Millennium & Copthorne Hotels New Zealand Limited

Consolidated Income Statement

For the year ended 31 December 2023

DOLLARS IN THOUSANDS	Note	Group 2023	Group 2022
Hotel revenue		101,072	65,245
Rental income		3,944	3,002
Property sales		40,643	75,951
Revenue		**145,659**	**144,198**
Cost of sales	3,10	(67,879)	(59,687)
Gross profit		**77,780**	**84,511**
Other income		397	-
Administration expenses	2,3	(25,532)	(22,678)
Other operating expenses	2,3	(20,501)	(18,591)
Operating profit		**32,144**	**43,242**
Finance income	4	7,700	3,870
Finance costs	4	(2,444)	(2,331)
Net finance income		**5,256**	**1,539**
Share of profit of joint venture	24	73	-
Profit before income tax		**37,473**	**44,781**
Income tax expense	5	(10,556)	(12,363)
Profit for the year		**26,917**	**32,418**
Attributable to:			
Owners of the parent		21,602	21,713
Non-controlling interests		5,315	10,705
Profit for the year		**26,917**	**32,418**
Basic earnings per share (cents)	8	13.65	13.72
Diluted earnings per share (cents)	8	13.65	13.72

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

DOLLARS IN THOUSANDS	Group 2023	Group 2022
Profit for the year	**26,917**	**32,418**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Foreign exchange translation movements	416	629
	416	**629**
Total comprehensive income for the year	**27,333**	**33,047**
Total comprehensive income for the year attributable to :		
Owners of the parent	22,018	22,342
Non-controlling interests	5,315	10,705
Total comprehensive income for the year	**27,333**	**33,047**

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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	Share Capital	Exchange Reserve	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	Attributable to equity holders of the Group						
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**

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 2022

Group

DOLLARS IN THOUSANDS	Share Capital	Exchange Reserve	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	Attributable to equity holders of the Group						
Balance at 1 January 2022	**383,266**	**(2,025)**	**132,974**	**(26)**	**514,189**	**103,610**	**617,799**
Movement in exchange translation reserve	-	629	-	-	629	-	629
Total other comprehensive income	-	629	-	-	629	-	629
Profit for the year	-	-	21,713	-	21,713	10,705	32,418
Total comprehensive income for the year	-	629	21,713	-	22,342	10,705	33,047
Transactions with owners, recorded directly in equity:							
Dividends paid to:							
Owners of the parent	-	-	(5,538)	-	(5,538)	-	(5,538)
Non-controlling interests	-	-	-	-	-	(3,982)	(3,982)
Supplementary dividends	-	-	(112)	-	-	-	(112)
Foreign investment tax credits	-	-	112	-	-	-	112
Movement in non-controlling interests without a change in control	-	-	26	-	26	1,349	1,375
Balance at 31 December 2022	**383,266**	**(1,396)**	**149,175**	**(26)**	**531,019**	**111,682**	**642,701**

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Financial Position

As at 31 December 2023

DOLLARS IN THOUSANDS	Note	Group 2023	Group 2022
SHAREHOLDERS' EQUITY			
Issued capital	7	383,266	383,266
Reserves		164,676	147,779
Treasury stock	7	(26)	(26)
Equity attributable to owners of the parent		**547,916**	**531,019**
Non-controlling interests		114,536	111,682
TOTAL EQUITY		**662,452**	**642,701**
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment	9	263,051	255,279
Development properties	10	217,221	205,308
Investment properties	11	35,834	36,381
Investment in associates		2	2
Investment in joint venture	24	43,943	-
Total non-current assets		**560,051**	**496,970**
CURRENT ASSETS			
Cash and cash equivalents	12	11,256	61,387
Short term bank deposits		64,075	111,946
Trade and other receivables	13	20,391	14,436
Advances to related parties	20	62,516	-
Inventories		1,640	1,409
Development properties	10	26,861	23,038
Total current assets		**186,739**	**212,216**
Total assets		**746,790**	**709,186**
NON CURRENT LIABILITIES			
Lease liability	22	27,111	25,458
Deferred tax	15	7,001	9,717
Total non-current liabilities		**34,112**	**35,175**
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14, 26	11,968	-
Trade and other payables	16	32,348	28,024
Trade payables due to related parties	20	2,318	2,248
Lease liability	22	215	233
Income tax payable		3,377	805
Total current liabilities		**50,226**	**31,310**
Total liabilities		**84,338**	**66,485**
NET ASSETS		**662,452**	**642,701**

