

# **Clutha Licensing Trust**

**Annual Report for the Financial Year**

**Ended 31 March 2016**

# Clutha Licensing Trust

## Annual Report

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For the Year Ended 31 March 2016

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# Clutha Licensing Trust

## Trust Directory

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For the Year Ended 31 March 2016

**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

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For the Year Ended 31 March 2016

### Approval by Trustees

The Trustees of Clutha Licensing Trust here present the financial statements for the year ended 31 March 2016.

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 2016 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 2013.

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:

# Clutha Licensing Trust

## Income Statement

For the Year Ended 31 March 2016

	Notes	2016 \$	2015 \$
<b>Revenue</b>			
Liquor		6,492,056	6,594,617
Food		1,525,941	1,554,297
Accommodation		576,486	484,648
		<b>8,594,483</b>	<b>8,633,562</b>
<b>Cost of Sales</b>		4,582,601	4,614,424
<b>Gross Margin</b>		<b>4,011,882</b>	<b>4,019,138</b>
<b>Plus Other Revenue</b>			
Other income	3	291,070	274,890
Dividends received		10,238	15,141
Interest received		13,226	11,542
		<b>314,534</b>	<b>301,573</b>
<b>Less Other Expenses</b>			
ACC Levies		20,305	26,309
Accounting and Secretarial fees		28,000	28,000
Audit Fees	6	38,550	38,608
Bad Debts		-	222
Depreciation	31	505,158	502,898
Donations		16,555	12,026
Honorarium and Expenses	14	32,893	32,528
Insurance		46,649	56,365
Interest		21,552	20,495
Legal Fees		-	380
Other expenses	4	1,262,870	1,285,000
Salaries and Wages		2,575,985	2,527,514
		<b>4,548,517</b>	<b>4,530,345</b>
Gain/(Loss) on sale of property, plant & equipment		1,407	-
<b>Profit (Loss) before Taxation</b>		<b>(220,695)</b>	<b>(209,634)</b>
Taxation	2	(33,063)	(65,023)
<b>Profit (Loss) after Taxation</b>		<b>(187,632)</b>	<b>(144,611)</b>

# Clutha Licensing Trust

## Statement of Comprehensive Income

For the Year Ended 31 March 2016

	Notes	2016	2015
		\$	\$
Profit (Loss) after Taxation		(187,632)	(144,611)
<b>Other Comprehensive Income</b>			
Revaluation of Other Financial Assets	12	(973)	(972)
Revaluation of Property, Plant & Equipment	31	-	386,443
Deferred Tax on Revaluation of Buildings	2	-	(91,404)
<b>Total Comprehensive Income</b>		<b>(188,605)</b>	<b>149,456</b>

## Statement of Changes in Equity

For the Year Ended 31 March 2016

	2016	2015
	\$	\$
Equity at the Beginning of Period	6,328,339	6,178,883
Total Comprehensive Income	(188,605)	149,456
<b>Equity at End of Period</b>	<b>6,139,734</b>	<b>6,328,339</b>

# Clutha Licensing Trust

## Statement of Financial Position

As At 31 March 2016

	Notes	2016 \$	2015 \$
<b>Trust Equity</b>			
Reserves	15	6,139,734	6,328,339
<b>Total Trust Equity</b>		<b>6,139,734</b>	<b>6,328,339</b>
<b>Represented by:</b>			
<b>Current Assets</b>			
Cash and cash equivalents	24	1,003,913	770,844
Accounts Receivable	7	187,280	215,015
Prepayments	8	32,657	42,602
Taxation	2	-	308
Inventory	9	808,649	869,344
		<b>2,032,499</b>	<b>1,898,113</b>
<b>Non Current Assets</b>			
Property, Plant and Equipment	31	6,637,107	6,906,277
Capital Works in Progress		53,734	34,706
Other Financial Assets	12	116,598	122,328
Intangible Assets	26	4,771	5,137
		<b>6,812,210</b>	<b>7,068,448</b>
<b>Current Liabilities</b>			
Accounts Payable and Accruals	10	1,008,720	900,066
Employee Entitlements	11	232,026	216,091
Taxation Due	2	19,696	-
		<b>1,260,442</b>	<b>1,116,157</b>
<b>Non Current Liabilities</b>			
ANZ Bank Loans	13	300,000	300,000
Employee Entitlements	11	36,718	35,697
Deferred Tax Liability	2	1,107,815	1,186,367
		<b>1,444,533</b>	<b>1,522,064</b>
<b>Net Assets</b>		<b>6,139,734</b>	<b>6,328,340</b>

