

Clutha Licensing Trust

**Annual Report
For the Year ended 31 March 2020**

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Clutha Licensing Trust
Annual Report
For the Year ended 31 March 2020

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Clutha Licensing Trust

Directory As at 31 March 2020

Nature of Business:	Hotelier & Liquor Retailers	
Trust Members:	S Morris – President S McKenzie – Vice-President R Agnew J Lyders I Carruthers (resigned 1 st May 2019) N Gardner T McIntosh D Robertson-Dunn E T Jenkins (elected 12 th October 2019) J McPhee (elected 12 th October 2019)	
Accountants:	Shand Thomson Ltd, P O Box 2, Balclutha	
Bankers:	ANZ Bank, 33 Clyde Street, Balclutha Bank of New Zealand, P O Box 24, Balclutha	
Solicitors:	Sumpter Moore, P O Box 89, Balclutha	
Inland Revenue Department:	Clutha Licensing Trust	010-070-481

Clutha Licensing Trust

Approval by Trustees As at 31 March 2020

The trustees of Clutha Licensing Trust here present the financial statements for the year ended 31 March 2020.

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 2020 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.

**S Morris
President**

For and on behalf of the Trustees

Dated:

8/9/2021

**S McKenzie
Vice-President**

8/9/2021

Independent Auditor's Report

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

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

We have audited the financial statements of the Trust on pages 9 to 23, that comprise the statement of financial position as at 31 March 2020, the statement of financial performance, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for our qualified opinion* section of our report, the financial statements of the Trust:

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

Our audit was completed on 8 September 2021. This is the date at which our qualified opinion is expressed.

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

Basis for our qualified opinion

Impairment of property, plant and equipment

As disclosed in the accounting policies on page 15, the Trust reviews the carrying amount of its property, plant and equipment at each balance date to determine whether there is any indication of an impairment loss. If there is an impairment indicator, NZ IAS 36 *Impairment of Assets* requires the asset's (or cash-generating-unit - CGU) recoverable amount to be estimated. If the recoverable amount of the asset (or



CGU) is less than its carrying value, the asset's (or CGU's) carrying value should be reduced and an impairment recognised.

There were impairment indicators for the Trust's establishments (each establishment comprises a CGU) as at 31 March 2020 due to the impact of Covid-19 on the Trust, which could result in a material impairment to the carrying value of property, plant and equipment. Contrary to the requirements of NZ IAS 36, the Trust has not appropriately estimated the recoverable amount for each establishment that includes all the assets of that establishment. The Trust has considered only the carrying value of its land and buildings and recognised an impairment loss of \$133,823 in the statement of comprehensive income for the year ended 31 March 2020. Because the Trust has not determined the recoverable amount of each establishment, we are unable to obtain sufficient appropriate audit evidence to support the amount of the impairment loss recognised in other comprehensive income and determine whether any impairment loss was required to be recognised in the statement of financial performance for the year ended 31 March 2020.

It is impracticable for us to determine the amount of any required adjustment to the carrying value of property, plant and equipment.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Emphasis of matter – Impact of Covid-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Trust as set out in Note 23 on page 20 to the financial statements.

Responsibilities of the Members for the financial statements

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

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

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

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



Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Members and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Members are responsible for the other information. The other information comprises the information included on pages 2 to 4, but does not include the financial statements and our auditor's report thereon.

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

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

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standards 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 31 March 2020 and subsequently, the Partner in Charge of a firm which provides an accounting function to the Trust is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it provides independent advice to the Auditor-General and not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee has no involvement in, or influence over, the audit of the Trust.

Other than in our capacity as auditor, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with, or interests, in the Trust.



Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

Clutha Licensing Trust
Statement of Cash Flows
For the Year Ended 31 March 2020

	Note	2020	2019
		\$	\$
Cash Flows from Operating Activities			
Cash was Provided from:			
Receipts from Customers		10,857,401	10,833,157
Interest Received		27,553	10,467
Dividends Received		5,316	12,447
		<u>10,890,270</u>	<u>10,856,071</u>
Cash was Applied to:			
Payments to Suppliers and Employees		10,337,105	10,239,396
Interest Paid		2,506	2,103
Taxation Paid		243,438	189,239
		<u>10,583,049</u>	<u>10,430,738</u>
Net Cash Inflow from Operating Activities		<u>307,221</u>	<u>425,333</u>
Cash Flow from Investing Activities			
Cash was Provided from:			
Proceeds on Sale of Property, Plant and Equipment		8,018	318,024
Cash was Applied to:			
Purchase of Financial Assets		500,000	299,310
Purchase of Property, Plant and Equipment		249,180	114,568
		<u>749,180</u>	<u>413,878</u>
Net Cash Inflow/(Outflow) from Investing Activities		<u>(741,162)</u>	<u>(95,854)</u>
Cash Flows from Financing			
Cash was Provided from:			
Proceeds from Borrowing		-	-
Cash was Applied to:			
Payment of Lease Liabilities		28,903	-
Net Cash Inflow/(Outflow) from Financing Activities		<u>(28,903)</u>	<u>-</u>
Net Increase/(Decrease) in Cash Held		(462,844)	329,479
Add Opening Cash Brought Forward		1,465,246	1,135,767
Ending Cash Carried Forward	20	<u>1,002,402</u>	<u>1,465,246</u>

