

Independent auditor's report

To the readers of Mount Wellington Licensing Trust and group's financial statements for the year ended 31 March 2011

The Auditor-General is the auditor of Mount Wellington Licensing Trust (the Trust) and group. The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust and group, on her behalf.

We have audited the financial statements of the Trust and group on pages 1 to 25, that comprise the statement of financial position as at 31 March 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion the financial statements of the Trust and group on pages 1 to 25:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and group's:
 - financial position as at 31 March 2011; and
 - financial performance and cash flows for the year ended on that date.

Our audit was completed on 15 April 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust and group's financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Trustees

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and group's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustees are also responsible for the publication of the financial statements, whether in printed or electronic form.

The Trustees' responsibilities arose from the Sale of Liquor Act 1989 which has since been replaced by the Sale and Supply of Alcohol Act 2012.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit.

Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Trust or any of its subsidiaries.

A handwritten signature in black ink, appearing to read 'D Walker' with a date '29/10/15' written below it.

David Walker
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

MOUNT WELLINGTON LICENSING TRUST

CONSOLIDATED ACCOUNTS

FOR YEAR ENDED 31 MARCH 2011

CONTENTS

	<u>Page No.</u>
Organisation Particulars	2
MWLT and Group Statement of Comprehensive Income	3
MWLT and Group Statement of Changes in Equity	4
MWLT and Group Statement of Financial Position	5
MWLT and Group Statement of Cashflows	6
Notes to the Financial Statements	7 - 25
Auditors Report	



MOUNT WELLINGTON LICENSING TRUST

ORGANISATION PARTICULARS

AS AT 31 MARCH 2011

DIRECTORY

Nature of Business:	Investment Organisation
Registered Office:	Room 701 Waipuna Hotel & Conference Centre 58 Waipuna Road MT WELLINGTON
Date of Incorporation:	Not applicable as created under statute
Trustees: (all Trustees were re-elected or elected in October 2013 unless otherwise stated)	Mr A B Verrall (President) Ms L Boyle Mr W A Christian (retired Oct 10) Ms M de Kort Ms D Eggers Ms J Gosche (did not stand Oct 13) Mr M Murray Ms J Salesa Mrs J I Welch (did not stand Oct 13)
Bankers:	Not applicable
Solicitors:	DG Law P O Box 14081 Panmure AUCKLAND
Auditors:	Audit New Zealand On behalf of the Auditor General P O Box 1165 AUCKLAND



**MOUNT WELLINGTON LICENSING TRUST AND GROUP
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	Trust Actual 2011 \$	Trust Actual 2010 \$	Group Actual 2011 \$	Group Actual 2010 \$
REVENUE					
Accommodation	2	0	0	5,167,457	4,737,365
Food & Beverages	3	0	0	8,667,404	8,248,826
Gaming income		0	0	2,074,914	1,977,936
Other Income	4	0	0	308,427	301,551
Finance income	5	123	14,953	0	0
TOTAL REVENUE		123	14,953	16,218,202	15,265,678
LESS EXPENSES					
Cost of Sales	6	0	0	2,616,849	2,408,161
Employee benefit expenses	7	0	0	6,292,185	5,640,747
Depreciation and amortisation	14, 15	0	0	966,924	1,081,956
Revaluation decrement		0	0	0	162,243
Grants		0	0	1,012,721	870,253
Other Expenses	8	0	0	3,993,091	3,756,270
Finance costs	9	94,968	80,750	1,152,643	849,941
TOTAL EXPENSES		94,968	80,750	16,034,413	14,769,571
NET OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION		(94,845)	(65,797)	183,789	496,107
INCOME TAX EXPENSE	10	0	0	(2,864,541)	(213,088)
OPERATING SURPLUS/(DEFICIT) AFTER TAXATION		(94,845)	(65,797)	(2,680,752)	283,019
OTHER COMPREHENSIVE INCOME					
Gains from adjustment for change in tax rate on revaluation reserve	10	0	0	47,869	0
Revaluation gain	20	0	0	0	948,095
Losses arising from deferred tax on asset revaluations	10	0	0	0	(584,428)
TOTAL OTHER COMPREHENSIVE INCOME		0	0	47,869	363,667
TOTAL COMPREHENSIVE INCOME AFTER TAX		(94,845)	(65,797)	(2,632,883)	646,686

The accompanying notes form part of these financial statements.

**MOUNT WELLINGTON LICENSING TRUST AND GROUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011**


	Trust Actual 2011 \$	Trust Actual 2010 \$	Group Actual 2011 \$	Group Actual 2010 \$
Note				
EQUITY AT 1 APRIL	12,498,461	12,564,258	19,664,515	19,017,829
Total comprehensive income after taxation	(94,845)	(65,797)	(2,632,883)	646,686
EQUITY AT 31 MARCH	12,403,616	12,498,461	17,031,632	19,664,515


The accompanying notes form part of these financial statements.

