

Clutha Licensing Trust

Annual Report for the Financial Year

Ended 31 March 2015

Clutha Licensing Trust

Annual Report

For the Year Ended 31 March 2015

Contents	Page
Trust Directory	3
Approval by Trustees	4
Income Statement	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	6
Statement of Financial Position	7
Statement of Cashflows	8
Notes to the Financial Statements	9
Independent Auditors Report	22

Clutha Licensing Trust

Trust Directory

For the Year Ended 31 March 2015

Nature of Business:

Hotelier & Liquor Retailers

Trust Members:

B Cross - President
D Scoles - Vice President
I Carruthers
M Greene
R Agnew
J Gardner
S McKenzie
S Morris

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 2015

Approval by Trustees

The Trustees of Clutha Licensing Trust here present the financial statements for the year ended 31 March 2015.

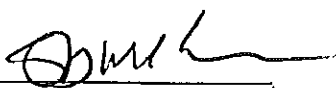
The Trustees are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Trust as at 31 March 2015 and the results of its operations for the year ended on that date.

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.


~~GEB Cross~~ S.D. McKenzie
President · Chairman
Audit Risk.

For and on behalf of the Trustees


D E Scoles
Vice - President

Dated: 5th October 2016



Clutha Licensing Trust

Income Statement

For the Year Ended 31 March 2015

	Notes	2015 \$	2014 \$
Revenue			
Liquor		6,594,817	7,024,966
Food		1,554,297	1,398,874
Accommodation		484,848	414,989
		<u>8,633,562</u>	<u>8,838,829</u>
Cost of Sales		4,814,424	4,960,786
Gross Margin		<u>4,019,138</u>	<u>3,878,043</u>
Plus Other Revenue			
Other income	3	274,890	257,741
Dividends received		15,141	11,816
Interest received		11,542	7,988
		<u>301,573</u>	<u>277,525</u>
Less Other Expenses			
ACC Levies		26,309	38,842
Accounting and Secretarial fees		28,000	28,000
Audit Fees	6	38,608	37,300
Bad Debts		222	-
Depreciation	30	502,898	539,527
Donations		12,026	13,203
Honorarium and Expenses	14	32,528	40,280
Insurance		56,365	75,246
Interest		20,495	24,007
Legal Fees		380	396
Other expenses	4	1,285,000	1,197,488
Salaries and Wages		2,527,514	2,439,556
		<u>4,530,345</u>	<u>4,433,846</u>
Gain/(Loss) on sale of property, plant & equipment		-	4,638
Profit (Loss) before Taxation		<u>(209,634)</u>	<u>(273,639)</u>
Taxation	2	36,174	16,672
Profit (Loss) after Taxation		<u>(245,808)</u>	<u>(290,311)</u>

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Clutha Licensing Trust

Statement of Comprehensive Income

For the Year Ended 31 March 2015

	Notes	2015	2014
		\$	\$
Profit (Loss) after Taxation		(245,808)	(290,311)
Other Comprehensive Income			
Revaluation of Other Financial Assets	12	(972)	60,221
Revaluation of Property, Plant & Equipment	30	386,443	-
Total Comprehensive Income		139,663	(230,090)

Statement of Changes in Equity

For the Year Ended 31 March 2015

	2015	2014
	\$	\$
Equity at the Beginning of Period	7,375,044	7,605,134
Total Comprehensive Income	139,663	(230,090)
Equity at End of Period	7,514,707	7,375,044

Clutha Licensing Trust

Statement of Financial Position

As At 31 March 2015

	Notes	2015 \$	2014 \$
Trust Equity			
Reserves	15	7,514,707	7,375,044
Total Trust Equity		7,514,707	7,375,044
Represented by:			
Current Assets			
Cash and cash equivalents	24	770,844	662,886
Accounts Receivable	7	215,015	214,073
Prepayments	8	42,602	42,680
Taxation Refund Due	2	308	-
Inventory	9	869,344	847,978
		1,898,113	1,767,617
Non Current Assets			
Property, Plant and Equipment	30	6,906,277	6,946,825
Capital Works In Progress		34,706	20,291
Other Financial Assets	12	122,328	124,412
Intangible Assets	26	5,137	3,884
		7,068,448	7,095,412
Current Liabilities			
Accounts Payable and Accruals	10	900,066	921,531
Employee Entitlements	11	216,091	188,121
Taxation Due	2	-	50,489
ANZ Bank Loans	13	-	300,000
		1,116,157	1,458,141
Non Current Liabilities			
ANZ Bank Loans	13	300,000	-
Employee Entitlements	11	35,697	29,844
		335,697	29,844
Net Assets		7,514,707	7,375,044

Clutha Licensing Trust

Statement of Cash Flows

For the Year Ended 31 March 2015

Note	2015	2014
	\$	\$
Cashflows from Operating Activities		
Cash was provided from:		
Receipts from customers	8,907,510	9,223,517
Interest received	11,542	7,988
Dividends received	15,141	11,816
	<u>8,934,193</u>	<u>9,243,301</u>
Cash was applied to:		
Payments to suppliers and employees	8,629,559	9,054,207
Interest paid	20,495	24,007
Taxation paid	88,970	33,955
	<u>8,737,024</u>	<u>9,112,169</u>
Net cash inflow from operating activities	<u>197,169</u>	<u>131,132</u>
Cashflows from Investing Activities		
Cash was provided from:		
Proceeds on sale of property, plant and equipment	-	7,350
Sale of investments	1,112	-
	<u>1,112</u>	<u>7,350</u>
Cash was applied to:		
Purchase of other financial assets	-	-
Purchase of property plant and equipment	90,322	187,828
	<u>90,322</u>	<u>187,828</u>
Net cash inflow/(outflow) from Investing activities	<u>(89,210)</u>	<u>(180,478)</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	107,958	(49,344)
Add opening cash brought forward	662,886	712,230
Ending Cash Carried Forward	<u>770,844</u>	<u>662,886</u>

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CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

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 2015 and the comparative information presented in these financial statements for the year ended 31 March 2014

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 27 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 2015 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 12 "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 2015

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 2015

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

Buildings & fit-outs	3-40 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 carrying amount.

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

Taxation

Taxation expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Taxation expense includes the current 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 liquor and 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 2015

(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 2015

	2015	2014
	\$	\$
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	(209,634)	(273,639)
Income tax expense calculated at 28%	(68,698)	(76,619)
Temporary differences	90,688	89,450
Permanent Differences	4,204	3,886
Prior Period Adjustments	-	(44)
Taxation Expenses	36,174	16,672
(b) Taxation Provision Movements		
Opening Balance	60,489	67,769
Plus Current Taxation	36,174	16,672
	86,663	84,441
Less Taxation Paid	(83,491)	(31,634)
Resident Withholding Tax	(3,480)	(2,418)
Closing Balance	(308)	60,489
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 have included an opening balance at 1 April 2014 being estimated as an opening deferred tax liability of \$1,198,160.		
3. Other Income		
Gaming Machine Income	211,120	211,120
Equipment Rental	14,036	12,135
Rentals	23,043	8,852
Rebates	4,980	6,360
Sundry Income	21,711	21,174
	274,890	257,741

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

	2015	2014
	\$	\$
4. Other Expenses		
Advertising	66,165	49,023
Bank Fees	33,020	29,379
Cleaning & Rubbish	48,618	31,258
Commissions Paid	39,661	36,269
Computer Expenses	19,436	19,484
Electricity & Heating	370,739	358,346
Entertainment	38,602	41,034
Franchise Payments	39,287	39,449
Hospitality	31,423	29,087
Laundry	38,785	35,403
Printing & Stationery	30,917	28,075
Rates	38,047	35,808
Rentals	69,999	66,623
Repairs & Maintenance	203,729	166,491
Sky TV	49,861	44,773
Telephone	42,625	42,035
Motor Vehicle Expenses	40,167	53,647
Other Expenses	95,021	102,418
	1,285,000	1,197,488

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	114,083	110,675
Other Long Term Employee Benefits	8,204	7,025
Expenses for Defined Contribution Plans (Employer's KiwiSaver Contribution)	3,034	3,090
	125,321	120,990

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 the Audit NZ	38,608	37,300
Other advisory services	-	-
	38,608	37,300

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

7. Accounts Receivable

Trade Receivables	188,381	156,716
Sundry receivables and accruals	26,634	57,357
	215,015	214,073

No interest is charged on trade receivables.

Aged Trade Receivables		
0 - 30 days	170,315	135,082
30 - 60 days	10,633	21,654
60 - 90 days	1,928	-
Over 90 days	5,605	-

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

	2015	2014
	\$	\$
8. Prepayments		
Insurance	30,247	28,388
Other	12,355	18,312
	<u>42,602</u>	<u>42,680</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	825,693	802,690
Food	43,761	45,288
	<u>869,344</u>	<u>847,978</u>

10. Accounts Payable & Accruals		
Trade Creditors	702,698	683,862
Goods & Services Tax	87,494	85,238
Accrued Expenses	109,874	152,331
	<u>900,086</u>	<u>921,531</u>

Aged Trade Payables		
0 - 30 days	701,874	683,387
30 - 60 days	1,781	217
60 - 90 days	(1,525)	358
Over 90 days	588	-

11. Employee Entitlements		
Provision for Holiday Pay (Current)	216,091	186,121
Provision for Long Service Leave (Non Current)	35,697	29,844
	<u>251,788</u>	<u>215,965</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)	112,346	113,317
Shares in Super Liquor Holdings Ltd (i)	2,600	2,600
Foodstuffs Trading Credit Account	4,185	4,185
Investments in Foodstuffs	3,318	4,430
	<u>122,328</u>	<u>124,412</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 (2014: 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 have been valued on the basis of the value per share of the total net assets of DB South Island Brewery Ltd.

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CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

	2015	2014
	\$	\$
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 \$2.31 (2014: \$2.33) a share resulting in an decrease in the value of the shares by \$972 with the decrease reducing to the share revaluation reserve		
The valuation is effective from 31 December 2014 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 2014	113,317	53,098
Devaluation	972	60,221
Closing Value 31 March 2015	<u>112,345</u>	<u>113,317</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	8.97%	28/04/2017	300,000	-
			<u>300,000</u>	<u>-</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 was classified as a current liability last year.

14. Remuneration of Trustees

Fees and expenses paid to Board members during the year:

President's honorarium	9,000	15,000
Board members' fees and expenses	<u>23,528</u>	<u>25,280</u>
	<u>32,528</u>	<u>40,280</u>

15. Reserves

Retained Earnings (a)	4,159,637	4,405,445
Revaluation Reserve (b)	<u>3,355,069</u>	<u>2,889,698</u>
	<u>7,514,706</u>	<u>7,375,043</u>

(a) Retained Earnings

Opening Balance	4,405,445	4,695,767
Profit (Loss) after Taxation	<u>(245,808)</u>	<u>(290,312)</u>
Closing Balance	<u>4,159,637</u>	<u>4,405,445</u>

(b) Revaluation Reserve

Opening Balance	2,889,698	2,909,377
Revaluation of Property, Plant & Equipment	386,443	-
Revaluation of Other Financial Assets	<u>(972)</u>	<u>60,221</u>
Closing Balance	<u>3,355,069</u>	<u>2,889,698</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.

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806

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

2015	2014
\$	\$

16. Capital Commitments

There were no capital commitments at 31 March 2015 (2014: \$Nil).

17. Contingent Liabilities

There were contingent liabilities at 31 March 2015 (2014: \$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, Catkins 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 2015 for TTCF Ltd were \$166,705 (2014: \$84,183).

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	57,937	63,288
Later than one year and not later than five years	139,968	168,544
Later than five years	-	16,330
	<u>197,955</u>	<u>248,162</u>

20. Reconciliation of Surplus after Taxation to Net Cash Inflows from Operating Activities

Profit/(Loss) After Taxation	(245,608)	(290,311)
Non cash items:		
Gain on Sale of Assets	-	(4,636)
Depreciation	602,698	539,627
Long Service Leave	5,853	4,141
	<u>282,943</u>	<u>248,719</u>
Movements in working capital items:		
Provision for taxation	(60,717)	(17,331)
Inventory	(21,368)	(7,396)
Intangibles	(1,254)	-
Accounts payable and accruals	(21,465)	(17,622)
Employee entitlements	29,970	(15,904)
Accounts receivable and prepayments	(842)	(69,274)
Net Cash Inflow From Operating Activities	<u>187,189</u>	<u>131,132</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 \$343 (2014: \$263). 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 McEellan Freight Ltd with transactions totalling \$34,693 (2014: \$44,847). There was \$2,822 owing at balance date. McEellan Freight Ltd provides freight services to the Trust.

Robert Agnew being the owner of Milton Butchery with transactions totalling \$34,055 (2014: \$50,109). There was \$3,224 owing at balance date. Milton Butchery provides meat to the restaurants operated by the Trust.

Steve Morris being the owner of Steve Morris Joinery with transactions totalling \$2,511 (2014: \$Nil). There was \$20 owing at balance date. Steve Morris Joinery provides joinery services to 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 1988 on 9 June 2014, for the trustees Blair Cross and Robert Agnew to be interested in these transactions with the Trust.

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

	2015	2014
	\$	\$
22. Franchise Commitments		
Non-cancellable franchise commitments:		
Not later than one year	28,650	35,400
Later than one year and not later than five years	30,600	57,250
Later than five years	-	-
	<u>57,250</u>	<u>92,650</u>

23. Subsequent Events

The Board has approved the installation of an integrated Point of Sale System and the roll out commenced in September 2015, with Clutha Liquorland Warehouse yet to be completed. The estimated project total value is \$230,000.00 (2014: \$Nil).

24. Cash & Cash Equivalents

Bank Accounts	692,489	584,212
Imprest Accounts & ATMs	77,450	78,004
Eft-pos & Suspense Accounts	905	670
	<u>770,844</u>	<u>662,886</u>

25. Grants Paid

The Trust has not made any grants during the year (2014 \$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	14,792	12,239
Renewal of licences	6,722	2,553
Closing balance	<u>21,514</u>	<u>14,792</u>

Accumulated Depreciation and Impairment Losses

Opening balance	10,908	8,516
Renewal of licences	5,469	4,392
Impairment Losses	-	-
Closing balance	<u>16,377</u>	<u>10,908</u>

Carrying Amount

	<u>5,137</u>	<u>3,884</u>
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The Trust has recognised liquor licences as an intangible asset for the year ended 31 March 2015. The amount had been previously been recognised as an expense.

10/08/15
J. O'Brien

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

	2015	2014
	\$	\$

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 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 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.

28 Employee Benefits Expenses

The expense for defined contribution plans	52,765	47,869
The expense resulting from other long term employee benefits	-	-
The expense resulting from termination benefits	-	-
	<u>52,765</u>	<u>47,869</u>

The expense for defined contribution plans was the trust's employers contribution to the KiwiSaver scheme.

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

29 Prior Period Errors

As per NZ IAS 2 rebates should be recognised as a reduction in the cost of inventory, rather than recognised as revenue. The comparative figures have been restated as rebates have previously been accounted for as other income. The restatement has decreased other income, cost of sales and inventory balances. These adjustments have resulted in a change to the overall profit (loss) recorded for the 2014 financial year. In addition restatements have been completed to equity, taxation expense and taxation payable as a consequence of the above adjustments. The impact on the years prior to 2014 is reflected in the adjustment to the equity at the beginning of the period in the 2014 comparative information.

Restatements to the financial statements:

	Annual Report 2014	Adjustment	Restated closing balances for 2014
	\$	\$	\$
Income Statement			
<u>Cost of sales</u>	5,152,244	(191,458)	4,960,786
<u>Gross Margin</u>	3,686,585	191,458	3,878,043
<u>Other income</u>	443,982	(186,221)	257,741
<u>Profit/(loss) before taxation</u>	(278,876)	5,237	(273,639)
<u>Taxation expense</u>	15,206	1,486	16,672
<u>Profit/(loss) after taxation</u>	(294,082)	3,771	(290,311)
Statement of Comprehensive Income			
<u>Profit/(loss) after taxation</u>	(294,082)	3,771	(290,311)
<u>Total Comprehensive Income</u>	(233,861)	3,771	(230,090)
Statement of Changes in Equity			
<u>Equity at the beginning of the period</u>	7,632,690	(27,557)	7,605,134
<u>Total Comprehensive Income</u>	(233,861)	3,771	(230,090)
<u>Equity at End of Period</u>	7,398,829	(23,786)	7,375,044

	Annual Report 2013	Adjustment	Restated opening balances for 2014	Annual Report 2014	Adjustment	Restated closing balances for 2014
	\$	\$	\$	\$	\$	\$
Statement of Financial Position						
<u>Trust Equity</u>						
<u>Reserves</u>	7,632,690	(27,557)	7,605,133	7,398,829	(23,785)	7,375,044
<u>Current Assets</u>						
<u>Inventory</u>	878,857	(38,274)	840,583	881,015	(33,037)	847,978
<u>Current Liabilities</u>						
<u>Taxation due</u>	78,489	(10,717)	67,772	59,740	(9,251)	50,489

CLUTHA LICENSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

30. Property, Plant and Equipment

	Cost/Valuation 1 April 2014	Accumulated Depreciation & Impairment Charges 1 April 2014	Carrying Amount 1 April 2014	Current Year Additions	Current Year Disposals	Current Year Impairment Charges	Current Year Depreciation Expense	Revaluation Surplus	Cost Revaluation 31 March 2015	Accumulated Depreciation & Impairment Charges 31 March 2015	Carrying Amount 31 March 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2015											
Land	1,050,000	-	1,050,000	-	-	-	-	80,000	1,110,000	-	1,110,000
Buildings	5,695,081	626,348	5,068,733	8,017	-	-	305,176	326,443	5,703,098	605,081	5,098,017
Leasehold Improvements	183,245	88,131	95,114	7,851	-	-	8,480	-	191,106	96,621	94,485
Carpet and Vinyl	221,162	188,503	32,659	5,803	-	-	6,713	-	228,865	195,216	31,749
Furniture and Fittings	1,043,558	790,463	253,095	3,534	-	-	59,319	-	1,047,492	849,782	197,710
Office Equipment	204,394	191,408	12,986	2,464	-	-	7,130	-	206,958	198,538	8,320
Plant	1,797,930	1,454,683	343,247	42,831	-	-	87,323	-	1,840,761	1,542,016	298,745
Motor Vehicles	331,964	241,665	90,299	-	-	-	26,371	-	331,964	268,036	63,928
Linen, crockery etc.	91,189	90,487	702	4,997	-	-	2,376	-	96,186	92,853	3,323
	10,618,523	3,671,688	6,946,835	75,907	-	-	502,838	386,443	10,754,430	3,848,153	6,906,277

	Cost/Valuation 1 April 2013	Accumulated Depreciation & Impairment Charges 1 April 2013	Carrying Amount 1 April 2013	Current Year Additions	Current Year Disposals	Current Year Impairment Charges	Current Year Depreciation Expense	Revaluation Surplus	Cost Revaluation 31 March 2014	Accumulated Depreciation & Impairment Charges 31 March 2014	Carrying Amount 31 March 2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2014											
Land	1,050,000	-	1,050,000	-	-	-	-	-	1,050,000	-	1,050,000
Buildings	5,651,749	312,163	5,339,586	43,332	-	-	314,185	-	5,695,081	626,348	5,068,733
Leasehold Improvements	183,245	78,502	104,743	-	-	-	9,229	-	183,245	88,131	95,114
Carpet and Vinyl	219,792	182,422	37,370	1,370	-	-	6,051	-	221,162	188,503	32,659
Furniture and Fittings	1,024,026	715,757	308,269	19,122	(410)	-	74,296	410	1,043,558	790,463	253,095
Office Equipment	193,842	185,986	7,856	10,552	-	-	5,422	-	204,394	191,408	12,986
Plant	1,696,790	1,344,344	352,446	95,346	(5,794)	-	100,754	1,993	1,797,930	1,454,683	343,247
Motor Vehicles	313,408	200,268	113,140	5,289	(13,269)	-	28,129	13,268	331,964	241,665	90,299
Linen, crockery etc.	91,102	89,057	2,045	87	-	-	1,430	-	91,189	90,487	702
	10,423,654	3,108,689	7,314,965	175,097	(19,472)	-	539,526	15,671	10,618,523	3,671,688	6,946,835

An independent valuation of the Trust's land and buildings was performed by Mike Bursley, ANZIV, NZPVI, an independent registered valuer on 31st March 2015. Capital works in progress this year are: buildings \$33,952 and office equipment \$754 (2014: Buildings \$19,537, office equipment \$754).

Independent Auditor's Report

To the readers of Clutha Licensing Trust's financial statements for the year ended 31 March 2015

The Auditor-General is the auditor of Clutha Licensing Trust (the Trust). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust, on her behalf.

Opinion

We have audited the financial statements of the Trust on pages 5 to 22, that comprise the statement of financial position as at 31 March 2015, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Trust:

- present fairly, in all material respects:
 - its financial position as at 31 March 2015; 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, with the application of differential reporting concessions.

Our audit was completed on 5 October 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Members and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust's financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Members;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Members

The Members are responsible for the preparation and fair presentation of financial statements for the Trust that comply with generally accepted accounting practice in New Zealand.

The Members' responsibilities arise from the Sale and Supply of Alcohol Act 2012.

The Members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Members are also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

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

Other than the audit, we have no relationship with or interests in the Trust.



Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand