CDL Investments New Zealand Limited

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

In thousands of dollars	Note	Group 2021	Group 2020
Revenue		91,893	88,633
Cost of sales		(44,902)	(43,290)
Gross Profit		**46,991**	**45,343**
Other income		249	145
Administrative expenses	3, 4	(345)	(256)
Property expenses		(367)	(417)
Selling expenses		(2,264)	(2,541)
Other expenses	3, 4	(1,453)	(1,499)
Results from operating activities		**42,811**	**40,775**
Finance income	5	616	1,038
Finance costs	5	(4)	(2)
Net finance income		**612**	**1,036**
Profit before income tax		**43,423**	**41,811**
Income tax expense	6	(12,159)	(11,712)
Profit for the period		**31,264**	**30,099**
Total comprehensive income for the period		**31,264**	**30,099**
Profit attributable to:			
Equity holders of the parent		31,264	30,099
Total comprehensive income for the period		**31,264**	**30,099**
Earnings per share (cents per share)	13	10.96	10.75

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

CDL Investments New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

		Group		
In thousands of dollars	**Note**	**Share Capital**	**Retained Earnings**	**Total Equity**
Balance at 1 January 2020		55,374	180,136	235,510
Total comprehensive income for the period				
Profit for the period		-	30,099	30,099
Total comprehensive income for the period		**-**	**30,099**	**30,099**
Transactions with owners of the Company				
Shares issued under dividend reinvestment plan	13	1,280	-	1,280
Dividend to shareholders	13	-	(9,758)	(9,758)
Supplementary dividend		-	(286)	(286)
Foreign investment tax credits		-	286	286
Balance at 31 December 2020		**56,654**	**200,477**	**257,131**
Balance at 1 January 2021		56,654	200,477	257,131
Total comprehensive income for the period				
Profit for the period		-	31,264	31,264
Total comprehensive income for the period		**-**	**31,264**	**31,264**
Transactions with owners of the Company				
Shares issued under dividend reinvestment plan	13	7,800	-	7,800
Dividend to shareholders	13	-	(9,815)	(9,815)
Supplementary dividend		-	(194)	(194)
Foreign investment tax credits		-	194	194
Balance at 31 December 2021		**64,454**	**221,926**	**286,380**

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

CDL Investments New Zealand Limited

Consolidated Statement of Financial Position

As at 31 December 2021

In thousands of dollars

	Note	Group 2021	Group 2020
SHAREHOLDERS' EQUITY			
Issued capital	13	64,454	56,654
Retained earnings		221,926	200,477
Total Equity		**286,380**	**257,131**
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment		43	23
Development property	8	164,589	119,096
Investment property	9	23,332	3,325
Investment in associate		2	2
Total Non Current Assets		**187,966**	**122,446**
CURRENT ASSETS			
Cash and cash equivalents	12	53,025	10,111
Short term deposits	14	30,000	86,620
Trade and other receivables	11	5,479	3,486
Development property	8	21,152	42,342
Total Current Assets		**109,656**	**142,559**
Total Assets		**297,622**	**265,005**
NON CURRENT LIABILITIES			
Deferred tax liabilities	10	74	59
Lease liability		18	3
Total Non Current liabilities		**92**	**62**
CURRENT LIABILITIES			
Trade and other payables		7,297	3,932
Employee entitlements		71	52
Income tax payable		3,771	3,821
Lease liability		11	7
Total Current Liabilities		**11,150**	**7,812**
Total Liabilities		**11,242**	**7,874**
Net Assets		**286,380**	**257,131**

For and on behalf of the Board

KPMG

D JAMESON, DIRECTOR, 18 February 2022 BK CHIU, MANAGING DIRECTOR, 18 February 2022

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

CDL Investments New Zealand Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

In thousands of dollars	Note	Group 2021	Group 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		90,011	89,391
Interest received		754	871
Cash was applied to:			
Payment to suppliers		(17,800)	(21,979)
Payment to employees		(590)	(546)
Purchase of development land		(56,258)	(1,260)
Income tax paid		(12,000)	(11,690)
Net Cash Inflow from Operating Activities		4,117	54,787
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Short term deposits		86,620	19,620
Cash was applied to:			
Development of investment property		(15,594)	(3,325)
Purchase of plant and equipment		(3)	(6)
Short term deposits		(30,000)	(86,620)
Net Cash Inflow/(Outflow) from Investing Activities		41,023	(70,331)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Dividend paid		(2,015)	(8,478)
Principal repayment of lease liability		(17)	(16)
Supplementary dividend paid		(194)	(286)
Net Cash Outflow from Financing Activities		(2,226)	(8,780)
Net Increase/(Decrease) in Cash and Cash Equivalents		42,914	(24,324)
Add Opening Cash and Cash Equivalents		10,111	34,435
Closing Cash and Cash Equivalents	12	53,025	10,111

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

Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2021

In thousands of dollars	Note	Group 2021	Group 2020
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit after Taxation		31,264	30,099
Adjusted for non cash items:			
Depreciation of investment property		71	-
Depreciation of plant & equipment		2	1
Depreciation of right-of-use assets		13	14
Income tax expense	6	12,159	11,712
Transfer of development properties to investment properties	9	(4,484)	-
Adjustments for movements in working capital:			
(Increase)/Decrease in receivables		(1,993)	446
(Increase)/Decrease in development property		(24,303)	21,241
Increase in payables		3,388	2,964
Cash generated from operating activities		**16,117**	**66,477**
Income tax paid		(12,000)	(11,690)
Cash Inflow from Operating Activities		**4,117**	**54,787**

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

SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

CDL Investments New Zealand Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is a FMC 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 2021 comprises the Company and its subsidiary (together referred to as the "Group").

The principal activity of the Group is the development and sale of residential land properties.

(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 IFRS") and other applicable Financial Reporting Standards, as appropriate for Tier 1 profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issuance on 18 February 2022.

(b) Basis of preparation

The financial statements are presented in New Zealand Dollars ($), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of company 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 amounts recognised in the financial statements are described in Note 2 – Accounting Estimates and Judgements.

(c) Basis of consolidation

(i) 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 consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Subsidiaries
Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing these consolidated financial statements.

(d) Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation. 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. Depreciation on assets is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Plant and equipment	3 - 10 years

(e) Trade and other payables
Trade and other payables are stated at cost.

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Significant accounting policies - continued

(f) Revenue

Revenue represents amounts derived from land and property sales, and is recognised when the customer obtains control of the property and is able to direct and obtain the benefits from the property. The customer gains control of the property when the Company receives full and final consideration for the property and the Company transfers over the Certificate of Title.

(g) New standards and interpretations not yet adopted

The following new standards and amendments to standards are not yet effective for the year ended 31 December 2021, and have not been applied in preparing these consolidated financial statements:

- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to NZ IAS 37)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to NZ IAS 12)*
- *COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to NZ IFRS 16)*
- *Annual Improvements to IFRS Standards 2018-2020*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to NZ IAS 16)*
- *Reference to Conceptual Framework (Amendments to NZ IFRS 3)*
- *Classification of Liabilities as Current or Non-current (Amendments to NZ IAS 1)*
- *NZ IFRS 17 Insurance Contracts and Amendments to NZ IFRS 17 Insurance Contracts*
- *Disclosure of Accounting Policies (Amendments to NZ IAS 1 and NZ IFRS Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to NZ IAS 8)*

The Group has assessed the new standards and the adoption of these standards is not expected to have a material impact on the Group's financial statements.

1. SEGMENT REPORTING

Operating segments
The operating segments of the Group consists of property operations, comprising the development and sale of residential land sections and rental income from investment properties. There is no segmental disclosure for the rental activity from investment properties as the results are not material for the year.

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.

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.

Geographical segments
Segment revenue is based on the geographical location of the segment assets. All segment revenues are derived in New Zealand.

Segment assets are based on the geographical location of the development property. All segment assets are located in New Zealand.

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

2. 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.

Key sources of estimation uncertainty
In Note 15, detailed analysis is given of the interest rate and credit risk exposure of the Group and risks in relation thereto. The Group is also exposed to a risk of impairment to development properties should the carrying value exceeds the market value due to market fluctuations in the value of development properties. However, there is no indication of impairment as the market value determined by an independent registered valuer significantly exceeds the carrying value of development properties.

3. ADMINISTRATIVE AND OTHER EXPENSES

The following items of expenditure are included in administrative and other expenses:

In thousands of dollars	Note	Group 2021	Group 2020
Auditors' remuneration			
- Audit fees		61	55
- Tax compliance & tax advisory fees		4	4
Depreciation		86	15
Directors' fees	17	130	130
Rental payments		66	66

4. PERSONNEL EXPENSES

In thousands of dollars	Group 2021	Group 2020
Wages and salaries	517	480
Employee related expenses and benefits	70	64
Increase in liability for long-service leave	3	2
	590	**546**

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 remunerations and an assessment of likelihood the liability will arise.

5. NET FINANCE INCOME

In thousands of dollars	Group	
	2021	2020
Interest income	616	1,038
Finance income	616	1,038
Interest expense	(4)	(2)
Finance costs	(4)	(2)
Net finance income	**612**	**1,036**

Finance income comprises interest receivable on funds invested that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance costs comprises interest costs on lease liabilities that are recognised in the income statement.

6. INCOME TAX EXPENSE

Recognised in the statement of comprehensive income

In thousands of dollars	Group	
Current tax expense	2021	2020
Current year	12,144	11,711
Adjustments for prior years	-	5
	12,144	11,716
Deferred tax expense		
Origination and reversal of temporary differences	15	(4)
	15	(4)
Total income tax expense in the statement of comprehensive income	**12,159**	**11,712**

Reconciliation of effective tax rate

In thousands of dollars	Group	
	2021	2020
Profit before income tax	43,423	41,811
Income tax using the company tax rate of 28% (2020: 28%)	12,159	11,707
Adjusted for:		
Under provided in prior years	-	5
	12,159	**11,712**
Effective tax rate	**28%**	**28%**

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

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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences relating to investments in subsidiaries are not provided for 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.

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7. IMPUTATION CREDITS

In thousands of dollars	Group	
	2021	2020
Imputation credits available for use in subsequent reporting periods	84,322	75,946

8. DEVELOPMENT PROPERTY

In thousands of dollars	Group	
	2021	2020
Expected to settle greater than one year	164,589	119,096
Expected to settle within one year	21,152	42,342
Development property	**185,741**	**161,438**

Development property is carried at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, and holding costs such as interest. Interest and other holding costs incurred after completion of development are expensed as incurred. All holding costs are written off through profit or loss in the year incurred with the exception of interest holding costs which are capitalised during the period when active development is taking place. No interest (2020: nil) has been capitalised during the year. Development property includes deposits paid on unconditional contracts for development land.

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

9. INVESTMENT PROPERTY

In thousands of dollars	Group			
	Freehold Land	Buildings	Work in Progress	Total
Cost				
Balance at 1 January 2020	-	-	-	-
Acquisitions	265	2,873	187	3,325
Balance at 31 December 2020	265	2,873	187	3,325
Balance at 1 January 2021	265	2,873	187	3,325
Acquisitions	-	180	15,414	15,594
Transfers from development properties	394	-	4,090	4,484
Balance at 31 December 2021	659	3,053	19,691	23,403
Depreciation and impairment losses				
Balance at 1 January 2020	-	-	-	-
Balance at 31 December 2020	-	-	-	-
Balance at 1 January 2021	-	-	-	-
Depreciation charge for the year	-	(71)	-	(71)
Balance at 31 December 2021	-	(71)	-	(71)
Carrying amounts				
Balance at 1 January 2020	-	-	-	-
Balance at 31 December 2020	**265**	**2,873**	**187**	**3,325**
Balance at 1 January 2021	265	2,873	187	3,325
Balance at 31 December 2021	**659**	**2,892**	**19,691**	**23,332**

9. INVESTMENT PROPERTY - continued

Investment properties consist of commercial warehousing at Roscommon Road in Auckland, retail shops at Prestons Park in Christchurch, of which both are under construction at balance date, and retail shops at Stonebrook in Rolleston which are fully operational.

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.

10. DEFERRED TAX ASSETS AND LIABILITIES

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

In thousands of dollars	Group					
	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Plant and equipment	-	-	(30)	-	(30)	-
Development property	-	-	(108)	(116)	(108)	(116)
Employee benefits	55	50	-	-	55	50
Trade and other payables	9	7	-	-	9	7
Net tax assets/(liabilities)	**64**	**57**	**(138)**	**(116)**	**(74)**	**(59)**

Movement in deferred tax balances during the year

In thousands of dollars	Group		
	Balance 1 Jan 2020	Recognised in profit or loss	Balance 31 Dec 2020
Development property	(118)	2	(116)
Employee benefits	48	2	50
Trade and other payables	7	-	7
	(63)	**4**	**(59)**

Movement in deferred tax balances during the year

In thousands of dollars	Group		
	Balance 1 Jan 2021	Recognised in profit or loss	Balance 31 Dec 2021
Plant and equipment	-	(30)	(30)
Development property	(116)	8	(108)
Employee benefits	50	5	55
Trade and other payables	7	2	9
	(59)	**(15)**	**(74)**

11. TRADE AND OTHER RECEIVABLES

In thousands of dollars	Group	
	2021	2020
Trade receivables	94	86
Other receivables and prepayments	5,385	3,400
Trade and other receivables	**5,479**	**3,486**

None of the trade and other receivables are impaired.

11. TRADE AND OTHER RECEIVABLES - continued

Trade and other receivables are stated at their cost less impairment losses. 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 incorporate forward looking information and relevant macroeconomic factors.

12. CASH AND CASH EQUIVALENTS

In thousands of dollars	Group	
	2021	**2020**
Bank balances	3,025	6,111
Call deposits	50,000	4,000
Cash and cash equivalents	**53,025**	**10,111**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

13. CAPITAL AND RESERVES

Share capital

	Parent			
	2021	**2021**	**2020**	**2020**
	Shares '000s	**$000's**	**Shares '000s**	**$000's**
Shares issued 1 January	280,435	56,654	278,806	55,374
Issued under dividend reinvestment plan	7,078	7,800	1,629	1,280
Total shares issued and outstanding	**287,513**	**64,454**	**280,435**	**56,654**

All shares carry equal rights and rank pari passu with regard to residual assets of the Company and do not have a par value. At 31 December 2021, the authorised share capital consisted of 287,513,023 fully paid ordinary shares (2020: 280,435,135).

Dividend Reinvestment Plan
In 1998, the Company adopted a Dividend Reinvestment Plan pursuant to which shareholders may elect to receive ordinary dividends in the form of either cash or additional shares in the Company. The additional shares are issued at the weighted average market price for the shares traded over the first five business days immediately following the Record Date.

Accordingly, the Company issued 7,077,888 additional shares under the Dividend Reinvestment Plan on 14 May 2021 (2020: 1,629,555) at a strike price of $1.1020 per share issued (2020: $0.7854).

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

In thousands of dollars	Parent	
	2021	**2020**
3.5 cents per qualifying ordinary share (2020: 3.5 cents)	9,815	9,758
	9,815	**9,758**

After 31 December 2021 the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences. It is anticipated that a portion of the dividends declared will be paid by way of shares through the Dividend Reinvestment Plan.

In thousands of dollars	**Parent**
3.5 cents ordinary dividend per qualifying ordinary share	10,063
3.5 cents total dividend per qualifying ordinary share	10,063

13. CAPITAL AND RESERVES – continued

Basic and diluted earnings per share
The basic earnings per share and the diluted earnings per share are the same. The calculation of basic and diluted earnings per share at 31 December 2021 was based on the profit attributable to ordinary shareholders of $31,264,000 (2020: $30,099,000); and weighted average number of ordinary shares outstanding during the year ended 31 December 2021 of 285,154,000 (2020: 279,892,000), calculated as follows:

Profit attributable to ordinary shareholders (basic & diluted)

In thousands of dollars	Group	
	2021	**2020**
Profit for the period	31,264	30,099
Profit attributable to ordinary shareholders	**31,264**	**30,099**

Weighted average number of ordinary shares

	Parent	
	2021	**2020**
	Shares '000s	**Shares '000s**
Issued ordinary shares at 1 January	280,435	278,806
Effect of 7,077,888 shares issued in May 2021	4,719	-
Effect of 1,629,555 shares issued in May 2020	-	1,086
Weighted average number of ordinary shares at 31 December	**285,154**	**279,892**

14. FINANCIAL INSTRUMENTS

The Group only holds non-derivative financial instruments which comprise trade and other receivables, cash and cash equivalents, short term deposits, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described 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.

In thousands of dollars		Group	
	Note	**2021**	**2020**
Financial Assets			
Cash and cash equivalents	12	53,025	10,111
Short term deposits		30,000	86,620
Trade and other receivables	11	5,479	3,486
Financial Liabilities			
Trade and other payables		7,297	3,932

Exposure to credit and interest rate risks arises in the normal course of the Group's business.

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.

The key factor in managing risk is that the Certificate of Title is only transferred to the purchaser when all cash is received in full upon settlement.

The Group's exposure to credit risk is mainly influenced by its customer base. As such it is concentrated to the default risk of its industry. However, geographically there is no credit risk concentration.

Cash, cash equivalents, and term deposits are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

14. FINANCIAL INSTRUMENTS – Credit risk – continued

At the 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.

Interest rate risk
The Group has no exposure to interest rate risk as there are no funding facilities (2020: nil). However, the Group is exposed to movements in interest rates on short-term investments which is explained in the Sensitivity analysis. Interest income is earned on the cash and cash equivalent balance and the short term deposits balance.

Sensitivity analysis
The Group manages interest rate risk by maximising its interest income through forecasting its cash requirements and cash inflows. Over the longer-term, however, permanent changes in interest rates will have an impact on profit.

A decrease of one percentage point in interest rates would have decreased the Group's profit before income tax by $794,000 (2020: $579,000) in the current period.

Effective interest and repricing analysis
In respect of income earning financial assets, the following tables indicate the effective interest rates at the balance sheet date and the periods in which they reprice.

Group		2021				2020			
In thousands of dollars	Note	Effective interest rate	Total	6 months or less	6-12 months	Effective interest rate	Total	6 months or less	6-12 months
Cash and cash equivalents	12	0.00% to 0.79%	53,025	53,025	-	0.00% to 0.62%	10,111	10,111	-
Short term deposits		0.56% to 1.20%	30,000	20,000	10,000	0.50% to 1.70%	86,620	86,500	120
			83,025	**73,025**	**10,000**		**54,055**	**53,935**	**120**

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. It is the Group's policy to provide credit and liquidity enhancement only to wholly owned subsidiaries.

The following table sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis:

Group	2021				2020	
In thousands of dollars	Balance Sheet	6 months or less	6-12 months	Balance Sheet	6 months or less	6-12 months
Trade and other payables	7,297	7,297	-	3,932	3,932	-
	7,297	**7,297**	**-**	**3,932**	**3,932**	**-**

Estimation of fair values
The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the above tables.

(a) Cash, accounts receivable, accounts payable and related party receivables. The carrying amount for these balances approximate their fair value because of the short maturities of these items.

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

14. FINANCIAL INSTRUMENTS – Capital management - continued

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 external 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 have been no material changes in the Group's management of capital during the period.

15. CAPITAL AND LAND DEVELOPMENT COMMITMENTS

As at 31 December 2021, the Group had entered into contractual commitments for 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 2021 in accordance with the Group's development programme.

In thousands of dollars	Group	
	2021	**2020**
Development expenditure	20,858	19,696
Land purchases	20,300	56,258
	41,158	**75,954**

16. RELATED PARTIES

Identity of related parties
The Company has a related party relationship with its subsidiary as well as a fellow subsidiary of its parent (see Note 17), and with its Directors and executive officers.

Transactions with key management personnel
None of the Directors of the Company and their immediate relatives have control of the voting shares of the Company. Key management personnel include the Board comprising non-executive directors and executive directors.

The total remuneration and value of other benefits earned by each of the Directors of the Company for the year ending 31 December 2021 was:

In thousands of dollars	Group	
	2021	**2020**
C Sim	35	35
VWE Yeo	30	30
ES Kwek	-	-
KS Tan	-	-
R Austin (retired: 25 May 2021)	15	35
D Jameson (appointed: 1 May 2021)	20	-
J Henderson	30	30
Total for non-executive directors	130	130
BK Chiu	-	-
Total for executive directors	-	-
	130	**130**

Non-executive directors receive director's fees only. The executive directors do not receive remuneration or any other benefits as a director of the Parent Company or of the Company's subsidiary.

Total remuneration of non-executive directors is included in "administrative and other expenses" (see Note 3).

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17. GROUP ENTITIES

Control of the Group

CDL Investments New Zealand Limited is a subsidiary of Millennium & Copthorne Hotels New Zealand Limited by virtue of Millennium & Copthorne Hotels New Zealand Limited owning 66.29% (2020: 65.87%) of the Company and having three out of six of the Directors on the Board. Millennium & Copthorne Hotels New Zealand Limited is 70.79% (2020: 70.79%) owned by CDL Hotels Holdings New Zealand Limited (computed on voting shares), which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate holding company is Hong Leong Investment Holdings Pte Ltd in Singapore.

During the year CDL Investments New Zealand Limited has reimbursed its parent, Millennium & Copthorne Hotels New Zealand Limited, $323,000 (2020: $323,000) for expenses incurred by the parent on behalf of the Group.

During 2021, CDL Investments New Zealand Limited issued 5,866,859 additional shares (2020: nil) to its parent, Millennium & Copthorne Hotels New Zealand Limited, under the Dividend Reinvestment Plan (see Note 13). The total shares on issue to Millennium & Copthorne Hotels New Zealand Limited is 190,591,297 (2020: 184,724,438).

18. CONTINGENT LIABILITIES

CDL Investments New Zealand Limited has a bank guarantee in place as a requirement of being listed on the New Zealand Stock Exchange. The maximum value of this guarantee is $75,000 (2020: $195,000).

The Group has been named as respondents in a High Court judicial review proceeding which has been 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 is seeking, 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 Group will vigorously defend its position and consider 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 application be successful.

Independent Auditor's Report

To the shareholders of CDL Investments New Zealand Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of CDL Investments New Zealand Limited (the 'company') and its subsidiaries (the 'group') on pages 1 to 16:

i. present fairly in all material respects the Group's financial position as at 31 December 2021 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 2021;

— the consolidated 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 taxation 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 $2 million determined with reference to a benchmark of group profit before tax. 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	How the matter was addressed in our audit
Capitalisation and Allocation of Development costs	
Refer to note 8 of the consolidated financial statements. The group's development property comprises land and costs incurred to develop land into subdivisions and individual properties for sale. At 31 December 2021 development properties amounted to $185.7 million representing 64.8% of net assets in the consolidated statement of financial position. 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 how to allocate the costs to individual properties.	To assess the capitalisation of development costs we examined the operating effectiveness of the Group's process to capitalise and record development costs. We then obtained invoices for a sample of capitalised costs to check whether the nature of the expense met the capitalisation criteria in the accounting standards. We found no exceptions. Our procedures over the allocation of these development costs involved considering the costs capitalised to properties sold versus costs capitalised to the remaining properties in the portfolio, and in comparison to realised value upon sale. We also checked for consistency in approach between periods. The evidence we obtained demonstrated the allocation of costs was in line with our expectations.

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 Director's Review, disclosures relating to corporate governance, the trend statement and 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 Directors' Review and have nothing to report in regards 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

18 February 2022