



**MATAURA
LICENSING TRUST**

**ANNUAL FINANCIAL
STATEMENTS**

2020

MATAURA LICENSING TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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MATAURA LICENSING TRUST
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 \$	2019 \$
Revenue			
Sales	1	25,559,190	24,440,424
Less cost of sales		15,792,025	15,162,444
Gross profit		<u>9,767,165</u>	<u>9,277,980</u>
Other trading revenue	2	889,839	716,006
Net revenue		<u>10,657,003</u>	<u>9,993,985</u>
Covid 19 Wage Subsidy		38,995	-
Gain on sale of non-current assets		139,851	-
Total net revenue and other income		<u>10,835,850</u>	<u>9,993,985</u>
Less operating expenses			
Advertising		141,331	158,309
Amortisation of intangibles	15	13,090	12,459
Depreciation	12	835,701	918,646
Fuel and power		389,063	388,943
Other operating expenses	3	2,356,516	2,127,529
Repairs and maintenance		1,161,998	461,300
Sponsorship and promotions		365,804	385,651
Wages and salaries	4	5,379,727	5,152,715
Total operating expenses		<u>10,643,230</u>	<u>9,605,553</u>
Operating profit / loss before finance costs		<u>192,620</u>	<u>388,432</u>
Finance income	5	107,474	122,582
Finance expenses		-	-
Net Finance income		<u>107,474</u>	<u>122,582</u>
Operating surplus before donations and taxation		<u>300,094</u>	<u>511,014</u>
Less donations	24	85,298	111,296
Surplus / (deficit) before taxation		<u>214,796</u>	<u>399,718</u>
Taxation expense	6(a)(b)	(330,146)	127,620
Net surplus / (deficit) for the year		<u><u>544,941</u></u>	<u><u>272,098</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements

MATAURA LICENSING TRUST
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

		2020	2019
		\$	\$
Net surplus / (deficit) for the year	Note	544,941	272,098
Other Comprehensive Income / (Expense)	16	(16,652)	8,002
Total Comprehensive Income / (Expense)		<u>528,289</u>	<u>280,100</u>

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	\$	\$
Balance at 1 April	11,664,642	11,384,542
Total Comprehensive Income / (Expense)	528,289	280,100
Balance at 31 March	<u>12,192,928</u>	<u>11,664,642</u>

The accompanying accounting policies and notes form an integral part of these financial statements

MATAURA LICENSING TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	7	3,057,314	3,634,278
Trade and other receivables	8	1,731,275	933,702
Inventories	9	2,236,474	2,142,363
Total Current Assets		<u>7,025,063</u>	<u>6,710,343</u>
LESS CURRENT LIABILITIES			
Trade and other payables	10	2,194,965	3,241,226
Income tax payable	6(a)	88,751	160,689
Employee entitlements	11	693,523	711,632
Deferred Income		744,070	-
Total Current Liabilities		<u>3,721,309</u>	<u>4,113,547</u>
WORKING CAPITAL (DEFICIT)		3,303,754	2,596,796
NON-CURRENT ASSETS			
Property, Plant and Equipment	12	7,754,293	8,240,926
Assets held for sale	12	-	15,000
Investments in equity instruments	13	783,695	804,188
Intangible assets	15	16,604	19,153
Deferred tax asset	6(b)	431,210	-
Building in Progress		-	67,497
Community loans - (long term)	14	54,504	50,663
Total Non-Current Assets		<u>9,040,306</u>	<u>9,197,426</u>
LESS NON-CURRENT LIABILITIES			
Employee entitlements	11	151,132	125,893
Deferred tax liability	6(b)	-	3,687
Total Non-Current Liabilities		<u>151,132</u>	<u>129,580</u>
Net Assets		<u>12,192,928</u>	<u>11,664,642</u>
EQUITY			
Retained Earnings and Reserves	16(a)	12,192,928	11,664,642
Total Equity		<u>12,192,928</u>	<u>11,664,642</u>


President


Trust Member

The accompanying accounting policies and notes form an integral part of these financial statements

MATAURA LICENSING TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		26,439,446	25,248,135
Payments to suppliers		(21,368,191)	(17,719,378)
Payments to employees		(5,316,624)	(5,076,459)
Donations paid		(85,298)	(118,959)
Net GST movement		(37,677)	(28,095)
Income tax paid		(176,690)	(111,500)
Net cash provided by / (used in) operating activities	23	<u>(545,035)</u>	<u>2,193,744</u>
Cash flows from investing activities			
Dividends Received	5	61,596	88,740
Interest Received	5	45,878	33,842
Disposal of non-current assets		190,870	300,000
Purchase of non-current assets		(330,275)	(322,297)
Matured Investments		-	7,663
Net cash provided by / (used in) investing activities		<u>(31,931)</u>	<u>107,948</u>
Net increase / (decrease) in cash held		<u>(576,964)</u>	<u>2,301,692</u>
Cash at the beginning of the year		3,634,278	1,332,586
Cash at the end of the year		<u><u>3,057,314</u></u>	<u><u>3,634,278</u></u>
Represented by:			
Cash & cash equivalents	7	3,057,314	3,634,278
		<u><u>3,057,314</u></u>	<u><u>3,634,278</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements

MATAURA LICENSING TRUST
Significant Accounting Policies
For the year ended 31 March 2020

Reporting Entity

The Matura Licensing Trust (the "Trust") is a licensing trust as defined by the Sale & Supply of Alcohol Act 2012. The Trust is involved in the hospitality industry, its principal trading activities being the sale of liquor and other beverages and the provision of accommodation and restaurant services within its community. The principal place of business is located at 25 Trafford Street, Gore.

