

Independent auditor's report

To the readers of Mount Wellington Licensing Trust and group's financial statements for the year ended 31 March 2016

The Auditor-General is the auditor of Mount Wellington Licensing Trust and its subsidiaries and other controlled entities. 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 and group, consisting of Mount Wellington Licensing Trust and its subsidiaries and other controlled entities (collectively referred to as the "Group"), on her behalf.

Opinion

We have audited the financial statements of the Mount Wellington Licensing Trust and Group on pages 3 to 27, that comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes 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 and Group:

- present fairly, in all material respects:
 - the financial position as at 31 March 2016; and
 - the financial performance and cash flows for the year then ended; and
- have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 17 August 2016. 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 Members 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 Mount Wellington Licensing Trust and Group's financial statements 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 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 Members;
- the adequacy of the 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 believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Members

The Members are responsible for the preparation and fair presentation of financial statements for the Mount Wellington Licensing Trust and Group, in accordance with the New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

The Members 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 Members are also responsible for the publication of the financial statements, whether in printed or electronic form.

The Members' responsibilities arise from 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 the Public Audit Act 2001.

Independence

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

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



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

MOUNT WELLINGTON LICENSING TRUST

CONSOLIDATED ACCOUNTS

FOR YEAR ENDED 31 MARCH 2016

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MOUNT WELLINGTON LICENSING TRUST

ORGANISATION PARTICULARS

AS AT 31 MARCH 2016

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:	Mr A Verrall (President) Ms L Boyle Ms M de Kort (resigned December 2015) Ms D Eggers Mr M Murray
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


LJB

**MOUNT WELLINGTON LICENSING TRUST AND GROUP
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	Trust 2016 \$	Trust 2015 \$	Group 2016 \$	Group 2015 \$
REVENUE					
Accommodation	2	0	0	6,088,185	5,451,288
Food & beverages	3	0	0	9,402,697	9,075,228
Gaming income		0	0	2,259,069	2,038,503
Other	4	0	0	251,757	264,523
Fair value adjustment on related party loans	5	103,989	133,828	0	0
Finance	5	45,386	41,119	0	0
TOTAL REVENUE		149,375	174,947	18,001,708	16,829,542
LESS EXPENSES					
Cost of Sales	6	0	0	2,773,361	2,724,230
Employee benefits	7	0	0	6,917,469	6,466,853
Depreciation and amortisation	14, 15	0	0	947,752	940,659
Revaluation decrement		0	0	237,807	0
Grants		0	0	1,096,751	892,259
Other	8	28,097	19,928	5,070,891	4,901,277
Fair value adjustment on related party loans	9	26,835	45,386	0	0
Finance	9	133,828	121,245	1,183,602	975,565
TOTAL EXPENSES		188,760	186,559	18,227,633	16,900,843
NET OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION		(39,385)	(11,612)	(225,925)	(71,301)
INCOME TAX EXPENSE	10	0	0	(27,329)	(22,931)
OPERATING SURPLUS/(DEFICIT) AFTER TAXATION		(39,385)	(11,612)	(198,596)	(48,370)
OTHER COMPREHENSIVE INCOME					
Revaluation gain	20	0	0	5,601,860	0
Tax on asset revaluations	10	0	0	(435,089)	0
TOTAL OTHER COMPREHENSIVE INCOME		0	0	5,166,771	0
TOTAL COMPREHENSIVE INCOME AFTER TAX		(39,385)	(11,612)	4,968,175	(48,370)

The accompanying notes form part of these financial statements.

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**MOUNT WELLINGTON LICENSING TRUST AND GROUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**



	Trust 2016 \$	Trust 2015 \$	Group 2016 \$	Group 2015 \$
Note				
EQUITY AT 1 APRIL	12,440,277	12,451,889	18,676,160	18,724,530
Total comprehensive income after taxation	(39,385)	(11,612)	4,968,175	(48,370)
EQUITY AT 31 MARCH	12,400,892	12,440,277	23,644,335	18,676,160

The accompanying notes form part of these financial statements.