**MOUNT WELLINGTON LICENSING TRUST AND GROUP
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011**

	Note	Trust Actual 2011 \$	Trust Actual 2010 \$	Group Actual 2011 \$	Group Actual 2010 \$
CURRENT ASSETS					
Cash and cash equivalents	11	0	0	1,691,148	903,930
Trade and other receivables	12	0	0	773,419	1,101,667
Inventories	13	0	0	290,034	287,807
TOTAL CURRENT ASSETS		<u>0</u>	<u>0</u>	<u>2,754,601</u>	<u>2,293,404</u>
NON-CURRENT ASSETS					
Property, plant and equipment	14	0	0	35,723,438	35,836,485
Intangible assets	15	0	0	14,981	20,571
Other financial assets	16	14,827,390	14,921,872	0	0
Deferred tax asset		0	0	0	0
TOTAL NON-CURRENT ASSETS		<u>14,827,390</u>	<u>14,921,872</u>	<u>35,738,419</u>	<u>35,857,056</u>
TOTAL ASSETS		<u><u>14,827,390</u></u>	<u><u>14,921,872</u></u>	<u><u>38,493,020</u></u>	<u><u>38,150,460</u></u>
CURRENT LIABILITIES					
Trade and other payables	17	0	0	1,636,901	979,891
Derivative financial instruments		0	0	468,914	487,136
Employee benefit liabilities	18	0	0	525,594	508,912
Borrowings	19	0	0	78,571	137,686
TOTAL CURRENT LIABILITIES		<u>0</u>	<u>0</u>	<u>2,709,980</u>	<u>2,113,625</u>
NON-CURRENT LIABILITIES					
Borrowings	19	2,423,774	2,423,411	13,296,427	13,777,312
Deferred tax liability	10	0	0	5,454,981	2,595,008
TOTAL NON-CURRENT LIABILITIES		<u>2,423,774</u>	<u>2,423,411</u>	<u>18,751,408</u>	<u>16,372,320</u>
TOTAL LIABILITIES		<u><u>2,423,774</u></u>	<u><u>2,423,411</u></u>	<u><u>21,461,388</u></u>	<u><u>18,485,945</u></u>
NET ASSETS		<u><u>12,403,616</u></u>	<u><u>12,498,461</u></u>	<u><u>17,031,632</u></u>	<u><u>19,664,515</u></u>
EQUITY					
Retained earnings	20	12,403,616	12,498,461	8,497,618	11,178,370
Other reserves	20	0	0	8,534,014	8,486,145
Paid up Capital		0	0	0	0
TOTAL EQUITY		<u><u>12,403,616</u></u>	<u><u>12,498,461</u></u>	<u><u>17,031,632</u></u>	<u><u>19,664,515</u></u>

The accompanying notes form part of these financial statements.


Leila June Boyle
18/03/2015


Alan Bruce Verrall
18-03-2015

**MOUNT WELLINGTON LICENSING TRUST AND GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	Trust Actual 2011 \$	Trust Actual 2010 \$	Group Actual 2011 \$	Group Actual 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from accomodation, food & beverage		0	0	16,929,751	15,512,441
Interest received		0	0	30,070	38,781
Dividends received		0	0	668	654
Payments to suppliers and employees		0	0	(13,605,584)	(13,191,915)
Interest paid		0	0	(1,165,904)	(1,100,760)
Goods and services tax (net)		0	0	(15,812)	(42,778)
NET CASH FROM OPERATING ACTIVITIES	21	<u>0</u>	<u>0</u>	<u>2,173,189</u>	<u>1,216,423</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Inflow arising from change in composition of group				0	0
Proceeds from sale of assets				0	0
Purchase of property, plant and equipment		0	0	(845,846)	(290,805)
Purchase of intangible software		0	0	(2,440)	0
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>0</u>	<u>0</u>	<u>(848,286)</u>	<u>(290,805)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		0	0	0	0
Repayment of borrowings		0	0	(478,571)	(1,078,571)
Repayment of finance lease liabilities		0	0	(11,332)	(14,200)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>0</u>	<u>0</u>	<u>(489,903)</u>	<u>(1,092,771)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		0	0	835,000	(167,153)
Cash and cash equivalents at the beginning of the year	11	0	0	856,148	1,023,301
CASH AND CASH EQUIVALENTS AT THE END OF THE YI	11	<u>0</u>	<u>0</u>	<u>1,691,148</u>	<u>856,148</u>

Cash, cash equivalents and bank overdrafts at the end of the year is the net of bank overdraft (note 19) and cash at bank and in hand (note 10).

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

During the period, MWLT group acquired property, plant and equipment totalling \$0 (2010: \$0) by means of finance leases.

The accompanying notes form part of these financial statements.

**MOUNT WELLINGTON LICENSING TRUST AND GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**

1. Statement of Accounting Policies

REPORTING ENTITY

Mount Wellington Licensing Trust (MWLT) is a licensing trust operating under the Sale of Liquor Act 1989. The Sale of Liquor Act 1989 was repealed and replaced by the Sale and Supply of Alcohol Act 2012 which was assented on the 18 December 2012. MWLT continues to operate under the new legislation.

The MWLT group comprises the following entities:

- Mount Wellington Licensing Trust (MWLT, the Trust)
- Mt Wellington Trust Hotels Limited (MWTHTL)
- Keri Corporation Limited (Keri)
- Mt Wellington Charitable Trust (MWCT)
- Mt Wellington Foundation Limited (MWFL)

The group is primarily involved in hospitality, conferencing, accommodation and gaming activities within the Mt Wellington area.

These activities are conducted through its subsidiary companies with the intention of making a profit to enable distribution of available funds to community and sports groups within the local area.

MWLT has therefore designated itself as a profit oriented entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of MWLT, and the group, are for the year ended 31 March 2011. The cut off date is the Sunday closest to year end. For the 2011 accounts this date is 3 April 2011 (2010 accounts were to 28 March 2010).

The financial statements were authorised for issue by the Board of Trustees on 18th March 2015.

