MT WELLINGTON LICENSING TRUST
Proudly Serving the Community

Mount Wellington Licensing Trust

ANNUAL REPORT

For financial year April 2019 – March 2020

It is in unusual circumstances that we present to the Minister of Justice and the residents of the Mount Wellington Licensing Trust area the Annual Report for the year ended 31 March 2020.

With our financial year ending each March, it is normal practice to present the Annual Report at an AGM in September of the same calendar year. However, the Covid-19 pandemic reaching New Zealand in March 2020 meant that was not possible.

In particular, we were informed by Audit New Zealand (our auditors appointed by the Office of the Auditor General) that a lack of resource meant they would be unable to complete the audit of our 2020 accounts within the usual four-to-five month timeframe. Despite significant effort on our part Audit New Zealand were unable to complete this work until the middle of 2022 – some twenty-one months later than we would normally expect. Given this delay our preference was to then present both our 2020 and 2021 accounts together; however the late completion of the 2020 accounts has consequently impacted the audit of the 2021 financial year accounts. We therefore considered it best to proceed with presenting this report for the March 2020 year. We thank you for your understanding and look forward to sharing both the 2021 and 2022 accounts as soon as possible.

Finally it should be noted that the commentary and information in this report relate solely to the March 2020 financial year.

Elected Members of the Mt Wellington Licensing Trust for the March 2020 year:

Mr A Verrall (President)	Dr M Benson-Rea
Mr M Gosche	Ms J Dolheguy
Ms N Henry	Ms L Cross (until Oct 2019)
Ms T Batucan (from Oct 2019)	**CHIEF EXECUTIVE:** Mr B Robinson

Trading Summary

WAIPUNA HOTEL & CONFERENCE CENTRE

Following on from the strong performances of 2018 and 2019, the hotel was on track for another excellent year. Occupancies were tracking over 80% through to December 2019, while Food, Beverage and Conferencing revenues were also delivering well.

Consistent with our Strategic Plan, the year saw us begin to invest in technology across the business – an area that fell short of the standard required to meet the expectations of our customers and our people. The ageing buildings continued to need investment, and we also invested significantly in our people; again raising our pay rates, and in particular ensuring we paid well above the minimum wage.

In January 2020 we first heard of the Covid-19 pandemic. By February our business from Chinese inbound tour groups had all but disappeared, and Korean Airlines cancelled the accommodation contract we had with them as they were ceasing all flights to New Zealand. Not only did this have a significant financial impact, but it also quickly gave us a sense of what was to come.

By mid-March it was apparent that it was 'when' and not 'if' Covid-19 reached New Zealand. This manifested in a large amount of cancelled business in March. With no ability to reduce the hotel's running costs, on the 25th of March the hotel completely closed its doors due to the national lockdown; this was the first time the hotel had completely closed in more than 50 years. With well over one hundred staff and no visibility as to when the hotel may trade again, this was a time of huge uncertainty for the business and its people.

PANMURE HOTEL

Much of the year saw a continued focus on the food offering at The Corner Bar, which was starting to deliver some positive results. However, we continued to experience the challenges shared in previous annual reports - that the traditional tavern offering is a very challenging business in a modern and competitive hospitality market. Like the Waipuna Hotel, the Panmure Hotel building is also at an age where it needs regular, extensive investment just to maintain it at current standard, let alone make improvements.

Along with hospitality venues and businesses across New Zealand, the announcement of a nationwide lockdown meant The Corner Bar and Landmark / RSA had two days to stop operating and on March 25th closed its doors indefinitely. This created great uncertainty about what lay ahead for our people, the business, and the wider hospitality sector.

HIGHBROOK

After being closed for almost 12 months due to building works happening above the premises, The Highbrook conference centre reopened in March 2019.Our focus was on rebuilding this business, since customers had relocated to the Waipuna Hotel or other venues while the site had been closed.

While this was always going to take time, reestablishing the business was slowly gaining momentum when the Covid-19 nationwide lockdown meant it too had to close in March 2020. This business is solely reliant on the meetings & conference trade, so it also faced a very uncertain future; a challenge added to by the fact the premise is committed to a lease with Goodman Property.

COMMUNITY GRANTS

In the March 2020 year the Mt Wellington Foundation, which derives its funds from Class IV gaming machines located at the Panmure Hotel, was able to grant $1,178,129 to qualifying organisations.

The Mt Wellington Foundation is reliant solely on its gaming operations located in its hospitality venues to generate the funds it can then distribute to the community. With the Panmure Hotel businesses closed indefinitely due to the nationwide lockdown from March 31st 2020, the Trust has a high degree of uncertainty as to the level of grants funding that may be available in the future.

The Mt Wellington Charitable Trust, which derives its funds from the available profits from Mt Wellington Licensing Trust businesses, made approximately $134,165 in grants in the 2020 financial year.

Recipients included:

- Linwood Islamic Trust (in response to the March 2019 Christchurch shootings)
- Auckland Rowing Club
- National Heart Foundation
- Local High School scholarships
- Red Cross Measles appeal

In addition, the Mt Wellington Charitable Trust funded the December 2019 Senior Citizens Christmas luncheons, which were enjoyed by over 500 local residents.

Mt Wellington Charitable Trust distributions are reliant on profits from the Trust's businesses - all which operate in the hospitality sector. The nationwide Covid-19 response meant that all Trust businesses were closed indefinitely from March 2020 with no visibility as to when they might re-open. In turn, this means the Mt Wellington Licensing Trust has no certainty as to when the Mt Wellington Charitable Trust will have available funds to recommence regular grants distribution.