For and on behalf of the board

LS PRESTON, DIRECTOR,
26 February 2024

SNB HARRISON, MANAGING DIRECTOR,
26 February 2024

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 2023

DOLLARS IN THOUSANDS	Note	Group 2023	Group 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		142,092	146,085
Receipts from insurers		397	-
Interest received		8,248	2,980
Dividends received	4	-	1
Cash was applied to:			
Payments to suppliers and employees		(99,843)	(84,544)
Purchases of development land	1	(20,407)	(24,607)
Interest paid		(104)	(18)
Income tax paid		(10,701)	(13,547)
Net cash inflow/(outflow) from operating activities		**19,682**	**26,350**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was (applied to)/provided from:			
Proceeds from the sale of property, plant and equipment		387	41
Purchases of property, plant and equipment	9	(13,901)	(7,148)
Purchases of investment property		(386)	(13,587)
Investment in joint venture	24	(44,048)	-
Advance to joint venture	20	(62,261)	-
Divestments in short term bank deposits		47,871	9,550
Net cash inflow/(outflow) from investing activities		**(72,338)**	**(11,144)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was (applied to)/provided from:			
Drawdown/(Repayment) of borrowings	14	11,968	(1,000)
Lease payments	22(c)	(2,161)	(3,235)
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	7	(4,747)	(5,538)
Dividends paid to non-controlling shareholders		(4,324)	(3,982)
Net cash inflow/(outflow) from financing activities		**736**	**(13,755)**
Net increase/(decrease) in cash and cash equivalents		**(51,920)**	**1,451**
Add opening cash and cash equivalents		61,387	58,143
Exchange rate adjustment		1,789	1,793
Closing cash and cash equivalents	12	**11,256**	**61,387**

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows – continued

For the year ended 31 December 2023

DOLLARS IN THOUSANDS	Note	Group 2023	Group 2022
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		26,917	32,418
Adjusted for non-cash items:			
Share of profit joint venture		(73)	-
Gain on sale of property, plant and equipment	2	(376)	(20)
Depreciation of property, plant and equipment and investment property	9, 11	7,845	7,353
Depreciation of Right-Of-Use assets	9	850	968
Unrealised foreign exchange losses		435	10
Interest expense		1,956	2.321
Income tax expense	5	10,556	12,363
		48,110	**54,413**
Adjustments for movements in working capital:			
(Increase)/Decrease in trade & other receivables		(5,955)	998
(Increase)/Decrease in inventories		(231)	(137)
(Increase)/Decrease in development properties		(15,576)	(12,654)
Increase/(Decrease) in trade & other payables		4,324	(1,976)
(Decrease) in related parties		(185)	(1,729)
Cash generated from operations		**30,487**	**39,915**
Interest paid		(104)	(18)
Income tax paid		(10,701)	(13,547)
Cash inflows from operating activities		**19,682**	**26,350**
Reconciliation of movement of liabilities to cash flows arising from financing activities			
As at 01 January		-	1,000
Proceeds from borrowings		11,968	-
Repayment of term loans		-	(1,000)
Financing cash flows		**11,968**	**(1,000)**
As at 31 December		**11,968**	**-**

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

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Significant accounting policies

Millennium & Copthorne Hotels New Zealand Limited is a company domiciled in New Zealand registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Millennium & Copthorne Hotels New Zealand Limited (the "Company") is a Financial Markets Conduct Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The financial statements of the Company for the year ended 31 December 2023 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 26 February 2024.

(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 these consolidation financial statements. The accounting policies are now included within the relevant notes to the consolidated financial statements.

The Group adopted all new and amended standards that became effective during the reporting period. However, they did not have any impact on the financial position, performance and cash flows of the Group.

(d) Foreign currency

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

(e) Insurance proceeds

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

(f) Revenue

Revenue 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.

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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	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
External revenue	101,072	65,245	28,284	66,106	2,494	1,240	13,809	11,607	145,659	144,198
Earnings before interest, depreciation & amortisation	19,299	4,754	13,697	41,446	2,473	775	5,371	4,590	40,840	51,565
Finance income	2,411	1,271	3,514	1,664	-	-	1,775	935	7,700	3,870
Finance expense	(2,429)	(2,321)	(12)	(7)	-	-	(3)	(3)	(2,444)	(2,331)
Depreciation and amortisation	(6,900)	(6,807)	(7)	(3)	(933)	(538)	(6)	(7)	(7,846)	(7,355)
Depreciation of Right-of-use assets	(806)	(940)	(34)	(19)	-	-	(10)	(9)	(850)	(968)
Share of profit of Joint venture	73	-	-	-	-	-	-	-	73	-
Profit before income tax	11,648	(4,043)	17,158	43,081	1,540	237	7,127	5,506	37,473	44,781
Income tax expense	(3,179)	1,417	(4,805)	(12,063)	(431)	(66)	(2,141)	(1,651)	(10,556)	(12,363)
Profit after income tax	8,469	(2,626)	12,353	31,018	1,109	171	4,986	3,855	26,917	32,418
Cash & cash equivalents and short term bank deposits	16,982	45,152	52,159	71,742	-	-	6,190	56,439	75,331	173,333
Investment in associates	-	-	2	2	-	-	-	-	2	2
Investment in joint venture	43,943	-	-	-	-	-	-	-	43,943	-
Other segment assets	339,925	266,463	231,231	205,573	35,834	36,381	20,524	27,434	627,514	535,851
Total assets	400,850	311,615	283,392	277,317	35,834	36,381	26,714	83,873	746,790	709,186
Segment liabilities	(68,516)	(52,502)	(4,053)	(1,542)	-	-	(1,391)	(1,919)	(73,960)	(55,963)
Tax liabilities	(7,393)	(6,661)	(1,449)	(3,275)	-	-	(1,536)	(586)	(10,378)	(10,522)
Total liabilities	(75,909)	(59,163)	(5,502)	(4,817)	-	-	(2,927)	(2,505)	(84,338)	(66,485)
Property, plant and equipment expenditure	13,821	17,312	56	77	-	-	14	44	13,901	17,433
Investment property expenditure	-	-	-	-	386	13,587	-	-	386	13,587
Residential land development expenditure	-	-	10,135	13,327	-	-	-	-	10,135	13,327
Purchase of land for residential land development	-	-	20,407	24,607	-	-	-	-	20,407	24,607

