Millennium & Copthorne Hotels New Zealand Limited

Consolidated Income Statement

For the year ended 31 December 2022

DOLLARS IN THOUSANDS	Note	Group 2022	Group 2021
Hotel revenue		65,245	55,247
Rental income		3,002	1,942
Property sales		75,951	107,583
Revenue		**144,198**	**164,772**
Cost of sales	3,10	(59,687)	(78,513)
Gross profit		**84,511**	**86,259**
Other income	1(c)	-	15,870
Administration expenses	2,3	(22,678)	(19,971)
Other operating expenses	2,3	(18,591)	(17,752)
Operating profit		**43,242**	**64,406**
Finance income	4	3,870	1,565
Finance costs	4	(2,331)	(1,378)
Net finance income		**1,539**	**187**
Profit before income tax		**44,781**	**64,593**
Income tax expense	5	(12,363)	(13,871)
Profit for the year		**32,418**	**50,722**
Attributable to:			
Owners of the parent		21,713	40,049
Non-controlling interests		10,705	10,673
Profit for the year		**32,418**	**50,722**
Basic earnings per share (cents)	8	13.72	25.31
Diluted earnings per share (cents)	8	13.72	25.31

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

DOLLARS IN THOUSANDS	Group 2022	Group 2021
Profit for the year	**32,418**	**50,722**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Foreign exchange translation movements	629	(326)
	629	**(326)**
Total comprehensive income for the year	**33,047**	**50,396**
Total comprehensive income for the year attributable to :		
Owners of the parent	22,342	39,723
Non-controlling interests	10,705	10,673
Total comprehensive income for the year	**33,047**	**50,396**

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	Attributable to equity holders of the Group						
	Share Capital	Exchange Reserve	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 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)	-	-	-	-
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 Changes in Equity

For the year ended 31 December 2021

Group

Attributable to equity holders of the Group

DOLLARS IN THOUSANDS	Share Capital	Exchange Reserve	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2021	383,266	(1,699)	93,129	(26)	474,670	95,312	569,982
Movement in exchange translation reserve	-	(326)	-	-	(326)	-	(326)
Total other comprehensive loss	-	(326)	-	-	(326)	-	(326)
Profit for the year	-	-	40,049	-	40,049	10,673	50,722
Total comprehensive income/(loss) for the year	-	(326)	40,049	-	39,723	10,673	50,396
Transactions with owners, recorded directly in equity:							
Dividends paid to:							
Non-controlling interests	-	-	-	-	-	(3,914)	(3,914)
Movement in non-controlling interests without a change in control	-	-	(204)	-	(204)	1,539	1,335
Balance at 31 December 2021	**383,266**	**(2,025)**	**132,974**	**(26)**	**514,189**	**103,610**	**617,799**

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 2022

DOLLARS IN THOUSANDS	Note	Group 2022	Group 2021
SHAREHOLDERS' EQUITY			
Issued capital	7	383,266	383,266
Reserves		147,779	130,949
Treasury stock	7	(26)	(26)
Equity attributable to owners of the parent		**531,019**	**514,189**
Non-controlling interests		111,682	103,610
TOTAL EQUITY		**642,701**	**617,799**
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment	9	255,279	245,782
Development properties	10	205,308	188,508
Investment properties	11	36,381	23,332
Investment in associates		2	2
Total non-current assets		**496,970**	**457,624**
CURRENT ASSETS			
Cash and cash equivalents	12	61,387	58,143
Short term bank deposits		111,946	121,496
Trade and other receivables	13	14,436	15,434
Inventories		1,409	1,272
Development properties	10	23,038	26,827
Total current assets		**212,216**	**223,172**
Total assets		**709,186**	**680,796**
NON CURRENT LIABILITIES			
Lease liability	22	25,458	15,858
Deferred tax	15	9,717	9,298
Total non-current liabilities		**35,175**	**25,156**
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	-	1,000
Trade and other payables	16	28,024	30,001
Trade payables due to related parties	20	2,248	3,977
Lease liability	22	233	457
Income tax payable		805	2,406
Total current liabilities		**31,310**	**37,841**
Total liabilities		**66,485**	**62,997**
NET ASSETS		**642,701**	**617,799**

For and on behalf of the board

Leslie Preston

G.N.B. Harrison

LS PRESTON, DIRECTOR,
16 February 2023

SNB HARRISON, MANAGING DIRECTOR,
16 February 2023

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

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Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