# Clutha Licensing Trust

## Statement of Cash Flows

For the Year Ended 31 March 2016

	Note	2016 \$	2015 \$
<b>Cashflows from Operating Activities</b>			
<b>Cash was provided from:</b>			
Receipts from customers		8,913,288	9,223,517
Interest received		13,226	7,968
Dividends received		10,238	11,816
		<u>8,936,752</u>	<u>9,243,301</u>
<b>Cash was applied to:</b>			
Payments to suppliers and employees		8,407,787	9,054,207
Interest paid		21,552	24,007
Taxation paid		25,485	33,955
		<u>8,454,824</u>	<u>9,112,169</u>
<b>Net cash inflow from operating activities</b>	20	<u><u>481,928</u></u>	<u><u>131,132</u></u>
<b>Cashflows from Investing Activities</b>			
<b>Cash was provided from:</b>			
Proceeds on sale of property, plant and equipment		1,407	7,350
Sale of investments		4,757	-
		<u>6,164</u>	<u>7,350</u>
<b>Cash was applied to:</b>			
Purchase of other financial assets		-	-
Purchase of property plant and equipment		255,023	187,826
		<u>255,023</u>	<u>187,826</u>
<b>Net cash inflow/(outflow) from investing activities</b>		<u><u>(248,859)</u></u>	<u><u>(180,476)</u></u>
<b>Cashflows from Financing</b>			
<b>Cash was provided from:</b>			
Proceeds from Borrowing		-	-
<b>Cash was applied to:</b>			
Settlement of debt		-	-
<b>Net cash inflow/(outflow) from financing activities</b>		<u><u>-</u></u>	<u><u>-</u></u>
Net increase/(decrease) in cash held		233,069	(49,344)
Add opening cash brought forward		770,844	712,230
<b>Ending Cash Carried Forward</b>	24	<u><u>1,003,913</u></u>	<u><u>662,886</u></u>



## CLUTHA LICENSING TRUST

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

#### 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 Generally Accepted Accounting Practice in New Zealand ("NZGAAP"). The statements comply NZ IFRS reduced disclosure regime, and other Financial Reporting Standards, as appropriate for profit oriented entities. Under the terms of the Accounting Standards Framework issued by the External Reporting Board (XRB) the Trust has designated itself a Tier 2 for profit entity and therefore applies the Tier 2 Accounting Standards (NZ IFRS Reduced Disclosure Regime). The Trust is eligible to report under the Tier 2 for profit standards because it does not have public accountability and is not large. The Trust has applied disclosure concessions.

##### 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 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

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 Trust transitioned on 1 April 2015 from the preparation of its financial statements in accordance with NZ IFRS Tier 3 to being prepared in accordance with Tier 2 Accounting Standards (NZ IFRS Reduced Disclosure Regime). The major impact on the financial statements is the requirement to now include a deferred tax liability in the financial statements.

##### 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 2016

#### 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 every two years, 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 2016

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

##### Short-term Benefits

Employee benefits that the Trust expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave entitlement but not yet taken at balance date, annual leave accrual at balance date. And long service leave entitlements accrued by having reached a particular threshold.

##### Long-term Benefits

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis.