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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	2023	2022	2023	2022	2023	2022
External revenue	131,850	132,591	13,809	11,607	145,659	144,198
Earnings before interest, depreciation & amortisation	35,487	46,994	5,353	4,571	40,840	51,565
Finance income	5,925	2,935	1,775	935	7,700	3,870
Finance expense	(2,441)	(2,328)	(3)	(3)	(2,444)	(2,331)
Depreciation and amortisation	(7,840)	(7,348)	(6)	(7)	(7,846)	(7,355)
Depreciation of Right-Of-Use Assets	(840)	(959)	(10)	(9)	(850)	(968)
Share of profit of joint venture	-	-	73	-	73	-
Profit before income tax	30,291	39,294	7,182	5,487	37,473	44,781
Income tax (expense)/credit	(8,422)	(10,718)	(2,134)	(1,645)	(10,556)	(12,363)
Profit after income tax	21,869	28,576	5,048	3,842	26,917	32,418
Cash & cash equivalents and short term bank deposits	69,141	116,894	6,190	56,439	75,331	173,333
Investment in associates	2	2	-	-	2	2
Investment in joint venture	-	-	43,943	-	43,943	-
Investment properties	35,834	36,381	-	-	35,834	36,381
Segment assets	508,895	472,036	82,785	27,434	591,680	499,470
Total assets	613,872	625,313	132,918	83,873	746,790	709,186
Segment liabilities	(29,976)	(54,044)	(43,984)	(1,919)	(73,960)	(55,963)
Tax liabilities	(8,842)	(9,936)	(1,536)	(586)	(10,378)	(10,522)
Total liabilities	(38,818)	(63,980)	(45,520)	(2,505)	(84,338)	(66,485)
Material additions to segment assets:						
Property, plant and equipment expenditure	13,887	17,389	14	44	13,901	17,433
Investment property expenditure	386	13,587	-	-	386	13,587
Residential land development expenditure	10,135	13,327	-	-	10,135	13,327
Purchase of land for residential land development	20,407	24,607	-	-	20,407	24,607

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	2023	2022
Depreciation	9, 11	8,695	8,323
Auditors' remuneration			
Audit fees		374	344
Tax compliance and tax advisory fees		101	34
Other non-audit services		74	-
Directors' fees	19	350	322
Rental expenses		694	699
Provision for bad debts			
Debts written off		20	4
Movement in doubtful debt provision		127	65
Net (gain)/ loss on disposal of property, plant and equipment		(376)	20
Resurgence Support Payments		-	(28)

3. Personnel expenses

	Group	
Dollars In Thousands	2023	2022
Wages and salaries	44,109	32,632
Wage subsidies	(30)	(222)
Employee related expenses and benefits	2,078	1,135
Contributions to defined contribution plans	625	476
Increase/(decrease) in liability for long-service leave	76	32
	46,858	**34,053**

Wage subsidy scheme
The Group applied for government support and received $46,308 under the COVID-19 Leave Support Scheme. During 2022, a total of $272,345 was received under the COVID-19 Leave Support Scheme and the COVID-19 Short-term Absence Payment.

The wage subsidies including Leave Support Scheme and Short-term Absence Payment were recorded as a deduction against payroll costs in personnel expenses. The personnel expenses are included in cost of sales, administration expenses and other expenses in the income statement.

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

4. Net finance income

Recognised in the income statement

	Group	
Dollars In Thousands	2023	2022
Interest income	7,700	3,869
Dividend income	-	1
Finance income	7,700	3,870
Interest expense	(2,009)	(2,321)
Foreign exchange loss	(435)	(10)
Finance costs	(2,444)	(2,331)
Net finance income recognised in the income statement	**5,256**	**1,539**

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4. **Net finance income** - continued

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

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

Recognised in other comprehensive income

	Group	
Dollars In Thousands	2023	2022
Foreign exchange translation movements	416	629

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

	Group	
Dollars In Thousands	2023	2022
Current tax expense		
Current year	13,142	12,182
Adjustments for prior years	132	(239)
	13,274	11,943
Deferred tax expense		
Origination and reversal of temporary difference	(2,718)	420
	(2,718)	420
Total income tax expense in the income statement	**10,556**	**12,363**

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. 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

	Group	
Dollars In Thousands	2023	2022
Profit before income tax	37,473	44,781
Income tax at the company tax rate of 28% (2022: 28%)	10,492	12,539
Adjusted for:		
Tax rate difference (if different from 28% above)	146	108
Tax exempt income	(214)	(45)
Under/(Over) - provided in prior years	132	(239)
Total income tax expense	**10,556**	**12,363**
Effective tax rate	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.

5. **Income tax expense** - continued

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

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

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

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

6. **Imputation credits**

Dollars In Thousands	Group 2023	Group 2022
Imputation credits available for use in subsequent reporting periods	134,317	126,825

The KIN Holdings Group has A$13.11 million (2022: A$12.01 million) franking credits available as at 31 December 2023.

7. **Capital and reserves**

Share capital

	Group		Group	
	2023 Shares	**2023 $000's**	**2022 Shares**	**2022 $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 2023, the authorised share capital consisted of 105,578,290 ordinary shares (2022: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2022: 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.

