

## **Independent Auditor's Report**

### **To the readers of Mount Wellington Licensing Trust and group's financial statements for the year ended 31 March 2013**

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 3 to 25, that comprise the statement of financial position as at 31 March 2013, 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 3 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 2013; and
  - financial performance and cash flows for the year ended on that date.

Our audit was completed on 19 August 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, and the Sale of Liquor Act 1989 which has since been replaced by the Sale and Supply of Alcohol Act 2012.

## 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 2015', is written above the typed name.

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 2013**

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**MOUNT WELLINGTON LICENSING TRUST**

**ORGANISATION PARTICULARS**

**AS AT 31 MARCH 2013**

**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 in October 2013 unless otherwise stated)	Mr A Verrall (President) Ms L Boyle Ms M de Kort Ms D Eggers (newly elected Oct 13) Ms J Gosche (term concluded Oct 13) Mr M Murray Ms J Salesa (newly elected Oct 13) Mrs J Welch (term concluded 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 2013**

	Note	Trust 2013 \$	Trust 2012 \$	Group 2013 \$	Group 2012 \$
<b>REVENUE</b>					
Accommodation	2	0	0	5,054,877	5,678,540
Food & beverages	3	0	0	8,431,408	8,565,124
Gaming income		0	0	2,056,365	2,101,721
Other Income	4	0	0	293,007	333,277
Finance income	5	42,718	3,007	0	0
<b>TOTAL REVENUE</b>		<b>42,718</b>	<b>3,007</b>	<b>15,835,657</b>	<b>16,678,662</b>
<b>LESS EXPENSES</b>					
Cost of Sales	6	0	0	2,583,842	2,598,889
Employee benefit expenses	7	0	0	6,133,041	6,345,578
Depreciation and amortisation	14, 15	0	0	947,192	1,006,154
Revaluation decrement		0	0	(141,373)	0
Grants		0	0	964,089	1,089,883
Other Expenses	8	0	0	4,279,471	4,108,997
Finance costs	9	3,471	6,415	920,402	973,784
<b>TOTAL EXPENSES</b>		<b>3,471</b>	<b>6,415</b>	<b>15,686,664</b>	<b>16,123,285</b>
<b>NET OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION</b>		<b>39,247</b>	<b>(3,408)</b>	<b>148,993</b>	<b>555,377</b>
<b>INCOME TAX EXPENSE</b>	10	0	0	(82,898)	(91,769)
<b>OPERATING SURPLUS/(DEFICIT) AFTER TAXATION</b>		<b>39,247</b>	<b>(3,408)</b>	<b>66,095</b>	<b>463,608</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Gains from adjustment for change in tax rate on revaluation reserve	10	0	0	0	0
Revaluation gain	20	0	0	1,146,338	0
Tax on asset revaluations	10	0	0	(312,575)	0
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>0</b>	<b>0</b>	<b>833,763</b>	<b>0</b>
<b>TOTAL COMPREHENSIVE INCOME AFTER TAX</b>		<b>39,247</b>	<b>(3,408)</b>	<b>899,858</b>	<b>463,608</b>

*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 2013**

	Note	Trust 2013 \$	Trust 2012 \$	Group 2013 \$	Group 2012 \$
<b>EQUITY AT 1 APRIL</b>		<b>12,400,208</b>	12,403,616	<b>17,495,238</b>	17,031,632
Total comprehensive income after taxation		39,247	(3,408)	899,858	463,608
<b>EQUITY AT 31 MARCH</b>		<b><u>12,439,455</u></b>	<b><u>12,400,208</u></b>	<b><u>18,395,097</u></b>	<b><u>17,495,238</u></b>

*The accompanying notes form part of these financial statements.*

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**MOUNT WELLINGTON LICENSING TRUST AND GROUP  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2013**

