

Clutha Licensing Trust

Annual Report for the Financial Year

Ended 31 March 2014

Clutha Licensing Trust

Annual Report

For the Year Ended 31 March 2014

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Clutha Licensing Trust

Trust Directory

For the Year Ended 31 March 2014

Nature of Business:

Hotelier & Liquor Retailers

Trust Members:

B Cross - President
D Scoles - Vice President
I Carruthers (appointed 12/10/2013)
M Greene (appointed 12/10/2013)
R Agnew
J Gardner
J Lyders
S McKenzie (appointed 12/10/2013)
S Morris (appointed 12/10/2013)
D M McElrae (retired 12/10/2013)
I F Mathieson (retired 12/10/2013)
D Edwards (retired 12/10/2013)
D Robertson-Dunn (retired 12/10/2013)

Registered Office:

Rosebank Lodge
265 Clyde Street
Balclutha

Bankers:

Bank of New Zealand and ANZ

Solicitors:

Sumpter Moore

Auditors:

Audit New Zealand on behalf of the Auditor General

Clutha Licensing Trust

Financial Statements

For the Year Ended 31 March 2014

Approval by Trustees

The Trustees of Clutha Licensing Trust here present the financial statements for the year ended 31 March 2014.

The Trustees are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Trust as at 31 March 2014 and the results of its operations for the year ended on that date.

The Trustees consider the financial statements of the Trust have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Trustees believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Trust and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Trustees consider that they have taken adequate steps to safeguard the assets of the Trust, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The trustees do not have the power to amend the financial statements after issue.



G E B Cross
President



D E Scoles
Vice - President

For and on behalf of the Trustees

Dated: 4th September 2014

Clutha Licensing Trust

Income Statement

For the Year Ended 31 March 2014

	Notes	2014	2013
		\$	\$
Revenue			
Liquor		7,024,966	7,383,776
Food		1,398,874	1,440,837
Accommodation		414,989	490,201
		8,838,829	9,314,814
Cost of Sales		5,152,244	5,367,338
Gross Margin		3,686,585	3,947,476
Plus Other Revenue			
Other Income	3	443,962	504,907
Dividends received		11,816	11,152
Interest received		7,968	9,645
		463,746	525,704
Less Other Expenses			
ACC Levies		38,842	31,783
Accounting and Secretarial fees		28,000	28,000
Audit Fees	6	37,300	39,513
Bad Debts		-	20
Depreciation	28	539,527	542,639
Donations		13,203	16,901
Honorarium and Expenses	14	40,280	44,618
Insurance		75,246	98,650
Interest		24,007	20,490
Legal Fees		396	481
Other expenses	4	1,197,488	1,315,533
Salaries and Wages		2,439,556	2,339,208
		4,433,846	4,477,836
Gain/(Loss) on sale of property, plant & equipment		4,638	4,522
Profit (Loss) before Taxation		(278,876)	(134)
Taxation	2	15,206	79,723
Profit (Loss) after Taxation		(294,082)	(79,857)

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Clutha Licensing Trust

Statement of Comprehensive Income

For the Year Ended 31 March 2014

	Notes	2014	2013
		\$	\$
Profit (Loss) after Taxation		(294,082)	(79,857)
Other Comprehensive Income			
Revaluation of Other Financial Assets		60,221	-
Total Comprehensive Income		(233,861)	(79,857)

Statement of Changes in Equity

For the Year Ended 31 March 2014

	2014	2013
	\$	\$
Equity at the Beginning of Period	7,632,690	7,712,547
Total Comprehensive Income	(233,861)	(79,857)
Equity at End of Period	7,398,829	7,632,690

Clutha Licensing Trust

Statement of Financial Position

As At 31 March 2014

	Notes	2014 \$	2013 \$
Trust Equity			
Reserves	15	7,398,829	7,632,690
Total Trust Equity		7,398,829	7,632,690
Represented by:			
Current Assets			
Cash and cash equivalents	24	662,886	712,230
Accounts Receivable	7	214,073	194,075
Prepayments	8	42,680	3,404
Inventory	9	881,015	878,856
		1,800,654	1,788,565
Non Current Assets			
Property, Plant and Equipment	28	6,946,825	7,315,050
Capital Works in Progress		20,291	7,562
Other Financial Assets	12	124,412	66,939
Intangible Assets	26	3,884	-
		7,095,412	7,389,551
Current Liabilities			
Accounts Payable and Accruals	10	921,531	939,151
Employee Entitlements	11	188,121	202,085
Taxation Due	2	59,740	78,489
ANZ Bank Loans		300,000	-
		1,467,393	1,219,724
Non Current Liabilities			
ANZ Bank Loans	13	-	300,000
Employee Entitlements	11	29,844	25,703
		29,844	325,703
Net Assets		7,398,829	7,632,690

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Clutha Licensing Trust

Statement of Cash Flows

For the Year Ended 31 March 2014

Note	2014	2013
	\$	\$
Cashflows from Operating Activities		
Cash was provided from:		
Receipts from customers	9,223,517	9,889,099
Interest received	7,968	9,645
Dividends received	11,816	11,152
	<u>9,243,301</u>	<u>9,889,896</u>
Cash was applied to:		
Payments to suppliers and employees	9,054,207	9,363,005
Interest paid	24,007	20,490
Taxation paid	33,955	18,946
	<u>9,112,169</u>	<u>9,402,441</u>
Net cash inflow from operating activities	<u>131,132</u>	<u>487,455</u>
Cashflows from Investing Activities		
Cash was provided from:		
Proceeds on sale of property, plant and equipment	7,350	4,522
Sale of investments	-	-
	<u>7,350</u>	<u>4,522</u>
Cash was applied to:		
Purchase of other financial assets	-	-
Purchase of property plant and equipment	187,826	345,106
	<u>187,826</u>	<u>345,106</u>
Net cash inflow/(outflow) from investing activities	<u>(180,476)</u>	<u>(340,584)</u>
Cashflows from Financing		
Cash was provided from:		
Proceeds from Borrowing	-	-
Cash was applied to:		
Settlement of debt	-	-
Net cash inflow/(outflow) from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash held	<u>(49,344)</u>	<u>146,871</u>
Add opening cash brought forward	<u>712,230</u>	<u>565,359</u>
Ending Cash Carried Forward	<u>662,886</u>	<u>712,230</u>

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CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

1. Summary of Accounting Policies

Statement of Compliance

The Clutha Licensing Trust ("The Trust or CLT") is a profit oriented entity, and is a Licensing Trust operating under the Sale & Supply of Alcohol Act 2012. The Trust is a registered trust incorporated 1955 and domiciled in Balclutha. The Trust operates entities that operate in the hospitality sector providing bars, restaurants and accommodation services.

The financial statements have been prepared in accordance with NZ IFRS and Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They are a qualifying entity in that it qualifies for Differential Reporting as it is not large as defined under the Framework for differential reporting. The Trust reports as a Tier 3 entity as the trust is not large (as defined by XRB A1).

The Trust qualifies for differential reporting. The trust has taken advantage of all differential reporting exemptions except for: NZ IAS 7 Statement of Cash Flows.

Basis of Preparation

These financial statements are for the Clutha Licensing Trust only. The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain Land, Buildings and Financial Instruments.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 March 2014 and the comparative information presented in these financial statements for the year ended 31 March 2013.

The financial statements are presented in New Zealand dollars rounded to the nearest whole dollar.

The going concern assumption has been adopted in the preparation of these financial statements. The relevance of the going concern assumption is explained in Note 28 to these financial statements.

Changes in accounting policy

The following standards are applicable from 1 January 2013. This means the standards have been applied in preparing the 2014 financial statements.

NZ IFRS 13 *Fair Value Measurement*; and
Amendments to NZ IAS 19 *Employee Benefits*

The change in policy to NZ IFRS 13 *Fair Value Measurement* has resulted in the re-valuation of financial assets under note 10 "other financial assets"

There have been no significant impacts of amendments to NZ IAS 19 *Employee Benefits*

Critical Judgements Estimates and Assumptions

In the application of NZ IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

Key Sources of Estimation Uncertainty

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Key Sources of Estimation Uncertainty include:

Estimating the remaining useful life of various items of property, plant and equipment.

If the useful life does not reflect the actual consumption of benefits of the asset, the Trustees could be over or under estimating the depreciation charge recognised as an expense in the income statement.

Allowance for Impairment Loss

Management assesses the likelihood of recovery of accounts receivable which are outstanding beyond normal contractual terms.