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7. **Capital and reserves** – continued

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	2023	2022
Ordinary Dividend – 3.0 cents per qualifying share (2022: 3.5 cents)	4,747	5,538
Supplementary Dividend – 0.0053 cents per qualifying share (2022: 0.062 cents)	98	112
	4,845	5,650

After 31 December 2023, the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

Dollars In Thousands	Company
Ordinary Dividend – 3.0 cents per qualifying share (2022: 3.0 cents)	4,747
Supplementary Dividend – 0.0053 cents per qualifying share (2022: 0.0053 cents)	98
Total Dividends	4,845

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 2023 was based on the profit attributable to ordinary and redeemable preference shareholders of $21,602,000 (2022: $21,713,000) and weighted average number of shares outstanding during the year ended 31 December 2023 of 158,218,286 (2022: 158,218,286), calculated as follows:

Profit attributable to shareholders

	Group	
Dollars In Thousands	2023	2022
Profit for the year	26,917	32,418
Profit attributable to non-controlling interests	(5,315)	(10,705)
Profit attributable to shareholders	21,602	21,713

Weighted average number of shares

	Group	
	2023	2022
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	
	2023	2022
Basic and Diluted Earnings per share (cents per share)	13.65	13.72

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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 2022	43,691	213,798	105,596	76	5,704	19,787	388,652
Acquisitions	-	-	8	-	7,138	10,286	17,432
Disposals	-	-	(84)	-	(128)	(1,948)	(2,160)
Transfers between categories	2,970	3,874	2,916	-	(9,760)	-	-
Movements in foreign exchange	-	-	4	-	-	-	4
Balance at 31 December 2022	**46,661**	**217,672**	**108,440**	**76**	**2,954**	**28,125**	**403,928**
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**
Depreciation and impairment losses							
Balance at 1 January 2022	-	(48,840)	(90,494)	(71)	-	(3,465)	(142,870)
Depreciation charge for the year	-	(3,246)	(3,570)	(1)	-	(968)	(7,785)
Disposals	-	-	65	-	-	1,945	2,010
Movements in foreign exchange	-	-	(3)	-	-	(1)	(4)
Balance at 31 December 2022	**-**	**(52,086)**	**(94,002)**	**(72)**	**-**	**(2,489)**	**(148,649)**
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)**
Carrying amounts							
At 1 January 2022	43,691	164,958	15,102	5	5,704	16,322	245,782
At 31 December 2022	**43,661**	**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

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.

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

Impairment
The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For impairment testing, the assets are grouped together into the smallest asset group that generates cash inflows from continuing use that are independent of other assets or cash generating units "CGU". 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.

The testing for impairment is undertaken with an internal review by management and supplemented by external review on selected hotels by an independent registered valuer. The internal review requires management to determine the recoverable amounts by estimating future cash flows to be generated by the cash generating units. The basis of the impairment test is the net present value of the future earnings of the assets. The major unobservable inputs that management use that require judgement in estimating future cash flows include expected rate of growth in revenue and costs, projected occupancy and average room rates, operational and maintenance expenditure profiles, terminal capitalisation rate, and the appropriate discount rate to apply when discounting future cash flows. Average annual growth rates appropriate to the hotels range from 4.98% to 11.90% (2022: 5.14% to 78.61% over five years) over the five years projection. Pre-tax discount rates ranging between 6.50% to 10.75% (2022: 6.25% and 10.50%) were applied to the future cash flows of the individual hotels based on the specific circumstances of the property. Hotel assets dependent on international travel have been projected to return to normal pre-COVID occupancy levels during 2025.

During the year management identified four (2022: four) hotel assets with a carrying value of $39.43 million that had indicators of impairment and were subsequently tested for impairment. The recoverable amount of one of the hotel assets with a carrying value of $9.34 million was determined on a highest and best use basis by reference to the 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 $0.11 million and is considered to be sensitive to impairment from a reasonably possible change in square metre rate.

The remaining three other hotel assets with a carrying value of $30.09 million were considered to be sensitive to impairment. The sensitivity table below schedules out the thresholds which trigger impairments.

	Hotel 1	Hotel 2	Hotel 3
RevPAR *	Decrease by 8.00%	Decrease by 2.00%	Decrease by 8.00%
Discount rate	Increase by 8.50% points	Increase by 2.00% points	Increase by 3.50% points
Terminal capitalisation rate	Increase by 6.50% points	Increase by 1.00% points	Increase by 1.50% points

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

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. Residual 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 (2022: two) hotel properties with a total book value of $75.33 million (2022: $37.70 million) are pledged to the bank as security against the loan facility.

Climate-related disclosure
The Group is currently in the process of identifying and reporting on the impacts of climate change that are affecting the business. Climate change poses significant risks and challenges for the hotel industry, 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.

10. Development properties

Dollars In Thousands	Group 2023	Group 2022
Development land	224,540	203,148
Residential development	19,542	25,198
	244,082	228,346
Less expected to settle within one year	(26,861)	(23,038)
	217,221	**205,308**
Development land recognised in cost of sales	10,926	20,527
Residential development recognised in cost of sales	6,052	4,844

Development land is carried at the lower of cost and net realisable value. Interest of $Nil (2022: $Nil) was capitalised during the year. Residential development at balance date consists of the residential development known as Zenith Residences in Sydney, Australia.

