MILLENNIUM & COPTHORNE
HOTELS NEW ZEALAND LTD

ANNUAL REPORT

2023

M Social Auckland
196/200 Quay Street, Auckland CBD

Cover Image: Beast & Butterflies Restaurant inside M Social Auckland

CONTENTS

CALENDAR

Annual Report Issued	28 March 2024
Annual Shareholder Meeting	28 May 2024
Half Year End	30 June 2024
Full year End	31 December 2024

Colin Sim
Chairman

Stuart Harrison
Managing Director

FIVE YEAR TREND STATEMENT

	2019	2020*	2021*	2022	2023
Revenue	$229.7m	$172.0m	$164.8m	$144.2m	$145.7m
Profit Before Tax	$85.4m	$54.4m	$64.6m	$44.8m	$37.5m
Profit After Tax & NCI	$49.7m	$48.5m	$40.0m	$21.7m	$21.6m
Total Assets	$1,008.2m	$664.1m	$680.8m	$709.2m	$746.8m
Group Equity	$715.3m	$474.7m	$514.2m	$531.0m	$547.9m
Net Asset Backing Per Share ($ per share) on cost basis	N/A	$3.00	$3.25	$3.35	$3.46
Net Asset Backing Per Share ($ per share) on market value basis	$4.52	$4.70	$5.04	$4.99	$5.84
Market Value of NZ Development Properties	$315.6m	$286.4m	$334.1m	$342.7m	$349.9m
Market Value of Australian Development and Hotel Properties	$88.4m	$68.5m	$61.7m	$54.9m	$250.7m
Market Value of NZ Investment Properties	$ -	$6.4m	$25.5m	$62.6m	$62.7m
Market Value of NZ Hotel Properties	$585.5m	$561.9m	$567.6m	$534.4m	$574.4m

Market Values are based on unaudited external valuations and internal management valuations.

*During 2021, the Group changed its accounting policy relating to the measurement of land and buildings from revaluation to historical cost. The comparative figures for 2020 are restated accordingly. Refer to Note 25 of the Financial Statements for further information.

FY23 AT A GLANCE

FY23 COMMERCIAL HIGHLIGHTS:

- Settled the acquisition of the Sofitel Brisbane Central Hotel in December 2023;
- Copthorne Hotel Palmerston North hosted the winning Spanish Women's National Football Team during the key group stages of the 2023 FIFA Women's World Cup held in New Zealand and Australia;
- Hotel room refurbishment programme continued with 132 rooms completed at Millennium Hotel Queenstown and work continuing on the remaining 70 rooms, plus commenced refurbishment of 99 rooms in Millennium Hotel Rotorua;
- Commenced the recladding, reglazing and installation of air-conditioning into the Copthorne Hotel Palmerston North;
- Renewal of bank facility through to January 2027 with an increased limit of $120.0m;
- Restaurant One80 (located in Copthorne Hotel Oriental Bay) won the Burger Wellington competition, part of the annual Visa Wellington On a Plate food festival, beating over 200 entries from across the city.

Executive Chef, Chetan Pangam

FINANCIAL PERFORMANCE & FINANCIAL POSITION

- For the year ended 31 December 2023, MCK recorded a profit attributable to owners of the parent of $21.6 million (2022: $21.7 million).
- Of particular note, MCK's New Zealand hotel operations contributed a profit before tax of $11.6 million (2022: $4.0 million loss), as the 2026 Revive and Thrive strategy continues to be rolled out. This positive turnaround reflects not only the return to open borders and uninterrupted trading, but also the sharp focus on improving profitability across the hotel network during the year.
- The results for CDL Investments New Zealand Limited ("CDI"), MCK's majority-owned subsidiary, reflected a softness in the residential property markets which resulted in contributing $18.7 million (2022: $43.3 million) to overall pre-tax profit numbers.
- Total revenue in 2023 was $145.7 million (2022: $144.2 million) and earnings per share was 13.65 cents per share (2022: 13.72 cents per share).
- At 31 December 2023, MCK's shareholders' funds excluding non-controlling interests was $547.9 million (2022: $531.0 million).
- Total assets increased to $746.8 million (2022: $709.2 million) with net asset backing (with land and building at cost and before distributions) also increasing to 345.8 cents per share (2022: 335.4 cents per share).

One80 Restaurant, Winner of Wellington on a Plate, Burger Wellington 2023 with their Goan Chicken Ros Pao Burger

View from One80 Restaurant and Lounge Bar at Copthorne Hotel Wellington, Oriental Bay

FROM THE CHAIR AND THE MANAGING DIRECTOR

DEAR SHAREHOLDER

We were delighted to report a return to profit for Millennium & Copthorne Hotels New Zealand Limited (MCK) in FY23, in a year of trading uninterrupted by the covid pandemic but still facing marco-economic headwinds. We were particularly pleased that we were able to increase the hotel segmental profit before tax by 388.1% this year. That figure reflects a 17.5% year-on-year overall increase in occupancy to 61.2% as a result of the hard work of our team and the effort that has gone in to making each room as profitable as possible.

Of the challenges we faced, the year commenced with a series of severe weather storms which impacted the access to certain hotels and disrupted a number of events and travel plans at the start of a year where we were looking forward to operating without Covid lockdown restrictions.

As the year progressed, cost of living increases became another factor affecting our business with softening consumer demand for domestic leisure travel partially offset by increased international demand, and increased costs including wages, food, fuel and other staples. We are doing what we can to limit passing these increases to our customers however, some price increases are unavoidable.

With the re-opening of international borders in June 2022, New Zealand has seen an influx of international visitors recovering to c.76% of the levels seen in 2019 and certain international visitor arrivals hitting their pre- pandemic levels. On looking at these numbers more deeply though it is important to note the reasons behind the travel, with approximately 90% recovery of travellers visiting family and friends. This gives rise to holiday, business, conference and incentive visitors achieving a c.67% recovery against 2019. While we are still short of the pre-Covid level of tourists, we are making real progress on our Revive and Strive strategy and anticipate growth for MCK over the medium term.

We are now starting to look forward, to the transition from the Revive phase of our strategy to Thrive. As part of this, our team has been looking at how we can develop our existing and new talent, and existing and new business opportunities both within New Zealand and overseas. We were pleased to see that our teams, both at our support office and across our hotels, were highly motivated, full of good ideas and initiatives and keen to drive MCK and our hotels forward. These wide-ranging insights will form the basis of our strategy over the next two years and will allow us to shift into Thrive mode by 2026 as planned.

Our vision remains to be the preferred hotel choice for travellers in our region, grow our footprint and deliver value for our guests, our team and our shareholders. In the short term, our focus remains on reviving our business for tourism market momentum post-Covid. We are pleased to report to you on our progress under our three pathways, Product, People and Profit.

PRODUCT

Protect and expand our hotel presence in New Zealand & Australia; Invest in a portfolio of real estate or development projects and manage our investment in CDL Investments.

NEW ZEALAND HOTEL OPERATIONS

In 2023, our New Zealand hotels recorded an operating revenue of $101.1 million (2022: $65.2 million) for the year. This increase is pleasing and reflects a return to pre-pandemic demand patterns both domestically and internationally.

Ensuring that our physical product remains competitive is important to reviving our future revenues and profits. The second stage of our refurbishment at Millennium Hotel Queenstown was completed at the end of 2023 with a further 132 rooms completed. 2024 will see additional work done on the remaining 70 rooms and 18 suites which are expected to be completed by Q3 2024. The first stage of the guest room refurbishment at Millennium Hotel Rotorua of 99 rooms is reaching completion and will be ready before the end of Q1 2024.

We have put a lot of attention and investment into lifting the quality of our product in 2023 and it is already starting to provide results, with positive guest feedback in response to the updated look and feel of the Millennium Hotel Queenstown. We expect similar positive responses from our guests when the works at Millennium Hotel Rotorua are complete later this year.

Copthorne Hotel Palmerston North hosted the Spanish Women's team who were the eventual winners of the Women's Football World Cup. The hotel is now being revitalised through the recladding, reglazing and installation of air-conditioning.

Our new Director of Property Management Louise Borton is developing a whole-of-network plan which will focus on investment and improvement priorities for all of our current hotels. The plan will form the basis of many of our medium term investment decisions and will help us prioritise urgent projects which will deliver the most optimal results.

We remain ambitious about potential acquisitions in New Zealand should suitable opportunities arise. In the course of the last year, MCK assessed a number of potential acquisitions across the country to broaden our network and create new opportunities to add value. On this front, we remain open to opportunities to buy or manage hotels if they meet our investment and operational criteria. With the sector in recovery mode, interest from domestic and international investors in the hospitality and accommodation sectors has picked up and we do not want to miss out on opportunities which are accretive and add points of difference to our well-established portfolio.

ESTABLISHING OUR AUSTRALIAN HOTEL PRESENCE

We were delighted to complete the acquisition of the Sofitel Brisbane Central in December 2023 after announcing the acquisition in March together with our immediate parent company Millennium & Copthorne Hotels Limited (UK). While there was minimal benefit to our 2023 results given the timing of completion, we are looking forward to seeing the hotel do well over the next twelve months given its strong performance in its key market segments and very positive occupancy and room rates. As announced previously, the hotel will continue to be managed under its existing hotel management agreement and branding.

Completing the purchase at the end of 2023 was a positive way to end the year. There was a lot of intensive work done from the announcement of the acquisition through to the settlement between the New Zealand and Singaporean deal teams which we would like to acknowledge. Acquiring a hotel which has a very strong reputation in its local market and which has unique strengths in the conference and incentives sector was something we had been looking at for some time. We are looking forward to seeing the synergies this hotel can bring to our portfolio starting from this year.

SELLDOWN OF ZENITH RESIDENCY APARTMENTS IN AUSTRALIA

We are continuing to sell down our Zenith Residency apartments in Sydney with a total of five (2022: 5) apartments sold during 2023. At this stage, we still own and manage 31 apartments being predominantly one bedroom units with some two – three bedrooms units. However, we will continue to sell these down and utilise the proceeds within our Australian operations.

SUSTAINABILITY

Climate impact is expected to affect the hospitality and accommodation sectors in a variety of ways. Like all hotel owners and operators across the world, we are aware of the importance of reviewing our operations to see how climate-positive improvements can be incorporated in all aspects. One example is our electricity supply, which is provided by Meridian Energy and generated from renewable sources such as wind power, hydro and solar power.

We took steps to improve our commitments to sustainability by joining Toitu Envirocare in 2023, achieving Toitu carbonreduce certification in line with ISO 14064-1 early in 2024. We will be looking to lift the bar again this year by looking at how our business as a whole can become more sustainable and setting tangible goals for emissions and carbon reduction over the next few years. This annual report contains our first climate related disclosure statement and sets out our strategy and governance on these issues.

PEOPLE

Deliver memorable experiences for our guests; Build careers that our people love to talk about.

Our year commenced with a shortage of staff in some key locations and roles which restricted the quantity of rooms we could reasonably sell and the services we could provide to our guests. One of our key learnings has been how we recruit and retain people. Following the appointment of our new Director of Human Resources, Lisa Maclean, we have refreshed our recruitment processes to attract and retain the best people possible. We are continuing to work on ways to make MCK and our hotels more attractive places to work.

Balancing the needs of our workforce and ensuring that we can provide the best possible service and experience is a challenge we face every day. We are very conscious of the need to grow, develop and retain our workforce. In the course of 2024, we will also be adjusting our focus to look at how our existing workforce can thrive. This means seeing how we can retain, train and develop our teams so that they continue to work with us over the medium to long term and create their own career paths with MCK. This is an important part of our People Strategy and we are excited about how MCK and our hotels can act as career-leading centres of excellence.

On behalf of the Board and management team, we would like to thank everyone at our hotels and our support offices for their tireless work during 2023. We are looking forward to another productive and profitable year with all of you in 2024.

PEOPLE NUMBERS

- Overall gender breakdown remains stable.
- 10% increase in senior leadership roles held by woman with the appointment of Director of Property Management and General Manager of Copthorne Hotel Greymouth.
- Slight decrease in Millennials (1%), Gen X (0.5%) and Baby Boomers (0.2%) and increased Gen Z (1.7%)

PEOPLE	
♀	55% Female
♂	45% Male
=	0.2% Gender Diverse
↓42	75% of our workforce are 42 years old and under
	43% of senior leadership roles are held by woman
35	35 is the average age of our workforce
74	74 is the age of oldest staff member

AGE BREAKDOWN

0.1% Veterans (78+ years)
7.2% Baby Boomers (59 - 77 years)
17.7% Generation X (43 - 58 years)
30.6% Generation Z (<27 years)
44.4% Millennials (27 - 42 years)

PROFIT

Drive improving revenue and profit; Leverage our strong balance sheet to achieve growth; Deliver long term value to our shareholders.

The work we have done over the past two years means that the key elements to lifting our overall future profitability are now in place. Our goal for this year is to ensure we are performing at optimal levels.

As noted earlier, we were particularly pleased with the 388.1% increase in the hotel segmental profit before tax. Overall, we recorded an occupancy percentage of 61.2% (2022: 43.7%) across all of our hotels and we also saw a healthy uplift in average Revenue Per Available Room (RevPAR) of $120.03 (2022: $76.59). The RevPAR increase is pleasing given our efforts to improve the profitability of each room sold. This had been particularly challenging at the commencement of the year with a shortage in staffing levels and severe weather events impacting the ability to sustain the business demand.

This positive turnaround reflects not only the return to open borders and uninterrupted trading, but also the sharp focus on improving profitability across the hotel network during the year.

MCK's total revenue in 2023 was $145.7 million (2022: $144.2 million) and earnings per share was 13.65 cents per share (2022: 13.72 cents per share). At 31 December 2023, MCK's shareholders' funds excluding non-controlling interests was $547.9 million (2022: $531.0 million).

Total assets increased to $746.8 million (2022: $709.2 million) with net asset backing (with land and building at cost and before distributions) also increasing to 345.8 cents per share (2022: 335.4 cents per share).

CDL INVESTMENTS NEW ZEALAND LIMITED (CDLI)

CDLI's 2023 results reflected the weakness in the property markets seen from the end of 2022 which carried over into 2023. Despite this, CDLI was still able to record an operating profit after tax for the year of $13.5 million (2022: $31.2 million). CDLI has kept its dividend at 3.5 cents per share, which is due to be paid in May 2024.

DIVIDEND

MCK's Board has resolved to declare and pay all shareholders a fully imputed dividend of 3 cents per share for 2023. The dividend, payable to all shareholders, will be paid on 17 May 2024 with a record date of 10 May 2024. The Board has determined that the dividend balances provide a consistent level of returns to shareholders and retain sufficient cash resources required for ongoing refurbishment and other projects.

OUTLOOK

We are entering the 2024 year with a sense of optimism, with many things to look forward to. MCK remains on track with its "Revive and Thrive" strategy and we expect to see improvements from all of our business sectors, including CDLI, as well as continued increases from our hotel operations.

With the completion of key refurbishments in Queenstown and Rotorua, new refurbishment projects at Copthorne Hotel & Resort Bay of Islands (and others currently being assessed) will commence in 2024 and are expected to be completed within the year. We expect them to deliver additional revenue growth as soon as they become available.

Even though we have not noticed a meaningful return of Chinese visitors, visitor numbers are steadily improving and with more flight capacity into New Zealand, particularly in the high seasons, we are expecting this growth in numbers to translate into additional demand for accommodation at our key properties. We are working hard to maximise the number of confirmed bookings at our properties and improve our market share throughout. We will also have the benefit of a full year's trading from Sofitel Brisbane Central which we expect to be strong.

Our optimism is tempered with a note of caution – the cost of doing business continued to increase in 2023 and we expect these increases to continue to a lesser extent in 2024. While some of these increases can and will be partially offset by the ability to increase room rates in response to demand, we are conscious of optimising our business to ensure that our growth opportunities are not adversely affected.

We have set ourselves new revenue and performance targets for 2024 as the tourism recovery continues and with the addition of our Brisbane acquisition, and our immediate target is to deliver an uplift to our 2023 results.

We firmly believe we are on track with our Strategy to Revive and shift to Thrive. We continue to be focused on reviving our people, products and profits throughout 2024.

We are looking forward to meeting shareholders at our Annual Meeting on 28 May 2024, and reporting to you on a productive and profitable year in due course.

On behalf of the Board and the MCK team, to our loyal customers, thank you for your continued patronage throughout the year just past. We appreciate it and look forward to seeing you at one of our hotels in the very near future. We would also like to thank our shareholders for your continued support.

Colin Sim
Chairman
2024

Stuart Harrison
Managing Director
2024

DEVELOPMENTS

The first stage of the guest room refurbishment at Millennium Hotel Rotorua of 99 rooms is reaching completion and will be ready before the end of Q1 2024. Additional refurbishment projects are currently being assessed and will commence later this year. We expect these projects to deliver additional revenue growth as well.

Millennium Hotel Rotorua Superior King Room

Millennium Hotel Rotorua Superior Bathroom

Millennium Hotel Rotorua Superior King Room

Millennium Hotel Rotorua Superior Queen Room

In 2023, the second stage of our refurbishment at Millennium Hotel Queenstown was completed at the end of the year with a further 132 rooms completed. 2024 will see additional work done on the remaining 70 rooms and 18 suites which are expected to be completed by Q3 2024.


Millennium Hotel Queenstown Superior Twin Room


Millennium Hotel Queenstown Superior Bathroom


Millennium Hotel Queenstown Lobby


M Social Auckland Cabana

BRISBANE DEVELOPMENT

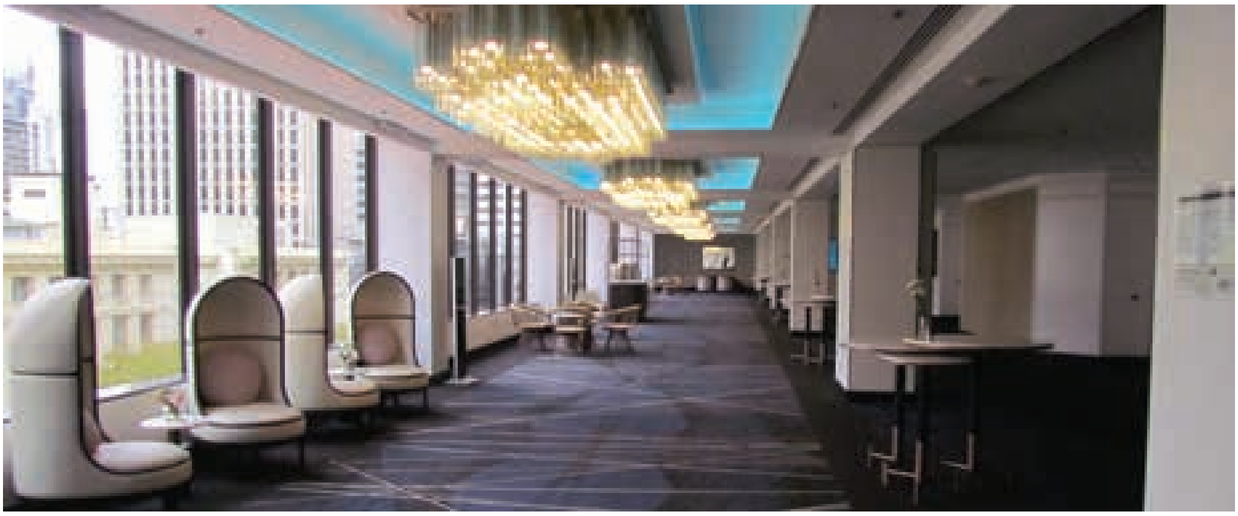
In 2023, MCK and its parent company Millennium & Copthorne Hotels Limited announced that, through a 50:50 joint venture, they completed the acquisition of the Sofitel Brisbane Central hotel in Australia from Brookfield Asset Management. The purchase price was A$177.7 million (approximately NZ$190.8 million*), or A$427,000 (approximately NZ$458,625*) per key. (*: NZD / AUD exchange rates used are 1 / 0.9314 as at 30 November 2023)

MCK Managing Director Stuart Harrison outlined what the newly-acquired hotel would bring to MCK's overall business. "We have been able to monitor the hotel's overall trading performance this year which has included events such as FIFA Women's World Cup, a State of Origin rugby league game and other international artist events which show how strong the Brisbane and Queensland location is. We are encouraged by its strong performance in 2023 especially in its key corporate and leisure market segments where Central Brisbane Hotels recorded September YTD Occupancy of ~73% and ADR of ~A$235".

Mr. Harrison noted that Sofitel Brisbane Central has unique strengths as an established fixture in the Brisbane / Queensland market for meetings, conferences, and incentives and the hotel would continue to be managed by the Accor Group as a Sofitel hotel.
"Its key strengths in many areas made this acquisition very attractive. We were particularly aware of its reputation in the Australian Conference and Incentive ('C&I') Market. MCK also has a long-established reputation as a leading player in the New Zealand C&I markets so one of our immediate priorities will be to determine what synergies we can create between that hotel and our network to maximize revenue and client demand for both".

"Having the ability to host events at MCK-owned properties in New Zealand and Australia will be beneficial for us in the medium to long term", he said.

SOFITEL BRISBANE CENTRAL AT A GLANCE	
Location	249 Turbot Street, Brisbane City QLD 4000, Australia
The Hotel	A 5-star landmark hotel prominently located in the heart of Brisbane CBD, overlooking ANZAC Square and Post Office Square, with direct access to Central Railway Station, the city's main transport hub
Rooms & Suites	416 (379 rooms and 37 suites)
Restaurant & Bars	6 restaurants, bars and lounges
Meetings & Conferences	Ballroom Le Grand and 8 meeting rooms
Facilities	▪ Heated outdoor swimming pool and sundeck, plus an Elite high-performance gym ▪ Spa, hair salon and medical clinic ▪ Undercover parking for 220 vehicles ▪ Rooftop helicopter pad
Land Tenure	▪ 99-year from 25 May 2021



BOARD OF DIRECTORS

COLIN SIM
Chairman & Independent Director

Mr. Sim is the executive chairman of the East Quarter Group of companies in Australia. The East Quarter Group is involved in the development, investment and management of residential, commercial and industrial projects across New South Wales. Mr. Sim has strong analytical skills and extensive experience in property development/investment and business in Australia. He studied Mechanical Engineering in London and has lived in Sydney, Australia for over 40 years.