Clutha Licensing Trust

Statement of Financial Performance For the Year Ended 31 March 2020

	Note	2020	2019
		\$	\$
Revenue			
Liquor		8,014,855	7,921,937
Food		1,713,150	1,772,382
Accommodation		724,966	766,882
		10,452,971	10,461,201
Less			
Cost of Sales		6,014,346	5,932,587
Gross Margin		4,438,625	4,528,614
Plus Other Revenue			
Other Income	2	327,962	322,852
Dividends Received		5,317	12,448
Interest Received		17,486	18,885
		350,765	354,185
Less Expenses			
ACC Levies		18,961	9,965
Accounting and Secretarial fees		43,514	60,572
Audit Fees	5	63,455	65,023
Donations		14,842	15,948
Honorarium and Expenses	11	42,146	42,587
Insurance		58,012	54,656
Interest		2,506	2,103
Legal Fees		1,417	10,251
Other Expenses	3	1,270,511	1,251,847
Salaries & Wages		2,676,260	2,654,832
		4,191,624	4,167,784
		597,766	715,015
Depreciation	28	585,942	427,188
(Gain)/Loss on Sale of Property, Plant & Equipment		(2,794)	(44,680)
		583,148	382,508
Profit (Loss) before Taxation		14,618	332,507
Plus/(Less)			
Taxation	27	233,249	(91,305)
Profit (Loss) after Taxation		247,867	241,202

Clutha Licensing Trust

Statement of Comprehensive Income For the Year Ended 31 March 2020

	Note	2020 \$	2019 \$
Profit (Loss) after Taxation		247,867	241,202
Other Comprehensive Income			
Revaluation of Other Financial Assets	10	(2,864)	655
Revaluation of Property, Plant & Equipment	28	-	1,166,459
Impairment of Property, Plant & Equipment	28	(133,823)	
Tax on Impairment		37,470	-
Deferred Tax on Revaluation of Buildings	27	-	(254,648)
		<u>(99,217)</u>	<u>912,466</u>
Total Comprehensive Income		<u>148,650</u>	<u>1,153,668</u>

Statement of Changes in Equity For the Year Ended 31 March 2020

	2020 \$	2019 \$
Equity at the Beginning of the Period	8,072,556	6,918,888
Profit (Loss) for the Period	247,867	241,202
Other Comprehensive Income (Loss)	<u>(99,217)</u>	<u>912,466</u>
Total Comprehensive Income for the Period	148,650	1,153,668
Equity at End of Period	<u>8,221,206</u>	<u>8,072,556</u>

Clutha Licensing Trust

Statement of Financial Position For the Year Ended 31 March 2020

	Note	2020 \$	2019 \$
Trust Equity			
Reserves	12	8,221,206	8,072,556
Total Trust Equity		8,221,206	8,072,556
Represented by:			
Current Assets			
Cash and Cash Equivalents	20	1,002,402	1,465,246
Other Financial Assets	10	900,000	400,000
Accounts Receivable	6	646,128	302,461
Prepayments		18,316	13,207
Taxation Refund	27	49,943	-
Inventory	7	977,099	911,828
		3,593,888	3,092,742
Non Current Assets			
Property, Plant and Equipment	28	7,144,374	7,493,237
Other Financial Assets	10	112,123	115,455
Intangible Assets	18	3,931	3,174
		7,260,428	7,611,866
Current Liabilities			
Accounts Payable and Accruals	8	950,085	930,233
Employee Entitlements	9	218,895	295,155
Income in Advance		439,167	-
Lease of Right to Use Assets		28,941	-
Taxation Due	27	-	96,032
		1,637,088	1,321,420
Non Current Liabilities			
Employee Entitlements	9	12,425	14,713
Lease of Right to Use Assets		55,860	-
Deferred Tax Liability	27	927,737	1,295,919
		996,022	1,310,632
Net Assets		8,221,206	8,072,556

Clutha Licensing Trust

Notes to the Financial Statements For the Year ended 31 March 2020

Note 1 – Summary of Accounting Policies

Statement of Compliance

The Clutha Licensing Trust ("The Trust or CLT") is a profit orientated 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 orientated entities. Under the terms of the Accounting Standards Framework issued by the External Reporting Board (XRB) the Trust has designed 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 2020 and the comparative information presented in these financial statements for the year ended 31 March 2019.

The financial statements are presented in New Zealand dollars rounded to the nearest whole dollar, except for Note 29 Property, Plant and Equipment which is rounded to the nearest thousand.

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 25 to these financial statements.

Changes in Accounting Policy

The trust implemented a new policy in respect of the useful life of assets, which is outlined under the Property, Plant and Equipment policy below. This policy applies from the 1st April 2019.

Other changes in accounting policies are:

■ Impact of initial application of IFRS 16 leases

In the current year, the Trust has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

The impact of the adoption of IFRS 16 on the Trust's financial statements is described below.

The Trust has applied IFRS 16 using the cumulative effect approach, with the effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of application.