Property held for future development and development property completed and held for sale are stated at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in ordinary course of business less the estimated costs of completion and costs necessary to make the sale. The determination of net realisable value of inventories involves estimates taking into consideration prevailing market conditions, current prices and expected date of commencement and completion of the projects, the estimated future selling price, cost to complete projects and selling costs. The amount of any write-down of inventories is recognised as an expense in the Income Statement to the extent that the carrying value of inventories exceeds its estimated net realisable value. Cost includes the cost of acquisition, development, and holding costs. All holding costs incurred after completion of development are expensed as incurred. Revenue and profit are not recognised on development properties until the legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs and the development property is derecognised.

The fair value of development property held at 31 December 2023 was determined, by an independent registered valuer, DM Koomen SPINZ of Extensor Advisory Limited. The net realisable value was estimated from the fair value. The net realisable value as determined by the independent registered valuer, exceeded the carry value of development property.

11. Investment properties

Group

Dollars In Thousands	Freehold Land	Buildings	Work In Progress	Total
Cost				
Balance at 1 January 2022	659	3,052	19,691	23,402
Transfer from development properties	-	33,278	(33,278)	-
Additions	-	-	13,587	13,587
Balance at 31 December 2022	**659**	**36,330**	**-**	**36,989**
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**
Depreciation and impairment losses				
Balance at 1 January 2022	-	70	-	70
Depreciation charge for the year	-	538	-	538
Balance at 31 December 2022	**-**	**608**	**-**	**608**
Balance at 1 January 2023	-	608	-	608
Depreciation charge for the year	-	933	-	933
Balance at 31 December 2023	**-**	**1,541**	**-**	**1,541**
Carrying amounts				
At 1 January 2023	**659**	**35,722**	**-**	**36,381**
At 31 December 2023	**659**	**35,175**	**-**	**35,834**

Investment properties consist of commercial warehousing at Wiri in Auckland, retail shops at Prestons Park in Christchurch, and retail shops at Stonebrook in Rolleston. The fair value of investment properties at 31 December 2023 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as $62.69 million (2022: $62.62 million). 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. income capitalisation approach.

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11. Investment properties - continued

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

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 internal or 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 the income capitalisation approach.

During the year management identified two (2022: two) properties with a carrying value of $13.67 million that had indicators of impairment. Average market capitalisation rates appropriate to the properties range from 6.50% to 7.00% (2022: 6.25% to 6.75%). Average market rent per square metre rates appropriate to the properties range from $341 to $358 (2022: $330 to $368).

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 2023 was $2.49 million (2022: $1.24 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	2023	2022
Within 1 year	2,665	2,478
More than 1 year but within 2 years	2,675	2,660
More than 2 years but within 3 years	2,722	2,670
More than 3 years but within 4 years	2,760	2,715
More than 4 years but within 5 years	2,668	2,718
After 5 years	2,553	6,347
	16,043	19,588

12. Cash and cash equivalents

	Group	
Dollars In Thousands	2023	2022
Cash	6,835	11,065
Call deposits	4,421	50,322
	11,256	61,387

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.

13. Trade and other receivables

	Group	
Dollars In Thousands	2023	2022
Trade receivables	9,728	7,708
Less provision for doubtful debts	(206)	(82)
Other trade receivables and prepayments	10,869	6,810
	20,391	14,436

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.

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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 2023 Face Value	31 December 2023 Carrying Amount	31 December 2022 Face Value	31 December 2022 Carrying Amount
Revolving credit	NZD	6.43% to 6.4525%	**115,000**	10,000	10,000	-	-
Overdraft	NZD	6.63%	**5,000**	1,968	1,968	-	-
TOTAL			**120,000**	**11,968**	**11,968**	**-**	**-**
Current				11,968	11,968	-	-
Non-current				-	-	-	-

Terms and debt repayment schedule
The bank facilities are secured over hotel properties with a carrying amount of $75.33 million (2022: $37.70 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 current as the Group expected to repay this within 3 months.

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

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
Dollars In Thousands	2023	2022	2023	2022	2023	2022
Property, plant and equipment (includes Right of use assets)	-	-	17,481	19,776	17,481	19,776
Investment property	-	-	345	157	345	157
Development properties	(212)	(388)	-	-	(212)	(388)
Accruals	(474)	(454)	-	-	(474)	(454)
Employee benefits	(2,074)	(1,715)	-	-	(2,074)	(1,715)
Lease liability	(7,651)	(7,193)	-	-	(7,651)	(7,193)
Trade and other payables	(1,297)	(1,342)	-	-	(1,297)	(1,342)
Net investment in foreign operations	-	-	883	876	883	876
Net tax (assets) / liabilities	**(11,708)**	**(11,092)**	**18,709**	**20,809**	**7,001**	**9,717**

Movement in deferred tax balances during the year

	Group			
Dollars In Thousands	Balance 1 Jan 22	Recognised in Income	Recognised in equity	Balance 31 Dec 22
Property, plant and equipment (includes Right of use assets)	16,765	3,011	-	19,776
Investment property	30	127	-	157
Development properties	(457)	74	(5)	(388)
Accruals	(347)	(104)	(3)	(454)
Employee benefits	(1,563)	(152)	-	(1,715)
Lease liability	(4,568)	(2,625)	-	(7,193)
Trade and other payables	(1,431)	89	-	(1,342)
Net investment in foreign operations	869	-	7	876
	9,298	**420**	**(1)**	**9,717**

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**

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16. Trade and other payables

Dollars In Thousands	Group 2023	Group 2022
Trade payables	2,790	1,688
Employee entitlements	7,652	7,371
Non-trade payables and accrued expenses	21,906	18,965
	32,348	**28,024**

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.