Mr. Sim was appointed to the Board in July 2017 and was re-elected to the Board at the 2021 Annual Meeting of shareholders.

STUART HARRISON Managing Director, Member of the Audit Committee

Stuart Harrison has nearly three decades of financial reporting and senior management experience within the utilities, hospitality and property industries and was appointed as MCK's Managing Director in July 2022. As Chief Financial Officer for real estate investment trusts and managers with portfolios with over $1 billion of assets, he oversaw their financial and management reporting, treasury management and tax compliance within both New Zealand and Australia and has also overseen significant equity raising, debt facility renewals and strategic acquisitions. Stuart was MCK's Vice President Finance between 2000 and 2008.

Stuart holds a Bachelor of Commerce and Chartered Accountants Australia and NZ qualifications. He was elected to the Board at the 2023 Annual Meeting of shareholders.

EIK SHENG KWEK
Non-Executive Director

Mr. Kwek is currently the Group Chief Operating Officer of City Developments Limited ("CDL") having previously been CDL's Group Chief Strategy Officer. Mr. Kwek joined CDL in 2009, covering Business Development for overseas projects before being appointed as Head of Corporate Development. He was appointed 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 re-elected by shareholders at the 2023 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 2021 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 2022 annual meeting of shareholders.

LESLIE PRESTON Independent Director, Chair of the Audit Committee

Leslie Preston was appointed to the Board in February 2021. Ms. Preston founded Bachcare Holiday Homes ("Bachcare") in 2003 and was CEO and a director until 2020. Under her leadership Bachcare grew to become the leading full-service holiday home rental management company in New Zealand and was named one of The World's Top 20 Vacation Rental Companies in 2019.

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

Ms. Preston was appointed in 2021 and was elected to the Board at the 2021 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

Copthorne 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

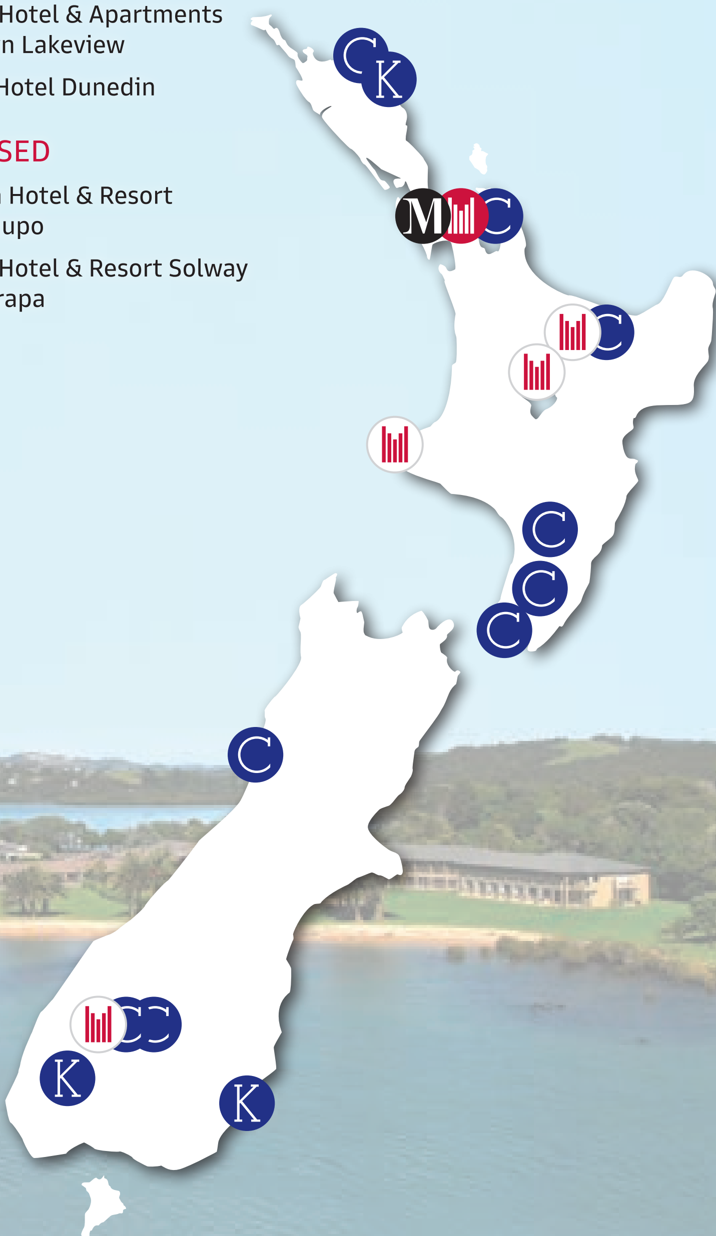
Copthorne Hotel & Apartments Queenstown Lakeview

Kingsgate Hotel Dunedin

FRANCHISED

Millennium Hotel & Resort Manuels Taupo

Copthorne Hotel & Resort Solway Park Wairarapa



Background image, Copthorne Hotel and Resort Bay of Islands

MILLENNIUM HOTELS AND RESORTS IN NEW ZEALAND

GRAND MILLENNIUM

MILLENNIUM

PREMIUM

Grand Millennium Auckland
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Millennium Hotel & Resort Manuels Taupo
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Millennium Hotel Queenstown
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millennium.queenstown@millenniumhotels.co.nz

MSOCIAL

LIFESTYLE

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Copthorne

Kingsgate

COMFORTABLE

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Copthorne Hotel Greymouth
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Copthorne Hotel & Resort Queenstown Lakefront
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Copthorne Hotel & Apartments Queenstown Lakeview
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copthorne.lakeview@millenniumhotels.co.nz

Kingsgate Hotel Autolodge Paihia
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Kingsgate Hotel Te Anau
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Kingsgate Hotel Dunedin
10 Smith Street, Dunedin
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kingsgate.dunedin@millenniumhotels.co.nz

SAVE THE KIWI PARTNERSHIP

MILLENNIUM HOTELS AND RESORTS | Save the kiwi

On 1 July 2023 Millennium Hotels and Resorts New Zealand entered a partnership with Save the Kiwi New Zealand to create a unique opportunity for hotel guests to donate a meal or a 'room' for a night to this leading conservation charity dedicated to the preservation of New Zealand's national icon, kiwi.

Opting out of having your room serviced on a multi-night stay helps the hotels conserve water and energy, the funds from these resources can then be redirected towards Save the Kiwi.

This innovative approach sees a guest simply reducing their own room servicing needs and ensures a kiwi gets fed and a safe environment to grow. Every time a guest chooses the daily 'no room servicing' option on a multi-night stay by using their Save the Kiwi door hanger at any Grand Millennium, Millennium, Copthorne, Kingsgate or M Social hotels in New Zealand, Millennium Hotel and Resorts will donate a meal for a kiwi at Save the Kiwi's kiwi crèche in Napier.

MANAAKI

Protect & Care

JUL - DEC 2023

14,013 Meals Donated

Donations now available in the MyMILLENNIUM mall

NEW ZEALAND FASHION WEEK23 | KAHURIA

M Social Auckland, the official hotel for New Zealand Fashion Week 2023: Kahuria

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One80 Restaurant and Lounge Bar

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Income Statement

For the year ended 31 December 2023

DOLLARS IN THOUSANDS	Note	Group 2023	Group 2022
Hotel revenue		101,072	65,245
Rental income		3,944	3,002
Property sales		40,643	75,951
Revenue		**145,659**	**144,198**
Cost of sales	3,10	(67,879)	(59,687)
Gross profit		**77,780**	**84,511**
Other income		397	-
Administration expenses	2,3	(25,532)	(22,678)
Other operating expenses	2,3	(20,501)	(18,591)
Operating profit		**32,144**	**43,242**
Finance income	4	7,700	3,870
Finance costs	4	(2,444)	(2,331)
Net finance income		**5,256**	**1,539**
Share of profit of joint venture	24	73	-
Profit before income tax		**37,473**	**44,781**
Income tax expense	5	(10,556)	(12,363)
Profit for the year		**26,917**	**32,418**
Attributable to:			
Owners of the parent		21,602	21,713
Non-controlling interests		5,315	10,705
Profit for the year		**26,917**	**32,418**
Basic earnings per share (cents)	8	13.65	13.72
Diluted earnings per share (cents)	8	13.65	13.72

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

DOLLARS IN THOUSANDS	Group 2023	Group 2022
Profit for the year	**26,917**	**32,418**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Foreign exchange translation movements	416	629
	416	**629**
Total comprehensive income for the year	**27,333**	**33,047**
Total comprehensive income for the year attributable to :		
Owners of the parent	22,018	22,342
Non-controlling interests	5,315	10,705
Total comprehensive income for the year	**27,333**	**33,047**

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 2023

Group

	Attributable to equity holders of the Group						
DOLLARS IN THOUSANDS	Share Capital	Exchange Reserve	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2023	383,266	(1,396)	149,175	(26)	531,019	111,682	642,701
Movement in exchange translation reserve	-	416	-	-	416	-	416
Total other comprehensive income	-	416	-	-	416	-	416
Profit for the year	-	-	21,602	-	21,602	5,315	26,917
Total comprehensive income for the year	-	416	21,602	-	22,018	5,315	27,333
Transactions with owners, recorded directly in equity:							
Dividends paid to:							
Owners of the parent	-	-	(4,747)	-	(4,747)	-	(4,747)
Non-controlling interests	-	-	-	-	-	(4,324)	(4,324)
Supplementary dividends	-	-	(98)	-	(98)	-	(98)
Foreign investment tax credits	-	-	98	-	98	-	98
Movement in non-controlling interests without a change in control	-	-	(374)	-	(374)	1,863	1,489
Balance at 31 December 2023	383,266	(980)	165,656	(26)	547,916	114,536	662,452

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 2022

Group

DOLLARS IN THOUSANDS	Share Capital	Exchange Reserve	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	Attributable to equity holders of the Group						
Balance at 1 January 2022	**383,266**	**(2,025)**	**132,974**	**(26)**	**514,189**	**103,610**	**617,799**
Movement in exchange translation reserve	-	629	-	-	629	-	629
Total other comprehensive income	-	629	-	-	629	-	629
Profit for the year	-	-	21,713	-	21,713	10,705	32,418
Total comprehensive income for the year	-	629	21,713	-	22,342	10,705	33,047
Transactions with owners, recorded directly in equity:							
Dividends paid to:							
Owners of the parent	-	-	(5,538)	-	(5,538)	-	(5,538)
Non-controlling interests	-	-	-	-	-	(3,982)	(3,982)
Supplementary dividends	-	-	(112)	-	-	-	(112)
Foreign investment tax credits	-	-	112	-	-	-	112
Movement in non-controlling interests without a change in control	-	-	26	-	26	1,349	1,375
Balance at 31 December 2022	**383,266**	**(1,396)**	**149,175**	**(26)**	**531,019**	**111,682**	**642,701**

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

Millennium & Copthorne Hotels New Zealand Limited

Consolidated Statement of Financial Position

As at 31 December 2023

DOLLARS IN THOUSANDS	Note	Group 2023	Group 2022
SHAREHOLDERS' EQUITY			
Issued capital	7	383,266	383,266
Reserves		164,676	147,779
Treasury stock	7	(26)	(26)
Equity attributable to owners of the parent		**547,916**	**531,019**
Non-controlling interests		114,536	111,682
TOTAL EQUITY		**662,452**	**642,701**
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment	9	263,051	255,279
Development properties	10	217,221	205,308
Investment properties	11	35,834	36,381
Investment in associates		2	2
Investment in joint venture	24	43,943	-
Total non-current assets		**560,051**	**496,970**
CURRENT ASSETS			
Cash and cash equivalents	12	11,256	61,387
Short term bank deposits		64,075	111,946
Trade and other receivables	13	20,391	14,436
Advances to related parties	20	62,516	-
Inventories		1,640	1,409
Development properties	10	26,861	23,038
Total current assets		**186,739**	**212,216**
Total assets		**746,790**	**709,186**
NON CURRENT LIABILITIES			
Lease liability	22	27,111	25,458
Deferred tax	15	7,001	9,717
Total non-current liabilities		**34,112**	**35,175**
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14, 26	11,968	-
Trade and other payables	16	32,348	28,024
Trade payables due to related parties	20	2,318	2,248
Lease liability	22	215	233
Income tax payable		3,377	805
Total current liabilities		**50,226**	**31,310**
Total liabilities		**84,338**	**66,485**
NET ASSETS		**662,452**	**642,701**

For and on behalf of the board

LS PRESTON, DIRECTOR,
26 February 2024

SNB HARRISON, MANAGING DIRECTOR,
26 February 2024

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 2023

DOLLARS IN THOUSANDS	Note	Group 2023	Group 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		142,092	146,085
Receipts from insurers		397	-
Interest received		8,248	2,980
Dividends received	4	-	1
Cash was applied to:			
Payments to suppliers and employees		(99,843)	(84,544)
Purchases of development land	1	(20,407)	(24,607)
Interest paid		(104)	(18)
Income tax paid		(10,701)	(13,547)
Net cash inflow/(outflow) from operating activities		**19,682**	**26,350**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was (applied to)/provided from:			
Proceeds from the sale of property, plant and equipment		387	41
Purchases of property, plant and equipment	9	(13,901)	(7,148)
Purchases of investment property		(386)	(13,587)
Investment in joint venture	24	(44,048)	-
Advance to joint venture	20	(62,261)	-
Divestments in short term bank deposits		47,871	9,550
Net cash inflow/(outflow) from investing activities		**(72,338)**	**(11,144)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was (applied to)/provided from:			
Drawdown/(Repayment) of borrowings	14	11,968	(1,000)
Lease payments	22(c)	(2,161)	(3,235)
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	7	(4,747)	(5,538)
Dividends paid to non-controlling shareholders		(4,324)	(3,982)
Net cash inflow/(outflow) from financing activities		**736**	**(13,755)**
Net increase/(decrease) in cash and cash equivalents		**(51,920)**	**1,451**
Add opening cash and cash equivalents		61,387	58,143
Exchange rate adjustment		1,789	1,793
Closing cash and cash equivalents	12	**11,256**	**61,387**

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 2023

DOLLARS IN THOUSANDS	Note	Group 2023	Group 2022
RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		26,917	32,418
Adjusted for non-cash items:			
Share of profit joint venture		(73)	-
Gain on sale of property, plant and equipment	2	(376)	(20)
Depreciation of property, plant and equipment and investment property	9, 11	7,845	7,353
Depreciation of Right-Of-Use assets	9	850	968
Unrealised foreign exchange losses		435	10
Interest expense		1,956	2.321
Income tax expense	5	10,556	12,363
		48,110	**54,413**
Adjustments for movements in working capital:			
(Increase)/Decrease in trade & other receivables		(5,955)	998
(Increase)/Decrease in inventories		(231)	(137)
(Increase)/Decrease in development properties		(15,576)	(12,654)
Increase/(Decrease) in trade & other payables		4,324	(1,976)
(Decrease) in related parties		(185)	(1,729)
Cash generated from operations		**30,487**	**39,915**
Interest paid		(104)	(18)
Income tax paid		(10,701)	(13,547)
Cash inflows from operating activities		**19,682**	**26,350**
Reconciliation of movement of liabilities to cash flows arising from financing activities			
As at 01 January		-	1,000
Proceeds from borrowings		11,968	-
Repayment of term loans		-	(1,000)
Financing cash flows		**11,968**	**(1,000)**
As at 31 December		**11,968**	**-**

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

Significant accounting policies

Millennium & Copthorne Hotels New Zealand Limited is a company domiciled in New Zealand registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Millennium & Copthorne Hotels New Zealand Limited (the “Company”) is a Financial Markets Conduct Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The financial statements of the Company for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group”). The registered office is located at Level 7, 23 Customs Street East, Auckland, New Zealand.

The principal activities of the Group are ownership and operation of hotels in New Zealand; development and sale of residential land in New Zealand; investment properties comprising commercial warehousing and retail shops in New Zealand; and development and sale of residential units in Australia.

(a) Statement of compliance

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

The financial statements were authorised for issuance on 26 February 2024.

(b) Basis of preparation

The financial statements are presented in the Company’s functional currency of New Zealand Dollars, rounded to the nearest thousand, unless otherwise indicated. They are prepared on the historical cost basis and on a going concern basis.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 21 – Accounting Estimates and Judgements.

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

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

The Group adopted all new and amended standards that became effective during the reporting period. However, they did not have any impact on the financial position, performance and cash flows of the Group.

(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: revenue from sale of goods is recognised at the point control is transferred to the customer (point of sale) and for services provided, over the period the service is provided.
- 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 (when the title is transferred) of the property and is able to direct and obtain the benefits from the property. The Group grants settlement terms of up to 12 months on certain sections as part of the Sale and Purchase agreement for unconditional sales. In some instances, the acquirers are permitted access to the residential sections for building activities prior to settlement. However, the acquirer does not obtain substantially all of the remaining benefits of the asset until final settlement of the land and title has passed.

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1. **Segment reporting**

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

- Hotel operations, comprising income from the ownership and management of hotels.
- Residential land development, comprising the development and sale of residential land sections.
- Residential and commercial property development, comprising the development and sale of residential apartments.
- Investment property, comprising rental income from the ownership and leasing of retail shops and industrial warehouses.

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

(a) **Operating Segments**

	Hotel Operations		Residential Land Development		Investment Property		Residential Property Development		Group	
Dollars in thousands	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
External revenue	101,072	65,245	28,284	66,106	2,494	1,240	13,809	11,607	145,659	144,198
Earnings before interest, depreciation & amortisation	19,299	4,754	13,697	41,446	2,473	775	5,371	4,590	40,840	51,565
Finance income	2,411	1,271	3,514	1,664	-	-	1,775	935	7,700	3,870
Finance expense	(2,429)	(2,321)	(12)	(7)	-	-	(3)	(3)	(2,444)	(2,331)
Depreciation and amortisation	(6,900)	(6,807)	(7)	(3)	(933)	(538)	(6)	(7)	(7,846)	(7,355)
Depreciation of Right-of-use assets	(806)	(940)	(34)	(19)	-	-	(10)	(9)	(850)	(968)
Share of profit of Joint venture	73	-	-	-	-	-	-	-	73	-
Profit before income tax	11,648	(4,043)	17,158	43,081	1,540	237	7,127	5,506	37,473	44,781
Income tax expense	(3,179)	1,417	(4,805)	(12,063)	(431)	(66)	(2,141)	(1,651)	(10,556)	(12,363)
Profit after income tax	8,469	(2,626)	12,353	31,018	1,109	171	4,986	3,855	26,917	32,418
Cash & cash equivalents and short term bank deposits	16,982	45,152	52,159	71,742	-	-	6,190	56,439	75,331	173,333
Investment in associates	-	-	2	2	-	-	-	-	2	2
Investment in joint venture	43,943	-	-	-	-	-	-	-	43,943	-
Other segment assets	339,925	266,463	231,231	205,573	35,834	36,381	20,524	27,434	627,514	535,851
Total assets	400,850	311,615	283,392	277,317	35,834	36,381	26,714	83,873	746,790	709,186
Segment liabilities	(68,516)	(52,502)	(4,053)	(1,542)	-	-	(1,391)	(1,919)	(73,960)	(55,963)
Tax liabilities	(7,393)	(6,661)	(1,449)	(3,275)	-	-	(1,536)	(586)	(10,378)	(10,522)
Total liabilities	(75,909)	(59,163)	(5,502)	(4,817)	-	-	(2,927)	(2,505)	(84,338)	(66,485)
Property, plant and equipment expenditure	13,821	17,312	56	77	-	-	14	44	13,901	17,433
Investment property expenditure	-	-	-	-	386	13,587	-	-	386	13,587
Residential land development expenditure	-	-	10,135	13,327	-	-	-	-	10,135	13,327
Purchase of land for residential land development	-	-	20,407	24,607	-	-	-	-	20,407	24,607

1. **Segment reporting -** continued

(b) Geographical areas

The Group operates in the following main geographical areas:

- New Zealand.
- Australia.

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

	New Zealand		Australia		Group	
Dollars In Thousands	2023	2022	2023	2022	2023	2022
External revenue	131,850	132,591	13,809	11,607	145,659	144,198
Earnings before interest, depreciation & amortisation	35,487	46,994	5,353	4,571	40,840	51,565
Finance income	5,925	2,935	1,775	935	7,700	3,870
Finance expense	(2,441)	(2,328)	(3)	(3)	(2,444)	(2,331)
Depreciation and amortisation	(7,840)	(7,348)	(6)	(7)	(7,846)	(7,355)
Depreciation of Right-Of-Use Assets	(840)	(959)	(10)	(9)	(850)	(968)
Share of profit of joint venture	-	-	73	-	73	-
Profit before income tax	30,291	39,294	7,182	5,487	37,473	44,781
Income tax (expense)/credit	(8,422)	(10,718)	(2,134)	(1,645)	(10,556)	(12,363)
Profit after income tax	21,869	28,576	5,048	3,842	26,917	32,418
Cash & cash equivalents and short term bank deposits	69,141	116,894	6,190	56,439	75,331	173,333
Investment in associates	2	2	-	-	2	2
Investment in joint venture	-	-	43,943	-	43,943	-
Investment properties	35,834	36,381	-	-	35,834	36,381
Segment assets	508,895	472,036	82,785	27,434	591,680	499,470
Total assets	613,872	625,313	132,918	83,873	746,790	709,186
Segment liabilities	(29,976)	(54,044)	(43,984)	(1,919)	(73,960)	(55,963)
Tax liabilities	(8,842)	(9,936)	(1,536)	(586)	(10,378)	(10,522)
Total liabilities	(38,818)	(63,980)	(45,520)	(2,505)	(84,338)	(66,485)
Material additions to segment assets:						
Property, plant and equipment expenditure	13,887	17,389	14	44	13,901	17,433
Investment property expenditure	386	13,587	-	-	386	13,587
Residential land development expenditure	10,135	13,327	-	-	10,135	13,327
Purchase of land for residential land development	20,407	24,607	-	-	20,407	24,607

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.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

2. Administration and other operating expenses

Dollars In Thousands	Note	Group 2023	Group 2022
Depreciation	9, 11	8,695	8,323
Auditors' remuneration			
Audit fees		374	344
Tax compliance and tax advisory fees		101	34
Other non-audit services		74	-
Directors' fees	19	350	322
Rental expenses		694	699
Provision for bad debts			
Debts written off		20	4
Movement in doubtful debt provision		127	65
Net (gain)/ loss on disposal of property, plant and equipment		(376)	20
Resurgence Support Payments		-	(28)

3. Personnel expenses

Dollars In Thousands	Group 2023	Group 2022
Wages and salaries	44,109	32,632
Wage subsidies	(30)	(222)
Employee related expenses and benefits	2,078	1,135
Contributions to defined contribution plans	625	476
Increase/(decrease) in liability for long-service leave	76	32
	46,858	**34,053**

Wage subsidy scheme
The Group applied for government support and received $46,308 under the COVID-19 Leave Support Scheme. During 2022, a total of $272,345 was received under the COVID-19 Leave Support Scheme and the COVID-19 Short-term Absence Payment.

