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

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

(c) Change in accounting policies

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

(d) Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

Investments in associates

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

Significant accounting policies - continued

(e) Foreign currency

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

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

(f) Financial instruments

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

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

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

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

(g) Insurance proceeds

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

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

(h) Property, plant and equipment

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

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

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

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

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

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Significant accounting policies - continued

(h) Property, plant and equipment - continued

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

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

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

(i) Development properties

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

(j) Intangible assets

Goodwill
Goodwill represents amounts arising on acquisition of subsidiaries in a business combination. Goodwill is measured at the acquisition date as:

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

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

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

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

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

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

(k) Cash and cash equivalents

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.

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Significant accounting policies - continued

(l) Trade and other receivables

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

(m) Inventories

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

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

(n) Impairment

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

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

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

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

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

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

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

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

(o) 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.

(p) 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.

(q) Provisions

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

(r) Trade and other payables

Trade and other payables are stated at cost.

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Significant accounting policies - continued

(s) Share capital

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

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

(t) 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.

(u) Expenses

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

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

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

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

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

(v) Income tax

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

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

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

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

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

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

Significant accounting policies - continued

(w) Segment reporting

An operating segment is a distinguishable component of the Group:

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

(x) 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 2016, and have not been applied in preparing these financial statements.

- *NZ IFRS 9 - Financial Instruments (effective after 1 January 2018)*
- *NZ IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2018)*
- *IFRS 16 - Leases (effective 1 January 2019)*
- *Disclosure Initiative (Amendments to IAS 7: Cash Flow Statements (effective after 1 January 2017)*

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

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1. **Segment reporting**

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

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

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

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

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

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

Operating segments

	Hotel Operations		Residential Land Development		Residential Property Development		Group	
Dollars In Thousands	2016	2015	2016	2015	2016	2015	2016	2015
External revenue	94,576	86,094	74,471	47,599	2,988	2,848	172,035	136,541
Finance income	1,916	2,105	956	852	155	449	3,027	3,406
Finance expense	(2,151)	(3,266)	-	-	-	(5)	(2,151)	(3,271)
Depreciation and amortisation	(5,829)	(6,649)	(2)	(2)	(6)	(11)	(5,837)	(6,662)
Segment profit/(loss) before income tax	27,684	14,766	37,538	24,159	5,315	1,092	70,537	40,017
Profit before income tax	27,684	14,766	37,538	24,159	5,315	1,092	70,537	40,017
Income tax (expense)/credit	(8,301)	(4,604)	(10,510)	(6,686)	(1,306)	(355)	(20,117)	(11,645)
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	486,137	385,370	168,276	142,678	59,490	61,998	713,903	590,046
Tax assets	-	-	-	-	-	-	-	-
Investment in associates	-	-	2	2	-	-	2	2
Total assets	486,137	385,370	168,278	142,680	59,490	61,998	713,905	590,048
Segment liabilities	(93,426)	(92,853)	(4,335)	(234)	(1,137)	(7,478)	(98,898)	(100,565)
Tax liabilities	(61,660)	(44,691)	(2,149)	(2,157)	1,083	2,210	(62,726)	(44,638)
Total liabilities	(155,086)	(137,544)	(6,484)	(2,391)	(54)	(5,268)	(161,624)	(145,203)
Capital expenditure	32,551	10,917	5	1	9	8	32,565	10,926

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1. **Segment reporting** - continued

Geographical areas

Dollars In Thousands	New Zealand 2016	New Zealand 2015	Australia 2016	Australia 2015	Group 2016	Group 2015
External revenue	169,047	133,693	2,988	2,848	172,035	136,541
Finance income	2,873	3,000	154	406	3,027	3,406
Finance expense	(2,151)	(3,266)	-	(5)	(2,151)	(3,271)
Depreciation and amortisation	(5,831)	(6,651)	(6)	(11)	(5,837)	(6,662)
Segment profit/(loss) before income tax	66,263	40,173	4,274	(156)	70,537	40,017
Profit before income tax	66,263	40,173	4,274	(156)	70,537	40,017
Income tax (expense)/credit	(18,828)	(11,402)	(1,289)	(242)	(20,117)	(11,645)
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	654,415	528,377	59,488	61,667	713,903	590,046
Tax assets	-	-	-	-	-	-
Investment in associates	2	2	-	-	2	2
Total assets	654,417	528,379	59,488	61,667	713,905	590,048
Segment liabilities	(98,868)	(93,121)	(30)	(7,444)	(98,898)	(100,56)
Tax liabilities	(63,814)	(46,881)	1,088	2,243	(62,726)	(44,638)
Total liabilities	(162,682)	(140,002)	1,058	(5,201)	(161,624)	(145,20)
Capital expenditure	32,556	10,918	9	8	32,565	10,926

2. **Other income**

Dollars In Thousands	Group 2016	Group 2015
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.