The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of and contractual entitlements information; and
- the present value of the estimated future cash flows. A discount rate of 5% and an inflation rate of 2.5% were used. The discount rate and inflation rate are estimates based on the current market conditions.

#### 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 2016

#### Taxation

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary differences arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using the tax rates that have been enacted at balance date.

Current and deferred tax are charged or credited to surplus or deficit except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

#### 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. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

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 held for sale or used in production of goods or services on a commercial basis 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.

## CLUTHA LICENSING TRUST

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

After initial recognition, investments in shares at fair value are subsequently measured at their fair value, with gains and losses recognised in the Statement of Comprehensive Income. On de-recognition the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Income.

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.

#### (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.

### Intangible Assets

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

### 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 2016

2016

2015

\$
\$

## 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	(220,695)	(209,634)
Income tax expense calculated at 28%	(61,795)	(58,698)
Permanent Differences	4,378	4,204
Prior period adjustment	13,188	-
Deferred taxation adjustment	11,166	(10,529)
<b>Taxation Expenses</b>	<b>(33,063)</b>	<b>(65,023)</b>

### Analysis of Taxation Expense

Current taxation	32,302	36,174
Adjustments to current tax in prior periods	13,188	-
Deferred taxation	(78,553)	(101,197)
	<b>(33,063)</b>	<b>(65,023)</b>

### (b) Deferred Tax

	Opening Balance	Charged to Income	Charged to Other Comprehensive Income	Closing Balance
<b>2016</b>				
<b>Deferred Tax Liability</b>				
Property, plant & equipment	1,255,430	79,173	-	1,176,257
Intangible assets	1,438	102	-	1,336
Employee entitlements	(70,501)	(722)	-	(69,779)
	<b>1,186,367</b>	<b>78,553</b>	<b>-</b>	<b>1,107,814</b>
<b>2015</b>				
<b>Deferred Tax Liability</b>				
Property, plant & equipment	1,248,240	84,214	91,404	1,255,430
Intangible assets	840	(598)	-	1,438
Employee entitlements	(62,920)	17,581	-	(70,501)
	<b>1,186,160</b>	<b>101,197</b>	<b>91,404</b>	<b>1,186,367</b>

### (c) Taxation Provision Movements

Opening Balance	(308)	50,469
Plus Current Taxation	45,490	36,174
	<b>45,182</b>	<b>86,663</b>
Less Taxation Paid	(21,507)	(83,491)
Dividend RWT	(8)	-
Resident Withholding Tax	(3,972)	(3,480)
<b>Closing Balance</b>	<b>19,695</b>	<b>(308)</b>

## 3. Other Income

Gaming Machine Income	211,120	211,120
Equipment Rental	16,548	14,036
Rentals	38,392	23,043
Rebates	4,800	4,980
Sundry Income	20,210	21,711
	<b>291,070</b>	<b>274,890</b>

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# CLUTHA LICENSING TRUST

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

	2015	2016
	\$	\$
<b>4. Other Expenses</b>		
Advertising	49,591	55,165
Bank Fees	35,335	33,020
Cleaning & Rubbish	49,979	48,616
Commissions Paid	49,753	39,661
Computer Expenses	17,420	19,436
Electricity & Heating	335,384	370,739
Entertainment	36,148	38,502
Franchise Payments	39,574	39,287
Hospitality	32,621	31,423
Laundry	43,270	38,765
Printing & Stationery	25,985	30,917
Rates	38,395	38,047
Rentals	68,378	69,999
Repairs & Maintenance	183,690	203,729
Sky TV	51,003	49,861
Telephone	45,179	42,625
Motor Vehicle Expenses	44,741	40,167
Other Expenses	118,425	95,021
	<b>1,282,870</b>	<b>1,285,000</b>

### 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	112,224	114,083
Other Long Term Employee Benefits	8,990	8,204
Expenses for Defined Contribution Plans (Employer's Kiwisaver Contribution)	3,034	3,034
	<b>124,248</b>	<b>125,321</b>

### 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	38,550	38,608
Other advisory services	-	-
	<b>38,550</b>	<b>38,608</b>

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

### 7. Accounts Receivable

Trade Receivables	150,842	188,381
Sundry receivables and accruals	36,438	26,634
	<b>187,280</b>	<b>215,015</b>

No interest is charged on trade receivables.

