



# Financial Statements

Q Theatre Trust Group  
For the year ended 30 June 2021

## Contents

3	Audit Report
5	Approval of Financial Report
6	Statement of Comprehensive Revenue and Expense
7	Statement of Financial Position
8	Statement of Changes in Equity
9	Statement of Cash Flows
10	Notes to the Financial Statements





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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Trustees of Q Theatre Trust**

#### **Opinion**

We have audited the consolidated financial statements of Q Theatre Trust (the "Trust") and its controlled entity, Q Theatre Limited (together "the Group") on pages 6 to 15, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Accounting Standards with Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm provides accounting services to the Group. The firm has no other relationship with, or interests in, the Group.

#### **Emphasis of Matter - Going Concern**

We draw attention to Note 8 in the financial report, which sets out the basis upon which the Trustees have prepared the financial statements on a going concern basis. Our opinion is not modified in respect of this matter.

#### **Trustees' Responsibilities for the Consolidated Financial Statements**

The Trustees are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Accounting Standards with Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as the Group determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Trustees are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Trustees 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 the audit.

### **Restriction on Use**

This report is made solely to the Trustees of the Trust, as a body. Our audit has been undertaken so that we might state to the Trustees of the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trustees of the Trust as a body, for our audit work, for this report, or for the opinions we have formed.



# Approval of Financial Report

## Q Theatre Trust Group For the year ended 30 June 2021

In the opinion of the Trustees, the financial statements and notes of Q Theatre Trust and its subsidiary (the Group) on pages 6 to 15:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Group as of 30 June 2021 and the results of the Group for the year ended that date.
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Trustees believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the group and facilitated compliance of the financial statements with the Financial Reporting Act 2013.

The Trustees consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Trustees are pleased to present the Group financial statements, as at and for the year ended 30 June 2021.

DocuSigned by:  
*Greg Innes*  
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CEO .....  
Date 3 December 2021 .....

DocuSigned by:  
*Andrew Smith*  
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Trustee .....  
Date 3 December 2021 .....



# Statement of Comprehensive Revenue and Expense

Q Theatre Trust Group  
For the year ended 30 June 2021

	Notes	2021	2020
<b>Revenue</b>			
Sales of Goods & Services	3	793,969	1,322,135
Grants & Donations	3	641,906	1,366,225
Other Revenue		323,044	418,601
<b>Total Revenue</b>		<b>1,758,919</b>	<b>3,106,961</b>
<b>Expenses</b>			
Employee Benefits Expenses		949,290	1,568,494
Operating Expenses		577,801	857,485
Administration Expenses		243,334	263,045
<b>Total Operating Expenses</b>		<b>1,770,425</b>	<b>2,689,024</b>
<b>Operating (Deficit)/Surplus</b>		<b>(11,506)</b>	<b>417,937</b>
<b>Depreciation</b>			
Depreciation	4	715,656	720,326
<b>Total Depreciation</b>		<b>715,656</b>	<b>720,326</b>
<b>Deficit for the year</b>		<b>(727,162)</b>	<b>(302,389)</b>



# Statement of Financial Position

Q Theatre Trust Group  
As of 30 June 2021

	Notes	2021	2020
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$	684,634	\$377,983
Trade Receivables	\$	198,557	\$10,944
Inventories	\$	9,530	\$11,740
Other Current Assets	\$	21,552	\$10,016
<b>Total Current Assets</b>	<b>\$</b>	<b>914,273</b>	<b>\$410,683</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4 \$	15,493,328	\$16,183,908
Intangible Assets	\$	6,250	\$7,875
<b>Total Non-Current Assets</b>	<b>\$</b>	<b>15,499,579</b>	<b>\$16,191,783</b>
<b>Total Assets</b>	<b>\$</b>	<b>16,413,852</b>	<b>\$16,602,466</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade Payables & Accruals	\$	663,202	\$154,636
Deferred Revenue	\$	347,477	\$164,838
Borrowings	5 \$	7,973	\$200,000
<b>Total Current Liabilities</b>	<b>\$</b>	<b>1,018,652</b>	<b>\$519,474</b>
<b>Non-Current Liabilities</b>			
Borrowings	\$	189,369	\$0
Related Party Loan	6 \$	150,000	\$300,000
<b>Total Non-Current Liabilities</b>	<b>\$</b>	<b>339,369</b>	<b>\$300,000</b>
<b>Total Liabilities</b>	<b>\$</b>	<b>1,358,021</b>	<b>\$819,474</b>
<b>Net Assets</b>	<b>\$</b>	<b>15,055,830</b>	<b>\$15,782,992</b>
<b>Equity</b>			
Retained Earnings	\$	15,055,830	\$15,782,992
<b>Total Equity</b>	<b>\$</b>	<b>15,055,830</b>	<b>\$15,782,992</b>