BASIS OF PREPARATION

Statement of compliance

These financial statements of MWLT have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other Financial Reporting Standards, as appropriate for profit oriented entities.

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of property, plant and equipment and the measurement of derivative financial instruments and interest free related party loans at fair value.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of MWLT is New Zealand dollars.

Changes in accounting policy

There were no changes in accounting policies during the year.

Standards, amendments and interpretations issued that are not yet effective and not early adopted

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted and which are relevant to MWLT and group include:

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 31 March 2014. MWLT has not yet assessed the impact of the new standard and expects it will not be early adopted.



SPECIFIC ACCOUNTING POLICIES

Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

MWLT's investment in its subsidiaries are carried at cost in MWLT's own "parent entity" financial statements.

Other financial assets, including investments in subsidiaries, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The impairment will be recognised in the surplus / deficit for the year. Where the assets' recoverable amount exceeds its carrying amount the impairment losses previously recognised through the surplus / deficit may be reinstated to the higher of the assets' cost or recoverable amount.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sales of goods are recognised when a product is sold to the customer. Sales are usually in cash, credit card or credit. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Interest income is recognised using the effective interest method.

Lease receipts under an operating sub-lease are recognised as revenue on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the MWLT group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.



Inventories

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower cost and net realisable value. The cost of purchased inventory is determined using the FIFO method.

Financial Assets

The MWLT group classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or less in which case the transaction costs are recognised in the surplus or deficit

The four categories of financial assets are:

1 *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the surplus or deficit.

Derivatives disclosed as financial instruments by MWTHL are deemed to be held for trading.

2 *Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.

3 *Held to maturity investments*

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the MWLT group has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit

Currently, the MWLT group does not hold any financial assets in this category.

4 *Financial assets at fair value through equity*

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.

After initial recognition these investments are measured at their fair value.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the surplus or deficit. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in surplus or deficit even though the asset has not been derecognised. On derecognition the cumulative gain or loss previously recognised in equity is recognised in the surplus or deficit.

Currently, the MWLT group does not hold any financial assets in this category.



At each balance sheet date the MWLT group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

Property, plant and equipment

Property, plant and equipment consists of land, buildings, plant and equipment, furniture and motor vehicles. The MWLT group has a number of tenanted areas which are held to meet future plans for owner-occupied use. The current tenancy arrangements are incidental to this longer term goal and hence the properties are classified as property, plant and equipment rather than investment property.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the MWLT group and the cost of the items can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the MWLT group and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset class	Depreciation rate (%)
Buildings - Structural	1 to 4
Buildings - Inner Fixtures	2
Buildings - Internal Joinery Fittings	2
Buildings - Floor Coverings and Chattels	3
Buildings - Plumbing services	2
Buildings - Mechanical Services	5 to 7
Buildings - Fire Services	2
Buildings - Electrical Services	3
Buildings - Electronic & Computer Services	3
Buildings - Lift & Escalator Services	5
Buildings - Other Amenities & Services	3
Kitchen & Gym Equipment and General Effects	7 to 10
Furniture & Office Equipment	7 to 20
Carpets & Floor Coverings	8
Motor Vehicles	20

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Revaluations

Operational land, buildings, plant and equipment are revalued on a three yearly cycle. All other assets are carried at depreciated historical cost.

Revalued assets are disclosed at fair value as determined from market-based evidence by an independent valuer.

The carrying values of revalued items are reviewed at each balance date to ensure that they are not materially different to fair value.

Accounting for revaluations

The results of revaluing are credited or debited to an asset revaluation reserve for that asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve for that asset.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of a intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

	<u>Useful life</u>	<u>Amortisation rate</u>
Computer software:	5 years	20%

Employment Benefits

Short-term benefits

Employee benefits that the MWLT group expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date and long service leave entitlements accrued by having reached a particular threshold.

The MWLT group has calculated that the value of sick leave taken has been reasonably consistent in recent years. The MWLT group has taken the stance that employees are not using more sick leave than they are accumulating in any single year. Accordingly no sick leave entitlement has been recognised. This assumption will be reviewed at the end of each financial year.

The MWLT group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows. A discount rate of 7.0%, and an inflation factor of 3.0% were used. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.



Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Equity

Equity is the MWLT's interest in the MWLT group and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Retained earnings
- Asset revaluation reserves
- Deferred tax reserves
- Share capital

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the surplus or deficit except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.



Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the MWLT group recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the MWLT group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Critical accounting estimates and assumptions

In preparing these financial statements, MWLTL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property revaluations

Note 14 provides information about the estimates and assumptions exercised in the measurement of revalued property, plant and equipment.



2. Accommodation revenue

	Group Actual 2011	Group Actual 2010
Non-tour	2,903,631	2,885,465
Conference	1,654,631	1,433,348
Tour	609,195	418,552
	<u>5,167,457</u>	<u>4,737,365</u>

3. Food and Beverage revenue

	Group Actual 2011	Group Actual 2010
Food	5,055,011	4,876,203
Beverage	2,034,581	1,914,640
Conference room & equipment hire	1,577,812	1,457,983
	<u>8,667,404</u>	<u>8,248,826</u>

4. Other income

	Group Actual 2011	Group Actual 2010
Finance & administration recoveries	0	0
Machine site rental	0	0
Interest received	30,404	41,338
Income from other sources	278,023	260,213
	<u>308,427</u>	<u>301,551</u>

