

Independent Auditor's Report

To the readers of Mount Wellington Licensing Trust and group's financial statements for the year ended 31 March 2017

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 and Group on his 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 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

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

- present fairly, in all material respects:
 - its financial position as at 31 March 2017; and
 - its financial performance and cash flows for the year then ended;
- 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 2017. 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 Members and our responsibilities relating to the financial statements, and we explain our independence.

Basis for 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 Members for the financial statements

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

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

The Members' 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 and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Members 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 and 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 and 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 and 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 and Group audit. We remain solely responsible for our audit opinion.

We communicate with the Members 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.

Independence

We are independent of the Mount Wellington Licensing Trust and 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 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 2017

CONTENTS

	<u>Page No.</u>
Organisation Particulars	2
MWLT and Group Statement of Comprehensive Income	3
MWLT and Group Statement of Changes in Equity	4
MWLT and Group Statement of Financial Position	5
MWLT and Group Statement of Cashflows	6
Notes to the Financial Statements	7 - 27
Auditors Report	

MOUNT WELLINGTON LICENSING TRUST

ORGANISATION PARTICULARS

AS AT 31 MARCH 2017

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, re-appointed 16 November 2016) Dr M Benson -Rea (Appointed 16 November 2016) Ms L Cross (Appointed 16 November 2016) Mrs J Dolheguy (Appointed 16 November 2016) Mr M Gosche (Appointed 16 November 2016) Ms N Henry (Appointed 16 November 2016) Ms D Eggers (Resigned 26 May 2016) Ms L Boyle (Resigned 26 October 2016) Mr M Murray (Resigned 26 October 2016)
Bankers:	Not applicable
Solicitors:	DG Law P O Box 14081 Panmure AUCKLAND
Auditors:	Audit New Zealand On behalf of the Auditor General P O Box 1165 AUCKLAND

**MOUNT WELLINGTON LICENSING TRUST AND GROUP
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Trust 2017 \$	Trust 2016 \$	Group 2017 \$	Group 2016 \$
REVENUE					
Accommodation	2	0	0	7,266,752	6,088,185
Food & beverages	3	0	0	9,531,198	9,402,697
Gaming income		0	0	2,478,826	2,259,069
Other	4	6,628	0	192,138	251,757
Fair value adjustment on related party loans	5	95,092	103,989	0	0
Finance	5	26,835	45,386	0	0
TOTAL REVENUE		128,555	149,375	19,468,914	18,001,708
LESS EXPENSES					
Cost of Sales	6	0	0	2,812,333	2,773,361
Employee benefits	7	0	0	6,963,506	6,917,469
Depreciation and amortisation	14, 15	0	0	998,102	947,752
Revaluation decrement		0	0	21,368	237,807
Grants		0	0	1,085,828	1,096,751
Other	8	0	28,097	5,695,999	5,070,891
Fair value adjustment on related party loans	9	29,731	26,835	0	0
Finance	9	103,989	133,828	616,144	1,183,602
TOTAL EXPENSES		133,720	188,760	18,193,280	18,227,633
NET OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION		(5,165)	(39,385)	1,275,634	(225,925)
INCOME TAX EXPENSE	10	0	0	278,453	(27,329)
OPERATING SURPLUS/(DEFICIT) AFTER TAXATION		(5,165)	(39,385)	997,181	(198,596)
OTHER COMPREHENSIVE INCOME					
Revaluation gain	20	0	0	6,971,781	5,601,860
Tax on asset revaluations	10	0	0	(1,426,819)	(435,089)
TOTAL OTHER COMPREHENSIVE INCOME		0	0	5,544,962	5,166,771
TOTAL COMPREHENSIVE INCOME AFTER TAX		(5,165)	(39,385)	6,542,143	4,968,175

The accompanying notes form part of these financial statements.

Handwritten signature and initials in blue ink, likely representing the preparer or auditor of the financial statements.

**MOUNT WELLINGTON LICENSING TRUST AND GROUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Trust 2017 \$	Trust 2016 \$	Group 2017 \$	Group 2016 \$
EQUITY AT 1 APRIL		12,400,892	12,440,277	23,644,335	18,676,160
Total comprehensive income after taxation		(5,165)	(39,385)	6,542,143	4,968,175
EQUITY AT 31 MARCH		12,395,727	12,400,892	30,186,478	23,644,335

The accompanying notes form part of these financial statements.

**MOUNT WELLINGTON LICENSING TRUST AND GROUP
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	Trust 2017 \$	Trust 2016 \$	Group 2017 \$	Group 2016 \$
CURRENT ASSETS					
Cash and cash equivalents	11	0	0	1,509,151	1,121,710
Trade and other receivables	12	0	0	1,001,854	963,637
Inventories	13	0	0	314,095	342,567
TOTAL CURRENT ASSETS		0	0	2,825,100	2,427,914
NON-CURRENT ASSETS					
Property, plant and equipment	14	0	0	48,860,395	41,480,343
Intangible assets	15	0	0	129,688	89,879
Other financial assets	16	14,837,115	14,833,383	0	0
Deferred tax asset		0	0	0	0
TOTAL NON-CURRENT ASSETS		14,837,115	14,833,383	48,990,083	41,570,222
TOTAL ASSETS		14,837,115	14,833,383	51,815,183	43,998,136
CURRENT LIABILITIES					
Trade and other payables	17	0	0	1,866,288	1,540,837
Derivative financial instruments		0	0	343,794	543,807
Employee benefit liabilities	18	0	0	546,192	579,136
Borrowings	19	0	0	0	11,750,000
TOTAL CURRENT LIABILITIES		0	0	2,756,274	14,413,780
NON-CURRENT LIABILITIES					
Borrowings	19	2,441,388	2,432,491	11,500,000	0
Employee benefit liabilities	18	0	0	21,800	18,995
Deferred tax liability	10	0	0	7,350,632	5,921,026
TOTAL NON-CURRENT LIABILITIES		2,441,388	2,432,491	18,872,432	5,940,021
TOTAL LIABILITIES		2,441,388	2,432,491	21,628,706	20,353,801
NET ASSETS		12,395,727	12,400,892	30,186,477	23,644,335
EQUITY					
Retained earnings	20	12,395,727	12,400,892	9,635,733	8,626,563
Other reserves	20	0	0	20,550,744	15,017,772
Paid up Capital		0	0	0	0
TOTAL EQUITY		12,395,727	12,400,892	30,186,477	23,644,335

The accompanying notes form part of these financial statements.



ALAN BRUCE JERRALL
21st AUGUST 2017



M. BENSON-REA 21.08.17



**MOUNT WELLINGTON LICENSING TRUST AND GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Trust 2017 \$	Trust 2016 \$	Group 2017 \$	Group 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from accomodation, food & beverage		0	0	19,410,075	18,204,678
Interest received		0	0	14,331	28,846
Dividends received		0	0	1,035	1,035
Payments to suppliers and employees		0	0	(16,214,372)	(15,663,581)
Interest paid		0	0	(816,157)	(844,285)
Goods and services tax (net)		0	0	(17,377)	(54,694)
NET CASH FROM OPERATING ACTIVITIES	21	<u>0</u>	<u>0</u>	<u>2,377,535</u>	<u>1,671,999</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	(1,393,722)	(858,944)
Purchase of intangible software		0	0	(70,708)	0
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>0</u>	<u>0</u>	<u>(1,464,430)</u>	<u>(858,944)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		0	0	0	0
Repayment of borrowings		0	0	(250,000)	(250,000)
Income tax paid		0	0	(275,663)	(207,774)
Repayment of finance lease liabilities		0	0	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>0</u>	<u>0</u>	<u>(525,663)</u>	<u>(457,774)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at the beginning of the year	11	0	0	387,442	355,281
CASH AND CASH EQUIVALENTS AT THE END OF TH	11	<u>0</u>	<u>0</u>	<u>1,509,152</u>	<u>1,121,710</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 2017**

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 to 31 March 2017 (2016: 31 March 2016).

The financial statements were authorised for issue by the Board of Trustees on 21st August 2017.

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.

Handwritten signatures in black ink, appearing to be initials or names, located in the bottom right corner of the page.

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.

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

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

	<u>Useful life</u>	<u>Amortisation rate (%)</u>
Computer software:	5 years	20.00

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.

Handwritten signatures in black ink, appearing to be initials or names, located in the bottom right corner of the page.

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.



2. Accommodation revenue			Group	Group
			2017	2016
			<u>7,266,752</u>	<u>6,088,185</u>
Conference, Corporate and Tour segments			<u>7,266,752</u>	<u>6,088,185</u>
3. Food and Beverage revenue			Group	Group
			2017	2016
			<u>9,531,198</u>	<u>9,402,699</u>
Food, beverage, conference room hire and equipment hire			<u>9,531,198</u>	<u>9,402,699</u>
4. Other income			Group	Group
	Trust	Trust	2017	2016
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Interest received	0	0	13,053	28,385
Gain on sale of property, plant & equipment	0	0	1,000	1,200
Write-up of Investment in Keri Corporation	6,628	0	0	0
Income from other sources	0	0	178,086	222,173
	<u>6,628</u>	<u>0</u>	<u>192,139</u>	<u>251,758</u>
5. Finance income			Group	Group
	Trust	Trust	2017	2016
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Fair value adjustment on related party loans	95,092	103,989	0	0
Unwinding of interest on related party loans	26,835	45,386	0	0
	<u>121,927</u>	<u>149,375</u>	<u>0</u>	<u>0</u>
6. Cost of sales			Group	Group
			2017	2016
			<u>2,812,333</u>	<u>2,773,361</u>
Food, beverage and other cost of sales			<u>2,812,333</u>	<u>2,773,361</u>
7. Employee benefits			Group	Group
			2017	2016
			<u>6,993,645</u>	<u>6,816,300</u>
Salaries and wages			<u>(30,139)</u>	<u>101,169</u>
Increase/(decrease) in employee benefit liabilities			<u>6,963,506</u>	<u>6,917,469</u>

8. Other expenses

	Trust 2017	Trust 2016	Group 2017	Group 2016
Fees to principal auditor:-				
Audit fees for financial statement audit	0	0	138,100	134,083
Operating lease expense MWTH	0	0	420,124	398,248
Donations MWCT	0	0	214,048	204,570
Trustee expenses MWFL	0	0	31,190	36,550
Gaming machine duty MWFL	0	0	570,153	519,586
Other operating expenses	0	28,097	4,322,384	3,777,854
	<u>0</u>	<u>28,097</u>	<u>5,695,999</u>	<u>5,070,891</u>

9. Finance costs

	Trust 2017	Trust 2016	Group 2017	Group 2016
Interest on bank borrowings	0	0	816,157	844,285
Feasibility and consulting costs	0	0	0	0
Loss on held for trading financial instruments	0	0	(200,013)	339,317
Fair value adjustment on related party loans	29,731	26,835	(0)	0
Unwinding of interest on related party loans	103,989	133,828	0	0
	<u>133,720</u>	<u>160,663</u>	<u>616,144</u>	<u>1,183,602</u>

10. Income tax

	Trust 2017	Trust 2016	Group 2017	Group 2016
Components of income tax expense				
Current tax expense	0	0	275,665	207,774
Adjustments to current tax in prior years	0	0	0	0
Deferred tax expense	0	0	2,788	(235,103)
	<u>0</u>	<u>0</u>	<u>278,453</u>	<u>(27,329)</u>

Relationship between income tax expense and accounting profit

	Trust 2017	Trust 2016	Group 2017	Group 2016
Net operating surplus/(deficit) before tax	(5,165)	(39,384)	1,275,634	(225,922)
Tax at 28%	(1,446)	(11,028)	357,177	(63,259)
Non-deductible revenue / expenditure	1,446	11,028	(58,977)	69,350
Prior period adjustment	0	0	0	0
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	(19,747)	(32,631)
Deferred tax on parent tax losses	0	0	0	0
Group loss offset	0	0	0	(789)
Income tax expense	<u>(0)</u>	<u>0</u>	<u>278,453</u>	<u>(27,329)</u>

Deferred tax assets/liabilities - Group

	Property plant and equipment	Employee entitlements	Derivatives	Other provisions	Group tax losses	Total
Balance at 1 April 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 inco	(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)
Charged to income	64,941	(11,800)	(56,004)	75	0	(2,788)
Charged to other comprehensive inco	(1,426,819)	0	0	0	0	(1,426,819)
Balance at 31 March 2017	(7,548,581)	98,948	96,262	2,739	0	(7,350,632)

11. Cash and cash equivalents

	Group 2017	Group 2016
Cash at bank and in hand	1,509,151	1,121,710
Bank overdraft (note 19)	0	0
Cash & cash equivalents in statement of cash flows	1,509,151	1,121,710

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 2017	Group 2016
Trade receivables	848,262	819,509
Related party receivables	0	0
Sundry debtors	9,532	24,209
Prepayments	144,059	119,918
	1,001,853	963,636
Less provision for impairment of receivables	0	0
	1,001,853	963,636

	Group Actual 2017	Group Actual 2016
Receivables aging		
Not past due		
Past due 1-30 days	863,159	818,301
Past due 31-60 days	123,227	138,799
Past due 61-90 days	8,282	3,499
Past due over 90 days	7,186	3,037
	1,001,854	963,636

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 2017	Group 2016
Food stock	67,628	80,617
Beverage stock	79,910	84,494
Other	166,558	177,456
	<u>314,096</u>	<u>342,567</u>

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

14. Property, plant and equipment - group only

2017

	Land	Buildings	Leasehold furniture & fittings	Plant & equipment	Furniture & fittings	Work in progress	Total
Opening cost /valuation	14,644,000	22,981,708	0	2,157,163	2,805,498	48,923	42,637,292
Opening accum depreciatio	0	(57,834)	0	(922,911)	(176,204)	0	(1,156,949)
Opening 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>
Additions	0	480,131	0	313,221	291,999	385,517	1,470,868
Disposals	0	(130,912)	0	(27,706)	(447,443)	(48,923)	(654,984)
Depreciation expense	0	(532,402)	0	(214,757)	(220,044)	0	(967,203)
Depreciation written back	0	123,320	0	12,918	444,718	0	580,956
Impairment charges	0	0	0	0	0	0	0
Revaluation	1,876,000	5,074,413	0	0	0	0	6,950,413
Depn write back revaluatic	0	399,430	0	0	0	0	399,430
Closing cost /valuation	16,520,000	28,005,910	0	2,442,678	2,650,054	385,517	50,004,159
Closing accum depreciatio	0	(67,486)	0	(1,124,750)	48,470	0	(1,143,766)
Closing book value	<u>16,520,000</u>	<u>27,938,424</u>	<u>0</u>	<u>1,317,928</u>	<u>2,698,524</u>	<u>385,517</u>	<u>48,860,393</u>

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 revaluatic	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>

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 2017. 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 2017	Group 2016
Computer software		
Opening cost	198,234	175,814
Opening accum amortisation	(108,355)	(86,133)
Opening book value	89,879	89,681
Additions	70,708	22,420
Disposals	(42,080)	0
Amortisation expense	(30,899)	(22,222)
Impairment expense	0	0
Closing cost	226,862	198,234
Closing accum amortisation	(97,174)	(108,355)
Closing book value	129,688	89,879

16. Other financial assets

	Trust 2017	Trust 2016	Group 2017	Group 2016
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	6,628	0	0	0
Loan to MWTHL (Note 27)	685,671	688,062	0	0
Loan to KERI (Note 27)	144,816	145,321	0	0
	<u>14,837,115</u>	<u>14,833,383</u>	<u>0</u>	<u>0</u>

- # MWLT has made an interest free loan to MWTHL with a face value of \$710,218 (2016: \$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 2017 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 2017 is \$685,671 (2016: \$688,062).

- # 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 2017 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 2017 is \$144,816 (2016: \$145,321).

- # 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 2017.
- # 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 2017.
- # 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 2017.

17. Trade and other payables

	Group 2017	Group 2016
Trade payables	790,521	612,678
Deposits and bonds	196,109	109,374
Accrued expenses	750,264	719,442
Income tax payable	129,392	99,340
	1,866,286	1,540,834

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 2017	Group 2016
Current		
Accrued pay	214,607	202,605
Annual leave	292,603	346,277
Long service leave	38,983	30,255
Non current		
Long service leave	21,800	18,995
	567,993	598,132

19. Borrowings

	Trust 2017	Trust 2016	Group 2017	Group 2016
Current				
Bank overdraft	0	0	0	0
Finance leases	0	0	0	0
Secured loans	0	0	0	11,750,000
Secured bonds	0	0	0	0
Total current borrowings	0	0	0	11,750,000
Non Current				
Finance leases	0	0	0	0
Secured loans	0	0	11,500,000	0
Secured bonds	0	0	0	0
Secured related party loans (Note 27)	0	0	0	0
Unsecured related party loans (Note 27)	2,441,388	2,432,491	0	0
	2,441,388	2,432,491	11,500,000	0

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 \$11,500,000 had been drawn on the facility which is made up of all fixed 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 2018. 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% (2016: +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>
\$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 (2016: \$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 2017 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 2017 is \$2,441,388 (2016: \$2,432,491).

Security

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

Handwritten signatures in black ink, appearing to be initials or names, located in the bottom right corner of the page.

20. Equity

	Trust 2017	Trust 2016	Group 2017	Group 2016
Retained earnings				
Opening balance	12,400,892	12,440,277	8,626,563	8,821,189
Surplus/(deficit) for the year	(5,165)	(39,385)	997,181	(198,593)
Other adjustments to equity	0	0	11,990	3,967
Deferred tax gains / (losses) taken to reserves	0	0	0	0
Less revaluation loss taken to equity	0	0	0	0
Closing balance	12,395,727	12,400,892	9,635,734	8,626,563
Reserves				
Revaluation Reserve				
Opening balance	0	0	15,017,773	9,854,970
Asset revaluation movement	0	0	6,971,781	5,601,860
Charged to equity	0	0	(11,990)	(3,967)
Deferred tax gains / (losses) taken to reserves	0	0	(1,426,820)	(435,091)
Closing balance	0	0	20,550,744	15,017,772
Total Reserves				
Opening balance	0	0	15,017,773	9,854,970
Asset revaluation movement	0	0	6,971,781	5,601,860
Charged to equity	0	0	(11,990)	(3,967)
Effect on deferred tax for movement in revaluation reserve	0	0	0	0
Deferred tax gains / (losses) taken to reserves	0	0	(1,426,820)	(435,090)
Closing balance	0	0	20,550,744	15,017,772
As at 31st March	0	0	20,550,744	15,017,772
Total closing equity	12,395,727	12,400,892	30,186,478	23,644,335

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.

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

	Trust 2017	Trust 2016	Group 2017	Group 2016
Surplus/(deficit) before tax	0	0	1,275,634	(225,925)
Add/(less) non-cash items:				
Depreciation and amortisation	0	0	998,102	947,752
Loss/(gain) on sale of assets	0	0	24,104	7,603
Derivative financial instruments	0	0	(200,013)	339,317
Discounted interest free loan	0	0	0	0
Revaluation decrement	0	0	21,368	237,807
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	(43,334)	234,048
(Increase)/Decrease in Inventory	0	0	28,471	(11,074)
Increase/(Decrease) in Accounts Payable	0	0	316,108	21,068
Increase/(Decrease) in Employee Benefits	0	0	(30,139)	101,169
(Increase)/Decrease in Prepayments	0	0	(25,096)	(111)
Increase/(Decrease) in GST Payable	0	0	12,330	20,345
Net cash inflow/(outflow) from operating activities	<u>0</u>	<u>0</u>	<u>2,377,535</u>	<u>1,671,999</u>



Handwritten signatures in the bottom right corner of the page.

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 2017	Group 2016
MWFL paid the following amounts to companies within the MWLT group		
Gaming machine site rental paid to MWTHL	156,665	119,836
Gaming machine site rental paid to Keri	163,480	119,350
	<u>320,145</u>	<u>239,186</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 (2016: nil).

Subsidiary transactions and balances

Keri paid rental income to MWTHL of \$82,680 (2016: \$82,680).

MWFL reimbursed MWTH for Directors' expenses and remuneration paid to Directors of MWFL \$31,190 (2016: \$36,550).

The net amount transacted in the year from MWTHL to Keri was \$274,122 loss to Keri (2016: \$241,269 loss). There was a payable at year end from Keri to MWTHL of \$40,531 (2016: \$26,233).

A charitable donation was made from MWTHL to MWCT of \$500,000 (2016: \$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 \$15,000 (2016: \$19,955). 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 2016 by agreed subvention payment for \$235,373 (2016: \$204,899). A further subvention payment is expected for the March 2017 year for \$211,677. 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 2017 was 3.895% (2016: 4.275%).

- # MWLT has an interest free loan from the MWCT with a face value of \$2,536,480 (2016: \$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 (2016: \$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 2017 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 2017 is \$3,767,339 (2016: \$3,753,610).
- # MWTHL has an interest free loan from MWLT with a face value of \$710,218 (2016: \$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 \$8,648 expenses with Mainstay during the year, and had no outstanding liabilities at year end (2016: \$8,174, \$nil).

- # MWTHL absorbs costs for the MWLT but these are considered to be immaterial. The main cost absorbed was audit fees of \$15,000 (2016: \$19,955).
- # KERI has an interest free loan from MWLT with a face value of \$150,000 (2016: \$150,000)
Refer note 16 for further details.

23. Key management personnel

MWLT Trustees' fees, paid or due and payable during the year, including \$8,705 paid to the President and Trustees (2016: \$3,672). This cost was absorbed by MWTHL.

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

24. Commitments

	Group 2017	Group 2016
Total minimum lease payments are payable		
Not later than one year	411,650	406,324
Later than one year and not later than five years	1,469,344	1,474,497
Later than five years	1,176,750	1,483,329
	<u>3,057,744</u>	<u>3,364,150</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 2017	Group 2016
Present value of minimum lease payments		
Not later than one year	33,957	34,769
Later than one year and not later than five years	59,425	0
Later than five years	0	0
	<u>93,382</u>	<u>34,769</u>

Capital commitments

The Group has capital commitments via MWTHL of \$110,000 for an upgrade of its Terrace Wing service elevator (2016: \$166,560 for an in house laundry). This project is expected to be completed by the end of June 2017.

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 (2016: nil).

27. Financial instruments

Financial instrument categories

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

	Trust 2017	Trust 2016	Group 2017	Group 2016
Financial assets				
<i>Loans & receivables</i>				
Cash and cash equivalents	0	0	1,509,151	1,121,710
Trade and other receivables	0	0	853,517	836,564
Other financial assets	830,487	833,383	0	0
	<u>830,487</u>	<u>833,383</u>	<u>2,362,668</u>	<u>1,958,274</u>
Financial liabilities				
<i>Fair value through profit and loss - held for trading</i>				
Derivative financial instruments	0	0	343,794	543,807
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	0	0	1,411,620	1,169,472
Borrowing	2,441,388	2,432,491	11,500,000	11,750,000
	<u>2,441,388</u>	<u>2,432,491</u>	<u>12,911,620</u>	<u>12,919,472</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 2017, 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 (2016: \$163,803) 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 (2016: -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 - 2017	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	685,671	0	0	685,671	685,671
Loan to KERI (Note 16)	0	144,816	0	0	144,816	144,816
	0	830,487	0	0	830,487	830,487
Financial Liabilities						
Borrowings (Note 19)	0	2,441,388	0	0	2,441,388	2,441,388
	0	2,441,388	0	0	2,441,388	2,441,388
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

Group - 2017	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)	1,509,151	0	0	0	1,509,151	1,509,151
Trade and other receivables (Note 12)	853,517	0	0	0	853,517	853,517
	<u>2,362,668</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,362,668</u>	<u>2,362,668</u>
Financial Liabilities						
Trade and other payables (Note 17)	1,411,618	0	0	0	1,411,618	1,411,618
Derivative financial instruments	184,993	133,927	0	0	318,920	343,794
Borrowings (Note 19)	445,257	13,793,936	(2,000,000)	0	12,239,193	11,491,103
	<u>2,041,868</u>	<u>13,927,863</u>	<u>(2,000,000)</u>	<u>0</u>	<u>13,969,731</u>	<u>13,246,515</u>
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
	<u>1,958,274</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,958,274</u>	<u>1,958,274</u>
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
	<u>2,067,521</u>	<u>5,181,511</u>	<u>7,390,037</u>	<u>0</u>	<u>14,639,069</u>	<u>13,463,278</u>

28. Capital Management

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

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

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

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

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

29. Events after balance date

There were no events after balance date.