## Statement of Changes in Equity

Q Theatre Trust Group  
For the year ended 30 June 2021

	2021	2020
<b>Retained Earnings</b>		
Balance at 1 July 2020	15,782,992	16,085,381
Deficit for the year	(727,162)	(302,389)
<b>Balance at 30 June 2021</b>	<b>15,055,830</b>	<b>15,782,992</b>





## Statement of Cash Flows

Q Theatre Trust Group

For the year ended 30 June 2021

Account	2021	2020
<b>Operating Activities</b>		
Cash received from donations, grants & sponsorship	1,104,510	1,737,630
Cash received from customers and contracts	627,033	1,070,590
Cash paid to suppliers	(336,611)	(1,215,345)
Cash paid to employees	(949,290)	(1,587,332)
GST	33,626	(42,991)
Interest Paid	(11)	(1,489)
<b>Net Cash Flows from Operating Activities</b>	<b>479,257</b>	<b>(38,937)</b>
<b>Investing Activities</b>		
Interest received	(867)	635
Payments to acquire property, plant and equipment	(24,719)	(1,355)
<b>Net Cash Flows from Investing Activities</b>	<b>(25,586)</b>	<b>(720)</b>
<b>Financing Activities</b>		
Repayment of loans	(152,658)	0
<b>Net Cash Flows from Financing Activities</b>	<b>(152,658)</b>	<b>0</b>
<b>Net change in Cash and Cash Equivalents</b>	<b>306,651</b>	<b>(39,657)</b>
Cash and cash equivalents at beginning of period	<b>377,983</b>	<b>417,640</b>
Cash and cash equivalents at end of period	<b>684,634</b>	<b>377,983</b>



# Notes to the Financial Statements

Q Theatre Trust Group  
For the year ended 30 June 2021

## 1. GENERAL OVERVIEW

### (a) Reporting Entity

Q Theatre Trust (the 'Trust') is a trust incorporated in New Zealand, registered under the Charities Act 2005, and is domiciled in New Zealand. The Trust and its subsidiary Q Theatre Limited comprise the Q Theatre Trust Group ('Group'). The purpose of the Group and its principal activity is to build, own, preserve, protect, and manage as a public amenity, a 350-460 seat flexi-form theatre at 305 Queen Street, Auckland. The consolidated financial statements of the Trust are for the year ended 30 June 2021 were authorised for issue by the board on the date specified on page 5.

### (b) Basis of Preparation

The financial statements have been prepared under the Financial Reporting Act 2013 in accordance with New Zealand Generally Accepted Accounting Practice (NZGAAP). For the purpose of financial reporting, they comply with Public Benefit Entity Standards Reduced Disclosure Regime (Not-For-Profit) (PBERDR). The company has elected to report in accordance with PBERDR accounting standards on the basis that it does not have public accountability and has total expenses of less than \$30 million. The financial statements are presented in New Zealand Dollars (\$), which is the Groups functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest dollar, except when otherwise indicated.

### (c) Tax

The Group is exempt from income tax due to its charitable nature. The Trust registered with the charities commission on 30 June 2008 and its registered number is CC27656. All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

### (d) Use of Estimates and Judgements

The preparation of financial statements requires the Trustees to make judgements, estimates and assumptions that affect the application of the accounting policies and amounts recognised in the financial statements. The significant accounting estimates and judgements in these financial statements is the useful life and residual value of Q Theatre building. These assumptions impact on the carrying value of property plant and equipment in the statement of financial position and depreciation expense recognised in the statement of comprehensive revenue and expense. Refer to note 4.