	Note	Trust 2013 \$	Trust 2012 \$	Group 2013 \$	Group 2012 \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	11	0	0	1,357,607	1,225,408
Trade and other receivables	12	0	0	924,203	820,770
Inventories	13	0	0	288,903	296,036
<b>TOTAL CURRENT ASSETS</b>		<u>0</u>	<u>0</u>	<u>2,570,713</u>	<u>2,342,214</u>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	14	0	0	36,288,537	35,775,857
Intangible assets	15	0	0	4,186	9,197
Other financial assets	16	14,863,693	14,820,975	0	0
Deferred tax asset		0	0	0	0
<b>TOTAL NON-CURRENT ASSETS</b>		<u>14,863,693</u>	<u>14,820,975</u>	<u>36,292,723</u>	<u>35,785,054</u>
<b>TOTAL ASSETS</b>		<u><u>14,863,693</u></u>	<u><u>14,820,975</u></u>	<u><u>38,863,436</u></u>	<u><u>38,127,268</u></u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	0	0	1,236,190	1,213,014
Derivative financial instruments		0	0	422,819	424,864
Employee benefit liabilities	18	0	0	545,196	549,730
Borrowings	19	0	0	78,571	78,571
<b>TOTAL CURRENT LIABILITIES</b>		<u>0</u>	<u>0</u>	<u>2,282,776</u>	<u>2,266,179</u>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	19	2,424,238	2,420,767	12,389,285	12,867,857
Deferred tax liability	10	0	0	5,796,278	5,497,994
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>2,424,238</u>	<u>2,420,767</u>	<u>18,185,563</u>	<u>18,365,851</u>
<b>TOTAL LIABILITIES</b>		<u><u>2,424,238</u></u>	<u><u>2,420,767</u></u>	<u><u>20,468,339</u></u>	<u><u>20,632,030</u></u>
<b>NET ASSETS</b>		<u><u>12,439,455</u></u>	<u><u>12,400,208</u></u>	<u><u>18,395,097</u></u>	<u><u>17,495,238</u></u>
<b>EQUITY</b>					
Retained earnings	20	12,439,455	12,400,208	9,018,046	9,201,951
Other reserves	20	0	0	9,377,051	8,293,287
Paid up Capital		0	0	0	0
<b>TOTAL EQUITY</b>		<u><u>12,439,455</u></u>	<u><u>12,400,208</u></u>	<u><u>18,395,097</u></u>	<u><u>17,495,238</u></u>

The accompanying notes form part of these financial statements.

19 Aug 2015

19 Aug 2015



**MOUNT WELLINGTON LICENSING TRUST AND GROUP  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2013**

	Note	Trust 2013 \$	Trust 2012 \$	Group 2013 \$	Group 2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from accomodation, food & beverage		0	0	16,094,003	17,166,662
Interest received		0	0	31,269	33,236
Dividends received		0	0	640	640
Payments to suppliers and employees		0	0	(14,339,583)	(15,244,447)
Interest paid		0	0	(917,943)	(986,775)
Goods and services tax (net)		0	0	162	46,305
<b>NET CASH FROM OPERATING ACTIVITIES</b>	21	<u>0</u>	<u>0</u>	<u>868,548</u>	<u>1,015,621</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Inflow arising from change in composition of group				0	0
Proceeds from sale of assets				3,913	0
Purchase of property, plant and equipment		0	0	(174,023)	(1,052,790)
Purchase of intangible software		0	0	0	0
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u>0</u>	<u>0</u>	<u>(170,110)</u>	<u>(1,052,790)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings		0	0	0	150,000
Repayment of borrowings		0	0	(478,571)	(578,571)
Repayment of borrowings		0	0	(87,668)	0
Repayment of finance lease liabilities		0	0	0	0
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<u>0</u>	<u>0</u>	<u>(566,239)</u>	<u>(428,571)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		0	0	132,199	(465,740)
Cash and cash equivalents at the beginning of the year	11	0	0	1,225,408	1,691,148
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YI</b>	11	<u>0</u>	<u>0</u>	<u>1,357,607</u>	<u>1,225,408</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 (2012: \$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 2013**

**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. MWLT continues to operate under this new legislation.

The MWLT group comprises the following entities:

- Mount Wellington Licensing Trust (MWLT, the Trust)
- Mt Wellington Trust Hotels Limited (MWTHL)
- 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 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 2013. The cut off date is the Sunday closest to year end. For the 2013 accounts this date is 31 March 2013 (2012 accounts were to 1 April 2012).

The financial statements were authorised for issue by the Board of Trustees on 19 August 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 intergroup 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.