A general or specific impairment loss is determined based on this assessment

Determination of fair value

Certain financial assets are recognised and measured at fair value. Where active markets exist, fair value is based on quoted market prices. Where there is no active market, fair value may be determined by the use of other valuation techniques. Changes in assumptions used in the valuation techniques could affect the reported fair value of the financial assets.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be measurable under the circumstances.

The principal accounting policies applied in the preparation of the financial report are set out below. These policies have been consistently applied unless otherwise stated.

Property, Plant and Equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on a discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in the financial statements of the Trust, and are reviewed at the end of each reporting period to ensure that the carrying value of the land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to any previous revaluation of the asset.

Depreciation on revalued buildings is charged to the income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Plant and equipment is stated at cost less accumulated depreciation and any allowance for impairment. Cost includes all expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

Borrowing Costs

All borrowing costs are recognised in the Income Statement in the period in which they are incurred.

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

The following estimated useful lives are used in the calculation of depreciation:

Building	20-40 years
Leasehold improvements	10-40 years
Office equipment	5-10 years
Furniture and fittings	5-10 years
Carpet and vinyl	5-10 years
Plant and equipment	15 years
Motor vehicles	15 years

Impairment of Assets

At each balance sheet date, the Trust reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately unless the asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual and long service leave, and sick leave when it is probable that settlement will be required and the benefits are capable of reliable measurement.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents rental received and property expenses recovered in the normal course of business. The following specific recognition criteria must be met before revenue is recognised:

(a) Food and Beverage

Revenue from the sale of food and beverage is recognised at the time the food and beverage is provided and the sale is not conditional on any further actions of the Trust.

(b) Accommodation

Revenue from accommodation is recognised when the accommodation is utilised and the Trust is entitled to invoice.

(c) Dividend and Interest Revenue

Dividend from investments is recognised when the right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

Taxation

Current Tax

The tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

GST

All items in the balance sheet are stated exclusive of GST, with the exception of receivables and payables, which include GST. All items in the income statement are stated exclusive of GST.

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Inventory

Inventories are valued at the lower of cost or net realisable value, except for Liquorland stock which is valued using a weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business.

Financial Instruments

Financial assets and financial liabilities are recognised on the Trust's Statement of Financial Position when the Trust becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade date – the date on which the Trust commits to purchase or sell the asset.

(a) Cash & Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(b) Accounts receivable

Accounts receivable are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(c) Accounts Payables

Accounts payable are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

(d) Other Financial Assets

The Trust's investments in shares are classified as "available for sale" and stated at fair value except where the range of fair value estimates is significant and probabilities of estimates cannot be reasonably assured, whereon the investments are valued at cost less impairment.

The fair value of investments in shares traded in an active market is based on quoted market bid prices at the balance sheet date. The fair value of investments not traded on an active market is determined using valuation techniques. Where the fair value of investments in share cannot be reliably measured (on the basis that only a range of fair values could be determined and the probability of the various estimates in the range could not be determined without further information from the entity being valued and this information has been sought and access to that information refused), then investments in shares will be valued at cost. After initial recognition, investments in shares at fair value are subsequently measured at their fair value, with gains and losses recognised directly in equity except for impairment losses which are recognised in the Income Statement. On de-recognition the cumulative gain or loss previously recognised in equity is recognised in the Income Statement.

Investments in shares are those intended to be held long term or are for strategic purposes and are included in non-current assets unless management intends to dispose of these within 12 months of the balance date.

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

(e) Operating Lease Payments

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense.

(f) Finance Lease Payments

Finance leases, which transfer to the Trust substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge and the reduction of any outstanding liability. Finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(h) Donations

Donations are recognised through the Income statement when they are approved by the Trustees and paid.

Cash Flow Statement

Definition of terms used in the cash flow statement:

Cash and cash equivalents includes cash on hand, deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Operating activities include all transactions that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the Trust and those activities relating to the cost of servicing the Trust's capital.