## **2. ACCOUNTING POLICIES**

### **(a) Cash & cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### **(b) Receivables and prepayments**

Trade and other receivables are recognised initially at cost. Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

### **(c) Expenses**

Expenses are recognised on an accrual basis.

### **(d) Accounts payable and accruals**

Trade and other payables are recognised initially at cost. Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### **(e) Employee benefits**

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash out flow to be made in respect of services provided by employees up to the reporting date.

### **(f) Consolidation**

The Trust consolidates the activities of its 100% owned subsidiaries Q Theatre Limited by using the acquisition method. This is because it has the power to govern the financial and operating policies of the company. Inter-company transactions, balances, and unrealised gains, and/or losses on transactions between Group entities are eliminated. Accounting policies of the subsidiary are aligned to ensure consistency with the policies adopted by the Group.

### **(g) Borrowings and related party loans**

Borrowings and related party loans are recognised initially at fair value plus transaction costs. Borrowings and related party loans are measured subsequently at amortised cost using the effective interest method.



### 3. REVENUE

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. Revenue from the sale of goods and services relates to tickets, café, and bar sales.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue comprises the fair value of consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities. Revenue is shown net of GST, returns, rebates, and discounts and after eliminating sales within the Group.

Deferred revenue relates to funds for ticket sales that have been received for future shows. If the particular show has not happened in the current year, these funds have been classified as deferred revenue.

Grants and donations received are non-exchange transactions and are recognised in revenue, unless specific conditions are attached to the grant or donation and repayment is required where these conditions are not met. In these cases, the grant is treated as a liability called deferred revenue until the conditions are met.

Interest received is credited to the Statement of Comprehensive Revenue and Expense on an accrual basis.

Auckland Council has granted \$870,220 (2020: \$1,030,636) to assist with the operation of the Q Theatre facility. The funding is conditional on the purposes for which the fund is granted including arts and creative entrepreneurship. The grant shall not be used for any other purposes except those listed in the agreement.

### 4. PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment includes its purchase price, costs directly attributable to bringing it to the location and condition necessary for it to operate as intended and the initial estimate of dismantling and removing the item and restoring the site on which it is located.

After initial recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Subsequent costs are added to the carrying amount of an item of property, plant, and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are expensed as incurred.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (i.e., the asset is impaired). An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in surplus or deficit. Depreciation is provided on a straight-line basis at rates calculated to allocate the cost less estimated residual value over the estimated economic lives of the assets. Depreciation is charged to the profit or loss. The following depreciation rates have been used for each class of asset:



The Q theatre is built on land leased from Auckland Council for a period of 35 years until 6 July 2046. The building is depreciated on a straight-line basis over the remaining life of the lease and assuming the building has no residual value.

Within Q's consolidated annual accounts, building depreciation is a very significant charge. The Trustees note that their focus is ensuring that the building and all associated fixtures, fittings and equipment remain fit for purpose, and accordingly that maintenance and replacement of capital items is sufficient to ensure this is achieved. Ongoing discussions with Auckland Council regarding maintenance planning and how that is funded remains a priority for the Trustees. Group asset related expenses during the year included \$85,497.51 on building and equipment maintenance, and \$34,601 on asset replacement.

Buildings	4% SL
Plant and equipment	4% – 67% SL
Furniture, Fixtures & Fittings	7% - 67% SL
Signage	7% SL

	Buildings	Plant and equipment	Furniture, Fixtures & Fittings	Signage	Website & Software	Total
<b>Cost</b>						
Opening at 1/7/2020	19,060,716	475,216	2,156,218	87,923	129,995	21,910,068
Plus additions	-	30,750		-	-	30,750
Less Disposals	-	35,211	9,932	-	18,626	63,769
Closing at 30/06/2021	19,060,716	470,755	2,146,286	87,923	111,369	21,877,049

<b>Accumulated depreciation</b>						
Opening at 1/7/2020	3,647,649	386,329	1,513,940	49,259	122,119	5,719,295
Plus Depreciation	594,125	12,211	101,539	6,155	1,626	715,656
Less Disposals		34,110	4,745		18,626	57,481
Closing at 30/6/2021	4,241,774	364,429	1,610,735	55,413	105,119	6,377,470
Net book value 30/6/2021	14,818,942	106,326	535,551	32,509	6,250	15,499,579
Net book value 30/6/2020	15,414,334	181,356	549,554	38,664	7,875	16,191,783

## 5. BORROWINGS

The loan advanced from Auckland Council is to be used for working capital purposes. The loan is secured by way of a general security agreement against the Group assets. Auckland Council has reached agreement with the Group to extend the term of the loan of \$200,000 over the life of the Q Theatre lease which concludes in 2046. This agreement is in place and repayment of loan has started from March 2021. The loan is interest free.



