



4 Review of Licensing Trusts

FOUR

Financial Performance

4.001 We decided to have a further look at the financial performance of all licensing trusts. We have previously reported on their performance for the years 1991 to 1998 – most recently in our *Second Report for 1999*.¹ However, comparison of current financial performance with results from past years is problematic because:

- accounting practice for consolidation of licensing trusts and their subsidiary entities has changed; and
- the business activities of some licensing trusts have become both extensive and complex over the period.

4.002 For those reasons, in this review we looked only at the two financial years ended 31 March 2001 and 2002.

Overview of Financial Performance

4.003 The information used in this overview is based on figures extracted from the 2002 annual report of each licensing trust. In some instances, licensing trusts have not included subsidiaries in their consolidated financial statements, as a result of which we have presented figures for the subsidiaries separately and performed manual consolidations, in the tables of detailed results on pages 89-92.

4.004 In aggregate, donations made from profits in 2001-02 averaged 3.4% of revenue (2000-01: 2.6%). The effect of consolidating charitable trusts that administer gaming machine income within a licensing trust group is significant. Charitable trusts with gaming machine income tend to distribute between 35% and 50% of their revenue.

4.005 Some trusts received a qualified audit opinion for the accounting treatment of certain expenses and assets. In the tables on pages 89-92, we have made adjustments to present these trusts' figures on a basis consistent with the requirements of generally accepted accounting practice.

¹ Parliamentary paper B.29[99b], pages 119-125.





REVIEW OF LICENSING TRUSTS

FOUR

- 4.006 Total revenue generated in 2001-02 was \$291 million (2000-01: \$271 million), and total assets at 31 March 2002 were \$220 million (2001: \$210 million).
- 4.007 Only four licensing trusts had significant term debt, which averaged just over 49% of total assets. The remaining trusts had little or no term debt.
- 4.008 Only seven out of the 24 licensing trusts generated a return on equity before donations of over 10% and, of those, two trusts' results include subsidiaries that hold gaming machine licences.
- 4.009 Seven licensing trusts have current ratios² of less than 1:1 – indicating current solvency issues – and only five have current ratios in excess of 2:1 – indicating a sound current position.
- 4.010 Several licensing trusts continue to show excellent financial results and are operating very successfully with high levels of community support.

Sources of Funds for Distribution

- 4.011 In most instances, licensing trusts use two main means of raising funds for distribution to their communities:
- selling liquor; and
 - operating gaming machines at their premises.
- 4.012 However, some licensing trusts either do not operate gaming machines or do not directly hold the licences for the operation of gaming machines – the machines at their premises being operated under licence held by the Community Grants Foundation (the CGF) or a trust subsidiary.
- 4.013 For those licensing trusts that operate gaming machines under licence from the CGF, the Foundation acts as an umbrella in administering gaming machine operations and the distribution of proceeds. Grants from gaming machine proceeds are made by the CGF based on recommendations by the licensing trusts or their subsidiary charitable trusts. Therefore, information about these grants appears in the annual accounts of the CGF rather than being included in the public notices and financial statements of the licensing trusts.

2 The “current ratio” is the relationship between current assets (such as cash and bank balances, stock, and receivables due within 12 months) and current liabilities (such as trade creditors and payables due within 12 months).





Trusts Ceasing to Operate Since 1998

4.014 The Otumoetai South Licensing Trust ceased operating in 1998 as a result of financial difficulties, and several trusts in the Wellington region suffered significant and long-term impacts as a result of the collapse of a collectively owned company – Brand Hospitality Limited (BHL) – during 1999. As a result of the collapse:

FOUR

- Another collectively owned company, Capital Trusts Limited, went into liquidation.
- Wellington South Licensing Trust ceased operating.
- Wainuiomata Licensing Trust no longer operates any business under the Sale of Liquor Act, has yet to finalise financial accounts for the years 1999, 2000, and 2001, and appears likely to cease operating.
- The major shareholder in BHL, Porirua Licensing Trust (PLT), suffered significant financial loss both in terms of funds advanced to the company (\$500,000) and investment value in shares. However, following some difficulties in establishing its financial position, the PLT has continued to operate.

Trusts Undertaking Activities Outside the Sale of Liquor Act

4.015 We have previously commented that some of the business arrangements being entered into by licensing trusts were never envisaged by the current legislation.³ Where elected members do not have direct involvement (through holding licences) in the sale and supply of liquor and conduct of premises in their districts (as was the case in the BHL arrangement) there remains a need to ensure that members are accountable to their communities for the performance of their statutory objects.

4.016 In addition to Wainuiomata Licensing Trust, two other Licensing Trusts – Birkenhead and Parakai – continue to operate but are not currently engaged in activities associated with the sale of liquor as required by the Sale of Liquor Act. They operate only as a landlord.

