



MILLENNIUM  
HOTELS AND RESORTS

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MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LTD

# ANNUAL REPORT 2019





Lake Te Anau



Oriental Bay Wellington



Jimmy Cook's Bar at Copthorne Hotel Auckland City which features 72 gins from 14 countries. Featuring (from left to right) Paul Mii (Hotel Maintenance) who built the display at the bar to showcase all the drinks, Anna Zhukova (Restaurant Manager) and Tim Reynolds (General Manager.)



Housekeeping at M Social Auckland



Trail biking - a popular pastime in New Zealand.

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## Revenue

<b>2015</b>	<b>2016</b>	<b>2019</b> \$229.7m
\$136.5m	\$172.0m	
<b>2017</b>	<b>2018</b>	
\$187.3m	\$218.8m	

## Profit After Tax & NCI

<b>2015</b>	<b>2016</b>	<b>2019</b> \$49.7m
\$21.7m	\$40.4m	
<b>2017</b>	<b>2018</b>	
\$43.1m	\$49.4m	

## Dividend

<b>2015</b>	<b>2016</b>	<b>2019</b> 7.5cps
2.8cps	5.0cps	
<b>2017</b>	<b>2018</b>	
6.0cps	7.5cps	

## Total Assets

<b>2015</b>	<b>2016</b>	<b>2019</b> \$1,008m
\$590.0m	\$713.9m	
<b>2017</b>	<b>2018</b>	
\$828.2m	\$898.2m	

## Group Equity

<b>2015</b>	<b>2016</b>	<b>2019</b> \$715.3m
\$389.3m	\$489.1m	
<b>2017</b>	<b>2018</b>	
\$588.9m	\$640.3m	

## Net Asset Backing / Per Share

<b>2015</b>	<b>2016</b>	<b>2019</b> \$4.52
\$2.46	\$3.09	
<b>2017</b>	<b>2018</b>	
\$3.72	\$4.04	

## Calendar

Annual Report issued 20 March 2020

Dividend Paid 15 May 2020

Annual Meeting 26 May 2020

Half Year End 30 June 2020

Financial Year End 31 December 2020



**Colin Sim**  
Chairman



**BK Chiu**  
Managing Director

# CHAIRMAN'S

## Financial Performance & Financial Position

Millennium & Copthorne Hotels New Zealand Limited (NZX:MCK) is pleased to report that, for the year ended 31 December 2019, it generated a profit attributable to owners of the parent of \$49.7 million (2018: \$49.4 million).

MCK also noted an increase in revenue for the year to \$229.7 million (2018: \$218.8 million). Its 2019 profit before tax and non-controlling interests was \$85.4 million (2018: \$85.1 million) reflecting consistent performance in more challenging market conditions for its hotel and residential property development operations. Despite these challenges, MCK's earnings per share increased to 31.39 cents per share (2018: 31.21 cents per share).

As at 31 December 2019, MCK recorded shareholders' funds excluding non-controlling interests of \$715.3 million (2018: \$640.3 million) and total assets of \$1,008.2 million (2018: \$898.2 million) with net asset backing (with land and building revaluations and before distributions) increasing to 451.78 cents per share (2018: 404.41 cents per share).

## New Zealand Hotel Operations

In an environment which has seen increased inventory in key tourism centres coupled with a slowing in the growth of international visitors to New Zealand, the New Zealand hotels were able to maintain their revenue at levels seen over the past three years which totaled \$126.6 million (2018: \$126.5 million) and Revenue per Available Room (RevPAR) increasing slightly to \$132.46 (2018: \$130.63). Occupancy for the year remained steady at 80.8% (2018: 80.9%). Gross Operating Profit decreased by 1.9%. This was due to increasing cost pressures during 2019 such as utility and payroll cost increases which are expected to continue into 2020.

In 2019 MCK's "book direct" and "think local" initiatives saw increases in the number of bookings made by customers directly with MCK. This is an encouraging trend and one which MCK is keen to see improve further.

Geographically, MCK's marketing operations focused on diversifying its customer base

originating from new and emerging markets such as South-East Asia and India. With some key markets showing signs of weakness, we believe that growth from such emerging markets will be a key factor in maintaining market share and growing future revenues.

Within New Zealand itself, MCK was pleased with the performance of several of its regional hotels such as Kingsgate Hotel Dunedin, Copthorne Hotel Palmerston North, and Kingsgate Hotel Te Anau which traded positively during the year and indicate an increasing strength in such hotels.

2019 also saw MCK's talent pool upskilling with completions through the Service IQ programmes which assisted with retaining key operational staff at a number of our hotels. MCK continues to be focused on development of employees in an environment where attracting and retaining skilled employees will continue to contribute to productivity gains.

MCK is disappointed by the judgment in relation to the Accommodation Provider Targeted Rate handed down by the High Court last week. We are reviewing our options with our external lawyers and will determine whether an appeal should be pursued in the next few weeks.

## CDLI Investments New Zealand Limited ("CDLI")

CDLI announced an operating profit after tax for the year ended 31 December 2019 of \$34.1 million (2018: \$33.6 million). This marks ten successive years of profit growth. Given slowing markets, this is a very creditable result and reflected a resourceful sales strategy in the latter half of 2019.

MCK is encouraged that CDLI is progressing well with development works and has commenced sales at Dominion Road (South Auckland) and Kewa Road (North Shore) already.

CDLI maintained its ordinary dividend to 3.5 cents per share which MCK will again take in cash when paid in May this year.



Indoor pool at Millennium Hotel Rotorua.



Courtyard Garden at Millennium Hotel Rotorua.

# REVIEW

## Australia Update

During 2019, six apartments at the Zenith Residences were sold and achieved attractive margins. Other units are being actively marketed for sale and we expect that these sales will boost MCK's 2020 results.

Leasing of the remaining portfolio continues at an annual average occupancy rate of 92.6%. The Board is targeting further sales in 2020.

## Dividend Announcement

MCK's Board has resolved to declare and pay all shareholders a fully imputed dividend of 7.5 cents per share which is the same as 2018 and reflects MCK's stable earnings profile. The dividend, payable to all shareholders, will be paid on 15 May 2020 with a record date of 8 May 2020.

## Outlook

The recent travel issues associated with the Novel Coronavirus will impact on MCK's first quarter operations and results. A number of our hotels in high tourism areas are receiving cancellations from several Chinese operators as the Chinese and New Zealand Governments' travel bans and other containment measures come into effect. Cancellations received to date will result in revenue loss of between NZ\$2 million and NZ\$3 million with more cancellations expected for future months. We have been advised that this revenue loss will not be covered by insurance. Management is implementing urgent response plans to mitigate the effect of these cancellations. A health and safety plan is now in full effect at MCK's hotels. Given that the situation is extremely fluid, the Board will monitor the situation carefully and will update shareholders if the position changes.

With increased hotel inventory in Auckland and other key tourism hotspots in New Zealand,

MCK's hotels will need to work resourcefully to ensure that they are well positioned in key segments throughout this year without the benefit of any major events in New Zealand until 2021 and with tourism coming off its historic peak. We expect that MCK's land development operations will deliver positive contributions to the bottom line during the coming year and sales of the Zenith Residences units will add to overall profitability.

The Board will continue to oversee progress against Management's targets closely to ensure that shareholders are able to receive positive returns despite what are expected to be difficult trading conditions during this year.

On behalf of my fellow MCK directors, I thank all of MCK's management and staff for their efforts in 2019.

Colin Sim  
Chairman  
10 February 2020



Social Lounge at M Social Auckland.

# MANAGING DIRECTOR'S REVIEW



Roy Clifton (Hotel Maintenance) attending to the herb seedlings grown in the greenhouse nursery in Copthorne Hotel & Resort Bay of Islands.

*The oft-quoted saying “may you live in interesting times” has certainly proved true for the last two years and even more so over the first few weeks of this year. Perhaps these might be described as “existential” times.*

COVID-19 has demonstrated the obvious and the not-so-obvious linkages within the global economy and their fragility. One immediate impact on an export dependent economy like New Zealand is the quick downturn of the export sectors and tourism is one of them. There are and will be further negative business, asset and employment impacts on large to small and medium enterprises. What are mere numbers from the Ministry of Business, Innovation and Employment showing the broad range of business sectors benefitting from tourism are now playing out in the real world in real time to the distress of many -- the airlines, airports, telco companies, banks, rental vehicle operators, taxis, coaches, restaurants, retail, petrol stations, rural businesses, tourist attractions, and accommodation. It is inevitable that a broad spectrum of livelihoods will be affected. At the government level, the GST take will plummet. The social costs including health and employment will follow. Tourism touches many means of livelihood more than most people realise.

*New Zealand’s tourism and agricultural sectors are both real economies whose productivity competes brilliantly with the rest of the world. Yet these two sectors of the economy, particularly tourism, have been badly neglected by policy makers. Both sectors have been hobbled with new productivity-depleting costs which are selectively discriminating. False facts and spurious conclusions have been used to justify new tax and rating policies onto minority accommodation owning ratepayers. They reduce the tourism industry’s overall competitiveness with our international competitors. They hurt our economy.*

A crisis like this focuses the mind. We need an open and honest debate moderated by academia, the business community, industry stakeholders as well as Government. The recent findings of the NZ Productivity Commission looking into local government funding are welcome and a useful starting point. The investigation by the Commission into areas such as tourism infrastructure, land taxation and property development also made us focus on many of the same issues we have to deal with as an employer, rate payer and property owner across New Zealand. We

Kaffir limes and chillis growing in our hotels' gardens.



welcome a more constructive dialogue with central and local Government on all of these issues and the opportunity to resolve them with principled discipline and wisdom rather than a piecemeal approach based on expediency.

Over the past five years we have paid a lot of attention to making sure that MCK's financial position is robust and we have also sought to ensure that our operations have sufficient resilience to withstand a crisis such as the one we are facing now. Since the post-Canterbury earthquake of 2011, we have channeled our resources into our New Zealand properties. Shareholders have been able to receive the rewards of that investment and hard work.

All that said, we cannot forget to keep our eye on our day-to-day business. While it is clear that effects of COVID-19 will have significant impacts for the world generally, it is important to focus on what we are doing now as well as what we expect to do when normalcy returns. Our immediate focus is preserving our business – that means mitigating revenue losses and the effects on our staff and our hotels and having a renewed focus on cost management. We are in regular contact with our Chinese and local agents and customers and working with them to maintain our business relationships which we have built up over many years.

Our future focus is on the fact that New Zealand will be hosting some major geopolitical and sporting events from 2021 including the Asia-Pacific Economic Co-Operation (APEC) Forum, the 36th defence of the America's Cup in Auckland and the Women's Rugby World Cup. All these and their associated events have the potential to reinvigorate the tourism sector in New Zealand and put New Zealand on the global tourism map once again. For MCK to ensure we take maximum advantage of these events, we must use the opportunities this year to ensure that our key properties are ready. That is why we are implementing the steps to refurbish and improve our properties during 2020 in readiness for a busy 2021.

*As a group, we remain confident with our owner / operator strategy which has seen us reinvest in our hotels, selectively acquire new properties such as Millennium Hotel New Plymouth Waterfront and, for CDL Investments, we have increased our residential development land portfolio. We continue to look for other selective opportunities which will broaden our New Zealand footprint and we have the financial resources to do that.*

A return to Christchurch in a meaningful way is another project which we have been working on. At the end of 2019, there was media speculation that MCK might sell its former Copthorne Hotel Christchurch Central site which was incorrect. Our site is close to the soon-to-be-completed Te Pae Christchurch Convention Centre and the Avon River. We have several design concepts that will take advantage of both aspects and will give Christchurch the additional visitors and accommodation in the central city.

In 2019, we took a good look at how we as a company could innovate and use innovative technologies from the ground up. Construction costs, timeliness and quality assurance remain challenges for new-build hotels. We therefore took deeper dives into modular and volumetric construction and engaged with our global colleagues on its viability. Our proposed Whangarei hotel which we announced in November 2019 will likely utilize these technologies. This can be an opportunity to utilize what we have been looking at in New Zealand. The experience with this technology may be put to use both in our Christchurch rebuild, a new hotel in Queenstown on land that we own next to Lake Wakatipu and other regional locations.

It is therefore obvious to all that these are "interesting times" indeed. As difficult as the current issues are, we must have confidence that we will get through the immediate crisis, reverse the downward trend in productivity and continue to seek opportunities over time.

**B K Chiu**  
Managing Director



# PARTNERSHIPS FOR

New Zealand Fashion Week model casting at Grand Millennium Auckland Atrium Bar.



## *Sustainability & New Zealand Fashion Week*

Grand Millennium Auckland became home to two beehives as part of the “Bees Up Top” Initiative.

When New Zealand Fashion Week announced the theme for 2019 event was sustainability, being the elite sponsor for the event, Millennium Hotels and Resorts New Zealand celebrated with a honey theme.

Grand Millennium Auckland, selected as an accommodation hub for designers, buyers, and guests coming into town for the fashion festival, created a Secret Garden. Part of the lobby was converted into a garden space with a wall made from plants where guests were able to relax in. Guests were also able to take flower seeds home to grow.

Our hotels also took part in creating signature honey themed cocktails such as the “Bee’s Knees” consisting of gin, honey, and lemon which was a popular choice of drinks to guests before or after the show.

### **FUN FACT**

Over 100,000 bees live in our 2 hives at Grand Millennium Auckland.



“Secret Garden” display for New Zealand Fashion Week.



# THE FUTURE

## *Conferences*

In 2019 the National Conference Sales team focused on keeping in front of our clients and maintaining a strong relationship.

They won the best Independent stand at MEETINGS 2019, the biggest business events tradeshow in New Zealand.

*Alison Smith (National Director of Sales, Conferences and Incentives) at the MEETINGS trade show.*



## *Partnership with Kapiti Cheese*

In collaboration with Fonterra, Millennium Hotels and Resorts New Zealand once again created a National Cheese Festival ‘Festival du Fromage’. Fonterra supplied MCK hotels with ‘inspiration kits’ for our chefs to come up with concepts for their dishes.

Cheese dishes ranged in variety from “Kapiti Five Cheese Pizza” to “6-Hours Braised Beef Short Rib with Kikorangi Blue Cheese Rosti”.

*Kapiti cheese board for the Festival du Fromage.*

# DIRECTORS' PROFILES

## **COLIN SIM**

### **Chairman & Independent Director**

Mr. Sim is the executive chairman of the East Quarter Group of companies (East Quarter Hurstville, EQ Projects and EQ Constructions) (EQ) in Australia. EQ is currently involved in the development and construction of residential units across New South Wales. Mr. Sim is also an executive director of Waterbrook Lifestyle Resorts (Waterbrook); an award-winning creator, developer and operator of luxury resort lifestyles for retirees. Mr. Sim has strong analytical skills and extensive experience in construction and property development/investment in Australia. He studied Mechanical Engineering in London and has lived in Sydney, Australia for the last 40 years. Mr. Sim was appointed to the Board in July 2017 and was elected to the Board at the 2018 Annual Meeting of shareholders.

## **GRAHAM MCKENZIE**

### **Independent Director, Member of the Audit Committee**

Mr. McKenzie is a Barrister and Solicitor with over thirty years experience in corporate and commercial law and is a former Partner and Consultant to Bell Gully, a leading New Zealand law firm. He is currently a member of the New Zealand Law Society Disciplinary Tribunal. Mr. McKenzie is a member of the New Zealand Law Society and the Queensland Law Society, Australia and holds a Bachelor of Laws degree from Victoria University, Wellington and a Master of Laws degree from Warwick University, England. Mr. McKenzie was a Director of CDL Investments New Zealand Limited from 2005 to 2006. Mr. McKenzie was last re-elected to the Board at the 2019 annual meeting of shareholders.

## **KEVIN HANGCHI**

### **Non-Executive Director**

Mr. Hangchi is currently Senior Vice President, Hong Leong Management Services Pte. Limited. He has global transactional experience across many of the Hong Leong Group's entities including listings and public offerings, mergers and acquisitions as well as capital markets issuances and banking facilities. Mr. Hangchi has been called to the English and Singaporean bars and holds an honours degree in Accountancy and Law from the University of Southampton. Mr. Hangchi was last re-elected to the Board at the 2018 annual meeting of shareholders.

## **B K CHIU**

### **Managing Director**

Mr. Chiu is also the Managing Director of CDL Investments New Zealand Limited. Prior to joining the company, Mr. Chiu was Regional Vice - President and Managing Director, Asia of Merisant Company. He holds a Masters degree in agricultural economics and marketing from Massey University, Palmerston North. Mr. Chiu was last re-elected to the Board at the 2017 annual meeting of shareholders.

## **EIK SHENG KWEK**

### **Non-Executive Director**

Mr. Kwek is currently the Group Chief Strategy Officer of City Developments Limited ("CDL") and has been in that role since 2018. Mr. Kwek joined CDL in 2009, covering Business Development for overseas projects before being appointed as Head of Corporate Development. He assumed his role as Chief Strategy Officer in 2014 and was additionally appointed Head, Asset Management in April 2016. Prior to joining CDL, he was with the Hong Leong Group of companies in Singapore specialising in corporate finance roles since 2006. He is also Executive Director of Millennium & Copthorne Hotels Limited, previously listed on the London Stock Exchange as Millennium & Copthorne Hotels plc. He holds a Bachelor of Engineering in Electrical and Electronics Engineering from Imperial College of Science, Technology and Medicine and a Master of Philosophy in Finance from Judge Business School, Cambridge University. Mr. Kwek was appointed to the Board on 1 January 2020 and will be required to be elected by shareholders at the next annual meeting of shareholders.

## **RICHARD BOBB**

### **Independent Director, Chair of the Audit Committee**

Mr. Bobb is a Chartered Accountant with over thirty five years experience. He is currently a member of the Professional Conduct Tribunal of the Institute of Chartered Accountants in Australia and was a member of New South Wales Joint State Taxes Committee of the Institute of Chartered Accountants in Australia and the CPA Australia. He was also a member and past Chairman of the Joint Legislation Review Committee and a member and past Chairman the Legislation Review Board of the Institute of Chartered Accountants in Australia and the CPA Australia. He is admitted as a Barrister in New South Wales. Mr. Bobb was last re-elected to the Board at the 2018 annual meeting of shareholders.

# HOTEL OWNERSHIP

## MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

### OWNED

Millennium Hotel New Plymouth Waterfront  
Millennium Hotel Rotorua  
M Social Auckland  
Copthorne Hotel & Resort Bay of Islands (49%)  
Copthorne Hotel & Resort Queenstown Lakefront  
Kingsgate Hotel Greymouth  
Kingsgate Hotel Te Anau

## QUANTUM LIMITED

### OWNED

Millennium Hotel Queenstown  
Copthorne Hotel Auckland City  
Copthorne Hotel Rotorua  
Copthorne Hotel Palmerston North  
Copthorne Hotel Wellington Oriental Bay  
Copthorne Hotel & Apartments Queenstown Lakeview  
Kingsgate Hotel Dunedin

### FRANCHISED

Millennium Hotel & Resort Manuels Taupo  
Copthorne Hotel & Resort Hokianga  
Copthorne Hotel Grand Central New Plymouth  
Copthorne Hotel & Resort Solway Park Wairarapa  
Kingsgate Hotel The Avenue Wanganui

## HOSPITALITY SERVICES LIMITED

### MANAGED

Grand Millennium Auckland  
Kingsgate Hotel Autolodge Paihia



Copthorne Hotel Wellington Oriental Bay

# MILLENNIUM HOTELS & RESORTS IN NEW ZEALAND



## MILLENNIUM COLLECTION

### Grand Millennium Auckland

71 Mayoral Drive, Auckland  
**Phone** +64 9 366 3000  
[grandmillennium.auckland@millenniumhotels.co.nz](mailto:grandmillennium.auckland@millenniumhotels.co.nz)

### Millennium Hotel Rotorua

Cnr Eruera & Hinemaru Streets, Rotorua  
**Phone** +64 7 347 1234  
**Fax** +64 7 348 1234  
[millennium.rotorua@millenniumhotels.co.nz](mailto:millennium.rotorua@millenniumhotels.co.nz)

### Millennium Hotel & Resort Manuels Taupo

243 Lake Terrace, Taupo  
**Phone** +64 7 378 5110  
**Fax** +64 7 378 5341  
[millennium.taupo@millenniumhotels.co.nz](mailto:millennium.taupo@millenniumhotels.co.nz)

### Millennium Hotel Queenstown

Cnr Frankton Road & Stanley Street, Queenstown  
**Phone** +64 3 450 0150  
**Fax** +64 3 441 8889  
[millennium.queenstown@millenniumhotels.co.nz](mailto:millennium.queenstown@millenniumhotels.co.nz)

### Millennium Hotel New Plymouth Waterfront

1 Egmont St, New Plymouth  
**Phone** +64 6 769 5301  
**Fax** +64 6 769 5302  
[millennium.newplymouth@millenniumhotels.co.nz](mailto:millennium.newplymouth@millenniumhotels.co.nz)



## M COLLECTION

### M Social Auckland

196 - 200 Quay Street, Auckland  
**Phone** +64 9 377 0349  
[msocial.auckland@millenniumhotels.com](mailto:msocial.auckland@millenniumhotels.com)



## COPTHORNE COLLECTION

### Cophorne Hotel & Resort Bay of Islands

Tau Henare Drive, Paihia  
**Phone** +64 9 402 7411  
**Fax** +64 9 402 8200  
[cophorne.bayofislands@millenniumhotels.co.nz](mailto:cophorne.bayofislands@millenniumhotels.co.nz)

### Cophorne Hotel & Resort Hokianga

S.H 12 Omapere, Hokianga  
**Phone** +64 9 405 8737  
**Fax** +64 9 405 8801  
[cophorne.hokianga@millenniumhotels.co.nz](mailto:cophorne.hokianga@millenniumhotels.co.nz)

### Cophorne Hotel Auckland City

150 Anzac Avenue, Auckland  
**Phone** +64 9 379 8509  
**Fax** +64 9 379 8582  
[cophorne.aucklandcity@millenniumhotels.co.nz](mailto:cophorne.aucklandcity@millenniumhotels.co.nz)

### Cophorne Hotel Rotorua

Fenton Street, Rotorua  
**Phone** +64 7 348 0199  
**Fax** +64 7 346 1973  
[cophorne.rotorua@millenniumhotels.co.nz](mailto:cophorne.rotorua@millenniumhotels.co.nz)

### Cophorne Hotel Grand Central

New Plymouth  
42 Powderham Street, New Plymouth  
**Phone** +64 6 758 7495  
**Fax** +64 6 758 7496  
[cophorne.newplymouth@millenniumhotels.co.nz](mailto:cophorne.newplymouth@millenniumhotels.co.nz)

### Cophorne Hotel Palmerston North

110 Fitzherbert Avenue, Palmerston North  
**Phone** +64 6 356 8059  
**Fax** +64 6 356 8604  
[cophorne.palmerston@millenniumhotels.co.nz](mailto:cophorne.palmerston@millenniumhotels.co.nz)

### Cophorne Hotel & Resort Solway Park Wairarapa

High Street, South Masterton  
**Phone** +64 6 370 0500  
**Fax** +64 6 370 0501  
[reservations@solway.co.nz](mailto:reservations@solway.co.nz)

### Cophorne Hotel Wellington Oriental Bay

100 Oriental Parade, Wellington  
**Phone** +64 4 385 0279  
**Fax** +64 4 384 5324  
[cophorne.orientalbay@millenniumhotels.co.nz](mailto:cophorne.orientalbay@millenniumhotels.co.nz)

### Cophorne Hotel & Resort Queenstown Lakefront

Cnr Adelaide Street and Frankton Road, Queenstown  
**Phone** +64 3 450 0260  
**Fax** +64 3 442 7472  
[cophorne.lakefront@millenniumhotels.co.nz](mailto:cophorne.lakefront@millenniumhotels.co.nz)

### Cophorne Hotel & Apartments Queenstown Lakeview

88 Frankton Road, Queenstown  
**Phone** +64 3 442 8066  
**Fax** +64 3 442 8066  
[cophorne.lakeview@millenniumhotels.co.nz](mailto:cophorne.lakeview@millenniumhotels.co.nz)

### Kingsgate Hotel Autolodge Paihia

Marsden Road, Paihia  
**Phone** +64 9 402 7416  
**Fax** +64 9 402 8348  
[kingsgate.paihia@millenniumhotels.co.nz](mailto:kingsgate.paihia@millenniumhotels.co.nz)

### Kingsgate Hotel The Avenue Wanganui

379 Victoria Avenue, Wanganui  
**Phone** +64 6 349 0044  
**Fax** +64 6 345 3250  
[kingsgate.wanganui@millenniumhotels.co.nz](mailto:kingsgate.wanganui@millenniumhotels.co.nz)

### Kingsgate Hotel Greymouth

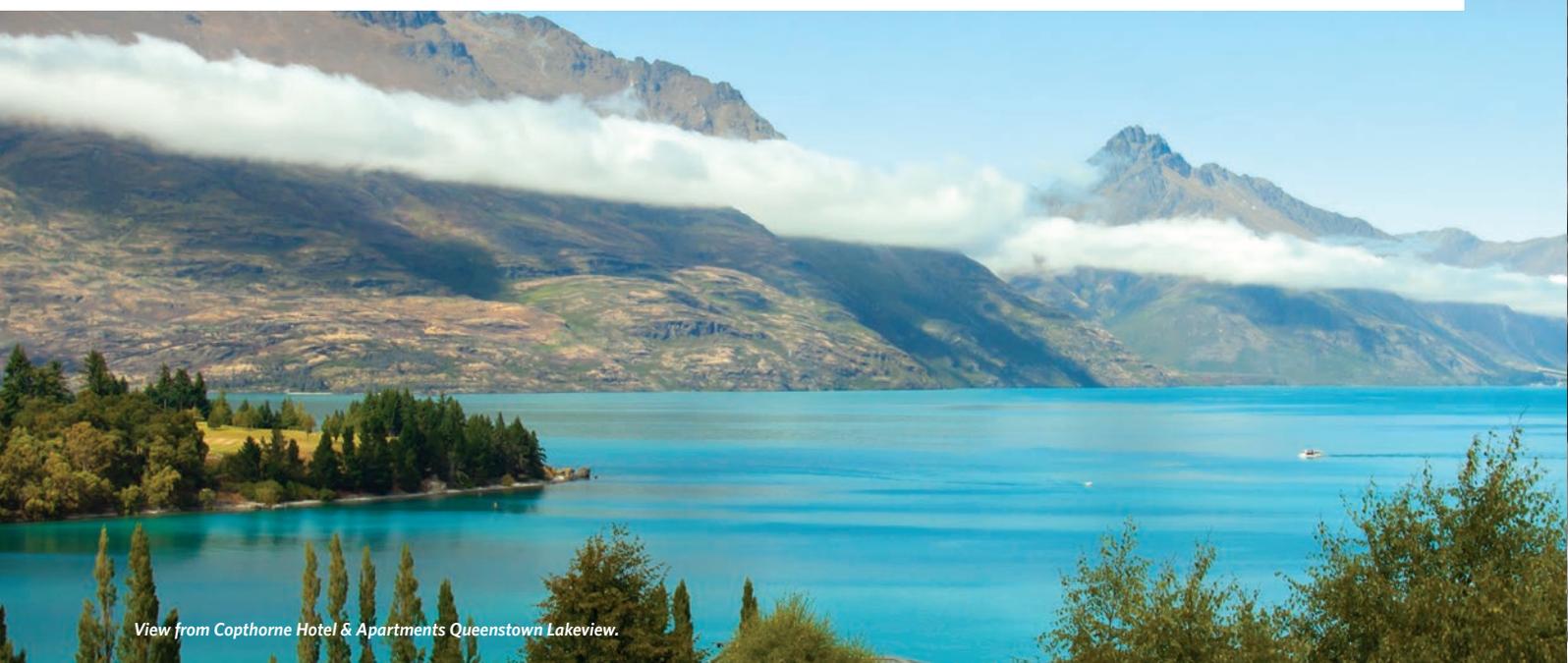
32 Mawhera Quay, Greymouth  
**Phone** +64 3 768 5085  
**Fax** +64 3 768 5844  
[kingsgate.greymouth@millenniumhotels.co.nz](mailto:kingsgate.greymouth@millenniumhotels.co.nz)

### Kingsgate Hotel Te Anau

20 Lakefront Drive, Te Anau  
**Phone** +64 3 249 7421  
**Fax** +64 3 249 8037  
[kingsgate.teanau@millenniumhotels.co.nz](mailto:kingsgate.teanau@millenniumhotels.co.nz)

### Kingsgate Hotel Dunedin

10 Smith Street, Dunedin  
**Phone** +64 3 477 6784  
**Fax** +64 3 474 0115  
[kingsgate.dunedin@millenniumhotels.co.nz](mailto:kingsgate.dunedin@millenniumhotels.co.nz)



View from Cophorne Hotel & Apartments Queenstown Lakeview.



# MILLENNIUM

HOTELS AND RESORTS

*More than Meets the Eye*

## Financial Statements - Contents

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Staff members of Copthorne Hotel & Resort Bay of Islands Roy Clifton (Hotel Maintenance), Brad Watts (General Manager) and Chef Dhir Sanghi in the herb garden.

# Millennium & Copthorne Hotels New Zealand Limited

## Consolidated Income Statement

For the year ended 31 December 2019

DOLLARS IN THOUSANDS	Note	Group	Group
		2019	2018
Hotel revenue		126,618	126,478
Rental income		2,698	3,009
Property sales		100,353	89,351
<b>Revenue</b>		<b>229,669</b>	<b>218,838</b>
Cost of sales	3,10	(97,628)	(89,004)
<b>Gross profit</b>		<b>132,041</b>	<b>129,834</b>
Administration expenses	2,3	(24,558)	(24,833)
Other operating expenses	2,3	(23,246)	(21,923)
<b>Operating profit</b>		<b>84,237</b>	<b>83,078</b>
Finance income	4	3,900	3,772
Finance costs	4	(2,735)	(1,748)
<b>Net finance income</b>		<b>1,165</b>	<b>2,024</b>
<b>Profit before income tax</b>		<b>85,402</b>	<b>85,102</b>
Income tax expense	5	(23,134)	(23,146)
<b>Profit for the year</b>		<b>62,268</b>	<b>61,956</b>
<b>Attributable to:</b>			
Owners of the parent		49,662	49,375
Non-controlling interests		12,606	12,581
<b>Profit for the year</b>		<b>62,268</b>	<b>61,956</b>
Basic earnings per share (cents)	8	31.39	31.21
Diluted earnings per share (cents)	8	31.39	31.21

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

DOLLARS IN THOUSANDS	Note	Group	Group
		2019	2018
<b>Profit for the year</b>		<b>62,268</b>	<b>61,956</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation/impairment of property, plant and equipment	9	45,700	20,075
- Tax expense on revaluation/impairment of property, plant and equipment	5, 15	(8,886)	(5,541)
		<b>36,814</b>	<b>14,534</b>
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign exchange translation movements	4	(298)	(3,060)
- Tax credit on foreign exchange translation movements	4, 5	1	(76)
		<b>(297)</b>	<b>(3,136)</b>
<b>Total comprehensive income for the year</b>		<b>98,785</b>	<b>73,354</b>
<b>Total comprehensive income for the year attributable to :</b>			
Owners of the parent		86,861	60,773
Non-controlling interests		11,924	12,581
<b>Total comprehensive income for the year</b>		<b>98,785</b>	<b>73,354</b>

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						Total Equity	
	Share Capital	Revaluation Reserve	Exchange Reserve	Retained Earnings	Treasury Stock	Total		Non-controlling Interests
<b>DOLLARS IN THOUSANDS</b>								
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
<b>Balance at 31 December 2019</b>	<b>383,266</b>	<b>274,495</b>	<b>(3,319)</b>	<b>60,837</b>	<b>(26)</b>	<b>715,253</b>	<b>91,747</b>	<b>807,000</b>

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 2018  
Group

	Attributable to equity holders of the Group						Total Equity	
	Share Capital	Revaluation Reserve	Exchange Reserve	Retained Earnings	Treasury Stock	Total		Non-controlling Interests
<b>DOLLARS IN THOUSANDS</b>								
Balance at 1 January 2018	383,266	222,465	114	(16,939)	(26)	588,880	74,810	663,690
Movement in exchange translation reserve, net of tax	-	-	(3,136)	-	-	(3,136)	-	(3,136)
Revaluation/impairment of property, plant & equipment, net of tax	-	14,534	-	-	-	14,534	-	14,534
Total other comprehensive income/(loss)	-	14,534	(3,136)	-	-	11,398	-	11,398
Profit for the year	-	-	-	49,375	-	49,375	12,581	61,956
Total comprehensive income for the year	-	14,534	(3,136)	49,375	-	60,773	12,581	73,354
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(9,493)	-	(9,493)	-	(9,493)
Non-controlling interests	-	-	-	-	-	-	(4,231)	(4,231)
Supplementary dividends	-	-	-	(242)	-	(242)	-	(242)
Foreign investment tax credits	-	-	-	242	-	242	-	242
Movement in non-controlling interests without a change in control	-	-	-	99	-	99	454	553
<b>Balance at 31 December 2018</b>	<b>383,266</b>	<b>236,999</b>	<b>(3,022)</b>	<b>23,042</b>	<b>(26)</b>	<b>640,259</b>	<b>83,614</b>	<b>723,873</b>

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

# Millennium & Copthorne Hotels New Zealand Limited

## Consolidated Statement of Financial Position

As at 31 December 2019

DOLLARS IN THOUSANDS	Note	<u>Group</u> 2019	<u>Group</u> 2018
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital	7	383,266	383,266
Reserves		332,013	257,019
Treasury stock	7	(26)	(26)
<b>Equity attributable to owners of the parent</b>		<b>715,253</b>	<b>640,259</b>
Non-controlling interests		91,747	83,614
<b>Total equity</b>		<b>807,000</b>	<b>723,873</b>
<b>Represented by:</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	9	591,749	532,124
Development properties	10	176,579	163,106
Investment in associates	11	2	2
<b>Total non-current assets</b>		<b>768,330</b>	<b>695,232</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12	43,182	14,437
Short term bank deposits		122,049	108,289
Trade and other receivables	13	21,138	21,515
Inventories		1,615	1,684
Development properties	10	51,887	57,025
<b>Total current assets</b>		<b>239,871</b>	<b>202,950</b>
<b>Total assets</b>		<b>1,008,201</b>	<b>898,182</b>
<b>NON CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	14	67,000	64,000
Lease liability	23	14,370	-
Provision for deferred taxation	15	84,968	75,844
<b>Total non-current liabilities</b>		<b>166,338</b>	<b>139,844</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	24,562	25,132
Trade payables due to related parties	21	4,054	2,364
Lease liability	23	429	-
Income tax payable		5,818	6,969
<b>Total current liabilities</b>		<b>34,863</b>	<b>34,465</b>
<b>Total liabilities</b>		<b>201,201</b>	<b>174,309</b>
<b>NET ASSETS</b>		<b>807,000</b>	<b>723,873</b>

For and on behalf of the Board




R BOBB, DIRECTOR, 10 February 2020

BK CHIU, MANAGING DIRECTOR, 10 February 2020

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

# Millennium & Copthorne Hotels New Zealand Limited

## Consolidated Statement of Cash Flows

For the year ended 31 December 2019

DOLLARS IN THOUSANDS	Note	<u>Group</u> 2019	<u>Group</u> 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Receipts from customers		228,282	215,311
Interest received		4,002	3,511
Dividends received	4	2	2
<b>Cash was applied to:</b>			
Payments to suppliers and employees		(134,003)	(115,782)
Purchases of development land	10	(9,138)	(51,557)
Interest paid		(1,569)	(1,755)
Income tax paid		(24,040)	(20,044)
<b>Net cash inflow from operating activities</b>		<b>63,536</b>	<b>29,686</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was (applied to)/provided from:</b>			
Proceeds from the sale of property, plant and equipment		113	46
Purchases of property, plant and equipment	9	(6,917)	(14,375)
Investments in short term bank deposits		(13,760)	(19,399)
<b>Net cash outflow from investing activities</b>		<b>(20,564)</b>	<b>(33,728)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was (applied to)/provided from:</b>			
Drawdown/(Repayment) of borrowings	14	3,000	(2,000)
Principal repayment of lease liability	23(f)	(1,385)	-
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	7	(11,866)	(9,493)
Dividends paid to non-controlling shareholders		(4,302)	(4,231)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(14,553)</b>	<b>(15,724)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>28,419</b>	<b>(19,766)</b>
Add opening cash and cash equivalents		14,437	34,195
Exchange rate adjustment		326	8
<b>Closing cash and cash equivalents</b>	12	<b>43,182</b>	<b>14,437</b>

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

# Millennium & Copthorne Hotels New Zealand Limited

## Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2019

DOLLARS IN THOUSANDS	Note	<u>Group</u> 2019	<u>Group</u> 2018
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES			
<b>Profit for the year</b>		62,268	61,956
<b>Adjusted for non-cash items:</b>			
Gain on sale of property, plant and equipment	2	(26)	(2)
Depreciation of property, plant and equipment	9	8,420	8,188
Depreciation of Right-Of-Use assets	9	1,300	-
Unrealised foreign exchange (gain)/losses		74	13
Income tax expense	5	23,134	23,147
		<b>95,170</b>	<b>93,302</b>
<b>Adjustments for movements in working capital:</b>			
(Increase)/Decrease in trade & other receivables		(1,271)	(3,786)
(Increase)/Decrease in inventories		69	(38)
(Increase)/Decrease in development properties		(8,529)	(42,820)
Increase/(Decrease) in trade & other payables		2,016	4,445
Increase/(Decrease) in related parties		1,690	383
<b>Cash generated from operations</b>		<b>89,145</b>	<b>51,486</b>
Interest paid		(1,569)	(1,755)
Income tax paid		(24,040)	(20,045)
<b>Cash inflows from operating activities</b>		<b>63,536</b>	<b>29,686</b>
<b>Reconciliation of movement of liabilities to cash flows arising from financing activities</b>			
As at 01 January		64,000	66,000
Proceeds from borrowings		3,000	-
Repayment of term loans		-	(2,000)
Financing cash flows		<u>3,000</u>	<u>(2,000)</u>
As at 31 December		<b>67,000</b>	<b>64,000</b>

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

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### **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 10 February 2020.

#### **(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 Group has adopted one standard, NZ IFRS 16 Leases which is mandatory for the financial period beginning on 1 January 2019. Explanation and impact on adoption of NZIFRS 16 are in Note 23.

The accounting policies have been applied consistently to all periods presented in these financial statements. The accounting policies are now included within the relevant notes to the consolidated financial statements.

#### **(d) Foreign currency**

##### **Foreign currency transactions**

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

#### **(e) Insurance proceeds**

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

#### **(f) Revenue**

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

Revenue represents amounts derived from:

- The ownership, management and operation of hotels: recognised on an accruals basis to match the provision of the related goods and services.
- Income from property rental: recognised on an accruals basis, straight line over the lease period. Lease incentives granted are recognised as an integral part of the total rental income.
- Income from development property sales: recognised when the customer obtains control of the property and is able to direct and obtain the benefits from the property.

# **Millennium & Copthorne Hotels New Zealand Limited**

## **Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

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# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 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

<i>Dollars In Thousands</i>	Hotel Operations		Residential Land Development		Residential Property Development		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
	External revenue	126,618	126,478	91,794	85,030	11,257	7,330	229,669
Earnings before interest, depreciation & amortisation	43,404	43,826	46,416	45,069	4,137	2,370	93,957	91,265
Finance income	2,520	1,923	1,029	1,652	351	197	3,900	3,772
Finance expense	(2,728)	(1,748)	(4)	-	(3)	-	(2,735)	(1,748)
Depreciation and amortisation	(8,410)	(8,172)	(1)	(1)	(9)	(14)	(8,420)	(8,187)
Depreciation of Right-Of-Use Assets	(1,277)	-	(14)	-	(9)	-	(1,300)	-
Profit before income tax	33,509	35,829	47,426	46,720	4,467	2,553	85,402	85,102
Income tax (expense)/credit	(8,507)	(9,565)	(13,286)	(13,078)	(1,341)	(503)	(23,134)	(23,146)
Profit after income tax	25,002	26,264	34,140	33,642	3,126	2,050	62,268	61,956
Segment assets	700,509	617,040	240,697	217,613	66,993	63,527	1,008,199	898,180
Investment in associates	-	-	2	2	-	-	2	2
Total assets	700,509	617,040	240,699	217,615	66,993	63,527	1,008,201	898,182
Segment liabilities	(108,131)	(88,083)	(1,046)	(2,207)	(1,238)	(1,206)	(110,415)	(91,496)
Tax liabilities	(86,215)	(78,178)	(4,143)	(4,813)	(428)	178	(90,786)	(82,813)
Total liabilities	(194,346)	(166,261)	(5,189)	(7,020)	(1,666)	(1,028)	(201,201)	(174,309)
Material additions to segment assets:								
Property, plant and equipment expenditure	6,896	14,326	6	-	15	49	6,917	14,375
Residential land development expenditure	-	-	44,677	29,329	-	-	44,677	29,329
Purchase of land for residential land development	-	-	9,138	51,557	-	-	9,138	51,557

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 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.

<i>Dollars In Thousands</i>	New Zealand		Australia		Group	
	2019	2018	2019	2018	2019	2018
External revenue	218,412	211,508	11,257	7,330	229,669	218,838
Earnings before interest, depreciation & amortisation	89,842	88,909	4,115	2,356	93,957	91,265
Finance income	3,549	3,575	351	197	3,900	3,772
Finance expense	(2,732)	(1,748)	(3)	-	(2,735)	(1,748)
Depreciation and amortisation	(8,411)	(8,173)	(9)	(14)	(8,420)	(8,187)
Depreciation of Right-Of-Use Assets	(1,291)	-	(9)	-	(1,300)	-
Profit before income tax	80,957	82,563	4,445	2,539	85,402	85,102
Income tax (expense)/credit	(21,801)	(22,646)	(1,333)	(500)	(23,134)	(23,146)
Profit after income tax	59,156	59,917	3,112	2,039	62,268	61,956
Segment assets	941,656	835,080	66,543	63,100	1,008,199	898,180
Investment in associates	2	2	-	-	2	2
Total assets	941,658	835,082	66,543	63,100	1,008,201	898,182
Segment liabilities	(109,218)	(90,335)	(1,197)	(1,161)	(110,415)	(91,496)
Tax liabilities	(90,362)	(82,982)	(424)	169	(90,786)	(82,813)
Total liabilities	(199,580)	(173,317)	(1,621)	(992)	(201,201)	(174,309)
Material additions to segment assets:						
Property, plant and equipment expenditure	6,902	14,326	15	49	6,917	14,375
Residential land development expenditure	44,677	29,329	-	-	44,677	29,329
Purchase of land for residential land development	9,138	51,557	-	-	9,138	51,557

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.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 2. Administration and other operating expenses

<i>Dollars In Thousands</i>	Note	Group	
		2019	2018
Depreciation	9	9,720	8,187
Auditors remuneration			
Audit fees		327	317
Scrutineering fees		-	8
Tax compliance and tax advisory fees		52	56
Directors fees	20	322	303
Rental expenses		182	2,536
Provision for bad debts			
Debts written off		29	30
Movement in doubtful debt provision		44	(21)
Net gain on disposal of property, plant and equipment		26	(2)
Other		37,102	35,342
		<b>47,804</b>	<b>46,756</b>

### 3. Personnel expenses

<i>Dollars In Thousands</i>	Group	
	2019	2018
Wages and salaries	44,531	42,946
Employee related expenses and benefits	1,337	1,211
Contributions to defined contribution plans	803	772
Increase in liability for long-service leave	99	59
	<b>46,770</b>	<b>44,988</b>

The personnel expenses are included in cost of sales, administration expenses and other operating 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

<i>Dollars In Thousands</i>	Group	
	2019	2018
Interest income	3,886	3,742
Dividend income	2	2
Foreign exchange gain	12	28
Finance income	3,900	3,772
Interest expense	(2,649)	(1,735)
Foreign exchange loss	(86)	(13)
Finance costs	(2,735)	(1,748)
<b>Net finance income recognised in the income statement</b>	<b>1,165</b>	<b>2,024</b>

#### 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.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 4. Net finance income - continued

#### Recognised in other comprehensive income

<i>Dollars In Thousands</i>	Group	
	2019	2018
Foreign exchange translation movements	(297)	(3,136)
<b>Net finance income recognised in other comprehensive income</b>	<b>(297)</b>	<b>(3,136)</b>

#### 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

<i>Dollars In Thousands</i>	Group	
	2019	2018
<b>Current tax expense</b>		
Current year	23,457	23,271
Adjustments for prior years	(562)	(107)
	22,895	23,164
<b>Deferred tax expense</b>		
Origination and reversal of temporary difference	232	93
Changes in Tax Rates	-	(104)
Adjustments for prior years	7	(7)
	239	(18)
<b>Total income tax expense in the income statement</b>	<b>23,134</b>	<b>23,146</b>

#### Reconciliation of tax expense

<i>Dollars In Thousands</i>	Group	
	2019	2018
Profit before income tax	85,402	85,102
Income tax at the company tax rate of 28% (2018: 28%)	23,913	23,829
Adjusted for:		
Non-deductible expenses	1	7
Tax rate difference (if different from 28% above)	88	(54)
Tax exempt income	(313)	(523)
Under/(Over) - provided in prior years	(555)	(113)
<b>Total income tax expense</b>	<b>23,134</b>	<b>23,146</b>
Effective tax rate	27%	27%

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

<i>Dollars In Thousands</i>	Group	
	2019	2018
Relating to revaluation of property, plant and equipment	8,886	5,541
Relating to foreign currency translation of foreign subsidiaries	(1)	76
	8,885	5,617

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.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 5. Income tax expense - continued

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

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

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

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

### 6. Imputation credits

<i>Dollars In Thousands</i>	Group	
	2019	2018
Imputation credits available for use in subsequent reporting periods	106,337	93,071

The KIN Holdings Group has A\$6.3 million (2018: A\$5.5 million) franking credits available as at 31 December 2019.

### 7. Capital and reserves

#### Share capital

	Group		Group	
	2019 Shares	2019 \$000's	2018 Shares	2018 \$000's
Ordinary shares issued 1 January	105,578,290	350,048	105,578,290	350,048
<b>Ordinary shares issued at 31 December - fully paid</b>	<b>105,578,290</b>	<b>350,048</b>	<b>105,578,290</b>	<b>350,048</b>
Redeemable preference shares 1 January	52,739,543	33,218	52,739,543	33,218
<b>Redeemable preference shares issued at 31 December - fully paid</b>	<b>52,739,543</b>	<b>33,218</b>	<b>52,739,543</b>	<b>33,218</b>
Ordinary shares repurchased and held as treasury stock 1 January	(99,547)	(26)	(99,547)	(26)
<b>Ordinary shares repurchased and held as treasury stock 31 December</b>	<b>(99,547)</b>	<b>(26)</b>	<b>(99,547)</b>	<b>(26)</b>
<b>Total shares issued and outstanding</b>	<b>158,218,286</b>	<b>383,240</b>	<b>158,218,286</b>	<b>383,240</b>

At 31 December 2019, the authorised share capital consisted of 105,578,290 ordinary shares (2018: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2018: 52,739,543 redeemable preference shares) with no par value.

#### 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.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 7. Capital and reserves - continued

#### Dividends

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

<i>Dollars In Thousands</i>	Parent	
	2019	2018
<b>Ordinary Dividend</b> - 7.5 cents per qualifying share (2018: 6.0 cents)	11,866	9,493
<b>Supplementary Dividend</b> - 1.3235 cents per qualifying share (2018: 1.0588 cents)	311	242
	12,177	9,735

After 31 December 2019, the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

<i>Dollars In Thousands</i>	Parent
<b>Ordinary Dividend</b> - 7.5 cents per qualifying share (2018: 7.5 cents)	11,866
<b>Supplementary Dividend</b> - 1.3235 cents per qualifying share (2018: 1.3235 cents)	311
<b>Total Dividends</b>	12,177

#### 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 2019 was based on the profit attributable to ordinary and redeemable preference shareholders of \$49,662,000 (2018: \$49,375,000) and weighted average number of shares outstanding during the year ended 31 December 2019 of 158,218,286 (2018: 158,218,286), calculated as follows:

#### Profit attributable to shareholders

<i>Dollars In Thousands</i>	Group	
	2019	2018
Profit for the year	62,268	61,956
Profit attributable to non-controlling interests	(12,606)	(12,581)
Profit attributable to shareholders	49,662	49,375

#### Weighted average number of shares

	Group	
	2019	2018
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.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 9. Property, plant and equipment

	Group							Total
	Freehold Land	Leasehold Land	Buildings	Plant, Equipment, Fixtures & Fittings	Motor Vehicles	Work In Progress	Right Of Use Asset	
<i>Dollars In Thousands</i>								
<b>Cost</b>								
Balance at 1 January 2018	160,075	8,305	333,899	96,283	66	1,598	-	600,226
Acquisitions	2,500	-	6,925	1,525	-	3,425	-	14,375
Disposals	-	-	-	(114)	-	-	-	(114)
Transfers between categories	-	-	1,686	2,498	10	(4,194)	-	-
Transfer from accumulated depreciation following revaluation	-	-	(399)	-	-	-	-	(399)
Movements in foreign exchange	-	-	-	(18)	-	-	-	(18)
Revaluation surplus/(deficit)	387	(100)	19,787	-	-	-	-	20,074
<b>Balance at 31 December 2018</b>	<b>162,962</b>	<b>8,205</b>	<b>361,898</b>	<b>100,174</b>	<b>76</b>	<b>829</b>	<b>-</b>	<b>634,144</b>
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)	-	-	-	(366)
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
<b>Balance at 31 December 2019</b>	<b>184,997</b>	<b>-</b>	<b>387,284</b>	<b>103,990</b>	<b>76</b>	<b>2,118</b>	<b>23,192</b>	<b>701,657</b>
<b>Depreciation and impairment losses</b>								
Balance at 1 January 2018	-	-	(19,626)	(74,633)	(59)	-	-	(94,318)
Depreciation charge for the year	-	-	(4,086)	(4,096)	(5)	-	-	(8,187)
Disposals	-	-	-	70	-	-	-	70
Transfer accumulated depreciation against cost following revaluation	-	-	399	-	-	-	-	399
Movements in foreign exchange	-	-	-	16	-	-	-	16
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>(23,313)</b>	<b>(78,643)</b>	<b>(64)</b>	<b>-</b>	<b>-</b>	<b>(102,020)</b>
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
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>(26,045)</b>	<b>(82,496)</b>	<b>(67)</b>	<b>-</b>	<b>(1,300)</b>	<b>(109,908)</b>
<b>Carrying amounts</b>								
At 1 January 2018	160,075	8,305	314,273	21,650	7	1,598	-	505,908
<b>At 31 December 2018</b>	<b>162,962</b>	<b>8,205</b>	<b>338,585</b>	<b>21,531</b>	<b>12</b>	<b>829</b>	<b>-</b>	<b>532,124</b>
<b>At 31 December 2019</b>	<b>184,997</b>	<b>-</b>	<b>361,239</b>	<b>21,494</b>	<b>9</b>	<b>2,118</b>	<b>21,892</b>	<b>591,749</b>

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 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 decreases in value that offset a previous increase in value of the same asset is charged against reserves in equity, any other decrease in value is charged to the income statement.

The Directors consider the value of the hotel assets with a net book value of \$591.75 million (2018: \$532.12 million) to be within a range of \$591.75 to \$597.49 million (2018: \$532.12 to \$543.10 million). This is substantiated by valuations completed by Bower Valuations Limited, registered valuers, on: 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 2019, eight (2018: five) of the Group's hotel properties were subject to an external professional valuation by Bower Valuations Limited, registered valuers, on a highest and best use basis. 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 \$45.70 million (2018: \$20.07 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 0.99% to 4.7% (2018: 1.19% to 6.00%) over the five years projection. Pre-tax discount rates ranging between 7.25% and 10.50% (2018: 7.25% and 11.25%) 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.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 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:

<i>Dollars In Thousands</i>	Group							Total
	Freehold Land	Leasehold Land	Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Right Of Use Asset	
<b>Cost less accumulated depreciation</b>								
At 1 January 2018	38,659	700	134,276	21,653	7	1,598	-	196,893
<b>At 31 December 2018</b>	<b>41,159</b>	<b>700</b>	<b>138,801</b>	<b>21,534</b>	<b>12</b>	<b>829</b>	<b>-</b>	<b>203,035</b>
<b>At 31 December 2019</b>	<b>41,159</b>	<b>-</b>	<b>136,662</b>	<b>21,498</b>	<b>9</b>	<b>2,118</b>	<b>15,515</b>	<b>216,961</b>

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

### 10. Development properties

<i>Dollars In Thousands</i>	Group	
	2019	2018
Development land	182,678	169,724
Residential development	45,788	50,407
	228,466	220,131
Less expected to settle within one year	(51,887)	(57,025)
	<b>176,579</b>	<b>163,106</b>
Development land recognised in cost of sales	40,861	35,861
Residential development recognised in cost of sales	4,587	2,216

Development land is carried at the lower of cost and net realisable value. Interest of \$Nil (2018: \$287,000) was capitalised during the year. The fair value of development land held at 31 December 2019 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as \$315.62 million (2018: \$337.77 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 2019 was determined by R Laoulach AAPI of Laoulach & Company Pty Ltd, registered valuers as \$88.41 million (A\$84.84 million) (2018: \$90.98 million (A\$86.99 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

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 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 in associates

The associate companies included in the financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2019 are:

	Principal Activity	Principal Place of Business	Holding % by CDL Land New Zealand Limited 2019	Holding % by CDL Land New Zealand Limited 2018
Prestons Road Limited	Service provider	NZ	33.33	33.33

Prestons Road Limited has no revenue or expenses, therefore the Group's share of profit of its associate was nil (2018: 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.

### 12. Cash and cash equivalents

<i>Dollars In Thousands</i>	Group	
	2019	2018
Cash	12,682	8,313
Call deposits	30,500	6,124
	<b>43,182</b>	<b>14,437</b>

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

### 13. Trade and other receivables

<i>Dollars In Thousands</i>	Group	
	2019	2018
Trade receivables	11,846	13,147
Less provision for doubtful debts	(106)	(69)
Other trade receivables and prepayments	9,398	8,437
	<b>21,138</b>	<b>21,515</b>

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

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 14. Interest-bearing loans and borrowings

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

Group		Interest Rate	Facility Total	31 December 2019		31 December 2018	
<i>Dollars in Thousands</i>	Currency			Face Value	Carrying Amount	Face Value	Carrying Amount
Revolving credit	NZD	2.01%	53,000	35,000	35,000	35,000	35,000
Revolving credit	NZD	2.01%	46,000	32,000	32,000	29,000	29,000
Overdraft	NZD	2.01%	6,000	-	-	-	-
<b>TOTAL</b>			<b>105,000</b>	<b>67,000</b>	<b>67,000</b>	<b>64,000</b>	<b>64,000</b>
Current				-	-	-	-
Non-current				67,000	67,000	64,000	64,000

#### Terms and debt repayment schedule

The bank loans are secured over hotel properties with a carrying amount of \$510.85 million (2018: \$475.86 million) - refer to Note 9. The bank loans have no fixed term of repayment before maturity. 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.

### 15. Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>Dollars In Thousands</i>	Group					
	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Property, plant and equipment	-	-	91,092	78,063	91,092	78,063
Development properties	(660)	(876)	-	-	(660)	(876)
Provisions	(96)	(75)	-	-	(96)	(75)
Employee benefits	(1,326)	(1,276)	-	-	(1,326)	(1,276)
Lease liability	(4,140)	-	-	-	(4,140)	-
Trade and other payables	(754)	(849)	-	-	(754)	(849)
Net investment in foreign operations	-	-	852	857	852	857
<b>Net tax (assets) / liabilities</b>	<b>(6,976)</b>	<b>(3,076)</b>	<b>91,944</b>	<b>78,920</b>	<b>84,968</b>	<b>75,844</b>

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

<i>Dollars In Thousands</i>	Group			
	Balance 1 Jan 18	Recognised in income	Recognised in equity	Balance 31 Dec 18
Property, plant and equipment	72,132	390	5,541	78,063
Development properties	(1,103)	175	52	(876)
Provisions	(75)	(3)	3	(75)
Employee benefits	(1,135)	(141)	-	(1,276)
Trade and other payables	(411)	(439)	1	(849)
Net investment in foreign operations	837	-	20	857
	<b>70,245</b>	<b>(18)</b>	<b>5,617</b>	<b>75,844</b>

<i>Dollars In Thousands</i>	Group			
	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
	<b>75,844</b>	<b>239</b>	<b>8,885</b>	<b>84,968</b>

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 16. Trade and other payables

<i>Dollars In Thousands</i>	Group	
	2019	2018
Trade payables	2,494	2,900
Employee entitlements	4,595	4,372
Non-trade payables and accrued expenses	17,473	17,860
	<b>24,562</b>	<b>25,132</b>

Trade and other payables are stated at cost.

### 17. Financial instruments

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

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

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

Exposure to credit, liquidity and market risks arises in the normal course of the Group's business.

#### Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table sets out the undiscounted contractual and expected cash flows for all financial liabilities (without interest):

#### 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	-	-	-	-
<b>Total non-derivative liabilities</b>	<b>95,616</b>	<b>95,616</b>	<b>28,616</b>	<b>-</b>	<b>-</b>	<b>67,000</b>	<b>-</b>

#### 2018

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	64,000	64,000	-	-	-	64,000	-
Trade Payables	2,900	2,900	2,900	-	-	-	-
Other payables	22,232	22,232	22,232	-	-	-	-
Trade payables due to related parties	2,364	2,364	2,364	-	-	-	-
<b>Total non-derivative liabilities</b>	<b>91,496</b>	<b>91,496</b>	<b>2,496</b>	<b>-</b>	<b>-</b>	<b>64,000</b>	<b>-</b>

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 17. Financial instruments - continued Credit risk

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

Investments are allowed only in short-term financial instruments and only with counterparties 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 \$23,000 (2018: \$42,000). 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 \$0.59 million (2018: \$0.40 million increase), assuming all other variables remained constant.

##### Effective interest and re-pricing analysis

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

Group	Note	2019				2018			
		Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less	6 to 12 months
<i>Dollars In Thousands</i>									
Interest bearing cash & cash equivalents *	12	0.00% to 1.68%	43,182	43,182	-	0.25% to 3.05%	14,437	14,437	-
Short term bank deposits *		1.25% to 3.25%	122,049	55,901	66,148	2.18% to 3.64%	108,289	33,886	85,403
Secured bank loans *	14	2.01%	(67,000)	(67,000)	-	2.70%	(64,000)	(64,000)	-
Bank overdrafts *	14	2.01%	-	-	-	2.70%	-	-	-

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

##### (ii) Foreign currency risk

The Group owns 100.00% (2018: 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.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 17. Financial instruments - continued

#### Fair values

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

Group	Note	Carrying amount	Fair value	Carrying amount	Fair value
		2019	2019	2018	2018
<i>Dollars In Thousands</i>					
<b>LOANS AND RECEIVABLES</b>					
Cash and cash equivalents	12	43,182	43,182	14,437	14,437
Short term bank deposits		122,049	122,049	108,289	108,289
Trade and other receivables	13	21,138	21,138	21,515	21,515
<b>OTHER LIABILITIES</b>					
Secured bank loans and overdrafts	14	(67,000)	(67,000)	(64,000)	(64,000)
Trade and other payables	16	(24,562)	(24,562)	(25,132)	(25,132)
Trade payables due to related parties	21	(4,054)	(4,054)	(2,364)	(2,364)
		<b>90,753</b>	<b>90,753</b>	<b>52,745</b>	<b>52,745</b>
Unrecognised (losses) / gains		-	-	-	-

#### Estimation of fair values

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

- 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.
- Borrowings. The carrying amounts for the borrowings represent their fair values because the interest rates are reset to market periodically, every 1 to 2 months.

### 18. Operating leases

#### Leases as lessee

The minimum amount payable under non-cancellable operating lease rentals are as follows:

<i>Dollars In Thousands</i>	Group	
	2019	2018
Less than one year	-	1,357
Between one and five years	-	2,722
More than five years	-	2,201
	<b>-</b>	<b>6,280</b>

#### Operating lease payments - Accounting policy applicable at 31 December 2018

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

### 19. Capital and land development commitments

As at 31 December 2019, 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.

<i>Dollars In Thousands</i>	Group	
	2019	2018
Capital expenditure	3,041	3,057
Development expenditure	30,845	42,496
Land purchases	15,674	46,132
	<b>49,560</b>	<b>91,685</b>

### 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 (2018: Nil) of the voting shares of the Company. There were no loans (2018: \$nil) advanced to directors for the year ended 31 December 2019. Key management personnel include the Board and the Executive Team.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 20. Related parties -continued

#### Total remuneration for key management personnel

<i>Dollars In Thousands</i>	Group	
	2019	2018
Non-executive directors	322	303
Executive director	588	599
Executive officers	873	856
	<b>1,783</b>	<b>1,758</b>

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% (2018: 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:

<i>Dollars In Thousands</i>	Nature of balance	Group	
		2019	2018
<b>Trade payables and receivables due to related parties</b>			
Millennium & Copthorne Hotels plc	Recharge of expenses	(3,290)	(871)
Millennium & Copthorne International Limited	Recharge of expenses	(26)	(35)
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	-	3
CDLHT (BVI) One Ltd	Rent payment	(738)	(1,461)
		<b>(4,054)</b>	<b>(2,364)</b>
<b>Loans due to related parties</b>			
CDL Hotels Holdings New Zealand Limited	Inter-company loan	-	-
		-	-

No debts with related parties were written off or forgiven during the year. No interest was charged on these payables during 2019 and 2018. There are no set repayment terms. During this period costs amounting to \$250,000 (2018: \$250,000) have been recorded in the income statement in respect of fees payable to Millennium & Copthorne International Limited for the provision of management and marketing support.

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 \$0.74 million (2018: \$1.46 million) being rent payable with respect to the leasing of the property. During the year ended 31 December 2019, the Group received \$1.57 million (2018: \$1.58 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. The interest rates were fixed at 2.20% (2018: 1.75% to 2.07%).

During the year consulting fees of \$10,400 (2018: \$10,500) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder and director.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 21. Group entities - continued

#### Subsidiary companies

The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2019 are:

	Principal Activity	Principal Place of Business	Group Holding % 2019	Group Holding % 2018
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
<b>Quantum Limited</b>	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		
<b>CDL Investments New Zealand Limited</b>	Holding Company	NZ	66.26	66.42
100% owned subsidiaries of CDL Investments New Zealand Limited are:				
CDL Land New Zealand Limited	Property Investment and Development	NZ		
<b>KIN Holdings Limited</b>	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 whether individual properties are impaired involves estimating the future cash flows expected to be generated by those properties. This will in turn involve 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.

The Group has one remaining property affected by the Christchurch earthquakes. In assessing the land for impairment the following assumption was made: the land is not affected by liquefaction or other geological issues which prevent the rebuild of a replacement building upon it.

#### Development property

The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is \$228.47 million (2018: \$220.13 million) while the fair value determined by independent valuers is \$404.03 million (2018: \$428.75 million).

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 22. Accounting estimates and judgements -continued

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

During the period, the Group adopted one new accounting standard, NZ IFRS 16 "Leases", using the modified retrospective approach. This standard requires a right-of-use asset and a corresponding lease liability to be recognised on the balance sheet in respect of the leased assets. The lease expenses will be replaced with an interest expense and a depreciation expense in the income statement.

#### Policy applicable from 1 January 2019

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 remeasurements of the lease liability.

#### 23(a) Lease Liability

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

<i>Dollars In Thousands</i>	Group	
	2019	2018
Less than 6 months	188	-
More than 6 months but within 12 months	241	-
More than 1 year but within 2 years	370	-
More than 2 years but within 5 years	542	-
After 5 years	13,458	-
	<b>14,799</b>	<b>-</b>

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

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

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 23. Lease -continued

#### 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) Summary of the effect of NZ IFRS 16 on the Consolidated Statement of Financial Position on transition

Statement of Financial Position <i>Dollars In Thousands</i>	Note	Record new assets and new liabilities	Impact on opening balances @ 01/01/19
Right-of-use assets	23(b)(i)	16,701	16,701
Prepayments		(1,649)	(1,649)
Deferred tax asset		4,215	4,215
<b>Total assets</b>		<b>19,267</b>	<b>19,267</b>
Current lease liabilities	23(b)(i)	404	404
Non current lease liabilities	23(b)(i)	14,648	14,648
Deferred tax liability		4,215	4,215
<b>Total liabilities</b>		<b>19,267</b>	<b>19,267</b>
<b>Net Assets</b>		<b>-</b>	<b>-</b>
<b>Net Asset Value</b>			<b>Nil cents per share</b>

23(b)(i) The long term leases of the land and carpark at the hotels and the motor vehicles were recorded as right-of-use assets totalling \$16.70 million and classified under property, plant and equipment. Their corresponding lease liabilities were recorded under current liabilities of \$0.40 million and non-current liabilities of \$14.65 million. The lease payments for the land at Copthorne Hotel & Resort Bay of Islands were prepaid up to May 2021. The amount of the right-of-use assets equals to lease liabilities and prepayment at the transition date.

When measuring lease liabilities, the Group discounted lease payments using present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at date of initial application i.e. 1 January 2019. The weighted average rate applied is 6.70%. The increment borrowing rates used to discount the leased assets and liabilities required significant judgement and had a material impact on the calculation of the lease liability and right-of-use asset.

#### 23(c) Schedule of right-of-use assets by class

Right-of-use Assets <i>Dollars In Thousands</i>	Lease term	Carrying value recognized on transition @ 01/01/19	Depreciation on right-of-use asset for the year	Addition during the year	Transfer from leasehold land	Revaluation	Carrying value @ 31/12/19
Land sites at hotels	Renewal at 21 year cycles for perpetuity	14,245	(876)	-	730	4,327	18,426
Corporate office building and hotel carpark	Between 5 to 23 years	2,128	(282)	-	-	1,320	3,166
Motor vehicles	Between 12 to 45 months	328	(142)	114	-	-	300
<b>Totals</b>		<b>16,701</b>	<b>(1,300)</b>	<b>114</b>	<b>730</b>	<b>5,647</b>	<b>21,892</b>

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 23 Lease - continued

#### 23(d) Summary of the effect of NZ IFRS 16 on the Consolidated Statement of Comprehensive Income for the period

Statement of Comprehensive Income <i>Dollars In Thousands</i>	Lease payments booked to lease liabilities in the Balance Sheet	Additional depreciation of right-of-use assets booked to the Profit & Loss	Additional interest on lease liabilities booked to Profit & Loss	Revaluation movement for right-of-use assets	Impact on performance for the year ended 31/12/19
Other operating expenses	(1,385)	1,300	-	-	(85)
EBITDA	1,385	(1,300)	-	-	85
Net finance income	-	-	(1,017)	-	(1,017)
Net profit/(loss) before tax	1,385	(1,300)	(1,017)	-	(932)
Less income tax (expense)/credit	(388)	364	285	-	261
<b>Net profit/(loss) after tax</b>	<b>997</b>	<b>(936)</b>	<b>(732)</b>	-	<b>(671)</b>
Revaluation/impairment of property, plant and equipment	-	-	-	5,647	5,647
Tax on revaluation	-	-	-	(1,581)	(1,581)
<b>Total comprehensive income</b>	<b>997</b>	<b>(936)</b>	<b>(732)</b>	<b>4,066</b>	<b>3,395</b>
<b>Earnings per Share</b>					<b>0.424 cents per share</b>

Based on the above table, this standard has an immaterial impact on the Net Profit after Tax in the Income Statement for the year ended 31 December 2019.

23(d)(i) On application of NZ IFRS 16, lease payments were no longer expensed into the income statement. Instead, they were accounted as reductions in the lease liabilities in the statement of financial position. There were additional expense of \$1.30 million (Note 23(c)), due to the straight line depreciation of the right-of-use assets over the term of the leases. Interest costs, computed at the relevant incremental borrowing rates totalling \$1.017 million were additional expenses in the income statement.

#### 23(e) 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:

<i>Dollars In Thousands</i>	Expense recognized in the Profit & Loss	Lease commitments @ 31/12/19	Lease commitments within one year	Lease commitments between one and 5 years	Lease commitments more than 5 years
Short term leases <12 months	78	67	67	-	-
Low value leased assets	1	4	1	3	-
Variable lease payments under service and management contracts	103	335	103	232	-
<b>Total</b>	<b>182</b>	<b>406</b>	<b>171</b>	<b>235</b>	<b>-</b>

#### 23(f) Summary of the effect of NZ IFRS 16 on the Condensed Statement of Cash Flows

There are no impacts on the cash flows and the loan covenants of the Group. However, NZ IFRS requires separate classifications:

- Cash payments for the principal portion of the lease liability within financing activities;
- Cash payments for the interest portion of the lease liability applying the requirements in NZ IAS 7 "Statement of Cash Flows" for interest paid; and
- Short-term lease payments, payments for low value assets and variable lease payments excluded from lease liabilities within operating activities.

The cash outflow for the lease of right-of-use assets for the year period ended 31 December 2019 totalled \$1.385 million.

# Millennium & Copthorne Hotels New Zealand Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

### 23 Lease - continued

23(g) Reconciliation between operating lease commitments under NZ IAS 17 at 31 December 2018 and lease liabilities recognised on transition at 1 January 2019

<i>Dollars In Thousands</i>	Audited @ 01/01/19
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	6,280
Discounted using incremental borrowing rates at 1 January 2019	4,452
Less recognition exemption for:	
- Short term leases <12 months	(16)
- Low value leased assets	-
Add extension options reasonably certain to be exercised on long term leases	10,616
Lease liabilities recognised at 1 January 2019	15,052

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

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standard in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to Reference to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to ARFS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

### 25. Contingent liability

The Group has outstanding claims from the main contractor of the Copthorne Hotel Harbourcity project (M Social Auckland). The Group has received a notice for an arbitration but no date has been set. The total amount of the claims and the likely outcome of arbitration is indeterminate at present, hence no liability has been recognised in the financial statements at balance date.



# 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 FIN 28:

- i. present fairly in all material respects the Group's financial position as at 31 December 2019 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 2019;
- the consolidated 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 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('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 \$4.1 million determined with reference to a benchmark of group profit before tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

### The key audit matter

### How the matter was addressed in our audit

#### 1. Valuation of Hotel Land and Building assets

Refer to note 9 of the consolidated financial statements.

Hotel land and buildings of \$546.2 million (representing 68% 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 external valuations and internal valuation assessments are based on discounted future cashflow models which include a number of assumptions taking into consideration future economic and market conditions. The key assumptions (including forecast growth, occupancy rates and revenue per available room) are inherently judgemental and consequently a change in the assumptions could have a material impact on the valuations and the carrying value of the hotel land and buildings.

Our procedures on the independently valued hotels involved the following:

- Using our own valuation specialist to assist us in assessing the appropriateness of the valuation model used, including compliance with relevant accounting standards and alignment to market practice.
- We assessed the scope of work performed, competency, professional qualifications and experience of the external expert engaged by the group.
- We challenged the key assumptions used within each valuation in determining the fair value of these hotel assets. This included a comparison of occupancy rates, revenue per available room, market growth and expected inflation with externally derived data including external hotel industry reports.
- We also performed our own assessment of other key inputs such as estimated future costs, discount rates and terminal multipliers, and considered the external expert's estimates with historical hotel performance.
- We performed sensitivities and break-even analysis on the key assumptions.

Our testing indicated that the estimates and assumptions used were appropriate in the context of the group's property portfolio.

For those hotels assets that were not independently valued within the tri-annual valuation cycle, we performed the following procedures to ensure these assets continue to reflect fair value.

- We reviewed the valuation methodology applied to the internal valuation models and involved our valuation specialists.
- We reviewed key assumptions against budget, past performance and the previous external valuation and identified properties where there were indicators of a significant change in fair value.
- Where indicators of a change in fair value were identified we performed a detailed review the internal valuation model applying procedures consistent with those we performed for external valuations.

Our testing indicated that the estimates and assumptions used were appropriate in the context of the group's property portfolio.

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## 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.

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## 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.

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## 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.

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## 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

A handwritten signature in blue ink that reads 'KPMG.' with a period at the end.

KPMG  
Auckland

10 February 2020

# CORPORATE GOVERNANCE STATEMENT

Millennium & Copthorne Hotels New Zealand Limited is committed to maintaining strong corporate governance in line with best practice at all times. Its corporate governance framework and objectives, adopted in 2018, in the Board’s opinion, complies materially with the NZX Corporate Governance Code (the “NZX Code”) as well as the Financial Markets Authority Corporate Governance Principles and Guidelines (the FMA Principles) and is as follows:

## PRINCIPLE 1 – ETHICAL BEHAVIOUR

**Directors should set high standards of ethical behaviour, model this behaviour and hold Management accountable for these standards being followed throughout the organisation.**

All of MCK’s directors are bound by the Board’s Code of Ethics which is as follows:

- Directors shall undertake their duties with due care and diligence at all times and will conduct themselves honestly and with integrity. Directors shall not do anything, or cause anything to be done, which may or does bring MCK or the Board into disrepute.
- All Directors must act in the best interests of the company and exercise unfettered and independent judgement. All Directors must carry out their duties with integrity and honesty and participate in open and constructive discussions.
- To the best of their ability, Directors will use reasonable endeavours to ensure that MCK’s records and documents (including its financial reports) are true and complete and comply with the requisite reporting standards and controls.
- So that the Board may determine a Director’s independence and to ensure that there are no conflicts of interest, all Directors shall promptly disclose all relevant business and / or personal interests they may have to the Board forthwith as well as any relationships they may have with MCK.
- All Directors shall ensure that they do not support any organisation other than in a personal capacity without the prior written approval of the Chairman.
- Directors shall not accept any gifts or personal benefits from external parties if it could be perceived that this could compromise or influence any decision by the Board or by MCK.
- All Directors shall maintain and protect the confidentiality of all information about MCK at all times except where disclosure is permitted or required by law.
- All Directors shall ensure that they do not use company information and / or property for personal gain or profit.

All Directors shall use and / or retain company information and property only for business purposes in their capacity as Directors of MCK or to meet legal obligations.

- All Directors shall comply with the laws and regulations that apply to MCK.
- All Directors shall immediately report any illegal or unethical behaviour of which they become aware to the Chairman of the Board and to the Chairman of the Audit Committee.

All of MCK’s employees are expected to act in the best interests of MCK and to enhance the reputation of the company. MCK also has a number of operational policies which must be followed by employees and the MCK Code of Conduct forms part of each employee’s employment agreement.

MCK also believes in fair dealing with its customers and suppliers, shareholders, employees and other stakeholders and external third parties.

MCK revised its Share Trading Policy in 2018 which applies to Directors and Officers. It also has a global Whistleblowing Policy which extends to all management and employees. The Whistleblowing Policy facilitates the disclosure and impartial investigation of any serious wrongdoing. This policy advises employees of their right to disclose serious wrongdoing, and sets out the Company’s internal procedures for receiving and dealing with such disclosures. The policy is consistent with, and facilitates, the Protected Disclosures Act 2000 and is supported by the Board.

## PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

**To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.**

MCK’s Board has responsibility, control and oversight of the business activities, strategic direction and the governance of MCK and its subsidiary companies. It looks at how the company is operating, how risk and compliance are managed, approving financial and other reports and capital expenditure and reporting to MCK’s shareholders. The Board approves MCK’s budgets and business plans as well as significant projects and has statutory obligations for other matters such

as the payments of dividends and the issue of shares. The Board is accountable to MCK’s shareholders for the company’s performance.

Certain powers are delegated to Board Committees and Subcommittees. The role of the Committees is detailed under Principle 3.

Day-to-day management is delegated to the Managing Director and senior management. The levels of authority are approved by way of a Delegated Authorities Manual which is reviewed by the Audit Committee and ultimately approved by the Board.

Appointments to the Board are considered by the Board and the Board takes into account the skills required to allow it to carry out its functions and governance role. The Board does not impose a restriction on the tenure of any Director as it considers that such a restriction may lead to the loss of experience and expertise from the Board.

MCK’s Constitution specifies a minimum number of three directors and a maximum number of nine directors at any one time. Two directors must ordinarily be living in New Zealand. In line with the NZX Main Board Listing Rules, MCK is required to have at least two Independent Directors. Currently, MCK has determined that its Chair Colin Sim and Messrs. Bobb and McKenzie are Independent Directors as none of them have a Disqualifying Relationship (as that term is defined in the NZX Main Board Listing Rules) or Substantial Product Holders. Messrs Chiu, Hangchi and Tan are not considered by the Board to be Independent Directors.

Board meetings are generally held quarterly with additional meetings convened when required. The table below details directors’ attendances during 2019.

Director	Meetings attended in 2019
Colin Sim (Chair)	3/3
BK Chiu (Managing Director)	3/3
Graham McKenzie	3/3
Kevin Hangchi	3/3
Kian Seng Tan (*)	3/3
Richard Bobb	3/3

(\*) Mr. Tan retired from the Board on 31 December 2019 and Mr. ES Kwek was appointed from 1 January 2020.

In 2018, the Board devised its own Skills Matrix to demonstrate the skills, experience and diversity of its Board.

Skill / Attribute	Relevant Director
Retail, marketing, brand and sales experience	Chiu
Governance experience	Chiu, Hangchi, McKenzie, Sim
Large enterprise / Multinational business or leadership experience	Chiu, Hangchi, Sim, Tan
Accounting / Finance / Tax experience	Bobb, Hangchi
Legal or Regulatory knowledge and experience	Hangchi, McKenzie
Business strategy experience	Chiu, Sim, Tan
Property development / management experience	Chiu, Sim

The Board encourages all directors to undertake their own continuous education so that they can perform their duties as directors and provide maximum benefit to the Board and to shareholders.

In 2018, MCK also adopted its own Diversity and Inclusion Policy which is a separate stand-alone document.

### PRINCIPLE 3 – BOARD COMMITTEES

**The Board should use committees where this will enhance its effectiveness in key areas while still retaining board responsibility.**

Committees help the Board in carrying out its responsibilities and MCK currently has one standing committee being its Audit Committee which is comprised solely of Independent Directors. The current members of the Audit Committee are Richard Bobb (Chair) and Graham McKenzie. The Managing Director and senior management attend only by invitation.

The table below reports attendance of the Audit Committee members during 2019

Director	Meetings attended in 2019
Richard Bobb	2/2
Graham McKenzie	2/2

The Board also forms subcommittees as and when required.

MCK does not currently have a Remuneration or Nominations Committee. The Board as a whole deals with the issues that would normally be dealt with by these committees and conducts periodic reviews of its fees and the remuneration of the Managing Director and senior management. Vacancies and appointments to the Board are considered by the Board as a whole. For those reasons, MCK does not consider it necessary to form and maintain either Committee at this time.

MCK has in the past formed a Due Diligence Committee (DDC) to oversee, review and report on material or complex transactions and will do so when required. The DDC will comprise only of Independent Directors, members of senior management and external advisors directly involved in the transaction.

The Board has not established a protocol which sets out procedures to be followed in the event of a takeover offer being received by the Company. This is because the Board considers that receipt of a takeover offer to be a very unlikely event in light of CDL Hotels Holdings New Zealand Limited's long-term majority shareholding in the Company. MCK is also the owner of property assets including "sensitive land" (as defined under the Overseas Investment Act 2015) which, if the subject of an overseas takeover offer, would require regulatory and / or government approvals for their acquisition.

MCK's Board believes that the Company would have sufficient time to adopt protocols and procedures necessary to respond to any such offer when received and to communicate those to shareholders. MCK's Board therefore believes that it is reasonable and appropriate for the Company not to follow Recommendation 3.6 of the new Code at this time but agrees with the principles behind Recommendation 3.6.

### PRINCIPLE 4 – REPORTING & DISCLOSURE

**The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures.**

As an NZX-listed entity, MCK recognises the need to ensure that it is fully compliant in terms of reporting and disclosure and has in place a Continuous Disclosure Policy (CDP) which applies to MCK, its subsidiaries ("Group"), and all their respective directors and employees. The Board has appointed the Chairman, the Chairman of the Audit Committee, the Managing Director, the Company Secretary and the Vice President Finance to act as MCK's Continuous Disclosure Committee (the Disclosure Committee). A quorum of the Disclosure Committee shall consist of no less than three (3) of these persons.

The Disclosure Committee is responsible for:

- Determining what information amounts to material information and must be disclosed;
- Determining the timing of disclosure of any information in accordance with the CDP;
- Approving the content of any disclosure to NZX (including matters not directly covered by the CDP);
- Ensuring that all employees and directors within the Group whom the Committee considers appropriate

receive a copy of the CDP and appropriate training with respect to it;

- Developing mechanisms designed to identify potential material information (e.g. agenda item on management meetings); and
- Liaising with legal advisers in respect of MCK's compliance with its continuous disclosure obligations.

The key points from the CDP are:

- No person may release material information concerning MCK to any person who is not authorised to receive it without the approval of the Disclosure Committee.
  - The Board will consider at each Board meeting whether there is any information that may require disclosure in accordance with the CDP, and will note any disclosures made subsequent to the prior meeting. Any employee or director of MCK must inform a member of the Disclosure Committee as soon as practicable after that person becomes aware of any material information.
  - The CDP includes a list of incidents which should be disclosed to a member of the Disclosure Committee. The Disclosure Committee must confer, decide whether disclosure is required, and coordinate disclosure of any material information in a form specified by the Listing Rules as soon as practicable after it becomes aware of the existence of material information, unless it determines:
    - a reasonable person would not expect the information to be disclosed; and
    - the information is confidential and its confidentiality is maintained; and
    - one or more of the following applies:
      - it would breach the law to disclose the information; or
      - the information concerns an incomplete proposal or negotiation; or
      - the information comprises matters of supposition or is insufficiently definite to warrant disclosure; or
      - the information is generated for internal management purposes of MCK or its subsidiaries; or
      - the information is a trade secret
- The Disclosure Committee will ensure that all Board members, not already aware of the information, are promptly provided with it.
- The Disclosure Committee is responsible for MCK's obligations under the Listing Rules to release material information to NZX to the extent necessary to prevent development or

subsistence of a market for its listed securities which is materially influenced by false or misleading information emanating from the issuer or any associated person of the issuer; or other persons in circumstances in each case which would give such information substantial credibility.

- All employees of MCK, as soon as practicable after becoming aware of a rumour or speculation that is “generally available to the market”, must disclose the existence of that rumour or speculation to a member of the Disclosure Committee.
- The Disclosure Committee is also responsible for co-ordinating MCK’s responses to leaks and inadvertent disclosures. Even in the event that leaked or inadvertently disclosed information is not price sensitive, the Disclosure Committee should consider whether the information should be released to NZX via its market announcement platform in order to provide investors with equal access.
- All external communications by MCK must comply with the CDP, any media policy and the Company’s rules with respect to confidential information. No material information is to be disclosed to such persons before it is released to NZX.
- Slides and presentations used in briefings should be released to NZX for immediate release to the market.

Prior to approval and release of MCK’s half year and full year results, the Vice President Finance and Company Secretary are required to provide a letter of representation to the Board (or its nominated subcommittee) that the financial statements have been prepared in accordance with generally accepted accounting practice and are correct in all material respects.

The Continuous Disclosure Policy was reviewed in 2019.

## PRINCIPLE 5 – REMUNERATION

**The remuneration of directors and executives should be transparent, fair and reasonable.**

The total pool for Directors’ Fees is capped at \$200,000 and was last approved by shareholders in 1996. The level of fees was last reviewed by the Board as a whole in 2019. All non-executive directors are entitled to receive a base fee of NZ\$38,000 per annum. The Board Chair receives an annual fee of NZ \$42,000 per annum. The Chair of the Audit Committee receives a further NZ\$9,000 per annum and member(s) of the Audit Committee receive NZ\$7,000 per annum. Executive Directors do not receive Directors’ or Committee fees.

Employee (including the Managing Director and senior management) remuneration is made up of two primary components being a fixed component and a short term

incentive. Remuneration is determined with reference to market information as well as the responsibilities of the position, experience and overall performance. Short term incentives are designed to reward high performing employees with appropriate incentives which are measured on key performance indicators which are reviewed and monitored regularly and company performance. The Company reserves the right to suspend or adjust incentives if targets are not met. MCK does not currently have an employee share plan or a long term incentive scheme.

Employees are eligible for a range of benefits including discounted accommodation at MCK’s hotels in New Zealand and Millennium & Copthorne Hotels around the world (subject to availability).

## PRINCIPLE 6 – RISK MANAGEMENT

**Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.**

While risks are a part of doing business, it does need to be monitored and addressed. MCK’s Board, Audit Committee and Management Team all have a role in identifying areas of risk and understanding their impact on the Company as well as how these areas are to be managed and mitigated.

MCK’s Management Team is responsible for the day-to-day identification, assessment and management of risks applicable to the Company as well as the implementation of appropriate controls, processes and policies to manage such risks. Management also ensures that there are training programmes in place to identify, manage, mitigate or eliminate hazards and risks in the workplace.

The Audit Committee’s role is to review and report to the Board on the adequacy of Management’s oversight and implementation of risks with particular regard to financial and operational risks. The Audit Committee also has oversight of the Company’s Internal Audit function and reviews internal audit reports as part of its duties.

The Board is ultimately responsible for the oversight and implementation of the Company’s responses to risk management.

MCK’s Board has identified three main risks areas being Reputational, Operational and Financial Risks. Reputational Risks may arise through errors or omissions by staff or Management, failed procedures, an incident that affects guests or staff or external events. Operational Risks may arise from change in the competitive or regulatory environment, customer demand changes or even failing to keep properties competitive. Financial risks may arise where earnings or cashflow change or are affected in some way due to market conditions or events within or outside MCK’s control.

MCK has a series of internal controls in place covering such areas as financial monitoring and reporting, human resources and risk management. The primary responsibility for monitoring and reporting against internal controls and remedying any deficiencies lies with Management.

MCK has currently outsourced its internal audit function to conduct audits and reviews of the Company’s operations. Details appears under Principle 7.

MCK also keeps current insurances appropriate to its business with reputable global insurers.

## PRINCIPLE 7 – AUDITORS

**The Board should ensure the quality and independence of the external audit process.**

External Audit plays a critical role in ensuring the integrity of financial reporting. The role of the external auditor is to plan and carry out an audit of MCK’s annual financial reports and review the half-yearly reports. The Audit Committee reviews the performance and independence of the external auditors.

MCK has in place an External Auditor Independence Policy which deals with the provision of services by the MCK’s external auditors, auditor rotation and the relationships between the external auditor and the Company. The policy states that:

The Audit Committee shall only recommend to the Board a firm to be external auditor if that firm:

- would be regarded by a reasonable investor, with full knowledge of all relevant facts and circumstances, as capable of exercising objective and impartial judgment on all issues encompassed within the auditor’s engagement;
- audit partners are members of Chartered Accountants Australia New Zealand (CAANZ);
- has not, within two years prior to the commencement of the audit, had as a member of its audit engagement team MCK’s Managing Director, Vice President Finance, Group Accounting Manager, or any member of the Company’s Management who acts in a financial oversight role.
- does not allow the direct compensation of its audit partners for selling non-audit services to MCK.

The general principles to be applied in assessing non-audit services are as follows:

- a the external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work. This

includes the provision of bookkeeping and payroll services as well as valuation services where such valuation forms an input into audited financial information;

- b the external auditor should not perform any function of management, or be responsible for making management decisions;
- c the external auditor should not be responsible for the design or implementation of financial information systems; and
- d the separation between internal audit and external audit should be maintained.

MCK's Audit Committee shall pre-approve all audit and related services that are to be provided by the auditor. Aside from core external audit services, it is appropriate for the MCK's auditors to provide the following services:

- due diligence (except valuations) on proposed transactions;
- review of financial information where third party verification is required or deemed necessary (outside the normal audit process);
- completion audits / reviews;
- financial model preparation or review;
- accounting policy advice;
- listing advice;
- accounting/technical training; and
- taxation services of an assurance nature.

It is not considered appropriate for MCK's external auditors to provide:

- book keeping services related to accounting records or financial statements;
- tax planning and strategy services unless specifically approved by the Audit Committee;
- appraisal / valuation services including opinions as to fairness;
- provision of payroll services;
- the design or implementation of financial information systems;
- outsourced internal audit and risk management services;
- legal services;
- management functions;
- broker / dealer / investment adviser / investment banking services;
- advocacy for the Company;
- actuarial services; and
- assistance in the recruitment of senior management.

These prohibitions apply to all offices of the audit firm, including overseas offices and affiliates.

The billing arrangements for services provided by MCK's external auditors should not include any contingent fees.

MCK's expects that its external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance, including independence rules and guidance issued by CAANZ.

The nature of services provided by MCK's auditors and the level of fees incurred should be reported to the Audit Committee Chairman semi-annually (or sooner where requested) to enable the Committee to perform its oversight role and report back to the Board. This policy does not prescribe any particular ratio of non-audit service fees to audit fees but the Committee shall monitor the fees and ratio.

The continued appointment of MCK's external auditors is confirmed annually by the Board on recommendation from the Audit Committee.

Rotation of the lead audit partner or firm will be required every five years. Lead audit partners who are rotated will be subject to a 2 year cooling off period (i.e. 2 years must expire between the rotation of an audit partner and that partner's next engagement with the Company).

The hiring by MCK of any former lead audit partner or audit manager must first be approved by the Chairman of the Audit Committee. There are no other restrictions on the hiring of other staff from the audit firm.

KPMG are currently MCK's external auditor and the lead external audit engagement partner was rotated in 2018.

The Audit Committee monitors local and overseas practice on auditor independence regularly to ensure that this policy remains consistent with best practice and meets MCK's requirements.

MCK's external auditors also attend the Company's Annual Meeting to answer any questions from shareholders as to the audit and the content of the Annual Report.

MCK has an internal audit function to conduct audits and reviews of the Company's operations which is independent of the External Auditors. A programme of work is developed annually and submitted to the Audit Committee for approval. The areas covered by internal audit are those which pose an operational business risk for MCK's hotels and corporate office functions. In this way, the internal audit function strengthens MCK's internal controls and provides the Audit Committee and the Board with an assessment of the functioning and overall adequacy of MCK's processes.

## PRINCIPLE 8 - SHAREHOLDER RIGHTS & COMMUNICATION

**The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.**

MCK is committed to providing shareholders and stakeholders with timely information on its activities and performance. MCK does this through a number of channels including:

- announcements in accordance with continuous disclosure as required under the Listing Rules;
- publication of the company's annual and interim reports which are sent to all shareholders; and
- encouraging shareholders to attend the Annual Meeting in May of each year to hear the Chairman and the Managing Director provide updates on the company's performance, ask questions of the Board and vote on the resolutions to be determined at the meeting. Resolutions at shareholder meetings are usually determined by poll where each ordinary shareholder has one vote per share.

Relevant communications, copies of annual reports and key corporate governance documents and policies are now available on a dedicated webpage <http://mckhotels.co.nz/investors/>

Shareholders also receive a discount card for use at MCK's hotels within New Zealand which provides them with a twenty percent off Best Available Rate (subject to availability).

## REGULATORY DISCLOSURES

### 20 LARGEST ORDINARY SHAREHOLDERS (as at 2 March 2020) (Listing Rule 3.7.1 c)

Rank	Shareholder	No. of Securities	%
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	74,743,077	70.79
2.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	5,962,409	5.65
3.	ACCIDENT COMPENSATION CORPORATION - NZCSD	3,349,088	3.17
4.	NATIONAL NOMINEES LIMITED - NZCSD	3,248,576	3.08
5.	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD	2,535,440	2.40
6.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	2,084,456	1.97
7.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	1,628,057	1.54
8.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT - NZCSD	1,560,365	1.48
9.	LENG BENG KWEK	906,000	0.86
10.	AMALGAMATED DAIRIES LIMITED	684,980	0.65
11.	SKY HILL LIMITED	657,300	0.62
12.	KAY HONG CHIAM	475,251	0.45
13.	MFL MUTUAL FUND LIMITED - NZCSD	463,297	0.44
14.	CUSTODIAL SERVICES LIMITED	397,780	0.38
15.	JALAER INVESTMENTS LIMITED	278,977	0.26
16.	GEOK LOO GOH	168,002	0.16
17.	ASB NOMINEES LIMITED	166,953	0.16
18.	SITA SINGH	151,000	0.14
19.	ASB NOMINEES LIMITED	140,000	0.13
20.	HOWARD CEDRIC ZINGEL	139,915	0.13

NZCSD is the New Zealand Central Securities Depository and provides a custodial depository service to its clients and does not have a beneficial interest in the shares held in its name.

### 20 LARGEST REDEEMABLE PREFERENCE SHAREHOLDERS (as at 2 March 2020) (Listing Rule 3.7.1 c)

Rank	Shareholder	No. of Securities	%
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	45,224,095	85.75
2.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	2,945,671	5.59
3.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	1,683,950	3.19
4.	ACCIDENT COMPENSATION CORPORATION - NZCSD	935,848	1.77
5.	LENG BENG KWEK	453,000	0.86
6.	NATIONAL NOMINEES LIMITED - NZCSD	397,131	0.75
7.	KAY HONG CHIAM	211,324	0.40
8.	ASB NOMINEES LIMITED	136,323	0.26
9.	ALAN DAVID WHITE	110,130	0.21
10.	JENNIFER GAYE SIMPSON	43,000	0.08
11.	CUSTODIAL SERVICES LIMITED	40,300	0.08
12.	THEODORE JOHN VAN GELDERMALSEN + MARGARET GAY FREEMANTLE	38,000	0.07
13.	HOWARD CEDRIC ZINGEL	31,592	0.06
14.	JOAN LESLEY THOMPSON	30,200	0.06
15.	ROGER EDWARD HAYWARD + SUSAN ELIZABETH HAYWARD	28,909	0.05
16.	CUSTODIAL SERVICES LIMITED	23,900	0.05
17.	SEA AND PEAK EQUITIES LIMITED	23,400	0.04
18.	CUSTODIAL SERVICES LIMITED	21,200	0.04
19.	LING FOO KOK	20,134	0.04
20.	RICHARD ALEXANDER COUTTS	18,256	0.03

NZCSD is the New Zealand Central Securities Depository and provides a custodial depository service to its clients and does not have a beneficial interest in the shares held in its name.

### HOLDINGS SIZE – ORDINARY SHARES (as at 2 March 2020)

Range	Total Holders	Number of shares	Percentage of Issued Capital
1 - 99	5	208	0.00
100 - 199	32	4,869	0.00
200 - 499	458	158,661	0.15
500 - 999	310	219,373	0.21
1,000 - 1,999	212	305,179	0.29
2,000 - 4,999	238	746,423	0.71
5,000 - 9,999	123	859,817	0.81
10,000 - 49,999	110	2,019,251	1.91
50,000 - 99,999	16	1,182,640	1.12
100,000 - 499,999	9	2,038,678	1.93
500,000 - 999,999	3	2,248,280	2.13
1,000,000 +	2	95,794,911	90.73
Rounding			0.01
<b>Total</b>	<b>1518</b>	<b>105,578,290</b>	<b>100.00</b>

### HOLDINGS SIZE – REDEEMABLE PREFERENCE SHARES (as at 2 March 2020)

Range	Total Holders	Number of shares	Percentage of Issued Capital
100 - 199	35	5,390	0.01
200 - 499	40	12,467	0.02
500 - 999	24	16,596	0.03
1,000 - 1,999	22	31,324	0.06
2,000 - 4,999	19	68,530	0.13
5,000 - 9,999	13	81,323	0.15
10,000 - 49,999	20	426,441	0.81
100,000 - 499,999	4	910,777	1.73
1,000,000 +	2	51,186,695	97.06
Rounding			0.00
<b>Total</b>	<b>179</b>	<b>52,739,543</b>	<b>100.00</b>

## DOMICILE OF ORDINARY SHAREHOLDERS (as at 2 March 2020)

	Number	Number of shares	Percentage of Issued Capital
New Zealand	1424	102,800,476	97.37
Overseas holders	94	2,777,814	2.63
<b>Total</b>	<b>1,518</b>	<b>105,578,290</b>	<b>100.00</b>

## DOMICILE OF REDEEMABLE PREFERENCE SHAREHOLDERS (as at 2 March 2020)

	Number	Number of shares	Percentage of Issued Capital
New Zealand	168	51,984,976	98.57
Overseas holders	11	754,567	1.43
<b>Total</b>	<b>179</b>	<b>52,739,543</b>	<b>100.00</b>

## WAIVERS FROM NZX LIMITED

No waivers were sought from NZX in 2019. MCK adopted the new NZX Listing Rules on 2 March 2020.

## SUBSTANTIAL PRODUCT HOLDERS

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 2 March 2020, the substantial product holders in the Company are noted below:

	Securities	Class	%
CDL Hotels Holdings New Zealand Limited	74,139,077	Ordinary Shares	70.79%
Standard Life Aberdeen plc	10,182,794	Ordinary Shares	9.65%
Aberdeen Standard Investments (Asia) Limited	10,182,794	Ordinary Shares	9.65%

CDL Hotels Holdings New Zealand Limited is a wholly owned subsidiary of Millennium & Copthorne Hotels Limited (formerly Millennium & Copthorne Hotels plc). As at 2 March 2020, the total number of issued voting securities of Millennium & Copthorne Hotels New Zealand Limited (all of which are ordinary shares) was 105,578,290. The Company holds 99,547 repurchased ordinary shares as treasury stock. The total number of non-voting redeemable preference shares was 52,739,543. As these securities are non-voting securities, there is no requirement to provide substantial product holder notices.

## STATUTORY INFORMATION

### **DIRECTORS** (section 211 (1)(i) Companies Act 1993)

As at 31 December 2019, the Company's Directors were Messrs. C Sim, BK Chiu, R Bobb, K Hangchi, GA McKenzie and KS Tan. Messrs. Chiu, Hangchi and Tan were appointed by Millennium & Copthorne plc (now Millennium & Copthorne Hotels Limited). Mr KS Tan retired from the Board on 31 December 2019 and Mr. ES Kwek was appointed with effect from 1 January 2020.

The gender breakdown of the Board is 6 male directors and 0 female directors (2018: 6 male directors and 0 female directors). MCK currently has 3 female and 6 male officers (2018: 4 female and 6 male officers).

### **INTERESTS REGISTER** (sections 189 (1) (c) and 211(1)(e) Companies Act 1993)

The Company maintains an Interests Register as required under the Companies Act 1993. For the period under review, the following entries were recorded:

### **USE OF COMPANY INFORMATION** (section 145 Companies Act 1993)

During 2019, the Board did not receive any notices from any Directors of the Company requesting the use of company information which they would have received in their capacity as Directors which would not otherwise have been available to them.

### **SHARE DEALING** (section 148, Companies Act 1993)

No share dealings by Directors occurred during 2019.

### **DIRECTORS' AND ASSOCIATED PERSONS SHAREHOLDINGS** (as at 31 December 2019)

Director	2018	2019
C Sim	Nil	Nil
B K Chiu	Nil	Nil
K Hangchi	Nil	Nil
KS Tan	Nil	Nil
R Bobb	Nil	Nil
GA McKenzie	Nil	Nil

### **REMUNERATION** (section 161 and 211(1)(f), Companies Act 1993)

The total remuneration and value of other benefits earned by each of the Directors of the Company for the year ending 31 December 2019 was:

Director	Remuneration
C Sim	42,000
B K Chiu (*)	588,300
K Hangchi	35,000
KS Tan (*)	Nil
R Bobb	47,000
GA McKenzie	45,000

(\*) Mr. KS Tan retired as a director on 31 December 2019. As he was Interim Group Chief Executive Officer of Millennium & Copthorne Hotels plc he and Mr. B K Chiu were employees of the Company. Neither Mr. Tan nor Mr. Chiu received remuneration as a director of the Company or of any of the Company's subsidiaries.

### **INDEMNITY AND INSURANCE** (section 162, Companies Act 1993)

In accordance with the Company's constitution, the Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

**GENERAL DISCLOSURES OF INTEREST** (section 140(2), Companies Act 1993)

As at 31 December 2019, the Directors of the Company have made general disclosures of interest in the following companies:

**C SIM**

*Chairman / Director of:*

CDL Investments New Zealand Limited

*Director of:*

Autocaps Vogue Pty Limited  
Builders Recycling Operations Pty Ltd  
Desert Rose Holdings Pty Limited  
East Quarter Hurstville Pty Limited  
EQ Finance Services Pty Limited  
EQ Projects Holdings Pty Ltd  
EQ Riverside Pty Ltd  
Hurstville NSW Pty Limited  
New Dale Sim Pty Ltd  
Phoenix Palm Developments Pty Limited  
SSK Investments No 2 Pty Ltd  
Waterbrook Bayview Investment Pty Ltd  
Waterbrook Bowral Investment Pty Ltd

Autocaps (Aust) Pty Ltd  
Bathurst Range Investments Pty Limited  
CS Investments No. 1 Pty Ltd  
DMM Investments (NSW) Pty Ltd  
EQ Constructions Pty Ltd  
EQ Gosford Pty Ltd  
EQ Property Holdings Pty Ltd  
EQ Zetland Pty Ltd  
Lienruk Pty Ltd  
PBD Phoenix Pty Limited  
Preslite Drive Technologies Pty Limited  
SSK Investments O/S Pty Ltd  
Waterbrook Bayview Village Management Pty Ltd  
Waterbrook Brand Pty Ltd

Autocaps Pastoral Division Pty Limited  
Builders Recycling Properties Pty Ltd  
Desert Rose Group Pty Limited  
East Quarter Group Pty Ltd  
EQ Equity Pty Ltd  
EQ Projects Pty Ltd  
EQ Revesby Pty Ltd  
EQ Zetland Finance Pty Ltd  
Naxta Pty Ltd  
PCC Devco 1 Pty Limited  
SSK Investments Pty Ltd  
Waterbrook Bayview Pty Ltd  
Waterbrook Bowral Pty Ltd  
West Quarter Hurstville Pty Limited

**R BOBB**

*Director of:*

Birkenhead Investments Pty Ltd  
Hotelcorp New Zealand Pty Ltd  
Kingsgate Investments Pty Ltd  
RAB Capital Pty Ltd

Bobb Management Pty Ltd  
Continental Investments Pty Ltd  
Kingsgate Hotel Pty Ltd  
Melmark Securities Pty Ltd  
Star Securities Australia Pty Ltd

Birkenhead Holdings Pty Ltd  
Furscarbo Pty Ltd  
Kingsgate Holdings Pty Ltd  
Millennium & Copthorne Hotels Pty Ltd.  
Trans National Properties Ltd

**BK CHIU**

*Chairman / Director of:*

*Director of:*

CDL Land New Zealand Ltd  
Hospitality Leases Ltd  
Millennium & Copthorne NZ Ltd

Quantum Ltd

All Seasons Hotels & Resorts Ltd  
Context Securities Ltd  
Hospitality Services Ltd  
QINZ Holdings (New Zealand) Ltd

Waitangi Resort Joint Venture Committee

CDL Investments New Zealand Ltd  
Hospitality Group Ltd  
Kingsgate Hotels & Resorts Ltd  
QINZ (Anzac Avenue) Ltd

**K HANGCHI**

*Director of:*

Hong Leong Finance Limited  
Millennium Securities Nominees Pte Ltd  
Sun Yuan Holdings Pte Ltd

CDL Hotels Holdings New Zealand Limited  
Hong Leong Finance Nominees Pte Ltd  
Millennium Securities Pte Ltd  
Sun Yuan Overseas Pte Ltd

KIN Holdings Limited  
Hong Leong Nominees (Private) Limited  
Singapore Nominees Private Ltd

**G A MCKENZIE**

*Director of:*

Luxtotta Retail New Zealand Ltd

CMO Energy NZ  
McHarry Holdings Ltd

GMACK Consulting Ltd  
Saw 2015 Ltd

**EMPLOYEE REMUNERATION** (section 211(1) (g) Companies Act 1993)

The number of employees or former employees of the Company and its subsidiaries (excluding publicly listed subsidiaries) who received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded \$100,000 per annum in 2019 are as follows:

Remuneration and value of other benefits	Number of employees
100,001 – 110,000	2
110,001 – 120,000	4
120,001 – 130,000	2
130,001 – 140,000	1
150,001 – 160,000	1
160,001 – 170,000	1
180,001 – 190,000	1
190,001 – 200,000	1
200,001 – 210,000	5
210,001 – 220,000	1
220,001 – 230,000	1
240,001 – 250,000	1
400,001 – 410,000	1
580,001 – 590,000	1

**DONATIONS** (section 211(1)(h) and (2))

The Company and its subsidiaries made donations to charity totaling \$1,706 during the year.

**AUDIT FEES** (section 211(1)(j) and (2))

During the period under review, the following amounts were payable to the external auditors KPMG:

	2018 (\$'000)		2019 (\$'000)	
	New Zealand	Australia	New Zealand	Australia
Annual Audit	292	25	302	25
KPMG Other Services	64	nil	52	Nil

**SUBSIDIARY COMPANIES AND DIRECTORS** (section 211(2) of the Companies Act 1993)

The Company's subsidiaries and their directors as at 31 December 2019 are listed below:

NAME	DIRECTORS	OWNERSHIP	ACTIVITY
All Seasons Hotels and Resorts Ltd	BK Chiu, JB Pua	100%	Non-trading
Birkenhead Holdings Pty Ltd	R Bobb, JB Pua	100%	Holding Company (Australia)
Birkenhead Investments Pty Ltd	R Bobb, JB Pua	100%	Holding Company (Australia)
CDL Investments New Zealand Ltd (▼)	C Sim, RJ Austin, BK Chiu, J Henderson, KS Tan, VWE Yeo	66.26%	Holding Company
CDL Land New Zealand Ltd (*)	JC Adams, BK Chiu, JB Pua	66.26%	Property Investment & Development Company
Context Securities Ltd	BK Chiu, JB Pua	100%	Investment Holding Company
Hospitality Group Ltd	BK Chiu, N Hood, KF Luxon	100%	Holding Company
Hospitality Leases Ltd	BK Chiu	100%	Lessee Company
Hospitality Services Ltd	BK Chiu, KF Luxon, JB Pua	100%	Hotel Management Company
Hotelcorp New Zealand Ltd	R Bobb, JB Pua	100%	Holding Company (Australia)
KIN Holdings Ltd	JB Pua, K Hangchi	100%	Holding company
Kingsgate Holdings Pty Ltd	R Bobb, JB Pua	100%	Holding Company
Kingsgate Hotels And Resorts Ltd	BK Chiu, JB Pua	100%	Franchise Holder
Kingsgate Hotels Ltd	JB Pua	100%	Non-trading
Kingsgate Hotel Pty Ltd	R Bobb, JB Pua	100%	Non-trading (Australia)
Kingsgate Investments Pty Ltd	R Bobb, JB Pua	100%	Residential Apartment Owner (Australia)
Kingsgate International Corporation Ltd	JB Pua,	100%	Holding Company
Millennium & Copthorne NZ Ltd (formerly Millennium & Copthorne Hotels Ltd)	BK Chiu, JB Pua	100%	Non-trading
Millennium & Copthorne Hotels Pty Ltd	R Bobb, JB Pua	100%	Non-trading (Australia)
QINZ (Anzac Avenue) Ltd	BK Chiu, JB Pua	100%	Hotel Owner
QINZ Holdings (New Zealand) Ltd	BK Chiu, JB Pua	100%	Holding Company
Quantum Ltd	BK Chiu, KF Luxon, JB Pua,	100%	Holding company

(▼) Listed on the New Zealand Stock Exchange

(\*) Mr. JC Adams was appointed as a Director on 15 February 2019

--Where the directors of the Company's subsidiaries are employees of the Company, they do not receive any remuneration or other benefits as a director. Their remuneration and other benefits are received as employees and are included in the relevant banding under Employee Remuneration.

--The following persons received remuneration as Directors of the Company's subsidiaries during 2019: C Sim (\$35,500), VWE Yeo (\$30,000), RJ Austin (\$35,000), J Henderson (\$30,000).

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## **BOARD OF DIRECTORS**

Colin Sim (Chairman & Independent Director)  
BK Chiu (Managing Director)  
Eik Sheng Kwek (Non-Executive Director)  
Kevin Hangchi (Non-Executive Director)  
Richard Bobb (Independent Director, Chair of the Audit Committee)  
Graham McKenzie (Independent Director, Member of the Audit Committee)

## **SENIOR MANAGEMENT**

Greg Borrageiro (Director, Information Technology)  
Brendan Davies (Director, International Sales & Marketing)  
Craig Fletcher (Director, Property Management)  
Takeshi Ito (Vice President Legal & Company Secretary)  
Karl Luxon (Vice President Operations)  
Boon Pua (Vice President Finance)  
Kim-Marie Rixson (Vice President, Human Resources)  
Alison Smith (National Director of Sales, Conferences and Incentives)  
Josie Wilson (National Distribution & Revenue Manager)

## **REGISTERED OFFICE & CONTACT DETAILS**

Level 13, 280 Queen Street, Auckland, New Zealand  
PO Box 5640, Victoria Street West, Auckland 1142  
Telephone: (09) 353 5010  
Facsimile: (09) 309 3244  
Global Website: [www.millenniumhotels.com](http://www.millenniumhotels.com)  
Investor Website: [www.mckhotels.co.nz/investors](http://www.mckhotels.co.nz/investors)  
Email: [sales.marketing@millenniumhotels.co.nz](mailto:sales.marketing@millenniumhotels.co.nz)

## **AUDITORS**

KPMG, Auckland

## **BANKERS**

ANZ Bank New Zealand Limited  
Hong Kong & Shanghai Banking Corporation Limited

## **SOLICITORS**

Bell Gully

## **SHARE REGISTRAR**

Computershare Investor Services Limited,  
Level 2, 159 Hurstmere Road, Takapuna,  
Private Bag 92119, Auckland 1020, New Zealand  
Telephone: +64 9 488 8700  
Facsimile: +64 9 488 8787  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

## **STOCK EXCHANGE LISTING:**

New Zealand Exchange (NZX)  
Company Code: MCK



#### **HEAD OFFICE**

Head Office Tel: (09) 353 5010

Level 13, 280 Queen Street

PO Box 5640, Victoria Street West, Auckland 1142

#### **NATIONAL CONFERENCE OFFICE**

Ph: 0800 4 MEETINGS (0800 4 633 846)

Email: [meetings@millenniumhotels.co.nz](mailto:meetings@millenniumhotels.co.nz)

[www.meetingsnz.co.nz](http://www.meetingsnz.co.nz)

#### **SALES**

Email: [sales.marketing@millenniumhotels.co.nz](mailto:sales.marketing@millenniumhotels.co.nz)

International Sales Tel: (09) 353 5085

Corporate Sales Auckland Tel: (09) 353 5010

Corporate Sales Wellington Tel: (04) 382 0770

#### **CENTRAL RESERVATIONS**

Ph: 0800 808 228

Email: [central.res@millenniumhotels.co.nz](mailto:central.res@millenniumhotels.co.nz)

[www.millenniumhotels.com](http://www.millenniumhotels.com)