3. **Administration and other operating expenses**

Dollars In Thousands	Note	Group 2016	Group 2015
Depreciation	10	5,837	6,662
Auditors remuneration			
Audit fees		294	322
Tax compliance and advisory		132	122
Directors fees	24	231	260
Lease and rental expenses	22	2,235	2,171
Provision for bad debts			
Debts written off		1	22
Movement in doubtful debt provision		34	(12)
Goodwill written-off	12	2,823	-
Net gain on disposal of property, plant and equipment		(9)	(58)
Release of earthquake and FF&E provisions for Millennium Hotel Christchurch	18	(3,000)	-
Release of excess remedial costs provided for Zenith Residences	11	(4,393)	-
Other		29,798	28,705
		33,983	**38,194**

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4. Personnel expenses

Dollars In Thousands	Group 2016	Group 2015
Wages and salaries	34,345	32,628
Employee related expenses and benefits	5,165	4,994
Contributions to defined contribution plans	586	581
Increase in liability for long-service leave	56	28
	40,152	38,231

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

5. Net finance income

Recognised in the income statement

Dollars In Thousands	Group 2016	Group 2015
Interest income	2,923	3,381
Dividend income	7	3
Foreign exchange gain	97	22
Finance income	3,027	3,406
Interest expense	(2,128)	(3,178)
Foreign exchange loss	(23)	(93)
Finance costs	(2,151)	(3,271)
Net finance income recognised in the income statement	**876**	**135**

Recognised in other comprehensive income

Dollars In Thousands	Group 2016	Group 2015
Foreign exchange translation movements	(957)	1,557
Net finance income recognised in other comprehensive income	**(957)**	**1,557**

6. Income tax expense

Recognised in the income statement

Dollars In Thousands	Group 2016	Group 2015
Current tax expense		
Current year	18,373	10,757
Adjustments for prior years	(23)	664
	18,350	11,421
Deferred tax expense		
Origination and reversal of temporary difference	1,687	224
Adjustments for prior years	80	-
	1,767	224
Total income tax expense in the income statement	**20,117**	**11,645**

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6. Income tax expense - continued

Reconciliation of tax expense

Dollars In Thousands	Group 2016	Group 2015
Profit before income tax	70,537	40,017
Income tax at the company tax rate of 28% (2015: 28%)	19,750	11,205
Adjusted for:		
Non-deductible expenses	790	505
Tax rate difference (if different from 28% above)	75	10
Tax exempt income	(555)	(739)
Under-provided in prior years	57	664
Total income tax expense	**20,117**	**11,645**
Effective tax rate	29%	29%

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

Dollars In Thousands	Group 2016	Group 2015
Relating to revaluation of property, plant and equipment	14,602	817
Relating to foreign currency translation of foreign subsidiaries	(67)	(25)
	14,535	792

7. Imputation credits

Dollars In Thousands	Group 2016	Group 2015
Imputation credits available for use in subsequent reporting periods	65,620	58,614

The KIN Holdings Group has A$5.6 million (2015: A$5.7 million) franking credits available as at 31 December 2016.

8. Capital and reserves

Share capital

	Group 2016 Shares	Group 2016 $000's	Group 2015 Shares	Group 2015 $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 2016, the authorised share capital consisted of 105,578,290 ordinary shares (2015: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2015: 52,739,543 redeemable preference shares) with no par value.

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8. Capital and reserves - continued

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

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

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

Dollars In Thousands	Parent 2016	Parent 2015
Ordinary Dividend - 2.8 cents per qualifying ordinary share (2015: 2.4 cents)	4,430	3,797
Supplementary Dividend - 0.49412 cents per qualifying ordinary share (2015: 0.4235 cents)	124	109
	4,554	3,906

After 31 December 2016 the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

Dollars In Thousands	Parent
Ordinary Dividend - 5.0 cents per qualifying share (2015: 2.8 cents)	7,911
Supplementary Dividend - 0.8824 cents per qualifying share (2015: 0.4941 cents)	227
Total Dividends	8,138

9. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary and redeemable preference shareholders of $40,447,000 (2015: $21,670,000) and weighted average number of shares outstanding during the year ended 31 December 2016 of 158,218,286 (2015: 158,218,286), calculated as follows:

Profit attributable to shareholders

Dollars In Thousands	Group 2016	Group 2015
Profit for the year	50,420	28,372
Profit attributable to non-controlling interests	(9,973)	(6,702)
Profit attributable to shareholders	40,447	21,670

Weighted average number of shares

	Group 2016	Group 2015
Weighted average number of shares (ordinary and redeemable preference shares)	158,317,833	158,317,833
Effect of own shares held (ordinary shares)	(99,547)	(99,547)
Weighted average number of shares for earnings per share calculation	158,218,286	158,218,286

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

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10. Property, plant and equipment