³ *Second Report for 1999, parliamentary paper B.29[99b], page 125.*





REVIEW OF LICENSING TRUSTS

FOUR

- 4.017 Amendments currently before Parliament in the Sale of Liquor Amendment Bill (No. 3) would provide a greater scope of activities for a licensing trust that reconstituted as a community trust. Any trust not currently engaged in activities associated with the sale of liquor could make its activities lawful by reconstituting. A greater scope of permitted activities could also assist those trusts experiencing operating difficulties.
- 4.018 However, the Amendment Bill has been before the House since 1999. Consideration may need to be given to some other legislative amendments if trusts are to be permitted to diversify their activities.

Recognising the Community Support Given By Licensing Trusts

- 4.019 An issue that licensing trusts have raised with us in reporting on their financial performance is that accounting standards require them to treat donations as an expense rather than as a return to 'shareholders'. Trusts feel that this understates their profitability and their value to their community. For this review, therefore, we have used surplus or deficit before donations to report on trusts' profitability.
- 4.020 In our view, making donations to communities out of the proceeds of licensing trusts' activities is a key function and a matter of widespread community interest.
- 4.021 The Sale of Liquor Act requires licensing trusts to prepare annual accounts and to publish, at least annually in the newspapers circulating in their area, the audited accounts and a list of all the grants made during the year. These provisions should allow trusts to clearly identify the amount of community support financed from their sale of liquor operations.
- 4.022 We have suggested to licensing trusts that they consider the information they provide in the public notices and accounts in order to provide their communities with a fuller appreciation of the extent of community support that is derived from trust activities.
- 4.023 Where licensing trusts operate gaming machines under the auspices of the CGF, we have suggested that they provide information in notes to their financial statements about the:
- funds for distribution generated by the trust from gaming machine proceeds;





- grants recommended by the controlled charitable trust to, and approved by, the CGF; and
- funds available for distribution within the community.

Extended Auditor-General Mandate in Licensing Trusts

4.024 Many licensing trusts have established subsidiary entities to perform aspects of their activities; for example:

- charitable trusts to facilitate the administration of gaming machine proceeds;
- management companies; and
- subsidiary businesses operating licensing trust trading arms.

4.025 Prior to the passing of the Public Audit Act 2001, these subsidiary entities were not within the mandate of the Auditor-General. Where any of these entities sought our assistance, we undertook their audit on the basis that they were managing the businesses of publicly owned bodies or were distributing the profits of those bodies.

4.026 The Public Audit Act 2001 has brought entities controlled by licensing trusts within the mandate of the Auditor-General. We believe that this will result in a significant improvement in the reporting arrangements for licensing trusts and in their public accountability.

Remuneration of Licensing Trust Presidents

4.027 We have been asked about the basis for calculating the remuneration of the president of a licensing trust as to whether:

- In the case of a licensing trust group, for the purposes of the scale for presidents' honoraria, is "annual turnover" that of the parent licensing trust or the group?
- Should a president's remuneration each year be based on the annual turnover for that year or the previous financial year?





REVIEW OF LICENSING TRUSTS

FOUR

4.028 Section 199(1) of the Sale of Liquor Act 1989 provides that –

A licensing trust may pay to the president by way of remuneration a sum not exceeding in any year the amount for the time being fixed by the Minister of Finance after consultation with the Minister...

Remuneration Based On Parent or Group Figures?

4.029 The Ministers of Justice and Finance had fixed a scale of remuneration for chairmen of licensing trusts in December 1987, under section 8 of the Licensing Trusts Act 1949, based on “annual turnover”. However, in a group situation, a licensing trust may conduct all its trading activities through one or more subsidiaries and not engage in any direct trading itself. The licensing trust’s income is likely to be derived from sources such as interest and dividends rather than sales.

4.030 We reached the view that under the 1987 determination “turnover” should be that of the licensing trust parent rather than the ‘group’ because:

- there would clearly be a ‘double dipping’ issue if a licensing trust president were to receive both remuneration as president based on group turnover *and* fees as a director of a trading subsidiary; and
- when a licensing trust divests activities to a subsidiary the role of trust members as shareholders is different to when trust members are directly responsible for the business, and the president’s responsibilities are arguably less where others are being remunerated for running the trading activities.

4.031 However, we were conscious that it could also be appropriate to use the group turnover figure to calculate the president’s remuneration, as this would take account of the greater complexity associated with a group structure.

4.032 The Ministers fixed a new remuneration scale in December 2002 based on three factors – revenue, assets, and complexity. In our view, these factors should better allow the varying roles and business arrangements to be addressed.





Remuneration Based On Which Year's Figures?

