

## Independent Auditor's Report

### To the readers of Mount Wellington Licensing Trust group's financial statements for the year ended 31 March 2019

The Auditor-General is the auditor of Mount Wellington Licensing Trust and its subsidiaries and other controlled entities (collectively referred to as the "Group"). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Mount Wellington Licensing Trust group on his behalf.

#### Opinion

We have audited the financial statements of the Mount Wellington Licensing Trust group on pages 3 to 25, that comprise the statement of financial position as at 31 March 2019, the statement of comprehensive income, statement of movements in equity and consolidated 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.

In our opinion the financial statements of the Mount Wellington Licensing Trust group:

- present fairly, in all material respects:
  - its financial position as at 31 March 2019; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 21 August 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements, and we explain our independence.

#### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of the Board for the financial statements**

The Board are responsible on behalf of the Mount Wellington Licensing Trust group for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand.

The Board are responsible for such internal control as they determine is necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible on behalf of the Mount Wellington Licensing Trust group for assessing the group's ability to continue as a going concern. The Board are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board resolve to amalgamate or liquidate the Mount Wellington Licensing Trust group, or to cease operations, or have no realistic alternative but to do so.

The Board's responsibilities arise from the Sale and Supply of Alcohol Act 2012.

## **Responsibilities of the auditor for the audit of the financial statements**

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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 Mount Wellington Licensing Trust group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Mount Wellington Licensing Trust group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Mount Wellington Licensing Trust group to cease as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Mount Wellington Licensing Trust group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Mount Wellington Licensing Trust group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## **Other information**

The Board are responsible for the other information. The other information comprises the information included on pages 1 to 2 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Mount Wellington Licensing Trust group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standards 1 (revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Mount Wellington Licensing Trust group.

A handwritten signature in blue ink, appearing to read 'L. Pieterse', with a stylized flourish at the end.

Leon Pieterse  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

**MOUNT WELLINGTON LICENSING TRUST**  
**GROUP ACCOUNTS**  
**FOR YEAR ENDED 31 MARCH 2019**

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**MOUNT WELLINGTON LICENSING TRUST**

**ENTITY INFORMATION**

**AS AT 31 MARCH 2019**

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:	Dr M Benson-Rea Mr A Verrall, President Ms L Cross, Vice President Mrs J Dolheguy Mr M Gosche Ms N Henry
Bankers:	Not applicable
Solicitors:	DG Law P O Box 14081 Panmure AUCKLAND
Auditors:	Audit New Zealand on behalf of the Office of the Auditor General Level 6, 280 Queen Street Auckland 1010

A handwritten signature in black ink, appearing to be a stylized name, possibly 'M. Verrall', written in a cursive style.

**MOUNT WELLINGTON LICENSING TRUST GROUP  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$	2018 \$
<b>TOTAL REVENUE</b>	2	19,809,402	20,013,765
<b>TOTAL EXPENSES</b>	3-6	18,061,580	18,129,118
<b>NET OPERATING SURPLUS BEFORE INTEREST AND TAXATION</b>		<u>1,747,823</u>	<u>1,884,647</u>
<b>INCOME TAX EXPENSE</b>	7	481,531	559,903
<b>OPERATING SURPLUS AFTER TAXATION</b>		1,266,292	1,324,744
<b>OTHER COMPREHENSIVE INCOME</b>			
Revaluation gain	16	3,132,369	5,070,000
Tax on asset revaluations	7	<u>272,673</u>	<u>0</u>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		3,405,042	5,070,000
<b>TOTAL COMPREHENSIVE INCOME AFTER TAX</b>		<u><u>4,671,334</u></u>	<u><u>6,394,744</u></u>

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

**MOUNT WELLINGTON LICENSING TRUST GROUP  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2019**

	Group 2019 \$	Group 2018 \$
Note	<u>          </u>	<u>          </u>
<b>EQUITY AT 1 APRIL</b>	<b>36,581,219</b>	30,186,475
Total comprehensive income after taxation	4,671,334	6,394,744
<b>EQUITY AT 31 MARCH</b>	<u><b>41,252,553</b></u>	<u><b>36,581,219</b></u>