The wage subsidies including Leave Support Scheme and Short-term Absence Payment were recorded as a deduction against payroll costs in personnel expenses. The personnel expenses are included in cost of sales, administration expenses and other expenses in the income statement.

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

4. Net finance income

Recognised in the income statement

Dollars In Thousands	Group 2023	Group 2022
Interest income	7,700	3,869
Dividend income	-	1
Finance income	7,700	3,870
Interest expense	(2,009)	(2,321)
Foreign exchange loss	(435)	(10)
Finance costs	(2,444)	(2,331)
Net finance income recognised in the income statement	**5,256**	**1,539**

4. **Net finance income** - continued

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

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

Recognised in other comprehensive income

	Group	
Dollars In Thousands	2023	2022
Foreign exchange translation movements	416	629

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

5. **Income tax expense**

Recognised in the income statement

	Group	
Dollars In Thousands	2023	2022
Current tax expense		
Current year	13,142	12,182
Adjustments for prior years	132	(239)
	13,274	11,943
Deferred tax expense		
Origination and reversal of temporary difference	(2,718)	420
	(2,718)	420
Total income tax expense in the income statement	**10,556**	**12,363**

The Group qualified for tax relief in rolling over the depreciation recovery from the disposal of Copthorne Hotel Christchurch Central in 2012. No replacement property was acquired during 2023 and the tax relief ended on 31 December 2023. The deferred liability of $3.02 million provided for the depreciation recovery was released and an equivalent amount was provided in the current tax expense.

Reconciliation of tax expense

	Group	
Dollars In Thousands	2023	2022
Profit before income tax	37,473	44,781
Income tax at the company tax rate of 28% (2022: 28%)	10,492	12,539
Adjusted for:		
Tax rate difference (if different from 28% above)	146	108
Tax exempt income	(214)	(45)
Under/(Over) - provided in prior years	132	(239)
Total income tax expense	**10,556**	**12,363**
Effective tax rate	28%	28%

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.

5. **Income tax expense** - continued

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

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

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

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

6. **Imputation credits**

	Group	
Dollars In Thousands	**2023**	**2022**
Imputation credits available for use in subsequent reporting periods	134,317	126,825

The KIN Holdings Group has A$13.11 million (2022: A$12.01 million) franking credits available as at 31 December 2023.

7. **Capital and reserves**

Share capital

	Group		Group	
	2023 Shares	**2023 $000's**	**2022 Shares**	**2022 $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 2023, the authorised share capital consisted of 105,578,290 ordinary shares (2022: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2022: 52,739,543 redeemable preference shares) with no par value.

The non-voting redeemable preference shares rank equally with ordinary shares with respect to all distributions made by the Company (including without limitation, to dividend payments) except for any distributions made in the context of a liquidation of the Company. The Company reserves the right to the redemption of these preference shares as well as any distributions relating to these shares and makes no guarantee that these preference shares will be redeemed or that dividends will be paid in respect of these preference shares.

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.

7. Capital and reserves – continued

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

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

	Company	
Dollars In Thousands	2023	2022
Ordinary Dividend – 3.0 cents per qualifying share (2022: 3.5 cents)	4,747	5,538
Supplementary Dividend – 0.0053 cents per qualifying share (2022: 0.062 cents)	98	112
	4,845	5,650

After 31 December 2023, the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

Dollars In Thousands	Company
Ordinary Dividend – 3.0 cents per qualifying share (2022: 3.0 cents)	4,747
Supplementary Dividend – 0.0053 cents per qualifying share (2022: 0.0053 cents)	98
Total Dividends	4,845

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 2023 was based on the profit attributable to ordinary and redeemable preference shareholders of $21,602,000 (2022: $21,713,000) and weighted average number of shares outstanding during the year ended 31 December 2023 of 158,218,286 (2022: 158,218,286), calculated as follows:

Profit attributable to shareholders

	Group	
Dollars In Thousands	2023	2022
Profit for the year	26,917	32,418
Profit attributable to non-controlling interests	(5,315)	(10,705)
Profit attributable to shareholders	21,602	21,713

Weighted average number of shares

	Group	
	2023	2022
Weighted average number of shares (ordinary and redeemable preference shares)	158,317,833	158,317,833
Effect of own shares held (ordinary shares)	(99,547)	(99,547)
Weighted average number of shares for earnings per share calculation	158,218,286	158,218,286

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

	Group	
	2023	2022
Basic and Diluted Earnings per share (cents per share)	13.65	13.72

9. Property, plant and equipment

Group

Dollars In Thousands	Freehold Land	Buildings	Plant, Equipment, Fixtures & Fittings	Motor Vehicles	Work In Progress	Right Of Use Asset	Total
Cost							
Balance at 1 January 2022	43,691	213,798	105,596	76	5,704	19,787	388,652
Acquisitions	-	-	8	-	7,138	10,286	17,432
Disposals	-	-	(84)	-	(128)	(1,948)	(2,160)
Transfers between categories	2,970	3,874	2,916	-	(9,760)	-	-
Movements in foreign exchange	-	-	4	-	-	-	4
Balance at 31 December 2022	**46,661**	**217,672**	**108,440**	**76**	**2,954**	**28,125**	**403,928**
Balance at 1 January 2023	46,661	217,672	108,440	76	2,954	28,125	403,928
Acquisitions	-	-	28	-	13,873	2,677	16,578
Disposals	-	-	(151)	-	(300)	(1,979)	(2,430)
Transfers between categories	-	4,193	4,295	-	(8,488)	-	-
Movements in foreign exchange	-	-	2	-	-	-	2
Balance at 31 December 2023	**46,661**	**221,865**	**112,614**	**76**	**8,039**	**28,823**	**418,078**
Depreciation and impairment losses							
Balance at 1 January 2022	-	(48,840)	(90,494)	(71)	-	(3,465)	(142,870)
Depreciation charge for the year	-	(3,246)	(3,570)	(1)	-	(968)	(7,785)
Disposals	-	-	65	-	-	1,945	2,010
Movements in foreign exchange	-	-	(3)	-	-	(1)	(4)
Balance at 31 December 2022	**-**	**(52,086)**	**(94,002)**	**(72)**	**-**	**(2,489)**	**(148,649)**
Balance at 1 January 2023	-	(52,086)	(94,002)	(72)	-	(2,489)	(148,649)
Depreciation charge for the year	-	(3,538)	(3,370)	(4)	-	(850)	(7,762)
Disposals	-	-	140	-	-	1,246	1,386
Movements in foreign exchange	-	-	(2)	-	-	-	(2)
Balance at 31 December 2023	**-**	**(55,624)**	**(97,234)**	**(76)**	**-**	**(2,093)**	**(155,027)**
Carrying amounts							
At 1 January 2022	43,691	164,958	15,102	5	5,704	16,322	245,782
At 31 December 2022	**43,661**	**165,586**	**14,438**	**4**	**2,954**	**25,636**	**255,279**
At 31 December 2023	**46,661**	**166,241**	**15,380**	**-**	**8,039**	**26,730**	**263,051**

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

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

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

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

Impairment
The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For impairment testing, the assets are grouped together into the smallest asset group that generates cash inflows from continuing use that are independent of other assets or cash generating units "CGU". The recoverable amount of assets or CGU is the greater of their fair value less disposal costs and their value in use. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

The testing for impairment is undertaken with an internal review by management and supplemented by external review on selected hotels by an independent registered valuer. The internal review requires management to determine the recoverable amounts by estimating future cash flows to be generated by the cash generating units. The basis of the impairment test is the net present value of the future earnings of the assets. The major unobservable inputs that management use that require judgement in estimating future cash flows include expected rate of growth in revenue and costs, projected occupancy and average room rates, operational and maintenance expenditure profiles, terminal capitalisation rate, and the appropriate discount rate to apply when discounting future cash flows. Average annual growth rates appropriate to the hotels range from 4.98% to 11.90% (2022: 5.14% to 78.61% over five years) over the five years projection. Pre-tax discount rates ranging between 6.50% to 10.75% (2022: 6.25% and 10.50%) were applied to the future cash flows of the individual hotels based on the specific circumstances of the property. Hotel assets dependent on international travel have been projected to return to normal pre-COVID occupancy levels during 2025.

During the year management identified four (2022: four) hotel assets with a carrying value of $39.43 million that had indicators of impairment and were subsequently tested for impairment. The recoverable amount of one of the hotel assets with a carrying value of $9.34 million was determined on a highest and best use basis by reference to the fair value of the land less demolition costs using comparative land sales data. The fair value of this hotel asset exceeded its carrying value by $0.11 million and is considered to be sensitive to impairment from a reasonably possible change in square metre rate.

The remaining three other hotel assets with a carrying value of $30.09 million were considered to be sensitive to impairment. The sensitivity table below schedules out the thresholds which trigger impairments.

	Hotel 1	Hotel 2	Hotel 3
RevPAR *	Decrease by 8.00%	Decrease by 2.00%	Decrease by 8.00%
Discount rate	Increase by 8.50% points	Increase by 2.00% points	Increase by 3.50% points
Terminal capitalisation rate	Increase by 6.50% points	Increase by 1.00% points	Increase by 1.50% points

* Revenue per Available Room – a hospitality metric combining average room rate and occupancy rate.

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

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

No residual values are ascribed to building surfaces and finishes. Residual values ascribed to building core depend on the nature, location and tenure of each property. Residual values ascribed to building core range between 10% to 24% of the building core.

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

Right of use assets
The accounting policy for right of use asset is disclosed in Note 22.

Pledged assets
A total of three (2022: two) hotel properties with a total book value of $75.33 million (2022: $37.70 million) are pledged to the bank as security against the loan facility.

Climate-related disclosure
The Group is currently in the process of identifying and reporting on the impacts of climate change that are affecting the business. Climate change poses significant risks and challenges for the hotel industry, as it affects the physical, operational, and financial aspects of hotel properties. Extreme weather events, such as floods, storms, heatwaves, and droughts, can damage the hotel infrastructure, disrupt the supply chain, reduce the occupancy and revenue, and increase the insurance and maintenance costs. While hotel investors, managers, and owners are increasingly cognisant of the climate-related impacts on their properties, the investment community have yet to price in the climate-related impacts on the asset values. This means that the current market value of hotel properties may not reflect the potential losses or gains associated with their exposure to climate risks or their adoption of sustainability measures, decarbonisation initiatives, and sound environmental stewardship.

10. Development properties

Dollars In Thousands	Group 2023	Group 2022
Development land	224,540	203,148
Residential development	19,542	25,198
	244,082	228,346
Less expected to settle within one year	(26,861)	(23,038)
	217,221	**205,308**
Development land recognised in cost of sales	10,926	20,527
Residential development recognised in cost of sales	6,052	4,844

Development land is carried at the lower of cost and net realisable value. Interest of $Nil (2022: $Nil) was capitalised during the year. Residential development at balance date consists of the residential development known as Zenith Residences in Sydney, Australia.

Property held for future development and development property completed and held for sale are stated at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in ordinary course of business less the estimated costs of completion and costs necessary to make the sale. The determination of net realisable value of inventories involves estimates taking into consideration prevailing market conditions, current prices and expected date of commencement and completion of the projects, the estimated future selling price, cost to complete projects and selling costs. The amount of any write-down of inventories is recognised as an expense in the Income Statement to the extent that the carrying value of inventories exceeds its estimated net realisable value. Cost includes the cost of acquisition, development, and holding costs. 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.

The fair value of development property held at 31 December 2023 was determined, by an independent registered valuer, DM Koomen SPINZ of Extensor Advisory Limited. The net realisable value was estimated from the fair value. The net realisable value as determined by the independent registered valuer, exceeded the carry value of development property.

11. Investment properties

Group

Dollars In Thousands	Freehold Land	Buildings	Work In Progress	Total
Cost				
Balance at 1 January 2022	659	3,052	19,691	23,402
Transfer from development properties	-	33,278	(33,278)	-
Additions	-	-	13,587	13,587
Balance at 31 December 2022	**659**	**36,330**	**-**	**36,989**
Balance at 1 January 2023	659	36,330	-	36,989
Transfers between categories	-	386	(386)	-
Additions	-	-	386	386
Balance at 31 December 2023	**659**	**36,716**	**-**	**37,375**
Depreciation and impairment losses				
Balance at 1 January 2022	-	70	-	70
Depreciation charge for the year	-	538	-	538
Balance at 31 December 2022	**-**	**608**	**-**	**608**
Balance at 1 January 2023	-	608	-	608
Depreciation charge for the year	-	933	-	933
Balance at 31 December 2023	**-**	**1,541**	**-**	**1,541**
Carrying amounts				
At 1 January 2023	**659**	**35,722**	**-**	**36,381**
At 31 December 2023	**659**	**35,175**	**-**	**35,834**

Investment properties consist of commercial warehousing at Wiri in Auckland, retail shops at Prestons Park in Christchurch, and retail shops at Stonebrook in Rolleston. The fair value of investment properties at 31 December 2023 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as $62.69 million (2022: $62.62 million). The fair value measurement was categorised as Level 3 (highest of the fair value hierarchy) based on the inputs to the valuation methodology used i.e. income capitalisation approach.

11. Investment properties - continued

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

Land is not depreciated. Depreciation on the investment properties is computed by asset classes using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Building core 50 years
- Building surfaces and finishes 30 years
- Building services 20 – 30 years

Impairment
Annual reviews of the carrying amounts of investment properties are undertaken for indicators of impairment. Where indicators of impairment were identified, the recoverable amounts were estimated based on internal or external valuations undertaken. The cash generating units (CGU) are individual properties. The recoverable amounts of the investment properties, being the higher of the fair value less costs to sell and value-in-use, were predominantly determined using the fair value less costs to sell basis and were estimated using the income capitalisation approach.

During the year management identified two (2022: two) properties with a carrying value of $13.67 million that had indicators of impairment. Average market capitalisation rates appropriate to the properties range from 6.50% to 7.00% (2022: 6.25% to 6.75%). Average market rent per square metre rates appropriate to the properties range from $341 to $358 (2022: $330 to $368).

Operating lease
The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during 2023 was $2.49 million (2022: $1.24 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group	
Dollars In Thousands	2023	2022
Within 1 year	2,665	2,478
More than 1 year but within 2 years	2,675	2,660
More than 2 years but within 3 years	2,722	2,670
More than 3 years but within 4 years	2,760	2,715
More than 4 years but within 5 years	2,668	2,718
After 5 years	2,553	6,347
	16,043	19,588

12. Cash and cash equivalents

	Group	
Dollars In Thousands	2023	2022
Cash	6,835	11,065
Call deposits	4,421	50,322
	11,256	61,387

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

13. Trade and other receivables

	Group	
Dollars In Thousands	2023	2022
Trade receivables	9,728	7,708
Less provision for doubtful debts	(206)	(82)
Other trade receivables and prepayments	10,869	6,810
	20,391	14,436

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.

14. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 17.

Group

Dollars in Thousands	Currency	Interest Rate	Facility Total	31 December 2023 Face Value	31 December 2023 Carrying Amount	31 December 2022 Face Value	31 December 2022 Carrying Amount
Revolving credit	NZD	6.43% to 6.4525%	**115,000**	10,000	10,000	-	-
Overdraft	NZD	6.63%	**5,000**	1,968	1,968	-	-
TOTAL			**120,000**	**11,968**	**11,968**	**-**	**-**
Current				11,968	11,968	-	-
Non-current				-	-	-	-

Terms and debt repayment schedule
The bank facilities are secured over hotel properties with a carrying amount of $75.33 million (2022: $37.70 million) – refer to Note 9. The Group facilities were renewed on 22 December 2023 with a new maturity date of 31 January 2027. The Group has complied with the bank covenants. The interest-bearing borrowings were classified as current as the Group expected to repay this within 3 months.

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

15. Deferred tax assets and liabilities

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

	Group					
	Assets		Liabilities		Net	
Dollars In Thousands	2023	2022	2023	2022	2023	2022
Property, plant and equipment (includes Right of use assets)	-	-	17,481	19,776	17,481	19,776
Investment property	-	-	345	157	345	157
Development properties	(212)	(388)	-	-	(212)	(388)
Accruals	(474)	(454)	-	-	(474)	(454)
Employee benefits	(2,074)	(1,715)	-	-	(2,074)	(1,715)
Lease liability	(7,651)	(7,193)	-	-	(7,651)	(7,193)
Trade and other payables	(1,297)	(1,342)	-	-	(1,297)	(1,342)
Net investment in foreign operations	-	-	883	876	883	876
Net tax (assets) / liabilities	**(11,708)**	**(11,092)**	**18,709**	**20,809**	**7,001**	**9,717**

Movement in deferred tax balances during the year

Dollars In Thousands	Group Balance 1 Jan 22	Recognised in Income	Recognised in equity	Balance 31 Dec 22
Property, plant and equipment (includes Right of use assets)	16,765	3,011	-	19,776
Investment property	30	127	-	157
Development properties	(457)	74	(5)	(388)
Accruals	(347)	(104)	(3)	(454)
Employee benefits	(1,563)	(152)	-	(1,715)
Lease liability	(4,568)	(2,625)	-	(7,193)
Trade and other payables	(1,431)	89	-	(1,342)
Net investment in foreign operations	869	-	7	876
	9,298	**420**	**(1)**	**9,717**

Movement in deferred tax balances during the year

Dollars In Thousands	Group Balance 1 Jan 23	Recognised in Income	Recognised in equity	Balance 31 Dec 23
Property, plant and equipment (includes Right of use assets)	19,776	(2,295)	-	17,481
Investment property	157	188	-	345
Development properties	(388)	179	(3)	(212)
Accruals	(454)	(18)	(2)	(474)
Employee benefits	(1,715)	(359)	-	(2,074)
Lease liability	(7,193)	(458)	-	(7,651)
Trade and other payables	(1,342)	45	-	(1,297)
Net investment in foreign operations	876	-	7	883
	9,717	**(2,718)**	**2**	**7,001**

16. Trade and other payables

Dollars In Thousands	Group 2023	Group 2022
Trade payables	2,790	1,688
Employee entitlements	7,652	7,371
Non-trade payables and accrued expenses	21,906	18,965
	32,348	**28,024**

Trade and other payables are stated at amortised cost.

17. Financial instruments

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

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

On initial recognition, a financial asset is classified as subsequently measured at: Amortised cost; FVOCI- debt investment; FVOCI-equity investment; or FVTPL. Financial liabilities are classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial assets is measured at amortised cost if it meets both of the following conditions and not designated at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

The following table sets out the undiscounted contractual and expected cash flows for all financial liabilities:

2023

Dollars In Thousands	Statement of Financial Position	Contractual Cash Out Flows	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Interest-bearing loans and borrowings	11,968	11,968	11,968	-	-	-	-
Trade Payables	2,790	2,790	2,790	-	-	-	-
Other payables	29,558	29,558	29,558	-	-	-	-
Trade payables due to related parties	2,318	2,318	2,318	-	-	-	-
Total non-derivative liabilities	46,634	46,634	46,634	-	-	-	-

2022

Dollars In Thousands	Statement of Financial Position	Contractual Cash Out Flows	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Interest-bearing loans and borrowings	-	-	-	-	-	-	-
Trade Payables	1,688	1,688	1,688	-	-	-	-
Other payables	26,336	26,336	26,336	-	-	-	-
Trade payables due to related parties	2,248	2,248	2,248	-	-	-	-
Total non-derivative liabilities	30,272	30,272	30,272	-	-	-	-

17. Financial instruments - continued

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

Investments are allowed only in short-term financial instruments and only with counterparties (minimum rating of Moody's Aa3) approved by the Board, such that the exposure to a single counterparty is minimized.

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 $11,000 (2022: $4,000). All other credit risk exposure relates to New Zealand.

Market risk
(i) Interest rate risk
In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings with an ongoing review of its exposure to changes in interest rates on its borrowings, the maturity profile of the debt, and the cash flows of the underlying debt. The Group maintains its borrowings at fixed rates on short term which gives the Group flexibility in the context of the economic climate, business cycle, loan covenants, cash flows, and cash balances.
An increase of 1.0% in interest rates on deposits would have increased profit before tax for the Group in the current period by $1.43 million (2022: $1.58 million increase), assuming all other variables remained constant.

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

Group		2023				2022			
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	6 to 12 months	Effective interest rate	Total	6 months or less	6 to 12 months
Interest bearing cash & cash equivalents *	12	0.00% to 5.50%	11,256	11,256	-	0.00% to 4.25%	61,387	61,387	-
Short term bank deposits *		0.85% to 6.05%	64,075	58,075	6,000	0.85% to 5.26%	111,946	49,479	62,467
Secured bank loans *	14	6.43% to 6.4525%	10,000	10,000	-	5.37%	-	-	-
Bank overdrafts *	14	6.63%	1,968	1,968	-	5.37%	-	-	-

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

(ii) Foreign currency risk
The Group owns 100.00% (2022: 100.00%) of KIN Holdings Limited. Substantially all the operations of this subsidiary which includes the Joint Venture is denominated in foreign currencies. The foreign currencies giving rise to this risk are Australian Dollars. The Group has determined that the primary risk affects the carrying values of the net investments in its foreign operations with the currency movements being recognised in the foreign currency translation reserves. The Group has not taken any instruments to manage this risk. The Group is not exposed to any other foreign currency risks.