The financial statements for the Matura Licensing Trust are for the year ended 31 March 2020, and were approved by the Board on 24 September 2020.

The board do not have the power to amend the financial statements after approval.

Statement of Compliance

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, and comply with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable accounting standards as deemed appropriate for profit-oriented entities.

Basis of preparation

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

The financial statements have been prepared on the historic cost basis, except for the revaluation of certain assets. Cost is based on the fair value of 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 preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

The accounting policies set out below have been applied consistently by the Trust to all periods presented in these financial statements.

Under the Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB) and approved by the Minister of Commerce, the Trust has elected to report as a Tier 1 entity.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a for-profit entity.

MATAURA LICENSING TRUST
Significant Accounting Policies
For the year ended 31 March 2020

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of these financial statements:

a) Property plant and equipment

- **Land, Buildings, Equipment and Vehicles**

Items of property plant and equipment are stated at historic cost less accumulated depreciation (see below) and impairment losses (refer accounting policy h).

The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overhead costs.

Where individual parts of an item of property plant and equipment have different useful lives, these are accounted for and depreciated as separate assets.

- **Additions**

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Trust's and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as of the date of acquisition.

- **Disposals**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses in disposals are included in the statement of profit or loss and other comprehensive income.

- **Subsequent costs**

The Trust recognises in the carrying amount of an item of property plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Trust and the cost of the item can be measured reliably.

All other costs are recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

- **Depreciation**

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property plant and equipment. Land is not depreciated.

MATAURA LICENSING TRUST
Significant Accounting Policies
For the year ended 31 March 2020

The estimated useful lives determined by the Trust are as follows:

Buildings	25 – 50 years
Plant and equipment	2 – 17 years
Partitions and inner fixtures	7 – 70 years
Motor vehicles	4 – 10 years

b) Investments

- **Investments in equity instruments**

The Trust's investment in the shares of DB South Island Brewery Ltd has been made for a long-term strategic purposes rather than to generate a financial return through trading. On transition to NZ IFRS 9, the Trust has chosen to designate these equity instruments on initial recognition as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

- **Other financial asset measured at amortised cost**

Community loans are financial assets initially recognised at fair value and measured subsequently at amortised cost.

Community loans are interest-free loans and do not generate a financial return for the Trust. The gross carrying amount of the community loans are calculated using the effective interest method.

c) Receivables

- **Trade and other receivables**

Trade and other receivables are recorded at cost, less any allowance for expected credit losses on receivables. The Trust applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. Receivables are written off when there is no reasonable expectation of recovery. This is when there is an evidence indicating that the debtor is in severe financial difficulty and the Trust has no prospect of recovery.

- **Receivable for wage subsidy**

Receivable for wage subsidy is initially recognised at the date a valid application form has been submitted that meets the wage scheme's eligibility criteria. The asset will be measured based on the amount of the subsidy claimed. The balance is required to be recognised as a receivable for the wage subsidy scheme if an application was submitted prior to balance date and the subsidy was paid after the balance date.

MATAURA LICENSING TRUST
Significant Accounting Policies
For the year ended 31 March 2020

d) Intangible assets

Liquor licences are intangible assets that are granted for a finite period. They are stated at cost less accumulated amortisation and impairment losses. Cost includes the expenditure incurred in acquiring and renewing the licences. Amortisation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful life of the licences. Intangible assets have a useful life of three years.

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business.

Cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash floats held by the Trust's establishments, cash on hand and current and short-term deposit accounts with original maturities of three months or less maintained by the Trust with external banking institutions. Bank overdrafts that are repayable on demand and which form an integral part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

g) Impairment of assets

The carrying amounts of the Trust's assets, other than inventories (refer accounting policy e) and deferred tax assets (accounting policy h), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset previously. The results of revaluing are credited or debited to an asset revaluation reserve for that individual asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income, but is recognised in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive income.

MATAURA LICENSING TRUST

Significant Accounting Policies For the year ended 31 March 2020

h) Income tax

Income tax on the profit or loss for the year comprises both current and deferred tax, and is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it too is recognised in equity.

- **Current tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period, using tax rates and tax laws that have been enacted or substantively enacted by balance date.

Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

- **Deferred tax**

Deferred income tax is provided on all temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be used. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets or liabilities which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset or liability giving rise to them will be realised or settled. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Trust expects, at balance date, to recover or settle the carrying amount of its assets and liabilities.

i) Payables

Trade and other payables are recognised at cost when the Trust becomes obliged to make future payments resulting from the purchase of goods and services.

j) Deferred Income

The wage subsidy asset will initially be recognised as a deferred income liability as there are return conditions attached to the subsidy. That deferred income liability will be reduced and recognised as revenue over the 12 week subsidy period (and 8 week period for the extension scheme) as the Trust pays its staff. The amount of revenue recognised will be based on the subsidy rates for the relevant staff.

k) Employee benefits

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

MATAURA LICENSING TRUST

Significant Accounting Policies For the year ended 31 March 2020

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal rates using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash flows to be made by the Trust in respect of services provided by employees up to the current reporting date.

