

REPORT

2016 Annual Report for Pub Charity Limited



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INDEPENDENT AUDITOR'S REPORT

For Pub Charity Limited



Grant Thornton

Independent Auditor's Report

Audit

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To the Shareholders of Pub Charity Limited

We have audited the accompanying financial statements of Pub Charity Limited (the "Company") on pages 3 to 22 which comprise the statement of financial position as at 30 September 2016, and the statement of comprehensive revenue and expenses, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The responsibility of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Public Benefit Entity International Public Sector Accounting Standards (Not For Profit), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

Chartered Accountants
Member of Grant Thornton International Ltd



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

Our firm carries out other assignments for Pub Charity Limited in the area of reviews of financial forecasts for DIA license purposes. The firm has no other interest in the Company.

Opinion

In our opinion, the financial statements on pages 3 to 22 present fairly, in all material respects, the financial position of Pub Charity Limited as at 30 September 2016, and its financial performance, and cash flows, for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards (Not For Profit).

Restriction on use of our report

This report is made solely to the shareholders of Pub Charity Limited, as a collective body. Our audit work has been undertaken so that we might state to the shareholders, as a collective body those matters which 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 Pub Charity Limited and the shareholders, as a collective body, for our audit work, for this report or for the opinion we have formed.

A handwritten signature in dark ink that reads "Grant Thornton".

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
2 December 2016

FINANCIAL STATEMENTS

For Pub Charity Limited

Statement of Comprehensive Revenue and Expenses

For the year ended 30 September 2016	Notes	2016 \$000	2015 \$000
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DISTRIBUTABLE REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from gaming machines	77,121	33,078
Interest revenue	252	64
Total distributable revenue from exchange transactions	77,373	33,142

DISTRIBUTIONS

Donations paid to the community	31,743	13,386
Returned donations	(518)	(98)
Total funds distributed	31,225	13,288

OTHER REVENUE FROM EXCHANGE TRANSACTIONS

Other revenue transactions	13	192	20,988
Total other revenue from exchange transactions		46,340	40,842

EXPENSES

Employee related costs	2,113	2,034	
Administration expenses	1,167	935	
Licence fees	589	169	
Gaming machine duty	17,738	7,608	
Interest expense		47	
Depreciation and amortisation	9, 10	5,701	2,616
(Gains)/Loss on sale of property, plant and equipment	(25)	39	
Service expenses	3,900	1,339	
Problem gambling levy	1,160	498	
Other expenses	12,195	5,156	
Administration costs recharged	(49)	(2,147)	
Total expenses	44,489	18,294	

Total surplus for the year	6	1,851	22,548
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Other comprehensive revenue and expenses		0	0
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Total comprehensive revenue and expenses	1,851	22,548
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Statement of Changes in Net Assets

For the year ended 30 September 2016	Accumulated comprehensive revenue and expense \$000	Total equity \$000
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OPENING BALANCE 1 OCTOBER 2015	23,003	23,003
Surplus/(Deficit) for the year	1,851	1,851
Other comprehensive revenue	0	0
Closing equity 30 September 2016	24,854	24,854

OPENING BALANCE 1 OCTOBER 2014	455	455
Surplus for the year	22,548	22,548
Other comprehensive revenue	0	0
Closing equity 30 September 2015	23,003	23,003

Statement of Financial Position

As at 30 September 2016	Notes	2016 \$000	2015 \$000
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CURRENT ASSETS

Cash and cash equivalents	8	3,935	4,923
Receivables from exchange transactions		1,042	1,885
Prepayments		250	60
		5,227	6,868

NON-CURRENT ASSETS

Intangible assets	9	131	92
Property, plant and equipment	10	22,590	20,640
		22,721	20,732
Total assets		27,948	27,600

CURRENT LIABILITIES

Trade and other payables	11	1,195	2,776
Employee entitlements		136	107
Accrued expenses		232	176
Duty payable		1,531	1,538
Total liabilities		3,094	4,597
Net assets		24,854	23,003

EQUITY

Share capital \$2 unpaid		0	0
Accumulated comprehensive revenue and expense		24,854	23,003
Total net assets attributable to the owners of the controlling entity		24,854	23,003

Signed for and on behalf of the Board of Directors who authorised these financial statements for issue on 25 November 2016:



Director

Director

These financial statements should be read in conjunction with the notes to the financial statements.