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

	2014 \$	2013 \$
2. Income Taxes		
(a) Tax Calculation		
The prima facie income tax expense on pre-tax accounting surplus/(deficit) reconciles to the income tax expense in the financial statements as follows:		
Profit before income tax	(278,876)	(134)
Income tax expense calculated at 28%	(78,085)	(38)
Temporary differences	89,450	77,376
Permanent Differences	3,886	4,042
Prior Period Adjustments	(44)	(1,657)
Taxation Expenses	15,206	79,723
(b) Taxation Provision Movements		
Opening Balance	78,487	17,709
Plus Current Taxation	15,206	79,723
Taxation Refund	-	-
	93,693	97,432
Less Taxation Paid	(31,534)	(16,052)
Resident Withholding Tax	(2,418)	(2,893)
Closing Balance	59,740	78,487
With the removal of differential reporting for periods after 1 April 2015 a deferred tax liability will need to be recognised in the financial statements for the year ended 31 March 2016. The comparatives for these financial statements will include an opening balance at 1 April 2014 being estimated as an opening deferred tax liability of \$1,196,000.		
3. Other Income		
Gaming Machine Income	211,120	211,120
Equipment Rental	12,135	13,547
Rentals	6,952	8,759
Rebates	192,581	233,748
Sundry Income	21,174	37,733
	443,962	504,907

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CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

	2013	2012
	\$	\$
4. Other Expenses		
Advertising	49,023	58,113
Bank Fees	29,379	30,454
Cleaning & Rubbish	31,258	50,183
Commissions Paid	36,259	38,843
Computer Expenses	19,484	21,820
Electricity & Heating	358,346	354,807
Entertainment	41,034	47,252
Franchise Payments	39,449	38,039
Hospitality	29,087	36,027
Laundry	35,403	38,741
Printing & Stationery	28,075	29,976
Rates	35,808	35,059
Rentals	55,523	55,893
Repairs & Maintenance	166,491	205,790
Sky TV	44,773	42,255
Telephone	42,035	46,221
Motor Vehicle Expenses	53,647	51,555
Other Expenses	102,416	134,497
	1,197,488	1,315,533

5. Key Management Personnel Compensation

The compensation of the General Manager being the only key management personnel of the Trust, is set out below:

Short Term Employee Benefits	115,382	110,632
Employment Benefits	4,508	9,301
Other Long Term Employee Benefits	-	-
	119,890	119,933

Employees of the Trust (section 335(4)(b)(ii) of the Sale & Supply of Alcohol Act 2012)

Number of employees and former employees of the Trust who received in excess of \$100,000 by way of remuneration during the financial year are as follows:

Remuneration Band		
\$110,000 - \$120,000	1	1

6. Remuneration of Auditors

Audit fees for financial statement audit for Pricewaterhouse Coopers 2012	-	4,763
Audit fees for financial statement audit for the Audit NZ	37,300	34,750
Other advisory services	-	-
	37,300	39,513

The auditor of the Clutha Licensing Trust is "Audit New Zealand" on behalf of the Auditor General.

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CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

	2014	2013
	\$	\$
7. Accounts Receivable		
Trade Receivables	156,716	161,480
Sundry receivables and accruals	57,357	32,595
	<u>214,073</u>	<u>194,075</u>
 No interest is charged on trade receivables.		
Aged Trade Receivables		
0 - 30 days	135,062	153,700
30 - 60 days	21,654	7,140
60 - 90 days	-	640
 8. Prepayments		
Insurance	26,368	-
Other	16,312	3,404
	<u>42,680</u>	<u>3,404</u>
 The insurance prepayment includes an initial contribution to a self insurance scheme and three months paid in advance. The initial contribution is refundable if the Trust withdraws from the scheme at the renewal date. The Trust is required to top-up this initial amount each year based on the made during the year.		
 9. Inventories		
Liquor	835,727	832,679
Food	45,288	46,178
	<u>881,015</u>	<u>878,857</u>
 10. Accounts Payable & Accruals		
Trade Creditors	683,962	758,220
Goods & Services Tax	85,238	75,740
Accrued Expenses	152,331	105,192
	<u>921,531</u>	<u>939,152</u>
 Aged Trade Payables		
0 - 30 days	683,387	750,248
30 - 60 days	217	7,033
60 - 90 days	358	939

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

	2014	2013
	\$	\$
11. Employee Entitlements		
Provision for Holiday Pay (Current)	186,121	202,085
Provision for Long Service Leave (Non Current)	29,844	25,703
	<u>215,965</u>	<u>227,788</u>

The Provision for Holiday Pay represents employee entitlements for annual and long service leave which have "vested" in the employee. Provision for Long Service Leave represents unvested entitlements. These amounts are uncertain at balance date and the amounts have been included at the best estimate of the liability.