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

I) Revenue

- **Sale of goods**

Revenue from the sale of goods is recognised when the Trust has transferred to the buyer the significant risks and rewards of ownership of the goods. Risks and rewards are considered transferred to the buyer at the time of delivery of the goods to the customer.

- **Other trading revenue**

Other trading revenue is revenue other than that derived from the sale of goods and services which arises in the normal course of the Trust's business activities, and includes:

- **Rental and gaming machine site revenue**

Rental income from site rental agreements with gaming machine operators and from other sources is recognised on a straight-line basis over the term of the contract.

- **TAB commission**

TAB commission is based on turnover at TAB agencies operating on Trust premises

- **Finance income**

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised on a time proportionate basis taking into account the effective yield on the financial asset.

- **Subsidy from TEC**

Revenue from Tertiary Education Commission (TEC) is for workplace literacy and Numeracy (WLN) Employer-led funding that supports the provision of literacy and numeracy programmes for employees to increase their literacy and numeracy skills, and contribute to workplace productivity. This is recognised in profit or loss on a systematic basis over the periods in which the Trust recognises expenses for the related costs for which the grants are intended to compensate.

- **Covid 19 Wage Subsidy**

Revenue is recognised in profit or loss on a systematic basis over the periods in which the Trust recognises expenses for the related costs for which the grants are intended to compensate.

MATAURA LICENSING TRUST
Significant Accounting Policies
For the year ended 31 March 2020

m) Expenses

- **Donations, Sponsorships and Promotions**

The Trust, as part of its regular business activities, funds community groups and events by way of donations, sponsorships and promotions. Donations, sponsorships and promotions are recognised through the statement of profit or loss and other comprehensive income when they are approved by the Trustees and paid.

- **Financial Instruments**

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, receivables and payables. All of these are recognised in the Statement of Financial Position. Revenues and expenses in relation to financial instruments are recognised in the statement of profit or loss and other comprehensive income.

n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, except for receivables and payables, which are reported inclusive of GST.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of the cash flows arising from investing and financing activities which is recoverable from, or payable to, the Inland Revenue Department is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amounts of GST.

o) Recently adopted standards

NZ IFRS 16 (Leases) was applicable for annual reporting periods beginning on or after 1 January 2019. The standard has been adopted and the impact of the introduction is expected to have a minimal impact on current and future period reporting.

There are no other standards that have recently been adopted that would be expected to have a material impact in the current and future reporting periods and on foreseeable future transactions.

p) Standards issued but not yet effective

There are no standards that are not yet effective that would be expected to have a material impact in the current and future reporting periods and on foreseeable future transactions.

MATAURA LICENSING TRUST

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

1 Revenue

Revenue comprises sales of products and services to external parties, categorised as follows:

	Note	2020 \$	2019 \$
Liquor		20,097,819	19,206,236
Meals		4,042,542	3,850,549
Accommodation		1,418,829	1,383,638
Total revenue		<u>25,559,190</u>	<u>24,440,424</u>

2 Other trading revenue

Other trading revenue represents revenue other than that arising from the sale of goods to external parties sourced as part of the Trust's normal business activities.

		2020 \$	2019 \$
Gaming machine site rentals		285,507	277,091
Property rentals received		17,620	33,520
Venue Hire		40,891	40,896
TAB commission		26,410	21,658
Accounting services		257,070	257,070
Subsidies		185,958	-
Other		76,383	85,770
Total other income		<u>889,839</u>	<u>716,006</u>

3 Operating Costs

Other operating expenses include the following specific costs:

	Note	2020 \$	2019 \$
Annual audit fees		59,149	43,827
Receivables written off (bad debts)		3,727	1,297
Loss on sale of non-current assets		2,362	-
Legal fees		-	889
Trustees' honoraria and fees	19	47,903	46,640
Vehicle Expenses		150,005	135,941
Insurance		152,737	146,446
Rates		126,555	128,418
Other Expenses		1,814,077	1,624,071
Total other expenses		<u>2,356,516</u>	<u>2,127,529</u>

MATAURA LICENSING TRUST

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

4 Personnel costs

		2020 \$	2019 \$
Wages and salaries		5,460,871	5,119,010
Changes to provisions	11	(81,143)	33,705
		<u>5,379,727</u>	<u>5,152,715</u>
Contributions to defined contribution plans		<u>184,707</u>	<u>172,501</u>

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

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

Remuneration band	2020	2019
\$180,000 - \$190,000	1	-
\$190,000 - \$200,000	-	1

5 Finance Income

Income derived from the Trust's investments with external parties comprises	2020 \$	2019 \$
Dividends earned on equity investments	61,596	88,740
Interest earned on bank deposits	45,878	33,842
Total Finance Income	<u>107,474</u>	<u>122,582</u>

6 Taxation

6(a) Income tax and deferred tax	2020 \$	2019 \$
Income tax expense comprises:		
Current Tax Expense	116,751	199,074
Prior Year Adjustment	(11,999)	42,877
Deferred tax movements	(434,898)	(114,331)
	<u>(330,146)</u>	<u>127,620</u>

Relationship between tax expense and accounting profit

Net surplus before tax:	214,796	399,718
Tax at 28%	60,143	111,921
Plus (less) tax effect of:		
Non-deductible expenditure	944	1,047
Permanent differences	87,909	-
Imputation credit adjustment	(17,247)	(24,847)
Non-assessable revenue	(35,616)	-
Provisions	16,436	-
Losses / Gains on sale	4,182	-
Deferred tax movement	(434,898)	(3,378)
Prior Year Adjustment	(11,999)	42,877
Tax expense	<u>(330,146)</u>	<u>127,620</u>