Cash Flow Statement

For the year ended 30 September 2016

Notes

2016

2015

\$'000

\$'000

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts

Receipts from other grants	0	0
Receipts from exchange transactions	77,964	31,326
Receipts from returned donations	518	98
Receipts from other exchange transactions	0	3,862
Interest received	252	64
	78,734	35,350

Payments

Payments to suppliers	(38,566)	(13,727)
Payment to employees	(1,938)	(1,901)
Grants, contributions and sponsorship paid	(31,743)	(13,386)
Interest paid	0	(88)
	(72,247)	(29,102)

Net cash flows from operating activities	6,487	6,248
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CASH FLOWS FROM INVESTING ACTIVITIES

Receipts

Sale of property plant and equipment	1,470	58
	1,470	58

Payments

Purchase of property, plant and equipment	(9,137)	(1,908)
	(9,137)	(1,908)

Net cash flows from investing activities	(7,667)	(1,850)
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CASH FLOWS FROM FINANCING ACTIVITIES

Receipts

Proceeds from Pub Charity Inc		
Equity Appropriated	192	1,200
	0	0

Payments

Repayment of borrowings	0	(1,500)
	192	(1,500)

Net cash flows from financing activities	192	(300)
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Net increase/(decrease) in cash and cash equivalents	(988)	4,098
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Cash and cash equivalents at 1 October	4,923	825
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Cash and cash equivalents at 30 September	8	3,935	4,923
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These financial statements should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended
30 September 2016

1 Reporting entity

The reporting entity is Pub Charity Limited (“the Company”). The Company is domiciled in New Zealand and was incorporated in New Zealand on 14 September 2012 under the Companies Act 1993.

These financial statements and the accompanying notes summarise the financial results of activities carried out by the Company. The Company raises funds through the operation of gaming machines and distributes these funds for charitable purposes throughout New Zealand. These activities are governed by the requirements of the Gambling Act 2003, which is administered by the Department of Internal Affairs.

The Company is licensed to conduct Class 4 gaming under section 52 of the Gambling Act 2003 and was issued its licence on 5 April 2016 to expire 31 December 2016. Under section 56(6) that licence remains in force after its expiry date if (a) the Company has applied for renewal before the expiry date; and (b) the application has not been refused.

These financial statements have been approved and were authorised for issue by the Board of Directors on 25 November 2016.

2 Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“NZ GAAP”). They comply with Public Benefit Entity International Public Sector Accounting Standards (“PBE IPSAS”) and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, the Group is a public benefit not-for-profit entity and is applying Tier 1 Not-For-Profit PBE IPSAS as it has expenditure of more than \$30 million. The Board of Directors has elected to report and is in compliance with Tier 1 Not-For-Profit PBE Accounting Standards.

3 Effect of first-time adoption of PBE Standards on accounting policies and disclosures

This is the first set of financial statements of the Company that is presented in accordance with PBE Standards. The Company has previously reported in accordance with NZ IFRS (PBE).

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except for instances when the accounting or reporting requirements of a PBE Standard are different to requirements under NZ IFRS (PBE) as outlined below. There have been no changes on transition to PBE IPSAS (NFP).

4 Summary of accounting policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements.

4.1 Basis of measurement

These financial statements have been prepared on the basis of historical cost.

4.2 Functional and presentational currency

The financial statements are presented in New Zealand dollars (\$), which is the Company’s functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

4.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from exchange transactions

Gaming machine revenue

Revenue figures are obtained from the Department of Internal Affairs Electronic Monitoring System on a weekly basis. Revenue is recognised when received.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method.

4.5 Income tax

The Company is exempt from income tax in accordance with section CW48 of the (New Zealand) Income Tax Act 2007. The Directors have determined that all the Company’s income, including interest received and gain on sale of property, plant and equipment, is gaming proceeds and exempt from income tax.

The Company is also exempt from Fringe Benefit Tax.

4.6 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

The Company derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- the Company has transferred substantially all the risks and rewards of the asset; or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Assets

Financial assets within the scope of NFP PBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting revenue and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The Company's financial assets are classified as loans and receivables. The Company's financial assets include: cash and cash equivalents, short-term investments, receivables from non-exchange transactions, receivables from exchange transactions and investments.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The Company's cash and cash equivalents, and receivables from exchange transactions fall into this category of financial instruments.

Impairment of financial assets

The Company assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

In determining whether there is any objective evidence of impairment, the Company first assesses whether there is objective evidence of impairment of financial assets that are individually significant, and individually or collectively significant for financial assets that are not individually significant. If the Company determines that there is no objective evidence of impairment for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in surplus or deficit.

Financial liabilities

The Company's financial liabilities include trade and other creditors (excluding GST and PAYE) and employee entitlements.

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

4.7 Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.8 Donations

When members remit gaming machine revenue to the Company, a licence condition obligation arises to pay 40% of the GST exclusive Gaming Machine Proceeds (GMP) thereof to the community in the form of donations.

For the financial year under review the Company has met its obligation and paid out 40.4% GST exclusive receipts from members (2015: 40.1%). Payment requires approval by the Net Proceeds Committee that the recipient has requested the donation for an "authorised purpose" as defined by the Gambling Act 2003.

Donations are recognised on a cash basis, that is, when the payments are made through the bank account.

4.9 Problem Gambling Levy

The Company is required to pay a levy at rates set by Gazette Notice, currently 1.30%, to the Problem Gambling Foundation in accordance with Clauses 317 to 323 of the Gambling Act 2003 and its amendments.

4.10 Authorised deductions

The Secretary for the Department of Internal Affairs has authorised deductions for gaming machine amortisation, interest, service costs and administration charges from the proceeds collected by each machine.

Proceeds received are deemed to be GST inclusive and output tax is collected by the Company on behalf of Inland Revenue.

4.11 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Depreciation

Depreciation is charged on a straight line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

Computer equipment	30%
Other gaming equipment	18%
Gaming machine conversions	33%
Motor vehicles	25%
Gaming machines	20%
Link systems	20%
Leasehold improvements	18%
Cash management systems	28%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

4.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

The Company does not hold any intangible assets that have an indefinite life.

The amortisation periods for the Company's assets are as follows:

Software	30%
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4.13 Leases

Payments on operating lease agreements, where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense on a straight line basis over the lease term.

4.14 Employee benefits

Wages, salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

Employees of the Company become eligible for long service leave after a certain number of years of employment, depending on their contract. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

4.15 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except for receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the Statement of Financial Position.

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

4.16 Equity

Equity is the community's interest in the Company, measured as the difference between total assets and total liabilities. Equity is made up of the following components:

Accumulated comprehensive revenue and expense

Accumulated comprehensive revenue and expense is the Company's accumulated surplus or deficit since its formation, adjusted for transfers to/from specific reserves.

5 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has not made any significant judgements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposal:

- The condition of the asset
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset.

The estimated useful lives of the asset classes held by the Company are listed in Note 4.11 and 4.12.

6 Components of net surplus

Surplus includes the following specific expenses:

	2016 \$000	2015 \$000
Audit fees	28	23
Leasing and rental costs	137	157
Loss/(gain) on disposal of assets	(25)	39
Directors' fees and expenses	146	146

7 Auditor's remuneration

During the year audit fees of \$28k (2015: \$23k) were paid to Grant Thornton New Zealand Audit Partnership. In addition, non-audit fees of \$4k (2015: \$4k) were paid to Grant Thornton New Zealand Audit Partnership for other assurance services.

8 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2016 \$000	2015 \$000
Cash at bank	3,935	4,923
Short-term deposits with maturities of less than 3 months	0	0
Total cash and cash equivalents	3,935	4,923

9 Intangible Assets

	SOFTWARE \$000
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2016

Cost/Valuation	175
Accumulated depreciation	44
Net book value	131

2015

Cost	102
Accumulated depreciation	10
Net book value	92

Reconciliation of the carrying amount at the beginning and end of the period:

	SOFTWARE \$000
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2016

Opening balance	92
Additions	73
Disposals	0
Amortisation	34
Closing balance	131

2015

Opening balance	0
Additions	102
Disposals	0
Amortisation	10
Closing balance	92

10. Property, Plant and Equipment

	Gaming machines	Gaming machine conversions	Link equipment	Cash management systems	Leasehold improvements	Motor vehicles	Office equipment and furniture	Computer systems	Other equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
For the year ended 30 September 2016										

2016

Cost/Valuation	22,170	596	4,205	652	293	421	130	449	1,694	30,610
Accumulated depreciation	5,719	152	1,016	220	79	137	25	159	511	8,021
Net book value	16,451	444	3,189	432	214	284	105	290	1,183	22,590

2015

Cost	17,599	190	2,779	509	277	356	115	373	1,286	23,485
Accumulated depreciation	2,098	15	340	63	26	96	6	42	158	2,845
Net book value	15,501	175	2,439	446	251	260	109	331	1,128	20,640

Reconciliation of the carrying amount at the beginning and end of the period:

2016

Opening Balance	15,501	175	2,439	446	251	260	109	331	1,128	20,640
Additions	6,022	451	1,656	171	16	205	15	101	496	9,133
Disposals	(1,451)	(45)	(230)	(28)	0	(140)	0	(25)	(88)	(2,007)
Depreciation	3,621	137	676	157	53	41	19	117	353	5,176
Net book value	16,451	444	3,189	432	214	284	105	290	1,183	22,590

2015

Opening Balance	1,279	0	179	51	0	292	0	51	186	2,038
Additions	16,465	190	2,635	459	277	161	115	324	1,120	21,746
Disposals	(145)	0	(35)	(1)	0	(97)	0	(2)	(20)	(300)
Depreciation	2,098	15	340	63	26	96	6	42	158	2,845
Net book value	15,501	175	2,439	446	251	260	109	331	1,128	20,640

The Company is required to own the gaming equipment under section 67(1)(g) of the Gambling Act 2003. The purpose of owning assets is so that the Company can conduct gaming activities that generate net proceeds for distribution for authorised purposes. It is the Company's policy to ensure that equipment is

maintained on a current technological basis. An annual capital budget is reviewed by the Board of Directors. Capital expenditure proposals are reviewed by management to ensure they are reasonable, necessary and meet the objectives set by the Board for the operational effectiveness of the Company.

11 Trade and other payables

	2016 \$000	2015 \$000
Trade payables	1,201	1,732
Duty payable	1,531	1,538
GST payable	226	1,220
Employee benefit liabilities	136	107
	3,094	4,597

Trade creditors are usually settled on terms varying between seven days and 20th of the month following the invoice date and are non-interest bearing.

12 Related party transactions

		2016 \$000	2015 \$000	2016 \$000	2015 \$000
Related party	Description of the transaction	Value of transactions	Value of transactions	Amount outstanding	Amount outstanding
Directors	Serving on the Net Proceeds Committee	122	103	0	0

Key management personnel

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the members of the governing body which is comprised of the Board of Directors, Chief Executive Officer, General Manager of Operations and the Chief Financial Controller, which constitutes the governing body of the Company. The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration is as follows:

	2016 \$000	2015 \$000
Total remuneration	576	597
Number of persons	8	9

Remuneration and compensation provided to close family members of key management personnel

During the reporting period, total remuneration and compensation of \$16k (2015: \$16k) was provided by the Company to employees who are close family members of key management personnel.

13 Other revenue transactions

The Directors of the Company were also Trustees of Pub Charity (the Trust), which Trust was settled on 2 October 1987. The assets of the Trust have been appropriated to the Company in a process agreed by the Department of Internal Affairs at fair value, resulting in a gain of \$19,438k. An additional \$1,550k has also been appropriated as part of the wind up of the Trust. The Trustees approved the winding up of the Trust following the completion of this appropriation process. Surplus assets of \$192k remaining in the Trust were transferred to the Company at the date of dissolution.

14 Leases

As at the reporting date, the Board of Directors has entered into the following non-cancellable operating leases.

	2016 \$000	2015 \$000
Not later than one year	37	35
Later than one year and no later than five years	0	0
Later than five years	0	0
	37	35

The Company has Venue Agreements in place to reimburse Venue Operators the costs and expenses associated with the operation of the gaming equipment at the venue, such sum as may from time to time be approved by the Department of Internal Affairs, save that the costs incurred and the amount of the venue payment are subject to any limits or exclusions placed on costs or venue payments by the Department of Internal Affairs under section 116 of the Gambling Act 2003. The venue payment includes payment for the space in the venue occupied by the gaming machines. Venue Agreements are in force for a maximum of three years.

15 Reconciliation of surplus/(deficit) with net cash flows from operating activities

	2016 \$000	2015 \$000
Net surplus/(deficit) for the reporting period	1,659	1,559
Non-cash items:		
(Gain)/loss on sale	(25)	39
Depreciation	5,701	2,655
	7,335	4,253
Add/deduct items classified as investing or financing activities:		
Unrealised gain	0	0
	0	0
Movements in working capital:		
(Increase)/decrease in receivables from exchange transactions	842	(1,752)
(Increase)/decrease in inventories	0	0
(Increase)/decrease in prepayments	(190)	(59)
Increase/(decrease) in accounts payable	(1,529)	3,826
Increase/(decrease) in employee entitlements	29	(14)
	(848)	2,001
Net cash flows from operating activities	6,487	6,254

16 Categories of financial assets and liabilities

The carrying amounts of financial instruments presented in the Statement of Financial Position relate to the following categories of assets and liabilities:

	2016 \$000	2015 \$000
FINANCIAL ASSETS		
Loans and receivables		
Cash and cash equivalents	3,935	4,923
Receivables from exchange transactions	1,042	1,885
	4,977	6,808
FINANCIAL LIABILITIES		
At amortised cost		
Trade and other creditors	2,732	3,270
Employee entitlements	136	107
	2,868	3,377

17 Financial instrument risk

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in note 16. The main types of risks are market risks, credit risk and liquidity risk.

Risk is anything that has the ability to impact on the Company's goals and objectives. It is assessed in terms of a combination of the impact of an event occurring and can be categorised according to the areas they could potentially impact. These are:

- Commercial/financial sustainability
- Performance of core services
- Stakeholder confidence/reputation
- Preparedness to manage and respond to a crisis situation.
- People safety and resource availability
- Regulatory/contractual.

It is the responsibility of senior management to ensure that appropriate strategies are in place to manage risk and these strategies have the support of the Board and they are effectively communicated to all employees.

There were no material changes in the Company's risk exposure and risk management objectives and policies during the reporting period.

Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically to certain other price risk which results from its investing activities. Interest rate risk is not considered to be material as the Company has fixed interest rates for long-term borrowings and all of the Company's investments in bonds all pay fixed interest rates.

Credit risk analysis

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances held at the Bank of New Zealand and accounts receivable. Credit risk exists where one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation.

Debtors considered uncollectable have been written off and doubtful debts have been adequately provided for. The Company does not require any collateral or security to support financial instruments and other debts it holds due to the low risk associated with the realisation of these instruments. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date as follows:

Classes of financial assets

	2016 \$000	2015 \$000
Carrying amounts		
Cash and cash equivalents	3,935	4,923
Receivables from exchange transactions	1,042	1,885
	4,977	6,808

No receivables from exchange transactions are considered to be past due or impaired. The Board of Directors has assessed that all of the above financial assets are not impaired or past due for each of the reporting dates under review and are of good credit quality. The credit risks for cash and cash equivalents, short-term investments and long-term investments are considered negligible, since the counterparties are reputable banks with high quality external credit ratings. No impairment loss has been recorded in relation to the bonds portfolio held by the Company as all investments in bonds have been graded AA- by Standard & Poor's and the bonds are not past due. The carrying amounts disclosed above are the Company's maximum possible credit risk exposure in relation to these instruments.

The Company's policy is to deal only with creditworthy counterparties. No collateral is held by the Company in respect of its exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not materially exposed to interest rate risk from its interest earning financial assets.

The Company's funds are held in a Treasury Call Account whereby interest is calculated at the current market rates. The Company has entered into a revolving credit facility with a third party that is secured by a General Security Agreement over the assets of the Company. Overdraft facilities have been arranged with the Bank of New Zealand for which the bank holds a perfected security interest in all present and after acquired property of the Company.

Liquidity risk analysis

Liquidity risk is the risk that the Company might not be able to meet its obligations. The Company manages its liquidity needs by managing cash flows to ensure sufficient funds are available to cover all its obligations as they fall due.

The Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years

2016

Trade and other creditors	2,732	0	0	0
Employee entitlements	0	0	136	0
Total	2,732	0	136	0

2015

Trade and other creditors	3,270	0	0	0
Employee entitlements	0	0	107	0
Total	3,270	0	107	0

Capital management

In determining its capital management policy, the Company's capital management policy is to ensure working capital is maintained in order to support its activities. The Company manages its capital structure and makes adjustments to reflect operational requirements. To maintain or adjust the capital structure, budgeted discretionary expenditure is reduced before obtaining additional external borrowings. The Company is subject to the provisions of a General Security Agreement in respect of a revolving funding facility that has been arranged with an external party.

Capital for the Company consists of its accumulated funds.

18 Capital commitments

There were no capital commitments at the reporting date (2015: \$Nil).

19 Contingent assets and liabilities

There are no contingent assets or liabilities at the reporting date (2015: \$Nil).

20 Events after the reporting date

The Board of Directors and Management are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the Company (2015: \$Nil).

DIRECTORY

Directors

Maurice Desmond Hayes
Rodney Lingard
William McLean
Norman David McNay
Brian Counihan

Registered office

Level 1, 190 Taranaki Street
Wellington, 6141
New Zealand

Nature of business

To raise funds through the operation of gaming machines and to distribute these funds for charitable purposes throughout New Zealand

Company number

4009218

Independent auditor

Grant Thornton New Zealand Audit Partnership
L15, 215 Lambton Quay
Wellington, 6143
New Zealand