<b>6. RELATED PARTIES</b>	<b>2021</b>	<b>2020</b>
Senior Management (4)	305,938	317,885

The Chairman of the Q Theatre Group had provided a loan of \$300,000 which is interest free and repayable in 2023, of which \$150,000 has been repaid on 30th June 2021.

Indian Ink Theatre (IITC) is a related party due to Justin Lewis being a Director and Shareholder of IITC as well as being a Trustee of Q Theatre Trust. During the year Q Theatre hosted the production "Paradise" which was produced by IITC. Q Theatre recognised revenue from services, including theatre hire and labour amount of \$62,178 (2020: \$23,752) from this performance

No Related party debts have been written off or provided as doubtful debts in 2021 (2020: nil)

## **7. COMMITMENTS AND CONTINGENCIES**

At balance date there are no known contingent liabilities (2020: \$0). The Trust has not granted any securities in respect of liabilities payable by any other party whatsoever.

## **8. GOING CONCERN**

These financial statements are prepared on the assumption that the Group will continue its operations for the foreseeable future.

The Group has reported a deficit for the year of \$727,162 (2020: \$302,389), which includes the recognition of a non-cash accounting charge for depreciation on the building and has a negative working capital position where current liabilities exceed current asset of \$104,380 (2020: \$108,790).

The Group is reliant on the continued support of its funders, including its major funder Auckland Council. Council has determined in its most recently approved Long Term Plan to revise its funding support for the Group and new funding agreements that reflect this increased support have been concluded.

In August 2021 the Auckland region went into lock down as a result of the Covid 19 pandemic. Consequently, a number of performances were cancelled and postponed, and the theatre was closed for an extended period post balance date. The Group has been able to continue as a going concern with the government wage subsidy and resurgence support payments. The Group's cash flow forecasts assume public health conditions will permit Q Theatre to open and some trading will take place for the second half of the 2022 financial year.

The Trustees have reviewed the Group's budget for the twelve months to 30 June 2022 together with the current financial performance and position of the Group and consider that it is appropriate to continue to prepare these financial statements on a going concern basis for the year ended 30 June 2021.



## 17 Financial instruments

### (a) Carrying value of financial instruments

The carrying amount of all material financial position assets and liabilities are considered to be equivalent to fair value.

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

### (b) Classification of financial instruments

All financial assets held by the Group are classified as "loans and receivables" and are carried at amortised cost.

All financial liabilities held by the Group are carried at amortised cost using the effective interest rate method.

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities.

2021	Loans and receivables	Financial Liabilities at amortised cost	Total
<b>Financial assets</b>			
Cash and cash equivalents	684,634	-	684,634
Trade debtors and other receivables	198,557		198,557
<b>Total</b>	<b>883,191</b>	<b>-</b>	<b>883,191</b>
<b>Financial liabilities</b>			
Trade creditors and other payables	-	663,202	663,202
Loans and borrowings	-	347,342	347,342
<b>Total</b>	<b>-</b>	<b>1,010,544</b>	<b>1,010,544</b>

2020	Loans and receivables	Financial Liabilities at amortised cost	Total
<b>Financial assets</b>			
Cash and cash equivalents	377,983	-	377,983
Trade debtors and other receivables	10,944	-	10,944
<b>Total</b>	<b>388,927</b>	<b>-</b>	<b>388,927</b>
<b>Financial liabilities</b>			
Trade creditors and other payables	-	154,636	154,636
Loans and borrowings	-	500,000	500,000
<b>Total</b>	<b>-</b>	<b>654,636</b>	<b>654,636</b>