MATAURA LICENSING TRUST

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

6(b) Deferred tax asset

	Property plant and equipment	Employee entitlements	Other Provisions	Tax Losses	Total
Balance at 31 March 2018	(318,539)	200,521	-	-	(118,018)
Charged to surplus / deficit	101,125	13,206			114,331
Balance at 31 March 2019	(217,414)	213,727	-	-	(3,687)
Charged to surplus / deficit	418,462	16,436			434,898
Balance at 31 March 2020	201,048	230,163	-	-	431,211

Deferred tax assets have been recognised as it is probable that future taxable profits will be available to offset the temporary differences arising from the reintroduction of tax depreciation on commercial buildings as a result of the Government's response package to COVID-19.

6(c) Current tax assets and liabilities

The current tax asset / (liability) represents the amount of income tax refundable or payable in respect of the current and prior periods.

7 Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank and on hand	966,254	811,641
Cash floats held in Trust establishments	11,376	121,649
Short term deposits with maturities of three months or less	2,079,684	2,700,987
Total	3,057,314	3,634,278
Short term deposits with maturities of three months or less		
Bank of New Zealand deposit on call	236,756	102,508
Craig & Co call deposit	1,842,928	2,598,479
Total Short term deposits	2,079,684	2,700,987
Investment terms	2020	2019
BNZ Call deposit	repayable upon demand	0.10%
Craigs Investment Partners Call	repayable upon demand	0.90%
		2.25%

MATAURA LICENSING TRUST

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

8 Trade and other receivables

	2020 \$	2019 \$
Trade receivables	707,274	648,591
	<u>707,274</u>	<u>648,591</u>
Prepayments	47,293	69,802
Receivables - Wage subsidy	744,070	-
Accrued income	232,638	215,309
Total Current Receivables	<u>1,731,275</u>	<u>933,702</u>

The Trust's standard terms of trade require settlement of outstanding amounts by the 20th of the month following invoice date.

Accrued income refers to income earned but not invoiced, at balance sheet date.

	Not past due	Past due 1-60 days	Past due >60	Total
31 March 2020	\$	\$	\$	\$
Gross carrying amount	636,434	59,612	11,228	707,274
Less allowance for expected credit loss	-	-	-	-
	<u>636,434</u>	<u>59,612</u>	<u>11,228</u>	<u>707,274</u>
31 March 2019	\$	\$	\$	\$
Gross carrying amount	587,512	50,817	10,262	648,591
Less allowance for expected credit loss	-	-	-	-
	<u>587,512</u>	<u>50,817</u>	<u>10,262</u>	<u>648,591</u>

9 Inventories

The Trust's inventories comprise goods categorised as follows:

	2020 \$	2019 \$
Liquor	2,151,977	2,070,365
Food	84,497	71,999
	<u>2,236,474</u>	<u>2,142,363</u>

10 Trade and other payables

	2020 \$	2019 \$
Trade payables	2,194,965	3,241,226
	<u>2,194,965</u>	<u>3,241,226</u>

MATAURA LICENSING TRUST

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

11 Employee Entitlements

	Vested leave \$	Unvested long service leave \$	Unvested retirement allowances \$	Total \$
Balance at 31 March 2018	561,495	114,257	40,393	716,144
Additional provision recognised	420,173	19,431	13,892	453,496
Reduction arising from payments	(349,024)	(4,798)	-	(353,822)
Reduction arising from terminations	(52,506)	-	-	(52,506)
Transfer to / from vested leave	2,997	(2,997)	-	-
Balance at 31 March 2019	583,135	125,893	54,285	763,312
Additional provision recognised	460,250	37,223	(46,222)	451,251
Reduction arising from payments	(305,319)	-	-	(305,319)
Reduction arising from terminations	(87,232)	-	-	(87,232)
Transfer to / from vested leave	11,984	(11,984)	-	-
Balance at 31 March 2020	662,818	151,132	8,063	822,012
	2020		2019	
	\$		\$	
Disclosed as a Non-current liability		151,132		125,893
Disclosed as a Current liability		693,523		711,632
		844,655		837,525
The amount disclosed as a current liability includes:				
Accrued wages and salaries		22,642		74,213

Vested Leave represents both annual leave due to employees, and long service leave to which staff have become entitled, and which has vested in them.

Unvested long service leave represents the Trust's assessment of its exposure relating to staff for whom the entitlement has yet to vest.

Retirement allowances relate to 3 employees, and are payable upon retirement or earlier resignation.