■ Impact on accounting for former operating leases

IFRS 16 changes how the Trust accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases the Trust:

- recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. The trust has applied the practical expedient in paragraph C3 of IFRS16 and has not reassessed whether a contract contains a lease as at the initial application if the contract was previously identified as a lease under NZ IAS17.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as small items of office furniture, plant, gas supply etc, where the cost is less than \$5,000 per annum), the Trust has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense where present is presented within 'other expenses' in profit or loss.

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years. Impact on profit or loss as at 31 March 2020

	2020	2019
	\$	\$
Decrease in other expenses	(12,432)	-
Increase in depreciation of right of use asset	12,432	-
Increase/(Decrease) in profit for the year	-	-
Impact on assets, liabilities and equity as at 31 March 2020	2020	2019
	\$	\$

Property, plant & equipment		
Right of use assets	84,801	-
Obligations under finance leases		
Lease liabilities	84,801	-
Retained Earnings	-	-

For tax purposes the Trust receives tax deductions in respect of the right-of-use assets and the lease liabilities in a manner consistent with the accounting treatment.

Total cash outflow for leases	2020	2019
	\$	\$

Operating Leases	-	20,422
Right of use assets	23,904	-

There were no other changes in accounting policies during the year.

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 really 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. These 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 of the revision and future periods if the revision affects both current and future periods.

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 change recognised as an expense in the statement of financial performance.
- **Allowance for impairment loss**
Management assess 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 reserves a decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the statement of financial performance to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of land and buildings is changed 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 the revalued buildings is charged to the statement of financial performance. 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.

All other property, plant and equipment is stated at historical 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.

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

	Purchased	
	2020	2019 and prior
Buildings & Fit-outs	2 – 67 years	3 – 40 years
Leasehold Improvements	1 – 16 years	10 – 40 years
Office Equipment (excluding IT)	10 – 15 years	5 – 10 years
Office Equipment (IT)	1 – 8 years	5 – 10 years
Furniture & Fittings	10 – 12 years	5 – 10 years
Carpet & Vinyl	5 – 20 years	5 – 10 years
Plant & Equipment	5 – 20 years	15 years
Motor Vehicles	10 years	4 – 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 services 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 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:

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.

Accommodation

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

Dividend and Interest Revenue

Dividends from investments are 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.

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.

Legislation to reintroduce tax depreciation on commercial and industrial buildings was enacted on 25 March 2020 which means buildings owned prior to May 2010 are now recognised as tax base property under NZ IAS 12.

Deferred tax liabilities are generally recognised for all taxable differences. Deferred tax assets are recognised to the extent that it is probably 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 arise 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 credits 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 statement of financial performance are stated exclusive. 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 financial 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 and services on a commercial basis are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business. Cost of inventories is based on a weighted average cost basis.

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 on 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.

■ Cash & Cash Equivalents

Cash and cash equivalents comprise cash on hand, short term 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.

■ Accounts Receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses. The Trust applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

■ Accounts Payable

Accounts payable are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year, which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade payables are considered to be the same as their fair values, due to their short term nature.

■ Other Financial Assets

Financial assets at fair value through other comprehensive income (FVOCI) comprise: Other financial assets which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in the category. These are strategic investments and the Trust considers this classification to be more relevant. These financial assets have contractual cash flows that are solely principal and interest and the objective of The Trust's business model is achieved both by collecting contractual cash flow and selling financial assets.

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 shares 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), the 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 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 included in non-current assets unless management intends to dispose of these within 12 months of the balance date. The Trust has short term deposits which are classified as amortised cost. These are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. In this category the Trust has term deposits with maturity dates of greater than three months.

■ Operating Lease Payments

In the comparative period, 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 Statement of financial performance on a straight line basis over the term of the lease. Lease incentives received are recognised in the Statement of financial performance as an integral part of the total lease expense.

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.

In the current year, operating leases are capitalised under IFRS 16 Leases, recognising all lease liabilities and corresponding right of use assets on the balance sheet. Lease liabilities are recorded at the value of fixed payments. The right of use asset arising from a lease arrangement at initial recognition reflects the lease liability, initial direct costs, lease payments made before the commencement date of the lease, less any lease incentives.

The Trust has applied the practical expedient under C3 of IFRS 16 in that it has not reassessed whether a contract contains a lease as at the date of initial application if the contract was previously identified as a lease under NZ IAS 17.

■ Donations

Donations are recognised through the statement of financial performance 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 3 years, and are recognised as an intangible asset. Their cost is amortised on a straight line basis over their 3 year useful life.

The trust also holds a lifetime license for software subscription. This is not amortised, but assessed for impairment.

Cashflow 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.

