GENERAL ANNOUNCEMENT::ANNOUNCEMENTS BY SUBSIDIARY COMPANY, MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

Issuer & Securities

Issuer/ Manager
CITY DEVELOPMENTS LIMITED

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Announcement Details

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Announcement Sub Title
Announcements by Subsidiary Company, Millennium & Copthorne Hotels New Zealand Limited

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Submitted By (Co./ Ind. Name)
Enid Ling Peek Fong

Designation
Company Secretary

Description (Please provide a detailed description of the event in the box below)
Please refer to the Announcements released by Millennium & Copthorne Hotels New Zealand Limited on 17 February 2021 relating to the following matters:

1. Full Year Results for the Year Ended 31 December 2020; and

2. Appointment of Ms Leslie Preston as Independent Director.

Attachments

02.17.2021_MCHNZ_FY2020_AuditedFS_Appoint_Director.pdf

Total size =586K MB

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Income Statement

For the year ended 31 December 2020

DOLLARS IN THOUSANDS	Note	Group 2020	Group 2019
Hotel revenue		64,078	126,618
Rental income		2,180	2,698
Property sales		105,724	100,353
Revenue		**171,982**	**229,669**
Cost of sales	3,10	(79,815)	(97,628)
Gross profit		**92,167**	**132,041**
Administration expenses	2,3	(22,368)	(24,558)
Other operating expenses	2,3	(20,280)	(23,246)
Operating profit		**49,519**	**84,237**
Finance income	4	3,401	3,900
Finance costs	4	(2,029)	(2,735)
Net finance income		**1,372**	**1,165**
Profit before income tax		**50,891**	**85,402**
Income tax expense	5	5,394	(23,134)
Profit for the year		**56,285**	**62,268**
Attributable to:			
Owners of the parent		45,963	49,662
Non-controlling interests		10,322	12,606
Profit for the year		**56,285**	**62,268**
Basic earnings per share (cents)	8	29.05	31.39
Diluted earnings per share (cents)	8	29.05	31.39

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

DOLLARS IN THOUSANDS	Note	Group 2020	Group 2019
Profit for the year		**56,285**	**62,268**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation/impairment of property, plant and equipment	9	(11,223)	45,700
- Tax expense on revaluation/impairment of property, plant and equipment	5, 16	3,718	(8,886)
		(7,505)	**36,814**
Items that are or may be reclassified to profit or loss			
Foreign exchange translation movements	4	1,620	(298)
- Tax credit on foreign exchange translation movements	4, 5	-	1
		1,620	**(297)**
Total comprehensive income for the year		**50,400**	**98,785**
Total comprehensive income for the year attributable to :			
Owners of the parent		40,310	86,861
Non-controlling interests		10,090	11,924
Total comprehensive income for the year		**50,400**	**98,785**

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 2020

Group

	Attributable to equity holders of the Group							
DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Exchange Reserve	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2020	383,266	274,495	(3,319)	60,837	(26)	715,253	91,747	807,000
Movement in exchange translation reserve, net of tax	-	-	1,620	-	-	1,620	-	1,620
Revaluation/impairment of property, plant & equipment, net of tax	-	(7,273)	-	-	-	(7,273)	(232)	(7,505)
Total other comprehensive income/(loss)	-	(7,273)	1,620	-	-	(5,653)	(232)	(5,885)
Profit for the year	-	-	-	45,963	-	45,963	10,322	56,285
Total comprehensive income for the year	-	(7,273)	1,620	45,963	-	40,310	10,090	50,400
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(11,866)	-	(11,866)	-	(11,866)
Non-controlling interests	-	-	-	-	-	-	(3,815)	(3,815)
Supplementary dividends	-	-	-	(256)	-	(256)	-	(256)
Foreign investment tax credits	-	-	-	256	-	256	-	256
Movement in non-controlling interests without a change in control	-	-	-	(50)	-	(50)	1,330	1,280
Balance at 31 December 2020	**383,266**	**267,222**	**(1,699)**	**94,884**	**(26)**	**743,647**	**99,352**	**842,999**

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

Group

Attributable to equity holders of the Group

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Exchange Reserve	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2019	383,266	236,999	(3,022)	23,042	(26)	640,259	83,614	723,873
Movement in exchange translation reserve, net of tax	-	-	(297)	-	-	(297)	-	(297)
Revaluation/impairment of property, plant & equipment, net of tax	-	37,496	-	-	-	37,496	(682)	36,814
Total other comprehensive income/(loss)	-	37,496	(297)	-	-	37,199	(682)	36,517
Profit for the year	-	-	-	49,662	-	49,662	12,606	62,268
Total comprehensive income for the year	-	37,496	(297)	49,662	-	86,861	11,924	98,785
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(11,866)	-	(11,866)	-	(11,866)
Non-controlling interests	-	-	-	-	-	-	(4,302)	(4,302)
Supplementary dividends	-	-	-	(311)	-	(311)	-	(311)
Foreign investment tax credits	-	-	-	311	-	311	-	311
Movement in non-controlling interests without a change in control	-	-	-	(1)	-	(1)	511	510
Balance at 31 December 2019	**383,266**	**274,495**	**(3,319)**	**60,837**	**(26)**	**715,253**	**91,747**	**807,000**

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 2020

DOLLARS IN THOUSANDS	Note	Group 2020	Group 2019
SHAREHOLDERS' EQUITY			
Issued capital	7	383,266	383,266
Reserves		360,407	332,013
Treasury stock	7	(26)	(26)
Equity attributable to owners of the parent		**743,647**	**715,253**
Non-controlling interests		99,352	91,747
Total equity		**842,999**	**807,000**
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment	9	566,090	591,749
Development properties	10	156,880	176,579
Investment properties	11	3,325	-
Investment in associates	12	2	2
Total non-current assets		**726,297**	**768,330**
CURRENT ASSETS			
Cash and cash equivalents	13	20,766	43,182
Short term bank deposits		177,274	122,049
Trade and other receivables	14	12,170	21,138
Inventories		1,352	1,615
Assets Classified as Held for Sale	25	7,708	-
Development properties	10	42,342	51,887
Total current assets		**261,612**	**239,871**
Total assets		**987,909**	**1,008,201**
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	38,000	67,000
Lease liability	23	14,005	14,370
Provision for deferred taxation	16	60,077	84,968
Total non-current liabilities		**112,082**	**166,338**
CURRENT LIABILITIES			
Trade and other payables	17	24,068	24,562
Trade payables due to related parties	21	4,490	4,054
Lease liability	23	478	429
Income tax payable		3,792	5,818
Total current liabilities		**32,828**	**34,863**
Total liabilities		**144,910**	**201,201**
NET ASSETS		**842,999**	**807,000**

For and on behalf of the Board

R BOBB, DIRECTOR, 17 February 2021

BK CHIU, MANAGING DIRECTOR, 17 February 2021

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 2020

DOLLARS IN THOUSANDS	Note	Group 2020	Group 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		180,659	228,282
Interest received		3,604	4,002
Dividends received	4	1	2
Cash was applied to:			
Payments to suppliers and employees		(77,908)	(134,003)
Purchases of development land	1	(1,260)	(9,138)
Interest paid		(1,173)	(1,569)
Income tax paid		(17,826)	(24,040)
Net cash inflow from operating activities		**86,097**	**63,536**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was (applied to)/provided from:			
Proceeds from the sale of property, plant and equipment		108	113
Purchases of property, plant and equipment	9	(5,956)	(6,917)
Purchases of investment property		(3,325)	-
Investments in short term bank deposits		(55,225)	(13,760)
Net cash outflow from investing activities		**(64,398)**	**(20,564)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was (applied to)/provided from:			
Drawdown/(Repayment) of borrowings	15	(29,000)	3,000
Principal repayment of lease liability	23(c)	(1,430)	(1,385)
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	7	(11,866)	(11,866)
Dividends paid to non-controlling shareholders		(3,815)	(4,302)
Net cash inflow/(outflow) from financing activities		**(46,111)**	**(14,553)**
Net increase/(decrease) in cash and cash equivalents		**(24,412)**	**28,419**
Add opening cash and cash equivalents		43,182	14,437
Exchange rate adjustment		1,996	326
Closing cash and cash equivalents	13	**20,766**	**43,182**