Group

Dollars In Thousands	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost							
Balance at 1 January 2015	102,750	175,426	27,768	92,447	104	1,248	399,743
Acquisitions	-	-	-	71	-	10,855	10,926
Disposals	-	(4,218)	-	(4,562)	(39)	-	(8,819)
Transfers between categories	-	(2,134)	91	2,436	-	(393)	-
Transfer from accumulated depreciation following revaluation	-	(126)	-	-	-	-	(126)
Movements in foreign exchange	-	-	-	6	-	-	6
Revaluation surplus/(deficit)	336	2,919	-	-	-	-	3,255
Balance at 31 December 2015	**103,086**	**171,867**	**27,859**	**90,398**	**65**	**11,710**	**404,985**
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**
Depreciation and impairment losses							
Balance at 1 January 2015	-	(14,937)	(2,500)	(73,072)	(86)	-	(90,595)
Depreciation charge for the year	-	(2,180)	(369)	(4,109)	(4)	-	(6,662)
Disposals	-	4,218	-	4,528	39	-	8,785
Transfer accumulated depreciation against cost following revaluation	-	126	-	-	-	-	126
Movements in foreign exchange	-	-	-	(5)	-	-	(5)
Balance at 31 December 2015	**-**	**(12,773)**	**(2,869)**	**(72,658)**	**(51)**	**-**	**(88,351)**
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)**
Carrying amounts							
At 1 January 2015	102,750	160,489	25,268	19,375	18	1,248	309,148
At 31 December 2015	**103,086**	**159,094**	**24,990**	**17,740**	**14**	**11,710**	**316,634**
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**

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

The Directors consider the value of the hotel assets with a net book value of $422.6 million (2015: $316.6 million) to be within a range of $422.00 to $436.00 million (2015: $316.00 to $325.00 million). This is substantiated by valuations completed by Bower Valuations Limited, registered valuers, on: 3 hotel assets valued in total at $127.65 million in December 2014; 3 hotel assets valued in total at $28.00 million in December 2015; and 7 hotel assets valued in total at $245.69 million in December 2016.

During 2016 seven (2015: three) 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 $79.42 million (2015: $3.26 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 2016 to approximate their fair value as at 31 December 2016. This is on the basis that the Group's hotels which were not subject to external professional valuations were tested for impairment by management. Based on these tests no value (2015: $nil) has been deducted from the carrying value of freehold land and buildings. The testing for impairment requires management to estimate future cash flows to be generated by the cash generating units and is categorised as Level 3 based on the inputs to the impairment models. The major unobservable inputs that management use that require judgement in estimating future cash flows include expected rate of growth in revenue and costs, market segment mix, occupancy, average room rates expected to be achieved and the appropriate discount rate to apply when discounting future cash flows. Average annual growth rates appropriate to the hotels range from 0.39% to 8.23% (2015: 1.14% to 4.04%) over the five years projection. Pre-tax discount rates ranging between 8.25% and 14.50% (2015: 7.50% and 10.75%) were applied to the future cash flows of the individual hotels based on the specific circumstances of the property.

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

	Group						
Dollars In Thousands	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost less accumulated depreciation							
At 1 January 2015	38,659	79,268	19,567	19,375	18	1,248	158,135
At 31 December 2015	**38,659**	**74,954**	**19,289**	**17,743**	**14**	**11,710**	**162,369**
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**

Copthorne Hotel Auckland Harbourcity

The Copthorne Hotel Auckland Harbourcity closed down on 24 July 2015 for a major refurbishment project valued at over $40.00 million. This project involves a complete replacement of the building services, seismic strengthening, new guest rooms and public areas. The obsolete assets were fully depreciated with the cost and accumulated depreciation, both totaling $8.61 million, removed from the asset registers in 2015. The remaining building assets of $5.65 million were transferred to work in progress for the construction phase in 2015. The capital committed at balance date is included in the total capital commitments in Note 23. The project is expected to complete in early second quarter of 2017. The Group has tested the hotel assets for impairment at 31 December 2016. Based on this test no amount has been deducted from the carrying value of the assets.

Canterbury Earthquake

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

The Millennium Hotel Christchurch suffered minor damage from the 4 September 2010 earthquake and remained open for business. The 22 February 2011 earthquake further damaged the hotel and was closed down for the required engineering assessment and repair. The lease expired in November 2015 and a settlement was reached with the insurers in regards to the Group's fixture, fittings and equipment in May 2016.

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

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

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11. Development properties

Dollars In Thousands	Group 2016	Group 2015
Development land	117,763	126,551
Residential development	52,218	52,333
	169,981	178,884
Less expected to settle within one year	(34,845)	(38,247)
	135,136	**140,637**
Development land recognised in cost of sales	33,747	20,908

Development land is carried at the lower of cost and net realisable value. No interest (2015: $nil) has been capitalised during the year. The fair value of development land held at 31 December 2016 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as $297.03 million (2015: $265.01 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 2016 was determined by R Laoulach AAPI of Laoulach & Company Pty Ltd, registered valuers as $78.09 million (A$75.05 million) (2015: $76.58 million (A$72.40 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).