Note 2 – Other Income

	2020	2019
	\$	\$
Gaming Machine Income	237,548	260,684
Equipment Rental	6,900	8,785
Rentals	30,509	51,076
Wage Subsidy	49,631	-
Sundry Income	3,374	2,307
	<u>327,962</u>	<u>322,852</u>

Note 3 – Other Expenses

	2020	2019
	\$	\$
Advertising	24,396	38,673
Bad Debts	-	2,398
Bank Fees	58,226	52,793
Cleaning & Rubbish	47,948	45,154
Commissions Paid	63,393	58,239
Computer Expenses	30,256	21,967
Electricity & Heating	311,275	304,089
Entertainment	20,557	31,551
Franchise Payments	41,330	43,091
Hospitality	15,714	28,822
Laundry	73,006	71,297
Printing & Stationery	18,435	23,117
Rates	32,049	32,270
Rentals	55,879	59,019
Repairs & Maintenance	237,270	146,078
Sky TV	47,789	48,807
Telephone	24,900	30,486
Motor Vehicle Expenses	25,912	29,663
Other Expenses	142,176	184,333
	<u>1,270,511</u>	<u>1,251,847</u>

Note 4 – Key Management Personnel Compensation

Key management personnel includes the compensation to the General Manager. The General Manager duties were shared between the Office Manager and Operations Manager up until 29th April 2019, at which time, the new General Manager was employed. Their remuneration over this period is included in the total.

	2020	2019
	\$	\$
Key management personnel	109,948	254,540
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	2020	2019
\$130,000 - \$140,000	-	1

Note 5 – Remuneration to Auditors

	2020	2019
	\$	\$
Audit fees for financial statement audit for the Audit NZ	60,255	55,023
Audit NZ recoveries for the 2018 financial statements audits	-	10,000
Audit NZ recoveries for the 2019 financial statements audits	3,200	-
	<u>63,455</u>	<u>65,023</u>

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

Note 6 – Accounts Receivable

	2020	2019
	\$	\$
Trade receivables	139,946	249,584
Sundry receivables and accruals	506,182	52,877
	<u>646,128</u>	<u>302,461</u>

No interest is charged on trade receivables

Aged trade receivables

	2020	2019
	\$	\$
0 – 30 days	130,921	241,905
30 – 60 days	8,526	4,601
60 – 90 days	691	376
Over 90 days	(192)	2,702
	<u>139,946</u>	<u>249,584</u>

Note 7 – Inventories

	2020	2019
	\$	\$
Liquor	926,116	863,198
Food	50,983	48,630
	<u>977,099</u>	<u>911,828</u>

Note 8 – Accounts Payable & Accruals

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short term nature.

	2020	2019
	\$	\$
Trade creditors	791,480	710,845
Goods & services tax	67,030	114,812
Accrued expenses	91,575	104,578
	<u>950,085</u>	<u>930,235</u>

Aged trade payables

	2020	2019
	\$	\$
0 – 30 days	787,438	704,322
30 – 60 days	3,665	6,677
60 – 90 days	(92)	92
Over 90 days	469	(246)
	<u>791,480</u>	<u>710,845</u>

Note 9 – Employee Entitlements

	2020	2019
	\$	\$
Current Portion		
Salaries and wages accrued	19,036	59,447
Provision for holiday pay	192,294	225,852
Provision for long service leave	7,565	9,856
	<u>218,895</u>	<u>295,155</u>
Non Current Portion		
Provision for long service leave	12,425	14,713

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.

Note 10 – Other Financial Assets

	2020	2019
	\$	\$
Current Other Financial Assets		
At fair value:		
Term Deposits	900,000	400,000
	<u>900,000</u>	<u>400,000</u>

Non Current Other Financial Assets

At fair value:		
Shares in DB South Brewery Ltd (DBSI) (i)	109,244	112,108
Shares in Super Liquor Holdings Ltd (i)	2,500	2,500
Investments in Foodstuffs	379	847
	<u>112,123</u>	<u>115,455</u>

These investments are designated as "Fair value through Other Comprehensive Income" 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 (apart from DBSI shares) as an approximation of fair value.

The Trust holds 48,634 (2019 48,634) ordinary shares issued by DBSI, representing less than 1% of the 7,200,000 shares issued by the company. The value of the shares has been based on the net assets DBSI as set out in its financial statements dated 31 December 2019 being the balance date. This results in a share value of \$2.25 per share (2019 \$2.31) which is a decrease in the total value of the shares of \$2,864. There is nothing to suggest that there has been any material movement in the total net assets of the company since 31 December 2019.

The valuation method is not in accordance with IFRS 13 which requires the shares to be valued using unobservable inputs under level 3 fair value hierarchy. The Trust deems the method utilised is appropriate.

	2020	2019
	\$	\$
Opening Value at 1 April	112,108	111,453
Devaluation	2,864	(655)
Closing Value at 31 March	<u>109,244</u>	<u>112,108</u>

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

Interest Rates

The weighted average effective interest rates on financial assets were:

Other Financial Assets – Current	2%	3%
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Note 11 – Remuneration of Trustees

Fees and expenses paid to Board members during the year:

	2020	2019
	\$	\$
Presidents Honorarium	18,000	18,000
Board Members Fees and Expenses	24,146	24,587
	<u>42,146</u>	<u>42,587</u>

Note 12 - Reserves

	2020	2019
	\$	\$
Retained Earnings (a)	4,033,996	3,786,129
Revaluation Reserve (b)	4,187,210	4,286,427
	<u>8,221,206</u>	<u>8,072,556</u>

(a) Retained Earnings

	2020	2019
	\$	\$
Opening Balance	3,786,129	3,544,927
Profit (Loss) after Taxation	247,867	241,202

Closing Balance

4,033,996 3,786,129

(b) Revaluation Reserves

	2020	2019
	\$	\$
Opening Balance	4,286,427	3,373,961
Revaluation of Property, Plant & Equipment	-	1,166,459
Revaluation of Other Financial Assets	(2,864)	655
Impairment of Property, Plant & Equipment	(133,823)	-
Tax on Impairment	37,470	-
Deferred Tax on Revaluation of Buildings	-	(254,648)
Closing Balance	<u>4,187,210</u>	<u>4,286,427</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.