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## 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 loss 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 re-measurement 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:

<u>Asset class</u>	<u>Depreciation rate (%)</u>	
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 an 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 4.67%, and an inflation factor of 2.0% 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, MWLT 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.

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<b>2. Accommodation revenue</b>			Group	Group
			2013	2012
Non-tour			3,019,683	3,716,858
Conference			1,562,404	1,526,304
Tour			472,790	435,378
			<u>5,054,877</u>	<u>5,678,540</u>
<b>3. Food and Beverage revenue</b>			Group	Group
			2013	2012
Food			4,927,687	5,102,074
Beverage			2,036,327	1,997,948
Conference room & equipment hire			1,467,393	1,465,102
			<u>8,431,407</u>	<u>8,565,124</u>
<b>4. Other income</b>			Group	Group
			2013	2012
Finance & administration recoveries			(54)	0
Machine site rental			0	0
Interest received			31,483	40,278
Income from other sources			261,579	292,998
			<u>293,008</u>	<u>333,276</u>
<b>5. Finance income</b>			Group	Group
			2013	2012
Discounted interest free loans	Trust	Trust	0	0
	2013	2012	0	0
Write-up of Investment in Keri Corporation	1,177	3,007	0	0
	<u>41,541</u>	<u>0</u>	<u>0</u>	<u>0</u>
	42,718	3,007	0	0
			<u>0</u>	<u>0</u>
<b>6. Cost of sales</b>			Group	Group
			2013	2012
Food			1,414,287	1,447,824
Beverages			620,288	605,246
Other cost of sales			549,267	545,819
			<u>2,583,842</u>	<u>2,598,889</u>
<b>7. Employee benefit expenses</b>			Group	Group
			2013	2012
Salaries and wages			6,137,575	6,321,441
Increase/(decrease) in employee benefit liabilities			(4,534)	24,137
			<u>6,133,041</u>	<u>6,345,578</u>
<b>8. Other expenses</b>			Group	Group
			2013	2012
Fees to principal auditor:-				
Audit fees for financial statement audit			115,037	86,167
Other operating expenses			4,164,434	4,022,830
			<u>4,279,471</u>	<u>4,108,997</u>

9. Finance costs

	Trust 2013	Trust 2012	Group 2013	Group 2012
Interest on bank borrowings	0	0	917,946	986,775
Feasibility and consulting costs	0	0	4,500	24,216
Loss on held for trading financial instruments	0	0	(2,045)	(44,050)
Discounted interest free loans	3,471	1,020	1	6,843
Impairment of Investment in Keri Corporation	0	5,395	0	0
	<u>3,471</u>	<u>6,415</u>	<u>920,402</u>	<u>973,784</u>

10. Income tax

	Trust 2013	Trust 2012	Group 2013	Group 2012
<b>Components of income tax expense</b>				
Current tax expense	0	0	97,188	48,756
Adjustments to current tax in prior years	0	0	0	0
Deferred tax expense	0	0	(14,290)	43,013
	<u>0</u>	<u>0</u>	<u>82,898</u>	<u>91,769</u>

Relationship between income tax expense and accounting profit

	Trust 2013	Trust 2012	Group 2013	Group 2012
Net operating surplus/(deficit) before tax	39,247	(3,407)	148,993	555,377
Tax at 28%	10,989	(954)	41,718	155,505
Non-deductible revenue / expenditure	(10,989)	1,510	75,307	70,237
Prior period adjustment	0	0	0	0
Permanent differences	0	0	13,960	(46,339)
Deferred tax on change in tax rate	0	0	0	(87,634)
Deferred tax on change in tax legislation for depreciation on buildings	0	0	0	0
Tax loss not recognised	0	(113,063)	(48,087)	0
Deferred tax on parent tax losses	0	0	0	0
Group loss offset	0	112,507	0	0
Income tax expense	<u>0</u>	<u>(0)</u>	<u>82,898</u>	<u>91,769</u>

Deferred tax assets/liabilities - Group

	Property plant and equipment	Employee entitlements	Derivatives	Other provisions	Group tax losses	Total
Balance at 1 April 2011	(5,840,447)	118,024	131,296	7,303	128,844	(5,454,980)
Charged to income	95,909	3,471	(12,334)	(1,215)	(128,844)	(43,013)
Charged to other comprehensive income	0	0	0	0	0	0
Balance at 31 March 2012	(5,744,538)	121,495	118,962	6,088	0	(5,497,993)
Charged to income	19,210	(5,294)	(573)	947	0	14,290
Charged to other comprehensive income	(312,575)	0	0	0	0	(312,575)
Balance at 31 March 2013	(6,037,903)	116,201	118,389	7,035	0	(5,796,278)

### 11. Cash and cash equivalents

	Group 2013	Group 2012
Cash at bank and in hand	1,357,607	1,225,408
Bank overdraft (note 19)	0	0
Cash & cash equivalents in statement of cash flows	<u>1,357,607</u>	<u>1,225,408</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 2013	Group 2012
Trade receivables	821,252	697,864
Related party receivables	0	0
Sundry debtors	8,536	2,539
Prepayments	<u>97,645</u>	<u>120,367</u>
	927,433	820,770
Less provision for impairment of receivables	<u>(3,229)</u>	<u>0</u>
	<u>924,204</u>	<u>820,770</u>

*Movement in the provision of receivables are as follows:*

	2013	2012
Balance at 1 April	0	0
Additional provision made during the year	0	0
Receivables recovered during the year	<u>(3,229)</u>	<u>0</u>
Balance at 31 March	(3,229)	0

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.

There are no amounts in trade receivables that are in excess of 180 days.

### 13. Inventories

	Group 2013	Group 2012
Food stock	59,118	67,279
Beverage stock	86,915	87,973
Other	142,870	140,784
	<u>288,903</u>	<u>296,036</u>



#### 14. Property, plant and equipment - group only

2013

	Land	Buildings	Leasehold furniture & fittings	Plant & equipment	Furniture & fittings	Work in progress	Total
Opening cost /valuation	10,570,000	24,402,302	9,673	2,808,940	4,448,067	0	42,238,982
Opening accum depreciation	0	(2,906,225)	(9,673)	(1,668,513)	(1,878,714)	0	(6,463,125)
Opening book value	10,570,000	21,496,077	0	1,140,427	2,569,353	0	35,775,857
Additions	0	36,805	0	55,584	58,760	46,862	198,011
Disposals	0	(15,063)	0	(6,778)	(9,158)	0	(30,999)
Depreciation expense	0	(517,600)	0	(196,412)	(228,169)	0	(942,181)
Impairment charges	0	0	0	0	0	0	0
Revaluation	30,000	1,538,924	0	34,660	(315,735)	0	1,287,849
Closing cost /valuation	10,600,000	25,962,968	9,673	2,892,406	4,181,934	46,862	43,693,843
Closing accum depreciation	0	(3,423,825)	(9,673)	(1,864,925)	(2,106,883)	0	(7,405,306)
Closing book value	10,600,000	22,539,143	0	1,027,481	2,075,051	46,862	36,288,537

2012

	Land	Buildings	Leasehold furniture & fittings	Plant & equipment	Furniture & fittings	Work in progress	Total
Opening cost /valuation	10,570,000	23,738,927	9,673	2,555,392	4,252,458	59,742	41,186,192
Opening accum depreciation	0	(2,382,144)	(9,673)	(1,460,035)	(1,610,903)	0	(5,462,755)
Opening book value	10,570,000	21,356,783	0	1,095,357	2,641,555	59,742	35,723,437
Additions	0	663,375	0	268,237	195,609	(59,742)	1,067,479
Disposals	0	0	0	(14,689)	0	0	(14,689)
Depreciation expense	0	(524,081)	0	(208,478)	(267,811)	0	(1,000,370)
Impairment charges	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Closing cost /valuation	10,570,000	24,402,302	9,673	2,808,940	4,448,067	0	42,238,982
Closing accum depreciation	0	(2,906,225)	(9,673)	(1,668,513)	(1,878,714)	0	(6,463,125)
Closing book value	10,570,000	21,496,077	0	1,140,427	2,569,353	0	35,775,857

##### Land and buildings carried at fair value

An independent valuation of the land and buildings was performed by Bower Valuations Limited, registered independent valuers, as at 31 March 2013. This valuation for the Waipuna Hotel & Conference Centre was completed using the discounted cash flow of rental income over a five year time horizon. The valuation for the Panmure Historic Hotel was done using a direct or simple rental income capitalisation. These methodology are acceptable estimates 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 Bower Valuations Limited, as at 31 March 2013. 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 Bower Valuations Limited as at 31 March 2013 was \$35.97M. 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 2013	Group 2012
<b>Computer software</b>		
Opening cost	78,133	78,133
Opening accum amortisation	(68,936)	(63,152)
Opening book value	9,197	14,981
Additions	0	0
Disposals	0	0
Amortisation expense	(5,011)	(5,784)
Impairment expense	0	0
Closing cost	78,133	78,133
Closing accum amortisation	(73,947)	(68,936)
Closing book value	4,186	9,197

## 16. Other financial assets

	Trust 2013	Trust 2012	Group 2013	Group 2012
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	41,541	0	0	0
Loan to MWTHL (Note 27)	678,790	677,818	0	0
Loan to KERI (Note 27)	143,362	143,157	0	0
	<u>14,863,693</u>	<u>14,820,975</u>	<u>0</u>	<u>0</u>

- # MWLT has made an interest free loan to MWTHL with a face value of \$710,218 (2012: \$710,218) 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 2013 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 2013 is \$678,790 (2012: \$677,818).

- # MWLT has made an interest free loan to KERI with a face value of \$150,000 that is unsecured. The loan is supported by a certificate of indebtedness stating the loan is repayable on demand. At 31 March 2013 the on demand conditions have been waived by the lender for a period of 12 months.

The MWLT loan to KERI 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 2013 is \$143,362 (2012: \$143,157).

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

## 17. Trade and other payables

	Group 2013	Group 2012
Trade payables	460,325	565,395
Deposits and bonds	49,946	52,514
Accrued expenses	667,641	546,348
Income tax payable	58,278	48,756
	<u>1,236,190</u>	<u>1,213,013</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 2013	Group 2012
Accrued pay	130,191	115,820
Annual leave	377,427	397,073
Long service leave	37,578	36,838
	545,196	549,731

**19. Borrowings**

	Trust 2013	Trust 2012	Group 2013	Group 2012
<b>Current</b>				
Bank overdraft	0	0	0	0
Finance leases	0	0	0	0
Secured loans	0	0	78,571	78,571
Secured bonds	0	0	0	0
Total current borrowings	0	0	78,571	78,571
<b>Non Current</b>				
Finance leases	0	0	0	0
Secured loans	0	0	12,389,285	12,867,857
Secured bonds	0	0	0	0
Secured related party loans (Note 26)	0	0	0	0
Unsecured related party loans (Note 26)	2,424,238	2,420,767	0	0
	2,424,238	2,420,767	12,389,285	12,867,857

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 \$12,350,000 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 2014, 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.

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 +1.90% 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>
\$3,350,000	4.63%	21-Jun-13

*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	6.49%	Sep 2014	Swap was extended, at a reduced rate, during the year.
\$6,000,000	7.02%	Mar 2016	Swap was extended, at a reduced rate, during the year.

*Interest free debt*

- # MWTHL has an interest free loan from NZ Breweries of \$117,857 (2012 \$196,429) 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 (2012: \$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 2013 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 2013 is \$2,420,767 (2012: \$2,420,767).

**Security**

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

**20. Equity**

	Trust 2013	Trust 2012	Group 2013	Group 2012
<b>Retained earnings</b>				
Opening balance	12,400,208	12,403,616	9,201,952	8,497,619
Surplus/(deficit) for the year	39,247	(3,408)	66,095	463,608
Other adjustments to equity	0	0	0	0
Deferred tax gains / (losses) taken to reserves	0	0	0	240,725
Less revaluation loss taken to equity	0	0	(250,000)	0
Closing balance	12,439,455	12,400,208	9,018,047	9,201,952
<b>Reserves</b>				
<b>Revaluation Reserve</b>				
Opening balance	0	0	8,963,455	8,963,456
Asset revaluation movement	0	0	(141,373)	0
Charged to equity	0	0	1,537,711	0
Closing balance	0	0	10,359,793	8,963,456
<b>Deferred Tax Reserve</b>				
Opening balance	0	0	(670,167)	(429,442)
Charged to profit and loss	0	0	0	0
Charged to equity	0	0	0	0
Deferred tax gains / (losses) taken to reserves	0	0	(312,575)	(240,725)
Closing balance	0	0	(982,742)	(670,167)
<b>Total Reserves</b>				
Opening balance	0	0	8,293,288	8,534,014
Asset revaluation movement	0	0	(141,373)	0
Charged to equity	0	0	1,537,711	0
Effect on deferred tax for movement in revaluation reserve	0	0	0	0
Deferred tax gains / (losses) taken to reserves	0	0	(312,575)	(240,725)
Closing balance	0	0	9,377,051	8,293,289
As at 31st March	0	0	9,377,051	8,293,289
Total closing equity	12,439,455	12,400,208	18,395,098	17,495,241

**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 2015/16.

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 11th of November 1988. 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 2013.

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 \$171,787. All 100,000 ordinary shares are fully paid as at 31 March 2013.

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 2013.

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

	Group 2013	Group 2012
<b>Surplus/(deficit) before tax</b>	148,993	555,377
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation	947,192	1,006,154
Loss/(gain) on sale of assets	0	0
Derivative financial instruments	(2,045)	(44,050)
Discounted interest free loan	0	0
Revaluation decrement	(141,373)	0
<b>Add/(less) items classified as investing or financing activities:</b>		
Repayment of finance leases	0	0
<b>Add/(Less) movements in working capital items:</b>		
(Increase)/Decrease in Accounts Receivable	(88,365)	(52,926)
(Increase)/Decrease in Inventory	7,133	(6,002)
Increase/(Decrease) in Accounts Payable	(25,995)	(409,834)
Increase/(Decrease) in Interest Payable	0	0
(Increase)/Decrease in Prepayments	22,722	(36,242)
Increase/(Decrease) in GST Payable	285	3,147
<b>Net cash inflow/(outflow) from operating activities</b>	<b>868,547</b>	<b>1,015,624</b>

## 22. Related party transactions

### Gaming activities

MWFL paid the following amounts to companies within the MWLT group

	Group 2013	Group 2012
Administration fee paid to MWTHL	0	23,787
Gaming machine site rental paid to MWTHL	105,397	95,609
Gaming machine site rental paid to Keri	123,883	117,363
	<b>229,280</b>	<b>236,759</b>

The amounts paid for administration and site rental are restricted by Department of Internal Affairs regulations which include formal contracts and regular reviews. There was nil outstanding at year end (2012: nil).

### Subsidiary transactions and balances

Keri paid rental income to MWTHL of \$82,680 (2012: \$82,680).

The net amount transacted in the year from MWTHL to Keri was \$193,672 loss to Keri (2012: \$118,365 loss). There was a payable at year end from Keri to MWTHL of \$28,908 (2012: \$73,163).

A charitable donation was made from MWTHL to MWCT of nil (2012: \$200,000). There are no formal arrangements in place for charitable donations to be made on a regular basis.

The audit fees for MWLT were recognised in the accounts for MWTHL for \$11,000 (2012: \$11,000). Because the amount is immaterial it was decided not to adjust the intercompany loan between MWLT and MWTHL.





#### Keri losses

MWTHL purchased tax losses from Keri to March 2012 by agreed subvention payment for \$366,689 (2012: nil). A further subvention payment is expected for the March 2013 year for \$191,883. MWTHL has not accrued this because no formal agreement has been signed.

#### 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 2013 was 4.63% (2012: 4.78%).

- # MWLT has an interest free loan from the MWCT with a face value of \$2,536,480 (2012: \$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 (2012: \$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 2013 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 2013 is \$3,740,874 (2012: \$3,735,519).
- # MWTHL has an interest free loan from MWLT with a face value of \$710,218 (2012: \$710,218). Refer note 15 for further details.
- # KERI has an interest free loan from MWLT with a face value of \$150,000 (2012: \$150,000). 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 (2012: \$3,000).

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

### 24. Commitments

	Group 2013	Group 2012
<b>Total minimum lease payments are payable</b>		
Not later than one year	77,381	77,381
Later than one year and not later than five years	38,267	115,648
Later than five years	0	0
	<u>115,648</u>	<u>193,029</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:

	Group 2013	Group 2012
<b>Present value of minimum lease payments</b>		
Not later than one year	90,742	146,298
Later than one year and not later than five years	0	96,748
Later than five years	0	0
	<u>90,742</u>	<u>243,046</u>

#### Capital commitments

MWTHL has capital commitments of nil (2012: nil).

## 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. MWTHL 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 (2012: nil).

## 27. Financial instruments

### Financial instrument categories

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

	Trust 2013	Trust 2012	Group 2013	Group 2012
<b>Financial assets</b>				
<i>Loans &amp; receivables</i>				
Cash and cash equivalents	0	0	1,357,607	1,225,408
Trade and other receivables	0	0	924,203	820,770
Other financial assets	822,152	820,975	0	0
	<u>822,152</u>	<u>820,975</u>	<u>2,281,810</u>	<u>2,046,178</u>
<b>Financial liabilities</b>				
<i>Fair value through profit and loss - held for trading</i>				
Derivative financial instruments	0	0	422,819	424,864
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	0	0	943,713	1,030,343
Borrowing	2,424,238	2,420,767	12,467,856	12,946,428
	<u>2,424,238</u>	<u>2,420,767</u>	<u>13,411,569</u>	<u>13,976,771</u>

### 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 2013 year. A portion of the floating debt was also converted to a fixed term swap during the 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 (2012: 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.

Trust - 2013	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Total carrying amount
<b>Financial Assets</b>						
Loan to MWTHL (Note 16)	0	678,790	0	0	678,790	678,790
Loan to KERI (Note 16)	0	143,362	0	0	143,362	143,362
	0	822,152	0	0	822,152	822,152
<b>Financial Liabilities</b>						
Borrowings (Note 19)	0	2,424,238	0	0	2,424,238	2,424,238
	0	2,424,238	0	0	2,424,238	2,424,238
<b>Trust - 2012</b>						
	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Total carrying amount
<b>Financial Assets</b>						
Loan to MWTHL (Note 16)	0	860,218	0	0	860,218	677,818
Loan to KERI (Note 16)	0	143,157	0	0	143,157	143,157
	0	1,003,375	0	0	1,003,375	820,975
<b>Financial Liabilities</b>						
Borrowings (Note 19)	0	2,536,480	0	0	2,536,480	2,420,767
	0	2,536,480	0	0	2,536,480	2,420,767



Group - 2013	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Total carrying amount
<b>Financial Assets</b>						
Cash and cash equivalents (Note 11)	1,357,607	0	0	0	1,357,607	1,357,607
Trade and other receivables (Note 12)	920,178	0	0	0	920,178	920,178
	<u>2,277,785</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,277,785</u>	<u>2,277,785</u>
<b>Financial Liabilities</b>						
Trade and other payables (Note 17)	1,001,991	0	0	0	1,001,991	1,001,991
Derivative financial instruments	184,065	146,061	0	0	330,126	422,819
Borrowings (Note 19)	6,804,977	5,477,871	0	0	12,282,848	15,035,457
	<u>7,991,033</u>	<u>5,623,932</u>	<u>0</u>	<u>0</u>	<u>13,614,965</u>	<u>16,460,267</u>
<b>Group - 2012</b>						
Group - 2012	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Total carrying amount
<b>Financial Assets</b>						
Cash and cash equivalents (Note 11)	1,225,408	0	0	0	1,225,408	1,225,408
Trade and other receivables (Note 12)	820,770	0	0	0	820,770	820,770
	<u>2,046,178</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,046,178</u>	<u>2,046,178</u>
<b>Financial Liabilities</b>						
Trade and other payables (Note 17)	1,030,344	0	0	0	1,030,344	1,030,344
Derivative financial instruments	218,546	179,607	142,570	0	540,723	424,864
Borrowings (Note 19)	4,310,003	2,564,597	6,310,461	0	13,185,061	12,946,428
	<u>5,558,893</u>	<u>2,744,204</u>	<u>6,453,031</u>	<u>0</u>	<u>14,756,128</u>	<u>14,401,636</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 deadline.