**MOUNT WELLINGTON LICENSING TRUST AND GROUP
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Note	Trust 2016 \$	Trust 2015 \$	Group 2016 \$	Group 2015 \$
CURRENT ASSETS					
Cash and cash equivalents	11	0	0	1,121,710	988,673
Trade and other receivables	12	0	0	963,637	1,197,440
Inventories	13	0	0	342,567	331,493
TOTAL CURRENT ASSETS		0	0	2,427,914	2,517,606
NON-CURRENT ASSETS					
Property, plant and equipment	14	0	0	41,480,343	36,212,897
Intangible assets	15	0	0	89,879	89,681
Other financial assets	16	14,833,383	14,842,929	0	0
Deferred tax asset		0	0	0	0
TOTAL NON-CURRENT ASSETS		14,833,383	14,842,929	41,570,222	36,302,578
TOTAL ASSETS		14,833,383	14,842,929	43,998,136	38,820,184
CURRENT LIABILITIES					
Trade and other payables	17	0	0	1,540,837	1,499,289
Derivative financial instruments		0	0	543,807	204,490
Employee benefit liabilities	18	0	0	579,136	456,170
Borrowings	19	0	0	11,750,000	222,244
TOTAL CURRENT LIABILITIES		0	0	14,413,780	2,382,193
NON-CURRENT LIABILITIES					
Borrowings	19	2,432,491	2,402,652	0	12,000,000
Employee benefit liabilities	18	0	0	18,995	40,792
Deferred tax liability	10	0	0	5,921,026	5,721,039
TOTAL NON-CURRENT LIABILITIES		2,432,491	2,402,652	5,940,021	17,761,831
TOTAL LIABILITIES		2,432,491	2,402,652	20,353,801	20,144,024
NET ASSETS		12,400,892	12,440,277	23,644,335	18,676,160
EQUITY					
Retained earnings	20	12,400,892	12,440,277	8,626,563	8,821,189
Other reserves	20	0	0	15,017,772	9,854,971
Paid up Capital		0	0	0	0
TOTAL EQUITY		12,400,892	12,440,277	23,644,335	18,676,160

The accompanying notes form part of these financial statements.


 Leila June Boyle 17/08/16

 ALAN BRUCE VERRALL 17/08/2016

**MOUNT WELLINGTON LICENSING TRUST AND GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	Trust 2016 \$	Trust 2015 \$	Group 2016 \$	Group 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from accomodation, food & beverage		0	0	18,204,678	17,113,525
Interest received		0	0	28,846	26,298
Dividends received		0	0	1,035	1,005
Payments to suppliers and employees		0	0	(15,663,581)	(15,117,024)
Interest paid		0	0	(844,285)	(912,817)
Goods and services tax (net)		0	0	(54,694)	3,069
NET CASH FROM OPERATING ACTIVITIES	21	<u>0</u>	<u>0</u>	<u>1,671,999</u>	<u>1,114,056</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Inflow arising from change in composition of group				0	0
Proceeds from sale of assets				0	0
Purchase of property, plant and equipment		0	0	(858,944)	(929,634)
Purchase of intangible software		0	0	0	0
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>0</u>	<u>0</u>	<u>(858,944)</u>	<u>(929,634)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		0	0	0	0
Repayment of borrowings		0	0	(250,000)	(289,288)
Income tax paid		0	0	(207,774)	(68,383)
Repayment of finance lease liabilities		0	0	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>0</u>	<u>0</u>	<u>(457,774)</u>	<u>(357,671)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		0	0	355,281	(173,249)
Cash and cash equivalents at the beginning of the year	11	0	0	766,429	939,678
CASH AND CASH EQUIVALENTS AT THE END OF TH	11	<u>0</u>	<u>0</u>	<u>1,121,710</u>	<u>766,429</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 11).