Note 13 – Capital Commitments

There were no capital commitments at 31 March 2020 (2019 \$Nil)

Note 14 – Contingent Liabilities and Assets

There were \$15,000 contingent liabilities at 31 March 2020 (2019 \$20,000) as the Clutha Licensing Trust has a bank guarantee of \$15,000 to the TAB.

In recent years employers in the private and public sectors in New Zealand have begun to identify the potential for significant payroll issues in relation to holiday pay entitlements, as covered by the Holidays Act 2013 and employment agreements. There is a particular risk for employers with rostered employees working on varying work shifts and numbers of hours.

In July 2018, the Clutha Licensing Trust commissioned an employment law specialist to review the annual leave calculations and daily pay calculations. The review reported that there was due attention taken to employment entitlements, and that there was a low overall risk of any unaccounted liabilities.

There were no contingent assets (2019 \$Nil).

Note 15 – 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 2020 for TCCF Ltd were \$45,890 (2019 \$184,283).

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

Note 16 – Leased Assets

Non-cancellable operating lease commitments are as follows:

	2020	2019
	\$	\$
Not later than one year	-	36,533
Later than one year and no later than five years	-	32,735
Later than five years	-	-
	<u>Nil</u>	<u>69,268</u>

The cash outflows from Right of Use assets leases for the year totalled \$20,226.

Right of Use lease commitments are as follows:

Linxco

On the 1st October 2019, the Trust entered into a lease of commercial premises for a period of two years, requiring 24 monthly payments of \$833 (including GST).

Flexigroup

On the 20th January 2018, the Trust entered into a lease of a telephone system for a period of five years, requiring 60 monthly payments of \$879 (including GST).

Ricoh

On the 5th November 2019, the Trust entered into a lease of photocopiers for a period of five years, requiring 60 monthly payments of \$936 (including GST).

The Flexigroup and Ricoh right of use commitments are not subject to any variable lease payments, extension options or termination options, residual value guarantees nor restrictions or covenants.

The Linxco right of use commitment is not subject to any variable lease payments, or termination options, residual value guarantees nor restrictions or covenants. There are two further rights of renewal; the 1st October 2021 and the 1st October 2022, with a final expiry date of 30th September 2023, therefore the potential future lease payments not included in lease liabilities is \$20,000 (plus GST)

There are no leases committed which are not yet commenced.

Note 17 – Related Party Transactions

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

- Robert Agnew being the owner of Milton Butchery with transactions totalling \$30,546 (2019 \$35,386). There was \$1,874 owing at balance date (2019 \$3,172). Milton Butchery provides meat to the restaurants operated by the Trust.
- Steve Morris being the owner of Steve Morris Joinery with transactions totalling \$2,712 (2019 \$89). There was \$nil (2019 \$nil) owing at balance date. Steve Morris provides joinery services to the Trust.
- Neville Gardner being a committee member of Balclutha Golf Club with transactions totalling \$75 (2019 \$75). There was \$nil owing at balance date (2019 \$nil). Balclutha Golf Club purchases liquor from the trust.
- Jared McPhee being Director of Balclutha Motors Group Ltd, and Director and sole shareholder of McPhee Group Ltd, which solely owns Balclutha Motors Group Ltd, with transactions totalling \$18,609 (2019 \$nil). There was \$nil owing at balance date (2019 \$nil). The trust purchased a

vehicle from Balclutha Motors Ltd, and subsequent servicing.

- Jared McPhee being Director of Tyreland Balclutha Ltd (a wholly owned company of Balclutha Motors Group Ltd), transactions totalling \$678 (2019 \$474). There was \$nil owing at balance date (2019 \$nil). Tyreland Balclutha Ltd provides tyres to the trust.
- Clutha Development Inc (of which Jared McPhee is a Trustee and on the Executive Committee) transactions totalling \$100. There was \$nil owing at balance date.