DOLLARS IN THOUSANDS	Note	Group 2022	Group 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		146,085	161,320
Interest received		2,980	1,751
Dividends received	4	1	2
Cash was applied to:			
Payments to suppliers and employees		(84,544)	(62,099)
Purchases of development land	1	(24,607)	(56,528)
Interest paid		(18)	(139)
Income tax paid		(13,547)	(15,288)
Net cash inflow from operating activities		**26,350**	**29,019**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was (applied to)/provided from:			
Proceeds from the sale of property, plant and equipment		41	10
Proceeds from the sale of asset held for sale		-	18,000
Purchases of property, plant and equipment	9	(7,148)	(3,981)
Purchases of investment property		(13,587)	(20,077)
Investments in short term bank deposits		9,550	55,778
Net cash inflow/(outflow) from investing activities		**(11,144)**	**49,730**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was (applied to)/provided from:			
Repayment of borrowings	14	(1,000)	(37,000)
Principal repayment of lease liability	22(c)	(3,235)	(1,577)
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	7	(5,538)	-
Dividends paid to non-controlling shareholders		(3,982)	(3,914)
Net cash outflow from financing activities		**(13,755)**	**(42,491)**
Net increase in cash and cash equivalents		**1,451**	**36,258**
Add opening cash and cash equivalents		58,143	20,766
Exchange rate adjustment		1,793	1,119
Closing cash and cash equivalents	12	**61,387**	**58,143**

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 2022

DOLLARS IN THOUSANDS	Note	Group 2022	Group 2021
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		32,418	50,722
Adjusted for non-cash items:			
Gain on sale of property, plant and equipment	2	(20)	(5)
Gain on sale of asset held for sale		-	(15,870)
Depreciation of property, plant and equipment and investment property	9, 11	7,353	7,417
Depreciation of Right-Of-Use assets	9	968	961
Unrealised foreign exchange losses		10	115
Income tax expense	5	12,363	13,871
		53,092	**57,211**
Adjustments for movements in working capital:			
(Increase)/Decrease in trade & other receivables		998	(3,264)
(Increase)/Decrease in inventories		(137)	80
(Increase)/Decrease in development properties		(12,654)	(16,272)
Increase in trade & other payables		344	7,204
(Decrease) in related parties		(1,729)	(513)
Cash generated from operations		**39,914**	**44,446**
Interest paid		(17)	(139)
Income tax paid		(13,547)	(15,288)
Cash inflows from operating activities		**26,350**	**29,019**
Reconciliation of movement of liabilities to cash flows arising from financing activities			
As at 01 January		1,000	38,000
Proceeds from borrowings		-	-
Repayment of term loans		(1,000)	(37,000)
Financing cash flows		**(1,000)**	**(37,000)**
As at 31 December		**-**	**1,000**

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

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 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at Level 13, 280 Centre, 280 Queen Street, Auckland, New Zealand.

The principal activities of the Group are ownership and operation of hotels in New Zealand; 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 16 February 2023.

(b) Basis of preparation

The financial statements are presented in the Company's functional currency of New Zealand Dollars, rounded to the nearest thousand. 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.

(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: recognised on an accruals basis to match the provision of the related goods and services.
- Income from property rental: recognised on an accruals basis, straight line over the lease period. Lease incentives granted are recognised as an integral part of the total rental income.
- Income from development property sales: recognised when the customer obtains control of the property and is able to direct and obtain the benefits from the property. The Group grants deferred settlement terms of up to 12 months on certain sections. The total value of these deferred settlements amounted to $17 million (2021: $14 million). 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.

Millennium & Copthorne Hotels New Zealand Limited
Notes to the Consolidated Financial Statements for the year ended 31 December 2022

Index

1. Segment reporting
2. Administration and other operating expenses
3. Personnel expenses
4. Net finance income
5. Income tax expense
6. Imputation credits
7. Capital and reserves
8. Earnings per share
9. Property, plant and equipment
10. Development properties
11. Investment properties
12. Cash and cash equivalents
13. Trade and other receivables
14. Interest-bearing loans and borrowings
15. Deferred tax assets and liabilities
16. Trade and other payables
17. Financial instruments
18. Capital and land development commitments
19. Related parties
20. Group entities
21. Accounting estimates and judgements
22. Lease
23. New standard and interpretations issued but not yet adopted
24. Assets classified as held for sale
25. Contingent liabilities

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Millennium & Copthorne Hotels New Zealand Limited
Notes to the Consolidated Financial Statements for the year ended 31 December 2022

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	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
External revenue	65,245	55,247	66,106	92,088	1,240	48	11,607	17,389	144,198	164,772
Other Income - Note 1(c)	-	15,870	-	-	-	-	-	-	-	15,870
Earnings before interest, depreciation & amortisation	4,754	22,876	41,446	42,863	775	34	4,590	7,011	51,565	72,784
Finance income	1,271	585	1,664	616	-	-	935	364	3,870	1,565
Finance expense	(2,321)	(1,374)	(7)	(4)	-	-	(3)	-	(2,331)	(1,378)
Depreciation and amortisation	(6,807)	(7,337)	(3)	(2)	(538)	(70)	(7)	(8)	(7,355)	(7,417)
Depreciation of Right-of-use assets	(940)	(940)	(19)	(13)	-	-	(9)	(8)	(968)	(961)
Profit before income tax	(4,043)	13,810	43,081	43,460	237	(36)	5,506	7,359	44,781	64,593
Income tax expense	1,417	495	(12,063)	(12,169)	(66)	10	(1,651)	(2,207)	(12,363)	(13,871)
Profit after income tax	(2,626)	14,305	31,018	31,291	171	(26)	3,855	5,152	32,418	50,722
Cash & cash equivalents and short term bank deposits	45,152	50,264	71,742	83,025	-	-	56,439	46,350	173,333	179,639
Other segment assets	266,463	254,020	205,573	191,263	36,381	23,332	27,434	32,540	535,851	501,155
Investment in associates	-	-	2	2	-	-	-	-	2	2
Total assets	311,615	304,284	277,317	274,290	36,381	23,332	83,873	78,890	709,186	680,796
Segment liabilities	(52,502)	(42,048)	(1,542)	(7,397)	-	-	(1,919)	(1,849)	(55,963)	(51,294)
Tax liabilities	(6,661)	(7,710)	(3,275)	(3,845)	-	-	(586)	(148)	(10,522)	(11,703)
Total liabilities	(59,163)	(49,758)	(4,817)	(11,242)	-	-	(2,505)	(1,997)	(66,485)	(62,997)
Property, plant and equipment expenditure	17,312	6,218	77	35	-	-	44	5	17,433	6,258
Investment property expenditure	-	-	-	-	13,587	15,593	-	-	13,587	15,593
Residential land development expenditure	-	-	13,327	12,948	-	-	-	-	13,327	12,948
Purchase of land for residential land development	-	-	24,607	56,258	-	-	-	-	24,607	56,258

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Millennium & Copthorne Hotels New Zealand Limited
Notes to the Consolidated Financial Statements for the year ended 31 December 2022

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.

Dollars In Thousands	New Zealand 2022	New Zealand 2021	Australia 2022	Australia 2021	Group 2022	Group 2021
External revenue	132,591	147,383	11,607	17,389	144,198	164,772
Other Income – Note 1(c)	-	15,870	-	-	-	15,870
Earnings before interest, depreciation & amortisation	46,994	65,792	4,571	6,992	51,565	72,784
Finance income	2,935	1,201	935	364	3,870	1,565
Finance expense	(2,328)	(1,378)	(3)	-	(2,331)	(1,378)
Depreciation and amortisation	(7,348)	(7,409)	(7)	(8)	(7,355)	(7,417)
Depreciation of Right-Of-Use Assets	(959)	(953)	(9)	(8)	(968)	(961)
Profit before income tax	39,294	57,253	5,487	7,340	44,781	64,593
Income tax (expense)/credit	(10,718)	(11,669)	(1,645)	(2,202)	(12,363)	(13,871)
Profit after income tax	28,576	45,584	3,842	5,138	32,418	50,722
Cash & cash equivalents and short term bank deposits	116,894	133,289	56,439	46,350	173,333	179,639
Segment assets	472,036	445,283	27,434	32,540	499,470	477,823
Investment properties	36,381	23,332	-	-	36,381	23,332
Investment in associates	2	2	-	-	2	2
Total assets	625,313	601,906	83,873	78,890	709,186	680,796
Segment liabilities	(54,044)	(49,445)	(1,919)	(1,849)	(55,963)	(51,294)
Tax liabilities	(9,936)	(11,555)	(586)	(148)	(10,522)	(11,703)
Total liabilities	(63,980)	(61,000)	(2,505)	(1,997)	(66,485)	(62,997)
Material additions to segment assets:						
Property, plant and equipment expenditure	17,389	6,253	44	5	17,433	6,258
Investment property expenditure	13,587	15,593	-	-	13,587	15,593
Residential land development expenditure	13,327	12,948	-	-	13,327	12,948
Purchase of land for residential land development	24,607	56,258	-	-	24,607	56,258

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.

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

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

(c) Other income

Other income comprised the gain on sale of assets classified as held for sale. See note 24 for details of the asset sold.

2. Administration and other operating expenses

Dollars In Thousands	Note	Group 2022	Group 2021
Depreciation	9, 11	8,323	8,378
Auditors remuneration			
Audit fees		344	367
Tax compliance and tax advisory fees		34	34
Directors fees	19	322	345
Rental expenses		699	300
Provision for bad debts			
Debts written off		4	18
Movement in doubtful debt provision		65	(49)
Net loss on disposal of property, plant and equipment		20	5
Resurgence Support Payments		(28)	(187)

During 2022, the Group applied for government assistance in the form of Resurgence Support Payments. A total of $28,400 (2021: $187,200) was received and applied as credits to the local council rates which are classified under operating expenses in the income statement.

3. Personnel expenses

Dollars In Thousands	Group 2022	Group 2021
Wages and salaries	32,632	27,734
Wage subsidies	(222)	(3,990)
Employee related expenses and benefits	1,135	962
Contributions to defined contribution plans	476	362
Increase/(decrease) in liability for long-service leave	32	19
	34,053	**25,087**

Wage subsidy scheme
The Group applied for government support arising from the Red and Orange Traffic Alert Levels 3 and 4 lockdowns in the early part of 2022. A total of $272,345 was received under the COVID-19 Leave Support Scheme and the COVID-19 Short-term Absence Payment. In 2021 the Group received a total of $4.16 million under the COVID-19 Wage Subsidy August 2021 Scheme and $13,200 under the COVID-19 Leave Support Scheme and $1,400 for 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

Dollars In Thousands	Group 2022	Group 2021
Interest income	3,869	1,563
Dividend income	1	2
Foreign exchange gain	-	-
Finance income	3,870	1,565
Interest expense	(2,321)	(1,263)
Foreign exchange loss	(10)	(115)
Finance costs	(2,331)	(1,378)
Net finance income recognised in the income statement	**1,539**	**187**

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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	**2022**	**2021**
Foreign exchange translation movements	629	(326)
Net finance income recognised in other comprehensive income	**629**	**(326)**

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	**2022**	**2021**
Current tax expense		
Current year	12,182	13,803
Adjustments for prior years	(239)	104
	11,943	13,907
Deferred tax expense		
Origination and reversal of temporary difference	420	(36)
	420	(36)
Total income tax expense in the income statement	**12,363**	**13,871**

Reconciliation of tax expense

	Group	
Dollars In Thousands	**2022**	**2021**
Profit before income tax	44,781	64,593
Income tax at the company tax rate of 28% (2021: 28%)	12,539	18,086
Adjusted for:		
Tax rate difference (if different from 28% above)	108	147
Tax exempt income	(45)	(4,466)
Under/(Over) - provided in prior years	(239)	104
Total income tax expense	**12,363**	**13,871**
Effective tax rate	28%	21%

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5. Income tax expense - continued

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

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

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

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

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

6. Imputation credits

	Group	
Dollars In Thousands	2022	2021
Imputation credits available for use in subsequent reporting periods	126,825	110,508

The KIN Holdings Group has A$12.01 million (2021: A$10.66 million) franking credits available as at 31 December 2022.

7. Capital and reserves

Share capital

	Group		Group	
	2022 Shares	**2022 $000's**	**2021 Shares**	**2021 $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 2022, the authorised share capital consisted of 105,578,290 ordinary shares (2021: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2021: 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.

7. Capital and reserves – continued

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

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

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

	Company	
Dollars In Thousands	2022	2021
Ordinary Dividend - 3.5 cents per qualifying share (2021: Nil cents)	5,538	-
Supplementary Dividend - 0.0062 cents per qualifying share (2021: Nil cents)	112	-
	5,650	-

After 31 December 2022, 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 (2021: 3.5 cents)	4,747
Supplementary Dividend - 0.0053 cents per qualifying share (2021: 0.0062 cents)	96
Total Dividends	4,843

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 2022 was based on the profit attributable to ordinary and redeemable preference shareholders of $21,713,000 (2021: $40,049,000) and weighted average number of shares outstanding during the year ended 31 December 2022 of 158,218,286 (2021: 158,218,286), calculated as follows:

Profit attributable to shareholders

	Group	
Dollars In Thousands	2022	2021
Profit for the year	32,418	50,722
Profit attributable to non-controlling interests	(10,705)	(10,673)
Profit attributable to shareholders	21,713	40,049

Weighted average number of shares

	Group	
	2022	2021
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	
	2022	2021
Basic and Diluted Earnings per share (cents per share)	13.72	25.31

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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 2021	43,691	213,611	104,972	76	2,638	17,640	382,628
Acquisitions	-	205	433	-	3,343	2,276	6,257
Disposals	-	(39)	(31)	-	(32)	(129)	(231)
Transfers between categories	-	21	224	-	(245)	-	-
Movements in foreign exchange	-	-	(2)	-	-	-	(2)
Balance at 31 December 2021	**43,691**	**213,798**	**105,596**	**76**	**5,704**	**19,787**	**388,652**
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**
Depreciation and impairment losses							
Balance at 1 January 2021	-	(45,406)	(86,612)	(69)	-	(2,633)	(134,720)
Depreciation charge for the year	-	(3,434)	(3,911)	(2)	-	(961)	(8,308)
Disposals	-	-	27	-	-	129	156
Movements in foreign exchange	-	-	2	-	-	-	2
Balance at 31 December 2021	**-**	**(48,840)**	**(90,494)**	**(71)**	**-**	**(3,465)**	**(142,870)**
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)**
Carrying amounts							
At 1 January 2021	**43,691**	**168,205**	**18,360**	**7**	**2,638**	**15,007**	**247,908**
At 31 December 2021	**43,691**	**164,958**	**15,102**	**5**	**5,704**	**16,322**	**245,782**
At 31 December 2022	**46,661**	**165,586**	**14,438**	**4**	**2,954**	**25,636**	**255,279**

