# Millennium & Copthorne Hotels New Zealand Limited

## Consolidated Income Statement

### For the year ended 31 December 2024

| DOLLARS IN THOUSANDS | Note | Group 2024 | Group 2023 |
|---|---|---|---|
| Hotel revenue | | 109,486 | 101,072 |
| Rental income | | 4,028 | 3,944 |
| Property sales | | 62,670 | 40,643 |
| **Revenue** | | **176,184** | **145,659** |
| Cost of sales | 3,10 | (78,328) | (67,879) |
| **Gross profit** | | **97,856** | **77,780** |
| Other income | | - | 397 |
| Administration expenses | 2,3 | (29,795) | (25,532) |
| Other operating expenses | 2,3 | (25,600) | (20,501) |
| **Operating profit** | | **42,461** | **32,144** |
| Finance income | 4 | 5,347 | 7,700 |
| Finance costs | 4 | (2,235) | (2,444) |
| **Net finance income** | | **3,112** | **5,256** |
| Share of profit of joint venture, net of tax | 24 | 1,508 | 73 |
| **Profit before income tax** | | **47,081** | **37,473** |
| Income tax expense | 5 | (38,293) | (10,556) |
| **Profit for the year** | | **8,788** | **26,917** |
| **Attributable to:** | | | |
| Owners of the parent | | 2,762 | 21,602 |
| Non-controlling interests | | 6,026 | 5,315 |
| **Profit for the year** | | **8,788** | **26,917** |
| Basic and diluted earnings per share (cents) | 8 | 1.75 | 13.65 |

## Consolidated Statement of Comprehensive Income

### For the year ended 31 December 2024

| DOLLARS IN THOUSANDS | Group 2024 | Group 2023 |
|---|---|---|
| **Profit for the year** | **8,788** | **26,917** |
| **Other comprehensive income** | | |
| **Items that are or may be reclassified to profit or loss** | | |
| Foreign exchange translation movements | 2,226 | 416 |
| **Total comprehensive income for the year** | **11,014** | **27,333** |
| **Total comprehensive income for the year attributable to :** | | |
| Owners of the parent | 4,988 | 22,018 |
| Non-controlling interests | 6,026 | 5,315 |
| **Total comprehensive income for the year** | **11,014** | **27,333** |

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



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# Millennium & Copthorne Hotels New Zealand Limited

## Consolidated Statement of Changes in Equity

### For the year ended 31 December 2024

Group

| | Attributable to equity holders of the Group | | | | | | |
|---|---|---|---|---|---|---|---|
| DOLLARS IN THOUSANDS | Share Capital | Exchange Reserve | Retained Earnings | Treasury Stock | Total | Non-controlling Interests | Total Equity |
| Balance at 1 January 2024 | **383,266** | **(980)** | **165,656** | **(26)** | **547,916** | **114,536** | **662,452** |
| Movement in exchange translation reserve | - | 2,226 | - | - | 2,226 | - | 2,226 |
| Total other comprehensive income | - | 2,226 | - | - | 2,226 | - | 2,226 |
| Profit for the year | - | - | 2,762 | - | 2,762 | 6,026 | 8,788 |
| Total comprehensive income for the year | - | 2,226 | 2,762 | - | 4,988 | 6,026 | 11,014 |
| Transactions with owners, recorded directly in equity: | | | | | | | |
| Dividends paid to: | | | | | | | |
| Owners of the parent | - | - | (4,747) | - | (4,747) | - | (4,747) |
| Non-controlling interests | - | - | - | - | - | (4,537) | (4,537) |
| Supplementary dividends | - | - | (94) | - | (94) | - | (94) |
| Foreign investment tax credits | - | - | 94 | - | 94 | - | 94 |
| Movement in non-controlling interests without a change in control | - | - | (242) | - | (242) | 965 | 723 |
| **Balance at 31 December 2024** | **383,266** | **1,246** | **163,429** | **(26)** | **547,915** | **116,990** | **664,905** |

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

# Millennium & Copthorne Hotels New Zealand Limited

## Consolidated Statement of Changes in Equity

### For the year ended 31 December 2023

Group

| DOLLARS IN THOUSANDS | Attributable to equity holders of the Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share Capital | Exchange Reserve | Retained Earnings | Treasury Stock | Total | Non-controlling Interests | Total Equity |
| **Balance at 1 January 2023** | **383,266** | **(1,396)** | **149,175** | **(26)** | **531,019** | **111,682** | **642,701** |
| Movement in exchange translation reserve | - | 416 | - | - | 416 | - | 416 |
| Total other comprehensive income | - | 416 | - | - | 416 | - | 416 |
| Profit for the year | - | - | 21,602 | - | 21,602 | 5,315 | 26,917 |
| Total comprehensive income for the year | - | 416 | 21,602 | - | 22,018 | 5,315 | 27,333 |
| Transactions with owners, recorded directly in equity: | | | | | | | |
| Dividends paid to: | | | | | | | |
| Owners of the parent | - | - | (4,747) | - | (4,747) | - | (4,747) |
| Non-controlling interests | - | - | - | - | - | (4,324) | (4,324) |
| Supplementary dividends | - | - | (98) | - | (98) | - | (98) |
| Foreign investment tax credits | - | - | 98 | - | 98 | - | 98 |
| Movement in non-controlling interests without a change in control | - | - | (374) | - | (374) | 1,863 | 1,489 |
| **Balance at 31 December 2023** | **383,266** | **(980)** | **165,656** | **(26)** | **547,916** | **114,536** | **662,452** |

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

# Millennium & Copthorne Hotels New Zealand Limited

## Consolidated Statement of Financial Position

### As at 31 December 2024

| DOLLARS IN THOUSANDS | Note | Group 2024 | Group 2023 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| Issued capital | 7 | 383,240 | 383,240 |
| Reserves | | 164,675 | 164,676 |
| **Equity attributable to owners of the parent** | | **547,915** | **547,916** |
| Non-controlling interests | | 116,990 | 114,536 |
| **TOTAL EQUITY** | | **664,905** | **662,452** |
| | | | |
| **Represented by:** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | 283,430 | 263,051 |
| Development properties | 10 | 228,634 | 217,221 |
| Investment properties | 11 | 36,301 | 35,834 |
| Investment in associates | | 2 | 2 |
| Investment in joint venture | 24 | 46,554 | 43,943 |
| **Total non-current assets** | | **594,921** | **560,051** |
| | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 12 | 39,726 | 11,256 |
| Short term bank deposits | | 1,571 | 64,075 |
| Trade and other receivables | 13 | 23,497 | 20,391 |
| Advances to related parties | 20 | 65,326 | 62,516 |
| Inventories | | 1,771 | 1,640 |
| Development properties | 10 | 35,454 | 26,861 |
| **Total current assets** | | **167,345** | **186,739** |
| | | | |
| **Total assets** | | **762,266** | **746,790** |
| | | | |
| **NON CURRENT LIABILITIES** | | | |
| Lease liability | 22 | 26,726 | 27,111 |
| Deferred tax | 15 | 32,718 | 7,001 |
| Interest-bearing loans and borrowings | 14, 26 | 3,000 | - |
| **Total non-current liabilities** | | **62,444** | **34,112** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | 14, 26 | - | 11,968 |
| Trade and other payables | 16 | 30,524 | 32,348 |
| Trade payables due to related parties | 20 | 1,767 | 2,318 |
| Lease liability | 22 | 370 | 215 |
| Income tax payable | | 2,256 | 3,377 |
| **Total current liabilities** | | **34,917** | **50,226** |
| | | | |
| **Total liabilities** | | **97,361** | **84,338** |
| | | | |
| **NET ASSETS** | | **664,905** | **662,452** |

### For and on behalf of the board

Leslie Preston

LS PRESTON, DIRECTOR,
24 February 2025

SNB Harrison

SNB HARRISON, MANAGING DIRECTOR,
24 February 2025

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

# Millennium & Copthorne Hotels New Zealand Limited

## Consolidated Statement of Cash Flows

### For the year ended 31 December 2024

| DOLLARS IN THOUSANDS | Note | Group 2024 | Group 2023 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| **Cash was provided from:** | | | |
| Receipts from customers | | 172,358 | 142,092 |
| Receipts from insurers | | - | 397 |
| Interest received | | 5,196 | 8,248 |
| **Cash was applied to:** | | | |
| Payments to suppliers and employees | | (126,244) | (99,843) |
| Purchases of development land | 1 | (23,720) | (20,407) |
| Interest paid | | (175) | (104) |
| Income tax paid | | (13,738) | (10,701) |
| **Net cash inflow from operating activities** | | **13,677** | **19,682** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| **Cash was (applied to)/provided from:** | | | |
| Proceeds from the sale of property, plant and equipment | | 30 | 387 |
| Purchases of property, plant and equipment | 9 | (28,448) | (13,901) |
| Purchases of investment property | | (1,017) | (386) |
| Investment in joint venture | 24 | - | (44,048) |
| Advance to joint venture | 20 | - | (62,261) |
| Divestments in short term bank deposits | | 62,504 | 47,871 |
| **Net cash (outflow)/inflow from investing activities** | | **33,069** | **(72,338)** |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| **Cash was (applied to)/provided from:** | | | |
| Drawdown/(Repayment) of borrowings | 14 | (8,968) | 11,968 |
| Lease payments | 22(c) | (2,174) | (2,161) |
| Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd | 7 | (4,747) | (4,747) |
| Dividends paid to non-controlling shareholders | | (4,537) | (4,324) |
| **Net cash inflow/(outflow) from financing activities** | | **(20,426)** | **736** |
| **Net increase/(decrease) in cash and cash equivalents** | | **26,320** | **(51,920)** |
| Add opening cash and cash equivalents | | 11,256 | 61,387 |
| Exchange rate adjustment | | 2,150 | 1,789 |
| **Closing cash and cash equivalents** | 12 | **39,726** | **11,256** |

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

# Millennium & Copthorne Hotels New Zealand Limited

## Consolidated Statement of Cash Flows – continued

### For the year ended 31 December 2024

| DOLLARS IN THOUSANDS | Note | Group 2024 | Group 2023 |
|---|---|---|---|
| RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| **Profit for the year** | | 8,788 | 26,917 |
| **Adjusted for non-cash items:** | | | |
| Share of profit joint venture | | (1,508) | (73) |
| Gain on sale of property, plant and equipment | 2 | (1) | (376) |
| Depreciation of property, plant and equipment and investment property | 9, 11 | 7,751 | 7,845 |
| Depreciation of Right-Of-Use assets | 9 | 895 | 850 |
| Unrealised foreign exchange losses | | (659) | 435 |
| Interest expense | | 2,017 | 1,956 |
| Income tax expense | 5 | 38,293 | 10,556 |
| | | **55,576** | **48,110** |
| **Adjustments for movements in working capital:** | | | |
| (Increase) in trade & other receivables | | (3,106) | (5,955) |
| (Increase) in inventories | | (131) | (231) |
| (Increase) in development properties | | (19,618) | (15,576) |
| (Decrease)/ Increase in trade & other payables | | (1,770) | 4,324 |
| (Decrease) in related parties | | (3,361) | (185) |
| **Cash generated from operations** | | **27,589** | **30,487** |
| Interest paid | | (175) | (104) |
| Income tax paid | | (13,738) | (10,701) |
| **Cash inflows from operating activities** | | **13,677** | **19,682** |
| **Reconciliation of movement of liabilities to cash flows arising from financing activities** | | | |
| External borrowings as at 01 January | | **11,968** | - |
| Proceeds from borrowings | | 3,000 | 11,968 |
| Repayment of term loans | | **(11,968)** | - |
| **Financing cash flows** | | **(8,968)** | **11,968** |
| External borrowings as at 31 December | | **3,000** | **11,968** |

## Significant accounting policies

Millennium & Copthorne Hotels New Zealand Limited is a company domiciled in New Zealand registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Millennium & Copthorne Hotels New Zealand Limited (the "Company") is a Financial Markets Conduct Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The financial statements of the Company for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at Level 7, 23 Customs Street East, Auckland, New Zealand.

The principal activities of the Group are ownership and operation of hotels in New Zealand; development and sale of residential land in New Zealand; investment properties comprising commercial warehousing and retail shops in New Zealand; and development and sale of residential units in Australia.

### (a) Statement of compliance

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

The financial statements were authorised for issuance on 24 February 2025.

### (b) Basis of preparation

The financial statements are presented in the Company's functional currency of New Zealand Dollars, rounded to the nearest thousand, unless otherwise indicated. They are prepared on the historical cost basis and on a going concern basis.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 21 - Accounting Estimates and Judgements.

### (c) Change in accounting policies and new standards adopted in the year

The accounting policies have been applied consistently to all periods presented in the consolidated financial statements. The Group adopted all new and amended standards that became effective during the reporting period, specifically FRS-44 New Zealand Additional Disclosures of Fees for Audit Firms' Services and Amendment to NZ IAS 1 Non-current Liabilities with Covenants. The accounting policies are now included within the relevant notes to the consolidated financial statements.

Several new and amended standards are effective for annual periods starting after January 1, 2025. The Group has not early adopted any new or amended standards in preparing the consolidated financial statements. Further details can be found in note 23.

### (d) Foreign currency

#### Foreign currency transactions

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

### (e) Insurance proceeds

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

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## Significant accounting policies - continued

### (f) Revenue

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

Revenue represents amounts derived from:

- The ownership, management and operation of hotels: revenue from sale of goods is recognised at the point control is transferred to the customer (point of sale) and for services provided, over the period the service is provided.
- Income from property rental: recognised on an accruals basis, straight line over the lease period. Lease incentives granted are recognised as an integral part of the total rental income.
- Income from development property sales: recognised when the customer obtains control (when the title is transferred) of the property and is able to direct and obtain the benefits from the property. The Group grants settlement terms of up to 12 months on certain sections as part of the Sale and Purchase agreement for unconditional sales. In some instances, the acquirers are permitted access to the residential sections for building activities prior to settlement. However, the acquirer does not obtain substantially all of the remaining benefits of the asset until final settlement of the land and title has passed.

### (f) Pillar 2

The Group has adopted the International Tax Reform – Pillar Two Model Rules – Amendments to NZ IAS 12 approved by the New Zealand External Reporting Board from the issuance date of 10 August 2023. The amendments provide a temporary mandatory exception from deferred tax accounting and require new disclosures in the annual financial statements in relation to the implementation of the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development. The Group has applied the exception with immediate effect. The mandatory exception applies retrospectively. The group has a presence in jurisdictions that have enacted or substantively enacted legislation in relation to the Pillar Two model rules. The ultimate parent of the group also being captured under the said rule in their country of operation. Refer to income tax note 5 for detail discussion.

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## 1. Segment reporting

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

- Hotel operations, comprising income from the ownership and management of hotels.
- Residential land development, comprising the development and sale of residential land sections.
- Residential and commercial property development, comprising the development and sale of residential apartments.
- Investment property, comprising rental income from the ownership and leasing of retail shops and industrial warehouses.

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

### (a) Operating Segments

| | Hotel Operations | | Residential Land Development | | Investment Property | | Residential Property Development | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| *Dollars in thousands* | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| External revenue | 109,486 | 101,072 | 46,313 | 28,284 | 2,746 | 2,494 | 17,611 | 13,809 | 176,184 | 145,659 |
| Earnings before interest, depreciation & amortisation | 17,356 | 19,299 | 22,255 | 13,697 | 2,731 | 2,473 | 8,765 | 5,371 | 51,107 | 40,840 |
| Finance income | 2,180 | 2,411 | 2,381 | 3,514 | - | - | 786 | 1,775 | 5,347 | 7,700 |
| Finance expense | (2,224) | (2,429) | (9) | (12) | - | - | (2) | (3) | (2,235) | (2,444) |
| Depreciation and amortisation | (7,183) | (6,900) | (8) | (7) | (550) | (933) | (10) | (6) | (7,751) | (7,846) |
| Depreciation of Right-of-use assets | (846) | (806) | (39) | (34) | - | - | (10) | (10) | (895) | (850) |
| Share of profit of Joint venture | 1,508 | 73 | - | - | - | - | - | - | 1,508 | 73 |
| Profit before income tax | 10,791 | 11,648 | 24,580 | 17,158 | 2,181 | 1,540 | 9,529 | 7,127 | 47,081 | 37,473 |
| Income tax expense | (24,547) | (3,179) | (6,852) | (4,805) | (4,528) | (431) | (2,366) | (2,141) | (38,293) | (10,556) |
| Profit after income tax | (13,756) | 8,469 | 17,728 | 12,353 | (2,347) | 1,109 | 7,163 | 4,986 | 8,788 | 26,917 |
| Cash & cash equivalents and short term bank deposits | 2,599 | 16,982 | 33,287 | 52,159 | - | - | 5,411 | 6,190 | 41,297 | 75,331 |
| Investment in associates | - | - | 2 | 2 | - | - | - | - | 2 | 2 |
| Investment in joint venture | 46,555 | 43,943 | - | - | - | - | - | - | 46,555 | 43,943 |
| Other segment assets | 364,960 | 339,925 | 259,032 | 231,231 | 36,301 | 35,834 | 14,119 | 20,524 | 674,412 | 627,514 |
| Total assets | 414,114 | 400,850 | 292,321 | 283,392 | 36,301 | 35,834 | 19,530 | 26,714 | 762,266 | 746,790 |
| Segment liabilities | (58,256) | (68,516) | (2,362) | (4,053) | - | - | (1,769) | (1,391) | (62,387) | (73,960) |
| Tax liabilities | (27,720) | (7,393) | (2,229) | (1,449) | (4,379) | - | (646) | (1,536) | (34,974) | (10,378) |
| Total liabilities | (85,976) | (75,909) | (4,591) | (5,502) | (4,379) | - | (2,415) | (2,927) | (97,361) | (84,338) |
| Property, plant and equipment expenditure | 27,830 | 13,821 | 2 | 56 | - | - | 616 | 14 | 28,448 | 13,901 |
| Investment property expenditure | - | - | - | - | 1,017 | 386 | - | - | 1,017 | 386 |
| Residential land development expenditure | - | - | 22,458 | 10,135 | - | - | - | - | 22,458 | 10,135 |
| Purchase of land for residential land development | - | - | 23,720 | 20,407 | - | - | - | - | 23,720 | 20,407 |

1. **Segment reporting - continued**

**(b) Geographical areas**

The Group operates in the following main geographical areas:

- New Zealand.
- Australia.

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

| | New Zealand | | Australia | | Group | |
|---|---|---|---|---|---|---|
| *Dollars In Thousands* | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| External revenue | 158,573 | 131,850 | 17,611 | 13,809 | 176,184 | 145,659 |
| Earnings before interest, depreciation & amortisation | 42,360 | 35,487 | 8,747 | 5,353 | 51,107 | 40,840 |
| Finance income | 3,381 | 5,925 | 1,966 | 1,775 | 5,347 | 7,700 |
| Finance expense | (2,233) | (2,441) | (2) | (3) | (2,235) | (2,444) |
| Depreciation and amortisation | (7,741) | (7,840) | (10) | (6) | (7,751) | (7,846) |
| Depreciation of Right-Of-Use Assets | (885) | (840) | (10) | (10) | (895) | (850) |
| Share of profit of joint venture | - | - | 1,508 | 73 | 1,508 | 73 |
| Profit before income tax | 34,882 | 30,291 | 12,199 | 7,182 | 47,081 | 37,473 |
| Income tax (expense)/credit | (35,931) | (8,422) | (2,362) | (2,134) | (38,293) | (10,556) |
| Profit after income tax | (1,049) | 21,869 | 9,837 | 5,048 | 8,788 | 26,917 |
| | | | | | | |
| Cash & cash equivalents and short term bank deposits | 35,886 | 69,141 | 5,411 | 6,190 | 41,297 | 75,331 |
| Investment in associates | 2 | 2 | - | - | 2 | 2 |
| Investment in joint venture | - | - | 46,555 | 43,943 | 46,555 | 43,943 |
| Investment properties | 36,301 | 35,834 | - | - | 36,301 | 35,834 |
| Segment assets | 560,240 | 508,895 | 77,871 | 82,785 | 638,111 | 591,680 |
| Total assets | 632,429 | 613,872 | 129,837 | 132,918 | 762,266 | 746,790 |
| | | | | | | |
| Segment liabilities | (29,970) | (29,976) | (32,417) | (43,984) | (62,387) | (73,960) |
| Tax liabilities | (34,328) | (8,842) | (646) | (1,536) | (34,974) | (10,378) |
| Total liabilities | (64,298) | (38,818) | (33,063) | (45,520) | (97,361) | (84,338) |
| | | | | | | |
| Material additions to segment assets: | | | | | | |
| Property, plant and equipment expenditure | 27,832 | 13,887 | 616 | 14 | 28,448 | 13,901 |
| Investment property expenditure | 1,017 | 386 | - | - | 1,017 | 386 |
| Residential land development expenditure | 24,236 | 10,135 | - | - | 24,236 | 10,135 |
| Purchase of land for residential land development | 23,720 | 20,407 | - | - | 23,720 | 20,407 |

An operating segment is a distinguishable component of the Group:

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

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

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### 2. Administration and other operating expenses

| | | Group | |
|---|---|---|---|
| *Dollars In Thousands* | Note | 2024 | 2023 |
| Depreciation | 9, 11 | 8,646 | 8,695 |
| Fees incurred for services received from audit firm | | | |
| Audit fees | | 475 | 374 |
| Out of scope audit fees relating to prior year | | 22 | - |
| Tax Compliance | | 42 | 40 |
| Tax Advisory | | 2 | 61 |
| Green House Gas reporting assurance | | 119 | - |
| Strategy support advisory services | | - | 74 |
| Agreed upon procedures | | 7 | - |
| Directors' fees | 19 | 392 | 350 |
| Rental expenses | | 722 | 694 |
| Provision for bad debts | | | |
| Debts written off | | 25 | 20 |
| Movement in doubtful debt provision | | (112) | 127 |
| Net loss/ (gain) on disposal of property, plant and equipment | | 1 | (376) |

### 3. Personnel expenses

| | Group | |
|---|---|---|
| *Dollars In Thousands* | 2024 | 2023 |
| Wages and salaries | 49,057 | 44,109 |
| Wage subsidies | - | (30) |
| Employee related expenses and benefits | 2,004 | 2,078 |
| Contributions to defined contribution plans | 697 | 625 |
| Increase in liability for long-service leave | 30 | 76 |
| | **51,788** | **46,858** |

**Employee long-term service benefits**
The Group's net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using their expected remuneration and an assessment of the likelihood that the liability will arise.

### 4. Net finance income

**Recognised in the income statement**

| | Group | |
|---|---|---|
| *Dollars In Thousands* | 2024 | 2023 |
| Interest income | 4,476 | 7,700 |
| Foreign exchange gain | 871 | - |
| Finance income | 5,347 | 7,700 |
| Interest expense | (2.022) | (2.009) |
| Foreign exchange loss | (212) | (435) |
| Finance costs | (2,234) | (2,444) |
| **Net finance income recognised in the income statement** | **3,112** | **5,256** |

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

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

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



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## 4. Net finance income - continued

**Recognised in other comprehensive income**

| *Dollars In Thousands* | Group 2024 | Group 2023 |
|---|---|---|
| Foreign exchange translation movements | 2,226 | 416 |

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

## 5. Income tax expense

**Recognised in the income statement**

| *Dollars In Thousands* | Group 2024 | Group 2023 |
|---|---|---|
| **Current tax expense** | | |
| Current year | 12,820 | 13,142 |
| Adjustments for prior years | (229) | 132 |
| | 12,591 | 13,274 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary difference | (58) | (2,718) |
| Changes in treatment of building depreciation | 25,760 | - |
| | 25,702 | (2,718) |
| **Total income tax expense in the income statement** | **38,293** | **10,556** |

The Group qualified for tax relief in rolling over the depreciation recovery from the disposal of Copthorne Hotel Christchurch Central in 2012. No replacement property was acquired during 2023 and the tax relief ended on 31 December 2023. In 2023, the deferred liability of $3.02 million provided for the depreciation recovery was released and an equivalent amount was provided in the current tax expense.

**Reconciliation of tax expense**

| *Dollars In Thousands* | Group 2024 | Group 2023 |
|---|---|---|
| Profit before income tax | 47,081 | 37,473 |
| Income tax at the company tax rate of 28% (2023: 28%) | 13,183 | 10,492 |
| Adjusted for: | | |
| Non-deductible expenses | 37 | - |
| Tax rate difference (if different from 28% above) | 189 | 146 |
| Tax exempt income | (647) | (214) |
| Removal of deductibility of tax depreciation for industrial and commercial buildings | 25,760 | - |
| (Over)/Under - provided in prior years | (229) | 132 |
| **Total income tax expense** | **38,293** | **10,556** |
| Effective tax rate (excluding off-one changes on tax depreciation impact) | 28% | 28% |

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

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

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

### 5. Income tax expense - continued

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
Deferred tax assets and deferred tax liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities; the Group intends to settle net; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

**Removal of tax depreciation on commercial and industrial buildings**

From the 2020/21 tax year, the Group has been depreciating its commercial and industrial buildings on a 2% diminishing value basis, following the reinstatement of tax depreciation for buildings with a useful life of 50 years or more as part of the government's COVID-19: Economic Response Package.

Effective from 1 April 2024, the tax depreciation rate reverted to 0%, impacting the tax value of buildings held from the 2024/25 tax year onwards. The Group recognises deferred tax on temporary differences at the tax rates expected to apply when these differences reverse, using the tax rates enacted or substantively enacted at the balance sheet date. The change in tax legislation effective from 1 April 2024 eliminates the tax base of commercial and industrial buildings, thereby creating a temporary difference that leads to a deferred tax liability. This liability is recognised unless the initial recognition exemption (IRE) under NZ IAS 12 applies, which precludes the recognition of deferred tax on initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit and is a non cash item.

**Deferred Tax on Buildings**

The impact of the removal of tax depreciation on commercial and industrial buildings, which reduced the tax base to nil creating a significant taxable temporary difference for all the Group’s hotel assets and commercial buildings, classified as either Property, Plant and Equipment or investment properties, irrespective of their date of acquisition. The recognition of this temporary difference as a deferred tax liability depends on whether the buildings were acquired through business combination and whether the initial recognition exception (IRE) in NZ IAS 12 was previously applied.

The change in tax legislation effective from 1 April 2024 eliminates the tax base for these assets, thereby creating a temporary difference that leads to a deferred tax liability (DTL). As part of recognising the DTL, a one-off tax expense of $25.8m has been recognised within the year ended 31 December 2024.

**Pillar 2**

The Group operates in multiple jurisdictions, some of which have enacted or substantively enacted tax legislation to implement the Pillar Two Model Rules from a date commencing on or after 1 January 2024. Based on the assessment carried out, management concluded that there is no current tax impact in the Group’s financial statements for the year ended 31 December 2024. The Group has applied a temporary mandatory exception from deferred tax accounting in respect of the Pillar Two Model Rules and will account for any top-up tax liabilities arising from the application of the rules as a current tax when it is incurred. Under the Pillar Two Model Rules, the Group will be required to pay a top-up tax if the effective tax rate per jurisdiction (calculated using the prescribed approach) is below the 15% minimum rate.

The group continues to monitor and evaluate the domestic implementation of the Pillar Two rules in the jurisdictions in which it operates. The group's potential exposure to Pillar Two taxes, based on legislation that is enacted or substantively enacted, is not expected to be material.

### 6. Imputation credits

| | Group | |
|---|---|---|
| *Dollars In Thousands* | **2024** | **2023** |
| Imputation credits available for use in subsequent reporting periods | 140,351 | 134,317 |

The KIN Holdings Group has A$16.13 million (2023: A$13.11 million) franking credits available as at 31 December 2024.

### 7. Capital and reserves

**Share capital**

| | Group | | Group | |
|---|---|---|---|---|
| | 2024 Shares | 2024 $000's | 2023 Shares | 2023 $000's |
| Ordinary shares issued 1 January | 105,578,290 | 350,048 | 105,578,290 | 350,048 |
| **Ordinary shares issued at 31 December – fully paid** | **105,578,290** | **350,048** | **105,578,290** | **350,048** |
| Redeemable preference shares 1 January | 52,739,543 | 33,218 | 52,739,543 | 33,218 |
| **Redeemable preference shares issued at 31 December – fully paid** | **52,739,543** | **33,218** | **52,739,543** | **33,218** |
| Ordinary shares repurchased and held as treasury stock 1 January | (99,547) | (26) | (99,547) | (26) |
| **Ordinary shares repurchased and held as treasury stock 31 December** | **(99,547)** | **(26)** | **(99,547)** | **(26)** |
| **Total shares issued and outstanding** | **158,218,286** | **383,240** | **158,218,286** | **383,240** |

At 31 December 2024, the authorised share capital consisted of 105,578,290 ordinary shares (2023: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2023: 52,739,543 redeemable preference shares) with no par value.

The non-voting redeemable preference shares rank equally with ordinary shares with respect to all distributions made by the Company (including without limitation, to dividend payments) except for any distributions made in the context of a liquidation of the Company. The Company reserves the right to the redemption of these preference shares as well as any distributions relating to these shares and makes no guarantee that these preference shares will be redeemed or that dividends will be paid in respect of these preference shares.

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

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

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

| | Company | |
|---|---|---|
| *Dollars In Thousands* | 2024 | 2023 |
| **Ordinary Dividend** – 3.0 cents per qualifying share (2023: 3.0 cents) | 4,747 | 4,747 |
| **Supplementary Dividend** – 0.0053 cents per qualifying share (2023: 0.053 cents) | 94 | 98 |
| | 4,841 | 4,845 |

After 31 December 2024, there will be no dividends declare by the directors.

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

### 8. Earnings per share

**Basic earnings per share**
The calculation of basic earnings per share at 31 December 2024 was based on the profit attributable to ordinary and redeemable preference shareholders of $2,762,000 (2023: $21,602,000) and weighted average number of shares outstanding during the year ended 31 December 2024 of 158,218,286 (2023: 158,218,286), calculated as follows:

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### 8. Earnings per share – continued

**Profit attributable to shareholders**

| *Dollars In Thousands* | Group 2024 | Group 2023 |
|---|---|---|
| Profit for the year | 8,788 | 26,917 |
| Profit attributable to non-controlling interests | (6,026) | (5,315) |
| Profit attributable to shareholders | 2,762 | 21,602 |

**Weighted average number of shares**

| | Group 2024 | Group 2023 |
|---|---|---|
| Weighted average number of shares (ordinary and redeemable preference shares) | 158,317,833 | 158,317,833 |
| Effect of own shares held (ordinary shares) | (99,547) | (99,547) |
| Weighted average number of shares for earnings per share calculation | 158,218,286 | 158,218,286 |

**Diluted earnings per share**

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

| | Group 2024 | Group 2023 |
|---|---|---|
| Basic and Diluted Earnings per share (cents per share) | 1.75 | 13.65 |

### 9. Property, plant and equipment

Group

| *Dollars In Thousands* | Freehold Land | Buildings | Plant, Equipment, Fixtures & Fittings | Motor Vehicles | Work In Progress | Right Of Use Asset | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at 1 January 2023 | 46,661 | 217,672 | 108,440 | 76 | 2,954 | 28,125 | 403,928 |
| Acquisitions | - | - | 28 | - | 13,873 | 2,677 | 16,578 |
| Disposals | - | - | (151) | - | (300) | (1,979) | (2,430) |
| Transfers between categories | - | 4,193 | 4,295 | - | (8,488) | - | - |
| Movements in foreign exchange | - | - | 2 | - | - | - | 2 |
| **Balance at 31 December 2023** | **46,661** | **221,865** | **112,614** | **76** | **8,039** | **28,823** | **418,078** |
| Balance at 1 January 2024 | 46,661 | 221,865 | 112,614 | 76 | 8,039 | 28,823 | 418,078 |
| Acquisitions | - | 616 | 2 | - | 27,830 | 79 | 28,527 |
| Disposals | - | (15) | (107) | - | - | (63) | (185) |
| Transfers between categories | - | 13,603 | 4,886 | - | (18,489) | - | - |
| Movements in foreign exchange | - | - | 15 | - | - | - | 15 |
| **Balance at 31 December 2024** | **46,661** | **236,069** | **117,410** | **76** | **17,380** | **28,839** | **446,435** |
| **Depreciation and impairment losses** | | | | | | | |
| Balance at 1 January 2023 | - | (52,086) | (94,002) | (72) | - | (2,489) | (148,649) |
| Depreciation charge for the year | - | (3,538) | (3,370) | (4) | - | (850) | (7,762) |
| Disposals | - | - | 140 | - | - | 1,246 | 1,386 |
| Movements in foreign exchange | - | - | (2) | - | - | - | (2) |
| **Balance at 31 December 2023** | **-** | **(55,624)** | **(97,234)** | **(76)** | **-** | **(2,093)** | **(155,027)** |
| Balance at 1 January 2024 | - | (55,624) | (97,234) | (76) | - | (2,093) | (155,027) |
| Depreciation charge for the year | - | (3,735) | (3,466) | - | - | (895) | (8,096) |
| Disposals | - | - | 93 | - | - | 32 | 125 |
| Movements in foreign exchange | - | - | (7) | - | - | - | (7) |
| **Balance at 31 December 2024** | **-** | **(59,359)** | **(100,614)** | **(76)** | **-** | **(2,956)** | **(163,005)** |
| **Carrying amounts** | | | | | | | |
| At 1 January 2023 | **46,661** | **165,586** | **14,438** | **4** | **2,954** | **25,636** | **255,279** |
| **At 31 December 2023** | **46,661** | **166,241** | **15,380** | **-** | **8,039** | **26,730** | **263,051** |
| **At 31 December 2024** | **46,661** | **176,710** | **16,796** | **-** | **17,380** | **25,883** | **283,430** |

## 9. Property, plant and equipment - continued

**Initial recording**

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

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

**Subsequent measurement**

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

**Impairment**

The Group assesses impairment of non-current tangible assets at each reporting date when there are indicators of impairment. If an impairment indicator exists, the recoverable amount is estimated at the cash generating unit ("CGU") or individual asset level. A CGU is the smallest asset group that generates cash inflows from continuing use that are independent of other assets or cash generating units "CGU". Management has determined that each hotel site represents a separate CGU for the purpose of the impairment assessment, unless separate land titles are not used for generation of cash flows by the hotel the CGU is the equivalent of the hotel assets recorded as property, plant and equipment. The recoverable amount of assets or CGU is the greater of their fair value less disposal costs and their value in use. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Market capitalisation is lower than the net assets indicating potential impairment. In response management used judgement to identify impairment indicators at the CGU or individual material asset level including using thresholds to identify hotels with smaller headroom based on prior valuations, and the hotels performance being below expectation among other factors. Indicators of impairment were identified with reference to the individual hotels trading conditions and independent valuations.

The recoverable amounts of the Group's CGUs or individual assets are based on fair value less cost of disposal or value in use determined by an independent valuer. In 2024 the recoverable amount of the CGU was determined by independent appraiser Colliers and Bower valuations Limited and in 2023 recoverable amount was determined by internal review conducted by management and supplemented by external review on selected hotels by an independent registered valuer Bower Valuations Limited.
The valuation methods used require the independent appraiser to make a number of assumptions including estimating the future cash flows expected to arise from the cash-generating units, suitable discount, capitalisation and square meter rates, as well as value per room, to determine the recoverable value.

Valuation methodologies used are explained below:

| | |
|---|---|
| Income capitalisation method | Capitalisation methodology converts short term earnings derived from a property into value. The central premise of this approach is that the adopted capitalisation rate is derived from the yields indicated by sales of similar property investments. The yields derived from comparable sales evidence are purported to reflect any expectations of future growth in income and capital value. |
| Discounted cash flow method | The discounted cashflow analysis (DCF) is based on the concept that an investment value is the time adjusted value of future cashflows which can be obtained from an asset. This requires explicit assumptions to be made regarding prospective income and expenses, including occupancy and average daily rate, as well as timing and duration of cash flows over the holding period. A five (5) year horizon with a terminal value has been adopted by Colliers and Bower Valuations Limited to reflect the sustainable earnings profile of the asset. |
| Sales comparison approach | Fair value is determined by applying positive and negative adjustments to recently transacted assets of a similar nature |

The property valuations require the use of judgements specific to the properties, as well as consideration of the prevailing market conditions. As at 31 December 2024, the hotel property market and economy, were impacted by the economic uncertainty resulting from high interest rates, inflation and geopolitical unrest, slower global growth, recession as well as continued recovery of international travel from COVID 19. Significant assumptions used in the valuation are inherently subjective and in times of economic uncertainty the degree of subjectivity maybe higher than it might otherwise be. Key estimates and judgements are influenced by these uncertainties. As at the date of valuation, there remains a lower number of recent hotel sales transactions, which increases the uncertainty around valuation conclusions. A difference in the key assumptions, when aggregated, could result in a significant change to the valuation of a property.

The assumptions and judgements applied in the estimation of the recoverable amounts of all CGUs correspond to Level 3 category of NZ IFRS 13 fair value hierarchy. The key unobservable inputs that required significant estimation and judgements are presented below:

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### 9. Property, plant and equipment – continued

| Key valuation input | Range of valuation input value | | Measurement of sensitivity on valuation | |
|---|---|---|---|---|
| | 2024 | 2023 | Increase in the input | Decrease in the input |
| Occupancy rate | 59% - 83% | 64% - 85% | Higher | Lower |
| Average daily rate | $185 - $214 | $166 - $271 | Higher | Lower |
| Rev PAR* | $121 - $177 | $118 - $231 | Higher | Lower |
| Discount rate | 10% - 12% | 8% - 11% | Lower | Higher |
| Capitalization rate | 9% - 11% | 7% - 10% | Lower | Higher |
| SQM rate | 449 | 420 | Lower | Higher |

** Revenue per Available Room – a hospitality metric combining average room rate and occupancy rate.*

Two hotel assets were considered sensitive to impairment:

- The recoverable amount of one of the hotel assets was determined on a highest and best use, being fair value of the land less demolition costs using comparative land sales data. The fair value of this hotel asset exceeded its carrying value by $0.9 million and is considered to be sensitive to impairment from a reasonably possible change in square metre rate.
- The recoverable amount of one of the hotel assets had a carrying value equivalent to its recoverable amount of $15.2 million. Any material change in key assumptions (listed in the above table) would therefore result in an impairment.

Management and the directors believe that the key assumptions used, and estimates made, represent the most realistic assessment of each CGU.

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

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

No residual values are ascribed to building surfaces and finishes. Residual values ascribed to building core depend on the nature, location and tenure of each property. Depreciable values ascribed to building core range between 10% to 24% of the building core.

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

**Right of use assets**
The accounting policy for right of use asset is disclosed in Note 22.

**Pledged assets**
A total of three (2023: three) hotel properties with a total book value of $83.25 million (2023: $75.33 million) are pledged to the bank as security against the loan facility disclosed in Note 14.

**Climate-related disclosure**

The Group continues to assess the impact of climate change on its business and its tangible assets. Climate change poses significant risks and challenges for the hotel industry and for the land development industry (residential and commercial), as it affects the physical, operational, and financial aspects of hotel properties. Extreme weather events, such as floods, storms, heatwaves, and droughts, can damage the hotel infrastructure, disrupt the supply chain, reduce the occupancy and revenue, and increase the insurance and maintenance costs. While hotel investors, managers, and owners are increasingly cognisant of the climate-related impacts on their properties, the investment community have yet to price in the climate-related impacts on the asset values. This means that the current market value of hotel properties may not reflect the potential losses or gains associated with their exposure to climate risks or their adoption of sustainability measures, decarbonisation initiatives, and sound environmental stewardship. While valuers have made no explicit adjustments to the recoverable amount of the selected properties in respect of climate change matters, it is anticipated that climate change may have a greater influence on valuations in the future as investment markets place a greater emphasis on climate change and a property's environmental resilience and credentials. Known climate risks are reflected in the adopted capitalisation and discount rates.

## 10. Development properties

| *Dollars In Thousands* | Group 2024 | Group 2023 |
|---|---|---|
| Development land | 251,445 | 224,540 |
| Residential development | 12,643 | 19,542 |
| | 264,088 | 244,082 |
| Less expected to settle within one year | (35,454) | (26,861) |
| | **228,634** | **217,221** |
| Development land recognised in cost of sales | 19,274 | 10,926 |
| Residential development recognised in cost of sales | 7,381 | 6,052 |

Development properties are recognised and measured in accordance with NZ IAS 2 Inventories. They are carried at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, and holding costs such as interest. Interest and other holding costs incurred after completion of development are expensed as incurred. All holding costs are written off through profit or loss in the year incurred with the exception of interest holding costs which are capitalised during the period when active development is taking place. No interest (2023: nil) has been capitalised during the year.

Residential development at balance date consists of the residential development known as Zenith Residences in Sydney, Australia.

The Group's inventory of development property is reviewed at each balance date to ensure its carrying amount is recorded at the lower of its cost and net realisable value. The net realisable value of the development property is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale. The determination of net realisable value of inventory involves estimates taking into consideration prevailing market conditions, current prices and expected date of commencement and completion of the project, the estimated future selling price, cost to complete projects and selling costs. An impairment loss is recognised in the income statement to the extent that the carrying value of development property exceeds its estimated net realisable value.

The fair value of development property held at 31 December 2024 was determined by an independent registered valuer, DM Koomen SPINZ of Extensor Advisory Limited. The fair value is determined to estimate the net realisable value. The net realisable value as determined by the independent registered valuer, exceeds the carrying value of development property.

## 11. Investment properties

Group

| *Dollars In Thousands* | Freehold Land | Buildings | Work In Progress | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2023 | 659 | 36,330 | - | 36,989 |
| Transfers between categories | - | 386 | (386) | - |
| Additions | - | - | 386 | 386 |
| **Balance at 31 December 2023** | **659** | **36,716** | **-** | **37,375** |
| Balance at 1 January 2024 | 659 | 36,716 | - | 37,375 |
| Transfers between categories | - | - | - | - |
| Additions | - | - | 1,017 | 1,017 |
| **Balance at 31 December 2024** | **659** | **36,716** | **1,017** | **38,392** |
| **Depreciation and impairment losses** | | | | |
| Balance at 1 January 2023 | - | 608 | - | 608 |
| Depreciation charge for the year | - | 933 | - | 933 |
| **Balance at 31 December 2023** | **-** | **1,541** | **-** | **1,541** |
| Balance at 1 January 2024 | - | 1,541 | - | 1,541 |
| Depreciation charge for the year | - | 550 | - | 550 |
| **Balance at 31 December 2024** | **-** | **2,091** | **-** | **2,091** |
| **Carrying amounts** | | | | |
| **At 1 January 2024** | **659** | **35,175** | **-** | **35,834** |
| **At 31 December 2024** | **659** | **34,625** | **1,017** | **36,301** |

Investment properties consist of commercial warehousing at Wiri in Auckland, retail shops at Prestons Park in Christchurch, and retail shops at Stonebrook in Rolleston which are fully operational. The fair value of investment properties held at 31 December 2024 was determined by an independent registered valuer, DM Koomen SPINZ of Extensor Advisory Limited as $65.1 million (2023: $62.7 million).

### 11. Investment properties – continued

The fair value measurement was categorised as Level 3 (highest of the fair value hierarchy) based on the inputs to the valuation methodology used i.e. primarily the income capitalisation approach with discounted cash flow and depreciated replacement cost approaches used to corroborate.

Investment properties are properties held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods and services, or for administrative purposes.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. Costs of self-constructed investment properties include costs of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs. Gains and losses on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amounts of the investment properties) are recognised in the profit and loss.

Land is not depreciated. Depreciation on the investment properties is computed by asset classes using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Building core 50 years
- Building surfaces and finishes 30 years
- Building services 20 – 30 years

No residual values are ascribed to building surfaces and finishes. Residual values ascribed to building core depend on the nature, location and tenure of each property. Depreciable values of 10% are ascribed to building core.

**Impairment**
Annual reviews of the carrying amounts of investment properties are undertaken for indicators of impairment. Where indicators of impairment were identified, the recoverable amounts were estimated based on external valuations undertaken. The cash generating units (CGU) are individual properties. The recoverable amounts of the investment properties, being the higher of the fair value less costs to sell and value-in-use, were predominantly determined using the fair value less costs to sell basis and were estimated using primarily the income capitalisation approach with discounted cash flow and depreciated replacement cost approaches used to corroborate.

During the year, management identified two (2023: two) properties with a carrying value of $14.5 million (2023: $13.7 million) that had indicators of impairment. Average market capitalisation rates appropriate to the properties range from 6.25% to 7.25% (2023: 6.50% to 7.00%). Average market rent per square metre rates appropriate to the properties range from $318 to $396 (2023: $341 to $358). There is no impairment expense recognised in the period (2023: no impairment).

**Operating lease**
The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during 2024 was $2.7 million (2023: $2.49 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

| | Group | |
|---|---|---|
| *Dollars In Thousands* | **2024** | **2023** |
| Within 1 year | 2,745 | 2,665 |
| More than 1 year but within 2 years | 2,793 | 2,675 |
| More than 2 years but within 3 years | 2,835 | 2,722 |
| More than 3 years but within 4 years | 2,784 | 2,760 |
| More than 4 years but within 5 years | 1,947 | 2,668 |
| After 5 years | 708 | 2,553 |
| | **13,812** | **16,043** |

### 12. Cash and cash equivalents

| | Group | |
|---|---|---|
| *Dollars In Thousands* | **2024** | **2023** |
| Cash | 35,638 | 6,835 |
| Call deposits | 4,088 | 4,421 |
| | **39,726** | **11,256** |

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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### 13. Trade and other receivables

| *Dollars In Thousands* | Group 2024 | Group 2023 |
|---|---|---|
| Trade receivables | 9,594 | 9,728 |
| Less provision for doubtful debts | (86) | (206) |
| Other trade receivables and prepayments | 13,989 | 10,869 |
| | **23,497** | **20,391** |

Trade and other receivables are stated at their cost less impairment losses. The carrying amounts of the trade receivables, other trade receivables, and prepayments are reviewed at each balance date to determine whether there is any indication of impairment. The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. The allowance for doubtful debts on trade receivables are either individually or collectively assessed based on number of days overdue. The Group takes into account the historical loss experience and incorporates forward looking information and relevant macroeconomic factors

### 14. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 17.

**Group**

| *Dollars in Thousands* | Currency | Interest Rate | Facility Total | 31 December 2024 Face Value | 31 December 2024 Carrying Amount | 31 December 2023 Face Value | 31 December 2023 Carrying Amount |
|---|---|---|---|---|---|---|---|
| Revolving credit | NZD | 5.42% | **115,000** | 3,000 | 3,000 | 10,000 | 10,000 |
| Overdraft | NZD | 5.42% | **5,000** | - | - | 1,968 | 1,968 |
| **TOTAL** | | | **120,000** | **3,000** | **3,000** | **11,968** | **11,968** |
| Current | | | | - | - | 11,968 | 11,968 |
| Non-current | | | | 3,000 | 3,000 | - | - |

**Terms and debt repayment schedule**
The Group has adopted classification of liabilities as current or non-current (amendments to NZIAS 1) from 1 January 2024.The bank facilities are secured over hotel properties with a carrying amount of $83.25 million (2023: $75.33 million) – refer to Note 9. The Group facilities were renewed on 22 December 2023 with a new maturity date of 31 January 2027. The Group has complied with the bank covenants. The interest-bearing borrowings were classified as non-current as the Group has an existing right to defer settlement of the loan for at least 12 months after the reporting period.

**Interest-bearing loans and borrowings**
Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

### 15. Deferred tax assets and liabilities

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

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

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

**Impact of change in tax depreciation**

In 2020 as part of the response to the Covid-19, all components of commercial buildings were able to be depreciated for tax purposes. On 28 March 2024, the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) legislation was enacted, encompassing a range of changes to tax legislation including the removal of the tax deduction for depreciation on building core of commercial buildings. As a result of the change in legislation, income tax expense and deferred tax liability has increased by $25.8m for the year.

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## 15. Deferred tax assets and liabilities - continued

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net | |
| *Dollars In Thousands* | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Property, plant and equipment (includes Right of use assets) | - | - | 39,142 | 17,481 | 39,142 | 17,481 |
| Investment property | - | - | 4,379 | 345 | 4,379 | 345 |
| Development properties | (750) | (212) | - | - | (750) | (212) |
| Accruals | (147) | (474) | - | - | (147) | (474) |
| Employee benefits | (1,999) | (2,074) | - | - | (1,999) | (2,074) |
| Lease liability | (7,586) | (7,651) | - | - | (7,586) | (7,651) |
| Trade and other payables | (1,247) | (1,297) | - | - | (1,247) | (1,297) |
| Net investment in foreign operations | - | - | 926 | 883 | 926 | 883 |
| Net tax (assets) / liabilities | **(11,729)** | **(11,708)** | **44,447** | **18,709** | **32,718** | **7,001** |

**Movement in deferred tax balances during the year**

| | Group | | | |
|---|---|---|---|---|
| *Dollars In Thousands* | Balance 1 Jan 23 | Recognised in Income | Recognised in equity | Balance 31 Dec 23 |
| Property, plant and equipment (includes Right of use assets) | 19,776 | (2,295) | - | 17,481 |
| Investment property | 157 | 188 | - | 345 |
| Development properties | (388) | 179 | (3) | (212) |
| Accruals | (454) | (18) | (2) | (474) |
| Employee benefits | (1,715) | (359) | - | (2,074) |
| Lease liability | (7,193) | (458) | - | (7,651) |
| Trade and other payables | (1,342) | 45 | - | (1,297) |
| Net investment in foreign operations | 876 | - | 7 | 883 |
| | **9,717** | **(2,718)** | **2** | **7,001** |

**Movement in deferred tax balances during the year**

| | Group | | | |
|---|---|---|---|---|
| *Dollars In Thousands* | Balance 1 Jan 24 | Recognised in Income | Recognised in equity | Balance 31 Dec 24 |
| Property, plant and equipment (includes Right of use assets) | 17,481 | 21,661 | - | 39,142 |
| Investment property | 345 | 4,034 | - | 4,379 |
| Development properties | (212) | (538) | - | (750) |
| Accruals | (474) | 327 | - | (147) |
| Employee benefits | (2,074) | 75 | - | (1,999) |
| Lease liability | (7,651) | 65 | - | (7,586) |
| Trade and other payables | (1,297) | 50 | - | (1,247) |
| Net investment in foreign operations | 883 | 28 | 15 | 926 |
| | **7,001** | **25,702** | **15** | **32,718** |

## 16. Trade and other payables

| | Group | |
|---|---|---|
| *Dollars In Thousands* | 2024 | 2023 |
| Trade payables | 3,948 | 2,790 |
| Employee entitlements | 7,518 | 7,652 |
| Non-trade payables and accrued expenses | 19,058 | 21,906 |
| | **30,524** | **32,348** |

Trade and other payables are stated at amortised cost.

## 17. Financial instruments

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

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

**17. Financial instruments - continued**

On initial recognition, a financial asset is classified as subsequently measured at: Amortised cost; FVOCI- debt investment; FVOCI-equity investment; or FVTPL. Financial liabilities are classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and not designated at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

**Liquidity risk**
Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from

its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table sets out the undiscounted contractual and expected cash flows for all financial liabilities:

**2024**

| *Dollars In Thousands* | Statement of Financial Position | Contractual Cash Out Flows | 6 Months or Less | 6-12 Months | 1-2 Years | 2-5 Years | More than 5 Years |
|---|---|---|---|---|---|---|---|
| Interest-bearing loans and borrowings | 3,000 | 3,000 | - | - | 3,000 | - | - |
| Trade Payables | 3,948 | 3,948 | 3,948 | - | - | - | - |
| Other payables | 26,576 | 26,576 | 26,576 | - | - | - | - |
| Trade payables due to related parties | 1,767 | 1,767 | 1,767 | - | - | - | - |
| **Total non-derivative liabilities** | 35,291 | 35,291 | 32,291 | - | 3,000 | - | - |

**2023**

| *Dollars In Thousands* | Statement of Financial Position | Contractual Cash Out Flows | 6 Months or Less | 6-12 Months | 1-2 Years | 2-5 Years | More than 5 Years |
|---|---|---|---|---|---|---|---|
| Interest-bearing loans and borrowings | 11,968 | 11,968 | 11,968 | - | - | - | - |
| Trade Payables | 2,790 | 2,790 | 2,790 | - | - | - | - |
| Other payables | 29,558 | 29,558 | 29,558 | - | - | - | - |
| Trade payables due to related parties | 2,318 | 2,318 | 2,318 | - | - | - | - |
| **Total non-derivative liabilities** | 46,634 | 46,634 | 46,634 | - | - | - | - |

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

Investments are allowed only in short-term financial instruments and only with counterparties (minimum rating of Moody's Aa3) approved by the Board, such that the exposure to a single counterparty is minimized.

### 17. Financial instruments - continued

The related party advances to Marquee Hotel Holdings Pty Ltd detailed in note 20 were part of the acquisition of the Sofitel Brisbane Central hotel in Queensland. At balance date there were no indicators of impairment of the advances based on asset condition, economic environment and trading results of the hotel.

At balance date there were no significant non-related party concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The maximum exposure to credit risk for non-related party advances in Australia is $8,300 (2023: $11,000). All other credit risk exposure relates to New Zealand.

**Market risk**
**(i) Interest rate risk**
In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings with an ongoing review of its exposure to changes in interest rates on its borrowings, the maturity profile of the debt, and the cash flows of the underlying debt. The Group maintains its borrowings at fixed rates on short term which gives the Group flexibility in the context of the economic climate, business cycle, loan covenants, cash flows, and cash balances.
An increase of 1.0% in interest rates on deposits would have increased profit before tax for the Group in the current period by $0.64 million (2023: $1.43 million increase), assuming all other variables remained constant.

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

| Group | | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|
| *Dollars In Thousands* | Note | Effective interest rate | Total | 6 months or less | 6 to 12 months | Effective interest rate | Total | 6 months or less | 6 to 12 months |
| Interest bearing cash & cash equivalents * | 12 | 0.00% to 4.25% | 39,726 | 39,726 | - | 0.00% to 5.50% | 11,256 | 11,256 | - |
| Short term bank deposits * | | 5.25% to 5.91% | 1,571 | 75 | 1,496 | 0.85% to 6.05% | 64,075 | 58,075 | 6,000 |
| Secured bank loans * | 14 | 5.42% | 3,000 | 3,000 | - | 6.43% to 6.4525% | 10,000 | 10,000 | - |
| Bank overdrafts * | 14 | 5.42% | - | - | - | 6.63% | 1,968 | 1,968 | - |
| Intercompany Loan* | | 5.75% | 19,556 | 19,556 | - | 5.68% | 19,086 | 19,086 | - |

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

**(ii) Foreign currency risk**
The Group owns 100.00% (2023: 100.00%) of KIN Holdings Limited. Substantially all the operations of this subsidiary which includes the Joint Venture is denominated in foreign currencies. The foreign currencies giving rise to this risk are Australian Dollars. The Group has determined that the primary risk affects the carrying values of the net investments and loan receivable from its foreign operations as disclosed in note 20 with the currency movements being recognised in the foreign currency translation reserves and income statement respectively. The Group has not taken any instruments to manage this risk. The Group is not exposed to any other foreign currency risks.

**Capital management**
The Group's capital includes share capital and retained earnings.

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

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

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

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

### 17. Financial instruments - continued

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

| Group | | Carrying amount | Fair value | Carrying amount | Fair value |
|---|---|---|---|---|---|
| *Dollars In Thousands* | Note | 2024 | 2024 | 2023 | 2023 |
| LOANS AND RECEIVABLES | | | | | |
| Cash and cash equivalents | 12 | 39,726 | 39,726 | 11,256 | 11,256 |
| Short term bank deposits | | 1,571 | 1,571 | 64,075 | 64,075 |
| Trade and other receivables | 13 | 23,497 | 23,497 | 20,391 | 20,391 |
| Advances to related parties | 20 | 65,326 | 65,326 | 62,516 | 62,516 |
| OTHER LIABILITIES | | | | | |
| Secured bank loans and overdrafts | 14 | (3,000) | (3,000) | (11,968) | (11,968) |
| Trade and other payables | 16 | (30,524) | (30,524) | (32,348) | (32,348) |
| Trade payables due to related parties | 20 | (1,767) | (1,767) | (2,318) | (2,318) |
| | | **94,829** | **94,829** | **111,604** | **111,604** |

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

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

### 18. Capital and land development commitments

As at 31 December 2024, the Group had entered into contractual commitments for the acquisition of the Mayfair Hotel Christchurch, capital expenditure, development expenditure, and purchases of land. Development expenditure represents amounts contracted and forecast to be incurred in 2024 in accordance with the Group's development programme.

| | Group | |
|---|---|---|
| *Dollars In Thousands* | 2024 | 2023 |
| Mayfair Hotel Christchurch | 31,900 | - |
| Capital expenditure | 7,968 | 1,330 |
| Development expenditure | 24,269 | 19,743 |
| Land purchases | 13,261 | 6,620 |
| | **77,398** | **27,693** |

### 19. Related parties

**Identity of related parties**
The Group has a related party relationship with its parent, subsidiaries (see Note 20), joint venture and with its directors and executive officers.

**Transactions with key management personnel**
Directors of the Company and their immediate relatives control nil (2023: Nil) of the voting shares of the Company. There were no loans (2023: $nil) advanced to directors for the year ended 31 December 2024. Key management personnel include the Board comprising non-executive directors, executive directors and executive officers.

**Total remuneration for key management personnel**

| | Group | |
|---|---|---|
| *Dollars In Thousands* | 2024 | 2023 |
| Non-executive directors | 392 | 350 |
| Executive director | 563 | 499 |
| Executive officers | 894 | 734 |
| | **1,849** | **1,583** |

Non-executive directors receive director's fees only. Executive director and executive officers receive short-term employee benefits which include a base salary and an incentive plan. They do not receive remuneration or any other benefits as a director of the Parent Company or its subsidiaries. Directors' fees are included in "administration expenses" (see Note 2) and remuneration for executive director and executive officers are included in "personnel expenses" (see Note 3).

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## 20. Group entities

**Control of the Group**
Millennium & Copthorne Hotels New Zealand Limited is a 80.97% (2023: 75.78%) owned (economic interests from both ordinary and preference shares) subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels Ltd in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Ltd in Singapore.

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

| *Dollars In Thousands* | Nature of balance | Group 2024 | Group 2023 |
|---|---|---|---|
| **Trade payables and receivables due to related parties** | | | |
| Millennium & Copthorne Hotels Limited | Recharge of expenses | (1,767) | (1,772) |
| Marquee Hotel Holdings Pty Ltd | Interest bearing advance | 19,556 | 19,086 |
| Marquee Hotel Holdings Pty Ltd | Interest free advance | 44,195 | 43,132 |
| Marquee Hotel Holdings Pty Ltd | Interest receivable | - | 43 |
| CDLHT (BVI) One Ltd | Recharge of expenses | 1,581 | 255 |
| CDLHT (BVI) One Ltd | Rent | (6) | (546) |
| | | **63,559** | **60,198** |

No debts with related parties were written off or forgiven during the year. Interest at 5.75% was charged on interest bearing advance during 2024. No interest was charged for the other payables or on the interest free advance. The related party advances to Marquee Hotel Holdings Pty Ltd are unsecured and repayable on demand.

At the balance sheet date, there was an amount owing to CDLHT (BVI) One Ltd of $6,000 (2023 $291,000) being the net amount of rent payable with respect to the leasing of the property and the recoverable amount in relation to expenses paid on behalf.

During 2024, the Group had the following transactions with related parties:

| *Dollars In Thousands* | Nature of balance | Group 2024 | Group 2023 |
|---|---|---|---|
| Marquee Hotel Holdings Pty Ltd | Interest receivable | 1,180 | 43 |
| CDLHT (BVI) One Ltd | Management, franchise and incentive income | 932 | 960 |
| M&C Reservation Services Ltd (UK) | Insurance recharge, Management and marketing support* | (1,846) | (161) |
| CDL Hotels Holdings New Zealand Limited | Accounting support fee received | 60 | 60 |

*The amount recognised in profit and loss in the reporting period was $1.1m.

**Subsidiary companies**
The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2024 are:

| | Principal Activity | Principal Place of Business | Group Holding % 2024 | Group Holding % 2023 |
|---|---|---|---|---|
| Context Securities Limited | Investment Holding | NZ | 100.00 | 100.00 |
| Copthorne Hotel & Resort Bay of Islands Joint Venture | Hotel Operations | NZ | 49.00 | 49.00 |
| **Quantum Limited** | Holding Company | NZ | 100.00 | 100.00 |
| 100% owned subsidiaries of Quantum Limited are: | | | | |
| Hospitality Group Limited | Holding Company | NZ | | |
| 100% owned subsidiaries of Hospitality Group Limited are: | | | | |
| Hospitality Leases Limited | Lessee Company/Hotel Operations | NZ | | |
| QINZ Anzac Avenue Limited | Hotel Owner | NZ | | |
| Hospitality Services Limited | Hotel Operations/Franchise Holder | NZ | | |
| **CDL Investments New Zealand Limited** | Holding Company | NZ | 65.31 | 65.54 |
| 100% owned subsidiaries of CDL Investments New Zealand Limited are: | | | | |
| CDL Land New Zealand Limited | Property Investment and Development | NZ | | |
| **KIN Holdings Limited** | Holding Company | NZ | 100.00 | 100.00 |
| 100% owned subsidiaries of KIN Holdings Limited are: | | | | |
| Kingsgate Investments Pty Limited | Residential Apartment Developer | Australia | | |
| Kingsgate Holdings Pty Limited | Investment in JV | Australia | | |

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

The Group is able to control the Copthorne Hotel & Resort Bay of Islands Joint Venture through its management agreement with the Joint Venture and is exposed to variable returns accordingly. Therefore, the results of the Joint Venture are consolidated from the date control commenced until the date control ceases.

## 20. Group entities - continued

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

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

## 21. Accounting estimates and judgements

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

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

**Development property**
The Group is also exposed to a risk of impairment to development properties should the carrying value exceed the net realisable value due to market fluctuations in the value of development properties. However, there is no indication of impairment as the net realisable value of development properties significantly exceed the carrying value determined by an independent registered valuer.

The valuer adopts the Sales Comparison Approach to determine rates per hectare/per square metre for block land holdings in addition to recent section sales to derive the gross realisation values. The net realisable values are determined from gross realisation values after deducting appropriate selling costs.

For residential land under development and is yet to commence development in the short term, the valuer adopts the Residual Subdivision Approach. This approach considers the gross realisation values of the sections less costs associated with development including GST, sales commissions, legal fees, civil and development costs including Council contributions, professional fees, and contingency allowances. In addition, holding costs are deducted for the estimated timing of development and sell down periods.

In both valuation approaches, the valuer makes assumptions relating to section prices, sell down periods, consumer confidence, unemployment rates, interest rates, and external economic factors. These assumptions are sensitive to economic factors such as net migration, Official Cash Rate set by the Reserve Bank, inflation, residential market activity, and business confidence.

**Investment property**
The Group is also exposed to a risk of impairment to investment properties should the carrying value exceed the recoverable amount due to market fluctuations in the value of investment properties. However, there is no indication of impairment as the recoverable amount determined by an independent registered valuer significantly exceeds the carrying value of investment properties. In determining the recoverable amount, the valuer adopts the Income Capitalisation Approach whereby the assessed market rent for each asset is capitalised in perpetuity from the valuation date at an appropriate capitalisation rate, and uses the discounted cash flow and depreciated replacement cost approaches to corroborate. The adopted capitalisation rate reflects the nature, location, and tenancy profile of the property together with current market investment criteria as evidenced by recent sales. The recoverable amount is sensitive to movements in the adopted capitalisation rate and the market rent.

**Property, plant, and equipment**
The Group determines whether tangible fixed assets are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the recoverable value of the cash generating units to which the tangible fixed assets are allocated, which is predominantly at the individual hotel site level. The recoverable amounts of the Group's cash generating units or individual assets are based on fair value less cost of disposal or value in use determined by an independent valuer. The valuation methods used require the independent appraiser to make a number of assumptions including estimating the future cash flows expected to arise from the cash-generating units, suitable discount, capitalisation and square meter rates, as well as value per room, to determine the recoverable value.

## 22. Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in NZ IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset was recognised at cost on initial recognition, which comprised the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

### 22. Lease - continued

The right of use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

### 22(a) Lease Liability

The expected contractual undiscounted cash outflows of lease liabilities are as follows:

| | Group | |
|---|---|---|
| *Dollars In Thousands* | 2024 | 2023 |
| Less than 6 months | 1,110 | 1,081 |
| More than 6 months but within 12 months | 1,156 | 1,079 |
| More than 1 year but within 2 years | 2,227 | 2,253 |
| More than 2 years but within 5 years | 6,232 | 10,507 |
| After 5 years | 93,666 | 91,584 |
| | **104,391** | **106,504** |

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the Statement of Financial Position.

#### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 22(b) Schedule of right-of-use assets by class

| *Dollars In Thousands* | Lease term | Carrying value @ 01/01/24 | Depreciation on right-of-use asset for the year | Addition during the year | Disposal during the year | Movement in foreign exchange | Carrying value @ 31/12/24 |
|---|---|---|---|---|---|---|---|
| Land sites at hotels | Renewal at 21 year cycles for perpetuity | 20,322 | (344) | - | - | - | 19,978 |
| Corporate office building and hotel carpark | Between 5 to 23 years | 5,727 | (287) | 5 | - | - | 5,445 |
| Motor vehicles | Between 12 to 45 months | 681 | (264) | 74 | (31) | - | 460 |
| Totals | | 26,730 | (895) | 79 | (31) | - | 25,883 |

### 22(c) Schedule of lease liabilities by class

| *Dollars In Thousands* | Lease term | Carrying value @ 01/01/24 | Interest expense for the year | Addition during the year | Disposal during the year | Lease payment for the year | Carrying value @ 31/12/24 |
|---|---|---|---|---|---|---|---|
| Land sites at hotels | Renewal at 21 year cycles for perpetuity | 20,931 | 1,281 | - | - | (1,323) | 20,889 |
| Corporate office building and hotel carpark | Between 5 to 23 years | 5,688 | 549 | 5 | - | (530) | 5,712 |
| Motor vehicles | Between 12 to 45 months | 707 | 66 | 52 | (9) | (321) | 495 |
| Totals | | 27,326 | 1,896 | 57 | (9) | (2,174) | 27,096 |

### 22(d) Exemptions and exclusions

Exempted were motor vehicle leases shorter than 12 months and leased assets with value below $8,000. Excluded were variable rentals and lease payments. The following table summarizes these leases by class:

| *Dollars In Thousands* | Expense recognised in the Profit & Loss | Lease commitments @ 31/12/24 | Lease commitments within one year | Lease commitments between one and 5 years | Lease commitments more than 5 years |
|---|---|---|---|---|---|
| Short term leases <12 months | 112 | 112 | 112 | - | - |
| Low value leased assets | 23 | 56 | 14 | 42 | - |
| Variable lease payments under service and management contracts | 587 | 13,867 | 577 | 2,309 | 10,981 |
| Total | 722 | 14,036 | 703 | 2,351 | 10,981 |

### 23. New standard and interpretations issued but not yet adopted

A number of amended standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing the consolidated financial statements.

The Group is in the process of finalising the evaluation of impact from the following new and amended standards, including changes in the Presentation and Disclosure in Financial Statements in line with NZ IFRS 18. The Group does not expect material financial impact from these new and amended standards but note this may change the presentation and disclosures of the consolidated financial statements.

- Amendments to NZ IAS21 Lack of Exchangeability.
- Amendments to NZ IFRS 9 and NZ IFRS 7 Classification and Measurement of Financial Instruments.
- Annual Improvements to NZ IFRS Accounting Standards – Volume 11.
- NZ IFRS 18 Presentation and Disclosure in Financial Statements.
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.
- Amendments to NZ IFRS 10 and NZ IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

### 24. Investment in joint venture

A joint venture is an arrangement in which the Group has joint control, over the financial and operating policies. They are accounted for using the equity method. The financial statements include the Group's share of the income, expenses and reserves of the joint venture from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

During the previous year, the Group through Kingsgate Holdings Pty Limited (100% subsidiary) formed a 50:50 joint venture with its Parent Company to acquire the leasehold assets and the freehold assets of the Sofitel Brisbane Central hotel in Queensland, Australia. The joint venture is Marquee Hotel Holdings Pty Limited. Within the Marquee Hotel Holdings group, there are six wholly owned entities. Marquee Hotel Holdings group completed the acquisition of the Sofitel Brisbane Central on 15 December 2023. The hotel is managed by an external hotel management group.

The Group's share of profit in its joint venture for the year was $1.508m (2023: $0.073m).

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### 24. Investment in joint venture – continued

| | Principal Activity | Principal Place of Business | Group Holding % 2023 |
|---|---|---|---|
| **Marquee Hotel Holdings Pty Limited** | Investment Holding | Australia | 50.00 |
| 100% owned subsidiaries of Marquee Hotel Holdings Pty Limited are: | | | |
| Marquee Brisbane Hotel Pty Limited | Trustee Company of Marquee Brisbane Hotel Trust | Australia | |
| Marquee Brisbane Hotel Trust | Lessee of leasehold assets expiring 30 December 2057 | Australia | |
| Marquee Brisbane Hotel 2 Pty Limited | Trustee Company of Marquee Brisbane Hotel 2 Trust | Australia | |
| Marquee Brisbane Hotel 2 Trust | Lessee of leasehold assets expiring 24 May 2120 | Australia | |
| Marquee Hotel Operations Pty Limited | Trustee Company of Marquee Hotel Operations Pty Trust | Australia | |
| Marquee Hotel Operations Pty Trust | Hotel Assets and Operations | Australia | |

Summary financial information for joint venture, not adjusted for the percentage ownership held by the Group:

| *Dollars In Thousands* | Group 2024 | Group 2023 |
|---|---|---|
| Non-current assets | 203,903 | 202,650 |
| Current assets | 26,112 | 27,477 |
| Non-current liabilities | (1,382) | - |
| Current liabilities | (135,525) | (142,241) |
| Net assets (100%) | 93,108 | 87,886 |
| Group's share (50%) | 46,554 | 43,943 |

The current assets balance of the joint venture includes a cash and cash equivalents balance of $21.74m (2023:$26.12m). The current liabilities balance of the joint venture includes balances owing to shareholders of $125.87m (2023:$124.5m).

| | Group 2024 | Group 2023 |
|---|---|---|
| Revenue | 53,470 | 2,142 |
| Operating profit/(loss) | 6,074 | (175) |
| Interest (expense)/income | (1,756) | 384 |
| Income tax expense | (1,301) | (63) |
| Profit for the year (100%) | 3,017 | 146 |
| Group's share of profit (50%) | 1,508 | 73 |

Movements in the carrying value of joint venture:

| | Group 2024 | Group 2023 |
|---|---|---|
| Balance at 1 January | 43,943 | - |
| Purchase of investment | - | 44,048 |
| Share of profit for the year | 1,508 | 73 |
| Foreign exchange adjustments | 1,103 | (178) |
| Balance at 31 December | 46,554 | 43,943 |

### 25. Non-controlling interests ("NCI")

The following subsidiary has material NCI.

| | Principal Activity | Principal Place of Business | Holding % 2024 | Holding % 2023 |
|---|---|---|---|---|
| CDL Investments New Zealand Limited "CDI" | Property Investment and Development | NZ | 34.69 | 34.46 |

The following is the summarised financial information for CDL Investments New Zealand Limited and subsidiary. The information is before intercompany eliminations with other companies in the Group.

### 25. Non-controlling interests ("NCI") - continued

| *Dollars In Thousands* | CDI Group 2024 | CDI Group 2023 |
|---|---|---|
| Revenue | 49,059 | 30,779 |
| Profit after tax | 15,381 | 13,463 |
| Profit attributable to NCI | 5,336 | 4,639 |
| Other comprehensive income | - | - |
| Total comprehensive income | 15,381 | 13,463 |
| Other comprehensive income attributable to NCI | 5,336 | 4,639 |
| Current assets | 70,172 | 80,244 |
| Non-current assets | 258,450 | 238,984 |
| Current liabilities | (4,593) | (5,162) |
| Non-current liabilities | (4,377) | (341) |
| Net assets | 319,652 | 313,725 |
| **Net assets attributable to NCI** | **110,887** | **108,110** |

| *Dollars In Thousands* | CDI Group 2024 | CDI Group 2023 |
|---|---|---|
| Cash outflow from operating activities | (8,129) | (10,309) |
| Cash inflow/(outflow) from investing activities | 48,497 | (10,325) |
| Cash outflow from financing activities | (9,724) | (8,874) |
| Net increase/(decrease) in cash and cash equivalents | **30,644** | **(29,508)** |
| **Dividends paid to NCI during the year** | **3,507** | **3,437** |

### 26. Subsequent events

The acquisition of the Mayfair Hotel Christchurch was completed on 22 January 2025. This was a freehold acquisition of the existing 67 room hotel which was originally opened mid-2022 and located at 155 Victoria Street, Christchurch for $31.9m. Refer also the NZX announcement made 22 January 2025.

Post balance date, the purchase of 6.5 hectares of land for $13.3 million in Hamilton was settled during January 2025. The settlement will be recognised as an increase in land classified as development property in 2025.

On 10 February 2025, Millennium & Copthorne Hotels New Zealand Limited (MCK) received a takeover offer from CDL Hotels Holdings New Zealand Limited (CDLHH NZ) for $2.25 per share for all shares not already held by CDLHH NZ, which currently holds 75.8% of MCK's shares. The MCK Independent Directors considered the offer too low and inadequate, as it did not reflect the value of MCK's assets and recovery potential. They advised shareholders to take no action until the Target Company Statement, including an independent assessment by Northington Partners Limited, is published on 24 February 2025. The offer is conditional and must remain open until at least 8 May 2025.

The offer includes a condition preventing MCK from declaring or paying a dividend from 20 January 2025 until the offer is unconditional or lapses. Despite MCK's Independent Committee requesting a waiver to allow a final dividend for the 2024 financial year, CDLHH NZ did not agree. Consequently, MCK will not declare a final dividend for 2024.

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# Independent Auditor's Report

To the Shareholders of Millennium & Copthorne Hotels New Zealand Limited (**Group**)

**Report on the audit of the consolidated financial statements**

## Opinion

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements of Millennium & Copthorne Hotels New Zealand Limited (the **Company**) and its subsidiaries (the **Group**) on pages 1 to 31 present fairly in all material respects:

- the Group's financial position as at 31 December 2024 and its financial performance and cash flows for the year ended on that date;
- In accordance with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board.

## Basis for opinion

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

We are independent of Millennium & Copthorne Hotels New Zealand Limited in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (**IESBA Code**), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standards 1 and the IESBA Code.

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

Our firm has provided other services to the Group in relation to agreed upon procedures, tax compliance, taxation advisory and limited assurance services in respect of Green House Gas Emissions reporting. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

# Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $4.75m determined with reference to a benchmark of the Group's total assets. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

# Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the Shareholders as a body may better understand the process by which we arrived at our audit opinion.

Our procedures were undertaken in the context of and solely for the purpose of our audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| **Impairment of hotel assets** | |
| Refer to Note 9 to the financial statements.<br><br>Impairment of hotel assets is a key audit matter given the magnitude of the balance (hotel assets being 37% of total assets), conditions that indicate potential impairment and the judgement required by us in assessing the group's key valuation assumptions to determine the value of specific hotel assets.<br><br>The recoverable amount of hotel assets was determined by an external valuer. We focused on the key assumptions in the valuation models including the projected occupancy rates, average daily room rates (ADRs), discount rates, terminal capitalisation rates, capitalisation rates and square metre rates. Due to the ongoing recovery of international travel from COVID-19, current economic conditions including recession and high interest rates, and lower level of sales evidence from comparable market transactions, the level of estimation uncertainty in the valuation remains heightened compared to stable market conditions. | Our audit procedures included:<br><br>• Evaluating the group's determination of the appropriate unit of measure for impairment testing purposes, or changes thereto, the cash-generating unit ("CGU").<br><br>• Assessing each hotel asset for impairment indicators with consideration of changes in contractual arrangements, economic conditions, financial performance, physical quality of the underlying asset and capital expenditure requirements, among other factors.<br><br>• Assessing the scope of work performed, competency, professional qualifications, independence, and experience of the external valuers engaged by the group. This included direct enquiry and challenge of the external valuers' methods and assumptions.<br><br>• Assessing the appropriateness of the valuation methodology applied by the external valuers with reference to accepted methods approved by our internal valuation specialists.<br><br>• Challenging the group's key valuation assumptions (occupancy rates, ADRs, projected direct costs, discount rates, capitalisation rates and terminal capitalisation rates) included in the external valuations by:<br><br>– comparing to externally derived data from hotel industry reports and other market data.<br><br>– assessing the relevance and reasonableness of the key assumptions with reference to rates used in the prior year external valuations, financial performance and recent market evidence presented by the valuer.<br><br>• Assessing the accuracy of the external valuer's and management's previous forecasts to inform our evaluation of the forecasts incorporated into the valuation models. This included comparing actual occupancy |

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| | rates, ADRs and direct costs to the assumptions projected over the forecast period and used in the prior period valuations.<br>• Assessing hotels that are most sensitive to impairment using sensitivity analysis over key assumptions and comparing the headroom.<br>• Assessing the adequacy of the disclosures made in the financial statements by using our understanding obtained from our testing and against the requirements of the relevant accounting standards.<br>We did not identify material exceptions from procedures performed, and the financial statement disclosure is consistent with the requirements of the accounting standards. |
| **Capitalisation and allocation of development costs** | |
| Refer to Note 10 to the financial statements.<br>The group's development property comprises land and development costs incurred to develop land into subdivisions and individual properties for sale. The development property portfolio represents 35% of total assets on the consolidated statement of financial position.<br>The capitalisation and allocation of development costs is a key audit matter as determining whether to capitalise or expense costs relating to development of land is subjective, as it depends on whether the costs enhance the land or maintain the current value. In addition, there is significant judgement in determining whether obligations exist for future costs and how to allocate capitalised development costs to individual properties or stages.<br>The key judgements used in this determination are:<br>• Whether costs are eligible for capitalisation under the relevant accounting standards.<br>• the allocation of capitalised costs to the individual projects, stages and land lots and the associated recognition of cost of sales.<br>• Whether a capitalised cost and the associated liability for future obligations should be recorded under the relevant accounting standard. | Our audit procedures included:<br>• Evaluating the group's accounting policy for capitalisation of development costs using the criteria in the accounting standard.<br>• Developing an understanding of the key controls over the cost capitalisation and allocation process.<br>• Agreeing a sample of capitalised development costs to supporting documentation. For each selected transaction we:<br>- considered the nature of the costs capitalised and evaluated whether they are eligible for capitalisation under the relevant accounting standard.<br>- assessed the appropriateness of allocation to the individual project stages and land lots.<br>• Agreeing a sample of land acquisitions to sales and purchase agreements, settlement document and cash payment.<br>• Performing analytical procedures in relation development property costs of sales to assess that margins recognised between periods were appropriate, including considering alternative methods of allocation.<br>• Performing a retrospective review of the forecast costs and cost of sales to ensure the reasonableness of forecast cost estimation.<br>• Evaluating the reasonableness of the group's judgement to record liabilities for future obligations and that these have been appropriately measured and recorded in accordance with the applicable accounting standard.<br>• Assessing disclosures included in the consolidated financial statements in respect of the development properties using our understanding obtained from our testing and against the requirements of the accounting standards.<br>Our testing did not identify any material exceptions related to capitalised development costs, the allocation of those costs to individual project stages and the recognition of future development cost obligations. |

## Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report and Annual Climate Statement (prepared in accordance with the Aotearoa New Zealand Climate Standards). The other information in the Annual Report includes the Chairman's Review, Managing Director's Review, disclosures relating to Corporate Governance, Financial Summary, and the other information included in the Annual Report. The Annual Climate Statement discloses information about the effects of climate change on the entity's business.

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

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

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

The Annual Report and Annual Climate Statement are expected to be made available to us after the date of the Independent Auditor's Report and we will report the matters identified, if any, to those charged with governance.

## Use of this independent auditor's report

This independent auditor's report is made solely to the Shareholders. Our audit work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume any responsibility and deny all liability to anyone other than the Shareholders for our audit work, this independent auditor's report, or any of the opinions we have formed.

## Responsibilities of Directors for the consolidated financial statements

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

— the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board;

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

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

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

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

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

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

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

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/

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

The engagement partner on the audit resulting in this independent auditor's report is Geoff Lewis.

For and on behalf of:

KPMG

KPMG
Auckland
24 February 2025