Looking Ahead

By the end of March 2020, our businesses were facing a very uncertain future. New Zealand had been in a nationwide lockdown for less than a week, with no certainty as to how long it would last or when the hospitality sector, of which all our businesses are a part, would be back on its feet. The severe impact of this was something we were only beginning to understand.

With well over 150 staff, significant debt commitments, all businesses operating in a devastated hospitality sector, and community donations reliant on operating, profitable hospitality businesses, March 2020 was one of the most challenging times in the history of the Trust.

At this time your trustees were working incredibly hard to steer the Trust through the unprecedented uncertainty of 2020, entirely focused on giving the Trust the best chance of surviving the challenges of the pandemic.

STAFF

In a year that saw our people deliver nine months of excellent trading, it finished with them facing huge uncertainty. This was a frightening time professionally and personally for them all, and we want to thank them for their unwavering commitment.

With warm regards,

THE TRUSTEES

Mt Wellington Licensing Trust

Mount Wellington Licensing Trust

GROUP ACCOUNTS

For year ended 31 March 2020

CONTENTS

Independent Auditor's Report

To the readers of Mount Wellington Licensing Trust's group financial statements for the year ended 31 March 2020

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

We have audited the financial statements of the Group on pages 3 to 23, that comprise the statement of financial position as at 31 March 2020, 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.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the *Basis for our qualified opinion* section of our report, the financial statements of the Group on pages 3 to 23:

- present fairly, in all material respects:
  - its financial position as at 31 March 2020; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 11 May 2022. This is the date at which our qualified opinion is expressed.

The basis for our qualified opinion is explained below and we draw attention to the impact of Covid-19 on the Group. In addition, we outline the responsibilities of the Board of Trustees and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our qualified opinion - Our work was limited in relation to impairment testing, property plant and equipment, inventory and taxation

As at 31 March 2020 due to the impact of Covid-19, there were impairment indicators for the Group's property, plant and equipment. When there is an impairment indicator, NZ IAS 36 *Impairment of Assets* requires the assets' recoverable amount to be estimated. If the recoverable amount of the assets is less than their carrying value, then the assets' carrying value should be reduced and an impairment expense allocated between profit for the year and revaluation reserves. The Group has been unable to provide us with sufficient appropriate audit evidence to support either the fair value of the assets at 31 March 2020 or the discount rate and future cash flows used to calculate value in use of the assets. Because of this, we have been unable to determine whether any impairment of the Group's assets should be accounted for at 31 March 2020.

As disclosed in statement of accounting policies on pages 7 to 8, the Group has changed its accounting policy for plant and equipment, furniture and fittings, and motor vehicles from a revaluation approach to a cost approach. We have been unable to obtain sufficient appropriate evidence to support the restated carrying values. Any adjustment to the carrying values would have a consequential effect on depreciation expense and the profit for the year. In addition, NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the Group to apply the accounting policy change retrospectively by adjusting the opening balance of each affected component of equity for the earliest prior period presented. The Group has not complied with this and has made the adjustment in the current accounting period.

Because of Covid-19, we did not attend the inventory count at balance date and there are no satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence about the quantities and condition of inventory recognised in the statement of the financial position at $283,318. Any adjustment to the carrying amount of inventory would have a consequential effect on cost of sales and the profit for the year.

The matters noted above may have consequences for the Group's taxation balances, including deferred taxation balances, movements, and disclosures.

As a result of the matters discussed above, the scope of our audit was limited and we are unable to obtain sufficient appropriate audit evidence to determine the amount of any adjustments required.

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 qualified opinion.

Emphasis of matter - impact of Covid-19

Without further modifying our opinion, we draw attention to Notes 24 and 25 of the financial statements, which explains the impact of the Covid-19 pandemic on the Group.

Responsibilities of the Board of Trustees for the financial statements

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

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

In preparing the financial statements, the Board are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Trustees is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Trustees resolves to amalgamate or liquidate the Group, or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees' 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 Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Trustees is responsible for the other information. The other information comprises the information included on pages 1 to 2 but does not include the financial statements, or our auditor's report thereon.

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

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

Independence

We are independent of the 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: *International 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 Group.

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

ENTITY INFORMATION

as at 31 March 2020

Nature of Business

Investment Organisation

Registered Office:

Room 701

Waipuna Hotel & Conference Centre 58 Waipuna Road

Mount Wellington, Auckland

Date of Incorporation:

Not applicable as created under statute

Trustees:

Dr M Benson-Rea

Ms T Batucan *(elected October 2019)*

Ms L Cross *(term ended October 2019)*

Mrs J Dolheguy

Mr M Gosche

Ms N Henry | Vice President

Mr A Verrall | President

Bankers:

ASB Bank

Solicitors:

Wynyard Wood

PO Box 204-231

Auckland, 2161

Auditors:

Audit New Zealand

Level 15, Shortland and Fort

88 Shortland Street

Auckland, 1010

MOUNT WELLINGTON LICENSING TRUST GROUP

Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	Group Actual 2020 $	Group Actual 2019 $
TOTAL REVENUE	2	19,378,130	19,809,402
Cost of Sales	3	2,795,651	2,788,445
Employee Benefits	4	7,581,486	7,143,753
Depreciation and amortisation	11,12,18	1,749,125	1,247,267
Donations		1,178,129	1,240,049
Other Expenses	5	5,467,979	5,103,688
Finance Costs	6	547,330	538,377
TOTAL EXPENSES		19,319,700	18,061,580
NET OPERATING SURPLUS BEFORE INTEREST AND TAXATION		58,430	1,747,823
INCOME TAX EXPENSE	7	(2,794,881)	481,531
OPERATING SURPLUS AFTER TAXATION		2,853,311	1,266,292
OTHER COMPREHENSIVE INCOME			
Revaluation (loss)/gain	16	(1,220,154)	3,132,369
Tax on asset revaluations	7	341,644	272,673
TOTAL OTHER COMPREHENSIVE LOSS/INCOME		(878,510)	3,405,042
TOTAL COMPREHENSIVE INCOME AFTER TAX		**1,974,801**	**4,671,334**

The accompanying notes on pages 16 to 38 form part of these financial statements.

MOUNT WELLINGTON LICENSING TRUST GROUP

Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Group Actual 2020 $	Group Actual 2019 $
EQUITY AT 1 APRIL		**41,252,553**	36,581,219
Re-statement of opening balance due to IFRS 16 implementation		(202,898)	
Total comprehensive income after taxation		1,974,801	4,671,334
		43,024,459	**41,252,553**

The accompanying notes on pages 16 to 38 form part of these financial statements.

MOUNT WELLINGTON LICENSING TRUST GROUP

Statement of Financial Position

For the year ended 31 March 2020

	Note	Group Actual 2020 $	Group Actual 2019 $
CURRENT ASSETS			
Cash and cash equivalents	8	2,258,055	610,366
Financial assets		250,000	350,000
Trade, other receivables and prepayments	9	1,214,857	1,706,077
Inventories	10	283,318	288,261
TOTAL CURRENT ASSETS		4,006,230	2,954,703
CURRENT LIABILITIES			
Bank overdraft	8	304	324,618
Trade and other payables	13	1,833,814	1,799,669
Lease liability	18	218,751	0
Derivative financial instruments		0	1,920
Employee benefit liabilities	14	554,097	478,546
TOTAL CURRENT LIABILITIES		2,606,966	2,604,752
WORKING CAPITAL SURPLUS		1,399,264	349,952
NON-CURRENT ASSETS			
Property, plant and equipment	11	55,235,986	57,516,304
Right of use of Assets	18	1,181,312	0
Intangible assets	12	57,672	93,337
TOTAL NON-CURRENT ASSETS		56,474,970	57,609,641
TOTAL ASSETS		60,481,200	60,564,345
NON-CURRENT LIABILITIES			
Borrowings	15	10,050,000	9,750,000
Lease Liability	18	1,172,668	0
Employee benefit liabilities	14	5,871	15,755
Deferred tax liability	7	3,621,237	6,941,285
TOTAL NON-CURRENT LIABILITIES		14,849,776	16,707,040
TOTAL LIABILITIES		17,456,742	19,311,792
NET ASSETS		**43,024,459**	**41,252,552**
EQUITY			
Retained earnings	16	14,877,183	12,226,767
Other reserves	16	28,147,276	29,025,786
TOTAL EQUITY		**43,024,459**	**41,252,553**

The accompanying notes on pages 16 to 38 form part of these financial statements.

MOUNT WELLINGTON LICENSING TRUST GROUP

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	Group Actual 2020 $	Group Actual 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from accommodation, food & beverage		20,061,491	19,125,406
Interest received		14,027	21,007
Dividends received		1,125	1,140
Payments to suppliers and employees		(16,540,359)	(16,579,695)
Interest paid		(549,250)	(681,868)
Goods and services tax (net)		(155,590)	87,695
Income tax paid		(586,865)	(720,000)
NET CASH INFLOWS FROM OPERATING ACTIVITIES	17	2,244,582	1,253,685
CASH FLOWS FROM INVESTING ACTIVITIES			
Insurance claim		2,005	0
Payments/ Receipt of Investments		100,000	0
Purchase of property, plant and equipment		(449,477)	(1,059,102)
Purchase of intangible software		(5,300)	(7,791)
NET CASH INFLOWS FROM OPERATING ACTIVITIES		(352,772)	(1,066,893)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds/(Repayment) of borrowings		300,000	(1,000,000)
Repayment of lease liabilities		(219,807)	0
NET CASH OUTFLOWS FROM FINANCING ACTIVITIES		80,193	(1,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,972,003	(813,208)
Cash and cash equivalents at the beginning of the year	8	285,748	1,098,954
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	2,257,751	285,748

Cash, cash equivalents and bank overdrafts at the end of the year is the net of bank overdraft and cash at bank and in hand (note 8).

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.

During the period, MWLT group acquired property, plant and equipment totalling $0 (2019: $0) by means of finance leases.

The accompanying notes on pages 16 to 38 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2020

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 Mount 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 2020 (2019: 31 March 2019). The financial statements were authorised for issue by the Board of Trustees on the 11 May 2022.

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) 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 Land and Buildings and the measurement of derivative financial instruments and interest free related party loans at fair value.

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.

CHANGE IN ACCOUNTING ESTIMATE

Property plant and equipment

During the current year the treatment of Property Plant and Equipment was reviewed by management and the following changes were made to provide more reliable and relevant information.

1. Management reviewed the useful live of all assets and the method of depreciating assets and adjusted accordingly.

The effects of these changes have been treated prospectively in the accounts, refer to note 11.

CHANGE IN ACCOUNTING POLICY

Property Plant and Equipment

MWTH has previously accounted for Property, Plant and Equipment (PPE) using the revaluation model. During the 2020 financial year,

MWTH undertook an assessment of all asset classes and determined that in, in order to represent PPE fairly and reliably, some classes of assets would be better represented using the cost model. Effective 01 April 2019, the accounting policy for three classes of assets, Furniture and Fittings, Motor Vehicles, and Plant and Equipment changed from revaluation model to cost model.

IAS 8 requires retrospective application of changes in accounting policy to be applied to the opening balance of each affected component for the earliest prior period presented as if the new accounting policy had always been applied. MWTH determined that it was impracticable to determine the impact of this change from the earliest period presented due to being unable to find sufficient evidence to support the intent of the assumptions being made by prior management. In accordance with IAS 8, paragraph 24, MWTH has applied the new accounting policy from the beginning of the earliest period for which retrospective application was practicable; in this instance, this is the current period.

MWTH applied the change in accounting policy to the carrying value of the assets impacted from the change in policy effective 01 April 2019. All historic revaluations, depreciation and fair value adjustments identified across the impacted asset classes were identified and written off.

The impact of this adjustment was a write off of $1.2m; representing the cumulative decrease to the asset values and equity in the 2020 financial year as a result of the change in policy. The opening 2020 balances have been reflected in Note 11 and the revalutaion reserve equity component in Note 16 has also been adjusted to reflect the policy change.

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 it 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 cost or recoverable amount of the assets.

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. Credit card 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.

Government Grants

Grants from government are valued at their fair value where there is reasonable assurance that the grant will be received and MWTH will comply with all attached conditions.

Borrowing costs

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

Cash and cash equivalents

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

If there are bank overdrafts these are shown within borrowings in current liabilities in the statement of financial position.

Trade and other receivables

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

MWLT Group recognises an allowance for expected credit losses (ECLs) for trade and other receivables. MWLT applies a simplified approach in calculating ECLs. Therefore, credit risk is not tracked, but instead MWLT recognises a loss allowance based on lifetime ECLs at each reporting date. MWLT has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

MWLT considers a financial asset in default when contractual payments are 180 days past due.

However; in certain cases, MWLT may also consider a financial asset to be in default when internal or external information indicates that MWLT is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories

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

Financial Assets

Financial assets are classified at initial recognition as subsequently measured

at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

MWLT group classifies its financial assets in the following two categories;

Financial assets at amortised cost (credit instruments), Financial assets at fair value through OCI with recycling of cumulative gains and losses, (debit instruments).

Financial assets designated at fair value through OCI with recycling of cumulative gains and losses upon derecognition (equity instruments), Financial assets at fair value through profit or loss.

The two categories of financial assets are:

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

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

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

2. ***Financial assets at amortised cost***
   These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

Impairment of financial assets

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

Property, plant and equipment

Property, plant and equipment consists of land, buildings, plant and equipment, furniture and motor vehicles. Furniture, motor vehicles, plant and equipment are recognised at cost. Land and buildings are carried at fair value determined by an independent valuer.

Additions

Property, plant and equipment is recognised at 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, buildings, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. Land is not depreciated. The associated depreciation rates of categories of assets have been estimated as follows:

Asset Category	Estimated Useful Life
Land	Not Depreciated
Buildings	10 to 100 years
Plant and Equipment	4 years to 12.5 years
Furniture and Fittings	8 years to 25 years
Motor vehicles	10 years
Intangibles	5 years

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

Revaluations

Revalued assets are disclosed at fair value as determined from market-based evidence by an independent valuer. The last valuation was on the 31 March 2019.

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

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

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

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:

Intangibles 5 years

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

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

- the present value of the estimated future cash flows have used a discount rate of 2.76% (2019: 2.76%) and an inflation factor of 1.5% (2019: 1.5%). The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of trade and other payables and borrowings.

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

Financial liabilities at FVTPL

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

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

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

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 used.

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 are 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

NZ IFRS 16 Leases establishes one sole accounting model for lessees, where the amounts in the balance sheet are increased by the recognition of right of use assets and the financial liabilities for the future payment obligations relating to leases classified previously as operating leases.

The right of use of the asset is initially measured at cost and subsequently at cost less cumulative depreciation and impairment losses; adjustments are made for any new measurement of the lease liability due to the amendment or reassessment of the lease.

The lease liability is measured using the present value of future lease payments. When calculating lease liabilities, MWTH applied discount rate based on its incremental borrowing rate.

MWTH considers a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining the lease term, the non-cancellable period of the lease agreement and the periods covered by the option to extend the lease are taken into account, if the lessee is reasonably certain that they will exercise this option. Leases entered into and identified by MWTH include property leases and vehicle leases.

MWTH has also applied the practical option expedient available from NZ IFRS 16 and excluded short term leases and low value assets. MWTH considers leases as short term leases provided they (i) are less than 12 months in duration, and (ii) valued at less than $5,000 per asset.

Impact on adoption of NZ IFRS 16 Leases

MWTH applied NZ IFRS 16 using the modified retrospective transition approach. Comparative information is not restated and continues to be reported under NZ IAS 17 Leases and IFRIC 4.

As at transition date, the MWTH recognised right of use assets of $1,365,680 and a corresponding lease liability of $1,568,578 on balance sheet. The impact to opening retained earnings was $202,897 (note 16)

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Property revaluations

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

Notes to the Financial Statements

For the year ended 31 March 2020

2. Revenue

	Group Actual 2020	Group Actual 2019
Accommodation revenue		
Conference, Corporate and Tour segments	6,939,291	7,404,354
Food and Beverage revenue		
Food, beverage, conference room hire and equipment hire	9,492,070	9,472,987
Gaming income		
Gaming income	2,725,002	2,749,821
Other income		
Finance & administration recoveries	(86)	(3,750)
Interest received	14,027	21,007
Wage Subsidy	76,589	0
Income from other sources	131,236	164,983
	221,766	182,240
	19,378,130	19,809,402

3. Cost of sales

	Group Actual 2020	Group Actual 2019
Food, beverage and other cost of sales	2,795,651	2,788,445

4. Employee benefits

	Group Actual 2020	Group Actual 2019
Salaries and wages	7,515,820	7,200,533
Increase/(decrease) in employee benefit liabilities	65,666	(56,780)
	7,581,486	7,143,753

5. Other expenses

	Group Actual 2020	Group Actual 2019
Fees to principal auditor:-		
Audit fees for financial statement audit	129,233	140,400
Audit fees for DIA forecast statement audit	2,100	2,100
Operating lease expense MWTH	16,581	114,344
Donations MWCT	150,823	230,188
Trustee expenses MWFL	36,536	36,618
Gaming machine duty MWFL	626,751	632,459
Other operating expenses	4,505,954	3,947,579
	5,467,979	5,103,688

Notes to the Financial Statements

For the year ended 31 March 2020

6. Finance Cost

	Group Actual 2020	Group Actual 2019
INTEREST GAINS/LOSS		
(Gain)/Loss on held for trading financial instruments	(1,920)	(143,491)
	(1,920)	(143,491)
INTEREST GAINS/LOSS		
Interest on bank borrowings	453,839	681,868
Interest on lease liability	95,410	0
	549,249	681,868
TOTAL FINANCE COSTS	**547,330**	**538,378**

7. Income tax

Relationship between income tax expense and accounting profit

	Group Actual 2020	Group Actual 2019
Net operating surplus/(deficit) before tax	58,430	1,747,823
Tax at 28%	16,360	489,390
Non-deductible expenditure	214,642	(59,908)
Tax Depreciation on buildings	(2,935,799)	0
Permanent differences	(65,633)	103,553
Tax loss not recognised	(24,451)	(51,504)
TOTAL FINANCE COSTS	**(2,794,881)**	**481,532**
COMPONENTS OF INCOME TAX EXPENSE		
Current tax expense	183,522	559,774
Deferred tax expense	(2,978,403)	(78,243)
	(2,794,881)	**481,532**

Notes to the Financial Statements

For the year ended 31 March 2020

Deferred tax assets/liabilities - Group

	Property plant and equipment	Employee entitlements	Derivatives	Other provisions	Group tax losses	Total
BALANCE AT 1 APRIL 2018	(7,429,690)	94,056	40,715	2,719	0	(7,292,200)
Charged to income	124,260	(4,744)	(40,178)	(1,096)	0	78,242
Charged to other comprehensive income	272,673	0	0	0	0	272,673
BALANCE AT 31 MARCH 2019	(7,032,757)	89,312	537	1,623	0	(6,941,285)
Charged to income	2,976,322	(2,108)	(537)	4,726	0	2,978,403
Charged to other comprehensive income	341,644	0	0	0	0	341,644
BALANCE AT 31 MARCH 2020	**(3,714,791)**	**87,204**	**0**	**6,349**	**0**	**(3,621,238)**

8. Cash and cash equivalents

	Group Actual 2020	Group Actual 2019
Cash at bank and in hand	2,258,055	610,366
Bank overdraft	(304)	(324,618)
CASH & CASH EQUIVALENTS IN STATEMENT OF CASH FLOWS	**2,257,751**	**285,748**

The carrying value of short-term deposits with maturity dates of three months or less approximates fair value. MWTH has an overdraft facility limit of $400,000 with ASB Bank.

Notes to the Financial Statements

For the year ended 31 March 2020

9. Trade, other receivables and prepayments

	Group Actual 2020	Group Actual 2019
Trade receivables	943,977	1,504,705
Sundry debtors	67,392	11,087
Prepayments	223,191	190,284
	1,234,560	1,706,077
Less provision for impairment of receivables	19,703	0
	1,214,857	**1,706,077**

RECEIVABLES AGING	Group Actual 2020	Group Actual 2019
Not past due		
Past due 1-30 days	515,279	1,163,732
Past due 31-60 days	354,043	312,103
Past due 61-90 days	5,303	32,295
Past due over 90 days	136,745	7,663
	1,011,369	**1,515,793**

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

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

The impaired amount in trade receivables was in excess of 180 days.

Provision for doubtful debts of $19,703 was taken to surplus/ (deficit) during the year.

Notes to the Financial Statements

For the year ended 31 March 2020

10. Inventories

	Group Actual 2020	Group Actual 2019
Food stock	63,997	69,654
Beverage stock	67,104	62,436
Other	152,217	156,171
	283,318	**288,261**

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

A full inventory count was undertaken by MWTH staff between 23rd March and 25th March 2020. This was not undertaken on 31 March 2020 due to COVID 19 restrictions. The count was not attended by Audit New Zealand due to the short timeframe between when the lockdown restrictions were announced on Monday 23rd March 2020 and when the business closed on Wednesday 25th March 2020.

11. Property, plant and equipment

2020	Land	Buildings	Plant & equipment	Furniture & fittings/MV	Work in progress	Total
Opening cost /valuation	25,696,200	28,435,108	2,299,677	4,334,225		60,668,478
Opening accum depreciation	0	(1,296,083)	(987,201)	(964,925)		(3,152,175)
	25,696,200	27,139,025	1,312,476	3,369,300	0	57,516,303
Cumulative write back of revaluation assets due to change in policy			(331,357)	1,174,599		843,242
Cumulative write back of revaluation depreciation due to change in policy			(497,734)	(1,565,663)		(2,063,397)
	25,696,200	27,139,025	483,385	2,978,237	0	56,296,148
Additions	0	31,207	183,300	182,909	52,060	449,476
Disposals	0	(989,691)	(495,469)	(1,686,457)		(3,171,617)
Depreciation expense	0	(826,131)	(269,527)	(385,486)		(1,481,144)
Depreciation written back on disp	0	978,911	486,272	1,677,938		3,143,121
Impairment charges	0	0	0	0	0	0
Reclassification	0	0	439,082	(439,082)	0	0
Closing cost /valuation	25,696,200	27,475,921	2,095,233	3,566,194	52,060	58,885,608
Closing accum depreciation	0	(1,143,303)	(1,268,190)	(1,238,135)	0	(3,649,629)
CLOSING BOOK VALUE	**25,696,200**	**26,332,618**	**827,043**	**2,328,059**	**52,060**	**55,235,986**

Notes to the Financial Statements

For the year ended 31 March 2020

2019	Land	Buildings	Plant & equipment	Furniture & fittings/MV	Work in progress	Total
Opening cost /valuation	21,590,000	28,690,030	2,267,241	3,612,587	136,990	56,296,848
Opening accum depreciation	0	(645,281)	(928,224)	(353,839)	0	(1,927,344)
OPENING BOOK VALUE	21,590,000	28,044,749	1,339,017	3,258,748	136,990	54,369,504
Additions	0	321,126	141,390	986,106	0	1,448,622
Disposals	0	(108,940)	(108,954)	(674,458)	(136,990)	(1,029,341)
Depreciation expense	0	(662,599)	(167,930)	(368,483)	0	(1,199,012)
Depreciation written back	0	107,830	108,953	167,388	0	384,171
Impairment charges	0	0	0	0	0	0
Revaluation	4,106,200	(563,841)	0	0	0	3,542,359
Depn write back revaluation	0	0	0	(409,990)	0	(409,990)
Closing cost /valuation	25,696,200	28,338,376	2,299,677	4,334,225	0	60,668,478
Closing accum depreciation	0	(1,200,049)	(987,201)	(964,925)	0	(3,152,175)
CLOSING BOOK VALUE	**25,696,200**	**27,138,327**	**1,312,476**	**3,369,300**	**0**	**57,516,303**

Land, 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 2019. The valuation for the Waipuna Hotel & Conference Centre was completed using the discounted cash flow of rental income over a five year period. 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.

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

Property, plant and equipment carried using the Cost Model

The 2020 opening balances for Plant and Equipment, Furniture and Fitting and Motor Vehicles has been restated to account for the change in accounting policy from the revaluation method to cost method for these asset classes.

From 2020 year all Plant & Equipment, Motor Vehicles and Furniture and Fittings are recognised using the Cost Model, disclosing the cost of assets less any accumulated depreciation and accumulated impairment losses. There are no impairment losses recognised for the 2020 year.

Notes to the Financial Statements

For the year ended 31 March 2020

12. Intangible assets

	Group Actual 2020	Group Actual 2019
COMPUTER SOFTWARE		
Opening cost	279,930	272,139
Opening accum amortisation	(186,593)	(138,338)
OPENING BOOK VALUE	93,337	133,801
Additions	5,300	7,791
Amortisation expense	(40,965)	(48,255)
Closing cost	285,230	279,930
Closing accum amortisation	(227,558)	(186,593)
CLOSING BOOK VALUE	**57,672**	**93,337**

13. Trade and other payables

	Group Actual 2020	Group Actual 2019
Trade payables	874,687	774,561
Deposits and bonds	0	154,687
Accrued expenses	959,127	674,373
Income tax payable	0	196,048
	1,833,814	**1,799,669**

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

14. Employee benefit liabilities

	Group Actual 2020	Group Actual 2019
CURRENT		
Accrued pay	248,527	175,331
Annual leave	295,406	280,342
Long service leave	10,164	22,873
	554,097	**478,547**
NON CURRENT		
Long service leave	5,871	15,755
	5,871	**15,755**

Notes to the Financial Statements

For the year ended 31 March 2020

15. Borrowings

	Group Actual 2020	Group Actual 2019
NON CURRENT		
Long service leave	10,050,000	9,750,000
TOTAL NON CURRENT BORROWINGS	**10,050,000**	**9,750,000**

MWLT group's borrowings are contracted 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 $12,050,000 secured over land and building improvements.

At balance date $10,050,000 had been drawn on the facility at a fixed rate for a 90 day period. MWTH makes repayments when cash flows allow.

The total loan is reviewed and extended annually each September.

The MWTHL loan 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 periodically set at the lenders corporate indicator rate +1.89% (2019: +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.

Principal amount	Interest rate	Maturity
$750,000	2.76%	Jun 2020
$6,000,000	2.76%	Jun 2020
$3,000,000	2.76%	Jun 2020
$300,000	2.76%	Jun 2020

Fixed rate debt

Interest expense is a potential area of risk and is actively managed by MWTHL. During the year swaps held matured on 21st June 2019. No further swaps were entered into.

Notes to the Financial Statements

For the year ended 31 March 2020

16. Equity

	Group Actual 2020	Group Actual 2019
RETAINED EARNINGS		
Opening balance	12,226,771	10,960,479
Re-statement of opening balance due to IFRS 16 implementation	(202,898)	
Surplus/(deficit) for the year	2,853,311	1,266,292
CLOSING BALANCE	14,877,184	12,226,771
RETAINED EARNINGS		
Opening balance	29,025,787	25,620,746
Re-statement of opening balance due to IFRS 16 implementation	(1,220,154)	3,132,369
Surplus/(deficit) for the year	341,644	272,672
CLOSING BALANCE	28,147,277	29,025,788
AS AT 31ST MARCH	**43,024,459**	**41,252,558**

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 for the period ending 31 March 2022.

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

Notes to the Financial Statements

For the year ended 31 March 2020

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

	Group Actual 2020	Group Actual 2019
SURPLUS/(DEFICIT) BEFORE TAX	58,430	1,747,823
ADD/(LESS) NON-CASH ITEMS:		
Depreciation and amortisation	1,749,125	1,247,267
Loss/(gain) on sale of assets	28,498	(2,444)
Derivative financial instruments	(1,920)	(143,491)
Income tax	(586,865)	(720,000)
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES:		
Proceeds from Insurance	(2,005)	0
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
(Increase)/Decrease in Accounts Receivable	905,571	(655,791)
(Increase)/Decrease in Inventory	4,943	(19,846)
Increase/(Decrease) in Accounts Payable	13,406	(83,459)
Increase/(Decrease) in Employee Benefits	65,666	(56,780)
(Increase)/Decrease in Prepayments	(32,906)	(37,525)
Increase/(Decrease) in GST Payable	42,639	(22,069)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**2,244,582**	**1,253,685**

Notes to the Financial Statements

For the year ended 31 March 2020

18. Leases

Right of Use of Asset

	Buildings	Vehicles	Closing Balance
Prior to 01 April 2019			
Cost	2,510,107	27,893	2,538,000
Depreciation	1,167,897	4,424	1,172,321
NET BOOK VALUE 31 MARCH 2019	1,342,210	23,470	1,365,680
Balance as at 01 April 2019	1,342,210	23,470	1,365,680
Additions	0	42,648	42,648
Disposals	0	0	0
Depreciation	209,176	17,840	227,016
NET BOOK VALUE 31 MARCH 2020	**1,133,034**	**48,278**	**1,181,312**

	Buildings	Vehicles	Closing Balance
Lease Liability			
At 01 April 2019	1,171,793	12,335	1,184,128
Additions	0		0
Lease payments	(284,160)	(7,779)	(291,939)
Interest	87,325	5,185	92,511
AS AT 31 MARCH 2019	1,543,278	25,300	1,568,578
Balance as at 01 April 2019	1,543,278	25,300	1,568,578
Additions	0	42,648	42,648
Lease payments	(284,160)	(31,057)	(315,217)
Interest	76,656	18,754	95,410
AS AT 31 MARCH 2020	**1,335,774**	**55,645**	**1,391,419**

MWTH signed a Deed of Lease for a conference facility from Highbrook Development Ltd (HDL) on the 1st of July 2013.

The term of the lease is 12 years with expiry on the 8th September 2025. The components include the lease of the original structure and hard fitout plus 2 carparks.

MWTH have several motor vehicle leases with different expiry dates occurring during the 2022 year.

Notes to the Financial Statements

For the year ended 31 March 2020

19. Key management personnel

MWLT Trustees fees were paid or due and payable during the year to the President and Trustees for the total amount of $17,185 (2019 : $16,065).

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

20. Commitments

	Group Actual 2020	Group Actual 2019
Total minimum lease payments are payable		
Not later than one year	39,438	356,538
Later than one year and not later than five years	39,738	1,425,406
Later than five years	0	497,146
	79,176	**2,279,090**

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 Actual 2020	Group Actual 2019
Present value of minimum lease payments		
Not later than one year	116,637	66,354
Later than one year and not later than five years	31,127	0
Later than five years	0	0
	147,764	**66,354**

Capital commitments

No capital commitments have been made for the year (2019: $140,000)

21. Contingencies

MWTHL has received preliminary earthquake strengthening reports for its property in Panmure that indicate some remedial work may be required to make the building compliant with Auckland Council standards. The investigations into what needs to be done have progressed with preliminary quotes received. The lengthy compliance period means this work will be deferred resulting in no contingencies being provided for this year (2019: nil).

Notes to the Financial Statements

For the year ended 31 March 2020

22. Financial instruments

Financial instrument categories

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

	Group Actual 2020	Group Actual 2019
FINANCIAL ASSETS		
Financial assets at amortised cost		
Cash and cash equivalents	2,258,056	610,366
Trade and other receivables	1,011,368	1,515,793
Other financial assets	250,000	350,000
TOTAL FINANCIAL ASSETS AT AMORTISED COST	**3,519,424**	**2,476,158**
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Bank overdraft	304	324,618
Trade and other payables	1,833,814	1,603,620
Borrowing	10,050,001	9,750,000
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**11,884,119**	**11,678,238**
Financial liabilities through profit and loss		
Derivative financial instruments	0	1,920
TOTAL FINANCIAL LIABILITIES THROUGH PROFIT AND LOSS	**0**	**1,920**

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.

Notes to the Financial Statements

For the year ended 31 March 2020

Sensitivity analysis:

As at 31 March 2020, 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 $100,500 (2019: $161,243) lower or higher. This calculation covers all loans including ASB.

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 (2019: 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.