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 2020

DOLLARS IN THOUSANDS	Note	Group 2020	Group 2019
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		56,285	62,268
Adjusted for non-cash items:			
Gain on sale of property, plant and equipment	2	(19)	(26)
Depreciation of property, plant and equipment	9	9,267	8,420
Impairment loss		1,747	-
Depreciation of Right-Of-Use assets	9	1,647	1,300
Unrealised foreign exchange (gain)/losses		(74)	74
Income tax expense	5	(5,394)	23,134
		63,459	**95,170**
Adjustments for movements in working capital:			
(Increase)/Decrease in trade & other receivables		8,970	(1,271)
(Increase)/Decrease in inventories		263	69
(Increase)/Decrease in development properties		30,299	(8,529)
Increase/(Decrease) in trade & other payables		1,669	2,016
Increase/(Decrease) in related parties		436	1,690
Cash generated from operations		**105,096**	**89,145**
Interest paid		(1,173)	(1,569)
Income tax paid		(17,826)	(24,040)
Cash inflows from operating activities		**86,097**	**63,536**

Reconciliation of movement of liabilities to cash flows arising from financing activities			
As at 01 January		67,000	64,000
Proceeds from borrowings		-	3,000
Repayment of term loans		(29,000)	-
Financing cash flows		**(29,000)**	**3,000**
As at 31 December		**38,000**	**67,000**

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 2019 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; 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 17 February 2021.

(b) Basis of preparation

The financial statements are presented in New Zealand Dollars, rounded to the nearest thousand. They are prepared on the historical cost basis except that hotel land and buildings are stated at their fair value (refer to Note 9).

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 22 – 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, except as mentioned below:

NZ IAS 1 Amendment. The Group has early adopted Amendments to NZ IAS 1 Classification of liabilities as current or non-current in the current year to ensure the classification of debt continues to reflect the maturity of the facility agreement.

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.

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1. **Segment reporting**

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

- Hotel operations, comprising income from the ownership and management of hotels.
- Residential land development, comprising the development and sale of residential land sections.
- Residential and commercial property development, comprising the development and sale of residential apartments.

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

Operating segments

	Hotel Operations		Residential Land Development		Residential Property Development		Group	
Dollars In Thousands	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
External revenue	64,067	126,618	88,779	91,794	19,136	11,257	171,982	229,669
Earnings before interest, depreciation & amortisation	12,836	43,404	40,790	46,416	6,807	4,137	60,433	93,957
Finance income	1.995	2,520	1,038	1,029	368	351	3,401	3,900
Finance expense	(2,025)	(2,728)	(2)	(4)	(2)	(3)	(2,029)	(2,735)
Depreciation and amortisation	(9,257)	(8,410)	(1)	(1)	(9)	(9)	(9,267)	(8,420)
Depreciation of Right-Of-Use Assets	(1,624)	(1,277)	(14)	(14)	(9)	(9)	(1,647)	(1,300)
Profit before income tax	1,925	33,509	41,811	47,426	7,155	4,467	50,891	85,402
Income tax (expense)/credit	19,252	(8,507)	(11,712)	(13,286)	(2,146)	(1,341)	5,394	(23,134)
Profit after income tax	21,177	25,002	30,099	34,140	5,009	3,126	56,285	62,268
Segment assets	650,125	700,509	260,080	240,697	74,377	66,993	984,582	1,008,199
Investment properties	-	-	3,325	-	-	-	3,325	-
Investment in associates	-	-	2	2	-	-	2	2
Total assets	650,125	700,509	263,407	240,699	74,377	66,993	987,909	1,008,201
Segment liabilities	(76,766)	(108,131)	(2,397)	(1,046)	(1,878)	(1,238)	(81,041)	(110,415)
Tax liabilities	(59,447)	(86,215)	(3,880)	(4,143)	(542)	(428)	(63,869)	(90,786)
Total liabilities	(136,213)	(194,346)	(6,277)	(5,189)	(2,420)	(1,666)	(144,910)	(201,201)
Material additions to segment assets:								
Property, plant and equipment expenditure	5,922	6,896	6	6	28	15	5,956	6,917
Residential land development expenditure	-	-	20,788	44,677	-	-	20,788	44,677
Purchase of land for residential land development	-	-	1,260	9,138	-	-	1,260	9,138

1. **Segment reporting** - continued

Geographical areas

The Group operates in the following main geographical areas:

- New Zealand.
- Australia.

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

	New Zealand		Australia		Group	
Dollars In Thousands	2020	2019	2020	2019	2020	2019
External revenue	152,846	218,412	19,136	11,257	171,982	229,669
Earnings before interest, depreciation & amortisation	53,651	89,842	6,782	4,115	60,433	93,957
Finance income	3,033	3,549	368	351	3,401	3,900
Finance expense	(2,027)	(2,732)	(2)	(3)	(2,029)	(2,735)
Depreciation and amortisation	(9,258)	(8,411)	(9)	(9)	(9,267)	(8,420)
Depreciation of Right-Of-Use Assets	(1,638)	(1,291)	(9)	(9)	(1,647)	(1,300)
Profit before income tax	43,761	80,957	7,130	4,445	50,891	85,402
Income tax (expense)/credit	7,533	(21,801)	(2,139)	(1,333)	5,394	(23,134)
Profit after income tax	51,294	59,156	4,991	3,112	56,285	62,268
Segment assets	910,673	941,656	73,909	66,543	984,582	1,008,199
Investment properties	3,325	-	-	-	3,325	-
Investment in associates	2	2	-	-	2	2
Total assets	914,000	941,658	73,909	66,543	987,909	1,008,201
Segment liabilities	(79,205)	(109,218)	(1,836)	(1,197)	(81,041)	(110,415)
Tax liabilities	(63,329)	(90,362)	(540)	(424)	(63,869)	(90,786)
Total liabilities	(142,534)	(199,580)	(2,376)	(1,621)	(144,910)	(201,201)
Material additions to segment assets:						
Property, plant and equipment expenditure	5,928	6,902	28	15	5,956	6,917
Residential land development expenditure	20,788	44,677	-	-	20,788	44,677
Purchase of land for residential land development	1,260	9,138	-	-	1,260	9,138

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.

2. Administration and other operating expenses

Dollars In Thousands	Note	Group 2020	Group 2019
Depreciation	9	10,914	9,720
Auditors remuneration			
Audit fees		319	327
Tax compliance and tax advisory fees		34	52
Directors fees	20	296	322
Rental expenses		163	182
Provision for bad debts			
Debts written off		81	29
Movement in doubtful debt provision		(27)	44
Net gain on disposal of property, plant and equipment		19	26
Impairment loss on property, plant and equipment	9	1,747	-
Other		29,102	37,102
		42,648	**47,804**

3. Personnel expenses

Dollars In Thousands	Group 2020	Group 2019
Wages and salaries	32,451	44,531
Wage subsidies	(7,377)	-
Employee related expenses and benefits	1,005	1,337
Contributions to defined contribution plans	587	803
Increase/(decrease) in liability for long-service leave	(89)	99
	26,577	**46,770**

Wage subsidy scheme

The Group applied for the Government Wage Subsidy Scheme on 27 March 2020 and received a net sum of $6.70 million. The Group's owned and managed hotels were eligible to apply as the hotels suffered a decline of 41.9% in total revenues in March 2020 against the comparative period in 2019. This amount covered a 12-week period ended 21 June 2020. The Group subsequently applied for the Wage Subsidy Extension and received a total of $2.34 million, which covered the period from 22 June to 16 August 2020. The Group's owned and managed hotels were eligible to apply for the Government's Wage Subsidy Extension Scheme as the hotels suffered a decline of 58.7% in total revenues in the 30 day period from 24 May to 23 June 2020 against the comparative period in 2019. Finally, the Group applied and received $0.47 million for the two week Resurgence Wage Subsidy as the Group suffered a 49.6% decline in revenues in the period from 12 August to 25 August 2020 against the comparative period in 2019.

The total wage subsidy received was $9.51 million of which $7.38 million was received by the Group's owned hotels and $2.13 million was received by the Group's managed hotels.

The wage subsidies were applied as a deduction against payroll costs in personnel expenses in accordance with NZ IAS 20. 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 likelihood the liability will arise.

4. Net finance income

Recognised in the income statement

Dollars In Thousands	Group 2020	Group 2019
Interest income	3,311	3,886
Dividend income	1	2
Foreign exchange gain	89	12
Finance income	3,401	3,900
Interest expense	(2,014)	(2,649)
Foreign exchange loss	(15)	(86)
Finance costs	(2,029)	(2,735)
Net finance income recognised in the income statement	**1,372**	**1,165**

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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	**2020**	**2019**
Foreign exchange translation movements	1,620	(297)
Net finance income recognised in other comprehensive income	**1,620**	**(297)**

Exchange translation of financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, 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	**2020**	**2019**
Current tax expense		
Current year	15,485	23,457
Adjustments for prior years	294	(562)
	15,779	22,895
Deferred tax expense		
Origination and reversal of temporary difference	(1,116)	232
Changes in treatment of building depreciation	(20,058)	-
Adjustments for prior years	1	7
	(21,173)	239
Total income tax expense in the income statement	**(5,394)**	**23,134**

Reconciliation of tax expense

	Group	
Dollars In Thousands	**2020**	**2019**
Profit before income tax	50,891	85,402
Income tax at the company tax rate of 28% (2019: 28%)	14,249	23,913
Adjusted for:		
Non-deductible expenses	-	1
Tax rate difference (if different from 28% above)	143	88
Tax exempt income	(23)	(313)
Changes in treatment of building depreciation	(20,058)	-
Under/(Over) - provided in prior years	295	(555)
Total income tax expense	**(5,394)**	**23,134**
Effective tax rate	(11)%	27%

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5. Income tax expense - continued

Deferred tax expense/(credit) recognised in other comprehensive income

Dollars In Thousands	Group 2020	Group 2019
Relating to revaluation of property, plant and equipment	(3,718)	8,886
Relating to foreign currency translation of foreign subsidiaries	-	(1)
	(3,718)	8,885

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.

Included in the Government's Business Continuity Package (COVID-19 Response (Taxation and Social Assistance Urgent Measure) Act 2020) was the reintroduction of tax depreciation on commercial and industrial buildings. With effect from 1 January 2020, the Group is now able to depreciate, at 2.0% diminishing value method, the core components of the hotel buildings previously depreciated at 0.0% for tax purposes. As a result, the deferred tax liability is reduced by $20.06 million with a deferred tax credit of the same amount booked into the profit and loss.

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

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

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

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

6. Imputation credits

Dollars In Thousands	Group 2020	Group 2019
Imputation credits available for use in subsequent reporting periods	112,639	106,337

The KIN Holdings Group has A$8.22 million (2019: A$6.30 million) franking credits available as at 31 December 2020.

7. Capital and reserves

Share capital

	Group 2020 Shares	Group 2020 $000's	Group 2019 Shares	Group 2019 $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 2020, the authorised share capital consisted of 105,578,290 ordinary shares (2019: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2019: 52,739,543 redeemable preference shares) with no par value.

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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.

Revaluation reserve
The revaluation reserve relates to property, plant and equipment. Movements in the revaluation reserve arise from the revaluation surpluses and deficits of property, plant and equipment.

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:

	Parent	
Dollars In Thousands	**2020**	**2019**
Ordinary Dividend – 7.5 cents per qualifying share (2019: 7.5 cents)	11,866	11,866
Supplementary Dividend - 1.3235 cents per qualifying share (2019: 1.3235 cents)	256	311
	12,122	12,177

After 31 December 2020, no dividends were declared by the directors.

Dollars In Thousands	**Parent**
Ordinary Dividend – nil cents per qualifying share (2019: 7.5 cents)	-
Supplementary Dividend - nil cents per qualifying share (2019: 1.3235 cents)	-
Total Dividends	-

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 2020 was based on the profit attributable to ordinary and redeemable preference shareholders of $45,963,000 (2019: $49,662,000) and weighted average number of shares outstanding during the year ended 31 December 2020 of 158,218,286 (2019: 158,218,286), calculated as follows:

Profit attributable to shareholders

	Group	
Dollars In Thousands	**2020**	**2019**
Profit for the year	56,285	62,268
Profit attributable to non-controlling interests	(10,322)	(12,606)
Profit attributable to shareholders	45,963	49,662

Weighted average number of shares

	Group	
	2020	**2019**
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.

9. Property, plant and equipment

Group

Dollars In Thousands	Freehold Land	Leasehold Land	Buildings	Plant, Equipment , Fixtures & Fittings	Motor Vehicles	Work In Progres s	Right Of Use Asset	Total
Cost								
Balance at 1 January 2019	162,962	8,205	361,898	100,174	76	829	-	634,144
Recognition of ROU asset on initial application of IFRS16	-	-	-	-	-	-	16,701	16,701
Acquisitions	-	-	-	6	-	6,911	114	7,031
Disposals	-	-	-	(366)	-	-	-	(336)
Transfers between categories	(30)	(700)	1,444	4,178	-	(5,622)	730	-
Transfer from accumulated depreciation following revaluation	-	-	(1,551)	-	-	-	-	(1,551)
Movements in foreign exchange	-	-	-	(2)	-	-	-	(2)
Revaluation surplus/(deficit)	22,065	(7,505)	25,493	-	-	-	5,647	45,700
Balance at 31 December 2019	**184,997**	**-**	**387,284**	**103,990**	**76**	**2,118**	**23,192**	**701,657**
Balance at 1 January 2020	184,997	-	387,284	103,990	76	2,118	23,192	701,657
Acquisitions	-	-	315	339	-	5,302	130	6,086
Disposals	-	-	(1)	(172)	-	(58)	(6)	(237)
Transfers between categories	-	-	3,918	806	-	(4,724)	-	-
Transfer to assets classified as held for sale	(7,708)	-	-	-	-	-	-	(7,708)
Transfer from accumulated depreciation following revaluation	-	-	(1,593)	-	-	-	-	(1,593)
Movements in foreign exchange	-	-	-	9	-	-	1	10
Revaluation surplus/(deficit)	2,287	-	(17,405)	-	-	-	3,895	(11,223)
Balance at 31 December 2020	**179,576**	**-**	**372,518**	**104,972**	**76**	**2,638**	**27,212**	**686,992**
Depreciation and impairment losses								
Balance at 1 January 2019	-	-	(23,313)	(78,643)	(64)	-	-	(102,020)
Depreciation charge for the year	-	-	(4,283)	(4,134)	(3)	-	(1,300)	(9,720)
Disposals	-	-	-	279	-	-	-	279
Transfer accumulated depreciation against cost following revaluation	-	-	1,551	-	-	-	-	1,551
Movements in foreign exchange	-	-	-	2	-	-	-	2
Balance at 31 December 2019	**-**	**-**	**(26,045)**	**(82,496)**	**(67)**	**-**	**(1,300)**	**(109,908)**
Balance at 1 January 2020	-	-	(26,045)	(82,496)	(67)	-	(1,300)	(109,908)
Depreciation charge for the year	-	-	(5,075)	(4,190)	(2)	-	(1,647)	(10,914)
Impairment losses for the year	-	-	(1,747)	-	-	-	-	(1,747)
Disposals	-	-	-	82	-	-	-	82
Transfer accumulated depreciation against cost following revaluation	-	-	1,593	-	-	-	-	1,593
Movements in foreign exchange	-	-	-	(8)	-	-	-	(8)
Balance at 31 December 2020	**-**	**-**	**(31,274)**	**(86,612)**	**(69)**	**-**	**(2,947)**	**(120,902)**
Carrying amounts								
At 1 January 2019	162,962	8,205	338,585	21,531	12	829	-	532,124
At 31 December 2019	**184,997**	**-**	**361,239**	**21,494**	**9**	**2,118**	**21,892**	**591,749**
At 31 December 2020	**179,576**	**-**	**341,244**	**18,360**	**7**	**2,638**	**24,265**	**566,090**

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

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

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

Subsequent measurement
Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses, except for land and buildings which are re-valued. 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.

Revaluation
Land and buildings are shown at fair value less subsequent depreciation for buildings. Fair value is determined by management using valuation models, and confirmed by independent registered valuers on a staged triennial basis. In the intervals between each triennial cycle an internal valuation and impairment assessment is performed for each hotel asset to ensure its carrying value continues to reflect its fair value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. Any decrease as a result of revaluation is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Any further decrease is recognised in the income statement.

The Directors consider the value of the hotel assets with a net book value of $566.09 million (2019: $591.75 million) to be within a range of $566.09 million to $579.26 million (2019: $591.75 to $597.49 million). This is substantiated by valuations completed by Bower Valuations Limited, registered valuers, on 14 hotels at $557.03 million and on a surplus land at $4.89 million in October 2019. For the 2019 comparatives, these were substantiated by eight hotels assets valued in total at $297.54 million; five hotel assets valued in total at $157.54 million in December 2018 and three hotel assets valued in total at $251.48 million in December 2017. One hotel, M Social Auckland, was inspected in December 2017 after a soft opening in October 2017, and again in December 2018 to assess its fair value after a full year of trading.

During 2020, all fourteen (2019: eight) of the Group's owned hotel properties were subjected to an external professional valuation by Bower Valuations Limited, registered valuers, on a going concern and a highest and best use basis. The decision was made to value the fourteen owned hotels due to the unprecedented trading conditions in 2020. Six larger hotels were subjected to the full valuation exercise including discounted cashflows from projected income and costs plus the direct comparison method while the other eight smaller hotels were reviewed using the direct comparison method. Due to the market uncertainty created by the pandemic, the valuation has been prepared on the basis of "material valuation uncertainty" as recommended by the New Zealand Institute of Valuers. This "material valuation uncertainty" is covered in further detail under Note 22 Accounting Estimates and Judgements. Based on these valuations and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. A total of $12.97 million was deducted from (2019: $45.70 million was added to) the carrying values of land and buildings.

The Group's fair value of hotel properties is categorised as Level 3 based on the inputs to the valuation methodology. The basis of the valuation is the net present value of the future earnings of the assets. The major unobservable inputs and assumptions that are used and require judgement in estimating future cash flows include the expected rate of growth in revenue and costs, projected occupancy and average room rates, operational and maintenance expenditure profiles and discount rates (internal rate of return). Average annual growth rates appropriate to the hotels range from 17.15% to 46.75% (2019: 0.99% to 1.70%) over the five years projection. Pre-tax discount rates ranging between 7.25% and 12.25% (2019: 7.25% and 10.50%) were applied to the future cash flows of the individual hotels based on the specific circumstances of the property.

	The estimated fair value would increase	The estimated fair value would decrease
If forecast future earnings were	higher	lower
If projected operational and maintenance expenditures were	lower	higher
If the discount rates were	lower	higher

Depreciation
Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued amounts 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

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.

9. Property, plant and equipment – continued

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.

For greater visibility following the adoption of IFRS 16, leasehold land has been separated from buildings and recognised as a right of use asset. Comparatives have been adjusted accordingly to recognise leasehold land and buildings separately.

Had the property, plant and equipment been carried under the cost model, the following carrying values would have been recognised:

Group

Dollars In Thousands	Freehold Land	Leasehold Land	Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Right Of Use Asset	Total
Cost less accumulated depreciation								
At 1 January 2019	41,159	700	138,801	21,534	12	829	-	203,035
At 31 December 2019	**41,159**	**-**	**136,662**	**21,498**	**9**	**2,118**	**15,515**	**216,961**
At 31 December 2020	**33,451**	**-**	**134,072**	**18,364**	**7**	**2,638**	**13,993**	**202,525**

The accounting policy for right of use asset has been disclosed in Note 23.

10. Development properties

	Group	
Dollars In Thousands	**2020**	**2019**
Development land	161,437	182,678
Residential development	37,785	45,788
	199,222	228,466
Less expected to settle within one year	(42,342)	(51,887)
	156,880	**176,579**
Development land recognised in cost of sales	43,290	40,861
Residential development recognised in cost of sales	9,295	4,587

Development land is carried at the lower of cost and net realisable value. Interest of $Nil (2019: $Nil) was capitalised during the year. The fair value of development land held at 31 December 2020 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as $286.38 million (2019: $315.62 million).

The fair value of development property as determined by the independent valuer is categorised as Level 3 based on the inputs to the valuation methodology. The basis of the valuation is the hypothetical subdivision approach and/or block land sales comparisons to derive the residual block land values. The major unobservable inputs that are used in the valuation model that require judgement include the individual section prices, allowances for profit and risk, projected completion and sell down periods and interest rates during the holding period.

	The estimated fair value would increase	The estimated fair value would decrease
If the individual section prices were	higher	lower
If the allowances for profit were	higher	lower
If the allowances for risk were	lower	higher
If the projected completion and sell down periods were	shorter	longer
If the interest rates during the holding period were	lower	higher

Residential development at balance date consists of the residential development known as Zenith Residences in Sydney, Australia. The value of Zenith Residences held at 31 December 2020 was determined by R Laoulach AAPI of Laoulach & Company Pty Ltd, registered valuers as $68.51 million (A$64.17 million) (2019: $88.41 million (A$84.84 million)).

The fair value of the residential development as determined by the independent valuer is categorised as Level 3 based on the inputs to the valuation methodology. The basis of the valuation is gross realisations 'as is' assuming individual sales of unsold units. The major unobservable inputs and assumptions that are used in the valuation model that require judgement include the interest rates, consumer confidence, unemployment rate and residential unit demand.

	The estimated fair value would increase	The estimated fair value would decrease
If the interest rates were	lower	higher
If the consumer confidence was	optimistic	pessimistic
If the unemployment rate was	lower	higher
If the residential unit demand was	stronger	weaker

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10. Development properties - continued

Development properties
Property held for future development and development property completed and held for sale are stated at the lower of cost and net realisable value. The net realisable value is determined by independent valuers. 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.

11. Investment properties

Group

Dollars In Thousands	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**
Depreciation and impairment losses				
Balance at 1 January 2020	-	-	-	-
Depreciation charge for the year	-	-	-	-
Balance at 31 December 2020	**-**	**-**	**-**	**-**
Carrying amounts				
At 1 January 2020	**-**	**-**	**-**	**-**
At 31 December 2020	**265**	**2,873**	**187**	**3,325**

Investment properties consist of retail shops at Stonebrook, Rolleston and retail shops at Preston Park, Christchurch. The former were completed during December 2020 while the latter are currently under construction. The fair value of investment properties held at 31 December 2020 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as $6.43 million (2019: nil).

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.

The fair value of development property as determined by the independent valuer is categorised as Level 3 based on the inputs to the valuation methodology. The basis of the valuation is the capitalisation of the assessed market rentals allowing for vacancies and leasing fees to derive the fair values. The major unobservable inputs that are used in the valuation model that require judgement include the rental rate on the individual tenancy, allowances for vacancies, estimation of leasing fees, and interest rates during the holding period.

	The estimated fair value would increase	The estimated fair value would decrease
If the individual rental rates were	higher	lower
If the allowances for vacancies were	lower	higher
If the allowances for leasing fees were	lower	higher
If the interest rates during the holding period were	lower	higher

12. Investment in associates

The associate companies included in the financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2020 are:

	Principal Activity	Principal Place of Business	Holding % by CDL Land New Zealand Limited 2020	Holding % by CDL Land New Zealand Limited 2019
Prestons Road Limited	Service provider	NZ	33.33	33.33

12. Investment in associates - continued
Prestons Road Limited has no revenue or expenses, therefore the Group's share of profit of its associate was nil (2019: nil). During the year, the Group maintained its 33.33% economic interest in Prestons Road Limited. The principal activity of Prestons Road Limited is as service provider to the Group's subsidiary, CDL Land New Zealand Limited, and in this regard, it is charged with engaging suitably qualified consultants in fields such as geotechnical engineering, resource management compliance, subdivision of land, legal and regulatory compliance and related issues to enable the Group to develop its land at Prestons Road in Christchurch.

The net assets of Prestons Road Limited not adjusted for the percentage ownership held by the Group is $6,000, with the Group's share equal to $2,000. Prestons Road Limited has a 31 March balance date. No adjustment is made for the difference in balance date of Prestons Road Limited, because it has no revenue or profits to report.

Investment in associates
Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of equity-accounted investees, until the date on which significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

13. Cash and cash equivalents

	Group	
Dollars In Thousands	**2020**	**2019**
Cash	13,456	12,682
Call deposits	7,310	30,500
	20,766	**43,182**

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.

14. Trade and other receivables

	Group	
Dollars In Thousands	**2020**	**2019**
Trade receivables	7,277	11,846
Less provision for doubtful debts	(72)	(106)
Other trade receivables and prepayments	4,965	9,398
	12,170	**21,138**

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.

15. 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

				31 December 2020		31 December 2019	
Dollars in Thousands	Currency	Interest Rate	Facility Total	Face Value	Carrying Amount	Face Value	Carrying Amount
Revolving credit	NZD	1.06%	**53,000**	19,000	19,000	35,000	35,000
Revolving credit	NZD	1.06%	**46,000**	19,000	19,000	32,000	32,000
Overdraft	NZD	1.06%	**6,000**	-	-	-	-
TOTAL			**105,000**	**38,000**	**38,000**	**67,000**	**67,000**
Current				-	-	-	-
Non-current				38,000	38,000	67,000	67,000

Terms and debt repayment schedule
The bank facilities are secured over hotel properties with a carrying amount of $496.10 million (2019: $510.85 million) – refer to Note 9. The Group facilities were renewed on 7 December 2018 with a new maturity of 31 January 2022.

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.

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16. Deferred tax assets and liabilities

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

	Group					
	Assets		Liabilities		Net	
Dollars In Thousands	2020	2019	2020	2019	2020	2019
Property, plant and equipment	-	-	66,723	91,092	66,723	91,092
Development properties	(661)	(660)	-	-	(661)	(660)
Provisions	(273)	(96)	-	-	(273)	(96)
Employee benefits	(1,448)	(1,326)	-	-	(1,448)	(1,326)
Lease liability	(4,055)	(4,140)	-	-	(4,055)	(4,140)
Trade and other payables	(1,084)	(754)	-	-	(1,084)	(754)
Net investment in foreign operations	-	-	875	852	875	852
Net tax (assets) / liabilities	**(7,521)**	**(6,976)**	**67,598**	**91,944**	**60,077**	**84,968**

Movement in deferred tax balances during the year

	Group			
Dollars In Thousands	Balance 1 Jan 19	Recognised in income	Recognised in equity	Balance 31 Dec 19
Property, plant and equipment	78,063	4,143	8,886	91,092
Development properties	(876)	213	3	(660)
Provisions	(75)	(21)	-	(96)
Employee benefits	(1,276)	(50)	-	(1,326)
Lease liability	-	(4,140)	-	(4,140)
Trade and other payables	(849)	94	1	(754)
Net investment in foreign operations	857	-	(5)	852
	75,844	**239**	**8,885**	**84,968**

	Group			
Dollars In Thousands	Balance 1 Jan 20	Recognised in income	Recognised in equity	Balance 31 Dec 20
Property, plant and equipment	91,092	(20,653)	(3,718)	66,721
Development properties	(660)	24	(23)	(659)
Provisions	(96)	(177)	-	(273)
Employee benefits	(1,326)	(122)	-	(1,448)
Lease liability	(4,140)	85	-	(4,055)
Trade and other payables	(754)	(330)	-	(1,084)
Net investment in foreign operations	852	-	23	875
	84,968	**(21,173)**	**(3,718)**	**60,077**

17. Trade and other payables

	Group	
Dollars In Thousands	2020	2019
Trade payables	1,686	2,494
Employee entitlements	5,052	4,595
Non-trade payables and accrued expenses	17,330	17,473
	24,068	**24,562**

Trade and other payables are stated at cost.

18. 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.

18. Financial instruments - continued

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):

2020

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	38,000	38,000	-	-	38,000	-	-
Trade Payables	1,686	1,686	1,686	-	-	-	-
Other payables	22,380	22,380	22,380	-	-	-	-
Trade payables due to related parties	4,490	4,490	4,490	-	-	-	-
Total non-derivative liabilities	66,556	66,556	28,556	-	38,000	-	-

2019

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	67,000	67,000	-	-	-	67,000	-
Trade Payables	2,494	2,494	2,494	-	-	-	-
Other payables	22,068	22,068	22,068	-	-	-	-
Trade payables due to related parties	4,054	4,054	4,054	-	-	-	-
Total non-derivative liabilities	95,616	95,616	28,616	-	-	67,000	-

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 $6,000 (2019: $23,000). 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 would have increased profit before tax for the Group in the current period by $1.07 million (2019: $0.59 million increase), assuming all other variables remained constant.

18. Financial instruments - continued

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		2020				2019			
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 *	13	0.00% to 0.65%	20,766	20,766	-	0.00% to 1.68%	43,182	43,182	-
Short term bank deposits *		0.50% to 1.83%	177,274	113,117	64,157	1.25% to 3.25%	122,049	55,901	66,148
Secured bank loans *	15	1.06%	(38,000)	(38,000)	-	2.01%	(67,000)	(67,000)	-
Bank overdrafts *	15	1.06%	-	-	-	2.01%	-	-	-

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

(ii) Foreign currency risk
The Group owns 100.00% (2019: 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 measurements to manage this risk.

The Group is not exposed to any other foreign currency risks.

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

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

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

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

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

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	2020	2020	2019	2019
LOANS AND RECEIVABLES					
Cash and cash equivalents	13	20,766	20,766	43,182	43,182
Short term bank deposits		177,274	177,274	122,049	122,049
Trade and other receivables	14	12,170	12,170	21,138	21,138
OTHER LIABILITIES					
Secured bank loans and overdrafts	15	(38,000)	(38,000)	(67,000)	(67,000)
Trade and other payables	17	(24,068)	(24,068)	(24,562)	(24,562)
Trade payables due to related parties	21	(4,490)	(4,490)	(4,054)	(4,054)
		143,654	**143,654**	**90,753**	**90,753**
Unrecognised (losses) / gains		-	-	-	-

18. Financial instruments - continued

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.

19. Capital and land development commitments

As at 31 December 2020, 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 2020 in accordance with the Group's development programme.

	Group	
Dollars In Thousands	**2020**	**2019**
Capital expenditure	958	3,041
Development expenditure	19,696	30,845
Land purchases	58,300	15,674
	78,954	**49,560**

20. Related parties

Identity of related parties
The Group has a related party relationship with its parent, subsidiaries (see Note 21), associates and with its directors and executive officers.

Transactions with key management personnel
Directors of the Company and their immediate relatives control nil (2019: Nil) of the voting shares of the Company. There were no loans (2019: $nil) advanced to directors for the year ended 31 December 2020. Key management personnel include the Board and the Executive Team.

Total remuneration for key management personnel

	Group	
Dollars In Thousands	**2020**	**2019**
Non-executive directors	296	322
Executive director	396	588
Executive officers	699	873
	1,391	**1,783**

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).

21. Group entities

Control of the Group
Millennium & Copthorne Hotels New Zealand Limited is a 75.78% (2019: 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 plc 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:

		Group	
Dollars In Thousands	**Nature of balance**	**2020**	**2019**
Trade payables and receivables due to related parties			
Millennium & Copthorne Hotels plc	Recharge of expenses	(2,788)	(3,290)
Millennium & Copthorne International Limited	Recharge of expenses	137	(26)
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	-	-
CDLHT (BVI) One Ltd	Rent payment	(1,839)	(738)
		(4,490)	**(4,054)**
Loans due to related parties			
CDL Hotels Holdings New Zealand Limited	Inter-company loan	-	-
		-	**-**

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21. Group entities - continued

No debts with related parties were written off or forgiven during the year. No interest was charged on these payables during 2020 and 2019. There are no set repayment terms. During this period a credit amounting to $250,000 (2019: costs $250,000) was recorded in the income statement in respect of fees payable to Millennium & Copthorne International Limited for the provision of management and marketing support in 2019. There is no fee charged by Millennium & Copthorne International Limited for 2020, which was replaced by a fixed annual fee of $154,000 charged by M&C Reservation Services Ltd (UK) for the provision of management and marketing support in 2020.

From September 2019, the Group renewed the management agreement of Grand Millennium Auckland with CDLHT (BVI) One Ltd, a subsidiary of CDL Hospitality Trusts Singapore. Under the accounting standards, the Group accounts for the results of the Grand Millennium Auckland on a net basis. The Group records the management, franchise and incentive incomes derived from the management of the hotel in the profit and loss. At the balance sheet date, there was an amount owing to CDLHT (BVI) One Ltd of $1.84 million (2019: $0.74 million) being rent payable with respect to the leasing of the property. During the year ended 31 December 2020, the Group received $1.37 million (2019: $1.57 million) in management, franchise, and incentive fees.

At the balance sheet date, the company has fully repaid the loan due to CDL Hotels Holdings New Zealand Limited which was interest bearing.

During the year consulting fees of $10,600 (2019: $10,400) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder and director.

Subsidiary companies
The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2020 are:

	Principal Activity	Principal Place of Business	Group Holding % 2020	Group Holding % 2019
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	65.87	66.26
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.

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.

22. 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.

Property, plant and equipment
The Group adopted a revaluation model of valuing land and buildings rather than the cost model. This results in any future decreases in asset values being charged in the income statement unless there is a surplus for that asset in the revaluation account in which case the decrease can be charged to equity.

Assessing the fair value of individual properties involves estimating the future cash flows expected to be generated by those properties. This in turn involves making assumptions, including expected rate of growth in revenue and costs, occupancy and average room rates and an appropriate discount rate, to apply when discounting future cash flows. There are significant uncertainties with the reopening of borders, the establishment of quarantine free travel bubbles, the resumption of international travel which are themselves dependent on the global vaccination programmes, the establishment of international travel protocols, the economic recovery in major trading countries, and the return of travel confidence in key markets. Given that the present COVID-19 situation is fluid, there is increased estimation uncertainty in relation to the key assumptions. The independent valuer has included a material valuation uncertainty in the valuation report.

Development property
The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is $199.22 million (2019: $228.47 million) while the fair value determined by independent valuers is $354.89 million (2019: $404.03 million).

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

23. 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.

On 31 December 2019, the Group changed its accounting policy to recognise the right of use asset relating to leasehold land at fair value. Management believe this provides more reliable information which is consistent with the recognition of freehold land. 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.

23(a) Lease Liability
The expected contractual undiscounted cash outflows of lease liabilities are as follows:

	Group	
Dollars In Thousands	**2020**	**2019**
Less than 6 months	218	188
More than 6 months but within 12 months	260	241
More than 1 year but within 2 years	354	370
More than 2 years but within 5 years	178	542
After 5 years	13,473	13,458
	14,483	**14,799**

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.

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23. Lease -continued

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.

23(b) Schedule of right-of-use assets by class

Right-of-use Assets *Dollars In Thousands*	Lease term	Carrying value recognized on transition @ 01/01/20	Depreciation on right-of-use asset for the year	Addition during the year	Disposal during the year	Revaluation	Movement in foreign exchange	Carrying value @ 31/12/20
Land sites at hotels	Renewal at 21 year cycles for perpetuity	18,426	(1,168)	-	-	2,194	-	19,452
Corporate office building and hotel carpark	Between 5 to 23 years	3,166	(320)	72	-	1,701	-	4,619
Motor vehicles	Between 12 to 45 months	300	(159)	58	(6)	-	1	194
Totals		21,892	(1,647)	130	(6)	3,895	1	24,265

23(c) Schedule of lease liabilities by class

Dollars In Thousands	Lease term	Carrying value recognized on transition @ 01/01/20	Interest expense for the year	Addition during the year	Disposal during the year	Lease payment for the year	Carrying value @ 31/12/20
Land sites at hotels	Renewal at 21 year cycles for perpetuity	12,578	783	-	-	(803)	12,558
Corporate office building and hotel carpark	Between 5 to 23 years	1,904	169	72	-	(436)	1,709
Motor vehicles	Between 12 to 45 months	317	38	58	(6)	(191)	216
Totals		14,799	990	130	(6)	1,430	14,483

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23. Lease -continued

23(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 recognized in the Profit & Loss	Lease commitments @ 31/12/20	Lease commitments within one year	Lease commitments between one and 5 years	Lease commitments more than 5 years
Short term leases <12 months	60	60	60	-	-
Low value leased assets	-	4	1	3	-
Variable lease payments under service and management contracts	103	232	103	129	-
Total	163	296	164	132	-

24. New standard and interpretations issued but not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. However, with the exception of Classification of Liabilities as Current or Non-current (Amendments to NZ IAS 1) 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:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to NZ IAS 37)
- Interest Rate Benchmark Reform - Phase 2 (Amendments to NZ IFRS 9, IAS 39, NZ IFRS 7, NZ IFRS 4 and NZ IFRS 16)
- COVID-19-Related Rent Concessions (Amendments to NZ IAS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to NZ IAS 16)
- Reference to Conceptual Framework (Amendments to NZ IFRS 3)
- NZ IFRS 17 Insurance Contracts and amendments to NZ IFRS 17 Insurance Contracts.

25. 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 is unconditional at balance date and is scheduled to settle in May 2021. This land was revalued to its fair value of $7.71 million (2019: $8.00 million) and reclassified from property, plant, and equipment to assets held for sale.

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. Once classified as held for sale, property plant and equipment are no longer amortised or depreciated.

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 FIN1 to FIN27:

i. present fairly in all material respects the Group's financial position as at 31 December 2020 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 2020;

— the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies 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 $3.8m determined with reference to a benchmark of group's total assets. We chose the benchmark because we consider this to be the key metric for the users of the financial statements in the current COVID-19 environment.

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 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
Valuation of Hotel Land and Building assets	
Refer to note 9 of the consolidated financial statements. Hotel land and buildings of $521 million (representing 62% of net assets) are recognised at fair value in the financial statements. To establish fair value, each hotel is required to undergo an independent valuation on a tri-annual basis. In the intervening years, management complete an internal valuation assessment, and assess whether the carrying value of each hotel continues to reflect fair value. The ability of the Group's hotel assets to generate revenue has been impacted materially by COVID-19. As a result, the Group has engaged an independent valuer to determine the fair value for all its hotel assets at as 31 December 2020. Fair value for the six largest hotels of the Group (representing 83% of total hotel asset value) was determined by applying a discounted cashflow approach (DCF) with a cross check using the direct sales comparative approach. The fair value of the remaining hotels was determined applying the direct sales comparative approach only. The key assumptions in the discounted cash flow models include projected occupancy rates, average daily room rates (ADR), projected payroll costs, the discount rate and terminal yield rate. Due to the impact of COVID-19 the level of estimation uncertainty in relation to the projected occupancy rates and ADRs has increased significantly. The Group has made assumptions with respect to the re-opening of borders and introduction of travel bubbles, and the timing and manner in which international travel to New Zealand will resume. This uncertainty has also been considered in determining	Our procedures over the hotel valuations involved the following: – We engaged our valuation specialists to assist us in evaluating the appropriateness of the valuation methodologies adopted by the valuer, including compliance with relevant accounting standards and alignment to market practice. Our valuation specialists evaluated the reasonableness of the hotel assets valued using the direct sales comparative approach with reference to the full scope valuations using the DCF method cross checked against the comparative approach. – We assessed the scope of work performed, competency, professional qualifications and experience of the external expert engaged by the group. – We performed a retrospective review and compared actual occupancy rates, average daily rates and payroll costs to the prior year valuation assumptions and external industry reports. – We challenged the key assumptions used within each DCF model in determining the fair value of these hotel assets. This included a comparison of projected occupancy rates, average daily rates, payroll growth rates, discount rates and terminal yield rates to: i. The assumptions projected over the forecast period used in the prior period valuation report for each hotel asset. ii. Externally derived data including external hotel industry reports. – Our valuation specialists assessed the reasonableness of the discount rate and the terminal yield rates with reference to rates used in the prior year valuations and

The key audit matter	How the matter was addressed in our audit
discount rates and terminal yield rates together with recent transactions. Hotel valuations determined by reference to comparative transactions have been adjusted to reflect location, quality, and exposure to international tourists. There are few comparable transactions post COVID-19 which has increased the level of estimation uncertainty in determining fair value. We focused on the valuation of hotel land and buildings due to the magnitude of the balance, judgement and estimation uncertainty related to assessing fair value. A change in the assumptions could have a material impact on the valuations and the carrying value of the hotel land and buildings.	market evidence of movement in asset yields post COVID-19. – For hotels assets valued using the direct sale comparison method we compared price per room determined in the current year valuation to the same metric in the prior year valuation, considered the appropriateness of comparable transactions used by the valuer, and considered recent transactions post the date of the valuation report. – Where valuation assumptions appeared optimistic we sensitised the assumptons, in particular projected ADRs and discount rates used, applying more conservative assumptions that we considered appropriate. As described in note 22, there exists material valuation uncertainty in determining the fair value of hotel land and buildings due to the impact of COVID-19. Our opinion is not modified in respect of this matter. Our testing concluded the carrying value of hotel land and buildings at 31 December 2020 is 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 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

17 February 2021

CHAIRMAN'S REVIEW

A few words on the year just past

As we embark on the next twelve months ahead of us, we are taking this opportunity to reflect on the year just past.

When we reported our 2019 results, we knew that the effects of COVID-19 would be severe on tourism and our business. The fact that MCK as a group, has been able to record a positive set of results for its hotel and property development operations during 2020 is a testament to the extraordinary efforts of its staff during what can only be described as an abominable year.

The MCK Board sincerely thanks each and every one of our team whether they work at our hotels or corporate offices for their diligence and can-do attitude at all times.

We would also like to thank our shareholders, suppliers and business partners once again for their continuing support and loyalty for MCK and our hotels during the year. Many of you have provided our staff with some wonderfully heartfelt and positive comments and we greatly appreciate this.

The devastating impact of COVID-19 on the tourism and accommodation sectors in 2020 has been well documented and will continue during this year. With the international borders to New Zealand likely to be closed for the majority of, if not all of, 2021 to limit the spread of COVID-19 coming in from overseas, all of us will need to accept the major impact that continued closure will have on our business and our employees.

Most of our hotels across New Zealand were able to resume trading by the end of last year but not all. Copthorne Hotel Rotorua, Kingsgate Hotel Greymouth and Kingsgate Hotel Te Anau were closed for the majority of 2020 and these hotels will likely remain closed for a further period of time. During 2020, we were continuously reviewing how we can optimize our operations at all of our properties. This may mean that some of our hotels will be partially or entirely closed during periods where we do not have any bookings during 2021.

If we had to take any positives out of 2020, it was that the crisis made us think hard about our entire business, our customer and marketing strategies, how we manage our people and what the overall future will look like. All of us have learned a lot over the past year. Putting those learnings into practice to rebuild and reshape MCK's future will determine how successful we will be in 2021 and beyond.

Financial Performance & Financial Position

MCK reports that, for the year ended 31 December 2020, the company recorded a profit attributable to owners of the parent of $46.0 million (2019: $49.7 million).

Our 2020 results are almost entirely due to the performance of our property development operations through our majority-owned subsidiary CDL Investments New Zealand Limited which had a very positive year despite the difficulties caused by COVID-19 and sales of our apartment units in Sydney, Australia. Our hotel operations did perform better than anticipated and recorded a small profit before tax of $1.9 million (2019: $33.5 million). All of this was reflected in our earnings per share which decreased to 29.05 cents per share (2019: 31.39 cents per share).

Our 2020 revenue totaled $172.00 million (2019: $229.7 million) which was driven by CDL Investments and our Australian subsidiaries. As detailed in the 2020 Interim Report, we also recognized a one-off, non-cash tax credit of $20.06 million from the Government's COVID-19 Business Continuity Package. Our shareholders' funds excluding non-controlling interests was $743.6 million (2019: $715.3 million). We saw a decrease in our total assets of $987.9 million (2019: $1,008.2 million) with net asset backing (with land and building revaluations and before distributions) increasing slightly to 469.70 cents per share (2019: 451.78 cents per share).

New Zealand Hotel Operations

Typically, we would report on the total revenue, RevPAR (Revenue Per Available Room) and occupancy statistics as well as Gross Operating Performance and provide comparatives to the previous year. Given the lockdowns and ongoing border closure during the past 12 months and the resulting impact on business, direct comparisons between 2020 and 2019 are not helpful for shareholders as it was clear and obvious that the impact of COVID-19 on our business was severe.

In 2020, we were able to achieve an average occupancy of 39.2 % which was not unexpected given the lack of international visitors alone. To achieve even this level of occupancy required carefully targeted marketing and promotions and this targeting will continue into 2021. With only the New Zealand domestic market to rely on, the average RevPAR (Revenue Per Available Room) achieved across all of MCK's hotels was $66.17 which we consider to be a positive achievement given the inability to hold conferences, meetings and other large gatherings for a substantial part of the year as well as the difference in what the domestic market is prepared to pay over what we lost from the international markets. Unsurprisingly, our hotels' revenue in 2020 was less than half of what we earned in 2019 and included what we received for the Auckland managed isolation hotels.

Only the hotel operations applied for and received the Government's Wage Subsidy from March through to June as well as the June extension and a final resurgence payment in September. In all, a total of $9.5 million was received and all of it was paid out to our employees. We met the criteria to receive the subsidy and we have been audited by the Ministry of Social Development on our use of the wage subsidy and they have found no issues.

Our two hotels in the Managed Isolation programme, Grand Millennium Auckland and M Social Auckland, will continue to assist the Government with returning New Zealanders for much of 2021. Both hotels recorded positive performance metrics given the required length of stay for those returning to New Zealand but like the rest of the accommodation industry, we are conscious that with significant sporting events scheduled for 2022 and 2023, we are keen to ensure that we are able to position ourselves to be able to assist with the hosting of visiting teams, officials, media and possibly spectators should these events proceed as planned and border controls allow.

Kingsgate Hotel Greymouth will undergo major refurbishment works over 2021 which will see the demolition of part of the existing hotel with operations being shifted to the main tower block. Kingsgate Hotel Te Anau will be open over Summer 2021 after which time we will review whether there is sufficient demand for it to remain open over the winter season.

Refurbishment work was completed at Copthorne Hotel & Resort Queenstown Lakefront and the hotel reopened in Q4 2020. This has allowed us to proceed on planned room refurbishment works at Millennium Hotel Queenstown which closed on 31 January ahead of those works commencing in the next few weeks. A similar refurbishment project is also being scoped for Millennium Hotel Rotorua and is planned to commence in the second half of this year.

CDL Investments New Zealand Limited ("CDLI")

2020 has seen CDLI trade remarkably well in market conditions that we could not have foreseen. Reflecting that positivity, CDLI has announced an operating profit after tax for the year ended 31 December 2020 of $30.1 million (2019: $34.1 million). MCK is encouraged by CDLI's confidence in its recent land purchases and development plan for the next few years.

CDLI will continue to be a critical element in bolstering MCK's profitability for the foreseeable future and MCK is committed to providing CDLI with support as required to ensure that it is able to continue to acquire and develop land over the medium term.

CDLI maintained its ordinary dividend to 3.5 cents per share. MCK will take CDI shares instead of cash for this dividend to allow CDLI to optimize its cash resources to progress its development plans.

Australia Update

In 2020, a total of four apartments including the penthouse floor at the Zenith Residences were sold. The market dynamics in Sydney have been different to New Zealand and our sales strategy is being reviewed. Leasing of the remaining units is ongoing.

MCK is still committed to selling down its interest in the Zenith Residences but in a way that will ensure best possible returns and margins.

Dividend Announcement

While the company has made a profit, MCK's Board has resolved not to declare a dividend for the 2020 year and will instead deploy the funds for refurbishment and reinvestment in its hotels. This will also allow the company to ensure it has sufficient capital reserves to continue to trade as well as optimize its financial resources in its recovery runway objectives.

Outlook

This summer, some of our hotels are seeing significantly less occupancy compared to this time a year ago. That difference will be very significant to our 2021 results as the trading results in the first three months of 2020 were similar to 2019 and was reflected in the small profit that we announced in our 2020 interim results. Our property development activities are expected to perform positively and will again be the main driver for group profit this year.

MCK continues to have the benefit of a strong balance sheet and capital reserves which it will look to use and manage carefully to preserve and improve its assets. During 2021, the Board will work with Management to review our core operations to see how our business units and our operations generally can scale up when we need to and ensure our product remains attractive and competitive to Kiwis and future international visitors alike.

As I said earlier, having survived 2020, our thoughts now turn to how best to position the business to ensure that we are well-placed for the post-COVID recovery when it comes. Much depends on circumstances outside of our control. International travel to New Zealand will not be returning to volumes which will allow significant overseas tourism until COVID-19 is well under control globally.

While New Zealanders will hopefully continue to enjoy a level of freedom of movement which is better than other parts of the world, we do not expect to see a sustained domestic travel market developing over the short to medium term which will replace or eclipse what international visitors have brought in the past. Until such time as we can welcome international visitors back to New Zealand, our revenue and our results will reflect this.

Colin Sim
Chairman
17 February 2021

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LOOKS TO THE FUTURE AFTER "HORRID" 2020.

Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) today reported its preliminary results for the year ended 31 December 2020 and announced a profit after tax and attributable to owners of the parent of $46.0 million on total revenue of $172.0 million.

"Our results are not from our hotel operations, rather they reflect the contribution from our property development operations such as our majority-owned subsidiary CDL Investments and a significant tax credit which was recorded during the year", said MCK's Chair Colin Sim. "The headline numbers mask the fact that 2020 has been a horrid year overall for our hotel business and its impact will continue to be felt well into 2021 and beyond", he said.

MCK's hotel operations made a small profit before tax of $1.9 million in 2020, a decline of 94% on the previous year.

"It has been like owning a shop where over 70 percent of our customers were stopped from entering it", said MCK's Managing Director Mr. B K Chiu. "Of course we are fully supportive of the health response over the course of 2020 but the fact is that our business was devastated. Our 2021 occupancy so far, especially in key tourist destinations, is significantly less than what we saw twelve months ago", he said. "Nevertheless, our strong balance sheet and an agile organization sets us up to manage the new demands for recovery and to make future investment decisions" he added.

By comparison, MCK's property development activities in 2020 were "remarkable" and as well as CDL Investments' strong result, contributions also came from the sale of apartment units at the Zenith Residences in Sydney.

"Our property development activities will continue to be the critical element in bolstering MCK's profitability for the foreseeable future and we're committed to providing support as required to allow them to do well", said Mr. Sim.

MCK also signaled that it was continuing to refurbish and reinvest in its properties and announced that major refurbishment works has been completed at Copthorne Hotel & Resort Queenstown Lakefront in Q4 last year and that works would shortly commence at Kingsgate Hotel Greymouth and Millennium Hotel Queenstown. Other hotels such as Millennium Hotel Rotorua would also be looked at for refurbishment during the course of 2021.

While MCK was profitable in 2020, the Board resolved not to declare a dividend for the 2020 year and will instead deploy the funds for refurbishment and reinvestment in its hotels. This will also allow MCK to ensure it has sufficient capital reserves to continue to trade as well as optimize its financial resources in its recovery runway objectives.

Speaking to the year ahead, Mr. Sim noted that trading conditions would continue to be difficult for MCK's core business.

"While we don't expect 2021 to be as bad operationally, things will remain difficult. Kiwis do have freedom of movement within New Zealand that is the envy of many other countries and they are travelling but a return to pre-COVID revenue levels and profitability within our hotel operations may be many Matariki away and will depend on factors that are completely outside our control", he said.

"MCK has shown its resilience and its ability to survive during the toughest circumstances. We are cautiously optimistic about the future as we work towards a successful recovery."

Summary of results:

• Group revenue	$172.0 million	(2019: $229.7m)
• Profit before tax and non-controlling interests	$50.9 million	(2019: $85.4m)
• Profit after tax and non-controlling interests	$46.0 million	(2019: $49.7m)
• Shareholders' funds excluding non-controlling interests	$743.6 million	(2019: $715.3m)
• Total assets	$987.9 million	(2019: $1,008.2m)
• Earnings per share (cents per share)	29.05 cents	(2019: 31.39 cents)

ENDS

Issued by Millennium & Copthorne Hotels New Zealand Limited
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MILLENNIUM
HOTELS AND RESORTS

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

STOCK EXCHANGE ANNOUNCEMENT 17 February 2021

LESLIE PRESTON APPOINTED TO THE BOARD OF MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

Millennium & Copthorne Hotels New Zealand Limited (NZX:MCK) advises that the Board has appointed Leslie Preston to its Board with effect from 1 March 2021.

Originally from New York, Leslie Preston founded Bachcare Holiday Homes ("Bachcare") in 2003 and was CEO and a director until 2020. Under her leadership Bachcare grew to become the leading full-service holiday home rental management company in New Zealand and was named one of The World's Top 20 Vacation Rental Companies in 2019.

"I am delighted that MCK has been able to appoint Leslie to the Board after a very careful and extensive search process. She is very well known in the industry and will bring her in-depth knowledge of the New Zealand markets as well as extensive commercial acumen to our company", said MCK Chair Colin Sim.

Leslie has worked for KPMG Peat Marwick and Bankers Trust in the United States and for Boston Consulting Group and BellSouth / Vodafone in New Zealand. Her senior management experience has included roles in marketing, customer and corporate operations as well as business strategy. She holds an MBA from Stanford University Graduate School of Business and a BA (Cum Laude) from Franklin and Marshall College, Pennsylvania.

"I am pleased to be joining the Board of one of New Zealand's hotel industry leaders and see this as another opportunity to contribute to the tourism sector especially in these very difficult times. I am therefore looking forward to helping MCK deal with the significant challenges ahead", she said.

The Board has determined in accordance with NZX Listing Rules that Ms. Preston is an independent director. Ms. Preston will be seeking election at MCK's 2021 Annual Meeting of shareholders which is scheduled for 25 May 2021.

ENDS

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