- 4.033 In our view, for the purposes of applying the scale, a president's remuneration must be based on the revenue and assets for, and liquor licenses operated by, each licensing trust in each year during the period of the presidency. That is, on the current financial year. It would be inappropriate to base an incoming president's remuneration on a trust's annual revenue, assets, and complexity figures under the previous president.
- 4.034 While annual figures can only be known with certainty at the end of a financial year, it should be possible to estimate the figures based on a trust's operating budget at any time during the financial year. The bands within the remuneration scale seem sufficiently wide for a licensing trust to determine with reasonable accuracy the band within which its figures are likely to fall.
- 4.035 Should actual results differ significantly from those budgeted, any necessary adjustments in remuneration could be made. Where a restructuring likely to affect a trust's operations is proposed, the President's remuneration would need to be adjusted accordingly.

FOUR

Detailed Financial Review by Trust

Ashburton, Cheviot, and Geraldine

- 4.036 Ashburton Licensing Trust provides management services by contract to Cheviot and Geraldine Licensing Trusts, but each maintains a separate Board of Trustees. In their respective districts, all three operate bars, restaurants, and cafes; sell alcohol both on and off premises and provide accommodation to the travelling public.
- 4.037 Each Trust also operates gaming machines from its premises. The Community Grants Foundation (CGF) is the licence holder for Cheviot and Geraldine, and the Ashburton Trust Charitable Foundation the licence holder for Ashburton.
- 4.038 Ashburton is the only Trust with a subsidiary – the Ashburton Trust Charitable Foundation – which distributes gaming machine proceeds to the community on behalf of the licensing trust. The Foundation Trust Board is comprised of three-quarters licensing trust members and one-quarter co-opted members.





REVIEW OF LICENSING TRUSTS

FOUR

- 4.039 Ashburton and Geraldine are district trusts and have exclusive licence rights under the Sale of Liquor Act for the sale and supply of alcohol in each district. Cheviot is a local trust and (therefore) does not have exclusive licensing rights. Ashburton has been subject to two polls relating to its exclusive licence rights, both of which resulted in retention of those rights.⁴
- 4.040 In 2001-02, Ashburton's return on equity was 16.2% (2000-01: 14.4%), and it returned 3.1% (2000-01: 2.9%) of its revenue to the community by way of donations. About another 2% is returned to the community by way of sponsorships and advertising expenditure. With a good current ratio and low levels of term debt, Ashburton performs significantly better than average.
- 4.041 Geraldine and Cheviot returns are lower but consistent with the averages. Both are in a sound financial position, with good current ratios and no term debt.

Birkenhead

- 4.042 Birkenhead Licensing Trust is currently not trading – having sold the off-licence business it held at 31 March 2002. It has recently entered into a sale and purchase agreement to buy the premises, but not the business, of a tavern in Birkenhead. The Trust operated gaming machines from its premises until sold, with the CGF as the licence holder.
- 4.043 Birkenhead is subject to full competition. Its proposed sole activity of landlord may mean that the trustees are not meeting their objects under the Sale of Liquor Act by having no direct involvement in the sale and supply of liquor.⁵ In June 2002, the Trust formed the Birkenhead Charitable Trust, which is currently inactive.

4 Under the Sale of Liquor Act 1989, District Licensing Trusts have exclusive rights to hold on-licences in respects of hotels and taverns and off-licences in respect of any premises other than certain club premises and premises on which wine is sold or any kind of liquor is made, within the trust district. Licensing trusts with such exclusive licensing rights are not able to operate or distribute their proceeds outside their district. These exclusive licence rights are subject to a poll of electors (see sections 214 and 215 of the Sale of Liquor Act). In many instances, electors have voted to remove these exclusive trading rights. As a result, trusts that face full competition are able to operate and distribute their proceeds outside their district.

5 Section 187(1)(a), Sale of Liquor Act 1989.





- 4.044 Birkenhead has performed well financially in the past and returned profits to the community at a level higher than average. As at 31 March 2002, it was in a sound financial position with a current ratio of 10:1 (2001: 7:1).

FOUR

Clutha

- 4.045 Clutha Licensing Trust operates seven licensed premises in South Otago – both directly and by management contract. Its only subsidiary – Southern Hotels Limited – does not trade. Forty-three gaming machines are operated from Trust premises, for which the CGF is the licence holder.
- 4.046 In 2001-02, \$349,000 was returned to the community from gaming machine profits. The Trust itself returned \$11,000 to the community by way of sponsorship, which is included in operating expenditure. The Trust is subject to full competition.
- 4.047 Clutha did not perform well in either 2000-01 or 2001-02, with return on equity at 7.9% and 5.5% respectively, and a current ratio of 0.8:1 and 0.6:1 respectively. The Trust has experienced ongoing solvency issues in recent years, but in 2001-02 achieved a surplus before interest, tax, and donations of \$444,000 (2000-01: \$350,000). It has returned money to the community from gaming machine profits through the CGF and sponsorships of \$360,000.

Masterton

- 4.048 Masterton Licensing Trust sold its operations to Trust House Limited in 1997, in exchange for 79% of the company's shares.
- 4.049 Trust House Limited is heavily diversified, with the following areas of operation:
- Hospitality – 100-room hotel, taverns, and bars.
 - Retail outlets – bottle stores and community stores.
 - Infrastructure – aged care hospital, and over 500 former State houses.
- 4.050 Trust House Charitable Trust owns and holds the licence for gaming machines operated at both Trust House Limited outlets and those managed for Flaxmere and Rimutaka Licensing Trusts.





REVIEW OF LICENSING TRUSTS

FOUR

- 4.051 Masterton, Flaxmere, and Rimutaka Licensing Trusts are subject to full competition.
- 4.052 Masterton generates returns significantly higher than average, with return on equity in 2001-02 of 26.2% (2000-01: 17.4%). The Trust is more highly geared than most, with term debt to total assets at 31 March 2002 of 34.1% (2001: 38.1%), reflecting the different nature of its business, but compared to similar private sector businesses gearing is at a modest level and falling.
- 4.053 Donations of \$1.15 million from gaming machine profits were made in 2001-02 compared with \$283,000 in 2000-01. Those amounts were, respectively, 24% and 10.4% of the net surplus before donations.

Flaxmere

- 4.054 Trust House Limited manages the operations of Flaxmere Licensing Trust under a management contract. These operations involve a tavern and a bottle store.
- 4.055 Trust House Charitable Trust owns the gaming machines at the tavern and is advised by the Licensing Trust on grant distributions in the Flaxmere area.
- 4.056 Flaxmere achieved a return on equity in 2001-02 of 8% (2000-01: 8.6%), which is about average. The Trust has a strong balance sheet with no term debt and assets at 31 March 2002 of \$1.77 million (2001: \$1.35 million).

Rimutaka

- 4.057 Trust House Limited manages the operations of Rimutaka Licensing Trust under a management contract. These operations involve a tavern and a bottle store.
- 4.058 Trust House Charitable Trust owns the gaming machines at the tavern and is advised by the Licensing Trust on grant distributions in the Rimutaka area.
- 4.059 Rimutaka achieved a return on equity in 2001-02 of 28.9% (2000-01: 15.2%), which is better than average. The Trust has a strong balance sheet with no term debt and total assets at 31 March 2002 of \$1.1 million (2001: \$1.1 million).





Hawarden

- 4.060 Hawarden Licensing Trust has no subsidiaries and does not operate gaming machines either directly or through the CGF. It is a local trust under the Sale of Liquor Act and (therefore) is subject to full competition.
- 4.061 Hawarden's only activity is ownership of a tavern property, so that its primary income is from rents. The trustees may, therefore, not be meeting their objects under the Sale of Liquor Act by having no direct involvement in the sale and supply of liquor.
- 4.062 The Trust has only a small annual income and provides a small contribution to the community by way of donation. It is in a sound financial position with no term debt and a current ratio at 31 March 2002 of 1.5:1 (2001: 4:1).

FOUR

Invercargill

- 4.063 Invercargill Licensing Trust operates hotels, motels, taverns, cafes, bars, bottle stores, and catering businesses. It currently has exclusive licence rights under the Sale of Liquor Act for the sale and supply of alcohol in its district.
- 4.064 Subsidiary trusts hold the licences for approximately 187 gaming machines. In 2001-02, the Licensing Trust Group distributed \$5.2 million (2000-01: \$3.9 million) in donations to the local community, all but \$1.6 million (2000-01: \$1 million) of which was from gaming machine proceeds.
- 4.065 Invercargill is operating very successfully financially. It returns about 8.2% of its revenue to the community in donations and has consistently generated good profits. Its financial position is sound, with very high liquidity and low term debt.

Johnsonville

- 4.066 Johnsonville Licensing Trust's involvement in the hospitality industry is subject to full competition. It has a subsidiary trust – Johnsonville Licensing (Charitable) Trust – that owns Johnsonville Property Trust Limited, which is the property investment vehicle for the group. The Licensing Trust also performs management services for its subsidiaries under contract.





REVIEW OF LICENSING TRUSTS

FOUR

- 4.067 At the time we prepared this analysis, Johnsonville had 36 gaming machines at its premises, for which the CGF was the licence holder. Donations for 2001-02 totalled \$348,000 (2000-01: \$493,000). In July 2003, the Trust decided to sublease its two premises.
- 4.068 Johnsonville is only marginally profitable and in recent years has struggled to break even. However, it continues to be solvent, having had a current ratio at 31 March 2002 of 1.3:1 (2001: 1.2:1).