#### Aged Trade Receivables

0 - 30 days	146,979	170,315
30 - 60 days	3,538	10,533
60 - 90 days	1,830	1,928
Over 90 days	(1,506)	5,605

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## CLUTHA LICENSING TRUST

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

	2015	2014
	\$	\$
<b>8. Prepayments</b>		
Insurance	27,175	30,247
Other	5,483	12,355
	<u>32,657</u>	<u>42,602</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.

<b>9. Inventories</b>		
Liquor	767,155	825,593
Food	41,494	43,751
	<u>808,649</u>	<u>869,344</u>

<b>10. Accounts Payable &amp; Accruals</b>		
Trade Creditors	813,596	702,698
Goods & Services Tax	101,059	87,494
Accrued Expenses	94,065	109,874
	<u>1,008,720</u>	<u>900,066</u>

<b>Aged Trade Payables</b>		
0 - 30 days	812,481	701,874
30 - 60 days	668	1,781
60 - 90 days	320	(1,525)
Over 90 days	128	568

<b>11. Employee Entitlements</b>		
Provision for Holiday Pay (Current)	232,026	216,091
Provision for Long Service Leave (Non Current)	35,718	35,697
	<u>268,744</u>	<u>251,788</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)

<b>At fair value:</b>		
Shares in DB South Island Brewery Ltd (i)	111,372	112,345
Shares in Super Liquor Holdings Ltd (i)	2,500	2,500
Foodstuffs Trading Credit Account	-	4,165
Investments in Foodstuffs	2,727	3,318
	<u>116,599</u>	<u>122,328</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 (2015: 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 2016

	2016	2015
--	------	------

\$ \$

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 \$2.29 (2015: \$2.31) a share resulting in an decrease in the value of the shares by \$973 with the decrease reducing to the share revaluation reserve

The valuation is effective from 31 December 2015 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 2015	112,345	113,317
Devaluation	973	972
Closing Value 31 March 2016	<u>111,372</u>	<u>112,345</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	6.97%	28/04/2017	300,000	300,000
			<u>300,000</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 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	9,000
Board members' fees and expenses	23,893	23,528
	<u>32,893</u>	<u>32,528</u>

### 15. Reserves

Retained Earnings (a)	3,469,056	3,676,688
Revaluation Reserve (b)	2,650,678	2,651,651
	<u>6,139,734</u>	<u>6,328,339</u>

#### (a) Retained Earnings

Opening Balance	3,676,688	3,821,299
Profit (Loss) after Taxation	(187,632)	(144,611)
Closing Balance	<u>3,489,056</u>	<u>3,676,688</u>

#### (b) Revaluation Reserve

Opening Balance	2,651,651	2,357,584
Revaluation of Property, Plant & Equipment	-	386,443
Revaluation of Other Financial Assets	(973)	(972)
Deferred Tax on Revaluation of Buildings	-	(91,404)
Closing Balance	<u>2,650,678</u>	<u>2,651,651</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.

2016

# CLUTHA LICENSING TRUST

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

2016	2015
\$	\$

### 16. Capital Commitments

There were no capital commitments at 31 March 2016 (2015: \$Nil).

### 17. Contingent Liabilities

There were contingent liabilities at 31 March 2016 (2015: \$20,000) as the Clutha Licensing Trust has a bank guarantee of \$20,000 to the TAB with \$5,000 for each of the sites; Hotel South Otago, White Horse Inn, Catlins 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 2016 for TTCF Ltd were \$327,934 (2015: \$166,705).