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 AND GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

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)

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 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 period 30 March 2015 to 31 March 2016 (2015: 29 March 2015).

The financial statements were authorised for issue by the Board of Trustees on 17th August 2016.

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.



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 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 Loans and receivables

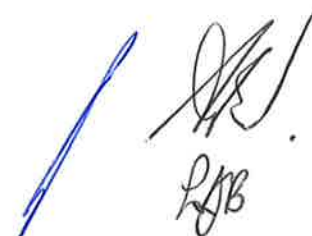
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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.

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.

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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 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	1.00	- 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	- 20.00
Carpets & Floor Coverings	11.00	
Motor Vehicles	20.00	
Work in progress (WIP)	0.00	

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.

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:

- 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 4.28%, 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.

Borrowing costs

Borrowing costs attributable to the acquisition, construction, or production of a qualifying asset are capitalised and expensed over the useful life of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowings are classified as current liabilities unless MWLT has an unconditional right to defer settlement of the liability for at least 12 months after balance date.



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.



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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2. Accommodation revenue			Group 2016	Group 2015
Conference, Corporate and Tour segments			6,088,185	5,451,288
			<u>6,088,185</u>	<u>5,451,288</u>
3. Food and Beverage revenue			Group 2016	Group 2015
Food, beverage, conference room hire and equipment hire			9,402,699	9,075,228
			<u>9,402,699</u>	<u>9,075,228</u>
4. Other income			Group 2016	Group 2015
Finance & administration recoveries			0	0
Machine site rental			0	0
Interest received			28,385	27,433
Gain on sale of property, plant & equipment			1,200	4,000
Income from other sources			222,173	233,089
			<u>251,758</u>	<u>264,522</u>
5. Finance income			Group 2016	Group 2015
	Trust 2016	Trust 2015	Group 2016	Group 2015
Fair value adjustment on related party loans	103,989	133,828	0	0
Unwinding of interest on related party loans	45,386	41,119	0	0
Write-up of Investment in Keri Corporation	0	0	0	0
	<u>149,375</u>	<u>174,947</u>	<u>0</u>	<u>0</u>
6. Cost of sales			Group 2016	Group 2015
Food, beverage and other cost of sales			2,773,361	2,724,233
			<u>2,773,361</u>	<u>2,724,233</u>
7. Employee benefits			Group 2016	Group 2015
Salaries and wages			6,816,300	6,472,907
Increase/(decrease) in employee benefit liabilities			101,169	(6,055)
			<u>6,917,469</u>	<u>6,466,852</u>

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8. Other expenses

	Trust 2016	Trust 2015	Group 2016	Group 2015
Fees to principal auditor:-				
Audit fees for financial statement audit	0	0	134,083	128,300
Operating lease expense MWTH	0	0	398,248	393,977
Donations MWCT	0	0	204,570	169,084
Trustee expenses MWFL	0	0	36,550	41,458
Gaming machine duty MWFL	0	0	519,586	468,796
Other operating expenses	28,097	19,928	3,777,854	3,699,662
	<u>28,097</u>	<u>19,928</u>	<u>5,070,891</u>	<u>4,901,277</u>

9. Finance costs

	Trust 2016	Trust 2015	Group 2016	Group 2015
Interest on bank borrowings	0	0	844,285	912,817
Feasibility and consulting costs	0	0	0	0
Loss on held for trading financial instruments	0	0	339,317	62,747
Fair value adjustment on related party loans	26,835	45,386	0	0
Unwinding of interest on related party loans	133,828	121,245	0	0
	<u>160,663</u>	<u>166,631</u>	<u>1,183,602</u>	<u>975,564</u>

10. Income tax

	Trust 2016	Trust 2015	Group 2016	Group 2015
Components of income tax expense				
Current tax expense	0	0	207,774	82,868
Adjustments to current tax in prior years	0	0	0	(14,485)
Deferred tax expense	0	0	(235,103)	(91,314)
	<u>0</u>	<u>0</u>	<u>(27,329)</u>	<u>(22,931)</u>

Relationship between income tax expense and accounting profit

	Trust 2016	Trust 2015	Group 2016	Group 2015
Net operating surplus/(deficit) before tax	(39,385)	(11,611)	(225,922)	(71,304)
Tax at 28%	(11,028)	(3,251)	(63,259)	(19,965)
Non-deductible revenue / expenditure	11,028	3,251	69,350	39,534
Prior period adjustment	0	0	0	(14,485)
Permanent differences	0	0	0	0
Deferred tax on change in tax rate	0	0	0	0
Deferred tax on change in tax legislation for depreciation on buildi	0	0	0	0
Tax loss not recognised	0	0	(32,631)	(28,015)
Deferred tax on parent tax losses	0	0	0	0
Group loss offset	0	0	(789)	0
Income tax expense	<u>0</u>	<u>(0)</u>	<u>(27,329)</u>	<u>(22,931)</u>

Deferred tax assets/liabilities - Group

	Property plant and equipment	Employee entitlements	Derivatives	Other provisions	Group tax losses	Total
Balance at 1 April 2014	(5,961,428)	106,391	39,688	2,996	0	(5,812,353)
Charged to income	68,456	1,743	17,569	3,546	0	91,314
Charged to other comprehensive income	0	0	0	0	0	0
Balance at 31 March 2015	(5,892,972)	108,134	57,257	6,542	0	(5,721,039)
Charged to income	141,358	2,614	95,009	(3,878)	0	235,103
Charged to other comprehensive income	(435,089)	0	0	0	0	(435,089)
Balance at 31 March 2016	(6,186,703)	110,748	152,266	2,664	0	(5,921,025)

11. Cash and cash equivalents

	Group 2016	Group 2015
Cash at bank and in hand	1,121,710	988,673
Bank overdraft (note 19)	0	(222,244)
Cash & cash equivalents in statement of cash flows	<u>1,121,710</u>	<u>766,429</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 2016	Group 2015
Trade receivables	819,509	1,065,796
Related party receivables	0	0
Sundry debtors	24,209	12,792
Prepayments	119,918	118,853
	<u>963,636</u>	<u>1,197,441</u>
Less provision for impairment of receivables	0	0
	<u>963,636</u>	<u>1,197,441</u>

Receivables aging	Group Actual 2016	Group Actual 2015
Not past due		
Past due 1-30 days	818,301	998,341
Past due 31-60 days	138,799	177,962
Past due 61-90 days	3,499	6,097
Past due over 90 days	3,037	15,041
	<u>963,636</u>	<u>1,197,441</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.

13. Inventories

	Group 2016	Group 2015
Food stock	80,617	72,243
Beverage stock	84,494	77,505
Other	177,456	181,745
	<u>342,567</u>	<u>331,493</u>

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

14. Property, plant and equipment - group only

2016

	Land	Buildings	Leasehold furniture & fittings	Plant & equipment	Furniture & fittings	Work in progress	Total
Opening cost /valuation	10,600,000	23,345,273	9,673	1,939,384	2,516,153	124,000	38,534,483
Opening accum depreciatio	0	(1,105,582)	(9,673)	(891,385)	(314,946)	0	(2,321,586)
Opening book value	<u>10,600,000</u>	<u>22,239,691</u>	<u>0</u>	<u>1,047,999</u>	<u>2,201,207</u>	<u>124,000</u>	<u>36,212,897</u>
Additions	0	123,149	0	312,031	477,625	48,923	961,728
Disposals	0	(109,486)	0	(124,430)	(543,899)	(124,000)	(901,815)
Depreciation expense	0	(533,685)	0	(210,737)	(181,109)	0	(925,531)
Depreciation written back	0	102,103	0	124,430	542,479	0	769,012
Impairment charges	0	0	0	0	0	0	0
Revaluation	4,044,000	1,102,102	0	84,959	132,991	0	5,364,052
Depn write back revaluatio	0	1,479,330	9,673	54,781	(222,628)	0	1,321,156
Closing cost /valuation	14,644,000	22,981,708	0	2,157,163	2,805,498	48,923	42,637,292
Closing accum depreciatio	0	(57,834)	0	(922,911)	(176,204)	0	(1,156,949)
Closing book value	<u>14,644,000</u>	<u>22,923,874</u>	<u>0</u>	<u>1,234,252</u>	<u>2,629,294</u>	<u>48,923</u>	<u>41,480,343</u>