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



**MOUNT WELLINGTON LICENSING TRUST GROUP  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019**

	Note	Group 2019 \$	Group 2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	960,366	1,448,954
Trade and other receivables	9	1,706,077	1,006,534
Inventories	10	288,261	268,415
<b>TOTAL CURRENT ASSETS</b>		<b>2,954,703</b>	<b>2,723,903</b>
<b>CURRENT LIABILITIES</b>			
Bank overdraft	8	324,618	0
Trade and other payables	13	1,799,669	1,907,297
Derivative financial instruments		1,920	145,411
Employee benefit liabilities	14	478,546	533,129
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,604,752</b>	<b>2,585,837</b>
<b>WORKING CAPITAL SURPLUS</b>		<b>349,952</b>	<b>138,066</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	57,516,304	54,369,505
Intangible assets	12	93,337	133,801
<b>TOTAL NON-CURRENT ASSETS</b>		<b>57,609,641</b>	<b>54,503,306</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15	9,750,000	10,750,000
Employee benefit liabilities	14	15,755	17,952
Deferred tax liability	7	6,941,285	7,292,200
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>16,707,040</b>	<b>18,060,152</b>
<b>NET NON CURRENT ASSETS</b>		<b>40,902,601</b>	<b>36,443,154</b>
<b>NET ASSETS</b>		<b>41,252,552</b>	<b>36,581,220</b>
<b>EQUITY</b>			
Retained earnings	16	12,226,767	10,960,475
Other reserves	16	29,025,786	25,620,745
Paid up Capital		0	0
<b>TOTAL EQUITY</b>		<b>41,252,553</b>	<b>36,581,220</b>

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

**MOUNT WELLINGTON LICENSING TRUST GROUP  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	Group 2019 \$	Group 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from accomodation, food & beverage		19,125,406	19,929,307
Interest received		21,007	29,161
Dividends received		1,140	1,050
Payments to suppliers and employees		(16,579,695)	(16,222,492)
Interest paid		(681,868)	(804,727)
Goods and services tax (net)		87,695	(29,947)
<b>NET CASH INFLOWS FROM OPERATING ACTIVITIES</b>	<b>17</b>	<b>1,973,685</b>	<b>2,902,352</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Insurance claim		0	77,580
Purchase of property, plant and equipment		(1,059,102)	(1,911,649)
Purchase of intangible software		(7,791)	(45,277)
<b>NET CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>		<b>(1,066,893)</b>	<b>(1,879,346)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(1,000,000)	(750,000)
Income tax paid		(720,000)	(333,203)
<b>NET CASH OUTFLOWS FROM FINANCING ACTIVITIES</b>		<b>(1,720,000)</b>	<b>(1,083,203)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year	<b>8</b>	(813,208) 1,448,954	(60,197) 1,509,151
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>8</b>	<b>635,746</b>	<b>1,448,954</b>

Cash, cash equivalents and bank overdrafts at the end of the year is the net of bank overdraft (note 16) and cash at bank and in hand (note 9).

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. Gross amounts do not provide meaningful information for financial statement purposes.

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

**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**1. Statement of Accounting Policies**

**REPORTING ENTITY**

Mount Wellington Licensing Trust (MWLT) is a licensing trust operating under the Sale and Supply of Alcohol Act 2012.

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)

**MWLT Group Statement of Comprehensive Income**

The group is primarily involved in hospitality, conferencing, accommodation and gaming activities within the Mt Wellington area. These activities are conducted through the MWLT's subsidiary entities with the intention of

**MWLT Group Statement of Changes in Equity**

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).

**MWLT Group Statement of Financial Position**

The financial statements of MWLT, and the group, are for the period to 31 March 2019 (2018: 31 March 2018).

**MWLT Group Statement of Cashflows**

The financial statements were authorised for issue by the Board of Trustees on the 22nd August 2019.