In July 2016, a settlement was reached between Kingsgate Investment Pty Ltd (100% owned subsidiary within the Group) and the Owners Corporation with respect to 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.

12. Intangible assets

Since 2005, the Group carried a goodwill balance of $2.82 million in respect of Copthorne Hotel Auckland Harbourcity. The property is currently closed down for an extensive rebuild and renovation programme. On reopening in early second quarter of 2017, the property will operate under a new brand and a new trading name. The Directors have considered the changes in relation to the goodwill and have decided it is timely and appropriate to write-off fully the goodwill of $2.82 million.

13. Investment in associates

Prestons Road Limited has no revenue or expenses, therefore the Group's share of profit of its associate was nil (2015: 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.

14. Cash and cash equivalents

Dollars In Thousands	Group 2016	Group 2015
Cash	5,467	6,514
Term deposits	10,053	7,507
	15,520	14,021

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15. Trade and other receivables

Dollars In Thousands	Group 2016	Group 2015
Trade receivables	10,024	6,078
Less provision for doubtful debts	(42)	(7)
Other trade receivables and prepayments	8,711	10,060
	18,693	**16,131**

16. Assets held for sale

Dollars In Thousands	Group 2016	Group 2015
First Sponsor Group Limited shares	-	317
Add/(Less): Movement in fair value	-	2
Carrying value	-	319

On 2 November 2016, all 245,470 First Sponsor Group Limited shares were sold to Republic Hotels & Resorts Limited, Singapore, a related company to the Group, for a total cash consideration of $314,000 at a price of SG$1.30 per share.

17. Interest-bearing loans and borrowings

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

Group

				31 December 2016		31 December 2015	
Dollars in Thousands	Currency	Interest Rate	Facility Total	Face Value	Carrying Amount	Face Value	Carrying Amount
Revolving credit	NZD	2.525%	**53,000**	35,000	35,000	12,500	12,500
Revolving credit	NZD	2.525%	**46,000**	31,000	31,000	12,500	12,500
Revolving credit	NZD	-		-	-	10,000	10,000
Revolving credit	NZD	-		-	-	37,500	37,500
Overdraft	NZD	2.525%	**6,000**	4	4	27	27
TOTAL			**105,000**	**66,004**	**66,004**	**72,527**	**72,527**
Current				4	4	27	27
Non-current				66,000	66,000	72,500	72,500

Terms and debt repayment schedule
The bank loans are secured over hotel properties with a carrying amount of $389.81 million (2015: $283.28 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.

18. Provisions

Dollars In Thousands	Group Earthquake provisions	Group FF&E and Site Restoration	Group Total
Balance at 1 January 2015	2,243	757	3,000
Provisions made during the year	-	-	-
Balance at 31 December 2015	**2,243**	**757**	**3,000**
Non-current	-	-	-
Current	2,243	757	3,000
Balance at 1 January 2016	2,243	757	3,000
Provisions reversed during the year	(2,243)	(757)	(3,000)
Balance at 31 December 2016	-	-	-
Non-current	-	-	-
Current	-	-	-

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 was released to other operating expenses in the income statement.

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19. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
Dollars In Thousands	2016	2015	2016	2015	2016	2015
Property, plant and equipment	-	-	61,175	46,594	61,175	46,594
Development properties	(1,139)	(1,149)	-	-	(1,139)	(1,149)
Provisions	(81)	(2,109)	-	-	(81)	(2,109)
Employee benefits	(978)	(768)	-	-	(978)	(768)
Trade and other payables	(576)	(545)	-	-	(576)	(545)
Net investment in foreign operations	-	-	782	858	782	858
Net tax (assets) / liabilities	(2,774)	(4,571)	61,957	47,452	59,183	42,881

Movement in deferred tax balances during the year

	Group			
Dollars In Thousands	Balance 1 Jan 15	Recognised in income	Recognised in equity	Balance 31 Dec 15
Property, plant and equipment	45,573	204	817	46,594
Development properties	(1,103)	(33)	(13)	(1,149)
Provisions	(2,250)	161	(20)	(2,109)
Employee benefits	(735)	(33)	-	(768)
Trade and other payables	(471)	(75)	1	(545)
Net investment in foreign operations	851	-	7	858
	41,865	224	792	42,881

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

20. Trade and other payables

	Group	
Dollars In Thousands	2016	2015
Trade payables	1,952	1,351
Employee entitlements	3,344	2,632
Non-trade payables and accrued expenses	19,661	16,588
	24,957	20,571

21. Financial instruments

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

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

Liquidity risk

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

Credit risk

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

Investments are allowed only in 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 $41,000 (2015: $1.84 million). All other credit risk exposure relates to New Zealand.

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21. Financial instruments - continued

Market risk

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

An increase of 1.0% in interest rates would have increased profit before tax for the Group in the current period by $0.12 million (2015: $0.01 million decrease), assuming all other variables remained constant.