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.

17. Financial instruments - continued

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

Group		Carrying amount	Fair value	Carrying amount	Fair value
Dollars In Thousands	Note	2023	2023	2022	2022
LOANS AND RECEIVABLES					
Cash and cash equivalents	12	11,256	11,256	61,387	61,387
Short term bank deposits		64,075	64,075	111,946	111,946
Trade and other receivables	13	20,391	20,391	14,436	14,436
Advances to related parties	20	62,516	62,516	-	-
OTHER LIABILITIES					
Secured bank loans and overdrafts	14	(11,968)	(11,968)	-	-
Trade and other payables	16	(32,348)	(32,348)	(28,024)	(28,024)
Trade payables due to related parties	20	(2,318)	(2,318)	(2,248)	(2,248)
		111,604	111,604	157,497	157,497
Unrecognised (losses) / gains		-	-	-	-

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

(a) Cash, accounts receivable, accounts payable and related party balances. The carrying amounts for these balances approximate their fair value because of the short maturities of these items.
(b) Borrowings. The carrying amounts for the borrowings represent their fair values because the interest rates are reset to market periodically, every 1 to 2 months.

18. Capital and land development commitments

As at 31 December 2023, the Group had entered into contractual commitments for capital expenditure, development expenditure, and purchases of land. Development expenditure represents amounts contracted and forecast to be incurred in 2023 in accordance with the Group's development programme.

	Group	
Dollars In Thousands	2023	2022
Capital expenditure	1,330	2,660
Development expenditure	19,743	21,991
Land purchases	6,620	4,010
	27,693	28,661

19. Related parties

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

Transactions with key management personnel
Directors of the Company and their immediate relatives control nil (2022: Nil) of the voting shares of the Company. There were no loans (2022: $nil) advanced to directors for the year ended 31 December 2023. Key management personnel include the Board and the Executive Team.

Total remuneration for key management personnel

	Group	
Dollars In Thousands	2023	2022
Non-executive directors	350	322
Executive director	499	1,147
Executive officers	734	807
	1,583	2,276

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

20. Group entities

Control of the Group
Millennium & Copthorne Hotels New Zealand Limited is a 75.78% (2022: 75.78%) owned (economic interests from both ordinary and preference shares) subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels Ltd in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Ltd in Singapore.

20. Group entities - continued

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

Dollars In Thousands	Nature of balance	Group 2023	Group 2022
Trade payables and receivables due to related parties			
Millennium & Copthorne Hotels Limited	Recharge of expenses	(1,772)	(1,799)
Marquee Hotel Holdings Pty Ltd	Interest bearing advance	19,086	-
Marquee Hotel Holdings Pty Ltd	Interest free advance	43,132	-
Marquee Hotel Holdings Pty Ltd	Interest receivable	43	-
CDL Hotels Holdings New Zealand Limited	Recharge of expenses	-	(82)
CDLHT (BVI) One Ltd	Recharge of expenses	255	-
CDLHT (BVI) One Ltd	Rent	(546)	(367)
		60,198	**(2,248)**

No debts with related parties were written off or forgiven during the year. Interest at 6.43% was charged on interest bearing advance during 2023. No interest was charged for the other payables or on the interest free advance. The related party advances to Marquee Hotel Holdings Pty Ltd are unsecured.

At the balance sheet date, there was an amount owing to CDLHT (BVI) One Ltd of $291,000 (2022 $367,000) being the net amount of rent payable with respect to the leasing of the property and the recoverable amount in relation to expenses paid on behalf.

During 2023, the Group had the following transactions with related parties:

Dollars In Thousands	Nature of balance	Group 2023	Group 2022
Marquee Hotel Holdings Pty Ltd	Interest receivable	43	-
CDLHT (BVI) One Ltd	Management, franchise and incentive income	960	1,160
M&C Reservation Services Ltd (UK)	Management and marketing support	(161)	(157)
CDL Hotels Holdings New Zealand Limited	Accounting support fee received	60	60

Subsidiary companies
The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2023 are:

	Principal Activity	Principal Place of Business	Group Holding % 2023	Group Holding % 2022
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	65.54	65.99
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		
Kingsgate Holdings Pty Limited	Investment in JV	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.

20. Group entities - continued

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

21. Accounting estimates and judgements

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

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

Development property
The Group is also exposed to a risk of impairment to development properties should the carrying value exceed the net realisable value due to market fluctuations in the value of development properties. However, there is no indication of impairment as the net realisable value of development properties significantly exceed the carrying value determined by an independent registered valuer.

The valuer adopts the Sales Comparison Approach to determine rates per hectare/per square metre for block land holdings in addition to recent section sales to derive the gross realisation values. The net realisable values are determined from gross realisation values after deducting appropriate selling costs.

For residential land under development and is yet to commence development in the short term, the valuer adopts the Residual Subdivision Approach. This approach considers the gross realisation values of the sections less costs associated with development including GST, sales commissions, legal fees, civil and development costs including Council contributions, professional fees, and contingency allowances. In addition, holding costs are deducted for the estimated timing of development and sell down periods.

In both valuation approaches, the valuer makes assumptions relating to section prices, sell down periods, consumer confidence, unemployment rates, interest rates, and external economic factors. These assumptions are sensitive to economic factors such as net migration, Official Cash Rate set by the Reserve Bank, inflation, residential market activity, and business confidence.

Investment property
The Group is also exposed to a risk of impairment to investment properties should the carrying value exceed the recoverable amount due to market fluctuations in the value of investment properties. However, there is no indication of impairment as the recoverable amount determined by an independent registered valuer significantly exceeds the carrying value of investment properties. In determining the recoverable amount, the valuer adopts the Income Capitalisation Approach whereby the assessed market rent for each asset is capitalised in perpetuity from the valuation date at an appropriate capitalisation rate. The adopted capitalisation rate reflects the nature, location, and tenancy profile of the property together with current market investment criteria as evidenced by recent sales. The recoverable amount is sensitive to movements in the adopted capitalisation rate and the market rent.

Property, plant, and equipment
The Group determines whether tangible fixed assets are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the recoverable value of the cash generating units to which the tangible fixed assets are allocated, which is predominantly at the individual hotel site level. An internal review is performed which requires management to determine the recoverable amount by estimating future cash flows to be generated by the cash generating units. External valuations are undertaken on the hotel assets on a triennial cycle. Estimation of the recoverable amount of the hotel assets is done with reference to fair value determined by the external valuer, using the income approach and adjusted for costs to sell, which requires estimation of future cash flows of a third-party efficient operator, the time period over which they will occur, an appropriate discount rates, terminal capitalisation rates and growth rates. The Directors consider that the assumptions made represent their best estimate, and that the discount rate and terminal capitalisation rate used are appropriate given the risks associated with the specific cash flows.

22. Lease

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

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

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

The right of use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

22. Lease - continued

22(a) Lease Liability

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

Dollars In Thousands	Group 2023	Group 2022
Less than 6 months	1,081	1,032
More than 6 months but within 12 months	1,079	939
More than 1 year but within 2 years	2,253	1,870
More than 2 years but within 5 years	10,507	8,674
After 5 years	91,584	93,857
	106,504	106,372

The Group restated the comparative amounts (31 December 2022) in respect of the undiscounted lease commitment as the prior year was presented on a discounted basis. This has been corrected in the above note. The error has no impact over the profit or loss, financial position, and cashflow.

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

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the Statement of Financial Position.

Short-term leases and leases of low-value assets

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

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

Dollars In Thousands	Lease term	Carrying value @ 01/01/23	Depreciation on right-of-use asset for the year	Addition during the year	Disposal during the year	Movement in foreign exchange	Carrying value @ 31/12/23
Land sites at hotels	Renewal at 21 year cycles for perpetuity	21,407	(354)	-	(731)	-	20,322
Corporate office building and hotel carpark	Between 5 to 23 years	3,758	(284)	2,253	-	-	5,727
Motor vehicles	Between 12 to 45 months	471	(212)	424	(2)	-	681
Totals		25,636	(850)	2,677	(733)	-	26,730

22. Lease - continued

22(c) Schedule of lease liabilities by class

Dollars In Thousands	Lease term	Carrying value @ 01/01/23	Interest expense for the year	Addition during the year	Disposal during the year	Lease payment for the year	Carrying value @ 31/12/23
Land sites at hotels	Renewal at 21 year cycles for perpetuity	21,704	1,309	-	(731)	(1,351)	20,931
Corporate office building and hotel carpark	Between 5 to 23 years	3,507	474	2,253	-	(546)	5,688
Motor vehicles	Between 12 to 45 months	480	69	424	(2)	(264)	707
Totals		25,691	1,852	2,677	(733)	(2,161)	27,326

22(d) Exemptions and exclusions

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

Dollars In Thousands	Expense recognised in the Profit & Loss	Lease commitments @ 31/12/23	Lease commitments within one year	Lease commitments between one and 5 years	Lease commitments more than 5 years
Short term leases <12 months	101	94	94	-	-
Low value leased assets	2	6	1	5	-
Variable lease payments under service and management contracts	591	14,705	577	2,309	11,819
Total	694	14,805	672	2,314	11,819

23. New standard and interpretations issued but not yet adopted

A number of amended standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing the consolidated financial statements; refer to Significant Accounting Policies, part (c). The Group will be adopting the amended standards from 1 January 2024.

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

- Amendments to NZ IAS1 Non-current Liabilities with Covenants.
- Amendments to NZ IFRS 16 Lease Liability in a Sale and Leaseback.
- Amendments to NZ IAS 7 Supplier Finance Arrangements.
- Amendments to NZ IFRS 7 Supplier Finance Arrangements.
- Amendments to FRS-44 New Zealand Additional Disclosures of Fees for Audit Firms' Services.

24. Investment in joint venture

A joint venture is an arrangement in which the Group has joint control, over the financial and operating policies. They are accounted for using the equity method. The financial statements include the Group's share of the income, expenses and reserves of the joint venture from the date that joint control commences until the date that joint control 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 joint venture.

During the year, the Group through Kingsgate Holdings Pty Limited (100% subsidiary) formed a 50:50 joint venture with its Parent Company to acquire the leasehold assets and the freehold assets of the Sofitel Brisbane Central hotel in Queensland, Australia. The joint venture is Marquee Hotel Holdings Pty Ltd Limited. Within the Marquee Hotel Holdings group, there are six wholly owned entities. Marquee Hotel Holdings group completed the acquisition of the Sofitel Brisbane Central on 15 December 2023. The hotel is managed by an external hotel management group.

The Group's share of profit in its joint venture for the year was $73,065.

24. Investment in joint venture - continued

	Principal Activity	Principal Place of Business	Group Holding % 2023
Marquee Hotel Holdings Pty Limited	Investment Holding	Australia	50.00
100% owned subsidiaries of Marquee Hotel Holdings Pty Limited are:			
Marquee Brisbane Hotel Pty Limited	Trustee Company of Marquee Brisbane Hotel Trust	Australia	
Marquee Brisbane Hotel Trust	Lessee of leasehold assets expiring 30 December 2057	Australia	
Marquee Brisbane Hotel 2 Pty Limited	Trustee Company of Marquee Brisbane Hotel 2 Trust	Australia	
Marquee Brisbane Hotel 2 Trust	Lessee of leasehold assets expiring 24 May 2120	Australia	
Marquee Hotel Operations Pty Limited	Trustee Company of Marquee Hotel Operations Pty Trust	Australia	
Marquee Hotel Operations Pty Trust	Hotel Assets and Operations	Australia	

Summary financial information for joint venture, not adjusted for the percentage ownership held by the Group:

Dollars In Thousands	Group 2023
Non-current assets	202,650
Current assets	27,477
Non-current liabilities	-
Current liabilities	(142,241)
Net assets (100%)	87,886
Group's share (50%)	43,943

The current assets balance of the joint venture includes a cash and cash equivalents balance of $26.12m. The current liabilities balance of the joint venture includes balances owing to shareholders of $124.5m.

	Group 2023
Revenue	2,142
Operating profit/(loss)	(175)
Interest income	384
Income tax expense	(63)
Profit for the year (100%)	146
Group's share of profit (50%)	73

Movements in the carrying value of joint venture:

	Group 2023
Balance at 1 January	-
Purchase of investment	44,048
Share of profit for the year	73
Foreign exchange adjustments	(178)
Balance at 31 December	43,943

25. Non-controlling interests ("NCI")

The following subsidiary has material NCI.

	Principal Activity	Principal Place of Business	Group Holding % 2023	Group Holding % 2022
CDL Investments New Zealand Limited "CDI"	Property Investment and Development	NZ	34.46	34.01

25. Non-controlling interests ("NCI") - continued

The following is the summarised financial information for CDL Investments New Zealand Limited and subsidiary. The information is before intercompany eliminations with other companies in the Group.

	CDI Group	
Dollars In Thousands	2023	2022
Revenue	30,779	67,098
Profit after tax	13,463	31,189
Profit attributable to NCI	4,639	10,546
Other comprehensive income	-	-
Total comprehensive income	13,463	31,189
Other comprehensive income attributable to NCI	4,639	10,546
Current assets	80,244	90,489
Non-current assets	238,984	223,209
Current liabilities	(5,162)	(4,606)
Non-current liabilities	(341)	(211)
Net assets	313,725	308,881
Net assets attributable to NCI	**108,110**	**105,050**

	CDI Group	
Dollars In Thousands	2023	2022
Cash inflow/(outflow) from operating activities	(10,309)	11,224
Cash inflow/(outflow) from investing activities	(10,325)	(23,666)
Cash inflow/(outflow) from financing activities	(8,874)	(8,916)
Net increase in cash and cash equivalents	(29,508)	(21,358)
Dividends paid to NCI during the year	**3,437**	**3,392**

26. Subsequent events

The Group's subsidiary, CDL Investments New Zealand Limited, settled the purchase of 10.8 hectares of land in Nelson for $6.62m (Note 18) during January 2024. The settlement will be recognised as an increase in land classified as development property in 2024.

The Group fully repaid the bank loan of $11.97m on 22 January 2024.

On 23 February 2024, an ordinary dividend of 3.0 cents per qualifying share and a supplementary dividend of 0.0053 cents per qualifying share were declared by the Directors. Details are in Note 7.

On 23 February 2024, an ordinary dividend of 3.5 cents per qualifying share was declared by the Directors of CDL Investments New Zealand Limited.

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 consolidated financial statements of Millennium & Copthorne Hotels New Zealand Limited (the 'company') and its subsidiaries (the 'group') on pages 1 to 28 present fairly, in all material respects:

i. the group's financial position as at 31 December 2023 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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.

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $4.6m determined with reference to a benchmark of group total assets. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

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

The key audit matter

Impairment of hotel assets

Refer to Note 9 to the Financial Report.

Impairment of hotel assets is a key audit matter given the magnitude of the balance (being 35% of total assets), conditions that indicate potential impairment and the judgement required by us in assessing the group's key valuation assumptions to determine the value of specific hotel assets.

The recoverable amount of the hotel assets was determined by an external valuer (for selected hotels) and the group's internal discounted cash flow models. We focussed on the key assumptions in the valuation models including the projected occupancy rates, average daily room rates (ADRs), projected direct costs, discount rate and terminal capitalisation rate. Due to the ongoing recovery of international travel from COVID-19 and increased funding costs, the level of estimation uncertainty in relation to the projected occupancy rates and ADRs is still significant. This uncertainty is also considered in determining discount rates and terminal capitalisation rates as well as considering recent transactions. These conditions necessitate additional scrutiny by us, as a change in assumptions in the impairment models could have a material impact on the carrying value of hotel assets.

How the matter was addressed in our audit

Our audit procedures included:

- Evaluating the group's determination of the appropriate cash-generating unit ("CGU") for impairment testing purposes.
- Assessing each hotel asset for impairment indicators including consideration of changes in land lease and other contractual arrangements, changes in economic conditions and financial performance, physical quality of the underlying asset and capital expenditure requirements.
- Assessing the scope of work performed, competency, professional qualifications, independence and experience of the external valuer engaged by the group. This included holding discussions with the external valuer.
- Working with our internal valuation specialists to assess the external valuer's approach, the appropriateness of the valuation methodology and compliance with property valuation standards.
- Challenging the group's key assumptions (occupancy rates, ADRs, projected direct costs, discount rates and terminal capitalisation rates) included in the external valuations and the group's internal discounted cash flow models by:
  - comparing to externally derived data from hotel industry reports and other market data;
  - assessing the relevance and reasonableness of the discount rates, terminal capitalisation rate and price per room with reference to rates used in the prior year external valuations and recent market evidence presented by the valuer;
  - performing a sensitivity analysis over occupancy rates, projected ADRs, discount rates and terminal capitalisation rates to understand and identify the hotel assets most sensitive to impairment and focus our further procedures.
- Assessing the accuracy of the group's and external valuer's previous forecasts to inform our evaluation of the forecasts

The key audit matter | How the matter was addressed in our audit

incorporated into the valuation models. This included comparing actual occupancy rates, ADRs and direct costs to the assumptions projected over the forecast period and used in the prior period valuations.

- Assessing the adequacy of the disclosures made in the financial statements by using our understanding obtained from our testing and against the requirements of the accounting standards.

We did not identify material exceptions from procedures performed, and the financial statement disclosure is consistent with the requirements of the accounting standards.

Capitalisation and allocation of development costs

The key audit matter	How the matter was addressed in our audit

Refer to Note 10 to the Financial Report.
 	
The group's development property comprises land and costs incurred to develop land into subdivisions and individual properties for sale. The development properties represent 33% of total assets on the consolidated statement of financial position.
 	
The capitalisation and allocation of development costs is a key audit matter as determining whether to capitalise or expense costs relating to development of the land is subjective as it depends whether the costs enhance the land or maintain the current value. In addition, there is significant judgement in determining whether obligations exist for future costs and how to allocate capitalised development costs to individual properties or stages.
 	
The key judgements used in this determination are:
 	
• Whether costs are eligible for capitalisation under the relevant accounting standards
 	
• the allocation of capitalised costs to the individual projects, stages and land lots and the associated recognition of cost of sales
 	
• Whether a capitalised cost and the associated liability for future obligations should be recorded under the relevant accounting standard.
	Our audit procedures included:
	
	- Evaluating the group's accounting policy for capitalisation of development costs using the criteria in the accounting standard.
	- Developing an understanding of the key controls over the cost capitalisation and allocation process.
	- Agreeing a sample of capitalised development costs to supporting documentation. For each selected transaction we:
	  • Considered the nature of the costs capitalised and evaluated whether they are eligible for capitalisation under the relevant accounting standard.
	  • Assessed the appropriateness of allocation to the individual project stages and land lots.
	- Agreeing a sample of land acquisitions to sales and purchase agreements, settlement document and cash payment.
	- Performing analytical procedures in relation development property costs of sales to assess that margins recognised between periods were appropriate, including considering alternative methods of allocation.
	- Evaluating the reasonableness of the group's judgement to record liabilities for future obligations and that these have been appropriately measured and recorded in accordance with the applicable accounting standard.
	- Assessing disclosures included in the consolidated financial statements in respect of the development properties using our understanding obtained from our testing and against the requirements of the accounting standards.
	
	Our testing did not identify any material exceptions related to capitalised development costs, the allocation of those costs to individual project stages and the recognition of future development cost obligations.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report and Annual Climate Statement (prepared in accordance with the Aotearoa New Zealand Climate Standards). Other information in the Annual Report includes the Chairmans Review, Managing Director's Review, disclosures relating to Corporate Governance, Financial Summary, and the other information included in the Annual report. The Annual Climate Statement discloses information about the effects of climate change on the entity's business. 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 Annual Report and Annual Climate Statement when they become available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have received the Chairman's review and have nothing to report in regard to it. The Annual Report and Annual Climate Statement are 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 issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is 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 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 Geoff Lewis.

For and on behalf of

KPMG

KPMG
Auckland

26 February 2024

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MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

CORPORATE GOVERNANCE STATEMENT (MARCH 2024)

This Corporate Governance Statement summarises the approach of Millennium & Copthorne Hotels New Zealand Limited ("MCK") to applying the principles and recommendations outlined in the NZX Corporate Governance Code dated 1 April 2023 (the "NZX Code"), including where our practice differs from the recommendations under the Code. This Corporate Governance Statement reports on MCK's corporate governance matters in respect of the period ending 31 December 2023, and was approved by the Board on 14 March 2024. Notwithstanding that we have a 31 December 2023 balance date, we have chosen to report against the 1 April 2023 version of the NZX Code, rather than the 17 June 2022 version of the NZX Code.

Towards the end of the 2023 financial year and into the 2024 financial year, we undertook a review of our key corporate governance documentation (including committee charters and key policies and procedures) (the Corporate Governance Review). Following the completion of the Corporate Governance Review, in February and March 2024 the Board resolved to approve and adopt updated versions of the relevant documentation.

The Company's constitution, the Board and committee charters, any of the other charters or other governance documents referred to in this statement are available to view on our website at https://mckhotels.co.nz/investors/.

PRINCIPLE 1 – ETHICAL STANDARDS

<u>Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.</u>

Following completion of the Corporate Governance Review, in February 2024 the Board adopted an updated version of the Code of Ethics that applies to directors and employees of MCK. The Code of Ethics outlines internal reporting procedures for any breach of ethics, and describes MCK's expectations about behaviour. A copy of the Code of Ethics is available on the Company's website.

The updated Code of Ethics has been communicated to all directors and employees of the Company. MCK regularly conducts training on compliance with ethical standards with its directors and employees.

In addition to the Code of Ethics, MCK has a Code of Conduct which applies to all of MCK's employees. 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.

During the 2023 financial year MCK did not comply with recommendation 1.1 of the NZX Code in respect of the requirement for the Code of Ethics to apply to all employees. Instead, the Code of Conduct applied to all of MCK's employees. While the Code of Conduct addressed a number of the factors set out in recommendation 1.1 of the NZX Code, it did not address all of the relevant factors. No alternative governance practice was adopted in lieu of the recommendation during the period. As noted above, following the Corporate Governance Review MCK's Code of Ethics now applies to all of MCK's employees.

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

All Directors have access to the Company Secretary at any time as well as independent legal, financial or other professional advice at the expense of the company as may be required.

MCK has a 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.

MCK has a financial product trading policy which applies to all employees and directors. Our financial product trading policy was updated in March 2024 as part of the Corporate Governance Review. Our share trading policy is available on the Company's website.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

<u>To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.</u>

Background

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.

The Board adopted a written charter in March 2024 as part of the Corporate Governance Review. The Board Charter sets out the roles and responsibilities of the Board. The Board Charter is available in the Policies and Charters section of the Company's website. During the 2023 financial year MCK did not comply with the requirement under recommendation 2.1 of the NZX Code to have a written board charter. MCK did not follow this recommendation because MCK had previously considered this requirement to have been satisfied by the relevant section of the Corporate Governance Statement itself and the roles and responsibilities of the Board set out in the Constitution. Given this, no alternative governance practice was adopted in lieu of the recommendation during the period.

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.

Nomination process

Appointments to the Board are generally considered by the Board as a whole, and the Board takes into account the skills required to allow it to carry out its functions and governance role. If necessary, a Board subcommittee will be formed to assess nominees.

As part of the appointment process, checks are completed which include the nominee's business experience, qualifications and good character. If appointed, a director will receive a letter formalising their appointment. The letter confirms the key terms and conditions of appointment and is signed by both the Chair and the director.

Assess director, board and committee performance

The Board's procedure for regularly assessing director, board and committee performance is set out in the Board Charter, which was adopted in March 2024 as part of the Corporate Governance Review. During the 2023 financial year MCK did not comply with the requirement under recommendation 2.7 of the NZX Code to have a formal procedure for assessing such performance. MCK did not follow this recommendation because the procedure was previously conducted on an informal basis. Given this, no alternative governance practice was adopted in lieu of the recommendation during the period.

Board composition

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.

Independence determinations

Currently, MCK has determined that its Chair Colin Sim, Graham McKenzie and Leslie Preston are Independent Directors for the purposes of the NZX Listing Rules. Messrs Hangchi, Harrison, and Kwek are not considered by the Board to be Independent Directors. This means that MCK does not currently comply with, and did not during the 2023 financial year comply with, recommendation 2.8 of the Code. That recommendation requires a majority of the Board to be Independent Directors for the purposes of the NZX Listing Rules. MCK did not follow this recommendation because its largest shareholder holds more than 50% of the shares in the Company and believes that it is reasonable for Independent Directors to not comprise a majority of the directors in those circumstances. The Company notes that non-Independent Directors equally do not comprise a majority of the directors (only 50%), only two of the three non-Independent Directors are associated with the Company's major shareholder, the Chair is an Independent Director and the Chair has a casting vote. Given these matters, no alternative governance practice was adopted in lieu of the recommendation during the period.

MCK's Chair is an Independent Director and is not the Managing Director.

When assessing independence, the Board holistically considers the interests and relationships of a director that could affect the determination, including having regard to (but not limited to) the factors set out in Table 2.4 of the NZX Code.

The Board considers Graham McKenzie to be an Independent Director for the purposes of the NZX Listing Rules despite him being a director of MCK for more than 12 years. Mr McKenzie was first appointed to the MCK Board in 2006. The Board believes that the length of time Mr McKenzie has been a director of MCK has not impacted his ability to act objectively or adequately monitor management. Mr McKenzie is due to retire by rotation at MCK's 2025 annual meeting of shareholders and has said that he will not be seeking re-election at that meeting.

Board meetings

Board meetings are generally held quarterly, with additional meetings convened when required. The table below details directors' attendances during 2023.

Director	Meetings attended in 2023
Colin Sim (Chair)	5/5
Stuart Harrison (Managing Director)	5/5
Kevin Hangchi	5/5
Eik Sheng Kwek	5/5
Graham McKenzie	5/5
Leslie Preston	5/5

Skills

In 2022, the Board revised its Skills Matrix to demonstrate the skills, experience and diversity of its Board.

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

Training

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. Following adoption of the Board Charter in February 2024 as part of the Corporate Governance Review, MCK will provide specific training to directors as required.

Diversity and Inclusion Policy

In 2018, MCK also adopted a Diversity and Inclusion Policy. The key elements of MCK's Diversity and Inclusion Policy are to maintain a culture of ownership and trust, ensuring that our leaders are good role models for others and demonstrate behaviours and actions that match our values and adhere to them throughout our business.

The Board is satisfied that MCK's current practices are in line with the Diversity and Inclusion Policy. During 2023, work has continued on increasing awareness about diversity within the organisation and improving our talent recruitment and selection process.

We are also looking to review and refresh our training around diversity issues in the workplace. Updating our Diversity and Inclusion Policy is a priority for 2024. As measurable metrics for furthering diversity and inclusion are established, performance against these agreed metrics will be referenced in subsequent annual reports.

Based on the above, the Board's assessment is that MCK has complied with its Diversity and Inclusion Policy for 2023.

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 two standing committees, being the Audit Committee and the Remuneration Committee.

MCK does not currently have a Nominations Committee because nominations and appointments are generally considered by the Board as a whole. The process for appointing directors is set out under Principle 2.

The Board also forms other subcommittees as and when required to address specific issues that arise.

Audit Committee

The Audit Committee is comprised with a majority of Independent Directors and has an Independent Director (who is not the

Board Chair) as Chair. The current members of the Audit Committee are Leslie Preston (Chair), Graham McKenzie and Stuart Harrison.

The Audit Committee operates under a written charter. The Audit Committee Charter is available in the Policies and Charters section of the Company's website.

The table below reports attendance of the Audit Committee members during 2023:

Director	Meetings attended in 2023
Leslie Preston	4/4
Graham McKenzie	4/4
Stuart Harrison	4/4

As Stuart Harrison is MCK's Managing Director, MCK does not comply with (and did not during the 2023 financial year comply with) the requirement under recommendation 3.1 of the NZX Code. That recommendation states that the Audit Committee should comprise solely of non-executive directors. MCK did not follow this recommendation because it believes that it is preferable to have an executive director on the Audit Committee as this provides a direct insight into Management's perspective rather than a director who is associated with the majority shareholder or the Chair of the Board (being the only options available to MCK given the current Board size and composition). Given this, no alternative governance practice was adopted in lieu of the recommendation during the period.

Employees (other than the Managing Director) attend meetings of the Audit Committee at the invitation of the Committee only.

Remuneration Committee

The objectives of the Remuneration Committee are to help the Board establish coherent remuneration policies and practices which:

- enable the Company to attract, retain and motivate key management personnel and Directors (executive and non-executive) who will create value for shareholders;
- fairly and reasonably reward senior management of the Company (including executive Directors) having regard to the performance of the Company, the performance of senior management and the general pay environment; and
- comply with the provisions of any relevant legislation, the NZX Listing Rules and any other statutory or regulatory requirements.

The current members of the Remuneration Committee are Leslie Preston, Graham McKenzie and Eik Sheng Kwek. During the 2023 financial year, the members of the Remuneration Committee were Messrs. McKenzie and Kwek. Mr McKenzie is an Independent Director but Mr Kwek is not. This means that MCK did not during the 2023 financial year comply with, recommendation 3.3 of the NZX Code in relation to at least a majority of the Remuneration Committee members being Independent Directors. MCK did not follow this recommendation because it had previously considered the right size of the Remuneration Committee to be two directors and none of the members were executive directors. No alternative governance practice was adopted in lieu of the recommendation during the period.

The Remuneration Committee operates under a written charter. The Remuneration Committee Charter is available in the Policies and Charters section of the Company's website.

The Remuneration Committee did not meet in 2023.

Employees attend meetings of the Remuneration Committee only at the invitation of the Committee.

Due diligence committee

In connection with the proposed acquisition of a 50% interest by the Company in the Sofitel Hotel in Brisbane, the Board formed a sub-committee comprising Leslie Preston and Graham McKenzie to oversee the Company's due diligence. The Due Diligence Committee met 11 times during the 2023 financial year in connection with that transaction.

The table below reports attendance of the Audit Committee members during 2023:

Director	Meetings attended in 2023
Leslie Preston	11 / 11
Graham McKenzie	11 / 11

Takeover protocols

In February 2024 as part of the Corporate Governance Review, the Board adopted written protocols that set out the procedure to be followed if there is a takeover offer for the Company (the Takeover Protocols). During the 2023 financial year MCK did not have established Takeover Protocols and therefore did not comply with recommendation 3.6 of the NZX Code. MCK did not follow this recommendation because the Board had previously considered receipt of a takeover offer to be an unlikely event given CDL Hotels Holdings New Zealand Limited's long-term majority shareholding in the Company and that if CDL Hotels Holdings New Zealand Limited was to approach the Company in relation to a control transaction it should have sufficient time in which to organise its response. Given this, no alternative governance practice was therefore adopted in lieu of the recommendation during the period.

PRINCIPLE 4 – REPORTING & DISCLOSURE

<u>The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures.</u>

Continuous Disclosure Policy

As an NZX-listed entity, MCK recognises the need to ensure that it is fully compliant with its reporting and disclosure obligations 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 Board Chair, the Chair 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
- iaising with legal advisers in respect of MCK's compliance with its continuous disclosure obligations.

The CDP was updated as part of the Corporate Governance Review and is available in the Policies and Charters section of the Company's website.

Key governance documents on website

As mentioned at the start of this Corporate Governance Statement, the Company's key governance documents are available on the Company's website.

PRINCIPLE 5 – REMUNERATION

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

Director remuneration

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 each 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 each receive an additional NZ$7,000 per annum. Executive Directors do not receive Directors' or Committee fees. No retirement benefits are paid to Directors. Reasonable travel and other costs associated with company business are reimbursable or met by MCK.

Details of the actual director remuneration for the 2023 financial year is set out in Regulatory Disclosures of our 2023 Annual Report.

The Board adopted a director remuneration policy in March 2024 as part of the Corporate Governance Review. The director remuneration policy is available in the Policies and Charters section of the Company's website. During the 2023 financial year MCK did not comply with the requirement under recommendation 5.1 of the NZX Code to have a written director remuneration policy. MCK did not follow this recommendation because this had been dealt with on an informal basis given the length of time since the fee pool had been increased. Given this, no alternative governance practice was adopted in lieu of the recommendation during the period.

Employee remuneration

Employee remuneration (including that of the Managing Director and senior management) is made up of two primary components being a fixed component and a short term incentive. The fixed component comprises a base salary and other benefits such as Kiwisaver, a contribution to health insurance and, in some cases, use of a company vehicle. The fixed component 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 based solely on company performance. These include meeting budget or revenue targets. 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.

All employees participate in performance and development reviews, with end-of-year review outcomes informing decisions regarding remuneration adjustments in accordance with company policy.

All 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).

The Board adopted an executive remuneration policy in March 2024 as part of the Corporate Governance Review. The executive remuneration policy is available in the Policies and Charters section of the Company's website. During the 2023 financial year MCK did not comply with the requirement under recommendation 5.2 of the NZX Code to have a written executive remuneration policy. MCK did not follow this recommendation because executive remuneration had been dealt with on a case-by-case basis with the relevant executive. Given this, no alternative governance practice was adopted in lieu of the recommendation during the period.

Managing Director's remuneration

Managing Director's Remuneration	FY2022	FY2023
Base Salary (a)	253,021	480,060
Benefits (b)	8,953	18,888
Short Term Incentives (c)	-	-
Total	261,974	498,948

(a) The figure is the actual amount paid inclusive of holiday pay. The agreed base salary under the employment agreement is $480,000.
(b) Benefits include Kiwisaver and insurance.
(c) Set at 25% pf base salary and based on key financial and non-financial performance measures. There are no long-term incentives.

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 in accordance with MCK's risk management framework. MCK is looking at revising its risk management framework in the course of 2024.

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

Descriptions of the material risks facing MCK's business are set out at pages CG 7 and CG 8 of the 2023 Annual Report.

MCK has a detailed health and safety risk and reporting framework which applies to its hotels and support office locations. The framework comprises policies which detail such matters as hazard identification and mitigation, accident reporting procedures and general safety measures in the workplace. Contractor induction documentation also forms part of the framework. The policies comprising the framework are reviewed regularly and training on the policies and health & safety issues is provided to employees. Health & Safety Committees are convened at each hotel and support office location and meet regularly. Each hotel and support office has a Health & Safety Co-ordinator. Information on incidents, accidents and trends is provided to the senior management team and to the Board. The information is used to monitor any significant trends and variations, to identify any particular areas where there is higher risk and to allocate training and other resources to those areas where new or higher risks are present. MCK considers that it manages health and safety risks to an acceptable standard and in compliance with its legal obligations.

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 also keeps current insurances appropriate to its business including directors and officers liability policies and public liability policies 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; and
- 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 (or equivalent processes) and external audit should be maintained.

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

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

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

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

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

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

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

The nature of services provided by MCK's auditors and the level of fees incurred should be reported to the Audit Committee Chair semi-annually (or sooner where requested) to enable the Committee to perform its oversight role and report back to the Board. MCK adopted a non-audit services policy in 2024 and this is available on the Company's website.

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 Chair 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 2023. The current audit partner is Geoff Lewis.

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.

Internal Audit

MCK does not currently have an internal audit function but does maintain a detailed set of processes and procedures covering its operations and financial controls which are reviewed and updated regularly.

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 (either in person or online) to hear the Chair and the Managing Director provide updates on the company's performance, ask questions of the Board and vote on the resolutions to be determined at the meeting. Resolutions at shareholder meetings are usually determined by poll where each ordinary shareholder has one vote per share.

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

Shareholders have the option to receive communications from the issuer electronically.

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

The Company did not put the notice of meeting for its 2023 Annual Shareholders Meeting on its website at least 20 working days prior to the meeting as required by recommendation 8.5 of the NZX Code, but the notice of meeting was despatched to shareholders, and announced to NZX, at least 20 working days prior to the meeting. Given these matters, no alternative governance practice was adopted in lieu of the recommendation during the period. MCK intends that all future notices of annual or special meetings of MCK shareholders will be posted on its website as soon as possible and at least 20 working days prior to the relevant meeting.

OUTLINE OF MATERIAL RISKS:

Risk Area	How MCK addresses this risk
Markets and Competition	**Although MCK is located in and operates within New Zealand which is a small market, it is nonetheless exposed to various levels of event risks in global economies, as well as in financial and property markets. The Group's principal business operations, comprising property development, property investment and hotel operations, face significant competition across the markets within which they operate. A failure to meet the market or remain competitive could affect MCK's operational and financial position as it loses market share to its competitors, thus affecting its revenues and potentially its ability to make necessary investments in its business for the future.** In order to mitigate global risks, we constantly monitor market trends and developments and develop strategies to respond to the changing conditions. We conduct customer surveys and obtain other guest feedback to ensure that our service delivery and physical products remains attractive and competitive in the marketplace and make changes where the feedback warrants it. We aim to diversify our exposure to international and domestic markets by targeted marketing and revenue management and invest in our properties and service delivery to ensure that the customer experience is a positive one.
Climate Change	**Climate impact is expected to affect the hospitality and accommodation sectors in a variety of ways. It is imperative to review both their operations and development to see how climate-positive improvements can be incorporated in all aspects. Our locations are likely to be affected by climate change and sea level rise. Recent weather incidents have also affected our operations with impacts to the properties themselves as well as access to and from our hotels.** While MCK has monitored its environmental impact in a number of ways over many years, with the mandatory climate-related financial disclosures regime now in place it is looking to evolve and improve its responses to these risks. Having set 2023 as its baseline year for reporting purposes and having appointed Toitu Envirocare to assist with the analysis of emissions and other carbon data, MCK is looking to set targets for carbon reduction using a science-based target in the near future. MCK will also look for opportunities to include more environmentally friendly technologies within its hotels. As part of its reporting processes, MCK is using the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to outline its responses. Future work will include monitoring of MCK's supply chain and increase its ESG communications to shareholders and stakeholders. For more information, please refer to MCK's Climate-Related Disclosures.
Brand and Reputation	**MCK's brand and reputation are highly valuable assets and the industry it is in is people-focused. Adverse events which affect MCK's brand and reputation can also affect MCK's revenues as customers and guests choose other companies with which to do business.** We monitor our reputation and brand in the market by checking traditional and social media platforms, responding to and managing any complaints which may be received and seek to raise the profile of our brands through marketing campaigns and strategic partnerships. We aim to avoid any situations that could result in a negative impact on our reputation and brand. We engage in dialogue with our stakeholders and customers in an open and transparent way.
Liquidity / Solvency	**Financial risks could affect MCK in many ways, both due to external and internal causes. For example, they could arise from a lower level of visitors to New Zealand and to MCK's hotels, external events over which MCK has little or no control over or other factors. MCK's ability to trade depends on its ability to manage its financial situation optimally to ensure that it has sufficient liquidity and solvency to maintain its business.** MCK manages its financial and solvency risks by continuously monitoring its financial performance and cashflow and ensures that it maintains sufficient financial resources to carry out its operations and any projects that are undertaken. MCK has in place bank funding arrangements with global banking institutions and carefully monitors compliance with its lending covenants. MCK also takes a conservative approach to its capital management and taxation planning.

Workforce	**As a customer-focused hospitality business, MCK faces significant risk if it is unable to employ a sufficient number of people to maintain its workforce. An inability to retain talented staff would result in a loss of historic / collective knowledge and would also be disruptive. The risk of industrial action would also result in disruption to MCK's operations. All of these factors have an impact on MCK's corporate reputation.** MCK's Human Resources team has a presence around New Zealand in key operational locations and supports MCK's hotels and support offices by providing advice, training and policies to the business. Future initiatives in the pipeline include employee engagement surveys to obtain more detailed feedback and address employee concerns to make MCK a better workplace and a revamp of its recruitment policies to ensure that MCK is able to attract and retain suitably qualified and experienced staff across its operations. In 2023, a leadership development programme was started for the senior leadership team to foster talent with the aim to extend the programme to hotel General Managers and their reports. Remuneration is benchmarked and reviewed to ensure that it is competitive.
Health and Safety	**Ensuring the health and safety of our employees and customers is essential for our business to succeed. The nature of our business means that there are numerous risks across our business which might result in harm to an employee or guest.** We have a comprehensive set of health and safety policies and risk registers in place that identify and categorise risks in the workplace. We monitor health and safety incidents and results at each workplace and provide health and safety training to keep our people safe at work. We also have an employee assistance programme through EAP Services Limited to help with employee's mental health and counselling where required.
Business Disruption	**A local or global event which affects the movement of people (both employees and guests) has the potential to be highly disruptive to our business. The impact of such an event, sustained or not, could affect on our operations, revenue and cashflow and our reputation.** MCK has a range of policies across its business which would be used to respond to an emergency situation or natural disaster. Training of staff to respond to incidents is also conducted periodically. MCK also has insurance cover for its buildings and for business interruption.
Project Management	**Risks arise in some of the following ways: schedule delay, cost overrun, building defects, contractor's performance, as well as contract disputes, that could impact our operations and sales.** MCK manages this risk by ensuring that there is sufficient oversight and review of all projects. This can take the form of oversight by its Property Management team or engaging external assistance where necessary. Together with external consultants such as engineers and quantity surveyors, MCK imposes an assessment and monitoring process to identify and manage the key risks for each project. Stringent evaluation and tendering procedures apply to all projects to ensure that the best-qualified vendors are appointed. Regular site visits are also conducted to closely monitor the progress of projects and manage potential risks of delays, defects and cost overruns.
Technology	**Technology is a critical element to ensuring that MCK is able to operate its business effectively. The risks to MCK include compromise of those business-critical systems, cybersecurity incidents, maintaining data it holds securely, ensuring that its systems remain fit for purposes and adapt to business and customer needs.** To mitigate these and other risks, MCK invests in its hardware and software platforms across its network and has a dedicated Information Technology team which supports MCK's networks and operations and deals with cybersecurity threats. Disaster recovery planning and penetration testing is done to ensure the security and resilience of our network and systems. External experts and partners are engaged as required to improve our system resiliency.
Legal, Regulatory and Compliance	**MCK is subject to political and policy risks, such as new or amended public policies, statutory and regulatory requirements. MCK is exposed to legal and reputational damage resulting from breach of law or civil actions.** MCK manages these risks by monitoring changes to laws and regulations and engaging with Government or regulatory bodies on such changes. We amend our strategies and policies to meet these changes. MCK manages legal risk by monitoring and reporting significant litigation and disputes to the Board and seeking advice from our external lawyers. Insurers will be involved where necessary.

CLIMATE RELATED DISCLOSURES

<u>Introduction and compliance statement:</u>

This is MCK's first reporting period under the Aotearoa New Zealand Climate Standards . In relation to the Adoption Provisions outlined in the Standards[1], MCK advises that it has used:

- Adoption Provision 1 which provides an exemption in the first reporting period from the requirements to disclose the current financial impacts of its physical and transition impacts and (if relevant) an explanation as to why quantitative information cannot be disclosed;
- Adoption Provision 2 which provides an exemption in the first reporting period from the requirements to disclose the anticipated financial impacts of climate-related risks and opportunities, a description of the time horizons over which the anticipated financial impacts could reasonably be expected to occur, and (if relevant) an explanation as to why quantitative information cannot be disclosed;
- Adoption Provision 3, which provides an exemption in the first reporting period from the requirements to disclose the transition plan aspects of an entity's strategy, including how its business model and strategy might change to address its climate-related risks and opportunities, and how the transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision making processes;
- Adoption Provision 4, which provides an exemption from the requirement to disclose scope 3 GHG emissions in the first reporting period. The categories of scope 3 emissions excluded from this Statement are: purchased goods and services, capital goods, upstream transportation and distribution, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments, in its first reporting period under this regime.
- Adoption Provision 5, which provides for comparative information in relation to the immediately preceding two reporting periods. 2023 is MCK's base year and therefore it does not have comparative information for Scope 3 emissions which would allow it to report and disclose for preceding reporting periods.
- Adoption Provision 6, which provides an exemption in the first reporting period from the requirement to disclose comparative information for metrics the immediately preceding two reporting periods. 2023 is MCK's base year and therefore it does not have comparative information for its metrics.
- Adoption Provision 7, which provides an exemption in the first reporting period from the requirement to disclose an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

With the above Adoption Provisions applied, MCK complies with the Standards.

Summary of MCK's Value Chain and business:

MCK's primary businesses is the ownership and operation of hotels in New Zealand. We have been in business for over twenty five years and we trade under the Millennium / Grand Millennium, M Social, Copthorne and Kingsgate brands.

Currently, we have a portfolio of 18 hotels across New Zealand from the Bay of Islands through to Te Anau[2]. Our hotels are located in New Zealand's key gateway cities and we take pride in hosting a wide variety of conferences, meetings and other gatherings at our properties.

MCK is also engaged in:

- The development and sale of residential land in New Zealand (through our majority-owned subsidiary CDL Investments New Zealand Limited ["CDI"];
- The development and sale of residential units in Australia (Zenith Residences, Sydney);
- The ownership and management (through a 50-50 joint venture) of a hotel in Australia (Sofitel Brisbane Central).

Our mission is to become the hotel chain which everyone recommends to their family, friends and colleagues. We pride ourselves of our hospitality and levels of service no matters which of our hotels you stay at.

Millennium & Copthorne Hotels New Zealand Limited ("MCK") is conscious that shareholders and stakeholders want all companies to assess the impact that their business has on the wider environment. Doing so requires a focus on our environmental and social impacts, stating what our value chain is and looking at creating a sustainable value chain throughout our operations.

Our approach has always been to ensure that we contribute to the betterment of the wider environment, to use our resources as thoughtfully as possible and to maximize the sustainability of our operations. We seek constant improvement in all of our activities and we also maintain a long term horizon for our investments and for generating value.

1. The Aotearoa New Zealand Climate Standards comprise NZ CS1, NZCS 2 and NZ CS3. For the purposes of this report, these will collectively be referred to as "the Standards".
2. Four hotels have been excluded from the GHG emissions boundary being Grand Millennium Auckland, Millennium Hotel & Resort Manuels Taupo, Copthorne Hotel & Resort Solway Park Wairarapa and Kingsgate Hotel Paihia. MCK or its subsidiaries do not have ownership control and the GHG emissions are accounted for by the relevant ownership entities.

Our value chain[3]:

Our strengths:

- Strong balance sheet and financial resources;
- Well established national network of hotels and development land;
- Different brands to meet different customer needs;
- Recognized brands and links to customers within NZ and overseas;
- People who are dedicated to hospitality and customer service.

Our resources:

- 18 hotels located across New Zealand – a total of 2192 rooms;
- Over 1000 employees and counting;
- Dedicated teams looking after domestic, international and C&I sales;
- Highly developed workplace training framework.

What we delivered in 2023:

- 333,451 room nights sold (excluding franchised hotels);
- Dedicated teams for domestic, international and C&I sales;
- $99.1 m in rooms revenue (excluding franchised hotels);
- Average guest satisfaction score of 3.8/5.

What we aim to do:

- Provide an "Outstanding Service Experience" at all of our hotels and support offices;
- Be a safe and satisfying place of work;
- Provide sustainable returns for our shareholders;
- Maintain a strong and sustainable financial position.

MILLENNIUM
HOTELS AND RESORTS

TCFD Framework disclosures:

As well as reporting against the Standards, this report is our first public disclosure aligned to the Task Force on Climate-Related Financial Disclosures (TCFD) framework.

Climate impact is expected to affect the hospitality and accommodation sectors in a variety of ways. As hotels consume high levels of water and energy in their daily operations and use carbon-unfriendly materials in their construction, it is imperative to review both their operations and development to see how climate-positive improvements can be incorporated in all aspects. Our locations, particularly in touristic / resort / seaward-facing areas are likely to be affected by climate change and sea level rise. Recent weather incidents have also affected our operations with impacts to the properties themselves as well as access to and from our hotels.

Increasingly, our guests are wanting to ensure that their stay has a minimal impact on the environment, and we are being encouraged to make positive statements to show how we are helping reduce carbon consumption and our emissions and helping to be climate positive.

Climate –related governance:

MCK's board's oversight of climate-related risks and opportunities and Management's role in assessing and managing climate-related risks and opportunities is as follows:

- MCK's Board has ultimate responsibility for overseeing the management of risks, which include risks related to climate change.
- The Board of MCK is committed to introducing and integrating sustainability across key aspects of its business and advancing sustainability efforts overall.
- The Board as a whole has oversight of the current sustainability strategy and identifying ESG issues and in time will set sustainability targets and will oversee sustainability reporting. The Board also oversees progress against MCK climate-related goals and will ensure that targets are tracked and progressed[4]. As part of its role in determining strategy, the Board will also consider climate-related risks as part of future strategy.
- MCK's Board does not currently have a director with specialist knowledge of climate issues although several directors are aware of sustainability frameworks. To expand its knowledge, a workshop with Toitu Envirocare was held in 2023 to provide the Audit Committee in particular with a better understanding of climate risks and opportunities. The Board believes that it has a sufficient number of directors who have knowledge and experience of risk management generally and who are able to assess and deal with risk and risk management.

3. These disclosures apply to MCK and its hotel operations in New Zealand. Exclusions from these disclosures include majority-owned subsidiary CDL Investments New Zealand Limited (and its suppliers and stakeholders) which is required to report separately, hotels under management or franchise where MCK does not have ownership or operational control and business segments and entities located outside of New Zealand.
4. MCK aims to set targets in 2024 now that it completed its base year of GHG emissions. For 2023, no targets were set (see also Metrics and Targets).

- MCK's Audit Committee assists the Board by considering various business risks. The Audit Committee meets at least twice a year and its proceedings are reported back to the Board which meets at least quarterly[5].
- MCK's senior management team will have day-to-day oversight of climate-related risks, opportunities and initiatives that drive climate mitigation and adaptation strategies — these will include the materiality assessment and scenario analysis. A Supply Chain Risk Management Study will be conducted in the future. Management will also review and advise the Board on strategic climate-related issues and MCK's carbon reduction strategy and initiatives. As this is the first year of measurement and disclosure, no metrics have been set in relation to remuneration which are linked to climate related risks and opportunities.
- MCK's Operations (including its Hotel General Managers), Property Management and Finance teams provide the senior management team with support for monitoring and assessing MCK's activities which contribute to or impact on the climate. The teams conduct assessments, prepare risk reports and puts in place action plans to mitigate or eliminate risks. Hotel teams are also responsible for workplace safety and overall performance of MCK's hotel operations as well as the day-to-day management, maintenance and operability of MCK's assets across its hotels and maintains appropriate property management, refurbishment and maintenance plans.

Scenario Analysis:

NZ CS 1 requires reporting entities to make disclosures of various climate change scenarios and the impacts of those scenarios on our business. The essence of the scenarios is to address some of the following questions and issues:

- How does climate change affect our sector and our company?
- What are the critical uncertainties on our assets, operation, strategy and business model, and the potential impact on our prospects that our sector and our company need to prepare for?
- Are we prepared for those uncertainties and how are we addressing them as part of our risk management?
- What are the resiliency options, if any? What is our plan to transition toward a low-emissions and climate-resilient future?

No company can predict the future and solve all of the questions that we need to address. The objective is to identify risk and opportunities and uncertainties, aim to mitigate if possible and to develop a future path for our company in a world that is affected by climate change.

As 2023 is our base year, our scenario analysis was done on a basic level internally, is a narrative-driven analysis but not fully detailed. The financial impact of the scenario assessments we have done to date is yet to be quantified. With the information we have gathered as part of the GHG assessment and audit, we expect to do more detailed work in 2024 and to provide more detailed analysis as part of future disclosures. Future analysis will incorporate external advice.

For our 2023 scenario modelling, we have used data from the International Panel on Climate Change (IPCC) 5th and 6th Assessment Reports and the AR6 Synthesis Report: Climate Change 2023[6] which was published by the IPCC in March 2023 to provide some metrics and key assumptions. We have also had regard to some of the scenario modelling data which was developed and used by The Aotearoa Circle[7] and the Climate Change scenarios for New Zealand published by the National Institute of Water and Atmospheric Research (NIWA)[8] including their New Zealand findings from the IPCC 5th Assessment Report[9]. We have also referred to the Ministry for the Environment's "Aotearoa New Zealand climate change projections guidance"[10].

Key underlying assumptions:

- Global surface temperature has increased faster since 1970 than in any other 50-year period over at least the last 2000 years;
- Widespread and rapid changes in the atmosphere, ocean and biosphere have already occurred. Human-caused climate change is already affecting many weather and climate extremes in every region across the globe. This has led to widespread adverse impacts and related losses and damages to nature and people;
- Global mean sea level increased by 0.20 metres between 1901 and 2018 and the average rate of sea level rise was an average of 3.7 mm per year between 2006 and 2018 For New Zealand, this could mean an increase in sea level rise of between 0.2m to 0.32m depending on the extent of global warming ;
- Climate change has reduced food security and affected water security, hindering efforts to meet the UN's Sustainable Development Goals. On most scenarios being modelled, New Zealand could see population growth from between 16% to 26% which could be similar to global population growth trends of between 8% to 16%;
- In urban areas, observed climate change has caused adverse impacts on human health, livelihoods and key infrastructure. Urban infrastructure, including transportation, water, sanitation and energy systems have been compromised by extreme and slow-onset events;
- Global warming will continue to increase in the near term (2021–2040) mainly due to increased cumulative CO2 emissions. In the near term, global warming is more likely than not to reach 1.5°C even under a very low GHG emission scenario and likely or very likely to exceed 1.5°C under higher emissions scenarios;
- Risks and projected adverse impacts and related losses and damages from climate change will escalate with every increment of global warming. For New Zealand, the number of extreme heat days could increase to between 15 to 30 additional such days and in certain area of New Zealand there will be changes to rainfall patterns and flooding is likely to increase. Fire weather indices are also projected to increase in many parts of the country ;
- For any given future warming level, many climate-related risks are likely to be higher than assessed and projected long-term impacts are also likely to be much greater than currently observed;
- Reaching net zero CO2 or GHG emissions primarily requires deep and rapid reductions in gross emissions of CO2, as well as substantial reductions of non-CO2 GHG emissions;
- Climate change is therefore a threat to human well-being and planetary health. There is a rapidly closing window of opportunity to secure a liveable and sustainable future for all.

5. Please also refer to the Corporate Governance Statement in this Annual Report (pages X to Y) which should be read together with these disclosures. MCK has recently completed a comprehensive review of its corporate governance policies and these are published on its website www.mckhotels.co.nz
6. https://www.ipcc.ch/report/sixth-assessment-report-cycle/
7. The Aotearoa Circle: Tourism Sector Climate Change Scenarios and Adaptation Roadmap (2023) https://www.theaotearoacircle.nz/tourism-adaptation-roadmap
8. https://niwa.co.nz/our-science/climate/information-and-resources/clivar/scenarios
9. https://niwa.co.nz/sites/niwa.co.nz/files/NZCCC%20Summary_IPCC%20AR5%20NZ%20Findings_April%202014%20WEB.pdf
10. https://environment.govt.nz/assets/publications/Climate-Change-Projections-Guidance-FINAL.pdf

For our 2023 modelling, we have defined the Near Term as being 2023 to 2030, Mid Term to be 2031 to 2050 and Long Term to be 2051 onwards. We also define "physical risks" as those which primarily arise due to climate impacts such as weather and warming and "transition risks" as risks which result from the transition to either a lower carbon environment or a higher carbon environment.

1.5°C scenario

A 1.5 degree scenario assumes that a pathway to global sustainability is achievable but assumes global warming continues due to increased GHG emissions. Given the assumptions from the IPCC, in the near term, global warming is more likely than not to reach 1.5°C even under the very low GHG emission scenario. This is therefore the most optimistic scenario but is not guaranteed and the effects of global warming will continue to be felt in any event.

For New Zealand, this will likely mean that there will still be extreme weather events which are likely to require infrastructure responses. As stated above, our assumption is that there will continue to be climate and weather patterns shifts and disruptions.

Physical Risks:

- Responses to extreme weather events such as flooding / natural disasters: in this scenario, our assumptions are that there will be a need to respond to some additional extreme weather events. We will need to be able to have plans to respond to guest needs and our own staff and business needs and to update or redraft our business continuity / response plans should an event arise. While no two events are the same, in our assumptions we would expect a level of guest disruption with delays or compromised infrastructure or disruption to transportation networks. While ad hoc responses have worked in the past, additional work and modelling would need to be done on how we could employ our nationwide / regional networks to have hotels in the same or proximate locations assist one another to accommodate guest disruption in such an event.
- Building maintenance costs: Maintenance costs are likely to increase in at least two ways – there will be the costs of conducting maintenance and repairs after an event and there will be costs incurred to implement proactive measures before weather events happen. The extent and impact of both sets of costs is yet to be modelled and is a complicated exercise given the diversity of hotel properties MCK has.
- Revenue loss : Weather events and natural disasters can lead to revenue loss in several ways. Damage to the property may mean that guests may need to be moved to other rooms while repairs are carried out and future reservations may need to cancelled for a period of time if repairs are ongoing. Conversely, there may be opportunities for properties which are in better condition or are designed to withstand weather events to make revenue gains. This is not something we have currently modelled but will be looking to do so in the future.

Transition Risks:

- Energy costs: we would assume in this scenario that there would be a moderate but periodic increases in energy costs to power infrastructure such as air conditioning and other building systems to combat hotter days and colder winter temperatures. Higher demand would likely add pressure on existing networks with the potential to lead to disruptions and possibly failures. Conversely, there would be an increasing focus on maximising energy efficiency and looking at alternative sources of power to reduce costs where practicable. Other pressures could arise from a greater number of electric / hybrid vehicles but the recent change of government policy in this area makes forecasting future trends difficult.
- Insurance premium increases: in this scenario, we would likely face increasing but still accessible insurance premiums generally but with differential premiums or allowances for certain particular properties based on an estimated increasing frequency of weather events. This may be similar to the way that insurers estimate and allow for earthquake risk now. For properties that are affected or deemed likely to be affected by climatic events, there is the risk that they may find insurance more costly than now and in some cases where incidents are frequent and there is a loss history, insurance may be curtailed in some way either due to the deductible / excess imposed or by the policy response terms. Alternative options such as self-insurance may need to be considered for those sites. To date, MCK continues to have full replacement cover for its portfolio and its insurance premiums are manageable.
- Increased environmental obligations: in this scenario, we are assuming that there may likely be pressures to reduce emissions and other impactful activities. Imposition of charges for emissions might occur but how these are structured is not known and uncertain. Policy in this area is unclear and assessing the potential financial risk is tricky when there are several unknown issues.

2.0°C scenario

A 2.0 degree scenario assumes that a pathway to global sustainability is not achievable and the effects of climate change increase over the mid-term to long term and the currently seen effects are exacerbated. The IPCC believes that it is very likely that global warming will exceed 1.5°C and that this therefore assumes a higher emissions scenario which is described as "disorderly".
We assume that New Zealand will see an increase in extreme weather events and increased vulnerability to assets and infrastructure. As a result, we would expect to see changes in policy and investment to cope or counter such vulnerabilities and an increased focus on population protections.

Physical Risks:

- Responses to extreme weather events such as flooding: in this scenario, our assumptions are that there will be a need to respond to many more extreme weather events. We will need to be able to have plans to respond to guest needs and our own staff and business needs and to update or redraft our business continuity / response plans should an event arise. While no two events are the same, in our assumptions we would expect a level of guest disruption with delays or compromised infrastructure or disruption to transportation networks. While ad hoc responses have worked in the past, additional work and modelling would need to be done on how we could employ our nationwide / regional networks to have hotels in the same or proximate locations assist one another to accommodate guest disruption in such an event.
- Building maintenance costs: Maintenance costs are likely to increase in several ways. With more adverse events, it follows that there will be post event maintenance and proactive maintenance to combat the effects of the adverse events. Further infrastructure or design changes might be required to mitigate future effects which could add to capital costs. The extent and impact of such costs is yet to be modelled by MCK.
- Revenue loss: in this scenario, we assume that there will likely be an increased probability of revenue loss above and beyond occasional disruption. Damage to the property may mean that guests may need to be re-accommodated either on site or at other properties and future reservations may need to cancelled for a period of time if repairs are ongoing. This is not something we have currently modelled but will be looking to do so in the future.

Transition Risks:

- Energy costs: we would assume in this scenario that there would be a moderate but continuous increases in energy costs to power infrastructure such as air conditioning and other building systems to combat extreme heat days and colder winter temperatures. Higher demand would likely add pressure on existing networks with the potential to lead to disruptions and possibly failures. Conversely, there would be an increasing focus on maximising energy efficiency and looking at alternative sources of power to reduce costs where practicable.
- Insurance premium increases: in this scenario, we would likely face the issue of increasing insurance premiums for certain particular properties based on an increasing frequency of weather events. For properties that are affected or deemed likely to be affected by climatic events, there is the risk that they may find insurance very costly, only available under strict policy terms or potentially unavailable if insurers decline to take on the insurable risks. In such an event, alternative options

such as self-insurance may need to be considered.

- Increased environmental obligations: in this scenario, we are assuming that there may likely be pressures to structurally decarbonise or likely pay for the emissions which are made above a mandated threshold in order to try and limit or reduce emissions. As policy in this area is changing and debate on such measures such as congestion charging is restarting, there is no clarity on how to assess the potential financial risk when there are several unknown issues.
- Market uncertainty: As costs rise and are forecast to increase, they will have a corresponding impact on the profitability of our businesses. Under a 2.0 Degree scenario, while this may cause the viability of some properties to be called into question, we have assumed that MCK is able to continue to do business, however to what extent has not yet been modelled. The financial impact of a 2.0 Degree scenario has not yet been modelled.

3.0°C scenario

A 3.0 degree scenario assumes that the wider environment is seriously degraded with continued global warming intensifying the global water cycle resulting in more dramatic climate events (wet and dry), more variable or extreme events such as storms, cyclones or hurricanes, a reduction in the ability of land and ocean carbon sinks to absorb emissions and further global mean sea-level rise and other detrimental effects on the land and ocean environments.

Often described as a "hot house world" scenario, there will very likely be severe physical impacts of climate changes evidenced by significant sea level rise, rainfall intensity and a further increase in the number of extreme heat days. Such events could have cascading effects into areas such as agriculture and horticulture. Social and response services and critical infrastructure would be put under severe pressure. "Climate refugees" to New Zealand could further exacerbate this scenario.

Physical Risks:

- Responses to extreme weather events such as flooding and extreme heat days: for 2023, we have not been able to model what this scenario looks like for our businesses. This will be the subject of future work. The reason is because under such a scenario, there could be an existential threat to some of our locations if such extreme events cause a level of disruption or damage to render a property unusable or unviable. If that is correct, such a scenario would have a material impact to the business. Because the scenario will vary accordingly to location, the potential financial impact will vary accordingly.
- Building maintenance costs: in a similar way to the responses to extreme weather events, we would assume under this scenario that increased maintenance would be an automatic assumption. The question we are looking to address is whether any level of maintenance even at an increased tempo would be sufficient. Future modelling will look at such a scenario.
- Revenue loss: The potential level of revenue loss will depend on the extent and location of the hotels affected and will vary depending on season. At an extreme end, the extent of revenue loss caused by one major or a series of extreme events could potentially cause the viability of a property or properties to be unviable. Future modelling will consider such possibilities and their impacts.

Transition Risks:

- Energy costs: we would assume in this scenario that there would be a steep increase in energy costs to power infrastructure such as air conditioning and other building systems. Higher demand would inevitably add pressure on constrained networks leading to increased failures. Conversely, there would be a strong focus on maximising energy efficiency and looking at alternative sources of power to reduce costs where practicable.
- Insurance premium increases / insurance availability: if more frequent weather events continue to be prevalent, a sustained amount of loss incidents could cause insurance to be severely priced or potentially unavailable. This would affect all of our properties. If insurance became too costly, then options such as self-insurance or parametric cover would need to be considered.
- Increased environmental obligations such as GHG pricing: in this scenario, we are assuming that there will be mandatory demands to structurally decarbonise or likely pay for the emissions which are made above a mandated threshold in order to try and limit or reduce emissions. With no clear guidance on the financial impact of such measures, forecasting the impacts is very difficult and leads into the uncertainty risk below.
- Further market uncertainty: As highlighted above, a combination of increased structural costs and obligations could have a material financial impact on our businesses. How viable tourism / accommodation and land development would be in such a scenario is difficult to model, much less predict. Given the fact that MCK's business is not solely limited to hotels / accommodation alone and has exposure to property development through CDL Investments, calculating the financial impact is very difficult.

Climate related opportunities:

Where there are risks, there is usually space for opportunities. In the course of measuring our GHGs in 2023, we identified a number of areas which could constitute potential opportunities which we will consider exploring in the future as we look to reduce our impact on the environment. These include:

- Developing plans for increased efficiencies in hotel buildings: these could take the form of reviewing the boilers, HVAC and other systems and looking at their energy consumption and efficiency. The benefits would lie in a reduction of direct and indirect costs such as maintenance over the long term, higher guest satisfaction and potential for increased revenue as a result. This is an opportunity that can be explored now and does not have to wait for a 2.0 degree or 3.0 degree scenario.
- Installing and using lower emission sources of energy: although the installation costs might be higher in the short term, over the longer term, a reduction in exposure to direct energy prices and the fluctuations of the spot market could be avoided. These systems could also help reduce overall emissions. An associated issue would be to look at energy storage which could also help reduce overall / longer term costs. This is also an opportunity that can be explored now and does not have to wait for a 2.0 degree or 3.0 degree scenario.
- Reducing water use: with increasing demand for water and higher infrastructure costs forecast, a reduction in water consumption / use would see a reduction in operating costs to the business. This is another opportunity that can be explored now and does not have to wait for a 2.0 degree or 3.0 degree scenario.
- Using more environmentally friendly / more efficient modes of transport: this would result in a reduction of direct emissions and a reduction of operating and fuel costs. We have already transitioned to lower emissions vehicles and looking at additional options.
- Devising lower carbon offerings (products and services): with consumer awareness on packaging, the cost and impact of importing and transporting food and other products and an increasing understanding of the supply and value chain, product and service offerings could be developed which could be considered to be low carbon / low impact on the environment. One potential benefit could be that local businesses and producers could be better supported as a result. This is also an opportunity that we are keen to explore in the immediate future.
- Increasing overall resiliency: as issues arise with infrastructure and services where investment is sub-optimal or unlikely, solutions to mitigate risk through self-provision of certain services or infrastructure could be beneficial. One example is installing batteries in areas where the power supply is degrading or unreliable. This is also an opportunity that we can start to explore now and as part of our planning for a 2.0 degree or 3.0 degree scenario.

Risk Management

MCK is in the process of reviewing its risk management framework and we anticipate that a new framework will be adopted in the second half of 2024. When implemented, we expect the new framework to identify and assess the impact of risks across our business including climate related risks. Currently, climate-specific risks are not considered in isolation, rather they are considered as part of MCK's overall risk framework.

In 2023, MCK engaged Toitu Envirocare ("Toitu") as its external advisory firm to assist with the identification of risks and measurement of its Greenhouse Gas (GHG) emissions. In 2023, Toitu also conducted an audit to ISO 14064-3:2019 standards of MCK's GHG emissions. As part of its base year work, MCK is incorporating climate-related risks into the risk framework and in terms of time horizons will also be using the definitions under its scenario modelling[11].

In our Outline of Material Risks on CG 7 - CG 8, we acknowledge that climate impact is expected to affect the hospitality and accommodation sectors in a variety of ways. This means that we must review our operations and development to see whether climate-positive improvements can be incorporated throughout our business.

We know that our hotel and office locations are likely to be affected by climate change in some way and will therefore have both physical and transition risks. As an example, severe weather incidents such as those experienced in 2023 have already shown us how our land holdings and development operations can be impacted by flooding and infrastructure pressures causing delays to our project timelines and also potentially increasing costs. Putting in place contingency plans for short term physical risks has been a priority over the last year.

For these Climate Related Disclosures, we understand that physical risks are those relating to the physical impacts of climate change, including via temperature, rainfall, storms, extreme weather events, and sea-level rise. Transition risks on the other hand are those related to transitioning to a climate-resilient environment and economy both at the global and regional level. Thus, these would include policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.

An additional immediate transition risk arises out of compliance with the Standards. Given that this is the first year of reporting, we do not know exactly what the wider market and the regulator expect from these disclosures. As expectations and guidance become clearer, MCK will look to refine and expand its disclosures accordingly. In addition, additional costs associated with compliance such as the engagement of external consultants, the audit of GHG emissions and additional time and resource expended internally to collate and process the data were incurred in 2023. Additional cost increases in this area are likely to continue for the short term as additional advice is sought and additional reporting undertaken.

While MCK allocates funds to complete repairs and maintenance at its hotels within its annual budget planning processes, no specific amounts were allocated to climate related risks or opportunities in 2023. We have not yet determined the amount or percentage of assets or business activities which are vulnerable to transition risks. This will be the subject of further assessment work to be carried out. As modelling is yet to be completed, MCK has not yet set an internal emission price per metric tonne of CO2e used internally.

While we have not yet seen any changes to regulations as a result of those weather events affecting our property holdings, future changes cannot be discounted. This may be a factor when looking at new or potential acquisitions in the future, particularly if decisions are made to build or significantly refurbish existing or new hotels. Those risks are mid term transition risks. In 2024, more work will be done to refine mid-term and long term physical and transition risks as we obtain and refine more information about our environmental impact. MCK is not aware of any specific industry-based metrics for New Zealand hotels and accommodation that is it is currently able to utilise.

11. "Near Term" is being 2023 to 2030, "Mid Term" is between 2031 to 2050 and "Long Term" is 2051 onwards.

Strategy

Given that 2023 is our base year and additional work will need to be done to fully map out our climate-related strategy, MCK is not disclosing a transition plan that would meet the requirements of NZ CS 1 and has applied Adoption Provision 3 of the Standards which provides an exemption in the first reporting period from the requirements to disclose the transition plan aspects of an entity's strategy.

In 2024, MCK is aiming to develop its transition plan which is expected to contain short and long term emissions reduction targets. Outside of the transition plan, MCK has adopted the United Nations Sustainable Development Goals (the "UN SDGs") as a point of reference to assist with identifying areas that need to be included as part of its wider sustainability strategy. To date, MCK has identified the following UN SDGs and material topics:

Relevant UN SDG	Material Topics
4: Quality Education	▪ Talent attraction, development and retention
5: Gender equality	▪ Equal opportunity employer ▪ Promotion of diversity throughout MCK ▪ Talent attraction, development and retention
6: Clean water and sanitation	▪ Water management and efficiency
7: Affordable and clean energy	▪ Climate change ▪ Energy efficiency ▪ Renewable energy
8: Decent Work and Economic Growth	▪ Economic contribution to society ▪ Workplace safety
11: Sustainable Cities and Communities	▪ Responsible investment ▪ Local community impact
12: Responsible consumption and production	▪ Responsible supply chain and sourcing ▪ Water management and efficiency
13: Climate Action	▪ Climate change ▪ Emissions reduction ▪ Water management and efficiency ▪ Renewable energy
14: Life below water	▪ Water management and efficiency
15: Life on land	▪ Responsible supply chain and sourcing
16: Peace, justice and strong institutions	▪ Business ethics and anti-corruption ▪ Cyber security and data governance

MCK aims to include as many of the SDGs as practicable and relevant in future materiality assessments.

As well as the climate related opportunities detailed above, we also identified the following areas which we believe need to be addressed as part of our future strategy. These are:

Waste reduction/ recycling
Emissions reductions
Staff Engagement

- Waste reduction / recycling: MCK's environmental journey started with a waste reduction/ recycling initiative and its initial Environmental Policy was centred around this issue. We have been working on a number of waste reduction measures at all of our hotels and we have worked to align our operations with external benchmarking criteria. All of our hotels have measures in place in relation to reducing food waste and recycling programmes for paper, glassware and plastics. The housekeeping, maintenance and engineering and Food & Beverage teams are all actively involved in monitoring and improving these programmes.

- Emissions reductions: In 2023 we have been developing our understanding of our emissions footprint, how we can reduce our emissions and carbon footprint and what this means for our business. At this stage, we have not set a target for carbon reduction as this is our base line year but we are aiming to do so now that we have our emissions data compiled and analysed. Carbon emissions reductions across our operations are part of our strategy and looking at how we can reduce our emissions as well as looking at the feasibility of lower emission energy in our operations will be a strategic issue for MCK. In 2023, we joined Toitu Envirocare's carbonreduce programme and in February 2024 we successfully completed the requirements to become a Toitu carbonreduce certified organisation[12] . This is an important step on our continued journey to improve our carbon footprint and environmental efficiency in general.

- Staff Engagement: Environmental initiatives have been part of MCK's hotel operations for many years as hotels were encouraged to undertake localised initiatives. As such, all staff at hotels which undertook such initiatives would be very familiar with those initiatives and progress. MCK has a company-wide intranet which has a portal to share such information and on occasion the development and progress of these initiatives would be shared to the global Millennium & Copthorne group. Within the operations and property management staff, there is a high understanding of the relevant issues especially with regard to energy and water consumption and how to reduce the environmental impact of both. Formalised environmental training as part of induction processes is something we are considering to increase awareness of the critical issues. MCK has had a basic environmental policy in place since 2008 and is now looking again at how to broaden its environmental awareness, make more resources available to its staff to identify additional initiatives to assist in setting targets and actively work to reduce its carbon footprint where possible.

Future Value Goals:

Our targets and goals will evolve and change as we are able to improve our reporting and analysis of our emissions and environmental impact. As 2023 is our base line year, we will be looking at conducting more detailed risk assessments from 2024 and performing climate change analysis in the near future to allow us to set firm targets and goals. Our aim is to use these risk assessments and analyses to be able to better integrate climate-related risks into our business strategy and our future financial analysis.

Using the UN SDGs, our current targets and goals are:

- Reducing our overall environmental impact (SDG 7, 12, 13, 15) – especially with regard to water use / energy use; and

- Maintaining a fair, safe and inclusive workplace (SDG 8 and 16)

12. Certification was achieved through an audit which aligned to the following criteria: ISO 14064-1:2018, ISO 14064-3:2019, Toitu Programme Technical Requirements 3.1Audit & Certification Technical requirements 3.0, Certification Mark Guide v 3.0.

Assessing stakeholder relationships and partnerships

Based on the principle of continuous engagement we have developed a stakeholder engagement framework and identified key areas of concern or assessment which apply to each stakeholder / stakeholder group:

Stakeholder	Method of engagement	Key areas of concern / assessment
Board of directors	▪ Scheduled meetings of the whole board ▪ Meetings and briefings outside the normal board schedule ▪ Other communications between management and the board ▪ Meetings and discussions with ESG / climate consultants	▪ Overall economic and financial performance of MCK; ▪ Sustainability performance – setting the strategy, goals and assessing and reassessing targets; ▪ Risk Management
Government / regulators	▪ Submissions or participation in public consultations	▪ Environmental legislation and policy
Employees	▪ Employee surveys and reviews	▪ Career development opportunities ▪ Workplace safety and overall wellbeing ▪ Guest health and safety
Guests	▪ Customer satisfaction surveys ▪ Social Media (Facebook, Twitter)	▪ Guest health and safety
Hotel Management	▪ Management meetings and other communication; ▪ Performance and operational reviews; ▪ Employment and engagement surveys;	▪ Workplace safety and overall wellbeing ▪ Guest health and safety
Investors and Media	▪ Release of annual and interim results to NZX and investors; ▪ Annual Meetings of shareholders; Annual and Interim Reports; ▪ Media releases and public comments; ▪ Responding to shareholder questions.	▪ Financial and operational performance; ▪ Earnings and dividends; ▪ Strategy and future outlook; ▪ Corporate governance; ▪ Regulatory compliance.
Hotel Suppliers	▪ Meetings and other engagement as per supply agreements; ▪ Assessment of supply targets as set out in the supply agreement.	▪ Supply chain performance ▪ Alignment of sustainability frameworks

Our Metrics and Targets :

In 2023, we achieved Toitu Envirocare carbonreduce certification for the first time for our GHG Inventory and emissions, covering our Scope 1 and Scope 2 and selected Scope 3 emissions. The GHG emissions data covered our direct and indirect emissions and included energy purchased, air travel, transmission and distribution (T&D) losses for purchased energy, LPG fuel emissions (rental and other cars), taxis, water supply, office waste, composting and recycling for the reporting period (January 1, 2023 through December 31, 2023), The programme requirements that applied are in accordance with ISO 14064-1:2018. This is a significant step towards measurement and setting future targets which were are looking to confirm in 2024.

MCK is committed to measuring and looking at ways to reduce its carbon footprint. Our assessment of emissions included vehicles, business travel, fuel and electricity usage, paper consumption, and waste generation. The emissions will be evaluated annually, and the inventory will undergo independent audit and verification. Currently, MCK is not looking at carbon offsets or purchasing carbon credits but in the future will investigate options by which it could offset or credit its emissions. In 2024, work will be done to include Scope 3 emissions from sources such as employee commuting and supplier generated emissions.

In measuring GHG emissions for 2023, we set an operational boundary which covered the hotels we owned and operated as well as our support and sales offices. The emissions of hotels under management or franchise[13] were not included as MCK does not have ownership and operational control of those properties. For 2023, we did not include Scope 3 emissions as this was our base year and therefore we are relying on adoption relief as provided for in the Standards for these areas.

Two specific areas were identified and excluded from MCK's 2023 GHG inventory being freight and refrigerants. MCK did not contract freight services which we understand to be freight transportation by air, sea or land. MCK usually contracts services as part of major refurbishments where, for example, materials are transported to site. In 2023, this was done by third parties for which MCK does not have emissions data for. In respect of refrigerants, MCK did not conduct a full survey of its air conditioning systems in 2023 and due to the age of some of the systems some information relating to their refrigerants is not held. A survey is intended to be done in 2024.

As stated in the Introduction, for 2023, MCK has used Adoption Provision 4 which provides for an exemption from the requirement to disclose Scope 3 GHG emissions in the first reporting period. The categories of scope 3 emissions excluded from this Statement are: purchased goods and services, capital goods, upstream transportation and distribution, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments, in its first reporting period under this regime.

13. The excluded hotels were Grand Millennium Auckland, Kingsgate Hotel Paihia, Millennium Hotel Manuels Taupo and Copthorne Hotel & Resort Solway Park Wairarapa.

Our 2023 inventory summary of greenhouse gas (GHG) emissions covering the measurement period 01 January 2023 to 31 December 2023 is:

Category (ISO 14064-1:2018)	Scopes (ISO 14064-1:2006)	2023
Category 1: Direct emissions	Scope 1	2,098.17
Category 2: Indirect emissions from imported energy (location-based method*)	Scope 2	1,307.83
Category 3: Indirect emissions from transportation	Scope 3	116.70
Category 4: Indirect emissions from products used by organisation		623.49
Category 5: Indirect emissions associated with the use of products from the organisation		0.00
Category 6: Indirect emissions from other sources		0.0
Total direct emissions		**2,098.17**
Total indirect emissions*		**2,048.02**
Total gross emissions*		**4,146.19**
Category 1 direct removals		0.00
Purchased emission reductions		0.00
Total net emissions		**4,146.19**
MCK Emissions Intensity is Operating revenue (gross tCO_2e / $Millions)		42.01

*Emissions are reported using a location-based methodology.

At this stage, we have not set a target for overall carbon reduction as this is our base line year but we are aiming to do so now that we have our emissions data compiled and analysed. MCK has not yet determined whether the targets will be on an intensity or absolute basis but will be science-based. Targets which are currently being contemplated include reductions for use of energy (electricity and gas), GHG emissions, waste reduction / recycling and reducing water consumption at various sites including hotels and office premises.

Emissions Factors

The emission factors used are drawn from a variety of sources, primarily: Government published emission factors (such as the NZ MfE); other government publications or data; industry publications or data; international bodies; technical reports; peer-reviewed journals or literature; the IPCC; supplier-specific data (from providers); Global Warming Potentials (GWP) from the IPCC fifth assessment report (AR5) are the preferred GWP conversion.

MCK's GHG emissions data has been quantified according to the requirements of ISO 14064-1:2018.

In alignment with ISO 14064-1 we have completed an uncertainty assessment of the activity data, emissions factors, and calculation methodologies. Emissions factors sources and uncertainty can be found in the full ISO14064-1 aligned GHG inventory. Uncertainty is inherent within GHG accounting, however we have committed to review and reduce our assumptions and uncertainty through using supplier specific methodologies and reported emissions where possible.

MCK measures and manages our Greenhouse Gas (GHG) emissions in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals ('ISO 14064-1:2018').

MCK has used a calculation methodology in alignment with ISO 14064-1 as described below.

Emissions = activity data x emissions factor

All emissions were calculated using Toitu emanage with emissions factors and Global Warming Potentials provided by the Toitu emanage tool. Global Warming Potentials (GWP) from the IPCC fifth assessment report (AR5) are the primary GWP conversion however some emissions factors are from (AR4). If emission factors have been derived from recognised publications approved by the programme, which still use earlier GWPs, the emission factors have not been altered from as published.

Where applicable, unit conversions applied when processing the activity data has been disclosed.
There are systems and procedures in place that will ensure applied quantification methodologies will continue in future GHG emissions inventories.

Assurance
MCK's GHG inventory is subject to independent assurance by Toitu Envirocare (Enviromark Solutions Limited 2020) in accordance with ISO14064-3:2019. Assurance was Reasonable for categories 1 & 2 and Limited for categories 3 & 4. The disclosures required by the Aotearoa Climate Standards were not assessed with the GHG inventory.

The climate related disclosures were authorised for issue for and on behalf of the directors on 28 March 2024.

Colin Sim

Stuart Harrison

REGULATORY DISCLOSURES

20 LARGEST ORDINARY SHAREHOLDERS (as at 1 March 2024) (Listing Rule 3.7.1 c)

Rank	Shareholder	No. of Securities	%
1.	CDL HOTELS HOLDINGS NEW ZEALAND LIMITED	74,743,077	70.79
2.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	5,414,849	5.13
3.	ACCIDENT COMPENSATION CORPORATION - NZCSD	4,693,469	4.45
4.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	4,642,501	4.40
5.	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	3,561,165	3.37
6.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT - NZCSD	1,292,150	1.22
7.	LENG BENG KWEK	906,000	0.86
8.	NEW ZEALAND DEPOSITORY NOMINEE LIMITED	572,098	0.54
9.	KAY HONG CHIAM	475,251	0.45
10.	MFL MUTUAL FUND LIMITED - NZCSD	463,297	0.44
11.	CUSTODIAL SERVICES LIMITED	434,725	0.41
12.	CUSTODIAL SERVICES LIMITED	338,425	0.32
13.	JANINE LAUREL SMITH	278,977	0.26
14.	ASB NOMINEES LIMITED	182,500	0.17
15.	GEOK LOO GOH	168,002	0.16
16.	WEI-YONG QIAN	165,000	0.16
17.	LENNON HOLDINGS LIMITED	157,529	0.15
18.	SITA SINGH	151,000	0.14
19.	ASB NOMINEES LIMITED	150,000	0.14
20.	RICHARD ALEXANDER COUTTS	144,350	0.14

NZCSD is the New Zealand Central Securities Depositary and provides a custodial depositary 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 2024) (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	1,693,100	3.21
4.	ACCIDENT COMPENSATION CORPORATION - NZCSD	933,848	1.77
5.	LENG BENG KWEK	453,000	0.86
6.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	233,471	0.44
7.	KAY HONG CHIAM	211,324	0.40
8.	ASB NOMINEES LIMITED	130,451	0.25
9.	CUSTODIAL SERVICES LIMITED	110,627	0.21
10.	ALAN DAVID WHITE	110,130	0.21
11.	GRAEME STUART LORD & LISA ANNE LORD	77,225	0.15
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.	AOTEAROA RENTAL ENTERPRISES LIMITED	30,720	0.06
16.	ARIE DEKKER & LEANNE KATHERINE WALKER	30,400	0.06
17.	KELVIN LANCE WOODCOCK & SUSAN JUDITH WOODCOCK & MURRAY CROSSMAN TRUSTEE COMPANY LIMITED	30,300	0.06
18.	ROGER EDWARD HAYWARD & SUSAN ELIZABETH HAYWARD	28,909	0.05
19.	WALTER BRENT SHEATHER & SHEATHER TRUSTEES (HTS) LIMITED	23,826	0.05
20.	AIKEN & ASSOCIATES LIMITED	23,593	0.04

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HOLDINGS SIZE – ORDINARY SHARES (as at 1 March 2024)

Range	Total Holders	Number of shares	Percentage of Issued Capital
1 - 499	477	151,561	0.14
500 - 999	302	211,220	0.20
1,000 - 1,999	221	310,283	0.29
2,000 - 4,999	239	742,067	0.70
5,000 - 9,999	140	944,023	0.89
10,000 - 49,999	129	2,482,447	2.35
50,000 - 99,999	16	1,161,064	1.10
100,000 - 499,999	17	3,750,316	3.55
500,000 - 999,999	2	1,478,098	1.40
1,000,000 +	6	94,347,211	89.36
Rounding			**0.02**
Total	**1549**	**105,578,290**	**100.00**

HOLDINGS SIZE – REDEEMABLE PREFERENCE SHARES (as at 1 March 2024)

Range	Total Holders	Number of shares	Percentage of Issued Capital
1 - 499	73	16,628	0.03
500 - 999	23	15,895	0.03
1,000 - 1,999	23	31,673	0.06
2,000 - 4,999	17	58,037	0.11
5,000 - 9,999	10	62,162	0.12
10,000 - 49,999	19	432,206	0.82
50,000 - 99,999	1	77,225	0.15
100,000 - 499,999	6	1,249,003	2.37
500,000 - 999,999	1	933,848	1.77
1,000,000 +	3	49,862,866	94.55
Rounding			**-0.01**
Total	**176**	**52,739,543**	**100.00**

DOMICILE OF ORDINARY SHAREHOLDERS (as at 1 March 2024)

	Number	Number of shares	Percentage of Issued Capital
New Zealand	1,451	98,810,361	93.59
Overseas holders	98	6,767,929	6.32
Total	**1549**	**105,578,290**	**100.00**

DOMICILE OF REDEEMABLE PREFERENCE SHAREHOLDERS (as at 1 March 2024)

	Number	Number of shares	Percentage of Issued Capital
New Zealand	165	51,800,329	98.22
Overseas holders	11	939,214	1.78
Total	**176**	**52,739,543**	**100.00**

WAIVERS FROM NZX REGULATION LIMITED (NZREGCO)

On 21 March 2023, NZX Regulation Limited (NZ RegCo) granted MCK a waiver from the requirement under Listing Rule 5.2.1 to obtain shareholder approval to enter into and perform the acquisition of the Sofitel Brisbane Central hotel (the “Acquisition”) by way of a consortium bid with City Developments Limited (“CDL”), where CDL was a Related Party (or another entity within the CDL group that is a Related Party). The waiver from Listing Rule 5.2.1 was granted subject to the Independent Directors of MCK certifying that (i) the terms of the Acquisition have been negotiated and entered into on an arm’s length commercial basis; (ii) the Acquisition has been considered independently of the relevant Related Party of the CDL group under a consortium bid and that person did not unduly influence MCK’s decision to enter into the Acquisition or vote on any resolution to approve the entry into the Acquisition; (iii) in their opinion, entry into the Acquisition is in the best interests of MCK and MCK’s shareholders who are not Associated Persons of the relevant Related Party of the CDL group; and (iv) the terms and conditions for MCK entering into the Acquisition are substantially the same as those applying to the relevant Related Party of the CDL group.

PUBLIC EXERCISE OF NZX POWERS (Rules 3.7.1 g) and Rule 9.9.3)

On 5 October 2023, NZ RegCo referred to the NZ Markets Disciplinary Tribunal (the Tribunal) alleged breaches of Rules 2.13.2(b), 3.8.1(b) and (d) by MCK.

The Company accepted that it had breached:

- Rule 2.13.2(b) by having only two members on its Audit Committee from February 2018 until 27 July 2020;
- Rule 3.8.1(b) by not adequately disclosing or explaining its non-compliance with NZX Corporate Governance Code recommendations 2.8, 3.1, 4.2, 5.3 and 8.1 in its annual reports for some or all of the 2017 to 2022 financial years; and
- Rule 3.8.1(d) by not including an evaluation by its Board on its performance with respect to its Diversity Policy in its annual reports for the 2018 to 2022 financial years.

The Tribunal noted that MCK admitted the breaches at the earliest opportunity and co-operated fully with NZ RegCo’s investigation.

The Tribunal ordered MCK to pay a financial penalty of $50,000 ($35,000 for its Audit Committee breach and $15,000 for its annual report breaches), pay the costs of NZX and the Tribunal, and be publicly censured. The determination and public censure were released to the market on 3 November 2023.

SUBSTANTIAL PRODUCT HOLDERS

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 1 March 2024, the substantial product holders in the Company are noted below:

	Securities	Class	%
CDL Hotels Holdings New Zealand Limited	74,743,077	Ordinary Shares	70.79%
abrdn plc	5,962,409	Ordinary Shares	5.65%
abrdn Asia Limited	5,962,409	Ordinary Shares	5.65%

CDL Hotels Holdings New Zealand Limited is a wholly owned subsidiary of Millennium & Copthorne Hotels Limited (formerly Millennium & Copthorne Hotels plc). As at 1 March 2024, 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 2023, the Company’s Directors were Messrs. C Sim, SNB Harrison, K Hangchi, ES Kwek, GA McKenzie and Ms. LS Preston. Messrs. Harrison, Hangchi and Kwek were appointed by Millennium & Copthorne Hotels Limited.

The gender breakdown of the Board at balance date was 5 male directors, 1 female director and 0 gender diverse directors. (2022: 5 male directors, 1 female director and 0 gender diverse directors). MCK currently has 4 female, 5 male and 0 gender diverse officers (2022: 2 female, 5 male and 0 gender diverse 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 2023, 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 2023.

DIRECTORS’ AND ASSOCIATED PERSONS SHAREHOLDINGS (as at 31 December 2023)

Director	2022	2023
Colin Sim	Nil	Nil
Kevin Hangchi	Nil	Nil
Stuart Harrison	Nil	Nil
Eik Sheng Kwek	Nil	Nil
Graham McKenzie	Nil	Nil
Leslie Preston	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 2023 was:

Director	Remuneration
C Sim	42,000
K Hangchi	38,000
SNB Harrison (*)	498,948
ES Kwek (*)	Nil
GA McKenzie	59,000
LS Preston	61,000

(*)Mr. Kwek is the Executive Director of Millennium & Copthorne Hotels Limited. Mr. Kwek does not receive remuneration as a director of the company and Mr. Harrison did not receive remuneration as a director 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 2023, 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 (Aust) Pty Ltd	Autocaps Pastoral Division Pty Limited
Autocaps Vogue Pty Limited	Bathurst Range Investments Pty Limited	Builders Recycling Properties Pty Ltd
Builders Recycling Operations Pty Ltd	Desert Rose Group Pty Limited	Desert Rose Holdings Pty Limited
DMM Investments (NSW) Pty Ltd	East Quarter Group Pty Ltd	East Quarter Hurstville Pty Limited
EQ Equity Pty Ltd	EQ Gosford Pty Ltd	EQ Projects Pty Ltd
EQ Projects Holdings Pty Ltd	EQ Revesby Pty Ltd	EQ Riverside Pty Ltd
EQ Zetland Pty Ltd	Hurstville NSW Pty Limited	Naxta Pty Ltd
New Dale Sim Pty Ltd	PBD Phoenix Pty Limited	PCC Devco 1 Pty Limited
Phoenix Palm Developments Pty Limited	Preslite Drive Technologies Pty Limited	SSK Investments Pty Ltd
SSK Investments No 2 Pty Ltd	SSK Investments O/S Pty Ltd	TECH5 Australia Pty Ltd
Waterbrook Bayview Pty Ltd	Waterbrook Bayview Investment Pty Ltd	
Waterbrook Bayview Village Management Pty Ltd	West Quarter Hurstville Pty Limited	

K HANGCHI

Director of:	CDL Hotels Holdings New Zealand Limited	KIN Holdings Limited
Hong Leong Finance Limited	Hong Leong Finance Nominees Pte Ltd	Hong Leong Nominees (Private) Limited
Millennium Securities Nominees Pte Ltd	Millennium Securities Pte Ltd	Pagsan Investment Pte. Ltd
Singapore Nominees Private Ltd	Sun Yuan Holdings Pte Ltd	Sun Yuan Overseas Pte Ltd

SNB HARRISON
Chair of: Waitangi Resort Joint Venture Committee

Director of:	All Seasons Hotels & Resorts Ltd	Context Securities Ltd
Hospitality Group Ltd	Hospitality Leases Ltd	Hospitality Services Ltd
Kingsgate Hotels Limited	Kingsgate Hotels & Resorts Ltd	Kingsgate International Corporation Limited
Millennium & Copthorne NZ Ltd	QINZ Holdings (New Zealand) Ltd	QINZ (Anzac Avenue) Ltd
Quantum Ltd		

ES KWEK
Chairman / Director / President of: Grand Plaza Hotel Corporation;

Chairman and Director of: Millennium Hotels Italy Holdings srl; Millennium Hotels Palace Management srl; Millennium Hotels Property srl

Director / President of: Five Star Assurance Inc. , The Philippine Fund Limited

Managing Director of: ATOS Holdings GmbH

Director of:

125 OBS (Nominees 1) Limited	125 OBS (Nominees 2) Limited	125 OBS GP Limited
58 High Street Pty Ltd	Actas Holdings Pte. Ltd	Adelanto Investments Pte. Limited
Allinvest Holding Pte. Ltd	Allsgate Properties Limited	Alphagate Holdings Limited
Androgate Properties Limited	Aquarius Properties Pte. Ltd	Archyfield Limited
Ascent View Holdings Pte. Ltd	Aster Land Development Pte Ltd	Aston Properties Pte. Ltd
Atlasgate SG Holdings Pte. Ltd	Atlasgate UK Holdings Pte. Ltd	Atlasgate UK Holdings Limited
Baynes Investments Pte Ltd	Beaumont Properties Limited	Beijing Fortune Hotel Co. Ltd
Bellevue Properties Pte. Ltd	Bestro Holdings Limited	Bloomshine Holdings Limited
BOP Luxembourg (125 Obs) 2 SARL	Branbury Investments Ltd	Bravogate Holdings SARL
Bridge North Limited	Camborne Developments Pte. Ltd	Canterbury Riverside Opco Limited
Canterbury Riverside Propco Limited	Canvey Developments Pte. Ltd	CDL Ace Pte Ltd
CDL Acquisitions Pte. Ltd	CDL Aquila Pte. Ltd	CDL Australia Holdings Pty. Ltd
CDL Centroid Pte Ltd	CDL CityInd Pte Ltd	CDL Cityscape Pte Ltd
CDL Commercial REIT Management Pte. Ltd	CDL Conservo Pte Ltd	CDL Constellation Pte. Ltd
CDL Crestview Holdings Pte. Ltd	CDL Crown REIT Management Pte. Ltd	CDL Entertainment & Leisure Pte. Ltd
CDL Evergreen Pte. Ltd	CDL Hotels (Chelsea) Ltd	CDL Hotels (Korea) Ltd
CDL Hotels (Labuan) Ltd	CDL Hotels (Malaysia) Sdn. Bhd	CDL Hotels (U.K.) Ltd
CDL Hotels Australia Holdings (SG) Pte Ltd	CDL Hotels Australia Holdings Pty Ltd	CDL Hotels Japan Pte. Ltd
CDL Infinity Pte. Ltd	CDL Investments New Zealand Limited	CDL Kingtse Pte Ltd
CDL Land Pte. Ltd	CDL Libra Commercial Pte. Ltd	CDL Libra Pte. Ltd
CDL Management Services Pte. Ltd	CDL Netherlands Investments BV	CDL Orion Investment Holdings Pte. Ltd
CDL Pavona Pte Ltd	CDL Pegasus Pte. Ltd	CDL Perseus Pte. Ltd
CDL Pisces Commercial Pte. Ltd	CDL Pisces Services Residences Pte. Ltd	CDL Pro Star Development Pty Ltd
CDL Properties BV	CDL Queensray Pte Ltd	CDL Real Estate Asset Managers Pte Ltd
CDL Real Estate Investment Managers Pte Ltd	CDL Regulus Pte. Ltd	CDL Sakura Pte Ltd
CDL Shanghai Holdings Pte. Ltd	CDL Suzhou Investment Pte. Ltd	Central Mall Pte. Ltd
Centro Investment Holding Pte Ltd	Centro Property Holding Pte Ltd	Chania Holdings Limited
Chestnut Avenue Developments Pte Ltd	Cideco Pte Ltd	City Bonsai Pte Ltd
City Boost Pte. Ltd	City Century Pte. Ltd	City Condominiums Pte. Ltd
City Connected Communities Pte. Ltd	City Delta Pte. Ltd	City Developments Investments Pte. Ltd
City Developments Realty Limited	City Elite Pte. Ltd	City Gemini Pte Ltd
City Grand Investments Limited	City Hotels Pte Limited	City Ikonik Pte. Ltd
City Leo Pte Ltd	City Lux Pte. Ltd	City Montage Pte. Ltd
City Platinum Holdings Pte. Ltd	City REIT Management Pte. Ltd	City Resyde Pte. Ltd

City Sceptre Investments Pte. Ltd
City Serviced Offices Pte. Ltd
City Strategic Equity Pte. Ltd
City Sunshine Holdings Pte. Ltd
City Thrive Pte. Ltd
Citydev Real Estate (Singapore) Pte. Ltd
Citydev Venture Holdings Pte. Ltd
Cityview Place Holdings Pte. Ltd
Cityzens Developments Pte Ltd
Copthorne (Nominees) Limited
Copthorne Aberdeen Limited
Copthorne Hotel (Birmingham) Limited
Copthorne Hotel (Cardiff) Limited
Copthorne Hotel (Effingham Park) Limited
Copthorne Hotel (Gatwick) Limited
Copthorne Hotel (Manchester) Limited
Copthorne Hotel (Merry Hill) Construction Limited
Copthorne Hotel (Merry Hill) Limited
Copthorne Hotel (Newcastle) Limited
Copthorne Hotel (Plymouth) Limited
Copthorne Hotel (Slough) Limited
Copthorne Hotel Holdings Limited
Copthorne Hotels Limited
Copthorne Orchid Hotel Singapore Pte Ltd
Copthorne Orchid Hotel Penang Sd. Bhd.
Crescent View Developments Pte Ltd
Delfi One Investments Pte Ltd
Delfi Three Investments Pte Ltd
Delfi Two Investments Pte Ltd
Diplomat Hotel Holding Company Limited
Eastwest Portfolio Pte Ltd
Easy Thrive Ventures Limited
Educado Company Limited
Elite Hotel Management Services Pte Ltd
Ellinois Management Services Pte Ltd
Euroform (S) Pte Ltd
Ferguson Hotels Holdings Limited
Ferguson Investment Corp.
Finite Properties Investment Limited
First Platinum Holdings Pte. Ltd
Freshview Developments Pte Ltd
Friars Road Manco Limited
Glades Properties Pte. Ltd
Grande Strategic Pte. Ltd
Grange 100 Pte Ltd
Granmill Holdings Pte Ltd
Greystand Holdings Limited
Guan Realty (Private) Limited
Harbour Land Corporation
Harbour View Hotel Pte Ltd
Harrow Entertainment Pte Ltd
Heritage Pro International Limited
Highline Holdings Limited
Highline Investments GP Limited
Highline Properties GP Limited
Hoko Fitzroy Pty Ltd
Hoko Kenmore Pty Ltd
Hoko Macaulay Pty Ltd
Hoko Mina Pty Ltd
Hoko Spencer Pty Ltd
Hoko Toowong Pty Ltd
Hong Bee Hardware Company Sdn Berhad
Hong Leong Enterprises Pte Ltd
Hong Leong Foundation
Hong Leong Hotel Development Limited
Hong Leong International Hotel (Singapore) Pte Ltd
Hong Leong Properties Pte Limited
Hospitality Holdings Pte Ltd
Hospitality Ventures Pte Ltd
Hotel Liverpool Limited
Hotel Liverpool Management Limited
HSRE Crosslane (Coventry) Limited
HSRE Crosslane (Leeds) Limited
HSU JV Holdco Limited
HThree City Jade Pte Ltd
Iconique Tokutei Mokuteki Kaisha
Infinity Properties Limited
Iselin Limited
Island Glades Developments Pte Ltd
Jayland Properties Limited
Keygate Holdings Limited
King's Tanglin Shopping Pte Ltd
Kwek Holdings Pte Ltd
Kwek Hong Png Investment Pte Ltd
Landco Properties Limited
Le Grove Management Pte Ltd
Legend Commercial Pte Ltd
Legend Commercial Trustee Pte Ltd
Legend Investment Holdings Pte Ltd
Legend Quay Pte Ltd
Lightspark Holdings Limited
Lingo Enterprises Limited
Lingo Enterprises Limited (Singapore Branch)
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 Business Trust Management Limited (as trustee-manager of CDL Hospitality Business Trust)
M&C Capital Pte Ltd
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 Holdings USA Limited
M&C Hotels Japan Pte Limited
M&C New York Finance (UK) Limited
M&C REIT Management Limited
M&C Restaurants (London) Limited
M&C Sakura Hotel Pte Ltd
M&C Sakura Hotel Pte Ltd
M&C Singapore Finance (UK) Limited
M&C Singapore Holdings (UK) Limited
M&C Sponsorship Limited
Marquee Brisbane Hotel 2 Pty Limited
Marquee Brisbane Hotel Pty Limited
Marquee Hotel Holdings Pty Limited
Max Office (SKD) General Partner Limited
Melvale Holdings 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 & Copthorne Share Trustees Limited
Millennium Hotel Holdings EMEA Limited
Millennium Hotels & Resorts Services Limited
Millennium Hotels (West London) Limited
Millennium Hotels (West London) Management Limited
Millennium Hotels Europe Holdings Limited
Millennium Hotels Limited
Millennium Hotels London Limited
MPG St Katharine Finance Limited
MPG St Katharine GP Limited
MPG St Katharine Limited
MPG St Katharine LP Limited
MPG St Katharine Nominee Limited
MPG St Katharine Nominee Two Limited
New Bath Court (Opco) Limited
New Bath Court Limited
New Empire Investments Pte Ltd
New Unity Holdings Ltd.
New Vista Realty Pte Ltd
Newbury Investments Pte Ltd
Newmarket Property Holdings Limited
Northgate Investments Limited
Novel Developments Pte Ltd
Palmerston Holdings Sdn. Bhd.
Paradise Investments Limited
Pavo Properties Pte Ltd
Pinenorth Properties Limited
Qaiser Holdings Limited
Queensway Hotel Holdings Limited
Queensway Hotel Limited
Rainbow North Limited
Redvale Developments Pte Ltd
Redvale Investments Pte Ltd
Redvale Properties Pte Ltd
Rehi Normanby Pty Limited
Republic Hotels and Resorts Limited
Republic Iconic Hotel Pte Ltd
Republic Plaza City Club (Singapore) Pte Ltd
Reselton Properties Limited
Richmond Hotel Pte Ltd
Richview Holdings Pte Ltd
Rogo Investments Pte Ltd
Rogo Realty Corporation
Scentview Holding Limited
Scottsdale Properties Pte Ltd
Serangoon Green Pte Ltd
Siena Commercial Development Pte Ltd
Siena Residential Development Pte Ltd
Siena Trustee Pte Ltd
Silkparc Holdings Limited
Singapura Developments (Private) Limited
SKD Marina Limited
SKIL Four Limited
SKIL Three Limited
Sonic Investment Pte. Limited
South Beach International Hotel Management Pte Ltd
Southwaters Investment Pte Ltd
Sparkland Holdings Pte Ltd
Summervale Properties Pte Ltd
Summit Vistas Pte Ltd
Sunmaster Holdings Pte Ltd
Sunny Vista Developments Pte Ltd
Sunshine Plaza Pte Ltd
Sycamore House Manco Limited
TC Development Pte Ltd
Tempus Platinum Investments Tokutei Mokuteki Kaisha
TOSCAP Limited
Treasure Realm Limited
Trentwell Management Pte Ltd
Trentworth Properties Limited
Ventagrand Holdings Limited
Verwood Holdings Pte Ltd
Vinemont Investments Pte Ltd
Welland Investments Limited
White Haven Properties Pte Ltd
Whitehall Holdings Limited
Zatrio Pte Ltd

General Manager of : M& C Hotels France SAS

Manager of : M&C Hotels France Management SARL

Alternate Director of: Mount V Development Pte Ltd; South Beach Consortium Pte Ltd

G A MCKENZIE

Director of:
Cranley Farms Limited
CMO Energy NZ
GMACK Consulting Ltd
Valar NZ Ltd

Independent Trustee of: Development West Coast

L S PRESTON

Director of:
3M6 Property Limited
Ingenio Group Holdings Limited
Ingenio Limited
Ingenio Services Limited
Rose And Thorne Design Limited

Member of: Expert Advisory Panel, Innovation Programme for Tourism Recovery, Ministry of Business, Innovation and Employment

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 2023 are as follows:

Remuneration and value of other benefits	Number of employees
100001 - 110000	1
110001 - 120000	11
120001 - 130000	10
130001 - 140000	5
140001 - 150000	2
150001 - 160000	6
160001 - 170000	1
170001 - 180000	1
180001 - 190000	2
190001 - 200000	1
200001 - 210000	1
210001 - 220000	1
230001 - 240000	1
240001 - 250000	1
250001 - 260000	1
260001 - 270000	1
270001 - 280000	1
490001 - 500000	1

DONATIONS (section 211(1)(h) and (2)
The Company and its subsidiaries made donations to charity totaling $36,082 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:

	2022 ($'000)		2023 ($'000)	
	New Zealand	Australia	New Zealand	Australia
Annual Audit	332	28	374	31
KPMG Other Services	34	Nil	175	Nil

SUBSIDIARY COMPANIES AND DIRECTORS (section 211(2) of the Companies Act 1993)
The Company's subsidiaries and their directors as at 31 December 2023 are listed below:

NAME	DIRECTORS	OWNERSHIP	ACTIVITY
All Seasons Hotels and Resorts Ltd	SNB Harrison, JB Pua	100%	Non-trading
CDL Investments New Zealand Ltd (▼)	C Sim, JC Adams, J Henderson, DJ Jameson, ES Kwek, VWE Yeo	65.99%	Holding Company
CDL Land New Zealand Ltd	JC Adams, T Ito, JB Pua	65.99%	Property Investment & Development Company
Context Securities Ltd	SNB Harrison, JB Pua	100%	Investment Holding Company
Hospitality Group Ltd	SNB Harrison, N Hood, K Orr	100%	Holding Company
Hospitality Leases Ltd	SNB Harrison, JB Pua	100%	Lessee Company
Hospitality Services Ltd	SNB Harrison, K Orr, JB Pua	100%	Hotel Management Company
Hotelcorp New Zealand Ltd	JB Pua, JSS Tan	100%	Holding Company (Australia)
KIN Holdings Ltd	JB Pua, K Hangchi	100%	Holding company
Kingsgate Holdings Pty Ltd	JB Pua, JSS Tan	100%	Holding Company
Kingsgate Hotels And Resorts Ltd	SNB Harrison, JB Pua	100%	Franchise Holder
Kingsgate Hotels Ltd	SNB Harrison, JB Pua	100%	Non-trading
Kingsgate Hotel Pty Ltd	JB Pua, JSS Tan	100%	Non-trading (Australia)
Kingsgate Investments Pty Ltd	JB Pua, JSS Tan	100%	Residential Apartment Owner (Australia)
Kingsgate International Corporation Ltd	SNB Harrison, JB Pua,	100%	Holding Company
Millennium & Copthorne NZ Ltd	SNB Harrison, JB Pua	100%	Non-trading
Marquee Brisbane Hotel Pty Ltd	ES Kwek, DKO Ling, JSS Tan	50%	Investment Holding Company (Australia)
Marquee Brisbane Hotel 2 Pty Ltd	ES Kwek, DKO Ling, JSS Tan	50%	Investment Holding Company (Australia)
Marquee Hotel Holdings Pty Ltd	ES Kwek, DKO Ling, JSS Tan	50%	Investment Holding Company (Australia)
Marquee Hotel Operations Pty Ltd	JSS Tan, KS Yam	50%	Property Management Company(Australia)
Millennium & Copthorne Hotels Pty Ltd	JB Pua, JSS Tan	100%	Non-trading (Australia)
QINZ (Anzac Avenue) Ltd	SNB Harrison JB Pua	100%	Hotel Owner
QINZ Holdings (New Zealand) Ltd	SNB Harrison JB Pua	100%	Holding Company
Quantum Ltd	SNB Harrison K Orr, JB Pua,	100%	Holding company

(▼) Listed on the New Zealand Stock Exchange

--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 2023: C Sim ($35,000), JC Adams ($416,444), J Henderson ($30,000), DJ Jameson ($30,000), VWE Yeo ($30,000).

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Colin Sim	(Independent Director / Chairman)
Stuart Harrison	(Managing Director)
Kevin Hangchi	(Non-Executive Director)
Eik Sheng Kwek	(Non-Executive Director)
Graham McKenzie	(Independent Director)
Leslie Preston	(Independent Director/Chair of Audit Committee)

SENIOR MANAGEMENT

Louise Borton	(Director, Property Management)
Brendan Davies	(Director, International and Corporate Sales)
Sam Horsnell	(Director of Sales, Conferences and Incentives)
Takeshi Ito	(Vice President Legal & Company Secretary)
Nathan Kruger	(Director, Information Technology)
Lisa Maclean	(Director, Human Resources)
Ken Orr	(Vice President Operations)
Boon Pua	(Vice President Finance)
Josie Wilson	(Director, Revenue and Distribution)

REGISTERED OFFICE & CONTACT DETAILS

Level 7, 23 Customs Street East, Auckland, 1010
PO Box 5640, Victoria Street West, Auckland 1142

Telephone:	(09) 353 5010
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

SUPPORT OFFICE
Ph: (09) 353 5010
Level 7, 23 Customs Street East, Auckland 1010
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