5. Finance income

	Trust Actual 2011	Trust Actual 2010	Group Actual 2011	Group Actual 2010
Discounted interest free loans	123	14,953	0	0
	<u>123</u>	<u>14,953</u>	<u>0</u>	<u>0</u>

6. Cost of sales

	Group Actual 2011	Group Actual 2010
Food	1,448,890	1,353,220
Beverages	632,755	610,169
Other cost of sales	535,204	444,772
	<u>2,616,849</u>	<u>2,408,161</u>

7. Employee benefit expenses

	Group Actual 2011	Group Actual 2010
Salaries and wages	6,279,134	5,706,175
Increase/(decrease) in employee benefit liabilities	13,051	(65,428)
	<u>6,292,185</u>	<u>5,640,747</u>

8. Other expenses

	Group Actual 2011	Group Actual 2010
Fees to principal auditor:-		
Audit fees for financial statement audit	85,233	81,404
Other operating expenses	3,907,858	3,674,866
	<u>3,993,091</u>	<u>3,756,270</u>

9. Finance costs

	Trust Actual 2011	Trust Actual 2010	Group Actual 2011	Group Actual 2010
Interest on bank borrowings	0	0	1,165,904	1,100,760
Feasibility and consulting costs	0	0	4,962	16,972
Loss on held for trading financial instruments	0	0	(18,223)	(267,791)
Discounted interest free loans	363	8,963	0	0
Impairment of investment in Keri Corporation	94,605	71,787	0	0
	<u>94,968</u>	<u>80,750</u>	<u>1,152,643</u>	<u>849,941</u>

10. Income tax

	Trust Actual 2011	Trust Actual 2010	Group Actual 2011	Group Actual 2010
Components of income tax expense				
Current tax expense	0	0	0	0
Adjustments to current tax in prior years	0	0	(43,300)	0
Deferred tax expense	0	0	2,907,841	213,088
	<u>0</u>	<u>0</u>	<u>2,864,541</u>	<u>213,088</u>

Relationship between income tax expense and accounting profit

	Trust Actual 2011	Trust Actual 2010	Group Actual 2011	Group Actual 2010
Net operating surplus/(deficit) before tax	(94,845)	(65,797)	183,789	496,107
Tax at 30%	(28,454)	(19,739)	55,137	148,831
Non-deductible expenditure	0	0	314,802	38,248
Prior period adjustment	0	0	(43,300)	0
Permanent differences	0	0	28,735	29,586
Deferred tax on change in tax rate	0	0	(398,251)	0
Deferred tax on change in tax legislation for depreciation on buildings	0	0	2,935,799	0
Tax loss not recognised	(106,246)	(182,590)	(28,382)	0
Deferred tax on parent tax losses	0	0	0	(3,577)
Group loss offset	134,699	202,329	0	0
Income tax expense	<u>0</u>	<u>0</u>	<u>2,864,541</u>	<u>213,088</u>

Deferred tax assets/liabilities - Group

	Property plant and equipment	Employee entitlements	Derivatives	Other provisions	Group tax losses	Total
Balance at 1 April 2009	(2,632,092)	142,771	226,478	1,089	464,261	(1,797,493)
Charged to income	84,647	(14,251)	(80,337)	(1,089)	(202,058)	(213,088)
Charged to other comprehensive income	(584,428)	0	0	0	0	(584,428)
Balance at 31 March 2010	<u>(3,131,873)</u>	<u>128,520</u>	<u>146,141</u>	<u>0</u>	<u>262,203</u>	<u>(2,595,009)</u>
Charged to income	(2,756,443)	(4,231)	(14,845)	1,038	(133,360)	(2,907,841)
Charged to other comprehensive income	47,869	0	0	0	0	47,869
Balance at 31 March 2011	<u>(5,840,447)</u>	<u>124,289</u>	<u>131,296</u>	<u>1,038</u>	<u>128,843</u>	<u>(5,454,981)</u>

MWLT has not recognised a deferred tax asset in relation to tax losses of \$401,810 (2010: \$850,807). However a deferred tax asset has been recognised for these losses in the group accounts.

Imputation Credits

	Group Actual 2011	Group Actual 2010
Opening balance	1	1
Tax paid	0	0
Credit attached to dividends paid	0	0
Closing balance	<u>1</u>	<u>1</u>

11. Cash and cash equivalents

	Group Actual 2011	Group Actual 2010
Cash at bank and in hand	1,691,148	903,930
Bank overdraft (note 19)	0	(47,782)
Cash & cash equivalents in statemnt of cash flows	<u>1,691,148</u>	<u>856,148</u>

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

12. Trade and other receivables

	Group Actual 2011	Group Actual 2010
Trade receivables	681,973	974,920
Related party receivables	0	0
Sundry debtors	9,057	43,348
Prepayments	84,125	83,399
	<u>775,155</u>	<u>1,101,667</u>
Less provision for impairment of receivables	(1,737)	0
	<u>773,418</u>	<u>1,101,667</u>

Movement in the provision of receivables are as follows:

	2011	2010
Balance at 1 April	0	0
Additional provision made during the year	(1,737)	0
Receivables written off during the year	0	0
Balance as at 31 March	<u>(1,737)</u>	<u>0</u>

The carrying value of trade and other receivables approximates their fair value.

There is no concentration of credit risk with respect to receivables outside the group, as the group has a large number of customers.

The impaired amount in trade receivables is in excess of 180 days and relates to debt incurred to MWTHL by the Pike River Board. A claim has been lodged with the receivers.

13. Inventories

	Group Actual 2011	Group Actual 2010
Food stock	67,421	63,415
Beverage stock	86,975	101,315
Other	135,638	123,077
	<u>290,034</u>	<u>287,807</u>




14. Property, plant and equipment - group only

2011

	Land	Buildings	Leasehold furniture & fittings	Plant & equipment	Furniture & fittings	Work in progress	Total
Opening cost /valuation	10,570,000	23,260,922	9,673	2,409,169	4,040,749	49,833	40,340,346
Opening accum depreciation	0	(1,873,402)	(9,673)	(1,268,040)	(1,352,746)	0	(4,503,861)
Opening book value	10,570,000	21,387,520	0	1,141,129	2,688,003	49,833	35,836,485
Additions	0	478,005	0	152,379	211,709	9,909	852,002
Disposals	0	0	0	(6,156)	0	0	(6,156)
Depreciation expense	0	(508,742)	0	(191,995)	(258,157)	0	(958,894)
Impairment charges	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Closing cost /valuation	10,570,000	23,738,927	9,673	2,555,392	4,252,458	59,742	41,186,193
Closing accum depreciaion	0	(2,382,144)	(9,673)	(1,460,035)	(1,610,903)	0	(5,462,755)
Closing book value	10,570,000	21,356,783	0	1,095,357	2,641,555	59,742	35,723,438

2010

	Land	Buildings	Leasehold furniture & fittings	Plant & equipment	Furniture & fittings	Work in progress	Total
Opening cost /valuation	11,570,000	20,816,877	9,673	2,472,946	4,381,606	12,588	39,263,690
Opening accum depreciation	0	(1,342,600)	(9,673)	(1,049,542)	(1,027,713)	0	(3,429,528)
Opening book value	11,570,000	19,474,277	0	1,423,404	3,353,893	12,588	35,834,162
Additions	0	119,774	0	114,394	35,208	37,245	306,621
Disposals	0	0	0	(15,816)	0	0	(15,816)
Depreciation expense	0	(530,802)	0	(218,498)	(325,033)	0	(1,074,333)
Impairment charges	0	0	0	0	0	0	0
Revaluation	(1,000,000)	2,324,271	0	(162,355)	(376,065)	0	785,851
Closing cost /valuation	10,570,000	23,260,922	9,673	2,409,169	4,040,749	49,833	40,340,346
Closing accum depreciaion	0	(1,873,402)	(9,673)	(1,268,040)	(1,352,746)	0	(4,503,861)
Closing book value	10,570,000	21,387,520	0	1,141,129	2,688,003	49,833	35,836,485

Land and buildings carried at fair value

An independent valuation of the land and buildings was performed by DTZ New Zealand Limited, registered independent valuers, as at 1 July 2009. This valuation for the Waipuna Hotel & Conference Centre and the Panmure Historic Hotel was completed using the market valuation of going concern methodology with a discounted cash flow model. This methodology is an acceptable estimate of fair value because similar businesses are traded at reasonably frequent intervals.

Property, plant and equipment carried at fair value

An independent valuation of the property, plant and equipment was performed by DTZ New Zealand Limited, independent valuers, as at 1 July 2009. This valuation was undertaken on all property, plant and equipment used in the delivery of accommodation and hospitality services provided by MWTHL.

The total fair value of property, plant and equipment valued by DTZ New Zealand at 1 July 2009 was \$36.1M. Discounted cash flows are determined using a number of significant assumptions. Significant assumptions include:

- * Estimating the appropriate discount and capitalisation rates
- * Estimating the trading performance over the coming 5 years based on historic trends

15. Intangible assets - group only

	Group Actual 2011	Group Actual 2010
Computer software		
Opening cost	75,693	75,693
Opening accum amortisation	(55,122)	(47,499)
Opening book value	<u>20,571</u>	<u>28,194</u>
Additions	2,440	0
Disposals	0	0
Amortisation expense	(8,030)	(7,623)
Impairment expense	0	0
Closing cost	78,133	75,693
Closing accum amortisation	(63,152)	(55,122)
Closing book value	<u>14,981</u>	<u>20,571</u>

16. Other financial assets

	Trust Actual 2011	Trust Actual 2010	Group Actual 2011	Group Actual 2010
Investment in MWTHL				
- ordinary shares	12,000,000	12,000,000	0	0
- redeemable preference shares	2,000,000	2,000,000	0	0
Investment in KERI	5,395	100,000	0	0
Loan to MWTHL (Note 27)	821,995	821,872	0	0
	<u>14,827,390</u>	<u>14,921,872</u>	<u>0</u>	<u>0</u>

MWLT has made an interest free loan to MWTHL with a face value of \$860,218 that is secured over the Waipuna Hotel and Conference Centre. The loan is supported by a certificate of indebtedness stating the loan is repayable on demand, but subject to MWTHL's first mortgagor's consent. At 31 March 2011 the on demand conditions have been waived by the lender for a period of 12 months.

The MWLT loan to MWTHL has been discounted for a 12 month period which is the earliest possible repayment term. The fair value of the loan as at 31 March 2011 is \$821,995 (2010: \$821,872).

The investment in KERI has been discounted to the net equity value recognised in the KERI audited accounts.

17. Trade and other payables

	Group Actual 2011	Group Actual 2010
Trade payables	573,747	414,398
Deposits and bonds	0	0
Accrued expenses	1,063,154	522,193
Income tax payable	0	43,300
	<u>1,636,901</u>	<u>979,891</u>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

18. Employee benefit liabilities

	Group Actual 2011	Group Actual 2010
Accrued pay	104,079	101,394
Annual leave	375,589	377,132
Long service leave	45,926	30,386
	<u>525,594</u>	<u>508,912</u>

19. Borrowings

	Trust Actual 2011	Trust Actual 2010	Group Actual 2011	Group Actual 2010
Current				
Bank overdraft	0	0	0	47,782
Finance leases	0	0	0	11,332
Secured loans	0	0	78,571	78,572
Secured bonds	0	0	0	0
Total current borrowings	<u>0</u>	<u>0</u>	<u>78,571</u>	<u>137,686</u>
Non Current				
Finance leases	0	0	0	2,312
Secured loans	0	0	13,296,428	13,775,000
Secured bonds	0	0	0	0
Secured related party loans (Note 26)	0	0	0	0
Unsecured related party loans (Note 26)	2,423,774	2,423,411	0	0
	<u>2,423,774</u>	<u>2,423,411</u>	<u>13,296,428</u>	<u>13,777,312</u>

The majority of the MWLT group's borrowings are through MWTHL. The relevant company has been detailed as part of the explanation for each loan.

Bank facility

MWTHL has a banking arrangement with ASB Bank with a total available loan facility of \$14,000,000 secured over land and land improvements.

At balance date \$13,100,000 had been drawn on the facility with a combination of fixed and floating elements. There are no repayments required under the loan facility although MWTHL continues to budget repayments where cash flows allow.

The total loan is due to be repaid in September 2012, although the terms under which the loan was signed state that the loan will be reviewed annually in order to maintain a maturity profile of 2 years. MWTHL's most recent review saw a reduction in their margin from 2% to 1.9%. ASB indicated that this was partly a reflection of the market but also MWTHL continued good results. The reduced margin is to apply from May 2011.

The loan with ASB has three reporting covenants and two financial covenants. The reporting covenants include the quarterly provision of signed Directors Certificates, the annual provision of company budgets and the annual provision of audited accounts. The financial covenants are the maintenance of a loan to valuation ratio not exceeding 50% and an interest coverage ratio (interest expense to EBITDA) of greater than or equal to 2.00 times.

Floating rate debt

The floating interest rate is set quarterly at the lenders corporate indicator rate +2.00% except where MWTHL and the lender agree to a fixed term interest rate. During the year one of the swap facilities matured and was converted in to floating rate debt.

<u>Principal amount</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Notes</u>
\$4,100,000	4.65%	21-Jun-11	

Fixed rate debt

Interest expense is a potential area of risk and is actively managed by MWTHL. During the year swaps held were reviewed and extended to take advantage of the lower rates available.

<u>Principal amount</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Notes</u>
\$3,000,000	8.03%	Sep 2012	Swap was extended, at a reduced rate, during the year.
\$6,000,000	8.20%	Mar 2013	Swap was extended, at a reduced rate, during the year.

Interest free debt

- # MWTHL has an interest free loan from NZ Breweries of \$275,000 (2010 \$353,571) which ranks second to the bank loans. The loan was secured under a "solus" agreement which binds MWTHL to a supply agreement exclusively with NZ Breweries. The term of the loan is based on beverage consumption and a fixed term of seven years.

The NZ Breweries loan has been valued at face value because the terms are exclusive supply.

- # MWLT has an interest free loan from MWCT with a face value of \$2,536,480 (2010: \$2,536,480) which is unsecured. The loan is supported by a certificate of indebtedness stating the loan is repayable on demand. At 31 March 2011 the on demand conditions have been waived by the lender for a period of 12 months.

The MWCT loan to MWLT has been discounted for a 12 month period which is the earliest possible repayment term. The fair value of the loan as at 31 March 2011 is \$2,423,744 (2010: \$2,423,411).

Security

Security for all secured loans is by mortgage over the Waipuna Hotel and Conference Centre and the Panmure Tavern.

20. Equity

	Trust Actual 2011	Trust Actual 2010	Group Actual 2011	Group Actual 2010
Retained earnings				
Opening balance	12,498,461	12,564,258	11,178,370	10,895,351
Surplus/(deficit) for the year	(94,845)	(65,797)	(2,680,752)	283,019
Other adjustments to equity	0	0	0	0
Deferred tax gains / (losses) taken to reserves	0	0	0	0
Less revaluation loss taken to equity	0	0	0	0
Closing balance	12,403,616	12,498,461	8,497,618	11,178,370
Reserves				
Opening balance	0	0	8,486,145	8,122,478
Effect on deferred tax for movement in revaluation reserve	0	0	47,869	(584,428)
Asset revaluation movement	0	0	0	948,095
Closing balance	0	0	8,534,014	8,486,145
Total closing equity	12,403,616	12,498,461	17,031,632	19,664,515

Reserves

The revaluation reserves allows the asset base to be reflected at fair value. Revaluations are performed three yearly and the next valuation is due in 2012/13.

The deferred tax reserve recognises the difference in the carrying value of the company's assets and the equivalent tax carrying value.

Subsidiaries

MWTHL is a 100% owned subsidiary of MWLT and was incorporated on the 16th of March 1992. The company was incorporated with 12,000,000 ordinary shares and 2,000,000 redeemable preference shares. All 14,000,000 shares are fully paid as at 31 March 2011.

KERI is a 100% owned subsidiary of MWLT and was incorporated on the 10th of July 1984. MWLT purchased 100,000 ordinary shares for the company on the 16th of August 2005. The shares were purchased for \$100,00. All 100,000 ordinary shares are fully paid as at 31 March 2011.

MWCT is a Charitable Trust that is deemed to be controlled by MWLT under NZ IAS 27: *Consolidated and Separate Financial Statements*.

MWFL is a 100% owned subsidiary of MWCT and was incorporated on 8 April 2008. The company was incorporated with 10,000 ordinary shares; all fully paid as at 31 March 2011.

21. Reconciliation of net surplus / (deficit) before tax to net cash flow from operating activities

	Group Actual 2011	Group Actual 2010
Surplus/(deficit) before tax	183,789	496,107
Add/(less) non-cash items:		
Depreciation and amortisation	966,924	1,082,077
Loss/(gain) on sale of assets	0	0
Derivative financial instruments	(18,223)	(267,791)
Discounted interest free loan	0	0
Revaluation decrement	0	162,243
Add/(less) items classified as investing or financing activities:		
Repayment of finance leases	0	0
Add/(Less) movements in working capital items:		
(Increase)/Decrease in Accounts Receivable	266,349	(376,123)
(Increase)/Decrease in Inventory	(2,228)	3,417
Increase/(Decrease) in Accounts Payable	743,644	20,138
Increase/(Decrease) in Interest Payable	0	0
(Increase)/Decrease in Prepayments	(726)	107,996
Increase/(Decrease) in GST Payable	33,660	(11,641)
Net cash inflow/(outflow) from operating activities	<u>2,173,189</u>	<u>1,216,423</u>

22. Related party transactions

Gaming activities

MWFL paid the following amounts to companies within the MWLT group

	Group Actual 2011	Group Actual 2010
Administration fee paid to MWTHL	69,760	75,833
Gaming machine site rental paid to MWTHL	117,820	148,584
Gaming machine site rental paid to Keri	139,162	169,033
	<u>326,742</u>	<u>393,450</u>

The amounts paid for administration and site rentals are restricted by Department of Internal Affairs regulations which include formal contracts and regular reviews. There was nil outstanding at year end (2010: nil).

Subsidiary transactions and balances

Keri paid rental income to MWTHL of \$84,270 (2010: \$109,200).

The net amount transacted in the year from MWTHL to Keri was \$101,132 loss to Keri (2010: \$117,617 loss). There was a payable at year end from Keri to MWTHL of \$69,881 (2010: \$10,729).

The audit fees for MWLT were recognised in the accounts for MWTHL for \$9,983 (2010: \$13,134). Because the amount is immaterial it was decided not to adjust the intercompany loan between MWLT and MWTHL.

Loss transfer

Tax losses of \$448,997 were transferred to MWTHL in relation to the 2011 tax year by loss offset (i.e. for no payment).

Related party loans

Related party loans are carried at net present value for twelve months.

The discount rate is adjusted annually and is calculated based on the prevailing loan rate, inclusive of any contracted margin charged by the ASB Bank to MWTHL. The rate at 31 March 2011 was 4.65% (2010: 4.67%).

- # MWLT has an interest free loan from the MWCT with a face value of \$2,536,480 (2010: \$2,536,480). Refer note 18 for further details.
- # MWTHL has an interest free loan from the Mt Wellington Charitable Trust (MWCT) with a face value of \$3,914,077 (2010: \$3,914,077) which ranks third and is secured over the Waipuna Hotel and Conference Centre. The loan is supported by a certificate of indebtedness stating the loan is repayable on demand, but subject to the first mortgagor's consent. At 31 March 2011 the on demand conditions have been waived by the lender for a period of 12 months.

The MWCT loan to MWTHL has been discounted for a 12 month period which is the earliest possible repayment term. The fair value of the loan as at 31 March 2011 is \$3,740,159 (2010: \$3,739,598).

- # MWTHL has an interest free loan from MWLT with a face value of \$860,218 (2010: \$860,218). Refer note 15 for further details.

23. Key management personnel

MWLT Trustees' fees, paid or due and payable during the year, including \$3,000 paid to the President, was \$3,000 (2010: \$3,000).

MWTHL Directors' fees, paid or due and payable during the year was \$70,459 (2010: \$66,977).

No employees, or former employees, of the Licensing Trust received remuneration in excess of \$100,000 in their capacity as employees, or former employees, of MWLT.

MWLT Trustees' expenses incurred during the year was \$3,000 (2010: \$3,000).

All MWLT Trustees' fees and expenses were paid through MWTHL.

24. Commitments

Total minimum lease payments are payable

Not later than one year
Later than one year and not later than five years
Later than five years

	Group Actual 2011	Group Actual 2010
Not later than one year	63,993	72,080
Later than one year and not later than five years	103,192	95,347
Later than five years	0	5,160
	<u>167,185</u>	<u>172,587</u>

Leases as Lessor

MWTHL leases out one shop on its property and leases space for gaming machines. The future minimum payments under non-cancellable leases are as follows:

Present value of minimum lease payments
Not later than one year
Later than one year and not later than five years
Later than five years

	Group Actual 2011	Group Actual 2010
Not later than one year	167,447	137,200
Later than one year and not later than five years	168,071	73,500
Later than five years	0	0
	<u>335,518</u>	<u>210,700</u>

Capital commitments

MWTHL has capital commitments of \$25,523 (2010: \$64,515). This is for 300 banquet chairs for which a 50% deposit was paid prior to year end.

25. Finance leases

MWTHL has entered into finance leases for various items of plant and equipment. The net carrying amount of the leased items is shown as a separate class of asset in note 13.

The finance leases can be renewed at MWTHL's option, with rents set by reference to current market rates for items of equivalent age and condition. MWLT does have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on MWTHL by any of the finance leasing arrangements.

26. Contingencies

MWLT and group has no contingent assets or liabilities (2010: nil).

27. Financial instruments

Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

	Trust Actual 2011	Trust Actual 2010	Group Actual 2011	Group Actual 2010
Financial assets				
<i>Loans & receivables</i>				
Cash and cash equivalents	0	0	1,691,148	903,930
Trade and other receivables	0	0	773,419	1,101,667
Other financial assets	821,995	821,872	0	0
	821,995	821,872	2,464,567	2,005,597
Financial liabilities				
<i>Fair value through profit and loss - held for trading</i>				
Derivative financial instruments	0	0	468,914	487,136
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	0	0	1,505,361	936,591
Borrowing	2,423,774	2,423,411	13,374,999	13,914,998
	2,423,774	2,423,411	14,880,360	14,851,589

Financial instrument risks

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Derivatives, being floating to fixed interest rate swaps issued at fixed rates of interest, expose the MWLT group to fair value interest rate risk.

The group manages this risk by spreading the term of its swaps and seeking options to reduce swap rates where ever possible. A 'blend and extend' mechanism was used to achieve this for two of the larger swaps in the March 2011 year.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings issued at variable interest rates expose the group to cash flow risk. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if the group borrowed at fixed rates directly. Under the interest rates swaps, the group agrees with other parties to exchange, at specified intervals, the difference between fixed contract and floating-rate interest amounts calculated by reference to the agreed notional principle amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the group, causing the group to incur a loss. The group's maximum credit risk is to its loans and receivables as described in Financial Instrument Categories earlier in this note.

The group manages credit risk by carefully monitoring debt collection and credit limits. The group has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Cash and cash equivalents are currently with counterparties with AA credit ratings (2010: AA).

Trade and other receivables mainly arise from the group's trading activities and are usually repaid within 30 days. There are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to external credit ratings. the group has no significant concentrations of credit risk in relation to trade and other receivables, as it has a large number of credit customers.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. the group aims to maintain flexibility in funding by keeping committed credit lines available.

The group manages its borrowing by maintaining a sufficient buffer on its bank lending facility to cover any short term liquidity requirements.

	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cashflows	Total carrying amount
Trust - 2011						
Financial Assets						
Loan to MWTHL (Note 16)	0	860,218	0	0	860,218	821,995
	0	860,218	0	0	860,218	821,995
Financial Liabilities						
Borrowings (Note 19)	0	2,536,480	0	0	2,536,480	2,423,774
	0	2,536,480	0	0	2,536,480	2,423,774
Trust - 2010						
Financial Assets						
Loan to MWTHL (Note 16)	0	860,271	0	0	860,271	821,872
	0	860,271	0	0	860,271	821,872
Financial Liabilities						
Borrowings (Note 19)	0	2,536,480	0	0	2,536,480	2,423,411
	0	2,536,480	0	0	2,536,480	2,423,411

Group - 2011	Less than 1	1-2 years	2-5 years	More than 5	total	Total carrying amount
	year			years	contractual cashflows	
Financial Assets						
Cash and cash equivalents (Note 11)	1,691,148	0	0	0	1,691,148	1,691,148
Trade and other receivables (Note 12)	773,419	0	0	0	773,419	773,419
	<u>2,464,567</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,464,567</u>	<u>2,464,567</u>
Financial Liabilities						
Trade and other payables (Note 17)	1,505,361	0	0	0	1,505,361	1,505,361
Derivative financial instruments	314,400	256,364	0	0	570,764	468,914
Borrowings (Note 19)	687,721	13,270,501	117,858	0	14,076,080	13,375,000
	<u>2,507,482</u>	<u>13,526,865</u>	<u>117,858</u>	<u>0</u>	<u>16,152,205</u>	<u>15,349,275</u>
Group - 2010						
Group - 2010	Less than 1	1-2 years	2-5 years	More than 5	total	Total carrying amount
	year			years	contractual cashflows	
Financial Assets						
Cash and cash equivalents (Note 11)	903,930	0	0	0	903,930	903,930
Trade and other receivables (Note 12)	1,101,667	0	0	0	1,101,667	1,101,667
	<u>2,005,597</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,005,597</u>	<u>2,005,597</u>
Financial Liabilities						
Trade and other payables (Note 17)	936,591	0	0	0	936,591	936,591
Derivative financial instruments	412,286	328,907	0	0	741,193	487,136
Borrowings (Note 19)	730,869	13,682,312	196,429	0	14,609,610	13,914,997
	<u>2,079,746</u>	<u>14,011,219</u>	<u>196,429</u>	<u>0</u>	<u>16,287,394</u>	<u>15,338,724</u>

28. Capital Management

The MWLT group's capital includes share capital, reserves and retained earnings.

The group's policy is to maintain a strong capital base to retain creditor and bank confidence and to sustain future development of the business. The impact of the level of capital on the shareholder's returns is also recognised, as is the need to maintain a balance between higher returns that might be possible with higher gearing and the advantages and security afforded by a strong capital position.

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

The allocation of capital between MWLT group's operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated.

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

29. Events after balance date

There were no significant events after the balance sheet date.

30. Legislative compliance

Sections 207 and 207A of the Sale of Liquor Act 1989 required the audited financial statements to be presented to a meeting of electors within five months of balance date. The meeting to consider these financial statements took place after the statutory dead line.