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

Group		2016				2015			
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less	6 to 12 months
Interest bearing cash & cash equivalents *	14	0.25% to 3.10%	15,380	15,380	-	0.10% to 3.22%	13,961	13,961	-
Short term bank deposits *		1.90% to 3.60%	85,598	34,858	50,740	2.35% to 4.70%	59,955	18,755	41,200
Secured bank loans *	17	2.525%	(66,000)	(66,000)	-	3.275%	(72,500)	(72,500)	-
Bank overdrafts *	17	2.525%	(4)	(4)	-	3.10%	(27)	(27)	-

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

(ii) Foreign currency risk
The Group owns 100.00% (2015: 100.00%) of KIN Holdings Limited. Substantially all the operations of these subsidiary groups are 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.

21. Financial instruments - continued

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

Group *Dollars In Thousands*	Note	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
LOANS AND RECEIVABLES					
Cash and cash equivalents	14	15,520	15,520	14,021	14,021
Short term bank deposits		85,598	85,598	59,955	59,955
Trade and other receivables	15	18,693	18,693	16,131	16,131
Trade payables due from related parties	25	-	-	27	27
OTHER LIABILITIES					
Secured bank loans and overdrafts	17	(66,004)	(66,004)	(72,527)	(72,527)
Trade and other payables	20	(24,957)	(24,957)	(20,571)	(20,571)
Trade payables due to related parties	25	(2,137)	(2,137)	(667)	(667)
Loans due to related parties	25	(5,800)	(5,800)	(3,800)	(3,800)
		20,913	20,913	(7,431)	(7,431)
Unrecognised (losses) / gains		-	-	-	-

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

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

22. Operating leases

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

Dollars In Thousands	Group 2016	Group 2015
Less than one year	956	961
Between one and five years	3,029	3,450
More than five years	447	965
	4,432	5,376

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 2016, $2.24 million was recognised as an expense in the income statement in respect of operating leases (2015: $2.17 million).

23. Capital commitments

As at 31 December 2016, the Group had entered into contractual commitments for capital expenditure ($13.58 million) and development expenditure ($13.59 million) totalling $27.17 million (2015: $38.58 million capital expenditure and $12.51 million development expenditure). The majority of the capital committed relates to the refurbishment of Copthorne Hotel Auckland Harbourcity (refer to Note 10).

24. Related parties

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

Transactions with key management personnel
Directors of the Company and their immediate relatives control 0.57% (2015: 0.71%) of the voting shares of the Company. There were no loans (2015: $nil) advanced to directors for the year ended 31 December 2016. Key management personnel include the Board and the Executive Team.

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24. Related parties - continued

Total remuneration for key management personnel

Dollars In Thousands	Group 2016	Group 2015
Non-executive directors	231	260
Executive director	518	604
Executive officers	751	684
	1,500	**1,548**

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).

25. Group entities

Control of the Group

Millennium & Copthorne Hotels New Zealand Limited is a 75.20% (2015: 75.20%) owned subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Ltd in Singapore.

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

Dollars In Thousands	Nature of balance	Group 2016	Group 2015
Trade payables and receivables due to related parties			
Millennium & Copthorne Hotels plc	Recharge of expenses	(558)	(667)
Millennium & Copthorne International Limited	Recharge of expenses	(31)	2
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	(7)	25
CDLHT (BVI) One Ltd	Rent payment	(1,541)	-
		(2,137)	**(640)**
Loans due to related parties			
CDL Hotels Holdings New Zealand Limited	Inter-company loan	(5,800)	(3,800)
		(5,800)	**(3,800)**

No debts with related parties were written off or forgiven during the year. No interest was charged on these payables during 2016 and 2015. There are no set repayment terms. During this period costs amounting to $250,000 (2015: $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 $1.54 million being rent payable with respect to the leasing of the property. During the 4 months' operation of the hotel, the Group received $496,000 (2015: nil) in management, franchise, and incentive fees.

The loan due to CDL Hotels Holdings New Zealand Limited is interest bearing. The interest rates were fixed and range between 2.22% and 2.47% (2015: 2.47 to 3.06%).

During the year consulting fees of $41,000 (2015: $78,000) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder and director.

Associate companies

The associate companies included in the financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2016 are:

	Principal Activity	Principal Place of Business	Holding % by CDL Land New Zealand Limited 2016	Holding % by CDL Land New Zealand Limited 2015
Prestons Road Limited	Service provider	NZ	33.33	33.33

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

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25. **Group entities** - continued

Subsidiary companies
The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2016 are:

	Principal Activity	Principal Place of Business	Group Holding % 2016	Group Holding % 2015
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	66.70	66.91
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.

26. **Accounting estimates and judgements**

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

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

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 property for impairment the following assumption was made: the land underlying the property is not affected by liquefaction or other geological issues which prevent the reinstatement of the property.