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 assets 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:

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	-	-	-	-

2022

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	-	-	-	-	-	-	-
Trade Payables	1,688	1,688	1,688	-	-	-	-
Other payables	26,336	26,336	26,336	-	-	-	-
Trade payables due to related parties	2,248	2,248	2,248	-	-	-	-
Total non-derivative liabilities	30,272	30,272	30,272	-	-	-	-

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17. Financial instruments -continued

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.

At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The maximum exposure to credit risk in Australia is $11,000 (2022: $4,000). 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 $1.43 million (2022: $1.58 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		2023				2022			
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 5.50%	11,256	11,256	-	0.00% to 4.25%	61,387	61,387	-
Short term bank deposits *		0.85% to 6.05%	64,075	58,075	6,000	0.85% to 5.26%	111,946	49,479	62,467
Secured bank loans *	14	6.43% to 6.4525%	10,000	10,000	-	5.37%	-	-	-
Bank overdrafts *	14	6.63%	1,968	1,968	-	5.37%	-	-	-

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

(ii) Foreign currency risk

The Group owns 100.00% (2022: 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 in its foreign operations with the currency movements being recognised in the foreign currency translation reserves. 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	2023	2023	2022	2022
LOANS AND RECEIVABLES					
Cash and cash equivalents	12	11,256	11,256	61,387	61,387
Short term bank deposits		64,075	64,075	111,946	111,946
Trade and other receivables	13	20,391	20,391	14,436	14,436
Advances to related parties	20	62,516	62,516	-	-
OTHER LIABILITIES					
Secured bank loans and overdrafts	14	(11,968)	(11,968)	-	-
Trade and other payables	16	(32,348)	(32,348)	(28,024)	(28,024)
Trade payables due to related parties	20	(2,318)	(2,318)	(2,248)	(2,248)
		111,604	111,604	157,497	157,497
Unrecognised (losses) / gains		-	-	-	-

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

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

18. Capital and land development commitments

As at 31 December 2023, the Group had entered into contractual commitments for capital expenditure, development expenditure, and purchases of land. Development expenditure represents amounts contracted and forecast to be incurred in 2023 in accordance with the Group's development programme.

	Group	
Dollars In Thousands	2023	2022
Capital expenditure	1,330	2,660
Development expenditure	19,743	21,991
Land purchases	6,620	4,010
	27,693	28,661

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 (2022: Nil) of the voting shares of the Company. There were no loans (2022: $nil) advanced to directors for the year ended 31 December 2023. Key management personnel include the Board and the Executive Team.

Total remuneration for key management personnel

	Group	
Dollars In Thousands	2023	2022
Non-executive directors	350	322
Executive director	499	1,147
Executive officers	734	807
	1,583	2,276

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).

20. Group entities

Control of the Group
Millennium & Copthorne Hotels New Zealand Limited is a 75.78% (2022: 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.

20. Group entities - continued

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

Dollars In Thousands	Nature of balance	Group 2023	Group 2022
Trade payables and receivables due to related parties			
Millennium & Copthorne Hotels Limited	Recharge of expenses	(1,772)	(1,799)
Marquee Hotel Holdings Pty Ltd	Interest bearing advance	19,086	-
Marquee Hotel Holdings Pty Ltd	Interest free advance	43,132	-
Marquee Hotel Holdings Pty Ltd	Interest receivable	43	-
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	-	(82)
CDLHT (BVI) One Ltd	Recharge of expenses	255	-
CDLHT (BVI) One Ltd	Rent	(546)	(367)
		60,198	**(2,248)**

No debts with related parties were written off or forgiven during the year. Interest at 6.43% was charged on interest bearing advance during 2023. 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.

At the balance sheet date, there was an amount owing to CDLHT (BVI) One Ltd of $291,000 (2022 $367,000) 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 2023, the Group had the following transactions with related parties:

Dollars In Thousands	Nature of balance	Group 2023	Group 2022
Marquee Hotel Holdings Pty Ltd	Interest receivable	43	-
CDLHT (BVI) One Ltd	Management, franchise and incentive income	960	1,160
M&C Reservation Services Ltd (UK)	Management and marketing support	(161)	(157)
CDL Hotels Holdings New Zealand Limited	Accounting support fee received	60	60

Subsidiary companies
The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2023 are:

	Principal Activity	Principal Place of Business	Group Holding % 2023	Group Holding % 2022
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	65.54	65.99
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.

Although the Group owns less than half of the voting power of the Copthorne Hotel & Resort Bay of Islands Joint Venture, it is able to control the financial and operating policies of the Copthorne Hotel & Resort Bay of Islands Joint Venture so as to obtain benefits from its activities by virtue of an agreement with the other parties of the Joint Venture. Therefore, the results of the Joint Venture are consolidated from the date control commenced until the date control ceases.

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

20. Group entities - continued

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. 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. An internal review is performed which requires management to determine the recoverable amount by estimating future cash flows to be generated by the cash generating units. External valuations are undertaken on the hotel assets on a triennial cycle. Estimation of the recoverable amount of the hotel assets is done with reference to fair value determined by the external valuer, using the income approach and adjusted for costs to sell, which requires estimation of future cash flows of a third-party efficient operator, the time period over which they will occur, an appropriate discount rates, terminal capitalisation rates and growth rates. The Directors consider that the assumptions made represent their best estimate, and that the discount rate and terminal capitalisation rate used are appropriate given the risks associated with the specific cash flows.

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.

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.

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22. Lease -continued

22(a) Lease Liability

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

Dollars In Thousands	Group 2023	Group 2022
Less than 6 months	1,081	1,032
More than 6 months but within 12 months	1,079	939
More than 1 year but within 2 years	2,253	1,870
More than 2 years but within 5 years	10,507	8,674
After 5 years	91,584	93,857
	106,504	**106,372**

The Group restated the comparative amounts (31 December 2022) in respect of the undiscounted lease commitment as the prior year was presented on a discounted basis. This has been corrected in the above note. The error has no impact over the profit or loss, financial position, and cashflow.

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 @ 01/01/23	Depreciation on right-of-use asset for the year	Addition during the year	Disposal during the year	Movement in foreign exchange	Carrying value @ 31/12/23
Land sites at hotels	Renewal at 21 year cycles for perpetuity	21,407	(354)	-	(731)	-	20,322
Corporate office building and hotel carpark	Between 5 to 23 years	3,758	(284)	2,253	-	-	5,727
Motor vehicles	Between 12 to 45 months	471	(212)	424	(2)	-	681
Totals		25,636	(850)	2,677	(733)	-	26,730

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22. Lease -continued

22(c) Schedule of lease liabilities by class

Dollars In Thousands	Lease term	Carrying value @ 01/01/23	Interest expense for the year	Addition during the year	Disposal during the year	Lease payment for the year	Carrying value @ 31/12/23
Land sites at hotels	Renewal at 21 year cycles for perpetuity	21,704	1,309	-	(731)	(1,351)	20,931
Corporate office building and hotel carpark	Between 5 to 23 years	3,507	474	2,253	-	(546)	5,688
Motor vehicles	Between 12 to 45 months	480	69	424	(2)	(264)	707
Totals		25,691	1,852	2,677	(733)	(2,161)	27,326

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 @ 31/12/23	Lease commitments within one year	Lease commitments between one and 5 years	Lease commitments more than 5 years
Short term leases <12 months	101	94	94	-	-
Low value leased assets	2	6	1	5	-
Variable lease payments under service and management contracts	591	14,705	577	2,309	11,819
Total	694	14,805	672	2,314	11,819

23. New standard and interpretations issued but not yet adopted

A number of amended standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing the consolidated financial statements; refer to Significant Accounting Policies, part (c). The Group will be adopting the amended standards from 1 January 2024.

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements and only affect disclosure:

- Amendments to NZ IAS1 Non-current Liabilities with Covenants.
- Amendments to NZ IFRS 16 Lease Liability in a Sale and Leaseback.
- Amendments to NZ IAS 7 Supplier Finance Arrangements.
- Amendments to NZ IFRS 7 Supplier Finance Arrangements.
- Amendments to FRS-44 New Zealand Additional Disclosures of Fees for Audit Firms' Services.

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 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 Ltd 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 $73,065.

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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 2023
Non-current assets	202,650
Current assets	27,477
Non-current liabilities	-
Current liabilities	(142,241)
Net assets (100%)	87,886
Group's share (50%)	43,943

The current assets balance of the joint venture includes a cash and cash equivalents balance of $26.12m. The current liabilities balance of the joint venture includes balances owing to shareholders of $124.5m.

	Group 2023
Revenue	2,142
Operating profit/(loss)	(175)
Interest income	384
Income tax expense	(63)
Profit for the year (100%)	146
Group's share of profit (50%)	73

Movements in the carrying value of joint venture:

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

25. Non-controlling interests ("NCI")

The following subsidiary has material NCI.

	Principal Activity	Principal Place of Business	Group Holding % 2023	Group Holding % 2022
CDL Investments New Zealand Limited "CDI"	Property Investment and Development	NZ	34.46	34.01

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

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.

	CDI Group	
Dollars In Thousands	**2023**	**2022**
Revenue	30,779	67,098
Profit after tax	13,463	31,189
Profit attributable to NCI	4,639	10,546
Other comprehensive income	-	-
Total comprehensive income	13,463	31,189
Other comprehensive income attributable to NCI	4,639	10,546
Current assets	80,244	90,489
Non-current assets	238,984	223,209
Current liabilities	(5,162)	(4,606)
Non-current liabilities	(341)	(211)
Net assets	313,725	308,881
Net assets attributable to NCI	**108,110**	**105,050**

	CDI Group	
Dollars In Thousands	**2023**	**2022**
Cash inflow/(outflow) from operating activities	(10,309)	11,224
Cash inflow/(outflow) from investing activities	(10,325)	(23,666)
Cash inflow/(outflow) from financing activities	(8,874)	(8,916)
Net increase in cash and cash equivalents	**(29,508)**	**(21,358)**
Dividends paid to NCI during the year	**3,437**	**3,392**

26. Subsequent events

The Group's subsidiary, CDL Investments New Zealand Limited, settled the purchase of 10.8 hectares of land in Nelson for $6.62m (Note 18) during January 2024. The settlement will be recognised as an increase in land classified as development property in 2024.

The Group fully repaid the bank loan of $11.97m on 22 January 2024.

On 23 February 2024, an ordinary dividend of 3.0 cents per qualifying share and a supplementary dividend of 0.0053 cents per qualifying share were declared by the Directors. Details are in Note 7.

On 23 February 2024, an ordinary dividend of 3.5 cents per qualifying share was declared by the Directors of CDL Investments New Zealand Limited.

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Independent Auditor's Report

To the shareholders of Millennium & Copthorne Hotels New Zealand Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Millennium & Copthorne Hotels New Zealand Limited (the 'company') and its subsidiaries (the 'group') on pages 1 to 28 present fairly, in all material respects:

i. the group's financial position as at 31 December 2023 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 issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

Basis for opinion

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

We are independent of the group in accordance with Professional and Ethical Standard 1 *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'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Our firm has also provided other services to the group in relation taxation compliance, taxation advisory and strategy support services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $4.6m determined with reference to a benchmark of group 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 statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter

Impairment of hotel assets

Refer to Note 9 to the Financial Report.

Impairment of hotel assets is a key audit matter given the magnitude of the balance (being 35% 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.

The recoverable amount of the hotel assets was determined by an external valuer (for selected hotels) and the group's internal discounted cash flow models. We focussed on the key assumptions in the valuation models including the projected occupancy rates, average daily room rates (ADRs), projected direct costs, discount rate and terminal capitalisation rate. Due to the ongoing recovery of international travel from COVID-19 and increased funding costs, the level of estimation uncertainty in relation to the projected occupancy rates and ADRs is still significant. This uncertainty is also considered in determining discount rates and terminal capitalisation rates as well as considering recent transactions. These conditions necessitate additional scrutiny by us, as a change in assumptions in the impairment models could have a material impact on the carrying value of hotel assets.

How the matter was addressed in our audit

Our audit procedures included:

- Evaluating the group's determination of the appropriate cash-generating unit ("CGU") for impairment testing purposes.
- Assessing each hotel asset for impairment indicators including consideration of changes in land lease and other contractual arrangements, changes in economic conditions and financial performance, physical quality of the underlying asset and capital expenditure requirements.
- Assessing the scope of work performed, competency, professional qualifications, independence and experience of the external valuer engaged by the group. This included holding discussions with the external valuer.
- Working with our internal valuation specialists to assess the external valuer's approach, the appropriateness of the valuation methodology and compliance with property valuation standards.
- Challenging the group's key assumptions (occupancy rates, ADRs, projected direct costs, discount rates and terminal capitalisation rates) included in the external valuations and the group's internal discounted cash flow models by:
    - comparing to externally derived data from hotel industry reports and other market data;
    - assessing the relevance and reasonableness of the discount rates, terminal capitalisation rate and price per room with reference to rates used in the prior year external valuations and recent market evidence presented by the valuer;
    - performing a sensitivity analysis over occupancy rates, projected ADRs, discount rates and terminal capitalisation rates to understand and identify the hotel assets most sensitive to impairment and focus our further procedures.
- Assessing the accuracy of the group's and external valuer's previous forecasts to inform our evaluation of the forecasts

The key audit matter

How the matter was addressed in our audit

incorporated into the valuation models. This included comparing actual occupancy rates, ADRs and direct costs to the assumptions projected over the forecast period and used in the prior period valuations.

- 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 accounting standards.

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 Report.

The group's development property comprises land and costs incurred to develop land into subdivisions and individual properties for sale. The development properties represent 33% of total assets on the consolidated statement of financial position.

The capitalisation and allocation of development costs is a key audit matter as determining whether to capitalise or expense costs relating to development of the land is subjective as it depends 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.

The key judgements used in this determination are:

- Whether costs are eligible for capitalisation under the relevant accounting standards
- the allocation of capitalised costs to the individual projects, stages and land lots and the associated recognition of cost of sales
- Whether a capitalised cost and the associated liability for future obligations should be recorded under the relevant accounting standard.

Our audit procedures included:

- Evaluating the group's accounting policy for capitalisation of development costs using the criteria in the accounting standard.
- Developing an understanding of the key controls over the cost capitalisation and allocation process.
- Agreeing a sample of capitalised development costs to supporting documentation. For each selected transaction we:
  - Considered the nature of the costs capitalised and evaluated whether they are eligible for capitalisation under the relevant accounting standard.
  - Assessed the appropriateness of allocation to the individual project stages and land lots.
- Agreeing a sample of land acquisitions to sales and purchase agreements, settlement document and cash payment.
- 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.
- 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.
- 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.

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). Other information in the Annual Report includes the Chairmans 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 Annual Report and Annual Climate Statement when they become available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have received the Chairman's review and have nothing to report in regard to it. The Annual Report and Annual Climate Statement are expected to be made available to us after the date of this Independent Auditor's Report and we will report the matters identified, if any, to those charged with governance.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;
- implementing 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 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 is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

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

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

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

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

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

For and on behalf of

KPMG

KPMG
Auckland

26 February 2024