**BASIS OF PREPARATION**

**Statement of compliance**

The financial statements have been prepared in accordance with the requirements of the Sale and Supply of Alcohol Act 2012 and NZ GAAP.

The statements comply with NZ IFRS reduced disclosure regime, and other Financial Reporting Standards, as appropriate for profit oriented entities. Under the terms of the Accounting Standards Framework issued by the External Reporting Board (XRB) the MWLT has designated itself a Tier 2 for profit entity and therefore applies the Tier 2 Accounting Standards (NZ IFRS Reduced Disclosure Regime).

The company is eligible to report under the Tier 2 for profit standards because it does not have public accountability and it is not large. The group has applied disclosure concessions.

**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.

**MOUNT WELLINGTON LICENSING TRUST GROUP  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
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.

**Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised. All other borrowing costs are recognised in the period in which they are incurred.

**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.

If there are bank overdrafts these 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.



**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**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**

Financial assets are classified at initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

MWLT group classifies its financial assets in the following four categories; Financial assets at amortised cost (credit instruments), Financial assets at fair value through OCI with recycling of cumulative gains and losses, (debit instruments), Financial assets designated at fair value through OCI with recycling of cumulative gains and losses upon derecognition (equity instruments), Financial assets at fair value through profit or loss

The two 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 Financial assets at amortised cost**

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.

**Impairment of financial assets**

At each balance 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.



**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

*Additions*

In most instances, an item of property, plant and equipment is recognised at its cost.

*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 diminished value 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	1.00-4.00
Buildings - Inner Fixtures	2.08
Buildings - Internal Joinery Fittings	2.08
Buildings - Floor Coverings and Chattels	3.33
Buildings - Plumbing services	2.00-2.08
Buildings - Mechanical Services	5.00-6.67
Buildings - Fire Services	2.00
Buildings - Electrical Services	3.33
Buildings - Electronic & Computer Services	3.33
Buildings - Lift & Escalator Services	5.00
Buildings - Other Amenities & Services	3.33
Kitchen & Gym Equipment and General Effects	6.67-11.11
Furniture & Office Equipment	6.67-20
Carpets & Floor Coverings	11.00
Motor Vehicles	20.00

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

*Revaluations*

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

Land and building revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses 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 recognised in other comprehensive revenue and expense.

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

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**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**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.

*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	20.00

**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.

*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:

- the present value of the estimated future cash flows have used a discount rate of 2.76% (2018: 2.005%) and an inflation factor of 1.5% (2018: 1.1%). 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.

**Financial liabilities at amortised cost**

Financial liabilities at amortised cost consist of trade and other payables and borrowings. Financial liabilities at amortised cost are subsequently measured using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL (fair value through profit and loss) through OCI with recycling of cumulative gains and losses upon derecognition (equity instruments), Financial liabilities at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**  
**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
- 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.





**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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

**2. Revenue**

	Group 2019	Group 2018
<b>Accommodation revenue</b>		
Conference, Corporate and Tour segments	7,404,354	7,657,596
<b>Food and Beverage revenue</b>		
Food, beverage, conference room hire and equipment hire	9,472,987	9,254,446
<b>Gaming income</b>		
Gaming income	2,749,821	2,791,218
<b>Other income</b>		
Finance & administration recoveries	(3,750)	(0)
Interest received	21,007	29,161
Income from other sources	164,983	281,344
	<u>182,240</u>	<u>310,505</u>
	<u>19,809,402</u>	<u>20,013,765</u>

**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**3. Cost of sales**

	Group 2019	Group 2018
Food, beverage and other cost of sales	2,788,445	2,713,503
	<u>2,788,445</u>	<u>2,713,503</u>

**4. Employee benefits**

	Group 2019	Group 2018
Salaries and wages	7,200,533	7,164,937
Increase/(decrease) in employee benefit liabilities	(56,780)	(16,910)
	<u>7,143,753</u>	<u>7,148,027</u>

**5. Other expenses**

	Group 2019	Group 2018
Fees to principal auditor:-		
Audit fees for financial statement audit	142,500	140,050
Operating lease expense MWTH	114,344	302,194
Donations MWCT	230,188	157,769
Trustee expenses MWFL	36,618	36,097
Gaming machine duty MWFL	632,459	641,980
Depreciation and amortisation	1,247,267	1,178,490
Grants	1,240,049	1,207,182
Other operating expenses	3,947,579	3,997,484
	<u>7,591,004</u>	<u>7,661,246</u>

**6. Interest**

	Actual 2019	Actual 2018
<b>Interest gains</b>		
Loss on held for trading financial instruments	143,491	198,382
<b>Total Finance gains</b>	<u>143,491</u>	<u>198,382</u>
<b>Finance costs</b>		
Interest on bank borrowings	681,868	804,727
<b>Total Finance costs</b>	<u>681,868</u>	<u>804,727</u>

**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**7. Income tax**

<b>Relationship between income tax expense and accounting profit</b>	Group 2019	Group 2018
Net operating surplus/(deficit) before tax	1,747,823	1,884,647
Tax at 28%	516,442	518,668
Non-deductible revenue / expenditure	(16,778)	46,845
Tax loss not recognised	(51,504)	(5,609)
Income tax expense	<b>448,160</b>	<b>559,903</b>
<b>Components of income tax expense</b>	Group 2019	Group 2018
Current tax expense	559,774	618,335
Deferred tax expense	(78,243)	(58,432)
	<b>481,532</b>	<b>559,903</b>

**Deferred tax assets/liabilities - Group**

	Property plant and equipment	Employee entitlements	Derivatives	Other provisions	Group tax losses	Total
Balance at 1 April 2017	(7,548,581)	98,948	96,262	2,739	0	(7,350,632)
Charged to income	118,891	(4,892)	(55,547)	(20)	0	58,432
Charged to other comprehensive income	0	0	0	0	0	0
Balance at 31 March 2018	(7,429,690)	94,056	40,715	2,719	0	(7,292,200)
Charged to income	124,260	(4,744)	(40,178)	(1,096)	0	78,243
Charged to other comprehensive income	272,673	0	0	0	0	272,673
Balance at 31 March 2019	(7,032,757)	89,312	537	1,623	0	(6,941,285)

**8. Cash and cash equivalents**

	Group 2019	Group 2018
Cash at bank and in hand	960,366	1,450,619
Bank overdraft	(324,618)	(1,665)
Cash & cash equivalents in statement of cash flows	<b>635,748</b>	<b>1,448,954</b>

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

**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**9. Trade and other receivables**

	Group 2019	Group 2018
Trade receivables	1,504,705	832,603
Related party receivables	0	0
Sundry debtors	11,087	25,337
Prepayments	190,284	152,760
	<u>1,706,077</u>	<u>1,010,700</u>
Less provision for impairment of receivables	0	(4,165)
	<u><b>1,706,077</b></u>	<u><b>1,006,535</b></u>

	Group Actual 2019	Group Actual 2018
<b>Receivables aging</b>		
Not past due		
Past due 1-30 days	1,163,732	929,644
Past due 31-60 days	312,103	61,412
Past due 61-90 days	32,295	7,617
Past due over 90 days	7,663	0
	<u><b>1,515,793</b></u>	<u><b>998,673</b></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.

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

**10. Inventories**

	Group 2019	Group 2018
Food stock	69,654	55,635
Beverage stock	62,436	73,224
Other	156,171	139,555
	<u>288,261</u>	<u>268,414</u>

Inventory is for commercial use and is consumable, not secured and not impaired.

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**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**11. Property, plant and equipment**

**2019**

	Land	Buildings	Plant & equipment	Furniture & fittings	Work in progress	Total
Opening cost /valuation	21,590,000	28,690,030	2,267,241	3,612,587	136,990	56,296,848
Opening accum depreciation	0	(645,281)	(928,224)	(353,839)	0	(1,927,344)
Opening book value	21,590,000	28,044,749	1,339,017	3,258,748	136,990	54,369,504
Additions	0	321,126	141,390	986,106	0	1,448,622
Disposals	0	(108,940)	(108,954)	(674,458)	(136,990)	(1,029,341)
Depreciation expense	0	(662,599)	(167,930)	(368,483)	0	(1,199,012)
Depreciation written back on disp	0	107,830	108,953	167,388	0	384,171
Impairment charges	0	0	0	0	0	0
Revaluation	4,106,200	(563,841)	0	0	0	3,542,359
Depn write back revaluation	0	0	0	(409,990)	0	(409,990)
Closing cost /valuation	25,696,200	28,338,376	2,299,677	4,334,225	0	60,668,478
Closing accum depreciation	0	(1,200,049)	(987,201)	(964,925)	0	(3,152,175)
Closing book value	<b>25,696,200</b>	<b>27,138,327</b>	<b>1,312,476</b>	<b>3,369,300</b>	<b>0</b>	<b>57,516,303</b>

**2018**

	Land	Buildings	Plant & equipment	Furniture & fittings	Work in progress	Total
Opening cost /valuation	16,520,000	28,005,910	2,254,245	2,970,966	385,517	50,136,638
Opening accum depreciation	0	(67,486)	(936,315)	(272,442)	0	(1,276,243)
Opening book value	16,520,000	27,938,424	1,317,930	2,698,524	385,517	48,860,395
Additions	0	757,336	233,524	927,162	136,990	2,055,012
Disposals	0	(73,216)	(220,528)	(285,541)	(385,517)	(964,802)
Depreciation expense	0	(651,011)	(160,956)	(325,359)	0	(1,137,326)
Depreciation written back	0	73,216	169,047	243,962	0	486,225
Revaluation	5,070,000	0	0	0	0	5,070,000
Depn write back revaluation	0	0	0	0	0	0
Closing cost /valuation	21,590,000	28,690,030	2,267,241	3,612,587	136,990	56,296,848
Closing accum depreciation	0	(645,281)	(928,224)	(353,839)	0	(1,927,344)
Closing book value	<b>21,590,000</b>	<b>28,044,749</b>	<b>1,339,017</b>	<b>3,258,748</b>	<b>136,990</b>	<b>54,369,504</b>

**Land 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 2019. The 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 methodologies are acceptable estimates of fair value because similar businesses are traded at reasonably frequent intervals.

**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

The future values quoted for the property revenues and costs are projections only formed on the data currently available and are not representations of what the value of the property will be as at a future date. This information includes the current market expectations as to property values and income which may not prove to be accurate.

**Buildings carried at fair value**

An independent valuation of the property, plant and equipment was performed by Bower Valuations Limited, as at 31 March 2019. This valuation was undertaken on buildings for the delivery of accommodation and hospitality provided by MWTHL excluding Highbrook.

**Property, plant and equipment carried using the Cost Model**

From 2019 all Plant & Equipment, Motor Vehicles and Leasehold Improvements at Highbrook are recognised using the Cost Model disclosing the cost of fixed assets less any accumulated depreciation and accumulated impairment losses. There are no impairment losses recognised for 2019.

An independent valuation of the property, plant and equipment was performed by Bower Valuations Limited, as at 31 March 2016. This valuation was undertaken on all property, plant and equipment used in the delivery of accommodation and hospitality services provided by MWTHL excluding Highbrook.

The total fair value of property, plant and equipment valued by Bower Valuations Limited as at 31 March 2016 was \$40,917M. 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

2018 furniture & fittings cost, depreciation and disposals value has been updated to correct for a classification error.

