

# WIRI LICENSING TRUST'S CHAIRMAN'S REPORT

## for 2018/19 Financial Year



**The Wiri Licensing Trust turns 50 this year** and as someone who has been involved with the Trust since 1986 it gives me a great deal of pride to be able to offer you this annual report as a celebration of this milestone.

The Trust's financial results for the 2018-19 financial do not make pleasant reading on the face of them. These results record an overall loss of \$4.13 million. This loss is entirely due to a write down in asset values of \$4.43 million. This means of course that the Trust's underlying operating after tax profit was almost \$300,000. This operating result in my view is a respectable performance given the challenges we have faced in establishing our new flagship bar Woodside.

The Trustees are very proud of Woodside and we believe that it has already achieved much of what we hoped and expected it would. From the start we wanted Woodside to set the standard for licensed premises in South Auckland by offering local people a fun and safe place where they could drink, dine and celebrate. Woodside has proven popular with customers and it offers further promise as we roll out concerts and other events this summer.

The opening of Woodside in September 2018 brought to an end a \$10 million development programme which started in mid-2017 with the commencement of the construction of the Krispy Kreme building. As a consequence the Trust is now more indebted. This debt is not a big problem given our asset backing and strong rental income.

At 31st March 2019 the Trust had total borrowings of \$16.05 million compared with \$11.89 million a year earlier. Against this our total assets were \$34.41 million at the end of the 2018-19 financial year compared with \$35.38 million 12 months earlier. Consequently our net equity fell from \$21.71 million at 31st March 2018 to \$17.58 million at 31st March 2019. This is the reason from the reported loss of \$4.13 million mentioned above.

During the 2018-19 financial year the Trust's debt went up and its assets went down for three reasons. The first was that some assets lost value in the annual revaluation process. The second reason was that some of the money spent on the redevelopment was necessary to better utilise the Ronwood Avenue site but had no direct commercial value in terms of higher rents. This money has been invested for future development of the remaining parts of the site. The third reason for the loss of value is that the investment in the Woodside building and plant exceeded its finished value.

On the positive side the Trust's rental income rose from \$1.17 million during the 2017-18 financial year to \$1.60 million for 2018-19 and should reach almost \$1.7 million in the current year. Against this, our finance costs rose from \$0.55 million in 2017-18 to \$0.81 million in 2018-19. This means that the difference between our rents and interest bill grew from approximately \$622,000 to almost \$800,000 over the past two years. This is good news for the Trust's underlying profitability and future success.

Over the next three to five years the Trust will need to consolidate its operations and focus on repaying debt. The Trustees expect Woodside to begin to turn a modest profit during the current financial year and that this will grow considerably into 2020-21. This improved profitability will assist in more rapid debt repayment.

Presently our debt repayment obligations are easily within reach of our available cash-flows. It will however fall to the Trustees elected in this year's elections to consider a more ambitious debt retirement programme. I anticipate that patience and a steady hand will be required for this. I foresee that from 2020 it may be possible to plan for \$500,000 per year in debt repayments and to reserve a further \$100,000 per year for community grants and sponsorships.

Finally I would like to thank my fellow Trustees for their effort and support over the past three years. To Stella Cattle who is retiring at these elections I would like to thank especially for her honesty, patience and loyalty over the past six years that she has served as a Trustee. I wish all my fellow Trustees the best for the forthcoming elections and for their futures beyond the elections.

**Alan Johnson**  
*Wiri Licensing Trust Chairman*

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