

DIRECTORS' REVIEW

Financial Performance

CDL Investments New Zealand Limited ("CDLI") is pleased to report a profit after tax of \$32.2 million for the year ended 31 December 2017, an increase of 19.0% from the previous year (2016: \$27.0 million). This result is the eighth consecutive year of profit growth for the company.

Profit before tax also increased to \$44.7 million (2016: \$37.5 million). Property sales & other income totalled \$78.7 million (2016: \$74.5 million).

Shareholders' funds as at 31 December 2017 increased to \$186.1 million (2016: \$161.8 million) and the company's total assets stood at \$191.7 million (2016: \$168.3 million). The net tangible asset per share (at book value) was 67.1 cents (2016: 58.4 cents).

Dividend Announcement

Reflecting the record result, CDLI has resolved to increase its fully imputed ordinary dividend to 3.5 cents per share (2016: 3.0 cents per share), payable on 18 May 2018. The record date will be 4 May 2018. The Dividend Reinvestment Plan will apply to this dividend.

Land portfolio

At 31 December 2017, the independent market value of CDLI's land holdings was \$276.3 million (2016: \$297.0 million). CDLI's accounting policies require the company to carry the value of its land portfolio at the lower of cost or net realisable value and at 31 December 2017, the land portfolio at cost was \$124.7 million (2016: \$117.8 million).

Summary and Outlook

The New Zealand housing stock and new housing supply remains short of demand. This can explain why while housing sales have eased, pricing has only evened out. The Reserve Bank's LVR restrictions and the availability of finance have both had an effect on the New Zealand housing market. That said, although not as strong as in 2016, demand for CDLI housing sections remained steady in 2017.

The Overseas Investment Amendment Bill proposed by the Government last December is expected to have some but minimal impact on CDLI's business model of acquiring land for residential development. The proposed new Government measures classifying residential housing land as "sensitive land" is a demand-side measure and aimed "not to impede the broader objective of increasing the supply of residential housing". As a development company in housing sections, CDLI has consistently demonstrated its "financial commitment, business experience and acumen and good character" with its commitment to increasing the supply of sections for residential housing.

The Overseas Investment Amendment Bill in its current form may however have unintended consequences. These include the number of consent applications and time required to process them. Both measures are expected to increase with significant delays and costs to the housing industry.

CDLI will continue to drive sales activity of its existing housing sections in 2018 with the aim of delivering another year of growth in 2018. The Board and management will also continue to progress consents and future development approvals for projects in the pipeline as well as continue to seek to acquire additional land for future development.

Management and staff

On behalf of the Board I sincerely thank the company's management and staff for their hard work during 2017 to deliver these excellent results.

A handwritten signature in black ink, appearing to read 'Colin Sim', with a stylized flourish at the end.

Colin Sim
Chairman
8 February 2018