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	47,707	57,987
Later than one year and not later than five years	92,261	139,968
Later than five years	-	-
	<u>139,968</u>	<u>197,955</u>

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

Profit/(Loss) After Taxation	(187,632)	(144,611)
<b>Non cash items:</b>		
Depreciation	505,168	502,898
Long Service Leave	1,021	5,853
	<u>318,547</u>	<u>364,140</u>
<b>Movements in working capital items:</b>		
Provision for taxation	(59,949)	(50,717)
Inventory	60,695	(21,366)
Intangibles	366	(1,254)
Accounts payable and accruals	108,854	(21,465)
Employee entitlements	15,935	29,970
Accounts receivable and prepayments	37,680	(942)
<b>Net Cash Inflow From Operating Activities</b>	<u>481,928</u>	<u>298,366</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 \$332 (2015: \$343). 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 \$24,251 (2015: \$34,593). There was \$16 owing at balance date. McLellan Freight Ltd provides freight services to the Trust.

Robert Agnew being the owner of Milton Butchery with transactions totalling \$49,807 (2015: \$34,065). There was \$5,792 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 \$432 (2015: \$2,511). There was \$Nil 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 1968 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 2016

	2015	2015
	\$	\$
<b>22. Franchise Commitments</b>		
Non-cancellable franchise commitments:		
Not later than one year	35,400	26,650
Later than one year and not later than five years	76,450	30,600
Later than five years	-	-
	<u>111,850</u>	<u>57,250</u>
<b>23. Subsequent Events</b>		
There were no significant events that occurred after balance date (2015: \$230,000).		
<b>24. Cash &amp; Cash Equivalents</b>		
Bank Accounts	928,026	692,489
Imprest Accounts & ATMs	76,232	77,450
Eff-pos & Suspense Accounts	(345)	905
	<u>1,003,913</u>	<u>770,844</u>
<b>25. Grants Paid</b>		
The Trust has not made any grants during the year (2015: \$Nil).		
<b>26. Intangible Assets</b>		
The Trust holds liquor licences for all its establishments. These are issued for periods of 3 years, and are recognised as an intangible asset. There cost is amortise on a straight line basis over their 3 year useful life.		
<b>Cost</b>		
Opening balance	21,514	14,792
Renewal of licences	4,146	6,722
Closing balance	<u>25,660</u>	<u>21,514</u>
<b>Accumulated Depreciation and Impairment Losses</b>		
Opening balance	16,377	10,908
Renewal of licences	4,512	5,469
Impairment Losses	-	-
Closing balance	<u>20,889</u>	<u>16,377</u>
<b>Carrying Amount</b>	<u>4,771</u>	<u>5,137</u>

# CLUTHA LICENSING TRUST

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

2016	2015
\$	\$

### 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	52,474	52,765
The expense resulting from other long term employee benefits	-	-
The expense resulting from termination benefits	-	-
	<u>52,474</u>	<u>52,765</u>

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

### 29 Transition From Differential Reporting Disclosures

#### Summary of Deferred Tax Adjustments

Effect on Statement of Financial Position	Diff Rep	Opening Balance - 1 July 2014 Adjustment	RDR
Deferred tax asset (liability)	-	(1,196,160)	(1,196,160)
Retained Earnings	4,405,445	(584,146)	3,821,299
Revaluation Reserve	2,869,698	(812,014)	2,357,584
		<u>(1,196,160)</u>	
Effect on Statement of Financial Position	Diff Rep	Comparative Balance - 31 March 2015 Adjustment	RDR
Deferred tax asset (liability)	-	(1,186,367)	(1,186,367)
Retained Earnings	4,159,637	(482,949)	3,676,688
Revaluation Reserve	3,355,069	(703,418)	2,651,651
		<u>(1,186,367)</u>	
Effect on Statement of Comprehensive Income	Diff Rep	Comparative Balance - 31 March 2015 Adjustment	RDR
Net surplus (deficit) before tax	(209,634)		(209,634)
Tax expense	(36,174)	101,197	65,023
Net surplus (deficit) after tax	<u>(245,808)</u>		<u>(144,611)</u>
Asset revaluation gain	386,443		386,443
Tax on revaluation	-	(91,404)	(91,404)
Revaluation of other financial assets	(972)		(972)
Total other comprehensive income	<u>385,471</u>		<u>294,067</u>

### 30 Sale and Supply of Alcohol Act 2012

The Trust has breached legislation of section 334 of the Sale and Supply of Alcohol Act 2012 by not preparing the financial statements within 5 months of balance date.

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# CLUTHA LICENSING TRUST

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

### 31 Property, Plant and Equipment

	Cost/Valuation 1 April 2015	Accumulated Depreciation & Impairment Charges 1 April 2015	Carrying Amount 1 April 2015	Current Year Additions	Current Year Disposals	Current Year Impairment Charges	Current Year Depreciation Expense	Revaluation Surplus	Depreciation Reversal on Disposal	Cost Revaluation 31 March 2016	Accumulated Depreciation & Impairment Charges 31 March 2016	Accumulated Carrying Amount 31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>2016</b>												
Land	1,110,000	-	1,110,000	-	-	-	-	-	-	1,110,000	-	1,110,000
Buildings	5,703,098	605,081	5,098,017	2,307	-	-	301,322	-	-	5,705,405	905,403	4,799,002
Leasehold Improvements	191,106	96,621	94,485	3,758	-	-	8,404	-	-	194,854	105,025	89,839
Carpet and Vinyl	226,965	195,216	31,749	-	-	-	7,726	-	-	226,965	202,942	24,023
Furniture and Fittings	1,047,492	849,782	197,710	10,416	-	-	57,748	-	-	1,057,908	907,530	150,378
Office Equipment	206,858	198,543	8,315	195,922	-	-	28,339	-	-	402,780	226,882	175,898
Plant	1,840,761	1,542,016	298,745	23,590	1,249	-	76,799	-	1,249	1,863,102	1,617,566	245,536
Motor Vehicles	331,964	268,036	63,928	-	-	-	21,497	-	-	331,964	289,533	42,431
Linen, crockery etc.	96,186	92,863	3,323	-	-	-	3,323	-	-	96,186	96,186	-
	10,754,430	3,848,158	6,906,272	235,993	1,249	-	505,158	-	1,249	10,969,174	4,352,067	6,637,107

	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	Accumulated Carrying Amount 31 March 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>2015</b>											
Land	1,050,000	-	1,050,000	-	-	-	-	50,000	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	7,861	-	-	8,490	-	191,106	96,621	94,485
Carpet and Vinyl	221,162	188,503	32,659	5,803	-	-	6,713	-	226,965	195,216	31,749
Furniture and Fittings	1,043,558	790,463	253,095	3,934	-	-	59,319	-	1,047,492	849,782	197,710
Office Equipment	204,394	191,413	12,981	2,464	-	-	7,130	-	206,858	198,543	8,315
Plant	1,797,930	1,454,693	343,237	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	92,863	3,323
	10,618,523	3,671,703	6,946,820	75,907	-	-	502,898	386,443	10,754,430	3,848,158	6,906,272

An independent Valuation of the Trust's land and buildings was last performed by Mike Barnsley, ANZIV, NNZPI, an independent registered valuer on 31st March 2015.

## **Independent Auditor's Report**

### **To the readers of Clutha Licencing Trust's financial statements for the year ended 31 March 2016**

The Auditor-General is the auditor of Clutha Licencing 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 2016, the 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 2016; and
  - its financial performance and cash flows for the year then ended; and
- comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 14 December 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. Also we did not evaluate the security and controls over the electronic publication 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 New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

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.

A handwritten signature in black ink, appearing to read 'Ian Lothian', with a stylized, cursive script.

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