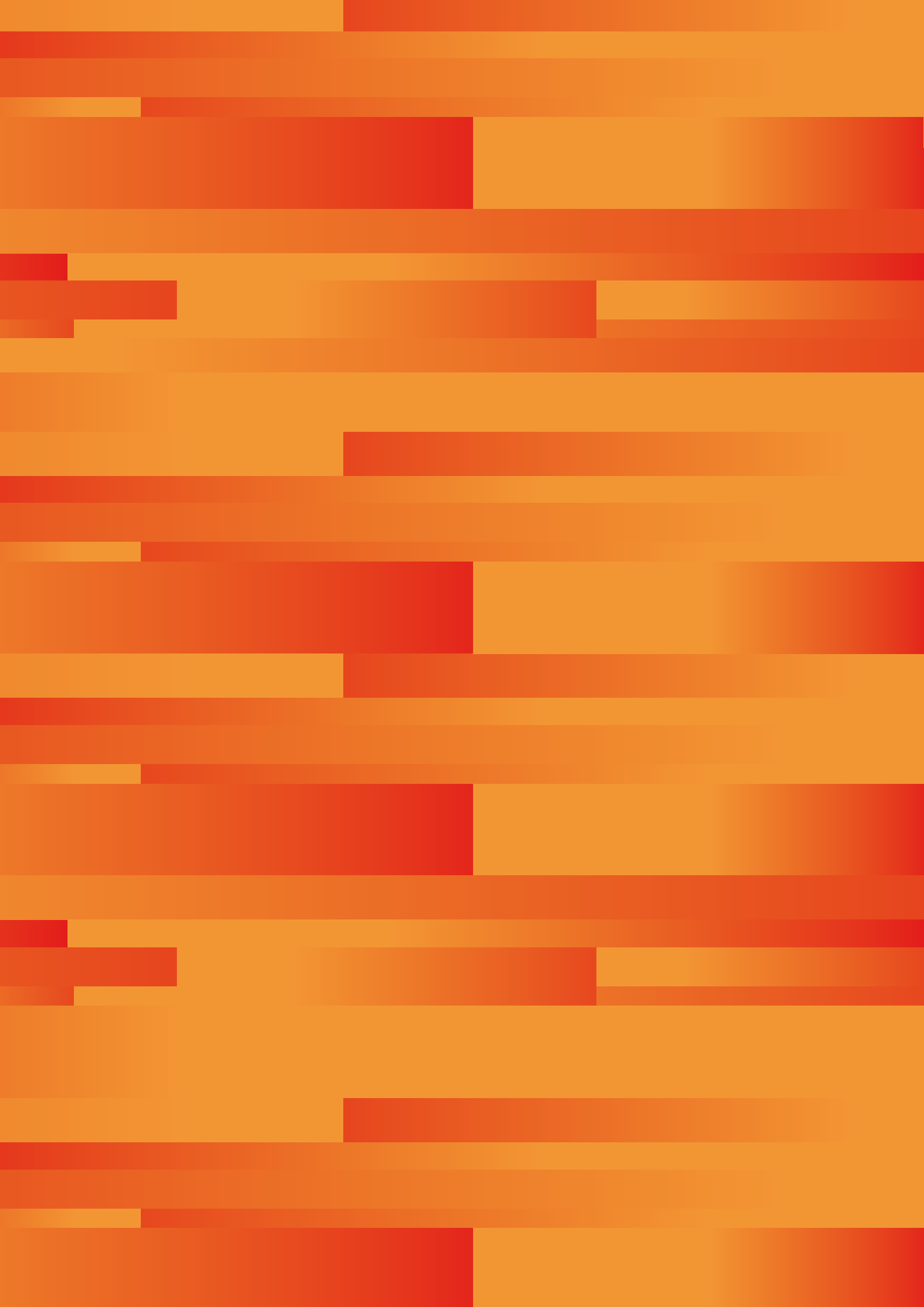


SKYLINE ENTERPRISES FINANCIAL REPORT 2017



Skyline
Enterprises



DIRECTORY

BOARD OF DIRECTORS:

Mark Quickfall (Chairman)

Grant H Hensman

Richard B Thomas

Jan N Hunt

Donald N Jackson

Sarah C Ottrey (Appointed 1 November 2016)

SENIOR MANAGERS OF COMPANY OPERATIONS:

Geoff McDonald

Chief Executive Officer – Skyline Enterprises

Brett Anderson

Chief Executive – Christchurch Casino

Lyndon Thomas

General Manager – Skyline Queenstown

Andrew Jensen

General Manager – Skyline Rotorua

Simon Barr

General Manager – Totally Tourism

Leigh Stock

General Manager – Leisure Lodge

Alastair Clifford

Manager – Skyline Properties

Michael and Anne McMillan

Managers – Blue Peaks Lodge and Apartments

Danny Luke

General Manager – Skyline International Luge

Ryan Williams

General Manager – Skyline Luge Sentosa

James Dudfield

General Manager – Skyline Luge Tongyeong

Dean Johnson

General Manager – Skyline Luge Mont Tremblant

Jason Blair

General Manager – Skyline Luge Calgary

CHARTERED ACCOUNTANTS:

McCulloch & Partners,

Level 2, 11-17 Church Street, Queenstown

AUDITORS:

Crowe Horwath New Zealand Audit Partnership

SHARE REGISTRAR:

Computershare Investor Services Limited

Private Bag 92119, Auckland 1142

Enquiries: 0064 9 488 8777

www.computershare.co.nz/investorcentre

BANKERS:

Bank of New Zealand

SOLICITORS:

Chapman Tripp, Christchurch

MacTodd, Queenstown

Todd & Walker Law, Queenstown

REGISTERED OFFICE:

McCulloch & Partners,

Level 2, 11-17 Church Street, Queenstown

SHARE TRADING & PRICE INFORMATION:

Efficient Market Services Limited

PO Box 3156, Wellington 6140

www.unlisted.co.nz

NOTICE OF MEETING:

The Directors of Skyline Enterprises Limited request the pleasure of your attendance at the 50th Annual General Meeting of the Company to be held at the Skyline Restaurant, Queenstown, on 30 September 2017, at 5.30pm and afterwards as their guest for drinks and hors d'oeuvres.

ORDINARY BUSINESS:

1. The election of Directors. In accordance with the Company Constitution Mrs Jan Hunt and Mr Donald Jackson retire from the Board by rotation and being eligible, offer themselves for re-election. Ms Sarah Ottrey appointed since the last AGM and being eligible, offers herself for election.
2. Directors' Fees. To approve Directors' Fees of five hundred thousand dollars (\$500,000) per annum from 1 April 2017.
3. To record the reappointment of the Auditors Messrs Crowe Horwath New Zealand Audit Partnership and to authorise the Board to fix their remuneration for the ensuing year.
4. To transact any other business that may properly be transacted at the meeting.

BY ORDER OF THE BOARD:

M J Harris for Secretaries, Queenstown, 24th July 2017.

PROXIES:

All shareholders of the Company are entitled to attend and vote at the meeting and are entitled to appoint a proxy to attend and vote for them instead. A proxy need not be a member of the Company. A proxy form is enclosed and, if used, must be lodged at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

DIRECTORS REPORT

Your Directors have pleasure in submitting their report together with the financial accounts of the company for the year ended 31 March 2017.

RESULTS AND DISTRIBUTIONS

| | |
|--|--------------|
| Operating surplus attributable to the Group for the financial year | \$68,103,486 |
| From this will be deducted | |
| Directors' recommended dividend of 60 cents | \$20,482,427 |
| | <hr/> |
| Increase in Group retained earnings to be carried forward to reserves of | \$47,621,059 |
| | <hr/> |

DIVIDEND

Subsequent to balance date, the directors have declared a final dividend of 60 cents per share payable 6 October 2017. Dividends are fully imputed to New Zealand resident shareholders.

When determining the dividend payment to shareholders, the Directors review the Underlying Profit of the Group. The Underlying Profit excludes all revaluations, goodwill written off, amortisation of intangibles and adjustment to the actual income tax expense, to reflect the underlying trading performance of the Group. The underlying profit has been calculated as:

| | 2017 \$ | 2016 \$ | 2015 \$ |
|--|--------------|--------------|--------------|
| 'Directors' Profit Before Tax | 68,886,761 | 60,963,824 | 50,782,670 |
| Less Adjusted Income Tax Expense | (18,052,719) | (16,821,421) | (14,061,904) |
| | <hr/> | <hr/> | <hr/> |
| 'Directors' Profit Attributable to Equity Holders of The Company | 50,834,042 | 44,142,403 | 36,720,766 |
| | <hr/> | <hr/> | <hr/> |

RECONCILIATION TO FINANCIAL STATEMENTS

Profit Before Tax as Per Financial Statements

Plus Amortisation of Licences and Concessions
Less Investment Property Revaluation
Less Depreciation Investment Property

'Directors' Profit Before Tax
Less Adjusted Income Tax

'Directors' Profit Attributable to Equity Holders of The Company

| | | |
|-------------------|-------------------|-------------------|
| 85,671,559 | 67,369,714 | 63,808,525 |
| 4,217,168 | 4,217,168 | 4,217,168 |
| (20,254,664) | (10,114,319) | (16,709,649) |
| (747,302) | (508,739) | (533,374) |
| <hr/> | <hr/> | <hr/> |
| 68,886,761 | 60,963,284 | 50,782,670 |
| (18,052,719) | (16,821,421) | (14,061,904) |
| <hr/> | <hr/> | <hr/> |
| 50,834,042 | 44,142,403 | 36,720,766 |
| <hr/> | <hr/> | <hr/> |



M Quickfall

Director

Dated this 24 July 2017



D N Jackson

Director

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A man with grey hair, smiling, wearing a bright blue puffer jacket with 'Skyline' and 'maapac' logos. He is standing in front of a dense, dark green forested mountain under an overcast sky.

Executive Chairman Report

MARK QUICKFALL

Whilst we celebrate 50 years of fun at Skyline Queenstown it is also important to look to the future. Off the back of over 50 years of hard work Skyline Enterprises is well-positioned with a strong balance sheet, competitive businesses, committed workforce and loyal shareholders.

Skyline Queenstown

Celebrating 50 years of Gondola operation this year, Skyline Queenstown continues to be our standout business in terms of financial performance. Increased gains across all aspects of the business continued this financial year. It is a credit to the team in maintaining the quality daily guest experience across all activities.

The continued increase in business and visitor numbers reaffirms our decision to redevelop Skyline Queenstown. We plan to replace the current 4 seat Gondola system with increased cabin capacity to 10 seats. This requires construction of new bottom and top terminals. The Skyline complex will see a doubling in food and beverage capacity, expanded conference and function facilities and viewing areas and decks extending around the eastern and northern perimeter of the complex. Due to demand, our current two seater Luge chairlift will be replaced by a four seater, significantly increasing capacity.

In June, our direct referral application for this development to the Environment Court was heard. The court highlighted car parking as being a major issue.

Our next step is securing consent to construct a multi-story carpark behind the bottom terminal. This will extend our original timeline for the project to four years with planned completion date now 2021.

Skyline Rotorua

Refurbishments and new product development at Skyline Rotorua continued to provide growth and enhanced guest experience. This resulted in a 12% lift in overall business mainly across our Gondola, Luge, restaurant and zip line activities.

Skyline International Luge

Focusing on new opportunities has grown the International Luge operation. The development and opening of Skyline Luge Tongyeong was a highlight and has set new standards for our Luge operations. The development of our second Korean Luge operation has been confirmed for Busan. Additional resources applied to International Luge are paying dividends and we are excited about future prospects.

Trading results for our International Luge sites met expectations.

Skyline Luge Tremblant is well established with consistent trading whilst Calgary numbers are improving as awareness of the Luge operation increases.

The construction of the Skyline Luge Sentosa second chairlift and track extension has impacted on trading. Year end results are slightly behind last year as anticipated. The track extensions and second chairlift will provide further capacity.

Progress on Luge R&D projects includes new Luge cart development, improved Luge cart handling conveyor and maintenance tracking systems.

Mercure Leisure Lodge Blue Peaks Lodge and Apartments

Both accommodation properties achieved results ahead of last year and budget. Management are focused on an overarching strategy to improve our physical assets, presentation, marketing and systems to grow our accommodation businesses. Scheduled upgrades at both properties will improve the guest experience.

Totally Tourism

Totally Tourism delivered a collective result ahead of previous years and continues to benefit from strong inbound tourism numbers. Totally Tourism's focus is on two major areas; South Island helicopter operations and Milford Sound (Milford Sound Flights and Mitre Peak Cruises) with our related heliski, helihike and Combo operations supporting these areas. Investment in fleet improvements and operating bases places the overall business in a strong position.

Skyline Properties

The Queenstown CBD market remains buoyant with Skyline's commercial properties near fully tenanted. Increased downtown commercial property rental yields has lifted Skyline's property valuations. The new Eichardts building on Marine Parade is complete and planning the refurbishment of O'Connell's Pavilion continues. The review of our portfolio in terms of standards and appearance is ongoing.

Christchurch Casino

The financial results continue to be consistent year on year. Post-earthquake inner city infrastructure and visitor accommodation has taken longer than expected to come on stream. The focus remains on marketing and presenting the Casino as a safe entertainment destination for Christchurch residents and visitors to the city. This will ensure the Casino is well placed when CBD visitation increases. The hotel project on adjacent Casino owned

land by a third party is now at the resource consenting stage. Significant work in preparation for the Casino's licence renewal in 2019 is underway.

Franz Josef Glacier Gondola Project

Investigations into the Franz Josef Glacier Gondola Project continue; this includes environmental, technical, economic and cultural viability.

Skyline Enterprises Group Support

The development of groupwide functions including Finance, HR, ICT, S&M and Enterprise Solutions to support our diverse range of businesses remains a key focus. Information technology infrastructure to support our people, processes and systems has improved. Whilst investment in some of these areas will not provide immediate bottom-line results, long term benefits have been identified. This includes connecting directly with our partners and customers to continuously improve the customer journey. Project Management has become progressively important with increased reinvestment in our businesses and major capital projects planned.

During this trading period an increase in regular business has been managed whilst planning and executing new projects was also required. Directors, management and staff excelled in their roles to deliver positive outcomes on behalf of customers and shareholders.

Regular updates on Skyline's activities can be found on our recently launched Skyline Enterprises website

www.skylineenterprises.co.nz

Looking Forward

We need to be mindful the next five years may not mirror the past five. During this period, it is anticipated the Skyline Queenstown Development and several other major projects will impact Skyline Enterprises trading profit. The capital cost of the Skyline Queenstown project and disruption during construction to the business should not be underestimated. This project will provide future capacity and maintain long term profitability of our flagship business. During this five year period the downside will be offset to some degree by additional earnings as International Luge projects come onstream.

Our executive search for a new CEO was successful. We welcomed Geoff McDonald to Skyline Enterprises on 1 June 2017. This follows Geoff's significant business career in the global healthcare arena, most recently as General Manager of GSK Australia.

CEO Introduction

GEOFF MCDONALD

It is indeed an honour to join the Skyline group and take on the responsibility of leading the business through the next exciting growth chapter.

In the few short months I have been in the CEO role I have been impressed by the calibre and capability of the people right across this very diverse organisation.

“THE COMPANY HAS ENJOYED INCREDIBLE GROWTH OVER CONSECUTIVE YEARS AND I WOULD LIKE TO PAY TRIBUTE TO ALL OF THE SKYLINE EMPLOYEES ACROSS ALL OF OUR BUSINESSES WHOSE PASSION, ENERGY AND COMMITMENT HAS DELIVERED THIS SUCCESS.”

The new financial year has started very well and we are targeting another impressive result.

Alongside a diligent focus on financial performance, the business is also investing in establishing new systems and technological infrastructure to ensure that we have a strong platform to support our performance into the future.

Our business is diverse, we compete in many different business sectors, from leisure and entertainment to hospitality, adventure tourism, and we also manage a successful property portfolio.

Skyline Enterprises is now established in four distinct locations around the world and is also evaluating opportunities in many others, with several bold and

important development projects such as the Queenstown Gondola redevelopment, and the new Luge project in Busan, Korea.

Given the size, scope and complexity of the business, and the potential for even greater growth across the portfolio we must ensure we are well positioned to capitalise with the right people in the right roles and the right information and support systems to manage the business.

I will be working with our teams at all levels to ensure we attract and retain the right people, create platforms that enable and support our growth and at the same time retain the ‘nimble and entrepreneurial spirit’ that has made Skyline a leader in the industry.





79,637

SCENIC FLIGHT PASSENGERS



4,696,224

LUGE RIDES

586,240

DINERS



1,448,582

GONDOLA PASSENGERS



QUEENSTOWN
GONDOLA RIDES
FROM THE BEGINNING

1968

56,133

1970

95,984

1980

168,161

1990

268,161

2000

421,390

2010

521,115

2015

682,555

2017

861,777

fifty years of fun 1967-2017

***Celebrating Fifty Years
of Growth for the Skyline
Queenstown Gondola.***



November 2017 is an important milestone not only for Skyline but for New Zealand tourism as a whole.

On November 17th 1967 the Southern Hemisphere's first ever Gondola ride was officially opened, putting Queenstown on the map and paving the way for a huge period of growth for New Zealand's fledgling tourism industry. The Gondola was a huge hit with over 80,000 passengers enjoying the thrill and taking in the iconic views which have been a hallmark for Skyline ever since.

... and those numbers just keep climbing. Last year over 800,000 passengers rode the Gondola and all the signs point to continued growth. With the future in mind we're already planning a major upgrade of our terminal and the development of a 10-seat Gondola so that Skyline can continue to be a tourism pioneer for the next 50 years.

Since those heady days back in 1967, Skyline has steadily built a reputation for fun. A Skyline welcome has become an integral part of any visit to Queenstown and an important ingredient in the success of New Zealand tourism.

We just love having fun...

"A fiftieth birthday is a significant milestone by any standard and tells the continuing story of not only Skyline but Queenstown itself" says Skyline Queenstown General Manager, Lyndon Thomas.




“MANY PEOPLE HAVE CONTRIBUTED TO THE SUCCESS OF SKYLINE QUEENSTOWN OVER THE PAST FIVE DECADES, AND IT'S FITTING THAT WE CELEBRATE THOSE EFFORTS WHILE LOOKING FORWARD TO THE NEXT 50 YEARS WITH THE DEVELOPMENT OF A NEW STATE-OF-THE-ART 10-SEAT GONDOLA AND COMPLEX EXPANSION.”

"The development is an important investment for the future of our tourism landscape and is about future-proofing Skyline Queenstown as a premium tourist attraction," he says.

Skyline plans to celebrate in style come November with a range of activities aimed at the local community, staff and shareholders, giving everyone the chance to embrace and share the story of our success. The final details are still being worked on but the celebrations started with the recently-launched 'Fifty Years of Fun' video and will

culminate with a gala event to mark the anniversary. With our reputation for entertainment, it promises to be a birthday to remember.

"Fun is at the heart of what we do here at Skyline Queenstown, it captures the spirit and character of who we are and we're really excited to recognise this in our celebration of the 50 years of the Gondola," says Thomas. 





KIWI INNOVATION



The Luge cart is a classic story of Kiwi inventiveness born out of opportunity and curiosity. It's a story filled with personalities, hard work, failure, determination, success and most of all fun.

Our expansion to Rotorua was a bold move for a still small yet ambitious company. The plan for a Gondola to lift people to an elevated restaurant was well founded based on the success of the Queenstown operation but we thought the site would need another attraction to get people to take the ride up the hill. The hill itself would prove to be the answer.

Barry Thomas had experienced a cart ride on a contoured stainless steel track on a trip to Canada and thought it might be a good addition to the Rotorua site. Hylton and Grant Hensman travelled to Canada to try it for themselves and were instantly captured by the experience - gravity fuelled fun was discovered! However, Hylton was frustrated by slower riders as he caught them but couldn't get past as the track allowed only one cart at a time.

Back in New Zealand, Hylton began designing a cart that ran on rails much like a roller coaster. A prototype was built on Bob's Peak and Hylton was

fittingly the first rider to try out this new adventure. A lot of trial and error was punctuated by an almost fatal accident as Hylton and the cart sailed off the rails and down the cliff below the restaurant. Hylton put that one down to experience and started on a new design from his hospital bed.

The frustration experienced in Canada had been playing on his mind. This led to the concept of a Luge cart on a formed road, much like the trolleys built by Kiwi kids. Early prototypes were built incorporating the wheels from son Phil's old skateboard and were tested on the streets of Queenstown and the Coronet Peak road. They were getting close to a solution but most importantly, they were having fun. They just needed to get it to a point where the fun could be shared with everyone.

Bill Walker brought formal engineering skills to the project and he refined the design and arranged manufacture of the first set of carts to be ridden in Rotorua. They weren't anything like the ones

we see today but they were the starting point. Neville Nicholson had been employed as an engineer to assemble a second-hand chairlift that had been recovered from Whakapapa ski area. This was Bill's solution to getting the carts and riders back to the top of the new track. Having cobbled together the chairlift, Neville was kept busy keeping the new Luge carts going as they became more popular. The design was constantly being refined by Neville as the new experience of Lugging was becoming better understood.

The design continues to be developed, with recent improvements focusing on safety, most obviously seen in the wings added to the carts. But the journey isn't complete. Ross Davidson has been working with Neville on the Luge cart design for many years and now leads the effort. A next generation cart focused on reducing weight while retaining all the safety and reliability gained over the years is close to becoming a reality. Just like the original, it's going to be the product of a lot of trial and error and every bit as much fun. The excitement of Luge is universally appealing taking adults back to their childhood and putting kids in the driver's seat, many for the first time. Anyone can do it. Proof of this is a Rotorua resident who celebrated their 101st birthday with a Luge ride in May 2017. One thing has been proven, when it comes to Luge, once is never enough. 🛼

“HYLTON PUT THAT ONE DOWN TO EXPERIENCE AND STARTED ON A NEW DESIGN FROM HIS HOSPITAL BED.”



SUCCESS IN KOREA



In the world of International Luge, Korea is the next big thing. Tongyeong has already proved itself to be a success... and now here comes Busan!



Finding the right locations for Luge sites is never easy. Skyline has travelled the world for many years investigating opportunities and potential partners. The first off-shore sites were in Japan under a licensing agreement but the Skyline way was to run its own operations and after a few false starts Luge was introduced to Canada at Mont Tremblant in 2003. Since then Skyline Luge has been established in Singapore and a second site in Canada at Calgary's Winsport Olympic Park.

Skyline Rotorua hosts many Korean visitors due to years of market development by Neville Nicholson and later by Bruce Thomasen. Korean travellers are always looking for a bit of adventure so Luge has been a must do activity for visitors to Rotorua. It's no surprise that the recently opened Skyline Luge site in Tongyeong has been a success from day one especially with the support of a progressive local council keen to see new business and especially fun brought to the city.

The team in Korea were delighted to be dealing with queues of local people wanting to experience Luge right from the very first day.

We recently saw the all-time daily record for Luge rides broken: 8307 rides in a single day. Encouraged by early results, approval for the development of the next two tracks was given during a board visit for the official opening ceremony in April 2017.

The success of Skyline Tongyeong Luge hasn't gone unnoticed with new opportunities for Luge sites appearing almost every day. Skyline has been invited to be part of a massive leisure, hotel and shopping development in Busan, Korea's second largest city. With a planned opening date in 2019 Skyline Luge Busan will be a standout attraction and is destined to be even bigger than Tongyeong.

There is no rest for our skilled Luge development team. They will be active in Singapore, Tongyeong and Busan for the next year or so bringing on new tracks, new chairlifts and an entire new site. Don't tell them, but Danny Luke is also looking at sites in the UK and Europe so they'd better keep their passports up to date.

“ WE RECENTLY SAW THE ALL-TIME DAILY RECORD FOR LUGE RIDES BROKEN: 8307 RIDES IN A SINGLE DAY.”

Queueing for the Tongyeong Luge



“IT’S GREAT TO BE ABLE TO TAKE THIS HOMEGROWN, KIWI ATTRACTION TO MORE PEOPLE INTERNATIONALLY.”

SECOND LUGE PLANNED NEAR BUSAN CITY

Our second Luge in South Korea in as many years is set to be developed. Skyline Luge Busan will be built at an estimated cost of \$22 million and is part of large-scale theme park, shopping complex and hotel development.


The Osiria Thema Park, currently under construction near Busan City – Korea’s second largest city with a population of more than 3.6 million – will tip the scales at US\$333 million. Consisting of four tracks, each approximately 900m long, Skyline Busan will have two chairlifts in place to carry approximately 2600 riders per hour – the highest capacity of all Skyline’s Luge sites worldwide. We are predicting 900,000 rides being completed in the first year of operation.

To deliver the Osiria Thema Park project, Skyline has joined a consortium led by GS Retail and multinational conglomerate Lotte. The site will start to be prepared in September this year with the construction of the Luge tracks and facilities beginning in August 2018. We expect to have the Luge complete in 2019 ready for the 7.1 million visitors Busan receives each year.

Our Executive Chairman Mark Quickfall says: “We are honoured to be asked by GS Retail to include our Luge attraction in their exciting development. The Luge has

proven to be very popular in South Korea so far, so investing in further sites is a logical decision. It’s also great to be able to take this homegrown, Kiwi attraction to more people internationally.”

The Busan project is expected to be as much of a success as Skyline Luge Tongyeong. That project – at that time the largest direct capital investment in South Korea by a New Zealand company – has exceeded expectations for visitor numbers, with more than 200,000 rides being completed on the Luge in the first two months.

“Korean visitors to New Zealand have been enjoying our Luge sites in Rotorua and Queenstown for many years, so taking it to their home market is an exciting development for Skyline,” Quickfall adds. 





It All STARTED With CUPS Of TEA

The original Skyline Chalet on Bob's Peak was little more than a tea room, offering light refreshments to the early adventurers that either walked or, if they were lucky, were driven up to take in the spectacular views.

We now serve close to 600,000 restaurant meals a year and an even larger number of café customers across four sites. Quality dining is now a significant focus for Skyline Queenstown, Skyline Rotorua and Christchurch Casino and Mercure Leisure Lodge Dunedin.

The original Gondola in Queenstown brought many more people to the tea room on Bob's Peak and it evolved into a restaurant which by the 1970s was becoming a social focal point for locals and a unique experience for visitors. This was now an evening venue in a town where there was little to do outside of the traditional hotels.

The focus was always on high-end fare with Bisque of Oyster Soup, Lobster Salad and Grilled Groper Fillets on the menu. The top of the hill was the spot for a complete evening out with live entertainment and Queenstown's top venue for the now extinct dinner-dance. The success of the restaurant operation put pressure on the limited space in a very short period of time.

A series of expansions through the 1970s and 1980s was almost constant until the current complex replaced what had grown from the original Chalet in 1994.

There was an explosion of restaurants and bars in Queenstown and Rotorua beginning in the 1990s, all competing for the dining dollar. The team in Rotorua led the next phase of change in 2014.

Bruce Thomassen's appeal to the board was simple:

"We want to own the position of best restaurant in town...we want to remain the market leader...we want to deliver a restaurant where locals and visitors will want to book for all occasions...a restaurant that will exceed our visitors expectations."

These were lofty goals given the high turnover buffet style that Skyline had become known for but Bruce had a vision for what he called 'à la buffet'. This unique style is all about freshly made cuisine from an array of cultures and the option of cooked-to-order dishes prepared in front of visitors. The result is Stratosfare Restaurant & Bar, an award-winning restaurant experience favoured by locals and visitors to Rotorua and Queenstown alike.

The Market Kitchen Café is an extension of the Stratosfare style but with simpler café style food and great coffee. You can still get a cup of tea and a sandwich but that's about the only thing the early Queenstown visitors to Bob's Peak would recognise.

Christchurch Casino is also big on food, from contemporary dining in The Grand Café and the delicious pizza range in Monza, to the brand-new Chi Kitchen offering authentic Cantonese flavours.

Christchurch Casino is central to the city's Victoria Street entertainment district so sees a huge variety of local and visiting guests looking for gaming and an entertaining night out.

The development from a Queenstown tea room to award winning cuisine served in multiple locations has been shaped by dedicated staff and visionary management; and it's not over yet. Queenstown has plans to expand their Stratosfare Restaurant & Bar and function facilities to meet the growing market, and Christchurch Casino is always on the lookout for new ways to entertain. Rotorua is about to expand on the relationship with Volcanic Hills Wines, transforming the current wine tasting room into an informative wine and dine experience for the evenings. The first reservations have been confirmed for later this year so make sure you book early for the next time you visit Rotorua.

We will keep building and evolving on our dining journey striving to provide the best in New Zealand cuisine with international appeal. There's always room at the table, just pull up a chair. ☕



AT THE HEART OF OUR COMMUNITY

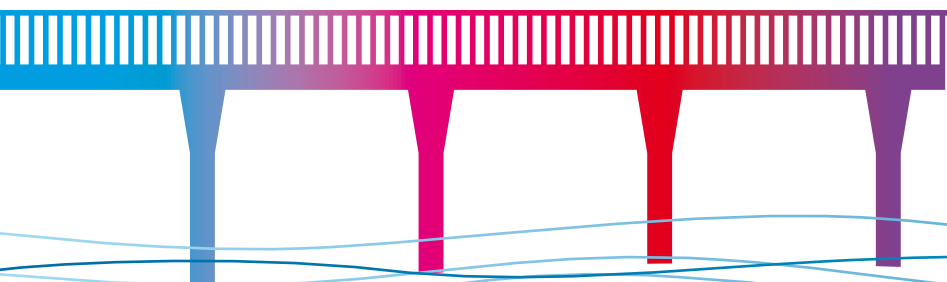
“Kia kaha” is a phrase that Cantabrians are all too familiar with. Staying strong and supporting our fractured city evolved into more than just a physical act, it became an emotional and mental state.

Neighbours rallied together to rebuild their homes, businesses and communities. However, with obstacles such as funding and awareness, the business community’s role became crucial in this endeavour.

Our support to the community starts here at Christchurch Casino (CCL). Our employees are the heart and face of the business. As a significant employer in the Canterbury region, with over 490 employees and contributing to the local economy in wages, purchasing and the events and organisations we support, we do not undervalue the importance of supporting our employees.

Some of the ways we do this is by offering professional development opportunities and an Employee Assistance Program, which goes beyond the employee extending to their families, as we are all aware that mental health impacts more than just the person suffering from it.

CCL supports more than 60 community groups and charities, ranging from sports clubs, not-for-profit organisations such as Key to Life, animal welfare organisations such as Canterbury SPCA, to our sponsorship of Christchurch Symphony Orchestra.



“OUR REACH EXTENDS TO OUR SERVICES, RESOURCES, VENUE, CATERING, AND OUR GUIDANCE AND ADVICE. THIS CREATES AN ENRICHED ENVIRONMENT THAT WILL NOT ONLY ALLOW THESE ORGANISATIONS TO SURVIVE, BUT TO THRIVE.”

With limited government funding for not-for-profit organisations these organisations may not have the necessary funding to deliver programmes most urgently required. We are proud to support these organisations, some of which are not well-known, but play an important role in our community.

But it's not just about giving money. Our contribution goes beyond finance. Our reach extends to our services, resources, venue, catering, and our guidance and advice. This creates an enriched environment that will not only allow these organisations to survive, but to thrive.



Guests at a charity auction hosted at Christchurch Casino

We are proud of what we have done in the past and excited about what the future brings. The next big project for Christchurch Casino and the Christchurch sporting community is the Christchurch Casino Golden Oldies sports tournament to be held in April 2018.

This month-long celebration of Christchurch and Golden Oldies sport, fun, friendship and fraternity features ten sporting codes and will attract athletes from across the world to experience the fresh, new city of Christchurch. We can't wait to host them at Christchurch Casino and be part of the energy they will spread across our community.



Charity poker event hosted at Christchurch Casino with Brett Anderson (CEO of CCL) and REACH Child Cancer Foundation.

So why does the CCL invest in the community?

We value our relationship with the community at large because we share the same goals and objectives: a prosperous economy with a strong focus on individual wellbeing. Our investment in the community shows our commitment to Canterbury as a region but also supports our overall objective: supporting our employees wellbeing and the community that they live and operate in. Our goal is to develop a sustainable model that will benefit all Cantabrians. This can only be achieved through the support of organisations who deliver services that can become self-sustainable. 

He aha te mea nui o te ao

What is the most important thing in the world?

He tangata, he tangata, he tangata

It is the people, it is the people, it is the people

SO MUCH MORE THAN A HELICOPTER RIDE!



Helicopters aren't just for sightseeing!

The helicopter has been a common sight in the Queenstown skies from their earliest days in New Zealand. Our mountainous terrain and sense of adventure make them the ideal vehicle to gain access to the wonders of the rugged alpine landscape.



The first helicopters were workhorses, tools of the trade to the deer hunters and back country explorers. Even so, it wasn't long until they were being used to show off the stunning scenery of the Southern Alps and the surrounding area to adventurous visitors. A flight in a helicopter was an adventure in itself; high-altitude sightseeing topped it off as one of Queenstown's most exclusive activities.


It was all about seeing the mountains, lakes and rivers from the air, a totally different perspective from what could be gained from the land. The early machines were loud, cold and uncomfortable but this was a small price to pay for the experience. Heli flight-seeing took off, especially as the deer recovery business was in rapid decline and pilots and their machines needed a new source of work.

It wasn't long before the helicopter became incorporated into the Queenstown activity scene making them something we could all experience. Heli skiing in the winter pioneered the concept of using these adaptable machines to transport people to remote places they couldn't otherwise reach. Harris Mountains Heli Ski was an early pioneer of the industry and continue to lead it today with exclusive access to some of the best locations the Southern Alps have to offer.

“ HELI SKIING IN THE WINTER PIONEERED THE CONCEPT OF USING THESE ADAPTABLE MACHINES TO TRANSPORT PEOPLE TO REMOTE PLACES THEY COULDN'T OTHERWISE REACH.”

The helicopter had a big role to play as Queenstown staked its claim as the adventure tourism capital of the world. Helicopters were shuttling rafting parties up the river valleys and were even used as flying platforms for high altitude bungy jumping. Today it isn't uncommon to see a helicopter heading for the hills with a stack of bikes strapped to the side, dropping mountain bikers into locations that would take days to access otherwise. Fishers, hunters and hikers are common passengers, with the helicopter providing access to remote and untouched - but no longer inaccessible - places.

Glacier tourism is rapidly growing and we are well placed to develop this market through The Helicopter Line and Glacier Helicopters. With bases in Queenstown, Mt Cook, Franz Josef and Fox, you can be whisked up to the snow and ice. Glacier hiking and snow shoeing are experiencing a boom, especially with Asian visitors who have never experienced our mountain conditions. With our recent partnership with Alpine Guides Aoraki we can ensure that we provide the best quality experience in the mountains for everyone.

Heli tourism has come a long way from a simple yet exciting 'fly around the mountain and look at the view'. We can now use the exceptional abilities of modern helicopters and skilled pilots to access remote and wonderful locations to participate in a range of unique activities that may not have been possible years before. The future for heli-activities is bright and limited only by imagination. There is still more out there to be explored and enjoyed and we can show you how it's about both the journey and the destination. 





PROPERTY PROGRESSION

Little did anyone know that in the space of 100 years the lakeside site alongside Queenstown's best known hotel building would go from stabling horses to housing international fashion brands and high-end travellers.

Skyline Properties acquired the land along with the iconic Eichardt's hotel building in 2004 and had been waiting for the right time and idea to develop the Marine Parade site. The Michael Wyatt designed building is a fitting companion to the historic Eichardt's building alongside it with a modern twist on a classic hotel facade.

The new Eichardt's building is fully tenanted offering a mix of accommodation, office, restaurant and retail spaces. The quality of the property and impact of the location has drawn world renowned brand Louis Vuitton to relocate their Queenstown store. Eichardt's Private Hotel operate The Grille, a 150-seat restaurant on the ground level and the \$10,000 per night penthouse apartment. This has become a sanctuary to many celebrities and high net-worth travellers increasingly attracted to Queenstown.

Skyline's property portfolio incorporates the best sites across Queenstown attracting quality tenants and businesses. The last 50 years has seen Queenstown become a truly international destination and Skyline is well placed to be at the forefront of the continued growth of this very special town.

O'Connell's Pavilion is proposed for refurbishment in the near future. Built in 1987 on the site of the famous O'Connell's Hotel, this is Queenstown CBD's largest retail complex. With current tenants and Queenstowners alike eager to see what the future will look like, the refurbishment, although details of which are still being worked on, will be sure to cement O'Connell's position as the commercial hub of Queenstown and will be another big step into the future for Skyline. 🏠



Consolidated INCOME STATEMENT

For the year ended 31 March 2017

| | Note | 2017 \$ | 2016 \$ |
|--|-------|--------------|--------------|
| Operating Revenue | | | |
| Sales | | 198,308,840 | 180,504,439 |
| Cost of Sales | | (16,766,359) | (14,834,844) |
| Gross Profit | | 181,542,481 | 165,669,595 |
| Other Income | 2.1 | 29,093,694 | 17,124,494 |
| Operating Expenses | 2.1 | (50,791,916) | (47,546,301) |
| Employee Remuneration | | (56,483,561) | (50,484,367) |
| Profit Before Depreciation, Amortisation, Net Financing Costs and Tax Expense | | 103,360,698 | 84,763,421 |
| Depreciation | 3.1 | (13,106,554) | (12,208,592) |
| Amortisation of Finite Life Intangibles | 3.2 | (4,312,790) | (4,217,168) |
| Profit Before Net Finance Costs and Tax Expense | | 85,941,354 | 68,337,661 |
| Finance Income | 2.1 | 103,814 | 200,830 |
| Finance Costs | 2.1 | (1,045,283) | (1,723,882) |
| Net Financing Costs | | (941,469) | (1,523,052) |
| Share of Profit of Equity Accounted Associates | 4.1 | 671,674 | 555,105 |
| Profit Before Tax | | 85,671,559 | 67,369,714 |
| Income Tax Expense | 2.2.1 | (17,568,073) | (14,858,541) |
| Profit for the Year | | 68,103,486 | 52,511,173 |
| Earnings Per Share – Basic & Diluted | 2.4 | \$2.00 | \$1.54 |

Consolidated Statement of COMPREHENSIVE INCOME

For the year ended 31 March 2017

| | Note | 2017 \$ | 2016 \$ |
|--|--------|-------------------|-------------------|
| Profit for the Year | | 68,103,486 | 52,511,173 |
| Other Comprehensive Income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign Currency Translation Reserve | 5.3(c) | (17,427) | 328,952 |
| Total Comprehensive Income for the Year | | <u>68,086,059</u> | <u>52,840,125</u> |

Consolidated Statement of CHANGES IN EQUITY

For the year ended 31 March 2017

| | Note | Share Capital \$ | Translation Reserve \$ | Retained Earnings \$ | Total Equity \$ |
|-------------------------------------|------|------------------------|------------------------------|----------------------------|-----------------------|
| Equity as at 1 April 2015 | | 28,752,693 | (814,510) | 254,915,365 | 282,853,548 |
| Total Recognised Income and Expense | | - | 328,952 | 52,511,173 | 52,840,125 |
| Dividends to Shareholders | | - | - | (14,337,699) | (14,337,699) |
| Equity as at 31 March 2016 | | <u>28,752,693</u> | <u>(485,558)</u> | <u>293,088,839</u> | <u>321,355,974</u> |
| Total Recognised Income and Expense | | - | (17,427) | 68,103,486 | 68,086,059 |
| Dividends to Shareholders | | - | - | (18,775,558) | (18,775,558) |
| Equity as at 31 March 2017 | 5.3 | <u>28,752,693</u> | <u>(502,985)</u> | <u>342,416,767</u> | <u>370,666,475</u> |

Consolidated BALANCE SHEET

As at 31 March 2017

| | Note | 2017 \$ | 2016 \$ |
|--------------------------------------|-------|-------------|-------------|
| Current Assets | | | |
| Cash and cash equivalents | 3.4.1 | 19,090,344 | 17,137,529 |
| Trade and Other Receivables | 3.4.2 | 7,338,847 | 5,680,000 |
| Inventory | 3.4.3 | 1,695,147 | 1,456,146 |
| Total Current Assets | | 28,124,338 | 24,273,675 |
| Non Current Assets | | | |
| Property, plant and equipment | 3.1 | 169,578,304 | 142,782,272 |
| Intangible Assets | 3.2 | 80,988,344 | 84,116,381 |
| Investment Property | 3.3 | 154,185,000 | 127,387,000 |
| Long Term Investments | 4.1 | 10,821,780 | 8,969,586 |
| Deferred Taxation | 2.2.2 | 1,079,724 | 1,477,745 |
| Total Non Current Assets | | 416,653,152 | 364,732,984 |
| Total Assets | | 444,777,490 | 389,006,659 |
| Current Liabilities | | | |
| Trade Payables and Provisions | 3.4.4 | 20,046,140 | 18,691,301 |
| Employee Entitlements | 3.5 | 5,117,874 | 4,172,525 |
| Bank Loans | 5.1 | 18,000,000 | 18,100,000 |
| Taxation | 2.2.2 | 1,949,077 | 6,600,308 |
| Total Current Liabilities | | 45,113,091 | 47,564,134 |
| Non Current Liabilities | | | |
| Deferred Taxation | 2.2.2 | 18,997,924 | 20,086,551 |
| Bank Loans | 5.1 | 10,000,000 | - |
| Total Non Current Liabilities | | 28,997,924 | 20,086,551 |
| Total Liabilities | | 74,111,015 | 67,650,685 |
| Net Assets | | 370,666,475 | 321,355,974 |
| Equity | | | |
| Share Capital | 5.3 | 28,752,693 | 28,752,693 |
| Retained Earnings & Reserves | 5.3 | 341,913,782 | 292,603,281 |
| Total Equity | | 370,666,475 | 321,355,974 |

On behalf of the Board



M Quickfall
24 July 2017



D N Jackson

Consolidated Statement of CASH FLOWS

For the year ended 31 March 2017

Cash Flows From Operating Activities

Cash was Provided from:

Government Subsidies
Receipts from Customers*
Interest Received
Rent Received
Insurance Proceeds Received

| Note | 2017 \$ | 2016 \$ |
|--|----------------------|----------------------|
| | 161,367 | 333,192 |
| | 196,650,494 | 179,556,360 |
| | 103,814 | 200,830 |
| | 6,647,677 | 5,993,508 |
| | 1,961,593 | - |
| | <u>205,524,945</u> | <u>186,083,890</u> |
| | (123,271,809) | (108,555,461) |
| | (1,045,283) | (1,723,882) |
| | (22,909,911) | (15,354,078) |
| | <u>(147,227,003)</u> | <u>(125,633,421)</u> |
| Net Cash Flow From Operating Activities | 58,297,942 | 60,450,469 |

Cash Flows From Investing Activities

Cash was Provided from:

Dividends Received
The Station Limited
Milford Sound Flights Limited
Proceeds from Sales of Assets

Cash was Applied to:

Acquisition of Property, Plant and Equipment
Acquisition of Intangible Assets
Acquisition of Christchurch iSite Intangible Assets
Investment in Associate – Alpine Guides (Aoraki) Limited

| | | |
|--|---------------------|---------------------|
| | 462,000 | 693,000 |
| | 45,000 | 60,000 |
| | - | 1,690,845 |
| | 24,255 | 1,131,997 |
| | <u>531,255</u> | <u>3,575,842</u> |
| | (46,581,096) | (30,000,343) |
| | (1,184,753) | - |
| | - | (150,000) |
| 4.1(a) | (396,860) | - |
| | <u>(48,162,709)</u> | <u>(30,150,343)</u> |
| Net Cash Used In Investing Activities | (47,631,454) | (26,574,501) |

Cash Flows From Financing Activities

Cash was Provided from:

Foreign Currency Related Movements
Increase in Debt – Mortgages (secured)

Cash was Applied to:

Dividend Paid
Foreign Currency Related Movements
Decrease in Debt – Mortgages (secured)

| | | |
|--|---------------------|---------------------|
| | 248,545 | - |
| | 9,900,000 | - |
| | <u>10,148,545</u> | <u>-</u> |
| | (18,775,558) | (14,337,699) |
| | - | (29,255) |
| | - | (16,800,000) |
| | <u>(18,775,558)</u> | <u>(31,166,954)</u> |
| Net Cash Used in Financing Activities | (8,627,013) | (31,166,954) |

Consolidated Statement of Cash Flows continued

Reconciliation of Cash Flow Movements

| | Note | 2017 \$ | 2016 \$ |
|--|-------|-------------------|-------------------|
| Net Increase in Cash Held | | 2,039,475 | 2,709,014 |
| Add/(Deduct) Effect of Exchange Rate Fluctuations on Cash Held | | (86,660) | 96,888 |
| Add Opening Cash | | 17,137,529 | 14,331,627 |
| Ending Cash Carried Forward | 3.4.1 | <u>19,090,344</u> | <u>17,137,529</u> |

* Receipts from customers include gaming revenue from Christchurch Casino. Gaming revenue is recognised in the consolidated statement of cash flows as the net aggregate of gaming wins and losses.

RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

| | 2017 \$ | 2016 \$ |
|--|--------------------|-------------------|
| Profit for the Year | 68,103,486 | 52,511,173 |
| Add Non Cash Items | | |
| Depreciation | 13,106,554 | 12,208,592 |
| Movement in Deferred Tax | (690,606) | (1,603,760) |
| Earnings from Equity Accounted Associates | (671,674) | (555,105) |
| Investment Property Fair Value | (20,254,664) | (10,114,319) |
| Foreign Currency Translation Gains | (68,393) | (683,475) |
| Amortisation Intangible Assets | 4,312,790 | 4,217,168 |
| | <u>63,837,493</u> | <u>55,980,274</u> |
| Movement in Working Capital | | |
| (Decrease)/Increase in Taxation Paid | (4,651,231) | 1,108,223 |
| Increase in Other Creditors | 1,009,528 | 4,681,198 |
| Decrease in Inventory | (239,001) | (371,147) |
| Increase in Debtors | (1,658,847) | (948,079) |
| | <u>(5,539,551)</u> | <u>4,470,195</u> |
| Net Cash Flow from Operating Activities | <u>58,297,942</u> | <u>60,450,469</u> |

Notes to the accounts

1.0 Basis of Preparation

1.1 REPORTING ENTITY

Skyline Enterprises Limited (The Company) and its subsidiaries (together the Group) own and operate tourism facilities, primarily cableway, luge, restaurant, aircraft (fixed wing and helicopter), vessels, accommodation, commercial property and casino businesses. The Group has operations in New Zealand, Singapore, Canada and South Korea. The Company is a limited liability company incorporated and domiciled in New Zealand, registered under the Companies Act 1993.

1.2 STATEMENT OF COMPLIANCE

The Consolidated 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 IFRS) and other applicable reporting standards as appropriate for profit-oriented entities.

The financial statements comply with International Financial Reporting Standards ('IFRS').

The Company is an FMC reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013 and its financial statements comply with these Acts.

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 24 July 2017.

1.3 BASIS OF PREPARATION

(a) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for investment property assets, which are measured at fair value. Shares in Dunedin Casino and Christchurch Casino land and buildings were valued at fair value on acquisition but have not been fair valued on an on-going basis.

(b) Estimation of Fair Values

A number of the Group's accounting policies and disclosure require the determination of fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) **Level 1** – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) **Level 2** – inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) **Level 3** – inputs are unobservable inputs for the asset or liability.

(c) Functional and Presentation Currency

These financial statements are presented in New Zealand Dollars (NZD) which is the Company's functional and presentation currency.

(d) Critical Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Notes to the accounts continued

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 periods 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 the following notes:

- Note 2.2 – Income Taxes
- Note 3.1 – Property Plant and Equipment
- Note 3.2 – Estimated Impairment of Goodwill
- Note 3.3 – Fair Value of Investment Properties
- Note 4.1 – Other Long Term Investments
- Note 4.3 – Acquisitions

1.4 GENERAL ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements are prepared by consolidating the financial statements of all the entities that comprise the Group, being the Company and its subsidiaries, where all intercompany transactions and balances are eliminated.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. A list of subsidiaries appears in Note 4.2 of the financial statements.

(ii) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

(iii) Investment in Equity Accounted investees

Associates are those entities in which the Group has significant influence, but no control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated income statement includes the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

(b) Foreign Currency Translation

(i) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the average rates for the period. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Consolidated Income Statement for the year.

(ii) Foreign Operations

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average rates for the period. Exchange differences arising, if any, are recognised in the foreign currency translation reserve and recognised in the consolidated income statement on disposal of the foreign operation.

(c) Non-Derivative Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Non-derivative financial instruments comprise investments in equity securities, cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables. The carrying value of the financial instruments approximates fair value. There are no financial instruments measured at fair value in the Balance Sheet.

Notes to the accounts continued

(i) Financial Assets and Financial Liabilities

Financial assets and liabilities are classified into the following specified categories. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the 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.

a. Financial Assets and Liabilities – at Fair Value Through Profit or Loss

Financial assets and liabilities are classified as Fair Value through Profit or Loss when they are either designated at fair value or are held for trading. The first classification includes any financial assets or liabilities that the Group designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss. The second classification includes financial assets or liabilities that the Group holds for trading. The Group considers all financial assets or liabilities acquired or held for the purpose of selling in the short term or where there is a recent pattern of short-term profit taking as being held for trading.

These financial assets or liabilities are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 1.3 (b).

b. Financial Assets – Held to Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

c. Financial Assets – Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

d. Financial Assets – Available for Sale

Available for sale ("AFS") are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that do not meet the definition of any of the above financial assets. AFS (including long term investments) assets are measured at fair value in the balance sheet. Fair value changes on AFS assets are recognised directly in equity, through the statement of changes in equity, except for interest on AFS assets, impairment losses and foreign exchange gains or losses. The cumulative gain or loss that was recognised in equity is recognised in profit or loss when an available-for-sale financial asset is derecognised.

e. Financial Liabilities – Other Amortised Cost

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Notes to the accounts continued

(d) New standards and interpretations not yet adopted

The Group has chosen not to early adopt the following standards that have been issued but are not yet effective:

(i) NZ IFRS 9 – Financial Instruments (effective date 1 January 2018)

The Group has initially assessed the impact of this standard and given the nature of the Group's business and the instruments currently utilised by the Group, the adoption of this standard is not expected to have a material impact on the Group's financial statements.

(ii) NZ IFRS 15 – Revenue from Contracts with Customers (effective date 1 January 2018)

The Group has initially assessed the impact of this standard and given the nature of the Group's revenue streams, primarily being cash payment by customers, the adoption of this standard is not expected to have a material impact on the Group's financial statements.

(iii) NZ IFRS 16 – Leases (effective date 1 January 2019)

This standard established principles for recognition, measurement and disclosure requirements of leases. NZ IFRS 16 requires lessees to account for all leases under a single on-balance sheet model. The Group has commenced work on assessing the impact of this new standard. Whilst the Group is aware that as a result of the implementation of this standard there will be an increase in both total assets and total liabilities and an increase in interest and amortisation expenses and a reduction in lease expenses, these changes are yet to be quantified. Consideration of which transition option to utilise is still being determined.

2.0 Performance

2.1 INCOME AND EXPENSES

(a) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services net of Goods and Services Tax (GST), rebates and discounts and after eliminating sales from within the Group. Revenue is recognised as follows:

(i) Sale of Goods and Services

Sale of goods and services, including tourism activities, retail sales and food and beverage sales, are recognised when the customer receives the goods or the services are performed. Sale of goods and services are usually in cash, by credit card or charged to an account.

(ii) Gaming Income

Gaming revenues are the net aggregate of gaming wins and losses. Gaming revenue is recognised on an accruals basis. This is effectively a cash basis, except to the extent that cash received represents a commitment to future jackpot payouts. Contributions from casino patrons to future jackpot payouts are recognised as a current liability

(iii) Rental Income

Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the period of the lease.

(iv) Interest Income

Interest income is recognised on a time-proportionate basis using the effective interest method.

(v) Dividend Income

Dividend income is recognised when the right to receive the dividend is established.

Notes to the accounts continued

(b) Operating Expenses Recognition

(i) Rental and Operating Lease Expense

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

Profit before income tax includes the following specific income and expenses:

| | Note | 2017 \$ | 2016 \$ |
|--|-------|------------|------------|
| Income | | | |
| Interest Income – Bank Deposits | | 77,934 | 167,833 |
| Interest Income – Other | | 25,880 | 32,997 |
| Total Interest Income | | 103,814 | 200,830 |
| Other Income | | | |
| Rents Received | | 6,647,677 | 5,993,508 |
| Government Subsidies | | 161,367 | 333,192 |
| Investment Property Revaluation | 3.3 | 20,254,664 | 10,114,319 |
| Insurance Proceeds Received | | 1,961,593 | - |
| Foreign Currency Translation Gains | | 68,393 | 683,475 |
| Total Other Income | | 29,093,694 | 17,124,494 |
| Operating Expenses Include: | | | |
| Operating Lease Costs | | 8,531,026 | 6,948,040 |
| Bad and Doubtful Debts | 3.4.2 | 7,318 | 1,378 |
| Remuneration of Auditors | | | |
| Audit Fees for Financial Statement Audit | | 106,343 | 108,465 |
| Audit Fees Paid to Other Auditors of the Group | | 37,220 | 20,971 |
| Other Services Provided | | 17,500 | - |
| Total Remuneration of Auditor | | 161,063 | 129,436 |
| Interest and Finance Costs: | | | |
| Interest Expense – Bank Borrowings | | 1,028,060 | 1,418,736 |
| Interest Expense – Other | | 17,223 | 38,268 |
| Interest Expense – Contingent liability | 6.2.2 | - | 266,878 |
| Total Interest and Finance Costs | | 1,045,283 | 1,723,882 |
| Donations | | | |
| Donation Christchurch Casino Charitable Trust | | 180,000 | 172,000 |
| Donations other | | 11,675 | 20,773 |
| Total Donations | | 191,675 | 192,773 |

Total other services provided by the auditors Crowe Horwath include specified data analysis routines relating to accounts payable and payroll, as well as general ledger transition services relating to new financial software.

Notes to the accounts continued

2.2 TAXATION

(a) Current and Deferred Income Tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on these tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose as a result of a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable income.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts that have been recognised directly in equity, are also taken directly to equity.

(b) Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

Critical Estimations and Assumptions

The Group is subject to income taxes in four jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

2.2.1 TAXATION – CONSOLIDATED INCOME STATEMENT

(a) Income Tax Expense

| | 2017 \$ | 2016 \$ |
|---|------------------|-------------------|
| Current Tax Expense: | | |
| Current Tax | 18,052,719 | 16,821,231 |
| Adjustments for Prior Year Estimates | 205,961 | (358,930) |
| | <hr/> 18,258,680 | <hr/> 16,462,301 |
| Deferred Tax Expense | | |
| Origination and Reversal of Temporary Differences | (690,607) | (1,332,334) |
| Adjustments for Prior Year Estimates | - | (271,426) |
| | <hr/> (690,607) | <hr/> (1,603,760) |
| Total Income Tax Expense | <hr/> 17,568,073 | <hr/> 14,858,541 |

Notes to the accounts continued

(b) Reconciliation of Effective Tax Rate

| | 2017 \$ | 2016 \$ |
|---|-------------|-------------|
| Profit for the Year | 68,103,486 | 52,511,173 |
| Total Income Tax Expense | 17,568,073 | 14,858,541 |
| Profit Excluding Income Tax | 85,671,559 | 67,369,714 |
| Income Tax using Company's Domestic Tax Rate of 28% (2016: 28%) | 23,988,037 | 18,863,520 |
| Effect of Tax Rates in Foreign Jurisdictions | (1,185,580) | (1,230,773) |
| Additional Foreign Portfolio Income | 167,991 | 232,639 |
| Tax Assessable Equity Accounted Investee Income | (46,108) | 9,600 |
| Non Assessable Income | (5,786,705) | (3,101,509) |
| Non-Deductible Expenses | 224,477 | 412,822 |
| Benefit of Tax Losses Claimed | - | 302,601 |
| Under/(Over) Provided in Prior Periods | 205,961 | (630,359) |
| Total Income Tax Expense | 17,568,073 | 14,858,541 |

2.2.2 TAXATION – CONSOLIDATED BALANCE SHEET

(a) Deferred Taxation

| | PP&E | Investment Property | Intangible Assets | Provisions | Other | Total |
|---|------------|------------------------|----------------------|------------|-----------|-------------|
| (i) Deferred Tax Liabilities | | | | | | |
| Balance 1 April 2015 | 14,392,196 | 946,492 | 5,454,659 | 193,350 | 461,801 | 21,448,498 |
| Charged/(Credited) to Income Statement | (461,089) | 21,637 | (1,175,936) | 323,004 | (69,563) | (1,361,947) |
| Balance 31 March 2016 | 13,931,107 | 968,129 | 4,278,723 | 516,354 | 392,238 | 20,086,551 |
| Charged/(Credited) to Income Statement | (114,725) | 72,375 | (1,103,108) | 56,831 | - | (1,088,627) |
| Balance 31 March 2017 | 13,919,632 | 1,040,504 | 3,175,615 | 573,185 | 392,238 | 18,997,927 |
| (ii) Deferred Tax Asset | | | | | | |
| Balance 1 April 2015 | - | - | - | 1,154,337 | 84,595 | 1,238,932 |
| (Charged)/Credited to Income Statement | - | - | - | (276,439) | 515,252 | 238,813 |
| Balance 31 March 2016 | - | - | - | 877,898 | 599,847 | 1,477,745 |
| (Charged)/Credited to Income Statement | - | - | - | 142,006 | (540,027) | (398,021) |
| Balance 31 March 2017 | - | - | - | 1,019,904 | 59,820 | 1,079,724 |

Notes to the accounts continued

(b) Taxation Payable

| | 2017 \$ | 2016 \$ |
|-----------------|--------------|--------------|
| Opening Balance | 6,600,308 | 5,492,085 |
| Current Tax | 18,258,680 | 16,462,301 |
| Tax Paid | (22,909,911) | (15,354,078) |
| Closing Balance | 1,949,077 | 6,600,308 |

2.2.3 TAXATION – IMPUTATION CREDITS

| | 2017 \$ | 2016 \$ |
|--|------------|------------|
| Imputation Credits Available for Use in Subsequent Accounting Period | 81,208,691 | 79,816,202 |

2.3 SEGMENT REPORTING

A segment is a component of the Group that engages in business activities which earns revenue and incurs expenses and for which the chief operating decision maker (CODM) reviews the operating results on a regular basis and makes decisions on resource allocation. The Group has determined its CODM to be the Board of Directors and the Chief Executive Officer.

The Group is organised into the following reportable operating segments, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies.

(i) Tourism Operations

Includes the gondola, luge, related food & beverage sales at all relevant operating sites, aviation and marine activities.

(ii) Property Investment

Includes the ownership and rental of properties classified as investment property.

(iii) Casino Operations

Includes gaming food and beverage sales at the Christchurch Casino.

(iv) Other Operations

Include the provision of accommodation and the ownership of shares for investment purposes. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2017 and 2016.

Notes to the accounts continued

(a) Operational Segments

| | Tourism Operations | | Property Investment Operations | | Casino Operations | | All Other Segments | | Total |
|----------------------|-----------------------|-------------|-----------------------------------|-------------|----------------------|-------------|-----------------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2016 |
| Revenue from | | | | | | | | | |
| External Customers | 131,398,879 | 114,872,650 | 5,402,752 | 4,830,890 | 62,030,038 | 60,238,529 | 6,796,522 | 6,073,261 | 187,053,052 |
| Wages | 31,979,933 | 23,597,605 | - | - | 21,332,155 | 21,332,155 | 3,171,473 | 3,171,473 | 48,101,233 |
| Cost of Sales | 13,290,568 | 11,359,053 | - | - | 3,188,022 | 3,188,022 | 287,769 | 287,769 | 14,834,844 |
| Operating Profit | 44,982,229 | 39,863,523 | 4,830,464 | 4,467,965 | 17,143,525 | 16,175,603 | 1,487,588 | 854,509 | 61,361,600 |
| Less Other | | | | | | | | | |
| Reconciling Items | | | | | | | | (2,757,116) | (3,138,258) |
| Plus Investment | | | | | | | | | |
| Property Revaluation | | | | | | | | 20,254,664 | 10,114,319 |
| Less Financing Costs | | | | | | | | (941,469) | (1,523,052) |
| Plus Revenue | | | | | | | | | |
| from Associates | | | | | | | | 671,674 | 555,105 |
| Less Tax | | | | | | | | (17,568,073) | (14,858,541) |
| Profit for the Year | | | | | | | | 68,103,486 | 52,511,173 |
| Capital Expenditure | 35,491,487 | 19,828,592 | 6,543,336 | 4,969,681 | 3,918,527 | 5,103,213 | 1,812,499 | 98,857 | 30,000,343 |
| Segment Assets | 126,983,567 | 106,756,642 | 154,394,589 | 126,506,125 | 154,593,626 | 150,854,117 | 8,805,708 | 3,204,030 | 387,320,914 |

Performance is measured based on segment operating profit before income tax. Segment operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other information provided is measured in a manner consistent with that in the financial statements.

Significant annual charges such as depreciation on the portion of operating assets revalued to fair value on acquisition and amortisation on licences and concessions have been excluded from the segment disclosures to reflect underlying segment operating performance.

(b) Geographical Segments

The tourism operation segment is managed on a worldwide basis, but operates tourism operation sites in New Zealand, Singapore, Canada and Korea. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

| | New Zealand | | Singapore | | Other Regions | |
|-----------------------|-------------|-------------|------------|------------|---------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Total Segment Revenue | 184,789,910 | 166,720,981 | 15,158,525 | 16,256,844 | 5,679,756 | 4,075,227 |
| Segment Assets | 404,122,875 | 332,799,220 | 12,984,514 | 8,362,979 | 27,670,401 | 21,714,560 |

2.4 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the company by the weighted average number of ordinary shares on issue during the year, excluding shares held as treasury stock. Diluted earnings per share assume conversion of all dilutive potential ordinary share in determining the denominator.

| | 2017 \$ | 2016 \$ |
|--|------------|------------|
| Net Profit Attributable to Ordinary Shareholders | 68,103,486 | 52,511,173 |
| Weighted Average Number of Ordinary and Diluted Shares | 34,137,379 | 34,137,379 |
| Earnings Per Share – Ordinary and Diluted | 2.00 | 1.54 |

Notes to the accounts continued

3.0 Operating Assets and Liabilities

3.1 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment adjustments. Cost includes expenditure that is directly attributable to the acquisition of the property, plant and equipment. The cost of self constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition as well as the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated income statement as incurred.

(a) Depreciation

Property, plant and equipment are depreciated on a straight line and diminishing value basis so to appropriately allocate the costs of assets over their estimated useful lives. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

| | | | |
|-------------------------------------|------------------|-----------------------------------|--------------|
| Buildings | 12.5 – 100 Years | Gondolas, Cableways | 9 – 20 Years |
| Motor Vehicles | 6 – 8 Years | Plant & Equipment | 4 – 25 Years |
| Furniture & Fittings | 4 – 25 Years | Aircraft & Vessels | 5 – 20 Years |
| Gaming tables, Machines & Equipment | 5 – 25 Years | Pooled Items of Plant & Equipment | 3 – 4 Years |

(b) Impairment

Assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indication of impairment exists then the asset's recoverable amount is estimated. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

Critical Estimations and Assumptions

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life of residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the consolidated income statement and the carrying amount of the asset in the consolidated balance sheet. The group minimises the risk of this estimation uncertainty by physical inspection of assets, asset replacement programs and analysis of Inland Revenue maximum allowable rates. The Group has not made significant changes to past assumptions concerning useful lives and residual values.

The fair value of property, plant and equipment on a business combination is determined using a combination of market comparisons and the depreciated replacement cost approach. These approaches include estimations and assumptions regarding useful lives, residual values, maintenance and technical obsolescence. The estimations and assumptions used are subjective in nature and can have a significant impact on their fair value determined.

Notes to the accounts continued

Total group property and equipment are as follow:

| | Land & Improvements (at Cost) | Buildings (at Cost) | Furniture & Fitting (at Cost) | Plant & Equipment (at Cost) | Aircraft & Vessels (at Cost) | Canadian Plant & Equipment | Singaporean Plant & Equipment | Korean Plant & Equipment | Capital Work in Progress | Total |
|---------------------------------|-------------------------------------|------------------------|-------------------------------------|-----------------------------------|------------------------------------|----------------------------------|-------------------------------------|--------------------------------|--------------------------------|---------------------|
| 2017 \$ | | | | | | | | | | |
| Gross Carrying Amount | | | | | | | | | | |
| 1 April 2016 | 20,674,967 | 63,837,270 | 9,462,105 | 42,679,141 | 34,612,057 | 13,976,362 | 13,110,693 | - | 8,913,403 | 207,265,998 |
| Additions | 1,559,998 | 2,803,032 | 291,062 | 5,422,341 | 5,462,920 | 284,083 | 8,369,620 | 13,431,268 | 2,413,436 | 40,037,760 |
| Disposals | - | (203,144) | (685,187) | (7,295,126) | (1,549,454) | (360,561) | - | - | - | (10,093,472) |
| Net Foreign | | | | | | | | | | |
| Currency Exchanges | - | - | - | - | - | (256,258) | 299,259 | - | - | 43,001 |
| Transfers | - | - | - | - | - | - | - | 8,136,396 | (8,136,396) | - |
| Balance at 31 March 2017 | 22,234,965 | 66,437,158 | 9,067,980 | 40,806,356 | 38,525,523 | 13,643,626 | 21,779,572 | 21,567,664 | 3,190,443 | 237,253,287 |
| Accumulated Depreciation | | | | | | | | | | |
| 1 April 2016 | (266,571) | (9,569,736) | (6,083,518) | (26,312,895) | (7,191,476) | (6,908,843) | (8,150,687) | - | - | (64,483,726) |
| Current Year | | | | | | | | | | |
| Depreciation | (41,957) | (1,668,467) | (724,467) | (4,921,223) | (4,136,279) | (785,187) | (644,373) | (184,601) | - | (13,106,554) |
| Disposals | - | 180,043 | 594,662 | 7,253,394 | 1,549,454 | 337,743 | - | - | - | 9,915,297 |
| Balance at 31 March 2017 | (308,528) | (11,058,160) | (6,213,323) | (23,980,724) | (9,778,301) | (7,356,287) | (8,795,060) | (184,601) | - | (67,674,984) |
| Total Book Value | 21,926,437 | 55,378,998 | 2,854,657 | 16,825,632 | 28,747,222 | 6,287,340 | 12,984,512 | 21,383,063 | 3,190,443 | 169,578,304 |
| 2016 \$ | | | | | | | | | | |
| Gross Carrying Amount | | | | | | | | | | |
| 1 April 2015 | 18,545,305 | 62,777,303 | 9,008,136 | 40,789,600 | 28,171,127 | 13,525,704 | 12,166,956 | - | 1,960,189 | 186,944,320 |
| Additions | 2,130,841 | 1,059,967 | 464,165 | 3,258,682 | 6,546,582 | 27,365 | 418,926 | - | 6,953,214 | 20,859,742 |
| Additions on | | | | | | | | | | |
| Acquisition | - | - | - | 68,240 | 2,235,893 | - | - | - | - | 2,304,133 |
| Disposals | (1,179) | - | (10,196) | (1,437,381) | (2,341,545) | - | - | - | - | (3,790,301) |
| Net foreign | | | | | | | | | | |
| Currency Exchanges | - | - | - | - | - | 423,293 | 524,811 | - | - | 948,104 |
| Transfers | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2016 | 20,674,967 | 63,837,270 | 9,462,105 | 42,679,141 | 34,612,057 | 13,976,362 | 13,110,693 | - | 8,913,403 | 207,265,998 |
| Accumulated Depreciation | | | | | | | | | | |
| 1 April 2015 | (228,183) | (7,974,311) | (5,323,911) | (22,973,064) | (5,573,408) | (5,978,648) | (6,878,603) | - | - | (54,930,128) |
| Current year | | | | | | | | | | |
| Depreciation | (38,388) | (1,595,425) | (769,766) | (4,770,482) | (2,832,252) | (930,195) | (1,272,084) | - | - | (12,208,592) |
| Disposals | - | - | 10,159 | 1,430,651 | 1,214,184 | - | - | - | - | 2,654,994 |
| Balance at 31 March 2016 | (266,571) | (9,569,736) | (6,083,518) | (26,312,895) | (7,191,476) | (6,908,843) | (8,150,687) | - | - | (64,483,726) |
| Total Book Value | 20,408,396 | 54,267,534 | 3,378,587 | 16,366,246 | 27,420,581 | 7,067,519 | 4,960,006 | - | 8,913,403 | 142,782,272 |

Notes to the accounts continued

3.2 INTANGIBLE ASSETS

(a) Licences and Concessions

Licences and concessions that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Licences and concessions are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated remaining useful lives for the current period is as follows:

| | |
|--|------------|
| Totally Tourism Limited Group – Licences and Concessions | 2.44 years |
| Christchurch Casinos Licence | 2.63 years |

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of businesses is included in Intangible Assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

Critical Estimation and Assumptions

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations as outlined below. These calculations require the use of estimates.

On allocation of Goodwill to the cash generating unit for the purpose of impairment testing the Group has made the assumption that the Christchurch Casino licence, which is due to expire on the 3rd of November 2019, will be renewed for a further period of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ).

Based on calculations completed to allocate goodwill to cash generating units for the purpose of impairment testing, there is currently sufficient headroom between the value in use calculation and the carrying value of the remaining assets, such as there is no impairments. If the growth rate expectations change or the expected profitability otherwise changes or the discount rate increases there may be impairments of the carrying value of Goodwill in future periods.

The goodwill balances with indefinite lives are allocated to the Group's cash generating unit (CGU) as follows.

Christchurch Casinos Ltd \$66,753,200 (2016: \$66,753,200).

The recoverable amount of the CGU is determined based on value in use calculations. These calculations used a four year cash flow projection using management's budgets, approved by directors, which reflect the current operating conditions and trading performance of Christchurch Casino and assumed a growth rate of 0.03% – 2.5% per annum (2016: 2% – 3% per annum). The growth rate does not exceed the long term average growth rate of the business in which the CGU operates. There is a surplus between the carrying values of all assets and value in use calculations.

The discount rate used in the current estimate of goodwill was 16.80% (2016: 14.13%). The discount rate is pre tax and reflects specific risks to the relevant operating segment and is determined annually based on managements assessments and independent advice. These assumptions are consistent with past experience adjusted for economic indicators. The Group believes that no reasonably possible change in any of the above key assumptions would reduce the carrying value of goodwill to be materially lower than its recoverable amount.

Notes to the accounts continued

(c) Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Software development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software products so that they will be available for use;
- Management intends to complete the software products and use or sell them;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development, employee costs and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives once the computer software is available for use. The estimated useful lives of computer software are currently between 4 and 15 years. In the prior year the project to develop software unique to the Group was not completed, therefore no amortisation was charged.

(d) Work in Progress

The Group recognises costs associated with creating intangible assets that are not yet completed but are expected to be completed as work in progress.

The closing work in progress balance of \$403,981 (2016: \$1,866,787) is made up of internally developed software assets of \$365,707 (2016: \$1,866,787) and licenses and concessions not yet available of \$38,274 (2016: \$nil).

Total group intangible assets are as follows:

| | Goodwill | | Licences & Concessions | | Computer Software | | Work in Progress | | Total Intangibles | |
|---|-------------------|-------------------|------------------------|-------------------|-------------------|----------|------------------|------------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | | | |
| Balance 1 April | 78,728,200 | 78,578,200 | 29,704,414 | 29,704,414 | - | - | 1,866,787 | - | 110,299,401 | 108,282,614 |
| Acquisition of Christchurch Airport iSite | - | 150,000 | - | - | - | - | - | - | - | 150,000 |
| Other Additions | - | - | - | - | 780,772 | - | 403,981 | 1,866,787 | 1,184,753 | 1,866,787 |
| Transfers | - | - | - | - | 1,866,787 | - | (1,866,787) | - | - | - |
| Balance 31 March | 78,728,200 | 78,728,200 | 29,704,414 | 29,704,414 | 2,647,559 | - | 403,981 | 1,866,787 | 111,484,154 | 110,299,401 |
| Amortisation/Impairment | | | | | | | | | | |
| Balance 1 April | 11,825,000 | 11,825,000 | 14,358,020 | 10,140,852 | - | - | - | - | 26,183,020 | 21,965,852 |
| Amortisation / Impairment for the period | - | - | 4,217,168 | 4,217,168 | 95,622 | - | - | - | 4,312,790 | 4,217,168 |
| Balance 31 March | 11,825,000 | 11,825,500 | 18,575,188 | 14,358,020 | 95,622 | - | - | - | 30,495,810 | 26,183,020 |
| Carrying Amount | | | | | | | | | | |
| Balance 31 March | 66,903,200 | 66,903,200 | 11,129,226 | 15,346,394 | 2,551,937 | - | 403,981 | 1,866,787 | 80,988,344 | 84,116,381 |

Notes to the accounts continued

3.3 INVESTMENT PROPERTY

Investment property, which is property held to earn rental, is stated at its fair value at the balance sheet date. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the consolidated income statement for the period in which they arise.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The fair value of investment property reflects the Directors' assessment of the highest and best use of each property and amongst other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects the cash outflows that could be expected in respect of the property.

No depreciation or amortisation is provided for on investment properties.

Gains or losses on the disposal of investment properties are recognised in the consolidated income statement in the period in which the risks and rewards of the investment property have been fully transferred to the purchaser.

Fair Value Measurement of Investment Property

The investment property assets total shown in the Consolidated Statement of Financial Position and reconciled below have been valued at fair value, using Level 2 valuation techniques, totalling \$154,185,000 (2016 \$ 127,387,000). There were no transfers between Level 1 and Level 2 during the year.

| | 2017 \$ | 2016 \$ |
|---------------------------------------|-------------|-------------|
| Investment Property | | |
| Balance at 1 April | 127,387,000 | 112,303,000 |
| Additions from Subsequent Expenditure | 6,543,336 | 4,969,681 |
| Change in Fair Value | 20,254,664 | 10,114,319 |
| Total Carrying Amount | 154,185,000 | 127,387,000 |

Critical Estimates and Assumptions

The valuation of investment property requires estimation and judgment. The fair value of investment properties are determined from valuations prepared by independent valuers using Level 2 valuation techniques in the absence of current prices in an active market. The Level 2 valuation technique uses the observable rental and market values of the properties. A market yield is applied to the rental value to arrive at the gross property valuation.

All investment properties were valued by the independent valuers APL Property Queenstown Limited (Registered Valuers) to determine the fair value of properties as at 31 March 2017. An external valuer has been used, having appropriately recognised professional qualifications and experience in the location and category of property being valued.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing efforts. Investment property comprises a number of commercial properties that are leased to third parties. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

The range of yields applied to the net annual rentals to determine fair value of property, for which current prices in an active market are unavailable, is as follows:

| Retail and Offices | 2017 | 2016 |
|--|-----------------|-----------------|
| Queenstown New Zealand – Observable Rental Yields (%) | 4.07% - 4.69% | 4.24% - 5.50% |
| Queenstown New Zealand – Observable Market Values (\$/m ²) | \$225 - \$1,610 | \$225 - \$1,610 |

Notes to the accounts continued

3.4 WORKING CAPITAL

Working Capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital, as cash, trade and other receivables, inventories and trade and other payables.

3.4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents of \$19,090,344 (2016: \$17,137,529) include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

3.4.2 TRADE AND OTHER RECEIVABLES

Trade receivables are initially recorded at the value of the invoice sent to the customer and subsequently reduced by appropriate allowances for estimated recoverable amounts (amortised cost). The trade receivable balances are reviewed on an on-going basis where bad debts are written off when identified.

| | 2017 \$ | 2016 \$ |
|-----------------------------------|------------|------------|
| Trade Receivables | 5,534,968 | 5,067,617 |
| Prepayments | 1,686,802 | 612,383 |
| Other | 117,077 | - |
| Total Trade and Other Receivables | 7,338,847 | 5,680,000 |

Trade receivables are shown net of impairment losses amounting to \$Nil (2016: \$Nil) recognised in the current year.

(a) Credit Risk

Credit risk refers to the risk of a counterparty failing to discharge an obligation. Principally any risk is in respect of cash and bank balances, trade and other receivables. No collateral is held on these accounts. There is no geographical concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

(i) Trade Receivable Status

The Group's status of trade receivables at the reporting date is as follows:

| | 2017 Gross Receivable \$ | 2016 Gross Receivable \$ |
|---------------------------|-----------------------------------|-----------------------------------|
| Not past due | 4,979,493 | 4,194,400 |
| Past due 0-30 days | 377,052 | 588,590 |
| Past due 31-120 days | 120,596 | 247,847 |
| Past due 121-360 days | 52,062 | 22,706 |
| Past due more than 1 year | 5,765 | 14,074 |
| Total | 5,534,968 | 5,067,617 |

Notes to the accounts continued

(ii) Maximum Exposure to Credit Risk

The Group's maximum exposure for trade and other receivables by geographic regions is as follows:

| | 2017 \$ | 2016 \$ |
|-------------|-----------------|-----------------|
| New Zealand | 5,152,073 | 4,439,131 |
| Singapore | 381,621 | 625,843 |
| Canada | 1,274 | 2,643 |
| | <hr/> 5,534,968 | <hr/> 5,067,617 |

3.4.3 INVENTORIES

Total inventories of \$1,695,147 (2016: \$1,456,146) are stated at the lower of cost, determined on a first-in first-out basis, or net realisable value. Inventories include food, liquor, souvenirs and other retail merchandise for resale. Some inventories are subject to retention of title clauses.

3.4.4 TRADE PAYABLES AND PROVISIONS

Trade payable and provisions represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid.

(a) Trade Payables

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of trade payables is considered to approximate fair value as the amounts are unsecured and are usually paid by the 20th of the following month.

(b) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Trade payables and provisions include:

| | 2017 \$ | 2016 \$ |
|-------------------------------------|------------------|------------------|
| Trade Payables | 17,220,277 | 14,816,639 |
| Provisions | 1,264,368 | 1,902,766 |
| Other Payables | 1,561,495 | 1,971,896 |
| Total Trade Payables and Provisions | <hr/> 20,046,140 | <hr/> 18,691,301 |

The Provisions balance consists of bonus points, jackpots, dining and unredeemed chips in relation to casino games. The Other Payables balance consists of value added taxes, income received in advance and the outstanding amount payable for the investment in the Korean PFV as detailed in note 4.1.

3.5 EMPLOYEE ENTITLEMENTS

Employee entitlements represent liabilities for employee services provided to the Group prior to the end of a financial period, which are unpaid.

(a) Wage and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in employee benefits in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

Notes to the accounts continued

| Employee entitlements include: | 2017 \$ | 2016 \$ |
|--------------------------------|------------|------------|
| Liability for Annual Leave | 3,240,625 | 3,125,390 |
| Other Employee Entitlements | 1,877,249 | 1,047,135 |
| Total Employee Entitlements | 5,117,874 | 4,172,525 |

4.0 Investments

4.1 LONG TERM INVESTMENTS

The Group is comprised of a number of subsidiary companies as detailed in note 4.2, together with other long-term equity investments and investments in a number of associates.

| Long term investments include: | Notes | 2017 \$ | 2016 \$ |
|---|---------|------------|------------|
| Equity Investment – Osiria Thema Park PFV Co. | | 1,291,160 | - |
| Investment in Associates and Other Entities | 4.1 (b) | 9,530,620 | 8,969,586 |
| Total Long Term Investments | | 10,821,780 | 8,969,586 |

In March 2017 the Group entered into an equity investment agreement with Osiria Thema Park PFV Ltd, which was required as part of the East Busan luge development in South Korea. The investment agreement provides for the Group to participate in share capital issues up to a maximum of 10% of the paid up capital of PFV. These share capital payments will only be required if the criteria in the investment agreement are met.

At balance date, under the investment agreement, the group was committed to making a share capital payment of one billion Korean Won, which represents a 2% interest in PFV. The commitment of \$1,291,160 has been recorded in the Trade and Other Payables balance at Note 3.4.4 and is equal to the NZD payment made in early April 2017.

Critical Estimates and Assumptions

The Osiria Thema Park PFV Ltd investment is an unlisted equity investment. Given the proximity to balance date the Group has used the payment of \$1,291,160 as the fair value on initial recognition of the investment in Osiria Thema Park PFV Ltd.

(a) Investment in Associates

Investments in associates are accounted for using the equity method and are measured in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets, less dividends. Goodwill relating to associates is included in the carrying amount of the investment.

If the carrying amount of the equity accounted investment exceeds its recoverable amount, it is written down to the latter. When the Group's share of accumulated losses in an associate equals or exceeds its carrying value, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the accounts continued

Critical Estimates and Assumptions

Associates are entities in which the Group has significant influence but not control. Judgement is required to determine if control exists. Generally the Group determines that no control exists when the shareholding is between 20% and 50% of the voting rights.

(b) Equity Accounted Associates

The following associate Companies have been equity accounted:

| Company | Equity Accounted Principal Percentage Held | | Voting Rights Percentage Held | | Balance Date | Activity |
|--------------------------------|---|-------|----------------------------------|-------|-----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | | |
| The Station Limited | 50.0% | 50.0% | 50.0% | 50.0% | 30 June | Booking Office |
| Dunedin Casinos Limited | 33.0% | 33.0% | 33.0% | 33.0% | 31 March | Casino |
| Alpine Guides (Aoraki) Limited | 50.0% | - | 50.0% | - | 31 March | Guiding |
| Glentanner Heliski Limited | 50.0% | 50.0% | 50.0% | 50.0% | 31 March | Non Trading |
| Mount Cook Heliski Limited | 50.0% | 50.0% | 50.0% | 50.0% | 31 March | Non Trading |

The Station Limited is part of the Totally Tourism Group. It operates in the Tourism Industry as an agency for sightseeing sales. The balance date of The Station Limited is aligned with the requirements of the other shareholder of that company.

Alpine Guides (Aoraki) Limited is part of the Totally Tourism Group. It operates in the Tourism Industry as a mountain guiding business. A 50% shareholding was acquired on 26 January 2017. The company has been equity accounted for the period 26 January 2017 to 31 March 2017.

Dunedin Casinos Limited operates predominantly in the Casino Industry. It operates in Dunedin.

Glentanner Heliski Limited and Mount Cook Heliski Limited are non trading associate companies that hold landing rights.

(c) Non Equity Accounted Associates

The following associate Company has not been equity accounted, there was no change in the ownership to the prior period.

| Company | Voting Percentage Held | Balance Date |
|------------------------------|------------------------------|-----------------|
| | | |
| Mountain Bike Events Limited | 25% | 31 March |

Mountain Bike Events Limited is a Special Purpose Entity. It's constitution removes the right for dividend or profit distributions to be made to the Group and for this reason it has not been equity accounted.

Notes to the accounts continued

(d) Movement in Investment in Associates and Other Entities

| | The Station | Milford Sound Flights | Dunedin Casinos | Alpine Guides (Aoraki) | Other | Total |
|---------------------------------|-------------|-----------------------|-----------------|------------------------|--------|-------------|
| Balance at 1 April 2015 | 63,786 | 1,855,487 | 8,900,553 | - | 38,500 | 10,858,326 |
| Share of Profit/(Loss) | 39,939 | (164,835) | 680,001 | - | - | 555,105 |
| Interest, Dividends Received | - | - | (693,193) | - | - | (693,193) |
| Management Fee Received | (60,000) | - | - | - | - | (60,000) |
| Acquisition of Subsidiary | - | (1,690,652) | - | - | - | (1,690,652) |
| Balance at 31 March 2016 | 43,725 | - | 8,887,361 | - | 38,500 | 8,969,586 |
| Share of Profit/(Loss) | (7,431) | - | 641,763 | 37,341 | - | 671,673 |
| Dividends Received | - | - | (462,000) | - | - | (462,000) |
| Management fee Received | (45,000) | - | - | - | - | (45,000) |
| Capital Investment | - | - | - | 396,861 | - | 396,861 |
| Investment Written Off | - | - | - | - | (500) | (500) |
| Balance at 31 March 2017 | (8,706) | - | 9,067,124 | 434,202 | 38,000 | 9,530,620 |

(e) Associates Summary Financial Information

The summary financial information in respect of the Group's associates, not adjusted for the percentage ownership held by the Group is set out below:

| | Ownership | Current Assets | Non-Current Assets | Current Liabilities | Non-Current Liabilities | Equity | Revenues | Expenses | Total Comprehensive Income | Group Share of Profit |
|------------------------|-----------|----------------|--------------------|---------------------|-------------------------|--------|----------|----------|----------------------------|-----------------------|
| 2017 (\$000's) | | | | | | | | | | |
| The Station | 50% | 712 | 116 | 740 | - | 88 | 6,420 | 6,435 | (15) | (7) |
| Dunedin Casinos | 33% | 3,172 | 5,957 | 2,299 | 140 | 6,690 | 16,693 | 14,749 | 1,945 | 642 |
| Alpine Guides (Aoraki) | 50% | 245 | 477 | 583 | 200 | (61) | 423 | 348 | 75 | 37 |
| 2016 (\$000's) | | | | | | | | | | |
| The Station | 50% | 931 | 52 | 775 | - | 208 | 6,866 | 6,755 | 111 | 55 |
| Dunedin Casinos | 33% | 2,506 | 6,001 | 2,350 | - | 6,157 | 16,938 | 14,878 | 2,060 | 680 |

As stated in note 4.1(b) the associates Glentanner Heliski Limited and Mount Cook Heliski Limited are non trading associate companies that hold landing rights, therefore there are no income or expenses associated with these investments. These investments have no recognised assets or liabilities.

Notes to the accounts continued

4.2 GROUP ENTITIES

All subsidiaries have been fully consolidated in the accounts. All subsidiaries have a 31 March balance date.

The following subsidiary Companies are 100% beneficially owned, and are incorporated in New Zealand unless otherwise stated.

| | |
|---|--------------------------------------|
| Skyline Management Limited (formerly Accommodation and Booking Agents (Queenstown) Limited) | |
| Skyline Skyrides Limited | Milford Sound Cruises Limited |
| Skyline International Luge Limited | Milford Sound Flights Limited |
| Skyline Investments Limited | Milford Sound Scenic Flights Limited |
| Skyline Properties Limited | Glacier Helicopters Holdings Limited |
| Skyline Tours Limited | Glacier Helicopters Limited |
| Skyline Luge Hong Kong Limited | Air Fiordland Limited |
| North Sky Luge (Tremblant) Limited – incorporated in Canada | Wanaka Flightseeing (2006) Limited |
| North Sky Luge (Calgary) Limited – incorporated in Canada | Leisure Lodge Motor Inn Limited |
| North Sky Luge Limited | Christchurch Casinos Limited |
| Sentosa Luge Company Pte Limited – incorporated in Singapore | O'Connells Pavilion Limited |
| Tongyeong Luge Company Limited – incorporated in South Korea | Queenstown Tourist Company Limited |
| North Sky Luge No 2 Limited | Totally Tourism Limited |
| North Sky Luge No 3 Limited | Fairy Springs Holdings Limited |
| North Sky Luge No 4 Limited | The Helicopter Line Limited |
| Mitre Peak Cruises Limited | |

4.3 ACQUISITION OF SUBSIDIARY

2017

During the year there were no acquisitions of subsidiaries.

2016

In the prior year the Group purchased the remaining 50% shareholding in Milford Sounds Flights Limited for \$1,690,652. The purchase was completed at an arms length price between a willing buyer and a willing seller.

On acquisition the existing 50% effective interest in Milford Sound Flights Limited was re-measured to fair value, there was no gain or loss recognised in the Group's Income Statement.

2016 Fair Value of Identifiable Assets Acquired and Liabilities Assumed

| Fair Value of Assets and Liabilities Arising | Note | \$ |
|---|-------------|------------------|
| Property Plant and Equipment | 3.1 | 2,304,133 |
| Inventories | | 193,906 |
| Trade and Other Receivables | | 119,186 |
| Cash and Cash Equivalents | | 950,330 |
| Taxation | | 5,278 |
| Trade and Other Payables | | (98,777) |
| Employee Entitlements | | (92,752) |
| Total Identifiable Net Assets | | 3,381,304 |
| Recognised as | | |
| Cash paid | | 1,690,652 |
| 50% pre-owned based on transaction value | | 1,690,652 |
| | | 3,381,304 |

Notes to the accounts continued

5.0 Financing and Capital Structure

5.1 LOANS AND BORROWINGS

Loans and borrowings are recognised initially at fair value. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of the borrowings, using the effective interest method.

| | 2017 \$ | 2016 \$ |
|--------------------|-------------------|-------------------|
| Current | | |
| Secured Bank Loans | 18,000,000 | 18,100,000 |
| Non Current | | |
| Secured Bank Loans | 10,000,000 | - |
| | <u>28,000,000</u> | <u>18,100,000</u> |

(a) Terms and Debt Repayment Schedule

The terms and conditions of outstanding loans were as follows:

| | | | 2017 \$ | 2016 \$ |
|---------------------------------|----------|---------------|------------------|-------------------|
| | Currency | Interest rate | Year of maturity | Carrying amount |
| Secured Bank Loan – Current | NZD | 3.28% | On Call | 18,000,000 |
| Secured Bank Loan – Non Current | NZD | 3.99% | 31 Dec 19 | 10,000,000 |
| Total Borrowings | | | | <u>28,000,000</u> |
| | | | | <u>18,100,000</u> |

The carrying amount of borrowings reflects fair value as the borrowing finance rates approximate market rates.

(b) Borrowings (Secured)

During the year the Group arranged an overall committed cash advance facility with the Bank of New Zealand Limited of \$40,000,000. The facility limit expires 31 December 2019.

The facility is secured by mortgage and debenture over the assets and undertakings of the Group.

(c) Credit Cards

At balance date the Group has a maximum liability of \$125,000 (2016: \$245,000) to the Bank of New Zealand Limited in respect of Visa Business credit cards held.

5.2 FINANCIAL RISK MANAGEMENT

(a) Overview

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Notes to the accounts continued

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Risk Committee is designated to develop and monitor the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and processes aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

5.2.1 QUALITATIVE INFORMATION

(a) Credit Risk

Financial Instruments which potentially subject the Group to credit risk principally consist of accounts receivable, advances to associated companies and bank balances. The Group generally does not require collateral or security. The Group continuously monitors the credit quality of its major receivables and does not anticipate any non performance of those customers. The Group places its call and short term deposits only with registered banks.

The board has approved a credit policy under which new customers are analysed individually for credit worthiness before the Group's standard payment terms and conditions are offered. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash or prepayments basis.

(b) Liquidity Risk

Liquidity risk represents the Group's ability to meet its obligations as they fall due. 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 and has credit lines in place to cover potential shortfalls.

The Group assessed the concentration of risk with respect to refinancing its debt as low as access to sources of funds is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders. The Group assessed the concentration of risk with respect to payables as low as the Group is able to pay its debts as they fall due and has access to a sufficient funding with its bankers. The table in note 5.2.2 (a) sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The object of market risk management by the Board of Directors is to manage and control market risk exposures within acceptable parameters while optimising return on risk.

(i) Foreign Currency Risk

Foreign currency risk is the risk that the value of assets and liabilities will fluctuate due to changes in foreign exchange rates. The Group is exposed to the currency risks of Canadian Dollars, Singapore Dollars and South Korean Won, which are the primary foreign currency operating cash inflows.

The Group assessed the concentration of risk with respect to foreign currency as medium, as whilst no formal hedging is in place any excess foreign currency funds are transferred to the Parent entity regularly thereby minimising foreign currency balances

(ii) Interest Rate Risk

The Group is exposed to interest rate risk in respect of the secured bank loans of \$28,000,000 (2016: \$18,100,000). The Directors consider that the interest rate risk is within acceptable thresholds for the group.

Notes to the accounts continued

The carrying amount of financial assets represents the Group's maximum credit exposure. The Group has not renegotiated the terms of any financial assets that would result in the carrying amount no longer being past due or avoid a possible past due status.

(iii) Capital Management

The Group's capital includes share capital, reserves and retained earnings. The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

5.2.2 QUANTITATIVE INFORMATION

(a) Liquidity Risk

The following table sets out the contractual maturities of financial liabilities including interest payments.

| | Balance sheet | Contractual cash flows | 12 months or less | 1-2 years | 2-5 years | More than 5 years |
|----------------------------------|---------------|------------------------|-------------------|------------|-----------|-------------------|
| 2017 | | | | | | |
| Trade Payables and Provisions | 20,046,140 | 20,046,140 | 20,046,140 | - | - | - |
| Employee Entitlements | 5,117,874 | 5,117,874 | 5,117,874 | - | - | - |
| Secured Bank Loans | 28,000,000 | 28,365,750 | 18,133,000 | 10,232,750 | - | - |
| Total Non-derivative Liabilities | 53,164,014 | 53,529,764 | 43,297,014 | 10,232,750 | - | - |
| 2016 | | | | | | |
| Trade Payables and Provisions | 18,691,301 | 18,691,301 | 18,691,301 | - | - | - |
| Employee Entitlements | 4,172,525 | 4,172,525 | 4,172,525 | - | - | - |
| Secured Bank Loans | 18,100,000 | 18,100,000 | 18,100,000 | - | - | - |
| Total Non-derivative Liabilities | 40,963,826 | 40,963,826 | 40,963,826 | - | - | - |

(b) Foreign Currency Risk

The Group's exposure to foreign currency risk can be summarised as follows:

| | SG\$ | CA\$ | 2017 KR₩ (000's) | SG\$ | CA\$ | 2016 KR₩ (000's) |
|---------------------------------|-------------|-----------|------------------------|-------------|-----------|------------------------|
| Cash and Cash Equivalents | 3,126,330 | 1,552,677 | 396,008 | 1,125,812 | 1,797,123 | 3,556,988 |
| Trade Receivables | 373,683 | 1,188 | - | 582,973 | 375 | - |
| Trade Payables | (1,582,618) | (63,030) | (924,151) | (1,002,519) | (13,192) | (93,018) |
| Net Financial Position Exposure | (1,917,395) | 1,490,835 | (528,143) | 706,266 | 1,784,306 | 3,463,970 |

Notes to the accounts continued

(c) Sensitivity Analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, permanent changes in foreign exchange and interest rates will have an impact on profit.

(i) Interest Rate Risk

At 31 March it is estimated that a general increase of 1.0% in interest rates would have decreased the Group's profit before income tax by \$230,500 (2016: \$265,000). This was calculated by reference to the average debt in the year and the average interest rate in the year.

The above estimate of change in profit has been calculated on bank loans, and has been estimated on a similar basis to the prior year.

(ii) Foreign Currency Risk

It is estimated that a general increase of 10% in the value of the New Zealand Dollar against other foreign currencies would have decreased the Group's profit before income tax by \$999,591 (2016: \$1,121,908). This was calculated by reference to the net income derived from offshore entities in the year and the average exchange rate in the year in the currencies that the Group trades in.

5.3 EQUITY

(a) Share Capital

At 31 March 2017 share capital comprised 34,137,379 ordinary shares (2016: 34,137,379 ordinary shares). The holders of ordinary shares have equal voting rights and share equally in dividends and any surplus on winding up of the Group. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

(b) Retained Earnings

The purpose of the retained earnings reserve is to hold funds for future investment or returns to the shareholder.

Retained earnings include the following Capital Reserves:

| | 2017 \$ | 2016 \$ |
|---------------------------------|------------|------------|
| Opening Balance Brought Forward | 14,338,209 | 14,338,209 |
| Closing Balance | 14,338,209 | 14,338,209 |

(c) Translation Reserve

The translation reserve represents the net difference that arises when foreign domiciled assets and liabilities are translated at the closing rate. At 31 March 2017 the net difference resulted in a foreign exchange translation loss of \$17,427 (2016: Gain of \$328,952).

(d) Dividends Declared

The dividends paid in 2017 and 2016 were \$18,775,559 (\$0.55 per share) and \$14,337,699 (\$0.42 per share) respectively.

Notes to the accounts continued

6.0 OTHER NOTES

6.1 RELATED PARTY TRANSACTIONS

(a) Parent and Ultimate Controlling Party

The immediate parent of the Group is Skyline Enterprises Limited. By virtue of the fact the Company is owned by a large number of small investors there is no ultimate controlling party.

(b) Subsidiaries

Skyline Enterprises Limited has a related party relationship with the subsidiaries and associates as listed in Note 4.2.4.

Skyline Enterprises Limited has provided an unlimited intercompany guarantee to the Bank of New Zealand in favour of all its New Zealand subsidiaries.

(c) Key Management Compensation

Key management personnel include the Directors, the Chief Executive Officers and the direct reports to the Chief Executive Officers

Short Term Employee Entitlements \$5,239,589 (2016: \$4,308,321).

Directors receive a retirement benefit for loss of office where a Director has served for more than five years. This is calculated based on the aggregate of the last 3 years Directors' fees prior to retirement, with 5% of this figure paid for each year of service as a Director to a maximum of 100% of the aggregate. By Resolution the Directors' retirement policy has been ceased as of 31 March, 2015. A liability as at 31 March, 2017 has been recorded for the amount accrued under this policy to 31 March, 2015. The individual liability as accrued at 31 March, 2017 is payable either upon the retirement of the current Directors at age 65 or at such earlier retirement date at the discretion of the Board of Directors.

The following liability exists for Director's retirement benefit at balance date: Group \$248,700 (2016 \$368,700).

(d) Loans and Advances to Related Parties

| | 2017 | 2016 |
|---------------------------------------|-----------|------|
| Advance to Alpine Guides (Aoraki) Ltd | \$100,000 | - |

The advance to Alpine Guides (Aoraki) Ltd is repayable on demand and is unsecured.

(e) Transactions with Related Parties

(i) Directors

Businesses in which Directors have an interest and which provided services/supplies to the group on an arms length commercial basis during the period were as follows:

Mr M Quickfall, a Trustee and Beneficiary of the MJQ Trust, made a payment to The Helicopter Line Limited of \$853,461 in full settlement of a pre settlement indemnity claim relating to the dispute between The Helicopter Line Limited and Heli Holdings Ltd. Refer to note 6.2.2 (b) for further information.

Mr G Hensman is a Director and shareholder of Southern Beaver Limited which provided consulting contracting and heavy machinery services to the value of \$Nil (2016 \$ 960), with \$Nil owing at balance date (2016 \$Nil).

Mr R Thomas is a Director and shareholder of Bookme Limited which acts as an online booking agency and purchased products and services to the value of \$662,832 (2016: \$510,109), with \$80,999 receivable at balance date (2016: \$49,172).

Mr D Jackson is a Partner of McCulloch and Partners Chartered Accountants which provided professional services to the value of \$183,111 (2016: \$221,821) and Directors fees of \$100,000 (2016: \$95,000), with \$9,252 (2016: \$8,348) owing at balance date in respect of professional services and \$80,000 (2016: \$95,000) in respect of Directors fees.

The balance of Directors fees owing at balance date to Directors was \$719,665 (2016 \$ 690,000).

Notes to the accounts continued

(ii) Subsidiaries

A number of goods and services are traded on normal commercial terms between subsidiaries. The value of inter entity sales and purchases was \$3,832,070 (2016 \$6,056,482), at balance date \$44,879 was due between subsidiary companies (2016 \$ 862,960).

Terms of trade are that payment is due by the 20th of the month following the invoice. These have been eliminated on consolidation.

(iii) Associates

| | 2017 | 2016 |
|---|-------------|-------------|
| Goods, services provided to associated entities | \$2,203,736 | \$2,082,303 |
| Goods, services provided from associated entities | \$5,592 | \$98,717 |

At 31 March 2017 outstanding balances of goods services provided to associated entities were \$2,37,417 (2016 \$250,727) and goods services provided from associated entities were \$Nil (2016 \$Nil). Terms of trade are that payment is due by the 20th of the month following invoice, and trading is on normal commercial terms.

6.2 COMMITMENTS

6.2.1 OPERATING LEASE COMMITMENTS

(a) Skyline Enterprises Limited Lease

The company has entered into an operating lease with the Queenstown Lakes District Council and Minister of Conservation for the cableway, luge and restaurant complex on Bobs Peak, Queenstown. The lease is renewable 5 yearly with rights of renewal to 2070. It has been renewed to 31 March 2020. Rental is 3% of Food, Beverage, Photography and Souvenirs sales to 2020. Rental on Luge, Gondola and Other Sales is 3.75% to 2017, then 4% to 2020. As turnover figures are not known actual future obligations under the lease cannot be determined in dollar terms.

(b) North Sky Luge (Tremblant) Limited Lease

The Group has entered into an operating lease with Intrawest for the luge operation at Mont Tremblant, Quebec, Canada. The lease is renewable five yearly with rights of renewal to 2023. The current term expires in April 2018. Rental is calculated on a percentage of turnover, minimum rental payable each year being C\$200,000. A lift maintenance fee of C\$25,000 to C\$33,000 is also payable. As turnover figures are not known, actual future obligations under the lease cannot be determined in dollar terms.

(c) Sentosa Luge Company Pte Limited Lease

The Group has entered into an operating lease with the Sentosa Development Corporation for the Luge operation on Sentosa Island, Singapore. The lease is renewable five yearly with rights of renewal to 2030. The current term expires in December 2020. Rental is calculated on a percentage of turnover with monthly prepayments. Prepayments in successive terms are increased by the higher of 10% of amounts prepaid in the preceding term or the percentage increase in the Singapore Consumer Price Index, whichever be the higher. As turnover figures are not known, actual future obligations under the lease cannot be determined in dollar terms.

(d) North Sky Luge (Calgary) Limited Lease

The Group has entered into an operating lease with the Calgary Olympic Development Association for the period of 10 years commencing on 1st May 2013 and renewable for a further term of 10 years. Rentals have been calculated in advance for the first term of 10 years. The balance of rent payable for the first term will be C\$1.175 million payable as follows:

| | CA\$ |
|----------------------|---------|
| Less than one year | 175,000 |
| One to five years | 800,000 |
| More than five years | 200,000 |

Notes to the accounts continued

(e) Tongyeong Luge Company Limited Lease

The Group has entered into an agreement to lease with Tongyeong for the Luge operation at Tongyeong, South Korea. The lease term is a maximum of 30 years from the date of commencement of operations with renewal options at each five yearly interval. The current term expires in February 2022. Rental is calculated as a percentage of revenue of Luge ticket sales and no rental will be charged through the period of construction of Luge and for one calendar year from the business commencement date.

6.2.2 CONTINGENT LIABILITIES

(a) North Sky Luge (Tremblant) Limited Operating Lease

The North Sky Luge (Tremblant) Limited operating lease agreement with Mont Tremblant Resorts Limited – Intrawest requires satisfactory removal of all installations upon termination of the lease or the payment of \$100,000 Canadian to cover such costs of removal.

(b) The Helicopter Line Limited Heli Holdings Limited Dispute

In the current period the dispute between The Helicopter Line Limited and Heli Holdings was settled.

The settlement was made up of two parts:

- 1) Payment was made by The Helicopter Line Limited of \$2,015,725 being the initial awarded claim for shortfall hours plus interest of \$266,878. These amounts were provided for in the 2016 financial statements and therefore have no impact on current year earnings.
- 2) A confidential settlement payment was made by The Helicopter Line Limited in response to Heli Holdings Limited appeal and The Helicopter Line Limited cross appeal of the initial judgement.

The comparative note is as follows:

At 31 March 2016, The Helicopter Line Limited is in dispute with Heli Holdings Limited regarding the lease of helicopters, provision of maintenance of helicopters by Airwork and other matters. Heli Holdings previously presented an invoice for shortfall hours for the period 2008 to 2013 and is claiming damages resulting from the cancellation of the lease agreement.

The matter was heard in the High Court in May, June and July 2015. A decision was received in May 2016. This decision validated The Helicopter Lines decision to cease flying the helicopters in July 2013 over safety concerns relating to the standard of maintenance provided under the contract. It also confirmed that the contract was at an end in 2013 which otherwise was scheduled to run until 2022.

The Judgement requires The Helicopter Line and its immediate parent company Totally Tourism Limited to pay shortfall hours up until the time The Helicopter Line grounded the helicopter fleet over the safety concerns, of \$2,015,725 plus interest.

The Helicopter Line has accepted the findings of the Court in relation to the historic charges and the decision generally. The Helicopter Line has cross appealed some aspects of the decision in relation to post July 2013 events in response to Heli Holdings appeal to the Court of Appeal.

The commercial implications and claim quantum is subject to Heli Holdings appeal and The Helicopter Line cross appeal. At balance date the group has provided for the shortfall hours' awarded of \$2,015,725 and calculated interest of \$266,878. Under the terms of the purchase of the Totally Tourism Limited group of businesses the vendor, being the MJQ Trust of which Mr M Quickfall, a Director, is a Trustee and a Beneficiary, provided a pre-settlement indemnity in respect of any future liabilities that may arise after purchase of the business relating to liabilities incurred prior to the date of purchase. This portion of the shortfall hours and related interest will be claimed under the pre-settlement indemnity provisions from the vendor.

(c) Other

Otherwise the Group had no significant contingent liabilities as at 31 March 2017 as for the previous year.

Notes to the accounts continued

6.2.3 CAPITAL COMMITMENTS

(a) Contracted But Not Provided for:

| | 2017 \$ | 2016 \$ |
|--|-------------------|-------------------|
| Skyline Luge Sentosa Second Luge Lift and Track | 3,400,000 | 600,000 |
| Marine Parade New Build | 580,000 | 4,772,000 |
| Skyline Queenstown Luge Lift Upgrade | 1,560,000 | - |
| Skyline Luge East Busan Development | 1,000,000 | - |
| Investment in Osiria Thema Park PFV Co | 4,800,000 | - |
| Skyline Luge Tongyeong Luge Track Upgrade | 525,000 | - |
| Chester Building Upgrade | 350,000 | - |
| Mercure Leisure Lodge Upgrade | 356,000 | - |
| AVA Building Upgrade | - | 100,000 |
| Korean Development Consents | - | 18,000,000 |
| Information Technology Software Upgrade | - | 1,900,000 |
| Skyline Rotorua weather-proof cover for terrace area | - | 115,000 |
| Purchase Zoom Zipline | - | 1,200,000 |
| | <u>12,571,000</u> | <u>26,687,000</u> |

Any other material capital expenditure items contracted for at balance date are provided for in the financial statements.

6.3 SUBSEQUENT EVENTS

(a) Dividend

Subsequent to balance date, the directors have declared a final dividend of 60 cents per share payable 6 October 2017. Dividends are fully imputed to New Zealand resident shareholders. As the dividend was declared after balance date it has not been recognised as a liability in these financial statements. Total dividends payable will be \$20,482,427 from which Resident Withholding Tax will be required to be deducted of \$1,422,391.

Disclosures not part of audit opinion

Disclosures Not Part of Audit Opinion

STATUTORY DISCLOSURES

(a) Remuneration of Directors

Directors' remuneration and other benefits received, or due and receivable during the year is as follows:

| | Consolidated | Parent Company | Totally Tourism Ltd | Christchurch Casino Ltd | Sentosa Luge Company Ltd |
|-------------------------|------------------|------------------|---------------------|-------------------------|--------------------------|
| M Quickfall – Chairman* | 298,322 | 238,322 | 60,000 | - | - |
| G H Hensman | 133,000 | 103,000 | 30,000 | - | - |
| R B Thomas | 63,000 | 63,000 | - | - | - |
| J N Hunt | 63,000 | 63,000 | - | - | - |
| D N Jackson ** | 103,000 | 63,000 | - | 40,000 | - |
| S C Ottrey | 25,000 | 25,000 | - | - | - |
| K J Matthews † | 110,000 | - | 30,000 | 80,000 | - |
| P J Hensman ‡ | 40,000 | - | - | 40,000 | - |
| A B Ryan ‡ | 40,000 | - | - | 40,000 | - |
| Lee Chin Chuan ‡ | 25,469 | - | - | - | 25,469 |
| | <u>\$900,791</u> | <u>\$555,322</u> | <u>\$120,000</u> | <u>\$200,000</u> | <u>\$25,469</u> |

* Includes salary paid whilst also Acting CEO

** Directors fees are paid to McCulloch and Partners, Chartered Accountants

† Independent Chairman

‡ Independent Director

(b) Directors' Indemnity and Insurance

The Company has indemnified its Directors for their actions in their capacity as Directors of the Company to the extent permitted by section 162 of the Companies Act 1993. The Company has also insured its Directors against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

(c) Remuneration of Employees

There were thirty four employees who received remuneration and any other benefits in their capacity as employees, in excess of \$100,000 for the year, as follows:

| Number of Employees | Bracket |
|---------------------|-----------------------|
| 9 | \$100,000 – \$110,000 |
| 4 | \$110,000 – \$120,000 |
| 6 | \$120,000 – \$130,000 |
| 4 | \$130,000 – \$140,000 |
| 2 | \$140,000 – \$150,000 |
| 1 | \$150,000 – \$160,000 |
| 3 | \$160,000 – \$170,000 |
| 1 | \$200,000 – \$210,000 |
| 2 | \$210,000 – \$220,000 |
| 1 | \$440,000 – \$450,000 |
| 1 | \$680,000 – \$670,000 |

Disclosures not part of audit opinion continued

(d) Entries in Interests Register During Financial Year

(i) Directors Interests

The following entries to the Directors Interest Register were made by the Directors of the Company during the year:

a) Directors Transactions with the Group

During the year Skyline Enterprises Limited and its subsidiaries:

- Paid Bookme Limited for online booking services – a company in which Mr R B Thomas, a Director, has an interest.
- Paid fees to McCulloch and Partners Chartered Accountants for professional services – Mr D N Jackson, a Director, is a partner in McCulloch and Partners.

All of these transactions were provided on normal commercial terms.

b) Disclosure of Directorships in Other Entities

- Ms Sarah Ottrey, a Director, made a general notice entered in the interest register that she holds directorships in EBOS Group Limited, Comvita Limited, Whitestone Cheese Limited, and Sarah Ottrey Marketing Limited.

(e) Share Dealing by Directors

Directors disclosed the following on market purchases of ordinary shares under Section 148(2) of the Companies Act 1993 for the year to 31 March 2017.

| Director | Number of shares | Consideration Paid per Share | Date | Nature of Transaction |
|-------------|------------------|------------------------------|-----------------------|------------------------------|
| M Quickfall | 109,300 | \$19.50 – \$25.00 | 5/08/2016 – 3/03/2017 | Purchase by Associated Party |

(f) Use of Company Information

During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

SHAREHOLDING STATISTICS

Distribution of Shareholders and Shareholdings.

| Size of Holding | Holders | Shares | Percentage |
|-------------------|---------|------------|------------|
| 0 – 19,999 | 606 | 4,318,224 | 12.70% |
| 20,000 – 69,999 | 122 | 4,199,610 | 12.22% |
| 70,000 – 199,999 | 32 | 3,549,765 | 9.92% |
| 200,000 – 499,999 | 17 | 4,758,082 | 13.14% |
| 500,000 + | 14 | 17,311,698 | 52.02% |
| Total | 791 | 34,137,379 | 100% |

Disclosures not part of audit opinion continued

GENERAL DISCLOSURES

(a) Auditors

The Company's Auditors, Crowe Horwath New Zealand Audit Partnership, are automatically reappointed in terms of Section 207T of the Companies Act 1993.

(b) Share Capital

The issued capital as at 31 March 2017 was 34,137,379 ordinary shares.

(c) Company's State of Affairs and Significant Changes

The Directors consider the state of the Company's affairs to be satisfactory.

Details of the year under review, including any material changes in the nature of the business of the Company or any of its subsidiaries or future prospects, are included in the Chairman's Report and the Financial Statements of the Company published herewith.

(d) Activities

The principal activities of the Company and its subsidiaries remained unchanged during the period. Associated company Dunedin Casinos Limited operates predominantly in the Casino Industry and has been equity accounted. The Station Limited, being an associated company of Totally Tourism Limited, operates predominantly in the Tourism Industry. These companies have been equity accounted.

(e) Directors

Mrs Jan Hunt and Mr Donald Jackson retire by rotation and, being eligible, offer themselves for re-election. Ms Sarah Ottrey appointed since the last AGM, being eligible, offers herself for election.



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Skyline Enterprises Limited

Opinion

We have audited the consolidated financial statements of Skyline Enterprises Limited and its subsidiaries (the Group) on pages 23 to 55, which comprise the Consolidated Balance Sheet as at 31 March 2017, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Skyline Enterprises Limited or any of its subsidiaries.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Executive Chairman's Report, CEO Introduction and Other information on pages 4 to 22, and the Statutory Disclosures and Company Information on pages 56 to 58, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the entity for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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 objectives are 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 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 and 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.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are

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required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in blue ink that reads "Crowe Horwath".

Crowe Horwath New Zealand Audit Partnership

CHARTERED ACCOUNTANTS

A handwritten signature in blue ink, appearing to be "Michael Lee".
Michael Lee
Partner

Dated at Invercargill this 24th day of July 2017

Crowe Horwath New Zealand Audit Partnership is a member of Crowe Horwath International, a Swiss Verein. Each member firm of Crowe Horwath is a separate and independent legal entity.

Company Operations

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