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

- Neville Gardner being a committee member of Balclutha Golf Club with transactions totalling \$18,086 (2019 \$17,374). There was \$2,153 (2019 \$2,394) owing at balance date. Balclutha Golf Club purchases liquor from the trust.
- Neville Gardner with transactions totalling \$2,596. (2019 \$2,446). There was \$423 owing at balance date (2019 \$272).
- Robert Agnew being a committee member of Toko Golf Club with transactions totalling \$11,728 (2019 \$14,749). There was \$646 (2019 \$774) owing at balance date. Toko Golf Club purchases liquor from the trust.
- Jared McPhee being Director of Balclutha Motors Group Ltd, and Director and sole shareholder of McPhee Group Ltd, which solely owns Balclutha Motors Group Ltd, with transactions totalling \$907 (2019 \$711). There was \$228 (2019 \$74) owing at balance date. Balclutha Motors purchases liquor from the Trust.
- Jason Lyders being director and shareholder of Ross Lyders Ltd trading as Lyders Contracting with transactions totalling \$2,979 (2019 \$808). There was \$65 (2019 \$110) owing at balance date. Ross Lyders Ltd purchases liquor from the Trust.
- Steve Morris paid \$260 to Otago Southland Employers Agency on the Trust's behalf, and was reimbursed for this (2019 \$Nil)
- Milton/Bruce RSA (of which Evan Jenkins is a committee member) with transactions totalling \$34,146. There was \$2,283 owing at balance date.
- Clutha Rugby Football Club (of which Jared McPhee is a committee member) with transactions totalling \$19,093. There was \$4,120 owing at balance date.
- Clutha Community Trust (of which Jared McPhee is a committee member) with transactions totalling \$173. There was \$Nil owing at balance date.
- Clutha Development Inc (of which Jared McPhee is a Trustee on the Executive Committee) transactions totalling \$5,835. There was \$175 owing at balance date.

All amounts are exclusive of GST. The trust has the Auditor General's approval under the Local Authorities (Members Interests) Act 1968 until the 31st March 2020, for the trustee Robert Agnew to be interested in these transactions with the Trust.

Note 18 – Intangible Assets

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

The trust also holds a lifetime license for a Team Viewer subscription. This is not amortised, but assessed for impairment.



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	2020 \$	2019 \$
Liquor Licences Cost		
Opening Balance	35,835	34,185
Renewal of Licences	3,575	1,650
Closing Balance	<u>39,410</u>	<u>35,835</u>
Accumulated Depreciation & Impairment Losses		
Opening Balance	33,451	30,884
Renewal of Licences	2,819	2,567
Impairment Losses	-	-
Closing Balance	<u>36,270</u>	<u>33,451</u>
Carrying Amount	<u>3,140</u>	<u>2,348</u>
Software Licences		
Opening Balance	791	791
Software Licences	-	-
Carrying Amount	<u>791</u>	<u>791</u>

Note 19 – Franchise Commitments

Non-cancellable franchise commitments:

	2020 \$	2019 \$
Not later than one year	35,400	35,400
Later than one year and no later than five years	94,000	60,650
Later than five years	6,250	-
	<u>135,650</u>	<u>96,050</u>

Note 20 – Cash & Cash Equivalents

	2020 \$	2019 \$
Bank accounts	988,381	1,382,123
Imprest accounts & ATM's	14,021	83,124
	<u>1,002,402</u>	<u>1,465,247</u>

The bank has perfected security interest in all present and after acquired property of Clutha Licensing Trust.

Note 21 – Grants Paid

The Trust has not made any grants during the year (2019 \$Nil).

Note 22 – 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, other than in the situation referred to in Note 25. The Trust has confirmed the continued ownership of the venues.

In the current financial year, there was positive improvement from the outlets, and the trust continues to actively work on delivering better returns to our stakeholders through:

- Retaining and strengthening our skilled labour base;
- Progressing our current complete review of Trust's premises, with a view to their improvements 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 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.

Note 23 – Covid-19

In March 2020, the impacts of the Covid-19 pandemic reached New Zealand, and on the 25th March the country was moved to Alert Level 4. The known adverse impacts of Covid-19 to the Trust are:

- One weeks reduced trading in the current reporting period
- Complete closure of the sites until 28th April 2020
- Inability for the staff to complete an onsite physical stock take on the 31st of March 2020
- A delay in commencing significant budgeted repairs and maintenance
- Impairment of property assets

The Trust applied for the government wage subsidy and received a total of \$488,798. It was able to partially reopen bottle stores as 'click and collect' outlets at Alert Level 3 and fully reopened all sites from 21st May 2020.

Mike Barnsley, ANZIV, NNZPI, an independent registered valuer, estimated that the effects of the pandemic may impair the values of the Oak Tree Inn and Hotel South Otago by a total of \$765,000. This impairment has been recognised in the reporting period, in addition to a non Covid-19 impairment of \$40,000.

No staff were made redundant nor were there any wage renegotiations.

Note 24 – Subsequent Events

On the 28th of April 2020 New Zealand moved to Alert Level 3. This Trust reopened sites with appropriate restrictions and precautions. All sites excepting Hotel South Otago takeaway food and the bottle stores at Liquorland and White Horse Inn resumed trading. On the 14th of May 2020, at Alert Level 2, in house dining resumed (including the Hotel South Otago) with necessary precautions.

There are material uncertainties related to events or conditions (the consequences of COVID-19) that may cast significant doubt upon the entity's ability to continue as a going concern should the business be required to move to Alert Level 4 for an extended period. These restrictions would mean a heavy reliance on Government assistance and/or cash reserves. However the Board is confident that the Trust has appropriate plans in place to mitigate the effects of any further transitions to Level 2 and 3.

There were no other significant events that occurred after balance date (2019 nil).

Note 25 – Government Grant

The Trust was eligible for the Government Covid-19 wage subsidy scheme and received \$488,798 after balance date. Revenue from government grants is recognised when the associated expenses is incurred, therefore the amount passed on to employees before balance date, \$49,631, has been recognised as other income in the 2020 reporting period, with the residual \$439,167 recognised both as a current asset (accounts receivable) and current liability (income in advance). The \$439,671 will be recognised in other income in the 2021 reporting year.

There are no unfulfilled conditions nor contingencies in relation to the subsidy.

The Trust did not meet the eligibility criteria for second Government subsidy

Revenue from the grant is recognised at the time that the corresponding wage expense is incurred.

Note 26 - Financial Instruments

Credit Risk

Financial instruments which potentially subject the Trust to concentrations of credit risk consist principally of cash, short term deposits, receivables and investments. The Trust places its cash and short term investments with high credit rated financial institutions. There are no collateral securities to support financial investments due to the quality of the receivables and investments dealt with.

Fair Value

Cash, short term deposits, receivables, accounts payable and short term borrowings have a carrying amount that is equivalent to their fair value.

Currency & Interest Rate Risk

There is no currency risk as all transactions are in New Zealand dollars. Short term deposits are used to minimise interest risk. There are no off balance sheet financial instruments at balance date, nor have there been any during the financial year.

Categories of Financial Instruments

The following table summarises the categories of the Trust's financial instruments:

Measurement Category			2019	2020	
			Carrying Amount		
Financial Assets					
Trade & Other Receivables		Amortised Cost	302,461	646,128	
Cash & Cash Equivalents		Amortised Cost	1,465,246	1,002,402	
Other Financial Assets (Short Term Deposits)		Amortised Cost	400,000	900,000	
Other Financial Assets (Equity Investments)		Fair value through Other Comprehensive Income	115,455	112,123	
Financial Liabilities					
Trade & Other Payables		Amortised Cost	930,233	950,085	
2020	Available for sale financial assets	Loans & receivables	Financial liabilities at amortised cost	Total carrying value	Fair value
Financial Assets					
Trade & Other Receivables	-	646,128	-	646,128	646,128
Cash & Cash Equivalents	-	1,002,402	-	1,002,402	1,002,402
Short Term Bank Deposits	-	900,000	-	900,000	900,000
Other Financial Assets	112,123	-	-	112,123	112,123
Financial Liabilities					
Trade & Other Payables	-	-	950,086	950,085	950,085
Borrowings	-	-	-	-	-

Financial Instruments

The Trust's financial assets include assets at fair value through other comprehensive income and amortised cost. The Trust recognises financial assets when it becomes party to a contract. These assets may be classified into the categories of financial assets depending of the Trust's intention to hold them and the nature of the investments.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset. The subsequent measurement and presentation of the financial assets will vary depending on their category.

Available for sale financial assets are also held by the Trust in the years reported have been designated into the following classification, "Fair value through Other Comprehensive Income". Fair value through Other Comprehensive Income are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and these comprise cash and cash equivalents, trade and other receivables and short-term deposits. The financial assets are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Trust's financial liabilities are classified as "financial liabilities measured at amortised cost", which are subsequently measured at amortised cost using the effective interest method. Financial liabilities at amortised cost comprise trade and other payables.

At each reporting date, the Trust assesses whether the financial assets are impaired and when there is objective evidence of impairment, the carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in surplus or deficit.

For financial assets carried at amortised cost, the criterion used to determine whether objective evidence of impairment exists is the asset's collectability. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue, for which no suitable repayment arrangements have been achieved, are considered objective evidence of impairment.

A financial asset is derecognised primarily when: (a) the rights to receive cash flows from the asset have expired, or (b) the Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party.

The bank has security in all present and after acquired property of Clutha Licensing Trust.

Note 27 – Income Tax

			2020	2019
			\$	\$
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/(Loss) before Income Tax			14,618	332,507
Income Tax Expense Calculated at 28%			4,091	93,102
Permanent Differences			-	-
Deferred Taxation Adjustment			(237,340)	(1,797)
Taxation Expenses			<u>(233,249)</u>	<u>91,305</u>
Analysis of Taxation Expenses				
Current Taxation			97,463	196,999
Deferred Taxation			(330,712)	(105,694)
			<u>(233,249)</u>	<u>91,305</u>
Deferred Tax Liability				
	Opening Balance	Charged to Income	Charged to Other Comprehensive Income	Closing Balance
	\$	\$	\$	\$
2020				
Property, Plant and Equipment	1,361,974	(319,181)	(37,470)	1,005,323
Lease Commitments	-	23,744	-	(23,744)
Employee Entitlements	(66,055)	12,213	-	(53,842)
	<u>1,295,919</u>	<u>(283,223)</u>	<u>(37,470)</u>	<u>927,737</u>
2019				
Property, Plant and Equipment	1,213,218	(105,893)	254,648	1,361,974
Lease Commitments	-	-	-	-
Employee Entitlements	(66,251)	197	-	(66,055)
	<u>1,146,967</u>	<u>(105,696)</u>	<u>254,648</u>	<u>1,295,919</u>
Taxation Provision				
Opening Balance			96,032	88,271
Plus				
Current Taxation			97,463	196,999
			<u>193,495</u>	<u>285,270</u>
Less				
Taxation Paid			235,916	186,095
Dividend RWT			11	3
Resident Withholding Tax			7,511	3,140
			<u>243,438</u>	<u>189,238</u>
Closing Balance			<u>(49,943)</u>	<u>96,032</u>

The large reduction in deferred taxation is due to the reintroduction of tax depreciation on commercial and industrial buildings.

Note 28 – Property, Plant & Equipment

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 2019.

On the 22nd May 2020 the Board considered a fair value assessment from Mike Barnsley of the Trust's properties taking into consideration:

- limited availability of comparative sales and trading data particularly where the dynamics and make-up of the markets differ from region to region;
- satisfaction that the present assets represent the highest and best use with few competing businesses within the communities;
- comparable NVR rates, Depreciated Replacement Cost methodology and the capitalisation of estimated economic rents over the land and buildings;
- the effects of the Covid-19 implications (in the absence of market benchmarks). The low reliance on overseas tourism to Clutha District property meant that the Trust property could not be compared to main centres particularly Central Otago or other Central Business Districts. The full impact of Covid-19 will not be known until after the event.
- valuation uncertainty which was considered to have realistically applied as of the 31st March 2020. The approach has been to deduct a discount acknowledging negative cash flows for the next 12 month period, with some parallels to valuing commercial property which is either vacant or has a potential to be so. The discount rate adopted was 10%.

The assessment concluded that the Trust's properties were impaired by \$805,000. The valuation however, did not consider each Cash Generating Unit, and furthermore since balance date, the 2020/2021 trading result, combined with a valuation obtained from Colliers, indicated that the total impairment should be \$133,823 (from just two trading sites). This impairment has been recognised in the financial statements.

Note 28 – Property, Plant & Equipment (continued)

2020	Cost/ Valuation	Accumulated Depreciation & Impairment	Carrying Amount	Current Year Additions	Current Year Disposals	Current Year Impairment Charges	Current Year Depreciation Expense	Revaluation Surplus	Reversal of Accumulated Depreciation	Cost Revaluation	Accumulated Depreciation & Impairment	Accumulated Carrying Amount	31 Mar 2020	
													\$000	\$000
	31 Mar 2019	31 Mar 2019	31 Mar 2019								31 Mar 2020	31 Mar 2020	31 Mar 2020	31 Mar 2020
Land	1,550	-	1,550	-	-	-	-	-	-	1,550	-	1,550		
Buildings	5,455	-	5,455	32	-	133	458	-	-	5,487	591	4,896		
Leasehold Imprvmts	218	133	85	-	-	-	10	-	-	218	143	74		
Carpet & Vinyl	233	215	18	-	-	-	1	-	-	233	216	17		
Furniture & Fittings	1,116	999	117	20	3	-	22	-	-	1,133	1,022	111		
Office Equipment	455	430	25	10	1	-	15	-	-	464	445	20		
Office Equipment; Right of Use Assets	-	-	-	101	-	-	17	-	-	101	17	84		
Plant	2,001	1,795	206	36	1	-	48	-	-	2,036	1,844	192		
Vehicles	331	294	37	180	2	-	15	-	-	509	309	200		
Linen & Crockery	96	96	-	-	-	-	-	-	-	96	96	-		
	\$11,455	\$3,962	\$7,493	\$379	\$7	\$133	\$586	-	-	\$11,827	\$4,683	\$7,144		

2019	Cost/ Valuation	Accumulated Depreciation & Impairment	Carrying Amount	Current Year Additions	Current Year Disposals	Current Year Impairment Charges	Current Year Depreciation Expense	Revaluation Surplus	Reversal of Accumulated Depreciation	Cost Revaluation	Accumulated Depreciation & Impairment	Accumulated Carrying Amount	31 Mar 2019	
													\$000	\$000
	31 Mar 2018	31 Mar 2018	31 Mar 2018								31 Mar 2019	31 Mar 2019	31 Mar 2019	31 Mar 2019
Land	1,275	-	1,275	-	-	-	-	275	-	1,550	-	1,550		
Buildings	5,169	310	4,859	-	-	-	296	894	(613)	5,455	-	5,455		
Leasehold Imprvmts	218	123	95	-	-	-	10	-	-	218	133	85		
Carpet & Vinyl	215	214	1	18	-	-	-	-	-	233	215	18		
Furniture & Fittings	1,100	976	124	16	-	-	22	-	-	1,116	999	117		
Office Equipment	444	395	49	11	-	-	35	-	-	455	430	25		
Plant	1,952	1,744	208	49	-	-	52	-	-	2,001	1,795	206		
Vehicles	326	283	43	5	-	-	11	-	-	331	294	37		
Linen & Crockery	96	96	-	-	-	-	-	-	-	96	96	-		
	\$10,795	\$4,141	\$6,654	\$99	\$Nil	\$Nil	\$427	\$1,166	\$(613)	\$11,455	\$3,962	\$7,493		