2015

	Land	Buildings	Leasehold furniture & fittings	Plant & equipment	Furniture & fittings	Work in progress	Total
Opening cost /valuation	10,600,000	23,003,580	9,673	1,836,569	2,578,149	3,227	38,031,198
Opening accum depreciatio	0	(571,325)	(9,673)	(742,995)	(392,117)	0	(1,716,110)
Opening book value	<u>10,600,000</u>	<u>22,432,255</u>	<u>0</u>	<u>1,093,574</u>	<u>2,186,032</u>	<u>3,227</u>	<u>36,315,088</u>
Additions	0	341,693	0	170,934	201,414	124,000	838,041
Disposals	0	0	0	(68,119)	(263,410)	(3,227)	(334,756)
Depreciation expense	0	(534,257)	0	(211,856)	(185,977)	0	(932,090)
Impairment charges	0	0	0	63,466	263,148	0	326,614
Revaluation	0	0	0	0	0	0	0
Closing cost /valuation	10,600,000	23,345,273	9,673	1,939,384	2,516,153	124,000	38,534,483
Closing accum depreciatio	0	(1,105,582)	(9,673)	(891,385)	(314,946)	0	(2,321,586)
Closing book value	<u>10,600,000</u>	<u>22,239,691</u>	<u>0</u>	<u>1,047,999</u>	<u>2,201,207</u>	<u>124,000</u>	<u>36,212,897</u>

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 2016. 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 methodologies 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 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

15. Intangible assets - group only

	Group 2016	Group 2015
Computer software		
Opening cost	175,814	78,133
Opening accum amortisation	(86,133)	(77,563)
Opening book value	89,681	570
Additions	22,420	97,681
Disposals	0	0
Amortisation expense	(22,222)	(8,570)
Impairment expense	0	0
Closing cost	198,234	175,814
Closing accum amortisation	(108,355)	(86,133)
Closing book value	89,879	89,681

16. Other financial assets

	Trust 2016	Trust 2015	Group 2016	Group 2015
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	0	28,097	0	0
Loan to MWTHL (Note 27)	688,062	672,746	0	0
Loan to KERI (Note 27)	145,321	142,086	0	0
	<u>14,833,383</u>	<u>14,842,929</u>	<u>0</u>	<u>0</u>

- # MWLT has made an interest free loan to MWTHL with a face value of \$710,218 (2015: \$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 2016 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 2016 is \$688,062 (2015: \$672,746).

- # 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 2016 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 2016 is \$145,321 (2015: \$142,086).

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

- # 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 2016.
- # 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 2016.
- # MWCT is a Charitable Trust that is deemed to be controlled by MWLT under NZ IFRS 10: *Consolidated 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 2016.

17. Trade and other payables

	Group 2016	Group 2015
Trade payables	612,678	754,270
Deposits and bonds	109,374	62,720
Accrued expenses	719,442	709,432
Income tax payable	99,340	(27,133)
	1,540,834	1,499,289

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 2016	Group 2015
Current		
Accrued pay	202,605	110,771
Annual leave	346,277	317,358
Long service leave	30,255	28,042
Non current		
Long service leave	18,995	40,792
	598,132	496,963

19. Borrowings

	Trust 2016	Trust 2015	Group 2016	Group 2015
Current				
Bank overdraft	0	0	0	222,244
Finance leases	0	0	0	0
Secured loans	0	0	11,750,000	0
Secured bonds	0	0	0	0
Total current borrowings	0	0	11,750,000	222,244
Non Current				
Finance leases	0	0	0	0
Secured loans	0	0	0	12,000,000
Secured bonds	0	0	0	0
Secured related party loans (Note 27)	0	0	0	0
Unsecured related party loans (Note 27)	2,432,491	2,402,652	0	0
	2,432,491	2,402,652	0	12,000,000

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 \$11,750,000 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 mature in September 2016. MWTHL aims to have a maturity of at least 12 months after sign off.

Post balance day event

The ASB Bank Facility matured on the 30th of September 2016. MWTHL and ASB Bank agreed to renew the facility on the 20th of April 2016 extending the maturity date to the 30th of September 2017.

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% (2015: +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>
\$250,000	4.275%	21-Jun-16

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>
\$2,500,000	5.84%	Mar 2018
\$6,000,000	6.19%	Mar 2019
\$3,000,000	5.91%	Jun 2018

Interest free debt

- # MWLT has an interest free loan from MWCT with a face value of \$2,536,480 (2015: \$2,536,480) which is unsecured. The loan is supported by a Deed of Acknowledgement of Debt stating the loan is repayable on demand. At 31 March 2016 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 2016 is \$2,432,491 (2015: \$2,402,652).

Security

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



20. Equity

	Trust 2016	Trust 2015	Group 2016	Group 2015
Retained earnings				
Opening balance	12,440,277	12,451,889	8,821,189	8,869,557
Surplus/(deficit) for the year	(39,385)	(11,612)	(198,593)	(48,368)
Other adjustments to equity	0	0	3,967	0
Deferred tax gains / (losses) taken to reserves	0	0	0	0
Less revaluation loss taken to equity	0	0	0	0
Closing balance	12,400,892	12,440,277	8,626,563	8,821,189
Reserves				
Revaluation Reserve				
Opening balance	0	0	9,854,970	9,854,971
Asset revaluation movement	0	0	5,601,860	0
Charged to equity	0	0	(3,967)	0
Deferred tax gains / (losses) taken to reserves	0	0	(435,091)	0
Closing balance	0	0	15,017,772	9,854,971
Total Reserves				
Opening balance	0	0	9,854,970	9,854,971
Asset revaluation movement	0	0	5,601,860	0
Charged to equity	0	0	(3,967)	0
Effect on deferred tax for movement in revaluation reserve	0	0	0	0
Deferred tax gains / (losses) taken to reserves	0	0	(435,091)	0
Closing balance	0	0	15,017,772	9,854,971
As at 31st March	0	0	15,017,772	9,854,971
Total closing equity	12,400,892	12,440,277	23,644,335	18,676,160

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.

20a. PRIOR YEAR ERRORS - GROUP EQUITY

During the preparation of the current year's financial statements, the following was discovered in MWLT group's financial statements for the 2006/07, 2009/2010 and 2012/13 years in relation to MWTHL.

When MWTHL revalued its land and buildings in these years the losses were not recognised for its Panmure buildings as they were incorrectly offset by increases in land value. Also losses on one building at the Waipuna site were incorrectly netted down. Both were adjusted via the revaluation reserve rather than being taken as an expense through the surplus or deficit. Consequently MWLT has adjusted the comparative amounts in the current year's financial statements affected by the above accounting error. The impact of the restated previous year's comparatives affected by the error is as follows:

	1 April 2014 Group Original Balance	1 April 2014 Group Adjustment Made	Group Restated Balance
<u>Statement of Comprehensive Income</u>			
No impact	-	-	-
<u>Statement of Financial Position</u>			
Retained earnings	9,347,477	(477,920)	8,869,557
Revaluation reserve	9,377,051	477,920	9,854,971

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

	Trust 2016	Trust 2015	Group 2016	Group 2015
Surplus/(deficit) before tax	0	0	(225,925)	(71,301)
Add/(less) non-cash items:				
Depreciation and amortisation	0	0	947,752	940,659
Loss/(gain) on sale of assets	0	0	7,603	(4,000)
Derivative financial instruments	0	0	339,317	62,747
Discounted interest free loan	0	0	0	0
Revaluation decrement	0	0	237,807	0
Add/(less) items classified as investing or financing activities:				
Repayment of finance leases	0	0	0	0
Add/(Less) movements in working capital items:				
(Increase)/Decrease in Accounts Receivable	0	0	234,048	(73,617)
(Increase)/Decrease in Inventory	0	0	(11,074)	19,687
Increase/(Decrease) in Accounts Payable	0	0	21,068	149,291
Increase/(Decrease) in Interest Payable	0	0	101,169	0
(Increase)/Decrease in Prepayments	0	0	(111)	85,743
Increase/(Decrease) in GST Payable	0	0	20,345	4,847
Net cash inflow/(outflow) from operating activities	0	0	1,671,999	1,114,056

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22. Related party transactions

Transactions between the group entities have been eliminated on consolidation but are summarised for purposes of disclosure within the group.

Gaming activities

	Group 2016	Group 2015
MWFL paid the following amounts to companies within the MWLT group		
Gaming machine site rental paid to MWTHL	119,836	117,411
Gaming machine site rental paid to Keri	119,350	119,702
	<u>239,186</u>	<u>237,113</u>

The amounts paid for site rental are restricted by Department of Internal Affairs regulations which include formal contracts and regular reviews. There was nil outstanding at year end (2015: nil).

Subsidiary transactions and balances

Keri paid rental income to MWTHL of \$82,680 (2015: \$82,680).

MWFL reimbursed MWTH for Directors' expenses and remuneration paid to Directors of MWFL \$36,550 (2015: \$41,458).

The net amount transacted in the year from MWTHL to Keri was \$241,269 loss to Keri (2015: \$200,815 loss). There was a payable at year end from Keri to MWTHL of \$26,233 (2015: \$19,489).

A charitable donation was made from MWTHL to MWCT of \$150,000 (2015: \$150,000). 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 \$19,955 (2015: \$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 2015 by agreed subvention payment for \$204,899 (2015: \$184,759).

A further subvention payment is expected for the March 2016 year for \$235,373. 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 2016 was 4.275% (2015: 5.57%).

- # MWLT has an interest free loan from the MWCT with a face value of \$2,536,480 (2015: \$2,536,480). Refer note 16 for further details.
- # MWTHL has an interest free loan from the Mt Wellington Charitable Trust (MWCT) with a face value of \$3,914,077 (2015: \$3,914,077) which ranks third and is secured over the Waipuna Hotel and Conference Centre. The loan is supported by a Deed of Acknowledgement of Debt stating the loan is repayable on demand, but subject to the first mortgagor's consent. At 31 March 2016 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 2016 is \$3,707,566 (2015: \$3,707,566).
- # MWTHL has an interest free loan from MWLT with a face value of \$710,218 (2015: \$710,218). Refer note 16 for further details.
- # MWTHL General Manager is a Director of Mainstay Hotels, which is a related party. The company transacted \$8,174 expenses with Mainstay during the year, and had no outstanding liabilities at year end (2015: \$6,155, \$nil).

MWTHL absorbs costs for the MWLT but these are considered to be immaterial. The main cost absorbed was audit fees of \$19,955 (2015: \$11,500).

KERI has an interest free loan from MWLT with a face value of \$150,000 (2015: \$150,000)
Refer note 16 for further details.

23. Key management personnel

MWLT Trustees' fees, paid or due and payable during the year, including \$3,672 paid to the President, (2015: \$3,600). This cost was absorbed by MWTHL.

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

24. Commitments

	Group 2016	Group 2015
Total minimum lease payments are payable		
Not later than one year	406,324	374,555
Later than one year and not later than five years	1,474,497	1,325,326
Later than five years	1,483,329	1,709,066
	<u>3,364,150</u>	<u>3,408,947</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 2016	Group 2015
Present value of minimum lease payments		
Not later than one year	34,769	143,300
Later than one year and not later than five years	0	0
Later than five years	0	0
	<u>34,769</u>	<u>143,300</u>

Capital commitments

The Group has capital commitments via MWTHL of \$166,560 for an upgrade of its inhouse laundry (2015: nil). This project is expected to be completed by the end of August 2016.

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 14.

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 (2015: nil).

27. Financial instruments

Financial instrument categories

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

	Trust 2016	Trust 2015	Group 2016	Group 2015
Financial assets				
<i>Loans & receivables</i>				
Cash and cash equivalents	0	0	1,121,710	988,673
Trade and other receivables	0	0	836,564	1,078,269
Other financial assets	833,383	814,832	0	0
	<u>833,383</u>	<u>814,832</u>	<u>1,958,274</u>	<u>2,066,942</u>
Financial liabilities				
<i>Fair value through profit and loss - held for trading</i>				
Derivative financial instruments	0	0	543,807	204,490
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	0	0	1,169,472	1,406,436
Borrowing	2,432,491	2,402,652	11,750,000	12,222,244
	<u>2,432,491</u>	<u>2,402,652</u>	<u>12,919,472</u>	<u>13,628,680</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.

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 2016, 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 \$163,803 (2015: \$161,847) 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 (2015: -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 - 2016	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Total carrying amount
Financial Assets						
Loan to MWTHL (Note 16)	0	688,062	0	0	688,062	688,062
Loan to KERI (Note 16)	0	145,321	0	0	145,321	145,321
	0	833,383	0	0	833,383	833,383
Financial Liabilities						
Borrowings (Note 19)	0	2,432,491	0	0	2,432,491	2,432,491
	0	2,432,491	0	0	2,432,491	2,432,491
Trust - 2015	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Total carrying amount
Financial Assets						
Loan to MWTHL (Note 16)	0	672,746	0	0	672,746	672,746
Loan to KERI (Note 16)	0	142,086	0	0	142,086	142,086
	0	814,832	0	0	814,832	814,832
Financial Liabilities						
Borrowings (Note 19)	0	2,402,652	0	0	2,402,652	2,402,652
	0	2,402,652	0	0	2,402,652	2,402,652

Group - 2016	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Total carrying amount
Financial Assets						
Cash and cash equivalents (Note 11)	1,121,710	0	0	0	1,121,710	1,121,710
Trade and other receivables (Note 12)	836,564	0	0	0	836,564	836,564
	1,958,274	0	0	0	1,958,274	1,958,274
Financial Liabilities						
Trade and other payables (Note 17)	1,169,470	0	0	0	1,169,470	1,169,470
Derivative financial instruments	154,025	152,953	111,752	0	418,730	543,807
Borrowings (Note 19)	744,026	5,028,558	7,278,285	0	13,050,869	11,750,001
	2,067,521	5,181,511	7,390,037	0	14,639,069	13,463,278
Group - 2015						
Group - 2015	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Total carrying amount
Financial Assets						
Cash and cash equivalents (Note 11)	988,673	0	0	0	988,673	988,673
Trade and other receivables (Note 12)	1,078,269	0	0	0	1,078,269	1,078,269
	2,066,942	0	0	0	2,066,942	2,066,942
Financial Liabilities						
Trade and other payables (Note 17)	1,406,436	0	0	0	1,406,436	1,406,436
Derivative financial instruments	43,950	43,950	80,066	0	167,966	204,490
Borrowings (Note 19)	1,146,807	2,648,808	10,501,074	0	14,296,689	12,222,244
	2,597,193	2,692,758	10,581,140	0	15,871,091	13,833,170

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

The ASB Bank Facility for MWTHL matured on the 30th of September 2016. MWTHL and ASB Bank agreed to renew the facility on the 20th of April extending the maturity date to the 30th of September 2017.