12. Other Financial Assets (Non Current Assets)

At fair value:

Shares in DB South Island Brewery Ltd (i)	113,317	53,096
Shares in Super Liquor Holdings Ltd (i)	2,500	2,500
Foodstuffs Trading Credit Account	4,185	-
Investments in Foodstuffs	4,430	11,343
	<u>124,412</u>	<u>66,939</u>

These investments are designated as "Available for sale" financial instruments. Because of the nature of the shares and the fact that there is no active market, the Trust has elected to continue to use cost price A (apart from DB South Island Brewery Ltd shares) as an approximation of fair value.

The Trust holds 48,634 (2013: 48,634) ordinary shares issued by DB South Island Brewery Ltd. This holding represents less than 1% of the 7,200,000 shares issued by the company.

The shares had previously been held at cost due to the Trust deeming that there was no active market. The shares have now been valued on the basis of the value per share of the total net assets of DB South Island Brewery Ltd. Under IFRS 13 the shares have been valued using unobservable inputs under level 3 fair value hierarchy. The Trust deems that this is a more appropriate valuation method. The shares have been valued at \$2.33 (2013: \$1.09) a share resulting in an increase in the value of the shares by \$60,221 with the increase going to the share revaluation reserve.

The valuation is effective from 31 December 2013 being the balance date of DB South Island Brewery Ltd. There is nothing to suggest that there has been any material movement in the share value since.

Opening Value at 1 April 2013	53,096	53,096
Revaluation	60,221	-
Closing Value 31 March 2014	<u>113,317</u>	<u>53,096</u>

The revaluation is shown as "other comprehensive income" in the Statement of Comprehensive Income.

13. Non Current Liabilities (Secured)

	Interest Rate	Expiry Date
ANZ Bank Loan	-	300,000
	<u>-</u>	<u>300,000</u>

The secured lending is by way of first mortgage over the Rosebank Lodge property, 263-267 Clyde Street, Balclutha. The loan is interest only over the term. The loan is now classified as a current liability.

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CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

	2014 \$	2013 \$
14. Remuneration of Trustees		
Fees and expenses paid to Board members during the year:		
President's honorarium	15,000	18,000
Board members' fees and expenses	25,280	26,618
	<u>40,280</u>	<u>44,618</u>
15. Reserves		
Retained Earnings (a)	4,429,231	4,723,313
Revaluation Reserve (b)	2,969,598	2,909,377
	<u>7,398,829</u>	<u>7,632,690</u>
(a) Retained Earnings		
Opening Balance	4,723,313	4,803,170
Profit (Loss) after Taxation	(294,082)	(79,857)
Closing Balance	<u>4,429,231</u>	<u>4,723,313</u>
(b) Revaluation Reserve		
Opening Balance	2,909,377	2,909,377
Revaluation of Other Financial Assets	60,221	-
Closing Balance	<u>2,969,598</u>	<u>2,909,377</u>

The asset revaluation reserve arises on the revaluation of land and buildings. If a revalued property is sold the portion of the asset revaluation reserve which is effectively realised as part of that transaction is transferred directly to retained earnings.

16. Capital Commitments

There were no capital commitments at 31 March 2014 (2013: \$Nil).

17. Contingent Liabilities

There were contingent liabilities at 31 March 2014 (2013: \$40,000) as the Clutha Licensing Trust has a bank guarantee of \$40,000 to the TAB with \$10,000 for each of the sites; Hotel South Otago, White Horse Inn, Collins Inn and Bridge Tavern.

18. The Trusts' Charitable Foundation

The Clutha Licensing Trust operates gaming machines in its outlets on behalf of The Trusts' Charitable Foundation. Periodically the Trust applies for the proceeds, less administration expenses, for distribution to organisations within the community served by the Trust. Funds available for distribution at 31 March 2014 for TTCF Ltd were \$84,163 (2013: \$104,609).

Funds held by The Trusts' Charitable Foundation are separate from and do not form part of these financial statements.

19. Operating Leases

Non-cancellable operating lease commitments:

Not later than one year	63,288	63,476
Later than one year and not later than five years	166,544	71,300
Later than five years	16,330	-
	<u>246,161</u>	<u>134,776</u>

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

	2014 \$	2013 \$
20. Reconciliation of Surplus after Taxation to Net Cash Inflows from Operating Activities		
Profit/(Loss) After Taxation	(294,082)	(79,857)
Non cash items:		
Gain on Sale of Assets	(4,838)	(4,522)
Depreciation	539,527	542,839
Long Service Leave	4,141	5,145
	<u>244,948</u>	<u>463,405</u>
Movements in working capital items:		
Provision for taxation	(18,797)	60,777
Inventory	(2,159)	(84,389)
Accounts payable and accruals	(17,622)	(13,826)
Employee entitlements	(15,984)	(8,091)
Accounts receivable and prepayments	(59,274)	49,379
Net Cash Inflow From Operating Activities	<u><u>131,132</u></u>	<u><u>487,455</u></u>

21. Related Party Transactions

During the period there have been related party transactions between Clutha Licensing Trust and board members as follows:

Blair Cross being a director and shareholder of Kai Point Coal Ltd with transactions totalling \$253 (2013: \$509). There was no outstanding amounts owing at balance date. Kai Point Coal Ltd provides coal to the Trust.

Blair Cross being a director and shareholder of McLellan Freight Ltd with transactions totalling \$44,847 (2013: \$42,179) There was \$3,100 owing at balance date. McLellan Freight Ltd provides freight services to the Trust.

Robert Agnew being the owner of Milton Butchery with transactions totalling \$50,109 (2013: \$53,027) There was \$2,830 owing at balance date. Milton Butchery provides meat to the restaurants operated by the Trust.

All amounts are exclusive of GST. All transactions with related parties were on an arms length basis. The Auditor-General granted retrospective approval under the Local Authorities (Members' Interests) Act 1968 on 9 June 2014, for the trustees Blair Cross and Robert Agnew to be interested in these transactions with the Trust.

22. Franchise Commitments

Non-cancellable franchise commitments:

Not later than one year	35,400	35,400
Later than one year and not later than five years	57,250	92,850
Later than five years	-	-
	<u><u>92,650</u></u>	<u><u>128,050</u></u>

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

2014	2013
\$	\$

23. Subsequent Events

There were no significant events that occurred after balance date (2013: \$Nil).

24. Cash & Cash Equivalents

Bank Accounts	584,212	504,676
Imprest Accounts & ATM's	78,004	82,347
Eft-pos & Suspense Accounts	670	125,207
	<u>662,886</u>	<u>712,230</u>

25. Grants Paid

The Trust has not made any grants during the year (2013: \$Nil).

26. Intangible Assets

The Trust holds liquor licences for all its establishments. These are issued for periods of 3 years after an initial 1 year licence, and are recognised as an Intangible asset. Their cost is amortised on the straight-line basis over their useful life.

Cost		
Opening balance	12,239	9,685
Renewal of licences	2,553	2,554
Closing balance	<u>14,792</u>	<u>12,239</u>
Accumulated Depreciation and Impairment Losses		
Opening balance	6,516	2,554
Renewal of licences	4,392	3,962
Impairment Losses	-	-
Closing balance	<u>10,908</u>	<u>6,516</u>
Carrying Amount	<u>3,884</u>	<u>5,723</u>

27. Going Concern Assumption

The Trust's accounting policy is to adopt the going concern assumption in the preparation of the financial statements. To the best of the Trustees' knowledge and belief, the Trust has adequate resources to continue operations at their current level for the foreseeable future.

The Trust is actively seeking to reverse recent trading losses and to deliver better returns to our stakeholders through:

- Retaining and strengthening our skilled labour base;
- Seeking stakeholder feedback about the current operations of the Trust's businesses and properties, and actioning plans to improve our range of hospitality offerings;
- Progressing our current complete review of Trust's premises, with a view to their improvement and development, in line with market requirements;
- Working in line with the new Sale and Supply of Liquor Act 2012 requirements and reduced driver breath alcohol screening levels, with a commitment to the provision of an acceptable (but controlled) courtesy coach service from all our premises; and
- Continuing to support community groups and organisations in South Otago through The Trusts Community Foundation Limited, and through direct distributions from the Trust to community groups within our district.

BR.
RSG

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

28. Property, Plant and Equipment

	Cost/Valuation 1 April 2013	Additions	Disposals	Revaluation	Cost/Valuation 31 March 2014	Accumulated Depreciation & Impairment Charges 1 April 2013	Impairment Losses Charged in Income Statement	Depreciation Expense	Accumulated Depreciation Reversed on Disposal	Accumulated Depreciation & Impairment Charges 31 March 2014	Book Value 31 March 2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2014											
Land	1,050,000	-	-	-	1,050,000	-	-	-	-	-	1,050,000
Buildings	5,651,749	49,332	-	-	5,695,081	312,163	-	314,185	-	626,348	5,068,733
Leasehold Improvements	183,245	-	-	-	183,245	78,902	-	9,229	-	88,131	95,114
Carpet and Vinyl	219,792	1,370	-	-	221,162	182,422	-	6,081	-	188,503	32,659
Furniture and Fittings	1,024,026	19,122	(410)	-	1,042,738	715,757	-	74,296	(410)	789,643	253,095
Office Equipment	193,842	10,552	-	-	204,394	185,986	-	5,422	-	191,408	12,986
Plant	1,696,790	95,346	(5,794)	-	1,786,342	1,344,344	-	100,754	(1,993)	1,443,105	343,237
Motor Vehicles	313,408	5,288	(13,268)	-	305,428	200,268	-	28,129	(13,268)	215,129	90,299
Linen, crockery etc.	91,102	87	-	-	91,189	89,057	-	1,430	-	90,487	702
	10,423,954	175,097	(19,472)	-	10,579,579	3,108,899	-	539,526	(15,671)	3,632,754	6,946,825

	Cost/Valuation 1 April 2012	Additions	Disposals	Revaluation	Cost/Valuation 31 March 2013	Accumulated Depreciation & Impairment Charges 1 April 2012	Impairment Losses Charged in Income Statement	Depreciation Expense	Accumulated Depreciation Reversed on Disposal	Accumulated Depreciation & Impairment Charges 31 March 2013	Book Value 31 March 2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2013											
Land	1,050,000	-	-	-	1,050,000	-	-	-	-	-	1,050,000
Buildings	5,600,000	51,744	-	-	5,651,744	-	-	312,163	-	312,163	5,339,581
Leasehold Improvements	127,954	55,291	-	-	183,245	70,989	-	7,953	-	78,902	104,343
Carpet and Vinyl	207,081	12,711	-	-	219,792	172,626	-	9,796	-	182,422	37,370
Furniture and Fittings	934,187	89,839	-	-	1,024,026	634,874	-	80,883	-	715,757	308,269
Office Equipment	132,333	1,509	-	-	133,842	180,925	-	5,061	-	185,986	7,856
Plant	1,626,158	70,941	(309)	-	1,696,790	1,241,154	-	103,268	(78)	1,344,344	352,446
Motor Vehicles	254,022	63,103	(13,717)	-	313,408	192,777	-	21,208	(13,717)	200,268	113,140
Linen, crockery etc.	89,054	2,048	-	-	91,102	86,760	-	2,297	-	89,057	2,045
	10,090,789	347,186	(14,026)	-	10,423,949	2,580,055	-	542,639	(13,795)	3,108,899	7,315,050

Independent Auditor's Report

To the readers of Clutha Licensing Trust's summary financial statements for the year ended 31 March 2014

We have audited the summary financial statements as set out on page 1, which were derived from the audited financial statements of Clutha Licensing Trust (the Trust) for the year ended 31 March 2014 on which we expressed an unmodified audit opinion in our report dated 4 September 2014.

The summary financial statements comprise the statement of financial position as at 31 March 2014, and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the summary financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion, the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent in all material respects with the audited financial statements from which they have been derived.

Basis of opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand).

The summary financial statements and the audited financial statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 4 September 2014 on the audited financial statements.

The summary financial statements do not contain all the disclosures required for audited financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Trust.

Responsibilities of the Trustees and the Auditor

The Trustees are responsible for preparing the summary financial statements in accordance with FRS-43: Summary Financial Statements. The Trustees are also responsible for the publication of the summary financial statements, whether in printed or electronic form. We are responsible for expressing an opinion on those statements, based on the procedures required by the Auditor-General's auditing standards including the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the Trust.



Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand
4 September 2014