Mataura

- 4.069 Mataura Licensing Trust faced a competition poll last year in which the community voted to retain the Trust's exclusive licence rights for the sale and supply of alcohol.
- 4.070 Mataura has no subsidiaries but has gaming machines on its premises, for which the CGF is the licence holder. In 2001-02, \$646,000 was distributed to the community through the CGF. The Trust itself gave out donations of \$100,000 and sponsorships of \$81,000.
- 4.071 For 2001-02, the Trust generated a return on equity before donations of 13.4% (2000-01: 7.9%). The Trust consistently maintains a current ratio of over 2:1, has no term debt, and is in a sound financial position.

Mt Wellington, Otara, and Papatoetoe

- 4.072 Mt Wellington, Otara, and Papatoetoe Licensing Trusts are linked together by Northern Trusts Limited, which is jointly owned through the subsidiaries of each trust. The company provides management services to group entities on a break-even basis. Each licensing trust is subject to full competition in its local area.
- 4.073 Mt Wellington owns directly and indirectly through its other subsidiaries – Mt Wellington Charitable Trust and wholly owned Keri Corporation Limited – Mt Wellington Trust Hotels Limited. This company operates the Waipuna Hotel and Conference Centre and the Panmure Tavern. Keri Corporation also operates a bar.
- 4.074 Mt Wellington Charitable Trust holds the licence for gaming machines operated in Licensing Trust premises. The Licensing Trust appoints several trustees to the charitable trust.





- 4.075 Otara Licensing Trust appoints half the trustees of East Tamaki Charitable Trust. The Licensing Trust operates a bar and an off-licence store. The charitable trust holds licences for gaming machines on trust premises, and makes distributions to the community.
- 4.076 Papatoetoe Licensing Trust appoints half the trustees of St George Charitable Trust. The Licensing Trust also runs a tavern and off-licence store. The charitable trust receives distributions from the CGF, which holds the licences for gaming machines on Licensing Trust premises. The distributions are then redistributed back out to the community.
- 4.077 Mt Wellington Licensing Trust group is currently undergoing some restructuring and is concluding refinancing arrangements in an attempt to return the trading operations of Waipuna Hotel and Conference Centre and the Panmure Tavern to profitability. For 2001-02, the licensing trust had a deficit of \$431,000 (2000-01: \$570,000) and at 31 March 2002 had a high ratio (60.9%) of term debt to total assets.
- 4.078 Otara operated at a deficit in 2000-01 and 2001-02, while Papatoetoe produced a small surplus. Otara had a positive current ratio whereas Papatoetoe did not.

Oamaru

- 4.079 Oamaru Licensing Trust operates bottle stores, a wholesale liquor outlet, several bars, hotel accommodation, and a restaurant. It is subject to full competition for the sale and supply of alcohol in the Oamaru area. It has three subsidiaries, one of which – Totara Hotels Limited – is used for name protection only and does not trade.
- 4.080 Oamaru Licensing Trust Charitable Foundation and Totara Hotels Sports Foundation administer gaming machine proceeds distributed from the CGF. The gaming machines are operated from licensing trust premises.
- 4.081 Oamaru has consistently operated at a deficit in recent years, although it has made some donations to the community. In 2002, \$534,000 was generated through gaming machines for which the CGF holds the licences. The Trust has an ongoing solvency problem resulting from the sale of a division in April 2001. At 31 March 2002, it had moderate debt levels that were reduced in 2002-03, a current ratio of 0.95:1 (2001: 1.2:1), and a ratio of term debt to total assets of 22.1% (2001: 24.6%).





REVIEW OF LICENSING TRUSTS

FOUR

Parakai

- 4.082 Parakai Licensing Trust owns a tavern, which it leases to an independent operator. Its only income is rent, it has no subsidiaries, and it is subject to full competition in its local area. The trustees may not be meeting their objects under the Sale of Liquor Act by having no direct involvement in the sale and supply of liquor.
- 4.083 The Trust's return on equity is low and it makes minimal donations to the community out of profits. In 2001-02 it distributed \$19,000 to the community from gaming machine proceeds administered by the CGF. The Trust has a good current ratio and no term debt, and so is in a sound financial position.

Porirua

- 4.084 Porirua Licensing Trust – through its subsidiaries Mana Taverns Limited and Trust Porirua – owns property and operates cafes, bars, and gaming machines. The Trust is subject to full competition in its local district.
- 4.085 Mana Community Grants Foundation was formed in December 2002 to take over gaming machine licences held by the CGF. The Licensing Trust provides management services to its subsidiaries. All of the subsidiary entities are consolidated into the Trust's financial results.
- 4.086 In recent years, Porirua has incurred ongoing deficits. However, for 2001-02 it made a surplus of \$28,000 (2000-01: \$469,000 deficit), and improved its current ratio significantly from 0.8:1 at 31 March 2001 to 1.8:1 at 31 March 2002. The ratio of term debt to total assets also improved from 8.1% to 5.3% between 2001 and 2002.

Portage and Waitakere

- 4.087 Portage and Waitakere Licensing Trusts each own 50% of West Auckland Trust Services Limited. The company supplies each Trust with managerial and secretarial services. It also buys liquor and distributes it at cost to the licensing trusts as well as undertaking some wholesale distribution. The company's results are not consolidated into either Trust's financial results. Therefore, for this analysis, we have manually prepared a consolidated position for the Portage and Waitakere "group" (including West Auckland Trust Services Limited).





- 4.088 Portage and Waitakere also each have subsidiary charitable foundations (which are currently dormant), and operate gaming machines for which the licences are held by the CGF. Both Trusts also have exclusive licence rights for the sale and supply of alcohol in their respective districts.
- 4.089 Both Portage and Waitakere produce a return on equity of approximately 7%, which is consistent with the industry average. They also have minimal term debt and adequate current ratios. As a “group”, in 2001-02 they distributed \$747,000 (2000-01: \$397,000) to the community out of profits and a further \$5.5 million from gaming machine proceeds administered by the CGF.

FOUR

Te Kauwhata

- 4.090 Te Kauwhata Licensing Trust operates a tavern which has gaming machines on site licensed through the CGF. The Trust has no subsidiaries and has exclusive licence rights for the sale and supply of alcohol in its district. It has voluntarily allowed the local 4 Square Supermarket to sell liquor.
- 4.091 The Trust is very small and makes low returns to the community. It is in a reasonably sound financial position with a current ratio of 1.2:1 and low term debt.

Terawhiti

- 4.092 Terawhiti Licensing Trust has a subsidiary charitable trust that holds investments and distributes income by way of scholarships. It is in partnership with a company managing two bars, and is subject to full competition. Neither the charitable trust nor the partnership results are consolidated into the Trust’s financial results. The Trust’s income is 25% of the partnership income. The 2001-02 audit has not yet been completed because of issues related to obtaining information.
- 4.093 Terawhiti has a history of deficits, although in 2000-01 it broke even. In 2001-02 it incurred a \$35,000 deficit. However, at 31 March 2002 it had a positive current ratio of 19.2:1 (2001: 4.6:1) and no term debt.





REVIEW OF LICENSING TRUSTS

Wainuiomata

FOUR

- 4.094 Wainuiomata Licensing Trust has ceased operating and is in the process of winding up. Because audited financial statements for the period up to the winding up are not yet available, we have not included information relating to Wainuiomata in our analysis.

Wiri

- 4.095 Wiri Licensing Trust operates a tavern in South Auckland, and also owns a commercial property in Manukau City (which it leases to four tenants). The Trust is subject to full competition and has no subsidiaries.
- 4.096 In 2001-02, the Trust produced a small return on equity of 5.3% (2001: 6.9%). At 31 March 2002, it had a current ratio of 0.3:1 (2001: 0.35:1), and a ratio of term debt to total assets of over 30%.





REVIEW OF LICENSING TRUSTS

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Trust or Subsidiary	Revenue		Surplus/(Deficit)		Surplus/(Deficit) before interest, tax, donations	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Ashburton	16,239	14,668	988	758	1,970	1,540
Cheviot	857	891	36	27	64	53
Geraldine	1,775	2,038	78	59	117	90
Birkenhead	5,215	5,968	44	296	232	405
Clutha	8,579	7,755	251	161	444	350
Flaxmere (4)	2,111	1,871	118	93	178	136
Masterton (5)	36,295	29,175	3,650	2,427	5,882	3,943
Rimutaka	1,793	1,693	276	144	284	146
Hawarden	23	20	3	1	7	4
Invercargill	56,206	47,662	3,339	2,371	7,299	5,110
ILT Charitable Trust	3,066	2,419	283	173	1,492	1,159
ILT Sports Foundation	5,706	4,340	713	400	3,112	2,227
Invercargill (Consolidated) (6)	63,798	53,418	4,335	2,944	11,902	8,496
Johnsonville	2,907	3,615	94	(26)	122	18
Mataura	20,288	15,743	955	445	1,542	814
Mt Wellington (7)	13,895	21,877	(431)	(570)	1,173	1,296
Mt Wgtn Charitable Trust (Board)	25	31	5	20	5	20
Mt Wgtn Charitable Trust (Gaming)	2,296	2,868	160	181	1,087	1,363
Mt Wellington (Consolidated) (8)	16,216	24,777	(266)	(369)	2,266	2,679
Otara	2,497	3,290	(230)	(244)	(230)	(236)
East Tamaki Charitable Trust	1,012	874	(53)	67	464	361
Papatoetoe	7,205	4,653	121	41	147	73
St George Charitable Trust	462	433	(46)	97	462	431
Oamaru (9)	13,073	12,344	(255)	(152)	185	149
Parakai	70	69	22	28	39	42
Porirua	2,810	3,025	28	(469)	68	(443)
Portage	39,384	38,696	511	645	847	1,265
Portage Charitable Foundation	113	1,107	(393)	(157)	33	222
West Auckland Trust Services Ltd	25,705	25,159	(48)	40	(50)	47
Waitakere	53,868	51,464	930	1,154	1,663	1,750
Portage & Waitakere (Consolidated)	85,630	82,192	1,000	1,682	2,493	3,284
Te Kauwhata	630	594	11	(1)	15	1
Terawhiti (10)	32	191	(35)	-	(34)	-
Wiri	1,610	1,738	121	150	347	396

FOUR





REVIEW OF LICENSING TRUSTS

FOUR

Trust or Subsidiary	Total Assets		Equity		Donations (1)		Other Com Conts
	2002 \$000	2001 \$000	2002 \$000	2001 \$000	2002 \$000	2001 \$000	2002 \$000
Ashburton	11,344	10,669	9,230	8,242	509	425	(3) 265
Cheviot	1,614	1,429	1,240	1,204	-	-	1
Geraldine	1,072	989	770	692	-	-	118
Birkenhead	2,823	2,895	2,564	2,520	155	24	40
Clutha	4,441	4,750	3,164	2,913	-	-	360
Flaxmere (4)	1,771	1,354	1,472	1,085	-	-	342
Masterton (5)	36,225	32,807	18,367	15,600	1,155	283	274
Rimutaka	1,123	1,148	956	950	-	-	671
Hawarden	344	325	334	315	1	1	4
Invercargill	49,843	45,464	42,612	39,274	1,618	1,048	-
ILT Charitable Trust	3,148	2,080	1,640	1,357	1,209	986	-
ILT Sports Foundation	2,881	2,010	2,238	1,525	2,399	1,827	-
Invercargill (Consolidated) (6)	55,824	49,472	46,491	42,156	5,226	3,861	-
Johnsonville	4,469	4,747	4,073	3,979	-	-	348
Mataura	10,537	8,672	7,897	6,942	100	100	728
Mt Wellington (7)	29,971	32,468	5,349	5,780	-	-	-
Mt Wgtn Charitable Trust (Board)	6,423	6,362	5,380	5,374	-	-	-
Mt Wgtn Charitable Trust (Gaming)	959	897	887	728	906	1,147	-
Mt Wellington (Consolidated) (8)	31,439	33,814	9,615	9,881	906	1,147	-
Otara	848	1,173	459	689	-	-	-
East Tamaki Charitable Trust	248	400	165	218	502	279	-
Papatoetoe	2,568	1,661	994	873	-	-	-
St George Charitable Trust	148	194	148	194	508	334	-
Oamaru (9)	7,285	7,306	3,301	3,387	92	68	534
Parakai	692	741	686	729	7	2	9
Porirua	4,489	4,600	3,853	3,801	-	-	589
Portage	12,418	12,350	9,770	9,259	76	3	2,777
Portage Charitable Foundation	92	698	84	477	426	379	-
West Auckland Trust Services Ltd	4,684	3,770	(269)	(221)	-	-	-
Waitakere	20,321	19,015	16,088	15,157	245	15	2,685
Portage and Waitakere (Consolidated)	35,515	33,833	25,673	24,672	747	397	5,462
Te Kauwhata	292	278	223	213	-	-	65
Terawhiti (10)	240	290	236	271	-	-	160
Wiri	3,909	4,038	2,295	2,174	-	-	19





REVIEW OF LICENSING TRUSTS

B.29[03b]