Notes to the Financial Statements

For the year ended 31 March 2020

Group - 2020	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 8)	2,258,056	0	0	0	2,258,056	2,258,056
Trade and other receivables (Note 9)	1,011,368	0	0	0	1,011,368	1,011,368
Other financial assets	250,000	0	0	0	250,000	250,000
	3,519,424	0	0	0	3,519,424	3,519,424
Financial Liabilities						
Overdraft (Note 8)	304	0	0	0	304	304
Trade and other payables (Note 13)	1,833,814	0	0	0	1,833,814	1,833,814
Borrowings (Note 15)	10,245,084	0	0	0	10,245,084	10,050,000
	12,079,202	**0**	**0**	**0**	**12,079,202**	**11,884,118**

Group - 2019	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 8)	610,366	0	0	0	610,366	610,366
Trade and other receivables (Note 9)	1,509,612	0	0	0	1,509,612	1,505,010
Other financial assets	350,000	0	0	0	350,000	350,000
	2,469,978	0	0	0	2,469,978	2,465,376
Financial Liabilities						
Overdraft (Note 8)	324,618	0	0	0	324,618	324,618
Trade and other payables (Note 13)	1,603,620	0	0	0	1,603,620	1,896,585
Derivative financial instruments	13,415	0	0	0	13,415	1,920
Borrowings (Note 15)	9,834,276	(119,317)	0	0	9,714,959	9,750,000
	11,775,929	**(119,317)**	**0**	**0**	**11,656,612**	**11,973,123**

Notes to the Financial Statements

For the year ended 31 March 2020

23. Capital Management

The MWLT group's capital includes cash, debt, 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 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.

24. Events after balance date

MWTH undertook a significant staff restructuring process in April 2020 that resulted in the workforce of MWTH being downsized by approximately 40%.

In early May 2020, MWTH signed a contract to operate the Waipuna Hotel and Conference Centre as a Managed Isolation Facility. This contract was initially secured for a period of 6 weeks and was subsequently extended to 30 June 2021. The contract was further extended to June 2022, with negotiations for a further extension currently underway.

Some employees displaced by this restructuring were able to be rehired on either fixed term or casual contracts to support the delivery of the managed isolation contract.

The Landmark Bar and Eatery has not reopened since the Alert Level 4 lockdown in March 2020; the business had a joint venture with an RSA and given the age of the clientele it was deemed neither appropriate from a Health

and Safety perspective nor financially viable in the COVID environment to operate this business.

MWTH's revenue streams for periods beyond when Waipuna is contracted as a managed isolation facility are uncertain and largely dependent on the recovery of the wider travel, accommodation, and conference sectors. It is unlikely that MWTH will make donations to MWCT while MWTH faces this period of uncertainty.

MWFL has applied under section 318(1)(d) of the Companies Act 1993 to remove the company from the Companies Register.

Keri Corporation amalgamated into Mount Wellington Trust Hotels on 01 April 2022.

25. COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 as a pandemic. On 21 March 2020, an alert system was announced defining restrictions for Alert Levels 1-4 with New Zealand. A nationwide state of emergency was declared on 25 March 2020 and New Zealand moved into Alert Level 4. At Level 4 non-essential businesses, including MWLT and its subsidiaries, ceased normal trading until after balance date.

The main impacts on MWLT's financial statements due to COVID-19 are summarised below:

Notes to the Financial Statements

For the year ended 31 March 2020

Revenue

Waipuna Hotel and Conference Centre's revenue was adversely impacted in the lead up to 25 March 2020 for a number of reasons.

- The inbound tour market was significantly impacted due to restrictions placed on inbound international travellers in early 2020.
- Multiple conference events and accommodation bookings were cancelled due to increased social distancing requirements, difficulty accessing international travel and a general underlying sense of uncertainty
- An airline contract for the provision of crew rooms, scheduled to terminate on 31 March 2020 ended on 03 March 2020 due to the airline ceasing all flights to New Zealand

Waipuna Hotel and Conference Centre revenue in the month of March, which had been tracking to perform in line with budget, came in at approximately half of the budgeted amount.

Revenue from other divisions of MWLT including Waipuna Highbrook (MWTH), The Landmark (MWTH), The Corner Bar (Keri), and MWFL was adversely impacted as a result of COVID-19.

MWTH, Keri and MWFL qualified for the wage subsidy which was received post-balance date. Pro-rated amounts were included in the financials.

Operating Expenses

Operating expenses were not significantly impacted by COVID-19 for the year ending 31 March 2020.

Accounts Receivable

COVID-19 did not have a significant impact on the accounts receivable recoverability and outstanding balances were all recovered, with the exception of immaterial provisions and write offs.

Impairment of property, plant and equipment and intangible assets

Impairment assessments were completed for property, plant and equipment and intangible assets and no impairment was required as a result of COVID-19.

Capital projects and initiatives

COVID-19 impacted the completion of some capital works projects that either remain on hold or have been cancelled.

The impact of COVID-19 on MWLT as at balance date is reflected in these financial statements based on the information available at the date these financial statements were signed.

26. Breach of Statutory reporting deadline

Due to some circumstances beyond the control of the Trust, including COVID lockdowns, the financial statements for the year ended 31 March 2020 were not prepared by the trust within the five month statutory deadline, resulting in a breach of section 334 (1) of the Sale and Supply of Alcohol Act 2012. The financial statements

for the year ended 31 March 2020 were subsequently prepared on 13 April 2022 following the completion of the wholly owned subsidiary, Mount Wellington Trust Hotels Limited.

WAIPUNA
CONFERENCE SUITES
HIGHBROOK

WAIPUNA
HOTEL & CONFERENCE CENTRE

PANMURE
HISTORIC HOTEL