



MILLENNIUM

HOTELS AND RESORTS

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LTD

ANNUAL REPORT 2020





Front cover - Wind blown Akeake tree
(*Oleria traversiorium*), New Zealand
"Bend..... don't break"

Brad Watts (General
Manager of Copthorne Hotel
and Resort Bay of Islands)
helping out at the reception.

Copthorne Hotel & Apartments
Queenstown Lakeview.



Jessica Marychurch (Front
Office/Reservations Manager
at Copthorne Hotel & Resort
Solway Park Wairarapa)
wearing a reusable mask made
by her fellow Team member
Wendy Heaps (Housekeeper.)



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Our popular "Summer Is Calling"
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featuring Copthorne Hotel and Resort Bay of Islands and Millennium Hotel Rotorua.

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Calendar

Annual Report Issued	19 Mar 2021
Annual Shareholder Meeting	25 May 2021
Half Year End	30 Jun 2021
Financial Year End	31 Dec 2021



Colin Sim
Chairman



B K Chiu
Managing Director

Five Year Trend Statement

	2016	2017	2018	2019	2020
Revenue	\$172.0m	\$187.3m	\$218.8m	\$229.7m	\$172.0m
Profit After Tax & NCI	\$40.4m	\$43.1m	\$49.4m	\$49.7m	\$46.0m
Total Assets	\$713.9m	\$828.2m	\$898.2m	\$1,008m	\$987.9m
Group Equity	\$489.1m	\$588.9m	\$640.3m	\$715.3m	\$743.6m
Net Asset Backing / Per Share	\$3.09	\$3.72	\$4.04	\$4.52	\$4.70



CHAIRMAN'S REVIEW

A few words on the year just past

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

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

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

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

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

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

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

Financial Performance & Financial Position

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

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

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

New Zealand Hotel Operations

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

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

Only the hotel operations applied for and received the Government's Wage Subsidy from March through to June as well as the June extension and a final resurgence payment in September. In all, a total of \$9.5 million was received and all of it was paid out to our employees. We met the criteria to receive the subsidy and we have



Copthorne Hotel Wellington Oriental Bay.

been audited by the Ministry of Social Development on our use of the wage subsidy and they have found no issues.

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

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

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

CDL Investments New Zealand Limited (“CDLI”)

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

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

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

Australia Update

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

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

Dividend Announcement

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

Outlook

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

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

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

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

Colin Sim Chairman
17 February 2021



MANAGING DIRECTOR'S REVIEW



2020 was a year which saw some of the best qualities of New Zealand and New Zealanders as we tackled a global crisis the likes of which we have never experienced before. Unfortunately, the crisis has not gone away to the extent that we have been able to resume our business to previous levels and, like other businesses in our sector, our recovery will be a long and slow process. The latest lockdowns in February / March 2021 are further frustrating disruptions that complicate and postpone our recovery.

In our 2020 results media release I made the comment that the past year has been like owning a shop where over 70 percent of our customers were stopped from entering it. That has continued into 2021 and what we have seen already in the past two months of this year is significantly less occupancy particularly at key tourist destinations. While we are developing new and imaginative marketing for Kiwis to look at their backyards for their next holiday or short break once again, an inability or (understandable) reluctance to travel will dilute the effectiveness of any campaign. Confidence to resume travelling, locally and globally, is therefore key to recovery.

Talk of new taxes or charges on hotels therefore seems counterproductive and inappropriate when we as an industry are still picking ourselves off the floor, so to speak. We have publicly made the argument that such charges need to be fair and show a tangible benefit to those who are being made to pay. That is a basic principle of fairness. In the same way that the Reserve Bank is now being asked by the Government to consider the effect on the housing market when making decisions, our polite request to central and local government is to be fair and be mindful of the impact of these decisions on the hotel, accommodation and tourism industries.

This is the time to actively support these industries back to health, not to maim or cripple them. Or at least stand back, let us manage and get back on our feet while councils stick to their knitting of providing basic ratepayer services, developing and implementing plans to maintain and improve infrastructure versus taxing the accommodation sector to fund the next shiny objects in the name of public futuristic goodness. What you put in a sausage and how you cook it matters.

Tourism in New Zealand will undergo a reset over the next few years. That said, it is somewhat premature to speak of what sort of international visitor we will see in future years when international travel resumes to pre-COVID levels. The fact is that right now we do not know.

There has been recent debate as to whether a high-value tourism model should be pursued as this would alleviate pressure on the environment and allow tourism to be truly sustainable. This mantra is neither new nor is it compelling. It does not require deep dives to figure out the actual size and relevance of this “high value” market to New Zealand. The question needs to be asked: ‘is the grass really greener on the other side?’ The answer is clear if you examine all of the linkages and benefits of New Zealand’s current broad range of accommodation – it includes motels, bed & breakfasts, the SMEs who are tourist attractions, the rural and township employment opportunities derived from enterprises allied to tourism, all contributing to the social fabric of small communities across the country. New Zealand’s export and tourism strategies have never been exclusionary. We have always looked at how we as a country can tap into the vast global middle-class markets who will buy our produce for its high quality and who choose to visit us because of our natural environment and sustainability aspirations. High value and middle value markets are not mutually exclusive. Both are worth pursuing. What we have and what resources are needed must be in line with a well-thought recovery strategy. It is not simply enough to spout unstructured ideas.

Rather than dwell on negative issues, I do want to focus on much more positive things. We are therefore fortunate in New Zealand that, recent lockdowns aside, we are able to look to the future in a meaningful way rather than focusing on getting the pandemic under control.

At our hotels, we were talking about “cross-functionality” and “multi-dextrous” working prior to the pandemic and during 2020



This page: Team at M Social Auckland.

Opposite page: Major renovations including a new roof completed at Copthorne Hotel and Resort Queenstown Lakefront, all ready for the ski season and summer.



this was put to the test immediately. We have therefore all become accustomed to working across our business and our General Managers, for example, have on occasion been doing laundry and cooking breakfasts, mowing lawns in addition to running the day-to-day operations over the past twelve months.

Everyone’s mantra has been “do what it takes and do it humbly”.

In this annual report, we want to show you a snapshot of what this looked like during the year.

The resilience and commitment shown by our employees across the country has been the most memorable aspect of the last year. To all of our employees, my sincerest thanks for all of your efforts over the past year.

Our focus for 2021 is therefore on our recovery runway. In 2021 we will be primarily focused on the New Zealand domestic market but we have also restarted our work on international promotions. As the University of Auckland’s Koi Tū: The Centre for Informed Futures said in its paper ‘New Zealand’s place in the world: the implications of COVID-19’, New Zealand is in a relatively advantageous position with high international standing, demonstration of cohesiveness, trust and values and that this perception will be enhanced if New Zealand can remain virtually COVID-free. They also highlight the fact that in a post-COVID world, partnerships between countries and regions are likely to be “plurilateral” and will form between countries with joint interests. We see this happening already with regard to potential travel corridors between New Zealand, the Pacific Islands, Australia and Singapore. We are optimistic that quarantine-free travel corridors will happen at some stage but we are cautious in estimating when these will actually occur.

We also announced that we are committed to refurbishment of our hotels in Rotorua, Queenstown and Greymouth and this is very important to our future success. We are pacing our projects in line with our demand forecasts and have the ability to accelerate additional works should these be justified. We are looking forward to showing our new product when it is ready to Kiwis and, hopefully, to international visitors when the borders reopen.

We strive to make improvements to our hotels and the guest experience more environmentally friendly and sustainable at every

opportunity but in terms of the reset, we would urge some caution about adopting blanket exclusionary policies which may result in unintended consequences. Of course we should all be conscious of our environmental impact and seek to mitigate our footprint where possible, but at the same time, given our remoteness from the rest of the world, we should not deny ourselves appropriate opportunities to create jobs and economic growth from international visitors which will benefit New Zealand and assist with our post-pandemic recovery.

In the same way that our people have become “multi-dextrous”, our group property portfolio, which includes our majority interest in CDL Investments New Zealand Limited, has been able to respond strongly during the last year. CDI’s geographically diverse land holdings will be key to enhancing MCK’s future results over the next few years as it looks to develop residential sections in growth cells across New Zealand in response to strong housing demand and we continue to market our Zenith Residences in Sydney for sale as buyers look for high quality apartment units once again. As CDI further diversifies into commercial property, MCK is also exploring ways to increase the cross-functionality between itself and CDI where appropriate opportunities exist and we believe that this will be beneficial to both companies over the long term.

Despite the immediate and difficult challenges we are facing, I do believe that there are reasons to be optimistic and to look forward to a strong future for New Zealand tourism.

The speed and strength of that recovery depend on the key steps we take now. Everyone, our guests, suppliers, stakeholders, shareholders, government and others can do something that will help secure our future for the better. We will, of course, be looking to make our hotels and destinations “must see” places and we will work alongside our strategic partners to rebuild travel confidence. We know that New Zealand will remain an attractive destination for global tourism and investment and this interest will remain very high for some time. We must therefore be ready to welcome the world back to our country when the time is right.

B K Chiu
Managing Director



2020: AN UNFORGETTABLE YEAR

COVID-19 affected every part of the globe during 2020 including New Zealand. With the country's international borders shut and tourism coming to a literal standstill during the year, Millennium & Copthorne Hotels New Zealand's employees found themselves having to tackle to multiple operational challenges. With typical Kiwi "can do" attitude, MCK's staff have risen to the task and found new ways to run the company's hotels, upskill employees and still provide the warmth and professionalism of service our guests expect from us. Here are a few of our stories from a truly unforgettable year.

Our General Managers know how important a great coffee is to our guests at all times. Tobias Daniels, General Manager at Millennium Hotel New Plymouth Waterfront was regularly doing a barista shift in addition to his daily responsibilities as the General Manager. "It's all about the Outstanding Service Experience. No matter how bad a day it is, our guests expect us to deliver to the highest standards and during 2020 we did our best to meet their expectations no matter what the circumstances.



"There's always something or someone to celebrate", says M Social Auckland General Manager Nigel Edwards. "Because we have operated as a managed isolation hotel, it is essential to keep the spirits of our guests and also of our staff high every day. So why not celebrate Elvis' (Nigel's dog featured on the banner) birthday? It got a laugh and a smile from everyone and they got a great coffee as well. That's what we do".

At Millennium Hotel Rotorua, employees have been focused on how to improve day-to-day efficiency in ways not necessarily front and centre to the public. Operations Manager Michele Weston (left) and Hotel Administrator Jolene Gray (right) were busy repairing some of the hotel's curtains while the hotel was temporarily closed during lockdown. Maintenance Manager Shane James also converted a back office area into an extension of the hotel's kitchen and by doing so, allowed the hotel to temporarily close restaurant and bar areas which reduced the hotel's overall energy and operational costs during this time.



Besides abrupt rostering changes, Brad Watts, General Manager of Copthorne Hotel and Resort Bay of Islands and Johnny Coulter, Executive Chef had to respond quickly when a three day event was cancelled due to a lockdown. Here Johnny is seen helping out with the dishes after ensuring food ordered did not go to waste.

The ability to adapt swiftly and nimbly to changing circumstances has become one of the most valued attributes to employees in the hospitality industry today. Even in winter, the grass continues to grow on the lawns of Copthorne Hotel Rotorua. Blair Chalmers, the hotel's General Manager, very much a farmer at heart does a tidy job of the hotel lawns as he extolls the virtues of grass-based farming and the new varieties of export grade New Zealand apples.



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.

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 was elected by shareholders at the 2020 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 appointed to the Board in 2016 and 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 appointed as Managing Director in 2005 and was last re-elected to the Board at the 2020 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 appointed to the Board in 2006 and was last re-elected to the Board at the 2019 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 appointed in 2004 and 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

HOSPITALITY SERVICES LIMITED

MANAGED

Grand Millennium Auckland
Kingsgate Hotel Autolodge Paihia

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 Solway Park Wairarapa
Kingsgate Hotel The Avenue Wanganui



Kingsgate Hotel Autolodge Paihia.

MILLENNIUM HOTELS & RESORTS IN NEW ZEALAND



COPTHORNE COLLECTION

Copthorne Hotel & Resort Bay of Islands

Tau Henare Drive, Paihia
P +64 9 402 7411 F +64 9 402 8200
copthorne.bayofislands@millenniumhotels.co.nz

Copthorne Hotel Auckland City

150 Anzac Avenue, Auckland
P +64 9 379 8509 F +64 9 379 8582
copthorne.aucklandcity@millenniumhotels.co.nz

Copthorne Hotel Rotorua

Fenton Street, Rotorua
P +64 7 348 0199 F +64 7 346 1973
copthorne.rotorua@millenniumhotels.co.nz

Copthorne Hotel Palmerston North

110 Fitzherbert Avenue, Palmerston North
P +64 6 356 8059 F +64 6 356 8604
copthorne.palmerston@millenniumhotels.co.nz

Copthorne Hotel & Resort

Solway Park Wairarapa
High Street, South Masterton
P +64 6 370 0500 F +64 6 370 0501
reservations@solway.co.nz

Copthorne Hotel Wellington Oriental Bay

100 Oriental Parade, Wellington
P +64 4 385 0279 F +64 4 384 5324
copthorne.orientalbay@millenniumhotels.co.nz

Copthorne Hotel & Resort

Queenstown Lakefront
Cnr Adelaide Street and Frankton Road, Queenstown
P +64 3 450 0260 F +64 3 442 7472
copthorne.lakefront@millenniumhotels.co.nz

Copthorne Hotel & Apartments Queenstown Lakeview

88 Frankton Road, Queenstown
P +64 3 442 7950 F +64 3 442 8066
copthorne.lakeview@millenniumhotels.co.nz

Kingsgate Hotel Autolodge Paihia

Marsden Road, Paihia
P +64 9 402 7416 F +64 9 402 8348
kingsgate.paihia@millenniumhotels.co.nz

Kingsgate Hotel The Avenue Wanganui

379 Victoria Avenue, Wanganui
P +64 6 349 0044 F +64 6 345 3250
kingsgate.wanganui@millenniumhotels.co.nz

Kingsgate Hotel Greymouth

32 Mawhera Quay, Greymouth
P +64 3 768 5085 F +64 3 768 5844
kingsgate.greymouth@millenniumhotels.co.nz

Kingsgate Hotel Te Anau

20 Lakefront Drive, Te Anau
P +64 3 249 7421 F +64 3 249 8037
kingsgate.teanau@millenniumhotels.co.nz

Kingsgate Hotel Dunedin

10 Smith Street, Dunedin
P +64 3 477 6784 F +64 3 474 0115
kingsgate.dunedin@millenniumhotels.co.nz



MILLENNIUM COLLECTION

Grand Millennium Auckland

71 Mayoral Drive, Auckland
P +64 9 366 3000
grandmillennium.auckland@millenniumhotels.co.nz

Millennium Hotel Rotorua

Cnr Eruera & Hinemaru Streets, Rotorua
P +64 7 347 1234 F +64 7 348 1234
millennium.rotorua@millenniumhotels.co.nz

Millennium Hotel & Resort Manuels Taupo

243 Lake Terrace, Taupo
P +64 7 378 5110 F +64 7 378 5341
millennium.taupo@millenniumhotels.co.nz

Millennium Hotel Queenstown

Cnr Frankton Road & Stanley Street, Queenstown
P +64 3 450 0150 F +64 3 441 8889
millennium.queenstown@millenniumhotels.co.nz

Millennium Hotel New Plymouth Waterfront

1 Egmont St, New Plymouth
P +64 6 769 5301 F +64 6 769 5302
millennium.newplymouth@millenniumhotels.co.nz



M COLLECTION

M Social Auckland

196 - 200 Quay Street, Auckland
Phone +64 9 377 0349
msocial.auckland@millenniumhotels.com

Clockwise starting from top left:
Millennium Hotel & Resort
Manuels Taupo, Copthorne Hotel
Wellington Oriental Bay, M Social
Auckland and Millennium Hotel
New Plymouth Waterfront. All
these hotels were winners of
Tripadvisor's Travellers' Choice
2020 Best of the Best Award. An
award given to hotels placed in
the Top 10% worldwide based on
reviews on Tripadvisor.





MILLENNIUM

HOTELS AND RESORTS

More than Meets the Eye

Financial Statements - Contents

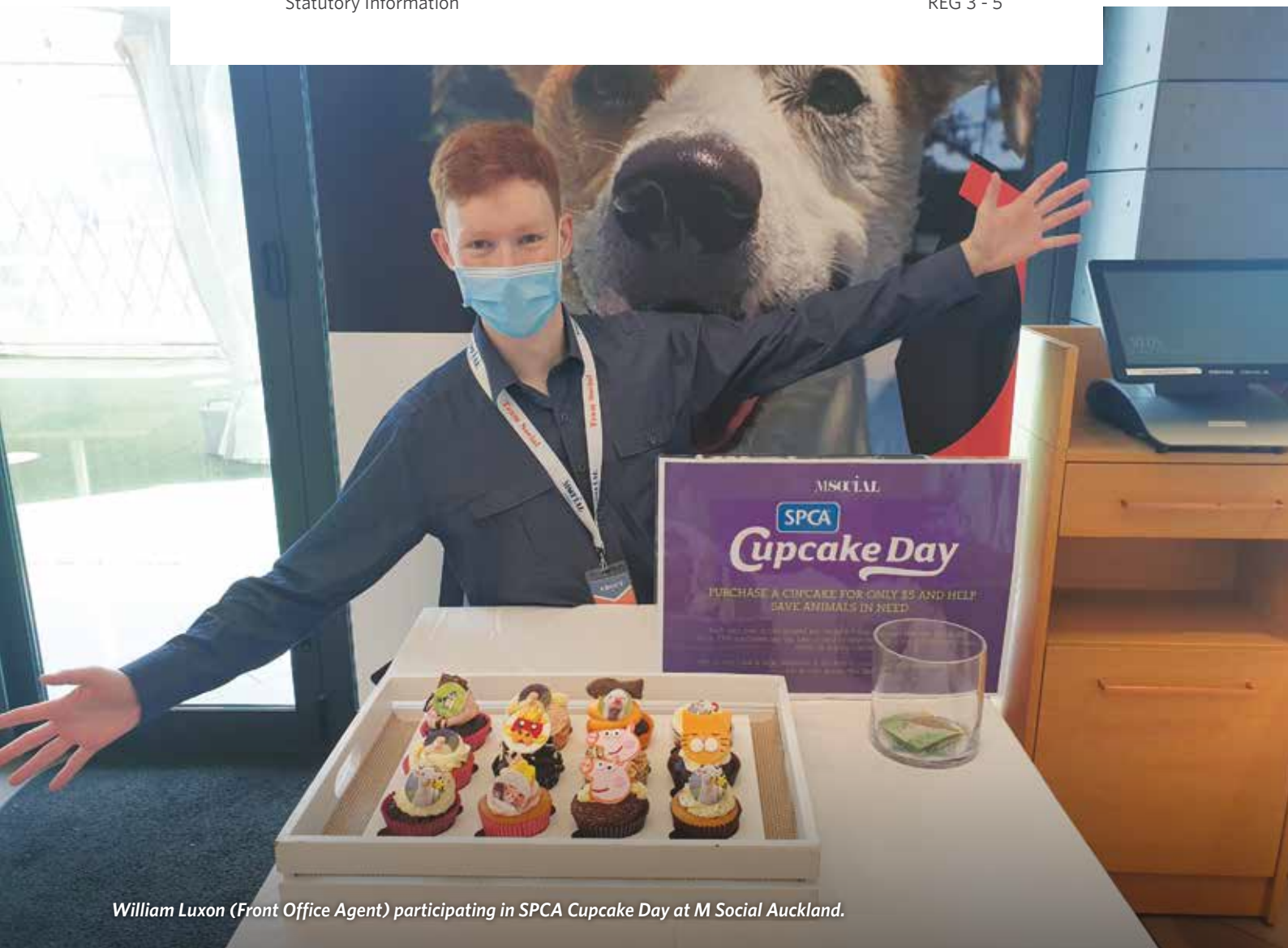
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William Luxon (Front Office Agent) participating in SPCA Cupcake Day at M Social Auckland.

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Income Statement

For the year ended 31 December 2020

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

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

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
Group

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

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
Group

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

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Financial Position

As at 31 December 2020

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

For and on behalf of the Board




R BOBB, DIRECTOR, 17 February 2021

BK CHIU, MANAGING DIRECTOR, 17 February 2021

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

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

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2020

DOLLARS IN THOUSANDS	Note	<u>Group</u> 2020	<u>Group</u> 2019
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		56,285	62,268
Adjusted for non-cash items:			
Gain on sale of property, plant and equipment	2	(19)	(26)
Depreciation of property, plant and equipment	9	9,267	8,420
Impairment loss		1,747	-
Depreciation of Right-Of-Use assets	9	1,647	1,300
Unrealised foreign exchange (gain)/losses		(74)	74
Income tax expense	5	(5,394)	23,134
		63,459	95,170
Adjustments for movements in working capital:			
(Increase)/Decrease in trade & other receivables		8,970	(1,271)
(Increase)/Decrease in inventories		263	69
(Increase)/Decrease in development properties		30,299	(8,529)
Increase/(Decrease) in trade & other payables		1,669	2,016
Increase/(Decrease) in related parties		436	1,690
Cash generated from operations		105,096	89,145
Interest paid		(1,173)	(1,569)
Income tax paid		(17,826)	(24,040)
Cash inflows from operating activities		86,097	63,536
Reconciliation of movement of liabilities to cash flows arising from financing activities			
As at 01 January		67,000	64,000
Proceeds from borrowings		-	3,000
Repayment of term loans		(29,000)	-
Financing cash flows		(29,000)	3,000
As at 31 December		38,000	67,000

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 2020

Significant accounting policies

Millennium & Copthorne Hotels New Zealand Limited is a company domiciled in New Zealand registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Millennium & Copthorne Hotels New Zealand Limited (the "Company") is a Financial Markets Conduct Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The financial statements of the Company for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at Level 13, 280 Centre, 280 Queen Street, Auckland, New Zealand.

The principal activities of the Group are ownership and operation of hotels in New Zealand; development and sale of residential land in New Zealand; and development and sale of residential units in Australia.

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) as appropriate for Tier 1 profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRSs).

The financial statements were authorised for issuance on 17 February 2021.

(b) Basis of preparation

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

The preparation of financial statements in conformity with NZ IFRSs requires management to make judgments, estimates and assumptions that affect the application of the Group's policies and reported amounts of assets and liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 22 - Accounting Estimates and Judgements.

(c) Change in accounting policies and new standards adopted in the year

The accounting policies have been applied consistently to all periods presented in these consolidation financial statements, except as mentioned below:

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

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

(d) Foreign currency

Foreign currency transactions

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

(e) Insurance proceeds

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

(f) Revenue

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

Revenue represents amounts derived from:

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

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Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

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	
	2020	2019	2020	2019	2020	2019	2020	2019
External revenue	64,067	126,618	88,779	91,794	19,136	11,257	171,982	229,669
Earnings before interest, depreciation & amortisation	12,836	43,404	40,790	46,416	6,807	4,137	60,433	93,957
Finance income	1,995	2,520	1,038	1,029	368	351	3,401	3,900
Finance expense	(2,025)	(2,728)	(2)	(4)	(2)	(3)	(2,029)	(2,735)
Depreciation and amortisation	(9,257)	(8,410)	(1)	(1)	(9)	(9)	(9,267)	(8,420)
Depreciation of Right-Of-Use Assets	(1,624)	(1,277)	(14)	(14)	(9)	(9)	(1,647)	(1,300)
Profit before income tax	1,925	33,509	41,811	47,426	7,155	4,467	50,891	85,402
Income tax (expense)/credit	19,252	(8,507)	(11,712)	(13,286)	(2,146)	(1,341)	5,394	(23,134)
Profit after income tax	21,177	25,002	30,099	34,140	5,009	3,126	56,285	62,268
Segment assets	650,125	700,509	260,080	240,697	74,377	66,993	984,582	1,008,199
Investment properties	-	-	3,325	-	-	-	3,325	-
Investment in associates	-	-	2	2	-	-	2	2
Total assets	650,125	700,509	263,407	240,699	74,377	66,993	987,909	1,008,201
Segment liabilities	(76,766)	(108,131)	(2,397)	(1,046)	(1,878)	(1,238)	(81,041)	(110,415)
Tax liabilities	(59,447)	(86,215)	(3,880)	(4,143)	(542)	(428)	(63,869)	(90,786)
Total liabilities	(136,213)	(194,346)	(6,277)	(5,189)	(2,420)	(1,666)	(144,910)	(201,201)
Material additions to segment assets:								
Property, plant and equipment expenditure	5,922	6,896	6	6	28	15	5,956	6,917
Residential land development expenditure	-	-	20,788	44,677	-	-	20,788	44,677
Purchase of land for residential land development	-	-	1,260	9,138	-	-	1,260	9,138

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

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

An operating segment is a distinguishable component of the Group:

- that is engaged in business activities from which it earns revenues and incurs expenses;
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions on resource allocation to the segment and assess its performance; and
- for which discrete financial information is available.

Segment information is presented in respect of the Group's reporting segments. Operating segments are the primary basis of segment reporting. The Group has determined that its chief operating decision maker is the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

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

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

2. Administration and other operating expenses

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

3. Personnel expenses

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

Wage subsidy scheme

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

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

The wage subsidies were applied as a deduction against payroll costs in personnel expenses in accordance with NZ IAS 20. The personnel expenses are included in cost of sales, administration expenses and other expenses in the income statement.

Employee long-term service benefits

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

4. Net finance income

Recognised in the income statement

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

4. Net finance income - continued

Finance income and expenses

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

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

Recognised in other comprehensive income

<i>Dollars In Thousands</i>	Group	
	2020	2019
Foreign exchange translation movements	1,620	(297)
Net finance income recognised in other comprehensive income	1,620	(297)

Exchange translation of financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of foreign operations are translated to New Zealand dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on re-translation are recognised directly as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the exchange reserve is released into the income statement.

5. Income tax expense

Recognised in the income statement

<i>Dollars In Thousands</i>	Group	
	2020	2019
Current tax expense		
Current year	15,485	23,457
Adjustments for prior years	294	(562)
	15,779	22,895
Deferred tax expense		
Origination and reversal of temporary difference	(1,116)	232
Changes in treatment of building depreciation	(20,058)	-
Adjustments for prior years	1	7
	(21,173)	239
Total income tax expense in the income statement	(5,394)	23,134

Reconciliation of tax expense

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

5. Income tax expense - continued

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

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

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

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

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

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

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

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

6. Imputation credits

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

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

7. Capital and reserves

Share capital

	Group		Group	
	2020 Shares	2020 \$000's	2019 Shares	2019 \$000's
Ordinary shares issued 1 January	105,578,290	350,048	105,578,290	350,048
Ordinary shares issued at 31 December - fully paid	105,578,290	350,048	105,578,290	350,048
Redeemable preference shares 1 January	52,739,543	33,218	52,739,543	33,218
Redeemable preference shares issued at 31 December - fully paid	52,739,543	33,218	52,739,543	33,218
Ordinary shares repurchased and held as treasury stock 1 January	(99,547)	(26)	(99,547)	(26)
Ordinary shares repurchased and held as treasury stock 31 December	(99,547)	(26)	(99,547)	(26)
Total shares issued and outstanding	158,218,286	383,240	158,218,286	383,240

At 31 December 2020, the authorised share capital consisted of 105,578,290 ordinary shares (2019: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2019: 52,739,543 redeemable preference shares) with no par value.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

7. Capital and reserves - continued

Repurchase of share capital

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

Revaluation reserve

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

Exchange reserve

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

Dividends

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

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

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

<i>Dollars In Thousands</i>	Parent
Ordinary Dividend - nil cents per qualifying share (2019: 7.5 cents)	-
Supplementary Dividend - nil cents per qualifying share (2019: 1.3235 cents)	-
Total Dividends	-

Dividends and tax

Dividends are recognised as a liability in the period in which they are declared. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

8. Earnings per share

Basic earnings per share

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

Profit attributable to shareholders

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

Weighted average number of shares

	Group	
	2020	2019
Weighted average number of shares (ordinary and redeemable preference shares)	158,317,833	158,317,833
Effect of own shares held (ordinary shares)	(99,547)	(99,547)
Weighted average number of shares for earnings per share calculation	158,218,286	158,218,286

Diluted earnings per share

The calculation of diluted earnings per share is the same as basic earnings per share.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

9. Property, plant and equipment

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

9. Property, plant and equipment - continued

Initial recording

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

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

Subsequent measurement

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses, except for land and buildings which are re-valued. The Group recognises the cost of replacing part of such an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Revaluation

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

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

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

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

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

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives, as follows:

- Building core 50 years or lease term if shorter
- Building surfaces and finishes 30 years or lease term if shorter
- Plant and machinery 15 - 20 years
- Furniture and equipment 10 years
- Soft furnishings 5 - 7 years
- Computer equipment 5 years
- Motor vehicles 4 years

Disposal or retirement

Gains or losses arising from the disposal or retirement of property, plant and equipment are determined as the difference between the actual net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

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	
Cost less accumulated depreciation								
At 1 January 2019	41,159	700	138,801	21,534	12	829	-	203,035
At 31 December 2019	41,159	-	136,662	21,498	9	2,118	15,515	216,961
At 31 December 2020	33,451	-	134,072	18,364	7	2,638	13,993	202,525

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

10. Development properties

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

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

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

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

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

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

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

10. Development properties - continued

Development properties

Property held for future development and development property completed and held for sale are stated at the lower of cost and net realisable value. The net realisable value is determined by independent valuers. Cost includes the cost of acquisition, development, and holding costs. Development properties also include deposits paid on unconditional contracts on land purchases. All holding costs incurred after completion of development are expensed as incurred. Revenue and profit are not recognised on development properties until the legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs and the development property is derecognised.

11. Investment properties

Group

<i>Dollars In Thousands</i>	Freehold Land	Buildings	Work In Progress	Total
Cost				
Balance at 1 January 2020	-	-	-	-
Acquisitions	265	2,873	187	3,325
Balance at 31 December 2020	265	2,873	187	3,325
Depreciation and impairment losses				
Balance at 1 January 2020	-	-	-	-
Depreciation charge for the year	-	-	-	-
Balance at 31 December 2020	-	-	-	-
Carrying amounts				
At 1 January 2020	-	-	-	-
At 31 December 2020	265	2,873	187	3,325

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

Investment properties are properties held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods and services, or for administrative purposes. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. Costs of self-constructed investment properties include costs of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs. Gains and losses on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amounts of the investment properties) are recognised in the profit and loss.

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

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

12. Investment in associates

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

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

12. Investment in associates - continued

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

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

Investment in associates

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

13. Cash and cash equivalents

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

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

14. Trade and other receivables

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

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

15. Interest-bearing loans and borrowings

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

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

Terms and debt repayment schedule

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

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

16. 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	
	2020	2019	2020	2019	2020	2019
Property, plant and equipment	-	-	66,723	91,092	66,723	91,092
Development properties	(661)	(660)	-	-	(661)	(660)
Provisions	(273)	(96)	-	-	(273)	(96)
Employee benefits	(1,448)	(1,326)	-	-	(1,448)	(1,326)
Lease liability	(4,055)	(4,140)	-	-	(4,055)	(4,140)
Trade and other payables	(1,084)	(754)	-	-	(1,084)	(754)
Net investment in foreign operations	-	-	875	852	875	852
Net tax (assets) / liabilities	(7,521)	(6,976)	67,598	91,944	60,077	84,968

Movement in deferred tax balances during the year

<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
	75,844	239	8,885	84,968

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

17. Trade and other payables

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

Trade and other payables are stated at cost.

18. Financial instruments

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

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

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

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

18. Financial instruments - continued

Liquidity risk

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

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

		2020						
<i>Dollars In Thousands</i>		Statement of Financial Position	Contractual Cash Out Flows	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Interest-bearing loans and borrowings	38,000	38,000	-	-	38,000	-	-	-
Trade Payables	1,686	1,686	1,686	-	-	-	-	-
Other payables	22,380	22,380	22,380	-	-	-	-	-
Trade payables due to related parties	4,490	4,490	4,490	-	-	-	-	-
Total non-derivative liabilities	66,556	66,556	28,556	-	38,000	-	-	-

		2019						
<i>Dollars In Thousands</i>		Statement of Financial Position	Contractual Cash Out Flows	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Interest-bearing loans and borrowings	67,000	67,000	-	-	-	67,000	-	-
Trade Payables	2,494	2,494	2,494	-	-	-	-	-
Other payables	22,068	22,068	22,068	-	-	-	-	-
Trade payables due to related parties	4,054	4,054	4,054	-	-	-	-	-
Total non-derivative liabilities	95,616	95,616	28,616	-	-	67,000	-	-

Credit risk

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

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

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

The maximum exposure to credit risk in Australia is \$6,000 (2019: \$23,000). All other credit risk exposure relates to New Zealand.

Market risk

(i) Interest rate risk

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings with an ongoing review of its exposure to changes in interest rates on its borrowings, the maturity profile of the debt, and the cash flows of the underlying debt. The Group maintains its borrowings at fixed rates on short term which gives the Group flexibility in the context of the economic climate, business cycle, loan covenants, cash flows, and cash balances.

An increase of 1.0% in interest rates would have increased profit before tax for the Group in the current period by \$1.07 million (2019: \$0.59 million increase), assuming all other variables remained constant.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

18. Financial instruments - continued

Effective interest and re-pricing analysis

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

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

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

(ii) Foreign currency risk

The Group owns 100.00% (2019: 100.00%) of KIN Holdings Limited. Substantially all the operations of this subsidiary is denominated in foreign currencies. The foreign currencies giving rise to this risk are Australian Dollars. The Group has determined that the primary risk affects the carrying values of the net investments in its foreign operations with the currency movements being recognised in the foreign currency translation reserves. The Group has not taken any measurements to manage this risk.

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

Capital management

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

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

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

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

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

Fair values

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

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

18. Financial instruments - continued

Estimation of fair values

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

- 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.

19. Capital and land development commitments

As at 31 December 2020, the Group had entered into contractual commitments for capital expenditure, development expenditure, and purchases of land. Contractual agreements for the purchase of land are subject to a satisfactory outcome of the Group's due diligence process, board approval, and OIO approval. Development expenditure represents amounts contracted and forecast to be incurred in 2020 in accordance with the Group's development programme.

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

20. Related parties

Identity of related parties

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

Transactions with key management personnel

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

Total remuneration for key management personnel

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

Non-executive directors receive director's fees only. Executive director and executive officers receive short-term employee benefits which include a base salary and an incentive plan. They do not receive remuneration or any other benefits as a director of the Parent Company or its subsidiaries. Directors' fees are included in "administration expenses" (see Note 2) and remuneration for executive director and executive officers are included in "personnel expenses" (see Note 3).

21. Group entities

Control of the Group

Millennium & Copthorne Hotels New Zealand Limited is a 75.78% (2019: 75.78%) owned (economic interests from both ordinary and preference shares) subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Ltd in Singapore.

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

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

21. Group entities - continued

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

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

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

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

Subsidiary companies

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

	Principal Activity	Principal Place of Business	Group Holding % 2020	Group Holding % 2019
Context Securities Limited	Investment Holding	NZ	100.00	100.00
Copthorne Hotel & Resort Bay of Islands Joint Venture	Hotel Operations	NZ	49.00	49.00
Quantum Limited	Holding Company	NZ	100.00	100.00
100% owned subsidiaries of Quantum Limited are:				
Hospitality Group Limited	Holding Company	NZ		
100% owned subsidiaries of Hospitality Group Limited are:				
Hospitality Leases Limited	Lessee Company/Hotel Operations	NZ		
QINZ Anzac Avenue Limited	Hotel Owner	NZ		
Hospitality Services Limited	Hotel Operations/Franchise Holder	NZ		
CDL Investments New Zealand Limited	Holding Company	NZ	65.87	66.26
100% owned subsidiaries of CDL Investments New Zealand Limited are:				
CDL Land New Zealand Limited	Property Investment and Development	NZ		
KIN Holdings Limited	Holding Company	NZ	100.00	100.00
100% owned subsidiaries of KIN Holdings Limited are:				
Kingsgate Investments Pty Limited	Residential Apartment Developer	Australia		

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

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

Subsidiaries

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

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

22. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below.

Property, plant and equipment

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

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

Development property

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

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

23. Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in NZ IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset was recognised at cost on initial recognition, which comprised the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

On 31 December 2019, the Group changed its accounting policy to recognise the right of use asset relating to leasehold land at fair value. Management believe this provides more reliable information which is consistent with the recognition of freehold land. The right of use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

23(a) Lease Liability

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

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

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

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

23. Lease -continued

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

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

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

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

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

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

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

23(c) Schedule of lease liabilities by class

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

Millennium & Copthorne Hotels New Zealand Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

23. Lease -continued

23(d) Exemptions and exclusions

Exempted were motor vehicle leases shorter than 12 months and leased assets with value below \$8,000. Excluded were variable rentals and lease payments. The following table summarizes these leases by class:

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

24. New standard and interpretations issued but not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. However, with the exception of Classification of Liabilities as Current or Non-current (Amendments to NZ IAS 1) the Group has not early adopted any new or amended standards in preparing the consolidated financial statements; refer to Significant Accounting Policies, part (c).

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

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

25. Assets classified as held for sale

In August 2020, the Group signed a sale and purchase agreement for the vacant land at 776 Colombo Street, Christchurch. The sale of the land is unconditional at balance date and is scheduled to settle in May 2021. This land was revalued to its fair value of \$7.71 million (2019: \$8.00 million) and reclassified from property, plant, and equipment to assets held for sale.

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



Independent Auditor's Report

To the shareholders of Millennium & Copthorne Hotels New Zealand Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Millennium & Copthorne Hotels New Zealand Limited (the 'company') and its subsidiaries (the 'group') on pages FIN1 to FIN27:

- i. present fairly in all material respects the Group's financial position as at 31 December 2020 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

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

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$3.8m determined with reference to a benchmark of group's total assets. We



chose the benchmark because we consider this to be the key metric for the users of the financial statements in the current COVID-19 environment.



Key audit matter

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

The key audit matter

How the matter was addressed in our audit

Valuation of Hotel Land and Building assets

Refer to note 9 of the consolidated financial statements.

Hotel land and buildings of \$521 million (representing 62% of net assets) are recognised at fair value in the financial statements. To establish fair value, each hotel is required to undergo an independent valuation on a tri-annual basis. In the intervening years, management complete an internal valuation assessment, and assess whether the carrying value of each hotel continues to reflect fair value.

The ability of the Group's hotel assets to generate revenue has been impacted materially by COVID-19. As a result, the Group has engaged an independent valuer to determine the fair value for all its hotel assets at as 31 December 2020.

Fair value for the six largest hotels of the Group (representing 83% of total hotel asset value) was determined by applying a discounted cashflow approach (DCF) with a cross check using the direct sales comparative approach. The fair value of the remaining hotels was determined applying the direct sales comparative approach only.

The key assumptions in the discounted cash flow models include projected occupancy rates, average daily room rates (ADR), projected payroll costs, the discount rate and terminal yield rate. Due to the impact of COVID-19 the level of estimation uncertainty in relation to the projected occupancy rates and ADRs has increased significantly. The Group has made assumptions with respect to the re-opening of borders and introduction of travel bubbles, and the timing and manner in which international travel to New Zealand will resume. This uncertainty has also been considered in determining

Our procedures over the hotel valuations involved the following:

- We engaged our valuation specialists to assist us in evaluating the appropriateness of the valuation methodologies adopted by the valuer, including compliance with relevant accounting standards and alignment to market practice. Our valuation specialists evaluated the reasonableness of the hotel assets valued using the direct sales comparative approach with reference to the full scope valuations using the DCF method cross checked against the comparative approach.
- We assessed the scope of work performed, competency, professional qualifications and experience of the external expert engaged by the group.
- We performed a retrospective review and compared actual occupancy rates, average daily rates and payroll costs to the prior year valuation assumptions and external industry reports.
- We challenged the key assumptions used within each DCF model in determining the fair value of these hotel assets. This included a comparison of projected occupancy rates, average daily rates, payroll growth rates, discount rates and terminal yield rates to:
 - i. The assumptions projected over the forecast period used in the prior period valuation report for each hotel asset.
 - ii. Externally derived data including external hotel industry reports.
- Our valuation specialists assessed the reasonableness of the discount rate and the terminal yield rates with reference to rates used in the prior year valuations and

The key audit matter

discount rates and terminal yield rates together with recent transactions.

Hotel valuations determined by reference to comparative transactions have been adjusted to reflect location, quality, and exposure to international tourists. There are few comparable transactions post COVID-19 which has increased the level of estimation uncertainty in determining fair value.

We focused on the valuation of hotel land and buildings due to the magnitude of the balance, judgement and estimation uncertainty related to assessing fair value. A change in the assumptions could have a material impact on the valuations and the carrying value of the hotel land and buildings.

How the matter was addressed in our audit

market evidence of movement in asset yields post COVID-19.

- For hotels assets valued using the direct sale comparison method we compared price per room determined in the current year valuation to the same metric in the prior year valuation, considered the appropriateness of comparable transactions used by the valuer, and considered recent transactions post the date of the valuation report.
- Where valuation assumptions appeared optimistic we sensitised the assumptions, in particular projected ADRs and discount rates used, applying more conservative assumptions that we considered appropriate.

As described in note 22, there exists material valuation uncertainty in determining the fair value of hotel land and buildings due to the impact of COVID-19. Our opinion is not modified in respect of this matter.

Our testing concluded the carrying value of hotel land and buildings at 31 December 2020 is appropriate.

Other information

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

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have received the Chairman's Review and have nothing to report in regards to it. The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report and we will report the matters identified, if any, to those charged with governance.

Use of this independent auditor's report

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



Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



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

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

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

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

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

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

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

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

For and on behalf of



KPMG
Auckland

17 February 2021

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

CORPORATE GOVERNANCE STATEMENT (FEBRUARY 2021)

Millennium & Copthorne Hotels New Zealand Limited (“MCK”) is committed to maintaining strong corporate governance in line with best practice at all times. Our corporate governance framework and objectives 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):

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 states:

- 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 2020.

Director	Meetings attended in 2020
Colin Sim (Chair)	5/5
B K Chiu (Managing Director)	5/5
Graham McKenzie	5/5
Kevin Hangchi	5/5
Kian Seng Tan	5/5
Richard Bobb	5/5

In 2020, the Board updated its 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, Kwek, McKenzie, Sim
Large enterprise / Multinational business or leadership experience	Chiu, Hangchi, Kwek, Sim
Accounting / Finance / Tax experience	Bobb, Hangchi, Kwek
Legal or Regulatory knowledge and experience	Hangchi, McKenzie
Business strategy experience	Chiu, Kwek, Sim
Property development / management experience	Chiu, Kwek, 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 2020:

Director	Meetings attended in 2020
Richard Bobb	2/2
Graham McKenzie	2/2
B K Chiu	2/2

The Board also forms subcommittees as and when required.

In 2020, MCK formed a Nominations Committee (NC) comprising Messrs. McKenzie and Chiu. The NC was tasked with assessing potential candidates for a new appointment to the Board and making recommendations to the Board. The NC met twice in 2020.

MCK has formed a Remuneration Committee (RC) in 2021 and terms of reference have been approved by the Board. The current members of the RC are Messrs. McKenzie and Kwek.

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.

Non-executive directors are entitled to receive a base fee of NZ\$38,000 per annum. The Board Chair is entitled to receive 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.

In response to the COVID-19, all directors agreed to take a voluntary reduction of 20 percent of their annual fees from April 2020 until December 2020.

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.

In response to the COVID-19, senior management also agreed to reductions in salary (of up to 20 percent) as well as other entitlements for the majority of 2020.

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 resumed 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 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 www.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 1 March 2021) (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	6,004,224	5.69
3.	ACCIDENT COMPENSATION CORPORATION - NZCSD	3,936,434	3.73
4.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	2,594,084	2.46
5.	NATIONAL NOMINEES LIMITED - NZCSD	2,459,389	2.33
6.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	1,791,060	1.70
7.	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD	1,296,193	1.23
8.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS A/C - NZCSD	924,306	0.88
9.	LENG BENG KWEK	906,000	0.86
10.	AMALGAMATED DAIRIES LIMITED	684,980	0.65
11.	NEW ZEALAND DEPOSITORY NOMINEE LIMITED	605,565	0.57
12.	KAY HONG CHIAM	475,251	0.45
13.	MFL MUTUAL FUND LIMITED - NZCSD	463,297	0.44
14.	CUSTODIAL SERVICES LIMITED	355,500	0.34
15.	JALAER INVESTMENTS LIMITED	278,977	0.26
16.	GEOK LOO GOH	168,002	0.16
17.	SITA SINGH	151,000	0.14
18.	ASB NOMINEES LIMITED	150,000	0.14
19.	HOWARD CEDRIC ZINGEL	139,915	0.13
20.	BRUCE JOHN MCCULLAGH	138,000	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 1 March 2021) (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	363,021	0.69
7.	KAY HONG CHIAM	211,324	0.40
8.	ASB NOMINEES LIMITED	130,451	0.25
9.	ALAN DAVID WHITE	110,130	0.21
10.	CUSTODIAL SERVICES LIMITED	68,355	0.13
11.	GRAEME STUART LORD + LISA ANNE LORD	59,000	0.11
12.	JENNIFER GAYE SIMPSON	43,000	0.08
13.	THEODORE JOHN VAN GELDERMALSEN + MARGARET GAY FREEMANTLE	38,000	0.07
14.	HOWARD CEDRIC ZINGEL	31,592	0.06
15.	JOAN LESLEY THOMPSON	30,200	0.06
16.	ROGER EDWARD HAYWARD + SUSAN ELIZABETH HAYWARD	28,909	0.05
17.	CUSTODIAL SERVICES LIMITED	23,900	0.05
18.	SEA AND PEAK EQUITIES LIMITED	23,400	0.04
19.	AIKEN & ASSOCIATES LIMITED	21,593	0.04
20.	CUSTODIAL SERVICES LIMITED	21,200	0.04

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 1 March 2021)

Range	Total Holders	Number of shares	Percentage of Issued Capital
1 - 99	11	437	0.00
100 - 199	37	5,430	0.01
200 - 499	466	160,964	0.15
500 - 999	338	234,758	0.22
1,000 - 1,999	248	351,006	0.33
2,000 - 4,999	279	859,980	0.81
5,000 - 9,999	152	1,036,266	0.98
10,000 - 49,999	134	2,483,236	2.35
50,000 - 99,999	20	1,398,163	1.32
100,000 - 499,999	13	2,433,106	2.30
500,000 - 999,999	3	2,196,545	2.08
1,000,000 +	2	94,418,399	89.43
Rounding			0.02
Total	1703	105,578,290	100.00

HOLDINGS SIZE – REDEEMABLE PREFERENCE SHARES (as at 1 March 2021)

Range	Total Holders	Number of shares	Percentage of Issued Capital
1 - 99	4	253	0.00
100 - 199	34	5,238	0.01
200 - 499	39	12,067	0.02
500 - 999	25	17,092	0.03
1,000 - 1,999	25	35,392	0.07
2,000 - 4,999	17	61,450	0.12
5,000 - 9,999	12	72,862	0.14
10,000 - 49,999	17	350,344	0.66
50,000 - 99,999	2	127,355	0.24
100,000 - 499,999	4	904,905	1.72
1,000,000 +	2	51,152,585	96.99
Rounding			0.00
Total	181	52,739,543	100.00

DOMICILE OF ORDINARY SHAREHOLDERS (as at 1 March 2021)

	Number	Number of shares	Percentage of Issued Capital
New Zealand	1611	103,416,515	97.95
Overseas holders	92	2,161,775	2.05
Total	1703	105,578,290	100.00

DOMICILE OF REDEEMABLE PREFERENCE SHAREHOLDERS (as at 1 March 2021)

	Number	Number of shares	Percentage of Issued Capital
New Zealand	170	51,993,010	98.58
Overseas holders	11	746,533	1.42
Total	181	52,739,543	100.00

WAIVERS FROM NZX LIMITED

No waivers were sought from NZX in 2020.

SUBSTANTIAL PRODUCT HOLDERS

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 28 February 2021, 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	8,500,941	Ordinary Shares	8.06%
Aberdeen Standard Investments (Asia) Limited	8,500,941	Ordinary Shares	8.06%

CDL Hotels Holdings New Zealand Limited is a wholly owned subsidiary of Millennium & Copthorne Hotels Limited (formerly Millennium & Copthorne Hotels plc). As at 28 February 2021, 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 2020, the Company's Directors were Messrs. C Sim, BK Chiu, R Bobb, K Hangchi, ES Kwek and GA McKenzie. Messrs. Chiu, Hangchi and Kwek were appointed by Millennium & Copthorne Hotels Limited. Mr. ES Kwek was appointed with effect from 1 January 2020. Ms. L Preston was appointed with effect from 1 March 2021.

The gender breakdown of the Board at balance date was 6 male directors and 0 female directors (2019: 6 male directors and 0 female directors). MCK currently has 3 female and 6 male officers (2019: 3 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 2020, 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 2020.

DIRECTORS' AND ASSOCIATED PERSONS SHAREHOLDINGS (as at 31 December 2020)

Director	2019	2020
C Sim	Nil	Nil
B K Chiu	Nil	Nil
R Bobb	Nil	Nil
K Hangchi	Nil	Nil
ES Kwek	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 2020 was:

Director	Remuneration
C Sim	35,700
B K Chiu (*)	396,210
R Bobb	39,900
K Hangchi	32,300
ES Kwek (*)	Nil
GA McKenzie	38,250

In response to the COVID-19, all directors agreed to take a voluntary reduction of 20 percent of their annual fees from April 2020 until December 2020.

(*) Mr. Kwek is the Executive Director of Millennium & Copthorne Hotels Limited. Mr. B K Chiu is the Managing Director of MCK. Neither Mr. Kwek 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 2020, 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 Pty Ltd
Waterbrook Bayview Village Management Pty Ltd
Waterbrook Brand 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
Llenruk Pty Ltd
PBD Phoenix Pty Limited
Preslite Drive Technologies Pty Limited
SSK Investments O/S Pty Ltd
Waterbrook Bayview Investment Pty Ltd
Waterbrook Bowral Pty Ltd
West Quarter Hurstville Pty Limited

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
TECH5 Australia Pty Ltd

Waterbrook Bowral Investment Pty Ltd

R BOBB

Director of:

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

Bobb Management Pty Ltd
Kingsgate Hotel Pty Ltd
Melmark Securities Pty Ltd.
Star Securities Australia Pty Ltd

Continental Investments Pty Ltd
Kingsgate Holdings Pty Ltd
Millennium & Cophorne Hotels Pty Ltd.
Trans National Properties Ltd

BK CHIU

Chairman / Director of:

Director of:

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

Quantum Ltd

All Seasons Hotels & Resorts Ltd
CDL Land New Zealand Ltd
Hospitality Leases Ltd
Millennium & Cophorne NZ Ltd

Waitangi Resort Joint Venture Committee

CATG Limited
Context Securities Ltd
Hospitality Services Ltd
QINZ Holdings (New Zealand) 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

ES KWEK

Chairman / Director / President of: Grand Plaza Hotel Corporation

Director / President of: The Philippine Fund Limited

Director of:

125 OBS (Nominees 1) Limited
Actas Holdings Pte. Ltd
Adella Properties Pte. Ltd
Allinvest Holding Pte. Ltd
Androgate Properties Limited
Asbury Holdings Pte. Ltd
Aston Properties Pte. Ltd
Beijing Fortune Hotel Co. Ltd
Bloomshine Holdings Limited
Branbury Investments Ltd
Camborne Developments Pte. Ltd
CDL Aquila Pte. Ltd
CDL Crestview Holdings Pte. Ltd
CDL Evergreen Pte. Ltd
CDL Hotels (Malaysia) Ltd
CDL Hotels Japan Pte. Ltd
CDL Netherlands Investments BV
CDL Perseus Pte. Ltd
CDL Real Estate Managers Pte Ltd
Central Mall Pte. Ltd
Chania Holdings Limited
Cideco Pte Ltd
City Condominiums Pte. Ltd
City Developments Investments Pte. Ltd
City Ikonik Pte. Ltd
City Platinum Holdings Pte. Ltd
City Sceptre Holdings Pte. Ltd
City Strategic Equity Pte. Ltd
Citydev Properties Pte. Ltd
Cityzens Developments Pte Ltd
Cophorne Hotel (Birmingham) Limited
Cophorne Hotel (Gatwick) Limited
Cophorne Hotel (Merry Hill) Construction Limited
Cophorne Hotel (Plymouth) Limited
Cophorne Nominees Limited
Darien Properties Investment Limited
Delfi Three Investments Pte Ltd
Eastwest Portfolio Pte Ltd
Edeva Holdings Limited
Elite Holdings Private Limited
Eton Properties Pte. Ltd
Fairsteps Properties Pte. Ltd
Freshview Developments Pte Ltd
Golden Crest Holdings Pte Ltd
Grand Terre Properties Pte Ltd
Greystand Holdings Limited
Harbour View Hotel Pte Ltd
Highline Holdings Limited
Hong Leong Hotel Development Limited

125 OBS (Nominees 2) Limited
Adelais Properties Limited
Adelphia Holdings Limited
Allsgate Properties Limited
Aquarius Properties Pte. Ltd
Ascent View Holdings Pte. Ltd
Baynes Investments Pte Ltd
Bellevue Properties Pte. Ltd
Bloomsville Investments Pte Ltd
Barvigate Holdings SARL
Canvey Developments Pte. Ltd
CDL Australia Pte. Ltd
CDL Crown REIT Management Pte. Ltd
CDL Hotels (Chelsea) Ltd
CDL Hotels (U.K.) Ltd
CDL Land Pte. Ltd
CDL Orion Investment Holdings Pte. Ltd
CDL Pro Star Development Pty Ltd
CDL Regulus Pte. Ltd
Centro Investment Holding Pte Ltd
Chester Properties Pte Ltd (in voluntary liquidation)
City Boost Pte. Ltd
City Connected Communities Pte. Ltd
City Elite Pte. Ltd
City Lux Pte. Ltd
City REIT Management Pte. Ltd
City Sceptre Investments Pte. Ltd
City Sunshine Holdings Pte. Ltd
Citydev Real Estate (Singapore) Pte. Ltd
Cliffmont Pte Ltd (in voluntary liquidation)
Cophorne Hotel (Cardiff) Limited
Cophorne Hotel (Manchester) Limited
Cophorne Hotel (Merry Hill) Limited
Cophorne Hotel (Slough) Limited
Cophorne Orchid Hotel Singapore Pte Ltd
Dathan Holdings Pte Ltd
Delfi Two Investments Pte Ltd
Easy Thrive Ventures Limited
Educado Company Limited
Elite Hotel Management Services Pte Ltd
Euroform (S) Pte Ltd
Finite Properties Investment Limited
Glades Properties Pte. Ltd
Grand Isle Holdings Pte Ltd
Grange 100 Pte Ltd
Guan Realty (Private) Limited
Harrow Entertainment Pte Ltd
Highline Investments GP Limited
Hong Leong International Hotel (Singapore) Pte Ltd

125 OBS GP Limited
Adelanto Investments Pte. Limited
Adisa Holdings Pte. Ltd.
Alphagate Holdings Limited
Archyfield Limited
Aster Land Development Pte Ltd
Beaumont Properties Limited
Bestro Holdings Limited
Bop Luxembourg (125 Obs) 2 SARL
Busy Bee Ventures Limited
CDL Acquisitions Pte. Ltd
CDL Constellation Pte. Ltd
CDL Entertainment & Leisure Pte. Ltd
CDL Hotels (Labuan) Ltd
CDL Infinity Pte. Ltd
CDL Management Services Pte. Ltd
CDL Pegasus Pte. Ltd
CDL Properties BV
CDL Suzhou Investment Pte. Ltd
Centro Property Holding Pte Ltd
Chestnut Avenue Developments Pte Ltd
City Century Pte. Ltd
City Delta Pte. Ltd
City Hotels Pte. Ltd
City Montage Pte. Ltd
City Ridgeview Pte. Ltd
City Services Offices Pte. Ltd
Citydev Investments Pte. Ltd
Citydev Venture Holdings Pte. Ltd
Cophorne Aberdeen Limited
Cophorne Hotel (Effingham Park) Limited

Cophorne Hotel (Newcastle) Limited
Cophorne Hotel Holdings Limited
Crescent View Developments Pte Ltd
Delfi One Investments Pte Ltd
Diplomat Hotel Holding Company Limited
Eccott Pte Ltd
Elishan Investments Pte Ltd
Ellinois Management Services Pte Ltd
Faber-Rhine Properties Pte Ltd
First Platinum Holdings Pte. Ltd
Glengary Pte. Ltd
Grand Strategic Pte. Ltd
Granmill Holdings Pte Ltd
Harbour Land Corporation
Heritage Pro International Limited
Hong Leong Enterprises Pte Ltd
Hong Leong Properties Pte Limited

Hospitality Holdings Pte Ltd	Hospitality Ventures Pte Ltd	Hotel Liverpool Limited
Hotel Liverpool Management Limited	Iconique Tokutei Mokuteki Kaisha	Impac Holdings Pte Ltd
Iselin Limited	Island City Garden Development Pte Ltd	Island Glades Developments Pte Ltd
Jayland Properties Limited	Keygate Holdings Limited	King's Tanglin Shopping Pte Ltd
Landco Properties Limited	Le Grove Management Pte Ltd	Lightspark Holdings Limited
Lingo Enterprises Limited	London Britannia Hotel Limited	London Tara Hotel Limited
Lukestone Properties Limited	M&C (CB) Limited	M&C (CD) Limited
M&C Finance (1) Limited	M&C Management Holdings Limited	M&C NZ Limited
M&C Reservations Services Limited	M&C Asia Finance (UK) Limited	M&C Asia Holdings (UK) Limited
M&C Holdings (Thailand) Limited	M&C Hotel Investments Pte Limited	M&C Hotels Holdings Japan Pte Limited
M&C Hotels Holdings Limited	M&C Hotels Japan Pte Limited	M&C New York Finance (UK) Limited
M&C Singapore Finance (UK) Limited	M&C Sponsorship Limited	Melvale Holdings Limited
Merivale JV Pty Limited	Millennium & Copthorne (Australian Holdings) Limited	
Millennium & Copthorne (Jersey Holdings) Limited	Millennium & Copthorne Hotels Limited	
Millennium & Copthorne Hotels Management (Shanghai) Limited	Millennium & Copthorne International Limited	Millennium Hotels & Resorts Services Limited
Millennium & Copthorne Hotels New Zealand Limited	Millennium Hotel Holdings EMEA Limited	
Millennium & Copthorne Share Trustees Limited	Millennium Hotels (West London) Management Limited	
Millennium Hotels (West London) Limited	Millennium Hotels Limited	Millennium Hotels London Limited
Millennium Hotels Europe Holdings Limited	New Synergy Investments Pte Ltd	New Vista Realty Pte Ltd
New Empire Investments Pte Ltd	Nin Investment Holdings Pte Ltd	Novel Developments Pte Ltd
Newbury Investments Pte Ltd	Pavo Properties Pte Ltd	Pinenorth Properties Limited
Palmerston Holdings Sdn. Bhd.	Redvale Developments Pte Ltd	Redvale Investments Pte Ltd
Qaiser Holdings Limited	Republic Iconic Hotel Pte Ltd	Republic Plaza City Club (Singapore) Pte Ltd
Redvale Properties Pte Ltd	Richmond Hotel Pte Ltd	Richview Holdings Pte Ltd
Reselton Properties Limited	Rogo Realty Corporation	Scenview Holding Limited
Rogo Investments Pte Ltd	Serangoon Green Pte Ltd	Siena Commercial Development Pte Ltd
Scottsdale Properties Pte Ltd	Siena Trustee Pte Ltd	Silkpark Holdings Limited
Siena Residential Development Pte Ltd	South Beach Consortium Pte Ltd	
Singapura Developments (Private) Limited	Southwaters Investment Pte Ltd	Sparkland Holdings Pte Ltd
South Beach International Hotel Management Pte Ltd	Sunmaster Holdings Pte Ltd	Sunny Vista Developments Pte Ltd
Summit Vistas Pte Ltd	TC Development Pte Ltd	
Sunshine Plaza Pte Ltd	TOSCAP Limited	Treasure Realm Limited
Tempus Platinum Investments Tokutei Mokuteki Kaisha	Trentworth Properties Limited	Tucana Commercial Pte Ltd
Trentwell Management Pte Ltd	Tucana Residential Pte Ltd	U-Paragon Holdings Limited
Tucana Properties Pte Ltd	Verspring Properties Pte Ltd	Verwood Holdings Pte Ltd
Ventagrand Holdings Limited	Weland Investments Limited	White Haven Properties Pte Ltd
Vinemont Investments Pte Ltd	Zatrio Pte Ltd	
Whitehall Holdings Limited		

Representative Director of:
CDL Hotels (Korea) Ltd

Alternate Director of:
Mount V Development Pte Ltd

G A MCKENZIE

Director of:
Luxottica Retail New Zealand Ltd
Value NZ 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 2020 are as follows:

Remuneration and value of other benefits	Number of employees
100,001 – 110,000	7
110,001 – 120,000	3
120,001 – 130,000	4
140,001 – 140,000	2
150,001 – 160,000	3
170,001 – 170,000	2
180,001 – 190,000	2
190,001 – 200,000	2
200,001 – 210,000	2
210,001 – 220,000	2
330,001 – 340,000	1
390,001 – 400,000	1

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

The Company and its subsidiaries made donations to charity totaling \$445 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:

	2019 (\$'000)		2020 (\$'000)	
	New Zealand	Australia	New Zealand	Australia
Annual Audit	302	25	291	28
KPMG Other Services	52	Nil	34	Nil

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

The Company's subsidiaries and their directors as at 31 December 2020 are listed below:

NAME	DIRECTORS	OWNERSHIP	ACTIVITY
All Seasons Hotels and Resorts Ltd	BK Chiu, JB Pua	100%	Non-trading
CDL Investments New Zealand Ltd (▼)	C Sim, RJ Austin, BK Chiu, J Henderson, ES Kwek, 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	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

--Birkenhead Holdings Pty. Ltd and Birkenhead Investments Pty. Limited were deregistered during 2020.

--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 2020: C Sim (\$35,500), VWE Yeo (\$30,000), RJ Austin (\$35,000), J Henderson (\$30,000).

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Colin Sim	(Independent Director / Chairman)
B K Chiu	(Managing Director)
Richard Bobb	(Independent Director)
Kevin Hangchi	(Non-Executive Director)
Eik Sheng Kwek	(Non-Executive Director)
Graham McKenzie	(Independent Director)
Leslie Preston	(Independent Director (from March 2020))

SENIOR MANAGEMENT

Brendan Davies	(Director, International and Corporate Sales)
Craig Fletcher	(Director, Property Management)
Takeshi Ito	(Vice President Legal & Company Secretary)
Karl Luxon	(Vice President Operations [to 26 February 2021])
Ken Orr	(Vice President Operations [from 1 April 2021])
Boon Pua	(Vice President Finance)
Kim-Marie Rixson	(Vice President Human Resources)
Alison Smith	(National Director of Sales, Conferences and Incentives)
Josie Wilson	(Director, Revenue and Distribution)

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
Email:	sales.marketing@millenniumhotels.co.nz
Global Website:	www.millenniumhotels.com
Investor Website:	www.mckhotels.co.nz/investors

AUDITORS

KPMG, Auckland

BANKERS

ANZ Banking Group (New Zealand) Limited
Hong Kong & Shanghai Banking Corporation Limited

SOLICITORS

Bell Gully

SHARE REGISTRAR

Computershare Investor Services Limited,
Level 2, 159 Hurstmere Road, Takapuna, Auckland, New Zealand

Private Bag 92119, Auckland 1020, New Zealand	
Telephone:	+64 9 488 8700
Facsimile:	+64 9 488 8787
Email:	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

www.meetingsnz.co.nz

SALES

Email: 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

www.millenniumhotels.com