Donations % of Revenue		Donations % of surplus/(deficit) before donations		Surplus/ (Deficit) % of Revenue (2)		Return on Equity		Current Ratio		Term Debt to Total Assets	
2002 %	2001 %	2002 %	2001 %	2002 %	2001 %	2002 %	2001 %	2002 %	2001 %	2002 %	2001 %
3.1	2.9	34.0	35.9	9.2	8.1	16.2	14.4	181.1	137.6	0.6	1.8
-	-	-	-	4.2	3.1	2.9	2.3	153.5	288.1	-	-
-	-	-	-	4.4	2.9	10.1	8.5	187.6	168.0	-	-
3.0	0.4	77.9	7.5	3.8	5.4	7.8	12.7	1,016.6	715.7	-	-
-	-	-	-	2.9	2.1	7.9	5.5	84.8	67.3	-	7.4
-	-	-	-	5.6	5.0	8.0	8.6	132.6	92.2	-	-
3.2	1.0	24.0	10.4	13.2	9.3	26.2	17.4	80.8	69.6	34.1	38.1
-	-	-	-	15.4	8.5	28.9	15.2	99.3	88.4	-	-
3.8	2.6	25.9	33.2	14.6	7.8	1.0	0.5	146.9	401.6	-	-
2.9	2.2	32.6	30.7	8.8	7.2	11.6	8.7	246.3	357.3	-	-
39.4	40.8	81.1	85.1	48.7	47.9	91.0	85.4	148.1	189.5	-	-
42.0	42.1	77.1	82.0	54.5	51.3	139.0	146.0	299.4	214.6	-	-
8.2	7.2	54.7	56.7	15.0	12.7	20.6	16.1	234.1	332.6	-	-
-	-	-	-	3.2	-0.7	2.3	-0.7	128.0	117.0	1.7	4.8
0.5	0.6	9.5	18.3	5.2	3.5	13.4	7.9	204.1	244.2	-	-
-	-	-	-	-3.1	-2.6	-8.1	-9.9	74.9	83.3	76.9	70.9
-	-	-	-	21.9	65.0	0.1	0.4	39.2	35.2	-	-
39.5	40.0	85.0	86.4	46.4	46.3	120.1	182.4	876.3	233.6	-	-
5.6	4.6	141.5	147.4	3.9	3.1	6.7	7.9	82.4	78.7	60.9	56.5
-	-	-	-	-9.2	-7.4	-50.1	-35.4	100.1	153.3	-	-
49.6	31.9	111.7	80.5	44.4	39.6	272.5	159.1	101.8	113.0	-	-
-	-	-	-	1.7	0.9	12.2	4.7	99.0	68.4	5.8	-
110.0	77.1	110.0	77.5	100.0	99.5	311.8	221.4	-	-	-	-
0.7	0.6	-56.4	-81.0	-1.2	-0.7	-4.9	-2.5	95.0	116.5	22.1	24.6
10.1	3.2	24.0	7.4	41.8	43.3	4.3	4.1	1,965.8	845.7	-	0.2
-	-	-	-	1.0	-15.5	0.7	-12.3	178.5	82.6	5.3	8.1
0.2	-	12.9	0.5	1.5	1.7	6.0	7.0	132.0	126.5	0.2	0.7
378.4	34.2	1,294.6	170.9	29.2	20.0	39.0	46.4	1,225.6	316.7	-	-
-	-	-	-	-0.2	0.2	17.8	-18.1	90.5	89.4	-	-
0.5	-	20.9	1.3	2.2	2.3	7.3	7.7	171.6	160.1	-	-
0.9	0.5	42.8	19.1	2.0	2.5	6.8	8.4	155.8	157.0	0.1	0.2
-	-	-	-	1.7	-0.1	4.7	-0.3	124.2	124.3	0.3	4.2
-	-	-	-	-108.6	0.0	-14.6	-	1,917.6	459.1	-	0.4
-	-	-	-	7.5	8.6	5.3	6.9	30.2	34.8	31.0	36.7

FOUR





REVIEW OF LICENSING TRUSTS

FOUR

Footnotes from the previous three pages

- 1 “Donations” is made up of only those items in the Trust’s Annual Report disclosed as donations or charitable distributions. “Other community contributions” includes distributions to the community by way of sponsorships or promotions and also grants made directly by the Community Grants Foundation and the like from gaming machine income.
- 2 Surplus/(Deficit) as a % of Revenue and Return on Equity calculations use surplus before donations.
- 3 Ashburton’s other community contributions are in the form of sponsorships, which are included in operating expenditure.
- 4 Flaxmere, Masterton, and Rimutaka results have been adjusted for incorrect accounting treatments in relation to disclosure of donations, and treatment of gaming machine revenue and expenditure for which the group entities act only as agent. The accounting treatment adopted by the Trust House group entities resulted in a qualified audit opinion. The effect of this treatment has been eliminated from the results so that the group results can be compared with other licensing trusts.
- 5 Masterton figures include the minority interests associated with ownership of Trust House Ltd.
- 6 Invercargill Licensing Trust “Consolidated” results have been manually calculated by adding individual entity results and eliminating inter-entity transactions disclosed as related party transactions in the Annual Report of each entity. From 2003, the results of the Trust Group will be consolidated in its Annual Report.
- 7 The Mt Wellington Licensing Trust result includes the minority interests of Mt Wellington Charitable Trusts.
- 8 The Mt Wellington Licensing Trust “Consolidated” results have been manually calculated by adding individual entity results and eliminating inter-entity transactions disclosed as related party transactions in the Annual Report of each entity.
- 9 The 2001 Oamaru Licensing Trust results are parent-only, as subsidiaries were not consolidated until 2002.
- 10 Terawhiti Licensing Trust 2002 financial statements have not been audited.