MATAURA LICENSING TRUST

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

12 Property plant and equipment

	Land \$	Buildings \$	Equipment \$	Vehicles \$	Total \$
Cost at 31 March 2018	990,723	15,172,385	5,322,429	775,226	22,260,763
Acquisitions	-	-	207,508	39,990	247,498
Interest capitalised	-	-	-	-	-
Disposals	-	-	-	-	-
Other - Glassware write-off	-	-	(12,077)	-	(12,077)
Reclassified to asset held for sale	-	-	-	-	-
Cost at 31 March 2019	990,723	15,172,385	5,517,860	815,216	22,496,184
Acquisitions	-	209,162	103,967	78,826	391,955
Interest capitalised	-	-	-	-	-
Disposals	-	-	(84,591)	(80,185)	(164,776)
Other - Glassware write-off	-	-	(12,525)	-	(12,525)
Reclassified to asset held for sale	-	-	-	-	-
Cost at 31 March 2020	990,723	15,381,547	5,524,710	813,857	22,710,837
Accumulated Depreciation / Impairment					
Balance at 31 March 2018	-	8,495,302	4,411,412	429,897	13,336,611
Disposals	-	-	-	-	-
Depreciation expense	-	577,275	309,345	32,026	918,646
Impairment losses	-	-	-	-	-
Prior year adjustment	-	-	-	-	-
Balance at 31 March 2019	-	9,072,577	4,720,757	461,923	14,255,257
Disposals	-	-	(82,231)	(52,185)	(134,416)
Depreciation expense	-	568,549	231,885	35,267	835,701
Impairment losses charged to profit	-	-	-	-	-
Prior year adjustment	-	-	-	-	-
Balance at 31 March 2020	-	9,641,126	4,870,411	445,005	14,956,542
Net Book Value 2019	990,723	6,099,808	797,103	353,293	8,240,927
Net Book Value 2020	990,723	5,740,421	654,299	368,852	7,754,293

The Bank of New Zealand holds a registered first mortgage over the property situated at the Croydon Lodge in relation to borrowing arrangements. The terms of the lending arrangements are discussed in note 21.

A parcel of land at the Longford Tavern that had previously been identified as being held for sale has now been sold.

MATAURA LICENSING TRUST

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

13 Investments in equity instruments

The Trust holds 348,000 (2019: 348,000) ordinary shares issued by DB South Island Brewery Ltd. This holding represents 4.83% of the 7,200,000 (2019: 7,200,000) shares issued by that company.

The shareholding has been re-valued on a basis of the value per share of the net assets of DB South Island Brewery Ltd. The Trust's determination in this matter is that this is the most appropriate method of valuation, and that the shares should be valued at \$2.25 per share (2019: \$2.31). The valuation is effective 31 December 2019, and there is no information to suggest that there has been any material movement in the share value since. The shares have been valued under level 3 fair value hierarchy.

		2020 \$	2019 \$
Opening Value at 1 April		804,188	799,500
Disposals		-	-
Revaluation	16(b)	(20,493)	4,688
Closing Value at 31 March		<u>783,695</u>	<u>804,188</u>

The revaluation is shown as 'other comprehensive income' in the Statement of Comprehensive Income / (Expense).

14 Community loans

The Trust has provided interest-free loan funding to community organisations as detailed below:

		2020	2019
Eastern Southland Young Farmers	Due by 21 July 2021	54,504	50,663
		<u>54,504</u>	<u>50,663</u>
Current portion - repayment due within 12 months		<u>-</u>	<u>-</u>
Term portion - repayment due beyond 12 months		<u>54,504</u>	<u>50,663</u>

15 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 the straight-line basis over their 3 year useful life.

	2020 \$	2019 \$
Cost		
Opening cost	28,654	19,849
Renewal of licences	10,539	20,080
Write off	(6,600)	(11,275)
Closing cost	<u>32,593</u>	<u>28,654</u>

MATAURA LICENSING TRUST

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

	2020 \$	2019 \$
Accumulated Amortisation and Impairment Losses		
Opening balance	9,501	8,318
Amortisation of licences	13,090	12,459
Write off	(6,600)	(11,275)
Closing balance	<u>15,989</u>	<u>9,501</u>
Carrying Amount	<u>16,604</u>	<u>19,153</u>

16 Equity

	Note	2020 \$	2019 \$
Retained Earnings	16(a)	11,749,148	11,204,208
Community loans	14	54,504	50,663
Revaluation reserve	16(c)	389,275	409,768
		<u>12,192,928</u>	<u>11,664,642</u>

16(a) Retained earnings

Opening balance		11,204,208	10,924,449
Tax-paid surplus		544,941	272,098
Transfers from reserves		(20,493)	4,688
Transfer from Jubilee Fund	17(b)	-	7,663
Revaluation of community loan		3,841	3,314
Repayment of community loan		-	-
Other comprehensive income		16,652	(8,002)
Closing balance		<u>11,749,148</u>	<u>11,204,208</u>

16(b) Revaluation reserve

The shareholding in DB South Island Brewery Ltd has been revalued on a basis of the value per share of the net assets of DB South Island Brewery Ltd.

	Note	2020 \$	2019 \$
Opening balance		409,768	405,080
Revaluation	13	(20,493)	4,688
Closing balance		<u>389,275</u>	<u>409,768</u>

MATAURA LICENSING TRUST

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

17 Contingent Liabilities and assets

Contingent liabilities

	2020 \$	2019 \$
Guarantee	<u>35,000</u>	<u>35,000</u>

The Trust has provided fidelity guarantees in relation to TAB agencies operating at five of the Trust's establishments. These guarantees would only be if incidents of fraudulent activity or theft were discovered.

The Trust operates a credit card account with an upper credit limit of \$18,700.

The Trust has no contingent assets (2019: nil)

18 Commitments

Capital expense commitments

The Trust has no commitments in relation to capital expenditure.