Development property
The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is $169.98 million (2015: $178.88 million) while the fair value determined by independent valuers is $375.12 million (2015: $341.59 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.

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Independent Auditor's Report

To the shareholders of Millennium and Copthorne Hotels New Zealand Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Millennium and Copthorne Hotels New Zealand Limited (the company) and its subsidiaries (the Group) on pages FIN 1 to FIN 27:

i. present fairly in all material respects the Group's financial position as at 31 December 2016 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 2016;

— the consolidated income statement, statement of other comprehensive income, statement of changes in equity and statement of 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 $2.8 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. Harbour City Hotel redevelopment	
Refer to note 10 of the consolidated financial statements. During the current financial year the Harbour City Hotel has been closed while it undergoes a full redevelopment. The redevelopment is a multi-year project to be completed by a third party contractor. The redevelopment project has a budgeted cost of $42m. There is significant judgement required to determine the current value of the hotel while under redevelopment, as well as the expected fair value at completion. This is due to potential unbudgeted costs and the possibility of the total redevelopment costs exceeding fair value.	Our procedures focused on obtaining evidence to support the recoverable value at both balance date and upon completion of the redeveloped hotel. Management prepared an internal "upon completion" valuation for the Harbour City Hotel. In addition, they engaged an external valuer to prepare an "upon completion" and an "as at 31 December 2016" valuation for the Hotel. This exercise resulted in a range of valuations for the recoverable value of the hotel. We challenged these valuations by comparing projected post redevelopment revenue and profits to historical trends and market data achieved by similar quality rated hotels in the Auckland region. We also 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 then performed sensitivity analyses, considering a range of possible outcomes based on various scenarios. We used our own valuation specialist to assess the appropriateness of the external valuation. In addition to the above procedures, we specifically assessed the recoverable value at balance date by understanding the stage of completion and costs to complete. We did this by examining the construction contract and budgeted costs of the redevelopment and completing a site inspection of the redevelopment including discussions with the project manager and reviewing the latest progress claims verified by the quantity surveyor. We compared costs incurred to date to the original redevelopment budget to identify the extent of any unbudgeted costs incurred. We consider the approach taken by the group was reasonable and the estimates and assumptions used were supported by the available evidence. We found the valuations were sensitive to changes in projected cash flows, primarily occupancy rates, room rates and food and beverage. There are scenarios that could arise that would result in a potential impairment in the future, however given the status of redevelopment we did not identify sufficient evidence for an impairment to be required

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The key audit matter	How the matter was addressed in our audit
	as at 31 December 2016. We consider there to be some risk going forward if the hotel does not generate the results anticipated.
2. Valuation of Hotel Land and Building assets	
Refer to note 10 of the consolidated financial statements. Land and buildings of $365m (representing 51% 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 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. Our valuation specialists also assisted us to assess 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 justified 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 one hotel warranted a detailed impairment review. For this hotel we challenged the key assumptions used in determining the recoverable amount of the hotel asset. We also considered future forecasts, comparing these to internal plans and external market information. Our testing indicated that the estimates and assumptions used were justified 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 may include the Chairman's review, Managing Director's review, and disclosures relating to corporate governance, sustainability and hotel ownership. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this audit report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

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Use of this Independent Auditor's Report

This 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 report, or any of the opinions we have formed.

Responsibilities of Directors for the consolidated financial statements

The Directors, on behalf of the group, 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:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our Independent Auditor's Report.

KPMG

Jason Doherty
For and on behalf of
KPMG
Auckland
17 February 2017

Full and Half year Preliminary Announcements and Half Year Results

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED	
Results for announcement to the market	
Reporting Period	12 months to 31 December 2016
Previous Reporting Period	12 months to 31 December 2015

	Amount (000s)	Percentage change	
Revenue from ordinary activities	NZ$ 172,035	Up	26.00%
Profit (loss) from ordinary activities after tax attributable to security holders	NZ$ 40,447	Up	86.65%
Net profit (loss) attributable to security holders	NZ$ 40,447	Up	86.65%
Basic earnings per share (cents per share)	25.56c	Up	86.65%
Diluted earnings per share (cents per share)	25.56c	Up	86.65%
Net tangible assets per share (cents per share)	308.91c	Up	25.63%

Interim/Final Dividend	Amount per security	Imputed amount per security
Final Dividend	Dividend of 5.0 cents per share	Fully imputed

Record Date	12 May 2017
Dividend Payment Date	19 May 2017

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

Details of the reporting period and the previous corresponding reporting period:
This report is for the full year ended 31 December 2016 and should be read in conjunction with the most recent annual financial report. Comparatives are in respect of the full year ended 31 December 2015.

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

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

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

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

--Details of individual and total dividends or distributions and dividend or distribution payments
On 3 February 2017, the Directors declared a final dividend of 5.00 cents per ordinary and redeemable preference share payable on 19 May 2017. The total dividend payable will be $7.91 million. The dividend will be fully imputed and supplementary dividends will be paid to non-resident shareholders. The dividend has not been recognised in the 31 December 2016 financial statements.

	NZ$ (million)	NZ cents per share
Distributions declared		
Final dividend for the 2016 Financial Year (ordinary and redeemable preference shares)	NZ$ 7.91	5.00c
Last distribution paid		
Final dividend for the 2015 Financial Year (ordinary and redeemable preference shares)	NZ$ 4.43	2.80c

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

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

NZ cents per share	Current full year	Previous full year
Ordinary shares	308.91c	245.89c
Redeemable Preference shares	308.91c	245.89c

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

--Details of associates and joint ventures

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

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

Accounting Policies:
Refer to the Annual Financial Statements.

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

Audit Report:
The Independent Auditor's report is at pages FIN28 to FIN31 of the Annual Financial Statements.

Additional Information:
None.

DATE: 17 February 2017

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

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

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

Full name of Issuer	MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED
Name of officer authorised to make this notice	TROY DANDY, GROUP COMPANY SECRETARY
Authority for event, e.g. Directors' resolution	BOARD RESOLUTION
Contact phone number	09 353 5005
Contact fax number	09 309 3244
Date	17 / 02 / 2017

Nature of event
Tick as appropriate

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

EXISTING securities affected by this

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

Description of the class of securities	Ordinary
ISIN	NZMCKE0004S9

If unknown, contact NZX

Details of securities issued pursuant to this event

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

Description of the class of securities	
ISIN	

If unknown, contact NZX

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

Enter N/A if not applicable

Monies Associated with Event

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

In dollars and cents

Amount per security (does not include any excluded income)	$0.050
Excluded income per security (only applicable to listed PIEs)	N/A
Currency	NZD
Total monies	$5,273,937
Source of Payment	Cashflow

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.008824
Date Payable	19/05/17

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	N/A
Resident Withholding Tax	$0.002500
Imputation Credits (Give details)	$0.019444
Foreign Withholding Tax	N/A
FDP Credits (Give details)	N/A

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	12/05/17
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date.*	19/05/17
Notice Date *Entitlement letters, call notices, conversion notices mailed*	N/A
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	N/A

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

Security Code:

Security Code:

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

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

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

Full name of Issuer	MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED
Name of officer authorised to make this notice	TROY DANDY, GROUP COMPANY SECRETARY
Authority for event, e.g. Directors' resolution	BOARD RESOLUTION
Contact phone number	09 353 5005
Contact fax number	09 309 3244
Date	17 / 02 / 2017

Nature of event
Tick as appropriate

Bonus Issue ☐ *If ticked, state whether:* *Taxable* ☐ */ Non Taxable* ☐ *Conversion* ☐ *Interest* ☐ *Rights Issue Renouncable* ☐

Rights Issue non-renouncable ☐ Capital change ☐ Call ☐ Dividend ☒ If ticked, state whether: Interim ☐ Full Year ☒ Special ☐ DRP Applies ☐

EXISTING securities affected by this

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

Description of the class of securities	Redeemable Preference Shares
ISIN	NZMCKE0005S6

If unknown, contact NZX

Details of securities issued pursuant to this event

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

Description of the class of securities	
ISIN	

If unknown, contact NZX

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

Enter N/A if not applicable

Monies Associated with Event

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

In dollars and cents

Amount per security (does not include any excluded income)	$0.050
Excluded income per security (only applicable to listed PIEs)	N/A
Currency	NZD
Total monies	$2,636,977
Source of Payment	Cashflow

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.008824
Date Payable	19/05/17

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	N/A
Resident Withholding Tax	$0.002500
Imputation Credits (Give details)	$0.019444
Foreign Withholding Tax	N/A
FDP Credits (Give details)	N/A

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	12/05/17
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date.*	19/05/17
Notice Date *Entitlement letters, call notices, conversion notices mailed*	N/A
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	N/A

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

Security Code:

Security Code:

CHAIRMAN'S REVIEW

Financial Performance & Financial Position

The Directors of Millennium & Copthorne Hotels New Zealand Limited ("MCK") are pleased to report a profit attributable to owners of the parent of $40.4 million (2015: $21.7 million) for the year ended 31 December 2016.

MCK's revenue for the year increased to $172.0 million (2015: $136.5 million) and profit before tax and non-controlling interests totalled $70.5 million (2015: $40.0 million). The increases in revenue and profit from 2015 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.

Shareholders' funds excluding non-controlling interests as at 31 December 2016 totalled $489.1 million (2015: $389.3 million). Total assets at 31 December 2016 were $713.9 million (2015: $590.0 million). Net asset backing (with land and building revaluations and before distributions) as at 31 December 2016 has increased to 308.91 cents per share (2015: 245.9 cents per share).

Earnings per share increased to 25.56 cents per share (2015: 13.70 cents per share).

New Zealand Hotel Operations

Reflecting the current trading environment, revenue for the hotels increased by 9.9% to $94.6 million (2015: $86.1 million) and revenue per available room (RevPAR) increased by 14.8% over 2015. Occupancy also increased to 80.7% in 2016 (2015: 77.1%). These increases reflect better sales and marketing initiatives, profit conversions and continued productivity improvements across all business units.

Of the owned / operated hotels, Copthorne Hotel & Resort Queenstown Lakefront and Millennium Queenstown were notable for their performance in 2016. The management lease for Grand Millennium Auckland commenced in September 2016 and is proceeding in line with expectations.

As announced in July 2015, Copthorne Hotel Auckland Harbourcity was closed for a refurbishment programme and is expected to be completed by the second quarter of 2017. The hotel will be extensively refurbished and its operations will be appropriately repositioned as the MSocial Auckland.

Canterbury Update

MCK's remaining insurance claims for its chattels and property relating to Millennium Hotel Christchurch were settled during the year. MCK is actively considering development and rebuild options for its former Copthorne Hotel Christchurch Central site on Colombo Street with a view to commencing works in the medium term.

CDL Investments New Zealand Limited ("CDLI")

CDLI continued to perform strongly and announced a record operating profit after tax for the year ended 31 December 2016 of $27.0 million (2015: $17.5 million). CDLI's sections continue to be in high demand particularly in Auckland and Canterbury.

As a result CDLI increased its ordinary dividend to 3.0 cents per share (2015: 2.2 cents per share). MCK's stake in CDLI reduced slightly to 66.70% as a result of MCK taking its dividend in cash and not shares.

Australia Update

In Australia, the occupancy at the Zenith residences was high at 98% while the litigation affecting a wholly-owned subsidiary was settled out of court during the year.

Dividend Announcement

Reflecting its positive results in 2016, MCK has resolved to declare and pay all shareholders a fully imputed dividend of 5.0 cents per share (2015: 2.8 cents per share) which represents a 78.6% increase over the 2015 dividend. The Board has chosen to increase MCK's dividend once more as it remains confident as to MCK's ability to deliver consistent results and returns from its business units.

The dividend, payable to all shareholders, will be paid on 19 May 2017. The record date will be 12 May 2017.

Outlook

2017 will be another exciting year for MCK as it will mark the opening of MSocial Auckland in the second half after extensive refurbishment. The financial impact of having Grand Millennium Auckland for a full year will also be reflected in our results.

We expect to benefit from the growing tourism interest in New Zealand and the Lions Rugby Tour. We also expect strong sales activity at CDL Investments to continue which will also assist our profitability.

Given all of these factors, we aim to exceed our 2016 trading results in 2017.

Management and staff

On behalf of the Board, I wish to thank the Company's management and staff for their hard work and commitment to the Company during the last twelve months and for delivering another exceptional result.

Wong Hong Ren
Chairman
17 February 2017

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND REPORTS INCREASED 2016 REVENUES AND PROFIT

Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) today reported its preliminary results for the year ended 31 December 2016 and announced a profit after tax and attributable to owners of the parent of $40.4 million (2015: $21.7 million) on total revenue of $ 172.0 million (2015: $ 136.5 million).

Despite the closure of the Copthorne Hotel Auckland, Harbour City for its refurbishment, MCK's hotel operations grew both its topline revenue and profit. The management lease of Grand Millennium Auckland also commenced in September 2016. The strong sales at MCK's land development subsidiary CDL Investments New Zealand Limited contributed significantly to MCK's results.

MCK Chairman Mr. HR Wong said that the Board was pleased with the continued improvement in the hotel operational efficiencies by its staff and the extension of MCK's product range.

"Our continued focus on our core businesses and the efficiencies we have been making in both areas are producing results for our shareholders", he said.

MCK has resolved to declare an increased and fully imputed dividend of 5.0 cents per share for 2016 to all shareholders (2015: 2.8 cents per share). The dividend reflects the continued positive operational profitability of the Company. With the reopening of Copthorne Hotel, Auckland Harbour City as the MSocial Auckland in the second half of 2017 and the full year operations of the Grand Millennium Auckland, the Board is confident in exceeding its 2016 trading results in 2017. The dividend will be paid to shareholders on 19 May 2017. The record date will be 12 May 2017.

Summary of results:

• Profit after tax and non-controlling interests	$40.4 million	(2015: $21.7m)
• Profit before tax and non-controlling interests	$70.5 million	(2015: $40.0m)
• Group revenue	$172.0 million	(2015: $136.5m)
• Shareholders' funds excluding non-controlling interests	$489.1 million	(2015: $389.3am)
• Total assets	$713.9 million	(2015: $590.0m)
• Earnings per share (cents per share)	25.56 cents	(2015: 13.70 cents)

ENDS

Issued by Millennium & Copthorne Hotels New Zealand Limited

Enquiries to:

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Managing Director
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