**12. Intangible assets**

	Group 2019	Group 2018
<b>Computer software</b>		
Opening cost	272,139	226,862
Opening accum amortisation	<u>(138,338)</u>	<u>(97,174)</u>
Opening book value	133,801	129,688
Additions	7,791	45,277
Amortisation expense	<u>(48,255)</u>	<u>(41,164)</u>
Closing cost	279,930	272,139
Closing accum amortisation	<u>(186,593)</u>	<u>(138,338)</u>
Closing book value	<u><b>93,337</b></u>	<u><b>133,801</b></u>

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**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**13. Trade and other payables**

	Group 2019	Group 2018
Trade payables	774,561	634,548
Deposits and bonds	154,687	141,102
Accrued expenses	674,373	715,643
Income tax payable	196,048	416,004
	<b><u>1,799,669</u></b>	<b><u>1,907,297</u></b>

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.

**14. Employee benefit liabilities**

	Group 2019	Group 2018
<b>Current</b>		
Accrued pay	175,331	215,169
Annual leave	280,342	278,619
Long service leave	22,873	39,342
<b>Non current</b>		
Long service leave	15,755	17,952
	<b><u>494,302</u></b>	<b><u>551,082</u></b>

**15. Borrowings**

	Group 2019	Group 2018
<b>Non Current</b>		
Secured loans	9,750,000	10,750,000
	<b><u>9,750,000</u></b>	<b><u>10,750,000</u></b>

**MOUNT WELLINGTON LICENSING TRUST GROUP  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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 \$13,000,000 secured over land and land improvements.

At balance date \$9,750,000 had been drawn on the facility which is made up of all fixed elements. There was a repayment of \$3,000,000 made on the 21st of March 2019. This is not required under the loan facility although MWTHL continues to budget repayments where cash flows allow.

The total loan is due to mature in September 2020. MWTHL aims to have a maturity of at least 12 months after sign off.

The MWTHL 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 +1.89% (2017: +1.89%) except where MWTHL and the lender agree to a fixed term interest rate. During the year the floating debt was converted in to a combination of fixed and floating debt.

<u>Principal amount</u>	<u>Interest rate</u>	<u>Maturity</u>
Nil		

*Fixed rate debt*

Interest expense is a potential area of risk and is actively managed by MWTHL. During the year swaps held were reviewed but no changes were made.

<u>Principal amount</u>	<u>Interest rate</u>	<u>Maturity</u>
\$750,000	5.71%	Jun 2019
\$9,000,000	5.71%	Jun 2019



**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**16. Equity**

	Group 2019	Group 2018
<b>Retained earnings</b>		
Opening balance	10,960,479	9,635,735
Surplus/(deficit) for the year	1,266,292	1,324,744
Closing balance	12,226,771	10,960,479
<b>Reserves</b>		
<b>Revaluation Reserve</b>		
Opening balance	25,620,746	20,550,746
Asset revaluation movement	3,132,369	5,070,000
Deferred tax gains / (losses) taken to reserves	272,672	(1)
Closing balance	29,025,788	25,620,745
<b>Total Reserves</b>		
Opening balance	25,620,746	20,550,746
Asset revaluation movement	3,132,369	5,070,000
Deferred tax gains / (losses) taken to reserves	272,672	0
Closing balance	29,025,788	25,620,746
As at 31st March	29,025,788	25,620,745
<b>Total closing equity</b>	<b>41,252,558</b>	<b>36,581,224</b>

**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 2018/19.

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

**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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

	Group 2019	Group 2018
<b>Surplus/(deficit) before tax</b>	1,747,823	1,884,647
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation	1,247,267	1,178,490
Loss/(gain) on sale of assets	(2,444)	92,046
Derivative financial instruments	(143,491)	(198,382)
Insurance claim	0	(77,580)
<b>Add/(Less) movements in working capital items:</b>		
(Increase)/Decrease in Accounts Receivable	(655,791)	16,674
(Increase)/Decrease in Inventory	(19,846)	45,681
Increase/(Decrease) in Accounts Payable	(83,459)	(27,164)
Increase/(Decrease) in Employee Benefits	(56,780)	(16,910)
(Increase)/Decrease in Prepayments	(37,525)	(8,700)
Increase/(Decrease) in GST Payable	(22,069)	13,550
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,973,685</b>	<b>2,902,352</b>

**18. Key management personnel**

MWLT Trustees' fees, paid or due and payable during the year, including \$11,475 paid to the President and Trustees (2018: \$8,160). This cost was absorbed by MWTHL.

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

**19. Commitments**

	Group 2019	Group 2018
<b>Total minimum lease payments are payable</b>		
Not later than one year	356,538	316,544
Later than one year and not later than five years	1,425,406	1,424,865
Later than five years	497,146	836,845
	<b>2,279,090</b>	<b>2,578,254</b>

**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 2019	Group 2018
<b>Present value of minimum lease payments</b>		
Not later than one year	66,354	33,957
Later than one year and not later than five years	0	25,468
Later than five years	0	0
	<b>66,354</b>	<b>59,425</b>

**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**Capital commitments**

MWTHL has capital commitments of \$80,000 for an upgrade of cabinetry in its Terrace wing rooms and \$60,000 for an upgrade of the rooms furniture. (2018: \$108,547 for an upgrade to the Terrace wing rooms) These projects are expected to be completed by the end of July 2019.

**20. Contingencies**

MWLT and group has no contingent assets or liabilities (2018: nil).

**21. Financial instruments**

**Financial instrument categories**

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

	Group 2019	Group 2018
<b>Financial assets</b>		
<i>Financial assets at amortised cost</i>		
Cash and cash equivalents	960,366	1,450,619
Trade and other receivables	1,515,793	840,422
<b>Total financial assets at amortised cost</b>	<b>2,476,158</b>	<b>2,291,041</b>
<b>Financial liabilities</b>		
<i>Financial liabilities at amortised cost</i>		
Bank overdraft	324,618	1,665
Trade and other payables	1,423,847	869,448
Borrowing	7,655,798	10,750,000
<b>Total financial liabilities measured at amortised cost</b>	<b>9,404,263</b>	<b>11,621,113</b>
<i>Financial liabilities through profit and loss</i>		
Derivative financial instruments	1,920	145,411
<b>Total financial liabilities through profit and loss</b>	<b>1,920</b>	<b>145,411</b>

**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

**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.

*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.

*Sensitivity analysis:* As at 31 March 2019, if the 90-day bank bill rate had been 100 basis points higher or lower, with all other variables held constant, the surplus deficit for the year would have been \$161,243 (2018: \$161,243) lower or higher. This calculation covers all loans including ASB and intercompany.

*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 (2018: -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.



**MOUNT WELLINGTON LICENSING TRUST GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

Group - 2019	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 8)	960,366	0	0	0	960,366	960,366
Trade and other receivables (Note 9)	1,509,612	0	0	0	1,509,612	1,505,010
	<u>2,469,978</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,469,978</u>	<u>2,465,376</u>
<b>Financial Liabilities</b>						
Overdraft (Note 8)	324,618	0	0	0	324,618	324,618
Trade and other payables (Note 13)	1,896,585	0	0	0	1,896,585	1,896,585
Derivative financial instruments	13,415	0	0	0	13,415	1,920
Borrowings (Note 15)	9,834,276	(119,371)	0	0	9,714,905	11,425,154
	<u>12,068,894</u>	<u>(119,371)</u>	<u>0</u>	<u>0</u>	<u>11,949,524</u>	<u>13,648,277</u>
<b>Group - 2018</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>						
Cash and cash equivalents (Note 8)	1,450,619	0	0	0	1,450,619	1,450,619
Trade and other receivables (Note 9)	832,561	0	0	0	832,561	832,561
	<u>2,283,180</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,283,180</u>	<u>2,283,180</u>
<b>Financial Liabilities</b>						
Trade and other payables (Note 13)	1,009,093	0	0	0	1,009,093	1,009,093
Derivative financial instruments	133,927	0	0	0	133,927	145,411
Borrowings (Note 15)	13,036,752	49,285	0	0	13,086,037	12,800,767
	<u>14,179,772</u>	<u>49,285</u>	<u>0</u>	<u>0</u>	<u>14,229,057</u>	<u>13,955,270</u>

**22. 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.

**23. Events after balance date**

There were no events after balance date.