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 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 assets value in use 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, and the appropriate discount rate to apply when discounting future cash flows. Average annual growth rates appropriate to the hotels range from 5.14% to 78.61% (2021: 0.26% to 358.78%) over the five years projection. Pre-tax discount rates ranging between 6.25% to 10.50% (2021: 6.25% and 11.25%) 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 2023.

During the year management identified four hotel assets with a carrying value of $40.0 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 $9.56 million was determined by reference to its fair value applying a comparative approach due to the level of estimation uncertainty associated with projecting its future cashflows. The fair value of this hotel asset exceeded its carrying value by $0.84 million and is considered to be sensitive to impairment from a reasonably possible increase in market capitalisation rates. Two other hotel assets with a carrying value of $20.33 million were considered to be sensitive to impairment. A 5.0% reduction in RevPAR (via a combination of lower occupancy and lower average room rate) over the forecast period would result in impairment of $3.12 million. An increase in their discount rate and terminal capitalisation rate by 1.25% percentage point would result in impairment of $0.11 million.

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 23.

Pledged assets
A total of two (2021: ten) hotel properties with a total book value of $37.70 million (2021: $199.60 million) are pledged to the bank as security against the loan facility.

10. Development properties

	Group	
Dollars In Thousands	**2022**	**2021**
Development land	203,148	185,741
Residential development	25,198	29,594
	228,346	215,335
Less expected to settle within one year	(23,038)	(26,827)
	205,308	**188,508**
Development land recognised in cost of sales	20,527	44,902
Residential development recognised in cost of sales	4,844	8,329

Development land is carried at the lower of cost and net realisable value. Interest of $Nil (2021: $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. Cost includes the cost of acquisition, development, and holding costs. Development properties also include deposits paid on unconditional contracts on land purchases. 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.

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11. Investment properties

Group

Dollars In Thousands	Freehold Land	Buildings	Work In Progress	Total
Cost				
Balance at 1 January 2021	265	2,873	187	3,325
Transfer from development properties	394	-	4,090	4,484
Additions	-	179	15,414	15,593
Balance at 31 December 2021	**659**	**3,052**	19,691	**23,402**
Balance at 1 January 2022	659	3,052	19,691	23,402
Transfers between categories		33,278	(33,278)	-
Additions	-		13,587	13,587
Balance at 31 December 2022	**659**	**36,330**	**-**	**36,989**
Depreciation and impairment losses				
Balance at 1 January 2021	-	-	-	-
Depreciation charge for the year	-	70	-	70
Balance at 31 December 2021	**-**	70	**-**	70
Balance at 1 January 2022	-	70	-	70
Depreciation charge for the year	-	538	-	538
Balance at 31 December 2022	**-**	**608**	**-**	**608**
Carrying amounts				
At 1 January 2022	**659**	**2,982**	**19,691**	**23,332**
At 31 December 2022	**659**	**35,722**	**-**	**36,381**

Investment properties consist of commercial warehousing at Roscommon Road 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 2022 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as $62.62 million (2021: $25.52 million).

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

12. Cash and cash equivalents

Dollars In Thousands	Group 2022	Group 2021
Cash	11,065	8,142
Call deposits	50,322	50,001
	61,387	**58,143**

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

Dollars In Thousands	Group 2022	Group 2021
Trade receivables	7,708	7,253
Less provision for doubtful debts	(82)	(19)
Other trade receivables and prepayments	6,810	8,200
	14,436	**15,434**

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 collective assessed based on number of days overdue. The Group takes into account the historical loss experience and incorporates forward looking information and relevant macroeconomic factors.

14. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 18.

Group

Dollars in Thousands	Currency	Interest Rate	Facility Total	31 December 2022 Face Value	31 December 2022 Carrying Amount	31 December 2021 Face Value	31 December 2021 Carrying Amount
Revolving credit	NZD	5.17%	**10,000**	-	-	500	500
Revolving credit	NZD	5.17%	**10,000**	-	-	500	500
Overdraft	NZD	5.17%	**5,000**	-	-	-	-
TOTAL			**25,000**	**-**	**-**	**1,000**	**1,000**
Current				-	-	1,000	1,000
Non-current				-	-	-	-

Terms and debt repayment schedule
The bank facilities are secured over hotel properties with a carrying amount of $37.70 million (2021: $199.60 million) - refer to Note 9. The Group facilities were renewed on 4 March 2022 with a new maturity of 31 January 2024.

