

REPORT

Pub Charity Limited | 2020 Financial Statements



**SUPPORTING LOCAL
KIWI COMMUNITIES**
WWW.PUBCHARITYLIMITED.ORG.NZ

INDEPENDENT AUDITOR'S REPORT

For Pub Charity Limited



Independent Auditor's Report

To the Shareholders of Pub Charity Limited

Grant Thornton New Zealand Audit Limited
L15, Grant Thornton House
215 Lambton Quay
P O Box 10712
Wellington 6143
T +64 4 474 8500
F +64 4 474 8509
www.grantthornton.co.nz

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pub Charity Limited (the "Company") on pages 3 to 13 which comprise the statement of financial position as at 30 September 2020 and the statement of comprehensive revenue and expenses, statement of changes in net assets, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2020 and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards for Not-For-Profit Entities 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)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* 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 carries out other assignments for Company in the area of agreed upon procedures on the forecast. The firm has no other interest in the Company.

Directors' Responsibilities for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these financial statements in accordance with Public Benefit Entity International Public Sector Accounting Standards for Not-For-Profit Entities Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Directors' 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 Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit 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 economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>

Restriction on use of our report

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders, as a 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 the Company and its shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

A handwritten signature in cursive script that reads "Grant Thornton".

**Wellington, New Zealand
26 November 2020**

FINANCIAL STATEMENTS

For Pub Charity Limited

Statement of Comprehensive Revenue and Expenses

For the year ended 30 September 2020

Notes 2020 2019
\$000 \$000

DISTRIBUTABLE REVENUE FROM EXCHANGE TRANSACTIONS

| | | |
|---|--------|--------|
| Revenue from gaming machines | 73,422 | 83,948 |
| Gain on sale of property, plant and equipment | 215 | 363 |
| Interest revenue | 46 | 162 |

Total revenue from exchange transactions **73,683** **84,473**

DISTRIBUTIONS

| | | |
|---|---------|--------|
| Grants Distributed to the community – 2019/2020 | 24,198 | 34,942 |
| Returned grants | (1,797) | (967) |
| Net Grants distributed | 22,401 | 33,975 |

Operating Surplus after Distributions **51,282** **50,498**

OTHER REVENUE FROM EXCHANGE TRANSACTIONS

| | | |
|----------------------------|---|---|
| Other revenue transactions | - | 1 |
|----------------------------|---|---|

Total other revenue from exchange transactions **-** **1**

EXPENSES

| | | |
|---|-------------|--------|
| Employee related costs | 2,657 | 2,203 |
| Administration expenses | 1,084 | 1,181 |
| Licence fees | 1,309 | 1,222 |
| Gaming machine duty | 16,887 | 19,308 |
| Depreciation and amortisation | 9, 10 8,192 | 8,042 |
| Loss on sale of property, plant and equipment | 100 | 193 |
| Service expenses | 4,123 | 4,237 |
| Problem gambling levy | 659 | 1,126 |
| Site Rental | 11,653 | 13,317 |

Total expenses **46,663** **50,829**

Total (deficit)/surplus for the year **4,619** **(330)**

| | | |
|--|-------|---|
| Impairment loss of property, plant and equipment | 10 73 | - |
|--|-------|---|

Total comprehensive revenue and expenses **4,546** **(330)**

Statement of Changes in Net Assets

For the year ended 30 September 2020

Accumulated comprehensive revenue and expense \$000 Total equity \$000

OPENING BALANCE 1 OCTOBER 2019 20,974 20,974

Surplus/(Deficit) for the year 4,546 4,546

Closing equity 30 September 2020 **25,520** **25,520**

OPENING BALANCE 1 OCTOBER 2018 21,304 21,304

Surplus/(Deficit) for the year (330) (330)

Closing equity 30 September 2019 **20,974** **20,974**

Statement of Financial Position

As at 30 September 2020

Notes 2020 2019
\$000 \$000

CURRENT ASSETS

| | | |
|--|----------|-------|
| Cash and cash equivalents | 8 13,320 | 5,089 |
| Receivables from exchange transactions | 1,661 | 1,512 |
| Prepayments | 434 | 347 |
| | 15,416 | 6,948 |

NON-CURRENT ASSETS

| | | |
|-------------------------------|-----------|--------|
| Intangible assets | 9 124 | 223 |
| Property, plant and equipment | 10 20,257 | 17,267 |
| | 20,381 | 17,490 |

Total assets **35,797** **24,438**

CURRENT LIABILITIES

| | | |
|----------------------------|-------|-------|
| Trade and other payables | 3,271 | 1,237 |
| Employee entitlements | 149 | 126 |
| Accrued expenses | 418 | 400 |
| Undistributed Grants | 4,197 | - |
| Undistributed Net Proceeds | 410 | - |
| Duty payable | 1,833 | 1,701 |

Total liabilities **11 10,278** **3,464**

Net assets **25,520** **20,974**

EQUITY

| | | |
|---|--------|--------|
| Accumulated comprehensive revenue and expense | 25,520 | 20,974 |
|---|--------|--------|

Total net assets attributable to the owners of the controlling entity **25,520** **20,974**

Signed for and on behalf of the Board of Directors who authorised these financial statements for issue on 26 November 2020:



Director: Rod Lingard



Director: Simon Norrie

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

Statement of Cash Flows

| For the year ended 30 September 2020 | Notes | 2020 \$000 | 2019 \$000 |
|--------------------------------------|-------|---------------|---------------|
|--------------------------------------|-------|---------------|---------------|

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts

| | | |
|-------------------------------------|--------|--------|
| Receipts from exchange transactions | 84,477 | 96,841 |
| Receipts from returned grants | 1,797 | 966 |
| Interest received | 46 | 162 |
| | 86,320 | 97,969 |

Payments

| | | |
|-----------------------|----------|----------|
| Payment to suppliers | (45,589) | (51,675) |
| Payments to employees | (2,667) | (2,284) |
| Grants paid | (19,591) | (34,942) |
| | (67,847) | (88,901) |

| | | | |
|---|-----------|---------------|--------------|
| Net cash flows from operating activities | 14 | 18,473 | 9,068 |
|---|-----------|---------------|--------------|

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts

| | | |
|---------------------------------------|-----|-----|
| Sale of property, plant and equipment | 350 | 699 |
| | 350 | 699 |

Payments

| | | |
|---|----------|---------|
| Purchase of property, plant and equipment | (10,592) | (9,170) |
| | (10,592) | (9,170) |

| | | |
|---|-----------------|----------------|
| Net cash flows from investing activities | (10,242) | (8,471) |
|---|-----------------|----------------|

| | | |
|--|-------|-----|
| Net increase/(decrease) in cash and cash equivalents | 8,230 | 596 |
|--|-------|-----|

| | | |
|--|-------|-------|
| Cash and cash equivalents at 1 October | 5,089 | 4,492 |
|--|-------|-------|

| | | | |
|--|----------|---------------|--------------|
| Cash and cash equivalents at 30 September | 8 | 13,320 | 5,089 |
|--|----------|---------------|--------------|

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 2020

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 01 January 2018 to expire 31 December 2018. 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 26 November 2020.

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 Company 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.

3. Accounting policies

The accounting policies adopted in these financial statements are consistent with those of the previous financial year.

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.

4.3 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 daily basis. Revenue is recognised on an accrual basis.

Interest revenue

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

4.4 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.

4.5 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 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, and 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 payables (excluding GST and PAYE, and Duty Payable) and employee entitlements.

All financial liabilities are initially recognised at fair value and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

4.6 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.

4.7 Grants

When members remit gaming machine revenue to the Company, a licence condition obligation arises to pay 40% of the GST exclusive to the Gross Proceeds thereof to the community in the form of grants under the temporary suspended Regulation 10.

Due to the economic impact of COVID-19 on revenue, the obligation to distribute 40% of gross proceeds in a society's 2020 and 2021 financial years was suspended. Under review, the Company distributed 32.84% GST exclusive receipts from members (2019: 40.22%).

Payment requires approval by the Net Proceeds Committee that the recipient has requested the grant for an "authorised purpose" as defined by the Gambling Act 2003.

Grants are recognised on an accrual basis.

4.8 Problem Gambling Levy

The Company is required to pay a levy at rates set by Gazette Notice, at 0.78% to the Problem Gambling Foundation in accordance with Clauses 317 to 323 of the Gambling Act 2003 and its amendments.

4.9 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.

4.10 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 with depreciation rates as follows:

| | |
|----------------------------|---------|
| Computer equipment | 30% |
| Other gaming equipment | 18%-40% |
| Gaming machine conversions | 31% |
| Motor vehicles | 25% |
| Gaming machines and bases | 20%-28% |
| Link systems | 20% |
| Leasehold improvements | 18% |
| Cash management systems | 28% |
| Office equipment | 24% |
| Office furniture | 10% |

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.

4.11 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 is 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% |
|----------|-----|

4.12 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.

4.13 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.

4.14 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.

4.15 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, 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 value

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 4.10 and 4.11.

6. Components of net surplus

| | 2020 \$000 | 2019 \$000 |
|-----------------------------------|---------------|---------------|
| 1. Expenses | | |
| Audit fees | 28 | 24 |
| Leasing and rental costs | 171 | 166 |
| (Gain)/loss on disposal of assets | (115) | (170) |
| Directors' fees and expenses | 228 | 131 |
| 2. Undistributed Net Proceeds | 410 | - |
| 3. Undistributed Grants | 4,197 | - |

7. Auditor's remuneration

During the year audit fees of \$26k (2019: \$24k) were paid to Grant Thornton New Zealand Audit Limited. In addition, non-audit fees of \$2k (2019: \$2k) were paid to Grant Thornton New Zealand Audit Limited for other assurance services.

8. Cash and cash equivalents

Cash and cash equivalents include the following components:

| | 2020 \$000 | 2019 \$000 |
|--|---------------|---------------|
| Cash at bank | 13,320 | 5,089 |
| Total cash and cash equivalents | 13,320 | 5,089 |

9. Intangible Assets

Computer Software

| | 2020 \$000 |
|--------------------------|---------------|
| Cost/Valuation | 641 |
| Accumulated depreciation | (517) |
| Net book value | 124 |

| | 2019 \$000 |
|--------------------------|---------------|
| Cost | 614 |
| Accumulated depreciation | (391) |
| Net book value | 223 |

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

| | 2020 \$000 |
|------------------------|---------------|
| Opening balance | 223 |
| Additions | 27 |
| Disposals | - |
| Amortisation | (126) |
| Closing balance | 124 |

| | 2019 \$000 |
|------------------------|---------------|
| Opening balance | 233 |
| Additions | 132 |
| Disposals | - |
| Amortisation | (142) |
| Closing balance | 223 |

10. Property, plant and equipment

| | Gaming machines and bases | 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 |
| 2020 | | | | | | | | | | |
| Cost/Valuation | 35,229 | 2,089 | 6,838 | 1,834 | 294 | 473 | 129 | 781 | 5,211 | 52,878 |
| Accumulated depreciation | (21,428) | (1,420) | (4,886) | (891) | (290) | (110) | (86) | (589) | (2,846) | (32,546) |
| Impairment | (73) | - | - | - | - | - | - | - | - | (73) |
| Net book value | 13,728 | 669 | 1,951 | 942 | 4 | 363 | 42 | 192 | 2,365 | 20,257 |
| 2019 | | | | | | | | | | |
| Cost/Valuation | 29,709 | 1,855 | 5,890 | 1,070 | 293 | 402 | 122 | 658 | 3,871 | 43,870 |
| Accumulated depreciation | (17,464) | (1,064) | (4,090) | (689) | (237) | (260) | (77) | (522) | (2,199) | (26,604) |
| Net book value | 12,243 | 792 | 1,800 | 381 | 56 | 142 | 45 | 136 | 1,672 | 17,266 |
| Reconciliation of the carrying amount at the beginning and end of the period: | | | | | | | | | | |
| 2020 | | | | | | | | | | |
| Opening Balance | 12,243 | 792 | 1,800 | 381 | 55 | 142 | 45 | 136 | 1,672 | 17,266 |
| Additions | 6,992 | 406 | 1,072 | 812 | 1 | 352 | 6 | 162 | 1,518 | 11,321 |
| Disposals | (98) | - | (9) | (3) | - | (28) | - | (5) | (50) | (192) |
| Transfers | 30 | (37) | 31 | (12) | (2) | - | - | (11) | 4 | 3 |
| Depreciation | (5,366) | (492) | (942) | (235) | (50) | (102) | (9) | (90) | (779) | (8,066) |
| Impairment | (73) | - | - | - | - | - | - | - | - | (73) |
| Net book value | 13,728 | 669 | 1,951 | 942 | 4 | 363 | 42 | 192 | 2,365 | 20,257 |
| 2019 | | | | | | | | | | |
| Opening Balance | 12,693 | 793 | 2,187 | 235 | 108 | 210 | 62 | 140 | 1,355 | 17,782 |
| Additions | 5,225 | 430 | 729 | 317 | - | 46 | - | 89 | 1,008 | 7,844 |
| Disposals | (327) | - | (59) | (4) | - | (21) | - | (5) | (46) | (462) |
| Depreciation | (5,348) | (430) | (1,057) | (167) | (53) | (95) | (17) | (88) | (645) | (7,960) |
| Net book value | 12,243 | 792 | 1,800 | 381 | 55 | 142 | 45 | 136 | 1,672 | 17,266 |

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.

At 30 September 2020, an impairment loss of assets was carried out. The impairment was considered for a selected asset type at the warehouse.

11. Trade and other payables

| | 2020 \$000 | 2019 \$000 |
|------------------------------|---------------|---------------|
| Trade payables | 2,753 | 524 |
| Accrued expenses | 418 | 400 |
| Undistributed Grants | 4,197 | - |
| Undistributed Net Proceeds | 410 | - |
| Duty payable | 1,833 | 1,701 |
| GST payable | 518 | 713 |
| Employee benefit liabilities | 149 | 126 |
| | 10,278 | 3,464 |

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

Directors service on the Net Proceeds Committee

| | 2020 \$000 | 2019 \$000 | 2020 \$000 | 2019 \$000 |
|---------------|-----------------------|-----------------------|--------------------|--------------------|
| Related Party | Value of transactions | Value of transactions | Amount outstanding | Amount outstanding |
| Directors | 43 | 95 | - | - |

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 Senior Manager of Operations, 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:

| | 2020 | 2019 |
|----------------------------|------|------|
| Total remuneration (\$000) | 858 | 647 |
| Number of persons (FTE) | 3.04 | 3.04 |

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

During the reporting period, total remuneration and compensation of \$113k (2019: \$95k) was provided by the Company to employees who are close family members of key management personnel.

13. Leases

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

| | 2020 \$000 | 2019 \$000 |
|-------------------------|---------------|---------------|
| Not later than one year | 244 | 166 |
| | 244 | 166 |

The Company has Venue Agreements in place to recompense Venue Operators for the operation of the gaming machines at the Venue. The amount of venue payments are subject to the Gambling (Venue Payments) Regulations 2016. The amount for the payment is dependent on gaming machine turnover and is paid weekly. Venue Agreements are in force for a maximum of three years.

14. Reconciliation of surplus/(deficit) with net cash flow from operating activities

| | 2020 \$000 | 2019 \$000 |
|--|---------------|---------------|
| Net Surplus/(Deficit) for the reporting period | 4,546 | (330) |

Non-cash items:

| | | |
|--|---------------|--------------|
| (Gain)/Loss on sale | (115) | (170) |
| Non-recurring Impairment Loss | 73 | - |
| Depreciation | 8,192 | 8,041 |
| Undistributed Grants | 4,197 | - |
| Undistributed Net Proceeds | 410 | - |
| Net cash flows from operating activities | 17,303 | 7,541 |

Movement in working capital:

| | | |
|---|---------------|--------------|
| (Increase)/decrease in receivables from exchange transactions | (149) | 346 |
| (Increase)/decrease in prepayments | (87) | (42) |
| Increase/(decrease) in accounts payable | 1,383 | 1,209 |
| Increase/(decrease) in employee entitlements | 23 | 13 |
| | 1,170 | 1,526 |
| Net cash flows from operating activities | 18,473 | 9,068 |

15. 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:

| | 2020 | 2019 |
|--|-------|-------|
| | \$000 | \$000 |

FINANCIAL ASSETS

Loans and receivables

| | | |
|--|---------------|--------------|
| Cash and cash equivalents | 13,320 | 5,089 |
| Receivables from exchange transactions | 1,661 | 1,512 |
| | 14,982 | 6,601 |

FINANCIAL LIABILITIES

At amortised cost

| | | |
|---------------------------|--------------|------------|
| Trade and other creditors | 2,753 | 524 |
| Employee entitlements | 149 | 126 |
| | 2,902 | 650 |

16. 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 risks which result from its investing activities. Interest rate risk is not considered to be material as the Company does not have long term deposits or borrowings.

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

| | 2020 | 2019 |
|--|-------|-------|
| | \$000 | \$000 |

Carrying amounts

| | | |
|--|---------------|--------------|
| Cash and cash equivalents | 13,320 | 5,089 |
| Receivables from exchange transactions | 1,661 | 1,512 |
| | 14,982 | 6,601 |

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, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. 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:

| 2020 | CURRENT | | NON-CURRENT | |
|---------------------------|-----------------|----------------|--------------|--------------------|
| | Within 6 months | 6 to 12 months | 1 to 5 years | Later than 5 years |
| | \$000 | \$000 | \$000 | \$000 |
| Trade and other creditors | 7,777 | - | - | - |
| Employee entitlements | - | - | 149 | - |
| Total | 7,777 | - | 149 | - |

| 2019 | CURRENT | | NON-CURRENT | |
|---------------------------|-----------------|----------------|--------------|--------------------|
| | Within 6 months | 6 to 12 months | 1 to 5 years | Later than 5 years |
| | \$000 | \$000 | \$000 | \$000 |
| Trade and other creditors | 924 | - | - | - |
| Employee entitlements | - | - | 126 | - |
| Total | 924 | - | 126 | - |

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. 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.

17. Capital commitments

There were no capital commitments at the reporting date (2019: \$Nil).

18. Contingent assets and liabilities

There are no contingent assets or liabilities at the reporting date (2019: \$Nil).

19. COVID-19 and Working Capital Ratio

Due to the economic impact of COVID-19 lockdown measures on gaming machine revenue Cabinet enacted Regulation 11A. The new Regulation suspended R10 & 11 of the Gambling (Class 4 Net Proceeds) Regulations 2004, for the 2020 and 2021 financial years. This relief allowed for corporate societies to establish and retain funds to a maximum amount equivalent to a ratio of 1.5 times current liabilities (the Working Capital Ratio Reserve or WCRR) to ensure future liquidity and solvency tests could be met. The WCRR is measured quarterly and at 30 September 2020, PCL's WCRR was 1.5

20. Events after the reporting date

The Board of Directors and management is 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 (2019: \$Nil).

Directory

Directors

Rodney Lingard
Brian Counihan
William Mclean
Carter Hayes
Simon Norrie

Pub Charity Limited

Pub Charity Limited is constituted as a charitable company for the purposes of raising and distributing funds for charitable and not-for-profit purposes throughout New Zealand. These activities are governed by the requirements of the Gambling Act 2003.

Registered Office

Level 1, 190 Taranaki Street
Wellington, 6141
New Zealand

Incorporation Number

4009218

IRD Number

109-881-066

Auditor

Grant Thornton New Zealand Audit Limited