19 Related parties

The Trusts Community Foundation Ltd

Mataura Licensing Trust provides accountancy services for the Foundation, and received venue payments from the Foundation, which have generated revenue as follows:

The Trusts Community Foundation Ltd		
Accounting services	257,070	257,070
Gaming machine venue payment	285,507	277,091
Other trading revenue	<u>542,577</u>	<u>534,161</u>
Balance outstanding at year end	<u>24,636</u>	<u>24,636</u>

MATAURA LICENSING TRUST

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

The Trust has two members with whom it conducts business on a normal commercial basis. During the year the trust made payments to entities in which members hold an interest as follows:

Brendon Murray

Shareholder & Director, Gore Sheetmetal & Engineering. Purchases by the trust largely include sundry engineering works.

2020	2019
\$	\$
1,785	2,804

The balance unpaid as at 31 March 2020 is \$407 (2019: nil)

Alison Cormack

Shareholder & Director, Custom Build Engineering 2015 Ltd. Purchases by the trust largely include sundry engineering works.

2020	2019
\$	\$
3,703	-

The balance unpaid as at 31 March 2020 is \$286 (2019: nil)

Remuneration of Trust members (Section 335 (4)(b)(i) Sale and Supply of Alcohol Act 2012)

Members of the Trust are remunerated based on attendance at meetings and on their positions within the Trust.

Remuneration and expenses paid during the year amounted to:

	Note	2020 \$	2019 \$
President		25,535	24,240
Other members' fees		23,520	22,400
Total Remuneration paid	3	<u>49,055</u>	<u>46,640</u>

Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Trust, whether directly or indirectly.

The Trust has determined that the position of the General Manager meets this definition

For the purposes of this disclosure, short-term employment benefits include wages, salaries, paid annual and sick leave, bonuses, contributions to superannuation schemes and non-monetary benefits, such as the use of motor vehicles and the payment of health insurance costs. The rate of employer contributions to approved superannuation schemes is 1.0 times the employee contribution. The rate of employer contribution to Kiwisaver is 1.42 times the employee contribution.

Remuneration of Key Management Personnel:

	2020 \$	2019 \$
Short-term employment benefits	175,658	169,504
Post-employment benefits	13,648	12,984
Other long-term employee benefits	(12,774)	8,624
Non taxable allowances	6,000	6,000
	<u>182,532</u>	<u>197,112</u>

MATAURA LICENSING TRUST

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

20 Covid-19

Impact of Covid-19 restrictions

The Matura Licensing Trust has been relatively sheltered from the full effect of the government enforced business closures during the period from late March 2020 to Mid May 2020. A ruling that Matura Licensing Trust bottlestores had been designated as essential services during this period allowed trading in a limited capacity. The Trust has no significant reliance on tourist or international visitors, but instead the reliance lies with the local rural-based economy. The only potential impact would be if travel restrictions, such as those under alert levels 2 and 3, or a complete lockdown under alert level 4 was to come into place again.

The Trust successfully applied for the tax-payer funded wage subsidy in early April 2020.

Due to the reliance on accommodation sales, most severely impacted will be the Heartland Hotel Croydon Lodge.

The impact on the Trust's other cash generating units is expected to be minimal.

Although the full effect of the circumstances detailed above is yet to be measured it is estimated that the Matura Licensing Trust profit in the period to 31 March 2021 could improve slightly due to the non-recurrence of the large repair and maintenance cost in the 2019-20 financial year.

Revenue

A decrease in sales and a subsequent decrease in gross profit is expected in the year to 31 March 2021.

Valuation of investments, Impairment of Assets, Recoverability of Debtors

These items are not expected to be affected by post-balance date events.

21 Fair value hierarchy

21(a) Financial Instrument Categories

	2020	2019
Financial liabilities measured at amortised cost	\$	\$
Payables (excluding deferred revenue, taxes payable and grants received subject to conditions)	2,194,965	3,241,226
Financial assets measured at amortised cost		
Cash and cash equivalents	966,254	811,641
Receivables (excluding grants received subject to conditions)	707,274	648,591
Investments – term deposits	2,079,684	2,700,987
Community loan	54,504	50,663
<i>Total financial assets measured at amortised cost</i>	<i>3,807,716</i>	<i>4,211,882</i>

21(b) Fair value hierarchy

Financial assets at fair value through other comprehensive revenue and expense

Equity investments	783,695	804,188
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For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market prices (level 1)- Financial instruments with quoted prices for identical instruments in active markets
- Valuation techniques using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

MATAURA LICENSING TRUST

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

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of profit and loss and other comprehensive income:

31 March 2020	Total	Valuation technique		
		Quoted Market	Observable	Significant non-observable inputs
Equity investments	783,695	-	-	783,695

Financial instrument risks

The Trust's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Trust has policies to manage these risks and seeks to minimise exposure from financial instruments. These policies do not allow transactions that are speculative in nature to be entered into.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Trust's exposure to fair value interest rate risk is limited to its bank deposits that are held at fixed rates of interest. The Trust does not actively manage its exposure to fair value interest rate risk.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Trust, causing it to incur a loss. The Trust is exposed to credit risk from cash and term deposit with banks, and receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Risk management

For receivables, the Trust reviews the credit quality of customers before granting credit. It continues to monitor and manage receivables based on their ageing and adjusts the expected credit loss allowance accordingly. There are no significant concentrations of credit.

Due to the timing of its cash inflows and outflows, the Trust invests surplus cash with registered banks with a Standard and Poor's credit rating of A2 for short-term investments, and A for long-term investments. The Trust's investments in term deposits are considered to be low-risk investments. The credit ratings of banks are monitored for credit deterioration.

Security

No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

Impairment

Cash and cash equivalents, receivables and term deposits are subject to the expected credit loss model. The notes for these provide relevant information on impairment.

Credit risk exposure by credit risk rating grades, excluding receivables

The gross carrying amount of financial assets, excluding receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings.

Cash at bank and term deposits	2020 \$	2019 \$
AA-	3,045,938	3,512,692
Total cash at bank and term deposits	<u>3,045,938</u>	<u>3,512,692</u>

Liquidity Risk

Management of Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the ability to close out market positions.

The Trust manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

MATAURA LICENSING TRUST

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

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses financial liabilities (excluding derivatives) into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate of the instrument at balance date. The amounts disclosed are the undiscounted contractual cash flows.

	Carrying Amount	Contractual cash flows	Less than 6 months	6-12 months	More than 1 year
2020					
Payables (excluding income in advance)	2,194,965	2,194,965	2,194,965	-	-
Total	2,194,965	2,194,965	2,194,965	-	-

Credit risk may also arise in connection with other financial assets of the Trust, primarily comprising cash and cash equivalents. Credit risk may arise from the default of the counter party. The maximum exposure to credit risk in such instances is equal to the carrying amount of those assets.

The Trust has some concentrations of credit risk. The four largest customers make up approximately 33% of total debtors.

Liquidity risk and Maturity analysis (including payables)

The Trust's objective is always to maintain a balance between continuity and flexibility of funding through maintaining an appropriate mix between fixed short-term and floating "on call" interest rate deposits.

The Trust for the years reported in these financial statements had a Customised Average Rate Loan (CARL) facility with the Bank of New Zealand, in place from 20 March 2018, with an end date of 20 March 2021, but not drawn down. The loan facility had an upper limit of \$500,000.

Security over the facility is by way of the existing registered first mortgage over the property situated at Croydon Lodge Hotel, Gore as detailed in certificate of title SL 187-26 & SL 187-27.

Fair values

In the opinion of the Trust, all financial assets reported in these financial statements are carried at their fair values.

The means by which those fair values have been established are detailed in the respective explanatory notes, accounts receivable, short-term investments and community loans provided.

22 Capital Management Policy

The Matura Licensing Trusts' capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Matura Licensing Trust (MLT) is subject to the financial management and accountability provisions of the Sale & Supply of Alcohol Act 2012 which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

MLT manages its equity as a by-product of prudently managing reserves, expenses, assets, liabilities, investments, and general financial dealings to ensure that MLT effectively achieves its objectives and purpose, whilst remaining a going concern.

MATAURA LICENSING TRUST

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

23 Reconciliation from the net surplus (deficit) after tax to the net cash flows from operations

	Note	2020 \$	2019 \$
Net surplus / (deficit) for the year		544,941	272,098
<i>Less items classified as investing activities</i>			
Dividend income	5	(61,596)	(88,740)
Interest income	5	(45,878)	(33,842)
Interest expense		-	-
<i>Adjust for non-cash items</i>			
Depreciation	12	835,701	918,646
(Profit) / Loss on disposal		(137,705)	-
Amortisation of intangibles	15	13,087	12,459
Deferred tax		(434,898)	(114,331)
<i>Changes in net assets and liabilities</i>			
<i>(Increase) / decrease in Assets</i>			
Receivables		(48,577)	62,165
Inventory		(94,111)	(30,460)
Tax payable (receivable)		(71,938)	130,451
<i>Increase / (decrease) in Liabilities</i>			
Accounts payable		(1,070,928)	1,021,101
Provision for Employee entitlements	11	26,870	44,198
Net cash flows from operating activities		<u>(545,035)</u>	<u>2,193,744</u>

24 Events subsequent to balance date

There have been no events subsequent to balance date of a material nature.

MATAURA LICENSING TRUST

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

25 Donations

Profits made by the Trust that are not required for the development of the Trust's facilities and continuing operations may be made available for donation to community groups domiciled within the Trust's geographic region.

		2020 \$	2019 \$
Donations made to such groups amounted to:		85,298	111,296
Donations are listed below			
Adams, Emma	250.00	Mataura Scout Group	300.00
Alzheimers Society Southland	1,000.00	McKenzie, Joshua	500.00
Blue Mountain College	960.00	Menzies College	750.00
Blue Mountain College Netball	1,500.00	Menzies College Boys Soccer	750.00
BMC U15 Rugby	750.00	Menzies College Girls Soccer	750.00
Cancer Society	86.96	Menzies College Netball	1,500.00
Clearwater, Kimberley	150.00	Menzies College Rugby	750.00
Community Networking Trust	1,850.00	Mercer, Desi	500.00
Cowan, Millie	150.00	Miller, Bonnie	500.00
Cowley, Isaac	250.00	Miller, Hannah	2,500.00
Davies, Sarah	1,000.00	Mokoreta Playgroup	1,500.00
Eastern Southland Red Cross	875.00	Pahau, Kahurangi	150.00
Edendale Lions Club	73.91	Palmer, Aimee	500.00
Edendale Scout Group	800.00	Prattley, Jysse	150.00
Ferguson, Kiera	150.00	Pukerau School PTA	1,000.00
Ferguson, Mikayla	150.00	Qasevakatini, Frances	500.00
Gauldie, Alyssa	150.00	River Valley Lions	3,074.72
Glenham School	500.00	Scoles, Macy	500.00
Gore & Districts Senior Citizens Choir	1,000.00	Scott, Beth	750.00
Gore Girl Guides	150.00	Sheldon Bagrie-Howley	5,000.00
Gore High School 1st XI Football	750.00	Sirimanne, Denis	150.00
Gore High School 1st XV Rugby	750.00	Southern Indoor Charity Dog Trials	500.00
Gore High School Girls Football	750.00	Southland A & P Assn.	500.00
Gore High School Girls Hockey	750.00	Southland Primary Principals Assn.	1,000.00
Gore High School Production	86.96	Southland Science & Tech Fair	500.00
Gore High School Road Safety Programme	2,000.00	Southland Social Sciences Fair	200.00
Gore High School Senior A Netball	750.00	St Peters College	4,500.00
Gore High School U15 Rugby	750.00	Stark, Jared	150.00
Gore Rotary	3,559.13	Sutton, Hannah	500.00
Gore Victim Support	624.28	Talent Development Southland	4,500.00
Gore Volunteer Fire Brigade	750.00	Tapanui School	400.00
Gore Women's Refuge	946.53	The Nattering Knitter	500.00
Graves, Karla	750.00	Toi Toi Tokanui Lions Club	2,500.00
Hannah, Madison	150.00	Tokanui Plunket	900.00
Hansen, Ashton	400.00	Tokanui Search & Rescue	1,380.00
Hansen, Mason	150.00	Tweedie, Caitlyn	750.00
Hare, Saffron	150.00	TWO Promotions	1,000.00
Heads, Campbell	150.00	Watkins, Ryan	150.00
Heaps, Ben	150.00	West Otago Rural Kids	1,250.00
Henderson, Brooke	150.00	Wilson, Neihana	150.00
Heritage South Trust	700.00	Wyndham A & P Society	1,500.00
Hokonui Focus Group	4,274.77	Wyndham Community Rest Home	5,000.00
Hokonui Pioneer Village	600.00	Wyndham Junior Rugby	347.00
Hokonui Trails Trust	1,000.00	Young, Logan	100.00
Holland, Dayna	150.00		
Holland, Kendall	150.00		
Hospice Southland	86.96	Refunded from previous year	-2,000.00
Hurley, Ella	500.00		
Hurley, Finn	150.00		
Kennedy, Tegan	150.00		
Knapdale School	43.48		
Kowai Downs	1,415.90		
Ladies Dinner Club	167.83		
Lawlor, Hanna	150.00		
Lumsden, Maia	150.00		
Mataura Meals on Wheels	220.00		
Mataura School	725.00		
			85,298.42

Independent Auditor's Report

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

The Auditor-General is the auditor of Maitaura Licensing Trust (the Trust). The Auditor-General has appointed me, Rudie Tomlinson, 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 1 to 26, that comprise the statement of financial position as at 31 March 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and significant accounting policies for the year ended on that date, and the notes to the financial statements that include other explanatory information.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the *Basis for our qualified opinion* section of our report, the financial statements of the Trust on pages 1 to 26:

- 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 and International Financial Reporting Standards.

Our audit was completed on 17 December 2020. 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 a number of matters. 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 8, the Trust reviews the carrying amount of its property, plant and equipment at each balance date to determine whether there is any indication that an asset is impaired. If there is an impairment indicator, NZ IAS 36 Impairment of Assets requires the asset's recoverable amount to be estimated. If the recoverable amount of the asset is less than

its carrying value, the asset's carrying value should be reduced and an impairment expense recognised.

Contrary to the requirements of NZ IAS 36 Impairment of Assets, the Trust has not assessed whether there are impairment indicators and has not estimated the recoverable amount of the Trust's establishments. We are of the view that there are impairment indicators for the Trust's establishments which could result in material impairment to the carrying value of the Trust's property, plant and equipment. Because the Trust has not estimated the recoverable amount, it is impracticable for us to determine the amount of the required asset write down and impairment expense.

Investments in equity instruments

As disclosed in note 13, the Trust holds an investment in unlisted shares issued by DB South Island Brewery Limited, which is required to be measured at fair value. The Trust has estimated fair value based on the net assets of the company, but could not provide sufficient appropriate evidence that their estimate is materially equivalent to the fair value of the investment. It is impracticable for us to determine the amount of any required adjustment to the carrying value of the investment.

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.

We draw your attention to the following matters

Without modifying our opinion, we draw your attention to the following matters.

Other matter – internal policies not followed for accepting prizes and gifts

We note that during the year, management accepted prizes and gifts from a supplier for three trips to Japan to attend the 2019 Rugby World Cup. Three members of management went on these all-expenses paid trips, which they considered business trips rather than personal in nature. Normally the receipt of such prizes and gifts from suppliers is treated as a sensitive issue. This is because their acceptance can influence, or be seen to influence, an entity's decision making when purchasing goods or services.

The Licensing Trust's internal policies requires the Board to approve prizes or gifts of this size, and there is no evidence that such approvals were obtained prior to their acceptance. There is also no evidence that the risk of a perceived or actual conflict of interest relating to management's decisions concerning this supplier was considered, including whether steps needed to be taken to mitigate the risk.

Emphasis of matter – Covid-19

Note 20 on page 22 of the financial statements outlines the possible effects of the Covid-19 pandemic on the Trust.

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.

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: Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand