# CDL Investments New Zealand Limited

## Consolidated Statement of Comprehensive Income

### For the year ended 31 December 2019

| *In thousands of dollars* | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| Revenue | | 91,610 | 84,954 |
| Cost of sales | | (40,861) | (35,861) |
| **Gross Profit** | | **50,749** | **49,093** |
| Other income | | 184 | 76 |
| Administrative expenses | 3, 4 | (240) | (236) |
| Property expenses | | (384) | (403) |
| Selling expenses | | (2,559) | (2,151) |
| Other expenses | 3, 4 | (1,349) | (1,312) |
| **Results from operating activities** | | **46,401** | **45,067** |
| Finance income | 5 | 1,029 | 1,652 |
| Finance costs | 5 | (4) | - |
| **Net finance income** | | **1,025** | **1,652** |
| **Profit before income tax** | | **47,426** | **46,719** |
| Income tax expense | 6 | (13,286) | (13,078) |
| **Profit for the period** | | **34,140** | **33,641** |
| **Total comprehensive income for the period** | | **34,140** | **33,641** |
| **Profit attributable to:** | | | |
| Equity holders of the parent | | 34,140 | 33,641 |
| **Total comprehensive income for the period** | | **34,140** | **33,641** |
| Earnings per share (cents per share) | 13 | 12.26 | 12.10 |

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

# Consolidated Statement of Changes in Equity

## For the year ended 31 December 2019

| | | Group | | |
|---|---|---|---|---|
| *In thousands of dollars* | Note | Share Capital | Retained Earnings | Total Equity |
| Balance at 1 January 2018 | | 54,310 | 131,802 | 186,112 |
| **Total comprehensive income for the period** | | | | |
| Profit for the period | | - | 33,641 | 33,641 |
| **Total comprehensive income for the period** | | **-** | **33,641** | **33,641** |
| **Transactions with owners of the Company** | | | | |
| Shares issued under dividend reinvestment plan | 12 | 554 | - | 554 |
| Dividend to shareholders | 12 | - | (9,713) | (9,713) |
| Supplementary dividend | | - | (309) | (309) |
| Foreign investment tax credits | | - | 309 | 309 |
| **Balance at 31 December 2018** | | **54,864** | **155,730** | **210,594** |
| Balance at 1 January 2019 | | 54,864 | 155,730 | 210,594 |
| **Total comprehensive income for the period** | | | | |
| Profit for the period | | - | 34,140 | 34,140 |
| **Total comprehensive income for the period** | | **-** | **34,140** | **34,140** |
| **Transactions with owners of the Company** | | | | |
| Shares issued under dividend reinvestment plan | 12 | 510 | - | 510 |
| Dividend to shareholders | 12 | - | (9,734) | (9,734) |
| Supplementary dividend | | - | (309) | (309) |
| Foreign investment tax credits | | - | 309 | 309 |
| **Balance at 31 December 2019** | | **55,374** | **180,136** | **235,510** |

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

# CDL Investments New Zealand Limited

## Consolidated Statement of Financial Position

### As at 31 December 2019

| *In thousands of dollars* | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| SHAREHOLDERS' EQUITY | | | |
| Issued capital | 12 | 55,374 | 54,864 |
| Retained earnings | | 180,136 | 155,730 |
| **Total Equity** | | **235,510** | **210,594** |
| *Represented by:* | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | | 32 | 4 |
| Development property | 8 | 145,138 | 124,652 |
| Investment in associate | 17 | 2 | 2 |
| **Total Non Current Assets** | | **145,172** | **124,658** |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 11 | 34,435 | 7,280 |
| Short term deposits | 14 | 19,620 | 38,620 |
| Trade and other receivables | 10 | 3,932 | 1,984 |
| Development property | 8 | 37,541 | 45,072 |
| **Total Current Assets** | | **95,528** | **92,956** |
| **Total Assets** | | **240,700** | **217,614** |
| NON CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 9 | 63 | 71 |
| Lease liability | | 10 | - |
| **Total Non Current liabilities** | | **73** | **71** |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 984 | 2,175 |
| Employee entitlements | | 38 | 32 |
| Income tax payable | | 4,081 | 4,742 |
| Lease liability | | 14 | - |
| **Total Current Liabilities** | | **5,117** | **6,949** |
| **Total Liabilities** | | **5,190** | **7,020** |
| **Net Assets** | | **235,510** | **210,594** |

For and on behalf of the Board

R AUSTIN, DIRECTOR, 10 February 2020 BK CHIU, MANAGING DIRECTOR, 10 February 2020

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

# Consolidated Statement of Cash Flows

## For the year ended 31 December 2019

| *In thousands of dollars* | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| **Cash was provided from:** | | | |
| Receipts from customers | | 89,650 | 84,702 |
| Interest received | | 1,225 | 1,722 |
| **Cash was applied to:** | | | |
| Payment to suppliers | | (49,854) | (32,833) |
| Payment to employees | | (527) | (550) |
| Deposits paid on unconditional contracts for development land | | (78) | - |
| Purchase of development land | | (9,060) | (51,557) |
| Income tax paid | | (13,646) | (11,390) |
| Net Cash Inflow/(Outflow) from Operating Activities | | 17,710 | (9,906) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| **Cash was provided from:** | | | |
| Short term deposits | | 38,620 | 46,500 |
| **Cash was applied to:** | | | |
| Purchase of plant and equipment | | (6) | - |
| Short term deposits | | (19,620) | (38,620) |
| Net Cash Inflow From Investing Activities | | 18,994 | 7,880 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| **Cash was applied to:** | | | |
| Dividend paid | | (9,224) | (9,159) |
| Principal repayment of lease liability | | (16) | - |
| Supplementary dividend paid | | (309) | (309) |
| Net Cash Outflow from Financing Activities | | (9,549) | (9,468) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 27,155 | (11,494) |
| Add Opening Cash and Cash Equivalents | | 7,280 | 18,774 |
| **Closing Cash and Cash Equivalents** | 11 | 34,435 | 7,280 |

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

# Consolidated Statement of Cash Flows - continued

## For the year ended 31 December 2019

| *In thousands of dollars* | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net Profit after Taxation | | 34,140 | 33,641 |
| **Adjusted for non cash items:** | | | |
| Depreciation of plant & equipment | | 1 | 1 |
| Depreciation of right-of-use assets | | 14 | - |
| Income tax expense | 6 | 13,286 | 13,078 |
| **Adjustments for movements in working capital:** | | | |
| Increase in receivables | | (1,948) | (258) |
| Increase in development properties | | (12,955) | (45,025) |
| Increase/(Decrease) in payables | | (1,182) | 47 |
| **Cash generated from operating activities** | | **31,356** | **1,484** |
| Income tax paid | | (13,646) | (11,390) |
| **Cash Inflow/(Outflow) from Operating Activities** | | **17,710** | **(9,906)** |

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

## SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

CDL Investments New Zealand Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is a FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The financial statements of the Company for the year ended 31 December 2019 comprises the Company and its subsidiary (together referred to as the "Group").

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

**(a) Statement of compliance**

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

The financial statements were authorised for issuance on 10 February 2020.

**(b) Basis of preparation**

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

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 2 – Accounting Estimates and Judgements.

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

The Group has adopted one standard, NZ IFRS 16 *Leases* that is mandatory for the financial period beginning on 1 January 2019.

*Impact of adoption of NZ IFRS 16 Leases*
Effective 1 January 2019, the Group adopted NZ IFRS 16, using the modified retrospective approach. This standard requires a right-of-use asset and a corresponding lease liability to be recognised on the balance sheet in respect of the leased assets. The lease expense will be replaced with an interest expense and a depreciation expense in the income statement.

On adoption of NZ IFRS 16, the Group recognised a right-of-use asset of $36,000 and a lease liability of $36,000 from two motor vehicle leases. When measuring lease liability, the Group discounted the lease payments using the present value of the remaining lease payments, discounted at the incremental borrowing rate of 14.55%.

It has been determined that the impact of the new standard on the current year's profit and loss is insignificant:

- Operating expenses reduced by a net total of $2,000 from an additional depreciation expense on right-of-use assets of $14,000 and a credit of $16,000 from lease payments posted as a reduction to lease liability on the balance sheet;
- Finance costs increased by the lease liability interest expense of $4,000; and
- Net Profit before tax decreased by $2,000.

**Significant accounting policies** - continued

**(d) Basis of consolidation**

**(i) Subsidiaries**

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

**(ii) Subsidiaries**

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

**(e) Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service. Depreciation on assets is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Plant and equipment | 3 - 10 years |

**(f) Trade and other payables**

Trade and other payables are stated at cost.

**(g) Revenue**

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

**(h) New standards and interpretations not yet adopted**

The following new standards and amendments to standards are not yet effective for the year ended 31 December 2019, and have not been applied in preparing these consolidated financial statements:

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

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

## 1. SEGMENT REPORTING

**Operating segments**
The single operating segment of the Group consists of property operations, comprising the development and sale of residential land sections.

The Group has determined that its chief operating decision maker is the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

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

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

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

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

## 2. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

**Key sources of estimation uncertainty**
In Note 14, detailed analysis is given of the interest rate and credit risk exposure of the Group and risks in relation thereto. The Group is also exposed to a risk of impairment to development properties should the carrying value exceed the market value due to market fluctuations in the value of development properties. However, there is no indication of impairment as in Note 8 the carrying value of development properties is $182,679,000 (2018: $169,724,000) while the market value determined by an independent registered valuer is $315,620,000 (2018: $337,765,000).

## 3. ADMINISTRATIVE AND OTHER EXPENSES

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

| *In thousands of dollars* | | Group | |
|---|---|---|---|
| | Note | 2019 | 2018 |
| Auditors' remuneration | | | |
| - Audit fees | | 54 | 53 |
| - Scrutineering fees | | - | 3 |
| - Tax compliance & tax advisory fees | | 7 | 12 |
| Depreciation | | 15 | 1 |
| Directors' fees | 17 | 130 | 133 |
| Rental payments | | 66 | 82 |
| Other | | 790 | 714 |
| Total excluding personnel expenses | | **1,062** | **998** |

## 4. PERSONNEL EXPENSES

| *In thousands of dollars* | Group | |
|---|---|---|
| | 2019 | 2018 |
| Wages and salaries | 455 | 494 |
| Employee related expenses and benefits | 70 | 55 |
| Increase in liability for long-service leave | 2 | 1 |
| | **527** | **550** |

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

## 5. NET FINANCE INCOME

| *In thousands of dollars* | Group | |
|---|---|---|
| | 2019 | 2018 |
| Interest income | 1,029 | 1,652 |
| Finance income | 1,029 | 1,652 |
| | | |
| Interest expense | (4) | - |
| Finance costs | (4) | - |
| | | |
| Net finance income | **1,025** | **1,652** |

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

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

## 6. INCOME TAX EXPENSE

### Recognised in the statement of comprehensive income

| *In thousands of dollars* | Group | |
|---|---|---|
| **Current tax expense** | 2019 | 2018 |
| Current year | 13,289 | 13,012 |
| Adjustments for prior years | 5 | (3) |
| | 13,294 | 13,009 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | (10) | 69 |
| Adjustments for prior years | 2 | - |
| | 8 | 69 |
| Total income tax expense in the statement of comprehensive income | **13,286** | **13,078** |

### Reconciliation of effective tax rate

| *In thousands of dollars* | Group | |
|---|---|---|
| | 2019 | 2018 |
| Profit before income tax | 47,426 | 46,719 |
| Income tax using the company tax rate of 28% (2018: 28%) | 13,279 | 13,081 |
| Adjusted for: | | |
| Under/(over) provided in prior years | 7 | (3) |
| | **13,286** | **13,078** |
| Effective tax rate | **28%** | **28%** |

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences relating to investments in subsidiaries are not provided for to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

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

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## 7. IMPUTATION CREDITS

| *In thousands of dollars* | Group | |
|---|---|---|
| | 2019 | 2018 |
| Imputation credits available for use in subsequent reporting periods | 67,765 | 57,594 |

## 8. DEVELOPMENT PROPERTY

| *In thousands of dollars* | Group | |
|---|---|---|
| | 2019 | 2018 |
| Expected to settle greater than one year | 145,138 | 124,652 |
| Expected to settle within one year | 37,541 | 45,072 |
| Development property | **182,679** | **169,724** |

Development property is carried at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, and holding costs such as interest. Interest and other holding costs incurred after completion of development are expensed as incurred. All holding costs are written off through profit or loss in the year incurred with the exception of interest holding costs which are capitalised during the period when active development is taking place. No interest (2018: $287,000) has been capitalised during the year. Development property includes deposits paid on unconditional contracts for development land.

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

The value of development property held at 31 December 2019 was determined, on an open market existing use basis, by an independent registered valuer, DM Koomen SPINZ of Extensor Advisory Limited as $315.6 million (2018: $337.8 million). The fair value is determined to estimate the net realisable value.

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

## 9. DEFERRED TAX ASSETS AND LIABILITIES

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| *In thousands of dollars* | Group | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Plant and equipment | - | - | - | (1) | - | (1) |
| Development property | - | - | (118) | (126) | (118) | (126) |
| Employee benefits | 48 | 56 | - | - | 48 | 56 |
| Trade and other payables | 7 | - | - | - | 7 | - |
| Net tax assets/(liabilities) | **55** | **56** | **(118)** | **(127)** | **(63)** | **(71)** |

## 9. DEFERRED TAX ASSETS AND LIABILITIES - continued

### Movement in deferred tax balances during the year

| *In thousands of dollars* | Group | | |
|---|---|---|---|
| | Balance 1 Jan 2018 | Recognised in profit or loss | Balance 31 Dec 2018 |
| Plant and equipment | (1) | - | (1) |
| Development property | (47) | (79) | (126) |
| Employee benefits | 41 | 15 | 56 |
| Trade and other payables | 5 | (5) | - |
| | **(2)** | **(69)** | **(71)** |

### Movement in deferred tax balances during the year

| *In thousands of dollars* | Group | | |
|---|---|---|---|
| | Balance 1 Jan 2019 | Recognised in profit or loss | Balance 31 Dec 2019 |
| Plant and equipment | (1) | 1 | - |
| Development property | (126) | 8 | (118) |
| Employee benefits | 56 | (8) | 48 |
| Trade and other payables | - | 7 | 7 |
| | **(71)** | **8** | **(63)** |

## 10. TRADE AND OTHER RECEIVABLES

| *In thousands of dollars* | Group | |
|---|---|---|
| | 2019 | 2018 |
| Trade receivables | 29 | 176 |
| Other receivables and prepayments | 3,903 | 1,808 |
| Trade and other receivables | **3,932** | **1,984** |

None of the trade and other receivables are impaired.

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

## 11. CASH AND CASH EQUIVALENTS

| *In thousands of dollars* | Group | |
|---|---|---|
| | 2019 | 2018 |
| Bank balances | 3,935 | 2,280 |
| Call deposits | 30,500 | 5,000 |
| Cash and cash equivalents | **34,435** | **7,280** |

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

## 12. CAPITAL AND RESERVES

### Share capital

| | Parent | | | |
|---|---|---|---|---|
| | 2019 | 2019 | 2018 | 2018 |
| | Shares '000s | $000's | Shares '000s | $000's |
| Shares issued 1 January | 278,119 | 54,864 | 277,514 | 54,310 |
| Issued under dividend reinvestment plan | 687 | 510 | 605 | 554 |
| Total shares issued and outstanding | **278,806** | **55,374** | **278,119** | **54,864** |

All shares carry equal rights and rank pari passu with regard to residual assets of the Company and do not have a par value. At 31 December 2019, the authorised share capital consisted of 278,805,580 fully paid ordinary shares (2018: 278,118,487).

## 12. CAPITAL AND RESERVES – continued

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

Accordingly, the Company issued 687,093 additional shares under the Dividend Reinvestment Plan on 17 May 2019 (2018: 604,516) at a strike price of $0.7422 per share issued (2018: $0.9154).

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

| *In thousands of dollars* | Parent | |
|---|---|---|
| | 2019 | 2018 |
| 3.5 cents per qualifying ordinary share (2018: 3.5 cents) | 9,734 | 9,713 |
| | **9,734** | **9,713** |

After 31 December 2019 the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences. It is anticipated that a portion of the dividends declared will be paid by way of shares through the Dividend Reinvestment Plan.

| *In thousands of dollars* | Parent |
|---|---|
| 3.5 cents ordinary dividend per qualifying ordinary share | 9,758 |
| 3.5 cents total dividend per qualifying ordinary share | 9,758 |

## 13. EARNINGS PER SHARE

**Basic and diluted earnings per share**
The basic earnings per share and the diluted earnings per share are the same. The calculation of basic and diluted earnings per share at 31 December 2019 was based on the profit attributable to ordinary shareholders of $34,140,000 (2018: $33,641,000); and weighted average number of ordinary shares outstanding during the year ended 31 December 2019 of 278,577,000 (2018: 277,917,000), calculated as follows:

**Profit attributable to ordinary shareholders (basic & diluted)**

| *In thousands of dollars* | Group | |
|---|---|---|
| | 2019 | 2018 |
| Profit for the period | 34,140 | 33,641 |
| Profit attributable to ordinary shareholders | **34,140** | **33,641** |

**Weighted average number of ordinary shares**

| | Parent | |
|---|---|---|
| | 2019 | 2018 |
| | Shares '000s | Shares '000s |
| Issued ordinary shares at 1 January | 278,119 | 277,514 |
| Effect of 687,093 shares issued in May 2019 | 458 | - |
| Effect of 604,516 shares issued in May 2018 | - | 403 |
| Weighted average number of ordinary shares at 31 December | **278,577** | **277,917** |

## 14. FINANCIAL INSTRUMENTS

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

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

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

## 14. FINANCIAL INSTRUMENTS – continued

| *In thousands of dollars* | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and cash equivalents | 11 | 34,435 | 7,280 |
| Short term deposits | | 19,620 | 38,620 |
| Trade and other receivables | 10 | 3,932 | 1,984 |
| **Financial Liabilities** | | | |
| Trade and other payables | | 984 | 2,175 |

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

**Credit risk**
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

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

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

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

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

**Interest rate risk**
The Group has no exposure to interest rate risk as there are no funding facilities (2018: nil). However, the Group is exposed to movements in interest rates on short-term investments which is explained in the Sensitivity analysis. Interest income is earned on the cash and cash equivalent balance and the short term deposits balance.

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

| **Group** | | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| *In thousands of dollars* | Note | Effective interest rate | Total | 6 months or less | 6-12 months | Effective interest rate | Total | 6 months or less | 6-12 months |
| Cash and cash equivalents | 11 | 0.00% to 1.68% | 34,435 | 34,435 | - | 0.00% to 2.53% | 7,280 | 7,280 | - |
| Short term deposits | | 2.15% to 3.00% | 19,620 | 19,500 | 120 | 3.20% to 3.46% | 38,620 | 22,000 | 16,620 |
| | | | **54,055** | **53,935** | **120** | | **45,900** | **29,280** | **16,620** |

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

A decrease of one percentage point in interest rates would have decreased the Group's profit before income tax by $299,000 (2018: $422,000) in the current period.

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## 14. FINANCIAL INSTRUMENTS – continued

**Liquidity risk**
Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities. It is the Group's policy to provide credit and liquidity enhancement only to wholly owned subsidiaries.

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

| **Group** | **2019** | | | **2018** | | |
|---|---|---|---|---|---|---|
| *In thousands of dollars* | **Balance Sheet** | **6 months or less** | **6-12 months** | **Balance Sheet** | **6 months or less** | **6-12 months** |
| Trade and other payables | 984 | 984 | - | 2,175 | 2,175 | - |
| | **984** | **984** | **-** | **2,175** | **2,175** | **-** |

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

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

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

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

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

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

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

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

## 15. OPERATING LEASES

**Leases as Lessee**
Non-cancellable operating lease rentals are payable as follows:

| *In thousands of dollars* | **Group** | |
|---|---|---|
| | **2019** | **2018** |
| Less than one year | - | 16 |
| Between one and five years | - | 27 |
| | **-** | **43** |

During the year ended 31 December 2019, no payment was recognised as an expense in profit or loss in respect of operating leases (2018: $16,000) due to the adoption of NZ IFRS 16 Leases.

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## 16. CAPITAL AND LAND DEVELOPMENT COMMITMENTS

As at 31 December 2019, the Group had entered into contractual commitments for development expenditure and purchases of land. Contractual agreements for the purchase of land are subject to a satisfactory outcome of the Group's due diligence process, board approval, and OIO approval. Development expenditure represents amounts contracted and forecast to be incurred in 2020 in accordance with the Group's development programme.

| *In thousands of dollars* | Group | |
|---|---|---|
| | **2019** | **2018** |
| Development expenditure | 30,845 | 42,496 |
| Land purchases | 13,631 | 46,132 |
| | **44,476** | **88,628** |

## 17. RELATED PARTIES

**Identity of related parties**
The Company has a related party relationship with its subsidiary as well as a fellow subsidiary of its parent (see Note 18), and with its Directors and executive officers.

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

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

| *In thousands of dollars* | Group | |
|---|---|---|
| | **2019** | **2018** |
| C Sim | 35 | 38 |
| VWE Yeo | 30 | 30 |
| KS Tan | - | - |
| R Austin | 35 | 35 |
| J Henderson | 30 | 30 |
| Total for non-executive directors | 130 | 133 |
| BK Chiu | - | - |
| Total for executive directors | - | - |
| | **130** | **133** |

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

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

**Investment in associate**
The Company's subsidiary, CDL Land New Zealand Limited, has a 33.33% investment in Prestons Road Limited. The principal activities of Prestons Road Limited are as a service provider and in this regard, it is charged with engaging suitably qualified consultants in fields such as geotechnical engineering, resource management compliance, subdivision of land, legal and regulatory compliance and related issues.

The associate has no revenue or expenses, therefore the Group's share of profit in its associate for the year was nil (2018: nil).

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

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

**17. RELATED PARTIES – Investment in associate –** continued

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or 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 associate.

**18. GROUP ENTITIES**

**Control of the Group**

CDL Investments New Zealand Limited is a subsidiary of Millennium & Copthorne Hotels New Zealand Limited by virtue of Millennium & Copthorne Hotels New Zealand Limited owning 66.26% (2018: 66.42%) of the Company and having three out of six of the Directors on the Board. Millennium & Copthorne Hotels New Zealand Limited is 70.79% (2018: 70.79%) owned by CDL Hotels Holdings New Zealand Limited (computed on voting shares), which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate holding company is Hong Leong Investment Holdings Pte Ltd in Singapore.

During the year CDL Investments New Zealand Limited has reimbursed its parent, Millennium & Copthorne Hotels New Zealand Limited, $318,000 (2018: $314,000) for expenses incurred by the parent on behalf of the Group.

During 2019, CDL Investments New Zealand Limited issued no additional shares (2018: nil) to its parent, Millennium & Copthorne Hotels New Zealand Limited, under the Dividend Reinvestment Plan (see Note 12). The total shares on issue to Millennium & Copthorne Hotels New Zealand Limited is 184,724,438 (2018: 184,724,438).

# Independent Auditor's Report

To the shareholders of CDL Investments New Zealand Limited

**Report on the audit of the consolidated financial statements**

## Opinion

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

i. present fairly in all material respects the Group's financial position as at 31 December 2019 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 December 2019;

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

— notes, including a summary of significant accounting policies and other explanatory information.

## Basis for opinion

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

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

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

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

## Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2.3m determined with reference to a benchmark of group profit before tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.

## Key audit matters

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

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| **Capitalisation and Allocation of Development costs** | |
| Refer to note 8 of the consolidated financial statements.<br><br>The group's development property comprises land and costs incurred to develop land into subdivisions and individual properties for sale. At 31 December 2019 development properties amounted to $182.7 million representing 77.6% of net assets in the consolidated statement of financial position.<br><br>Determining whether to capitalise or expense costs relating to development of the land is subjective as it depends whether the costs enhance the land or maintain the current value. In addition there is significant judgement in determining how to allocate the costs to individual properties. | To assess the capitalisation of development costs we examined the operating effectiveness of the Group's process to capitalise and record development costs. We then obtained invoices for a sample of capitalised costs to check whether the nature of the expense met the capitalisation criteria in the accounting standards. We found no exceptions.<br><br>Our procedures over the allocation of these development costs involved considering the costs capitalised to properties sold versus costs capitalised to the remaining properties in the portfolio, and in comparison to realised value upon sale. We also checked for consistency in approach between periods. The evidence we obtained demonstrated the allocation of costs was in line with our expectations. |

## Other information

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

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

## Use of this independent auditor's report

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

## Responsibilities of the Directors for the consolidated financial statements

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

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

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

Our objective is:

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

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

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

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

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

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

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

For and on behalf of

KPMG

KPMG
Auckland

10 February 2020

# DIRECTORS' REVIEW

## Financial Performance

For the year ended 31 December 2019, CDL Investments New Zealand Limited ("CDI") recorded a profit after tax of $34.1 million (2018: $33.6 million). This result is the tenth consecutive year of profit growth for the company.

Property sales & other income totaled $91.8 million (2018: $85.0 million). Profit before tax also increased to $47.4 million (2018: $46.7 million). Given slowing market conditions, the Board believes that this is a very creditable result.

At 31 December 2019 shareholders' funds increased to $235.5 million (2018: $210.6 million) and total assets were $240.7 million (2018: $217.6 million). Net tangible asset per share (at book value) was 84.5 cents (2018: 75.7 cents).

## Land portfolio

The independent market value of CDI's land holdings was $315.6 million reflecting sales made in 2019 (2018: $337.8 million) as at 31 December 2019. At cost, the portfolio was valued at $182.7 million (2018:$169.7 million) in line with CDI's accounting policies.

During the year, CDI acquired a total of 9.7 hectares of land in Hawkes Bay. Management is targeting further acquisitions but only if pricing and location are competitive in line with the company's investment criteria.

We announced in late December that sales of the first stages had commenced at our Dominion Road (Papakura, South Auckland) and Kewa Road (North Shore, Auckland) subdivisions. Both of these developments are well located and well priced and we expect to recognise these sales in the current year with development on further stages to be also undertaken as well.

The commercial areas located at Prestons Park (Canterbury) and Stonebrook (Rolleston, Selwyn District) are progressing well. Stonebrook is on track for completion and letting out in the first half of this year with construction of Prestons Park due to be completed by the end of this year with letting in early 2021.

## Dividend Announcement

The Board has resolved to maintain its fully imputed ordinary dividend at 3.5 cents per share payable on 15 May 2020. The record date will be 1 May 2020. The Dividend Reinvestment Plan will apply to this dividend.

## Summary and Outlook

In the 2019 interim report, we noted that trading conditions were "challenging" and it is a credit to the work of the CDI team, particularly in the latter part of 2019, that we have been able to a deliver a result better than the last few years in a slowing market. These challenges are set to continue in 2020 but we are confident that the location and quality of our developments are in areas which have high demand and will prove attractive to buyers.

The Board has set realistic goals for the year ahead and we are targeting an earnings result for 2020 which reflects current market conditions. Shareholders can be confident that CDI has the land resources, the product expertise and the future pipeline to achieve positive earnings and will be able to withstand the cyclical nature of the property markets.

On behalf of my fellow directors, I thank our staff for their contributions to a profitable result in 2019.

**Colin Sim**
**Chairman**
**10 February 2020**

10 February 2020

CDL INVESTMENTS
NEW ZEALAND LIMITED

# CDL INVESTMENTS NEW ZEALAND RECORDS A FULL DECADE OF PROFIT GROWTH

Property development company CDL Investments New Zealand Limited (**NZX: CDI**) today reported its results for the year ended 31 December 2019.

CDI increased its profit after tax to $34.1 million with property sales & other income increasing by 7.9% to $91.8 million over the previous year.

"CDI has reported a decade of profit growth, which we think is a very creditable achievement, especially given challenging market conditions", said CDI's Managing Director Mr. B K Chiu. "In the latter part of 2019 we had to adjust and refine our sales and development strategies and shareholders can be pleased that those strategies have worked and have translated into profit", he added.

CDI also reported that it had acquired over 9 hectares of land in the past year in Hawkes Bay and was targeting further acquisitions.

"While our acquisitions over the past few years now give us sufficient land to sustain our core business over the medium term, we are continuing to look for opportunities that meet our investment criteria. As our existing commercial areas in Canterbury and Rolleston are both on track for letting this year, such opportunities could be additional land or commercial developments", said Mr. Chiu.

CDI's Board resolved to maintain its dividend at 3.5 cents per share fully imputed which would be paid to shareholders on 15 May 2020. The Record Date would be 1 May 2020 and the Dividend Reinvestment Plan would apply.

Speaking to the prospects for the coming year, Mr. Chiu said that CDI had set realistic goals allowing for market conditions.

"We will have profitable sales in 2020 and our results will reflect the market. More importantly, our message to our shareholders is that they can be confident that we have land assets which will hold their value, product that is in demand and a pipeline of sections across the country to deliver positive results. Our strategy will ensure that we are able to go beyond the current property cycle", he said.

Summary of results:

| | |
|---|---|
| • Profit after tax | $34.1 million (2018: $33.6 million) |
| • Profit before tax | $47.4 million (2018: $46.7 million) |
| • Property sales & other income | $91.8 million (2018: $85.0 million) |
| • Shareholders' funds | $235.5 million (2018: $210.6 million) |
| • Total assets | $240.7 million (2018: $217.6 million) |
| • Net tangible asset value (at book value) | 84.5 cents per share (2018: 75.7cps) |
| • Earnings per share | 12.26 cents per share (2018: 12.10cps) |

**About CDL Investments New Zealand Limited:**

CDL Investments New Zealand Limited (NZX:CDI) has a proud track record of acquiring and developing residential sections in New Zealand for over two decades. With a focus on creating and developing a range of high-quality residential sections to New Zealanders, CDI has successfully completed numerous subdivision projects in Auckland, Hamilton, Tauranga, Hastings, Havelock North, Taupo, Nelson, Christchurch, Rolleston (Canterbury) and Queenstown. CDI is a majority-owned subsidiary of NZX-listed Millennium & Copthorne Hotels New Zealand Limited.

**ENDS**

**Issued by CDL Investments New Zealand Limited**

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