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:

Dollars In Thousands	Group Assets 2022	Assets 2021	Liabilities 2022	Liabilities 2021	Net 2022	Net 2021
Property, plant and equipment	-	-	19,776	16,765	19,776	16,765
Investment property	-	-	157	30	157	30
Development properties	(388)	(457)	-	-	(388)	(457)
Provisions	(454)	(347)	-	-	(454)	(347)
Employee benefits	(1,715)	(1,563)	-	-	(1,715)	(1,563)
Lease liability	(7,193)	(4,568)	-	-	(7,193)	(4,568)
Trade and other payables	(1,342)	(1,431)	-	-	(1,342)	(1,431)
Net investment in foreign operations	-	-	876	869	876	869
Net tax (assets) / liabilities	**(11,092)**	**(8,366)**	**20,809**	**17,664**	**9,717**	**9,298**

Movement in deferred tax balances during the year

Dollars In Thousands	Group Balance 1 Jan 21	Recognised in Income	Recognised in equity	Balance 31 Dec 21
Property, plant and equipment	15,978	787	-	16,765
Investment property	-	30	-	30
Development properties	(659)	196	6	(457)
Provisions	(273)	(74)	-	(347)
Employee benefits	(1,448)	(115)	-	(1,563)
Lease liability	(4,055)	(513)	-	(4,568)
Trade and other payables	(1,084)	(347)	-	(1,431)
Net investment in foreign operations	875	-	(6)	869
	9,334	**(36)**	**-**	**9,298**

15. Deferred tax assets and liabilities - continued

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	16,765	3,011	-	19,776
Investment property	30	127	-	157
Development properties	(457)	74	(5)	(388)
Provisions	(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**

16. Trade and other payables

	Group	
Dollars In Thousands	2022	2021
Trade payables	1,688	5,230
Employee entitlements	7,371	6,311
Non-trade payables and accrued expenses	18,965	18,460
	28,024	**30,001**

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.

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 (without interest):

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	32,272	32,272	32,272	-	-	-	-

17. **Financial instruments -continued**

Liquidity risk - continued

2021

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	1,000	1,000	1,000	-	-	-	-
Trade Payables	5,230	5,230	5,230	-	-	-	-
Other payables	24,771	24,771	24,771	-	-	-	-
Trade payables due to related parties	3,977	3,977	3,977	-	-	-	-
Total non-derivative liabilities	34,978	34,978	34,978	-	-	-	-

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

Investments are allowed only in short-term financial instruments and only with counterparties approved by the Board, such that the exposure to a single counterparty is minimised.

At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The maximum exposure to credit risk in Australia is $4,000 (2021: $5,000). 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 and borrowings would have increased profit before tax for the Group in the current period by $1.58 million (2021: $1.61 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		2022				2021			
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less	6 to 12 months
Interest bearing cash & cash equivalents *	12	0.00% to 4.25%	61,387	61,387	-	0.00% to 0.79%	58,143	58,143	-
Short term bank deposits *		0.85% to 5.26%	111,946	49,479	62,467	0.35% to 1.37%	121,496	23,668	97,828
Secured bank loans *	14	5.37%	-	-	-	1.592%	(1,000)	(1,000)	-
Bank overdrafts *	14	5.37%	-	-	-	1.592%	-	-	-

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

(ii) Foreign currency risk
The Group owns 100.00% (2021: 100.00%) of KIN Holdings Limited. Substantially all the operations of this subsidiary 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.

17. Financial instruments -continued

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.

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	2022	2022	2021	2021
LOANS AND RECEIVABLES					
Cash and cash equivalents	12	61,387	61,387	58,143	58,143
Short term bank deposits		111,946	111,946	121,496	121,496
Trade and other receivables	13	14,436	14,436	15,434	15,434
OTHER LIABILITIES					
Secured bank loans and overdrafts	14	-	-	(1,000)	(1,000)
Trade and other payables	16	(28,024)	(28,024)	(30,001)	(30,001)
Trade payables due to related parties	20	(2,248)	(2,248)	(3,977)	(3,977)
		157,497	157,497	160,095	160,095
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 2022, the Group had entered into contractual commitments for capital expenditure, development expenditure, and purchases of land. Contractual agreements for the purchase of land are subject to a satisfactory outcome of the Group's due diligence process, board approval, and OIO approval. Development expenditure represents amounts contracted and forecast to be incurred in 2023 in accordance with the Group's development programme.

	Group	
Dollars In Thousands	2022	2021
Capital expenditure	2,660	1,888
Development expenditure	21,991	20,858
Land purchases	4,010	20,300
	28,661	43,046

19. Related parties

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

Transactions with key management personnel
Directors of the Company and their immediate relatives control nil (2021: Nil) of the voting shares of the Company. There were no loans (2021: $nil) advanced to directors for the year ended 31 December 2022. Key management personnel include the Board and the Executive Team.

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19. Related parties - continued

Total remuneration for key management personnel

Dollars In Thousands	Group 2022	Group 2021
Non-executive directors	322	345
Executive directors	1,147	440
Executive officers	807	812
	2,276	**1,597**

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% (2021: 75.78%) owned (economic interests from both ordinary and preference shares) subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels Ltd in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Ltd in Singapore.

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

Dollars In Thousands	Nature of balance	Group 2022	Group 2021
Trade payables and receivables due to related parties			
Millennium & Copthorne Hotels Limited	Recharge of expenses	(1,799)	(2,863)
Millennium & Copthorne International Limited	Recharge of expenses	-	67
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	(82)	96
CDLHT (BVI) One Ltd	Rent payment	(367)	(1,277)
		(2,248)	**(3,977)**

No debts with related parties were written off or forgiven during the year. No interest was charged on these payables during 2022 and 2021. There are no set repayment terms. During 2022 a fixed annual fee of $157,000 (2021: $154,000) was charged by M&C Reservation Services Ltd (UK) for the provision of management and marketing support in 2021.

At the balance sheet date, there was an amount owing to CDLHT (BVI) One Ltd of $367,000 (2021 $1.28 million) 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 the year ended 31 December 2022, the Group received $1.16 million (2021: $1.56 million) in management, franchise, and incentive fees from CDLHT.

Subsidiary companies
The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2022 are:

	Principal Activity	Principal Place of Business	Group Holding % 2022	Group Holding % 2021
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	65.99	66.29
100% owned subsidiaries of CDL Investments New Zealand Limited are:				
CDL Land New Zealand Limited	Property Investment and Development	NZ		
KIN Holdings Limited	Holding Company	NZ	100.00	100.00
100% owned subsidiaries of KIN Holdings Limited are:				
Kingsgate Investments Pty Limited	Residential Apartment Developer	Australia		

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

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20. Group entities - continued

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.

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 market value due to market fluctuations in the value of development properties. However, there is no indication of impairment as the market value of development properties significantly exceed the carrying value determined by an independent registered valuer.

In determining fair values, the valuers make assumptions relating to section prices, sell down periods, consumer confidence, unemployment rates, interest rates and external economic factors.

Property, plant, and equipment and investment property
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 assets value in use by estimating future cash flows to be generated by the cash generating units. Where appropriate, external valuations are also undertaken. 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 capitalization 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 2022	Group 2021
Less than 6 months	140	237
More than 6 months but within 12 months	93	220
More than 1 year but within 2 years	194	135
More than 2 years but within 5 years	351	102
After 5 years	24,913	15,621
	25,691	**16,315**

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 @ 01/01/22	Depreciation on right-of-use asset for the year	Addition during the year	Disposal during the year	Movement in foreign exchange	Carrying value @ 31/12/22
Land sites at hotels	Renewal at 21 year cycles for perpetuity	14,898	(464)	6,973	-	-	21,407
Corporate office building and hotel carpark	Between 5 to 23 years	1,313	(368)	2,813	-	-	3,758
Motor vehicles	Between 12 to 45 months	111	(136)	500	(3)	(1)	471
Totals		16,322	(968)	10,286	(3)	(1)	25,636

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22. Lease -continued

22(c) Schedule of lease liabilities by class

Dollars In Thousands	Lease term	Carrying value @ 01/01/22	Interest expense for the year	Addition during the year	Disposal during the year	Lease payment for the year	Carrying value @ 31/12/22
Land sites at hotels	Renewal at 21 year cycles for perpetuity	14,775	1,868	6,973	-	(1,912)	21,704
Corporate office building and hotel carpark	Between 5 to 23 years	1,412	406	2,813	-	(1,124)	3,507
Motor vehicles	Between 12 to 45 months	128	30	521	-	(199)	480
Totals		16,315	2,304	10,307	-	(3,235)	25,691

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 @ 31/12/22	Lease commitments within one year	Lease commitments between one and 5 years	Lease commitments more than 5 years
Short term leases <12 months	84	61	61	-	-
Low value leased assets	1	6	1	5	-
Variable lease payments under service and management contracts	614	14,504	528	1,996	11,980
Total	699	14,571	590	2,001	11,980

23. New standard and interpretations issued but not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2023 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 following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- NZ IFRS 17 Insurance Contracts
- Amendments to NZ IFRS 17
- Disclosure of Accounting Policies (Amendments to NZ IAS 1 and NZ IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to NZ IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to NZ IAS 12 Income Taxes)
- Initial Application of NZ IFRS 17 and NZ IFRS 9 Comparative Information (Amendments to NZ IFRS 17)

24. Assets classified as held for sale

In August 2020, the Group signed a sale and purchase agreement for the vacant land at 776 Colombo Street, Christchurch. The sale of the land was unconditional at 31 December 2020 and was settled in May 2021. This land was recognised as held-for-sale at 31 December 2020.

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of carrying amount and fair value less costs to sell. Gains and losses on re-measurement are recognised in the income statement as Other Income. Once classified as held for sale, property plant and equipment are no longer amortised or depreciated.

25. Contingent liabilities

The Group's subsidiaries, CDL Investments New Zealand Limited and subsidiary, were named as respondents in a High Court judicial review proceeding which was brought by the Applicant, Winton Property Investments Limited, in relation to a recent decision relating to the Group's acquisition of land in Havelock North which was advised to the market on 21 July 2021 and which has settled. The Applicant sought, inter alia, an order setting aside the decision of the Overseas Investment Office in respect of the approval and/or a declaration that Ministers erred at law in making their decision to grant consent. The matter was heard in the High Court in February 2022 and a decision against the Applicant was handed down in March 2022. Winton has appealed to the Court of Appeal and the appeal hearing is scheduled for May 2023. The Group will continue to vigorously defend its position and still considers the likelihood of the Applicant being successful as low. It is not possible to determine what the financial effect would be, if any, should the appeal be successful.

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 accompanying consolidated financial statements of Millennium & Copthorne Hotels New Zealand Limited (the 'company') and its subsidiaries (the 'group') on pages 1 to 26:

i. present fairly in all material respects the Group's financial position as at 31 December 2022 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

We are independent of the group in accordance with Professional and Ethical Standard 1 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 to taxation compliance and tax advisory. 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 $4.5 million determined with reference to a benchmark of group's total assets. We chose the benchmark because, in our view, this is a key measure of the group's performance

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Key audit matter

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 this matter and our key audit procedures to address this matter in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Impairment of Hotel Assets	

Refer to Note 9 to the Annual Financial Statements
 	
Hotel assets of $229.3 million are recognised at historical cost less accumulated depreciation and impairment losses.
 	
At the balance date each of the hotel assets was assessed by management for indicators of impairment. Four hotels with a carrying value of $40 million were identified to have indicators of impairment, and testing was performed to determine if the carrying values of these assets are recoverable based on the higher of their value in use and fair value less disposal costs.
 	
Management engaged an independent valuer to assist in the determination of the value in use of three of these hotel assets and performed an internal valuation for the other hotel applying the same methodology adopted by the independent valuer.
 	
The recoverable amount of the hotel assets was determined by applying a discounted cashflow approach (DCF) with a cross check using the direct sales comparative approach where appropriate. In one instance the recoverable amount of a hotel asset was determined by only applying the direct sales comparative approach less cost of disposal.
 	
Key assumptions in the discounted cash flow models include projected occupancy rates, average daily room rates (ADRs), projected payroll costs, the discount rate and terminal yield rate. Due to the ongoing effects of COVID-19 on international travel, the level of estimation uncertainty in relation to the projected occupancy rates and ADRs is still significant.
	The procedures we performed to evaluate hotel assets for impairment included:
	
	- Evaluating management's determination of the appropriate unit of measure for impairment testing purposes, or changes thereto, the cash-generating unit ("CGU"). This was determined to be at the individual hotel level.
	- Assessing each hotel asset for impairment indicators with 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, among other factors.
	- Engaging our valuation specialists to assist us in evaluating the appropriateness of the valuation methodologies adopted by the valuer, and reasonableness of the discount and terminal yield rates.
	- Assessing the scope of work performed, competency, professional qualifications, independence and experience of the external expert engaged by the Group.
	- Performing a retrospective review of assumptions comparing actual occupancy rates, ADRs, payroll growth rates, discount rates and terminal yield rates to:
	  i. The assumptions projected over the forecast period used in the prior period models; and
	  ii. Externally derived data including external hotel industry reports.
	- For hotel assets valued using the direct sales comparison method we considered the appropriateness of comparable transactions used by the valuer.
	- Performing sensitivity analyses over key assumptions including occupancy rates, projected ADRs, and discount rates to determine whether any

The key audit matter	How the matter was addressed in our audit
We focused on the impairment of hotel assets due to the magnitude of the balance, judgement and estimation uncertainty related to assessing the recoverable amounts of hotel assets. A change in assumptions in the impairment models could have a material impact on the carrying value of hotel assets.	of the hotel assets tested are sensitive to impairment. We did not identify material exceptions from procedures performed, and found the judgements and assumptions used in assessing the impairment of hotel assets to be balanced. Financial statement disclosure was considered appropriate.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's Review, Managing Director's Review, disclosures relating to corporate governance, the financial summary and the other information included in the Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

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

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

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

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 Aaron Woolsey

For and on behalf of

KPMG

KPMG
Auckland

16 February 2023