

BLUESKY COMMUNITY TRUST LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2022

BLUESKY COMMUNITY TRUST LIMITED

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FOR THE YEAR ENDED 31 JULY 2022

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BLUESKY COMMUNITY TRUST LIMITED

DIRECTORY AS AT 31 JULY 2022

Nature of Business	BlueSky Community Trust Limited generates funds for its Authorised Purpose by operating gaming machines primarily to support the wider communities around New Zealand.
Incorporation Number	3412831
Directors	Rong Lin Bei Zhang Chaowen Wu Dandan Zhang
Bankers	ASB Bank Limited Bank of New Zealand
Solicitor	True Legal Hamilton
Auditor	BDO Auckland Level 4 BDO Centre, 4 Graham Street Auckland 1140

BLUESKY COMMUNITY TRUST LIMITED

**DIRECTORS' REPORT AND STATEMENT OF RESPONSIBILITY
FOR THE YEAR ENDED 31 JULY 2022**

Directors' Report

The Directors of BlueSky Community Trust Limited ("the Company") present this Annual Report, being the financial statements of the Company for the financial year ended 31 July 2022, and the independent auditor's report thereon.

The shareholders of the Company have exercised their right under section 211(3) of the Companies Act 1993, whereby pursuant to a decision of the shareholders of the Company who together hold at least 95% of the voting shares, they have agreed not to comply with the paragraphs (a) and (e) to (j) of section 211(1) of the Act.

Statement of Responsibility

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information.

The independent external auditors, BDO Auckland, have audited the financial statements and their report appears on pages 3 to 4.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements.

Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the financial records. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

- the statement of comprehensive revenue and expense is drawn up so as to present fairly, in all material respects, the financial result of the Company for the financial year ended 31 July 2022;
- the statement of financial position is drawn up so as to present fairly, in all material respects, the state of affairs of the Company as at 31 July 2022;
- the statement of cash flows is drawn up so as to present fairly, in all material respects, the cash flows of the Company for the financial year ended 31 July 2022;

For and on behalf of the Directors:



Chairperson

Date 27/10/2022



Director

Date 27/10/2022

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BLUESKY COMMUNITY TRUST LIMITED**

Opinion

We have audited the financial statements of BlueSky Community Trust Limited (“the Company”), which comprise the statement of financial position as at 31 July 2022, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows 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 31 July 2022, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (“PBE Standards RDR”) 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 Financial Statements* section of our report. We are independent of the Company 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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Other Matter

The financial statements of the Company for the year ended 31 July 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 28 October 2021.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor’s report is directors report and statement of responsibility for the financial statements contained in the annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with PBE Standards RDR, 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.

In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Company'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 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 decisions of users taken on the basis of these financial statements.

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

This description forms part of our auditor's report.

Who we Report to

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

BDO Auckland

BDO Auckland
Auckland
New Zealand
27 October 2022

BLUESKY COMMUNITY TRUST LIMITED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 31 JULY 2022

	Note	2022	2021
Revenue			
Gaming Machine Proceeds (Exchange transactions)		18,360,813	23,723,400
Total Revenue		18,360,813	23,723,400
Gain on Disposal of PPE		691,141	276,652
Interest Income		8	2
Other Revenue		-	204
Total Income		19,051,962	24,000,258
Expenses			
Accounting Fees		64,236	53,500
Audit Fees		30,050	17,558
AUP Fees (paid to BDO)		2,000	-
Bank Fees & Charges		5,695	5,974
Computer Expenses		48,838	41,775
Consultancy Fees		3,275	2,295
Depreciation	7	1,474,236	1,753,876
Directors Fees	11	118,500	109,083
EMS Expenses		148,853	153,962
Entertainment		-	280
Gaming Machine Duty		4,218,890	5,454,503
General Expenses		(18)	6,954
Install & Removal Costs		41,591	52,824
Insurance		145,340	117,006
Interest Expense - financial liabilities at amortised cost		149,955	94,998
Legal Expenses		51,732	34,193
Licencing Expenses		219,207	168,153
Management Fees	11	514,060	504,100
Printing & Stationery		1,509	10,902
Problem Gambling Levy		174,576	212,728
Rent		1,750	-
Repairs & Maintenance - General		115,895	99,791
Repairs & Maintenance - Gaming Machines		199,162	276,080
Storage of Equipment		16,020	20,156
Subscriptions		31,314	24,024
Telephone & Tolls		16,692	12,374
Training		5,724	4,720
Travel & Accommodation		1,853	1,076
Venue Payment		2,921,615	3,781,723
Total Expenses		10,722,550	13,014,608

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

BLUESKY COMMUNITY TRUST LIMITED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE (continued) FOR THE YEAR ENDED 31 JULY 2022

	Note	2022	2021
Surplus for the period before grant distributions		<u>8,329,412</u>	<u>10,985,650</u>
Grant Distributions			
Grant Distributions		8,748,121	10,205,153
Less Grants Returned		(163,561)	(263,462)
Total Grants For The Year		<u>8,584,560</u>	<u>9,941,691</u>
Net (Deficit) / Surplus for the Year		(255,148)	1,043,959
Other Comprehensive Revenue and Expense		-	-
Total Comprehensive Revenue and Expense for the year after distribution		<u>(255,148)</u>	<u>1,043,959</u>

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

BLUESKY COMMUNITY TRUST LIMITED

STATEMENT OF CHANGES IN NET ASSETS / EQUITY FOR THE YEAR ENDED 31 JULY 2022

	Note	Share Capital \$	Accumulated comprehensive revenue and expense \$	Total Equity \$
Balance at 1 August 2021		-	1,406,151	1,406,151
Total comprehensive revenue and expense for the year				
(Deficit) for the year		-	(255,148)	(255,148)
Total comprehensive revenue and expense for the year		-	(255,148)	(255,148)
Transactions with owners		-	-	-
Balance at 31 July 2022	8	-	1,151,003	1,151,003
Balance at 1 August 2020		-	362,192	362,192
Total comprehensive revenue and expense for the year				
Surplus for the year		-	1,043,959	1,043,959
Total comprehensive revenue and expense for the year		-	1,043,959	1,043,959
Transactions with owners		-	-	-
Balance at 31 July 2021	8	-	1,406,151	1,406,151

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

BLUESKY COMMUNITY TRUST LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2022

	Note	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	3	2,277,857	1,863,157
Trade and other receivables	4	556,252	445,183
Prepayments		210,086	135,525
Total current assets		3,044,195	2,443,865
Non-current assets			
Plant and equipment	7	3,096,568	2,592,282
Total non-current assets		3,096,568	2,592,282
Total Assets		6,140,763	5,036,147
Current liabilities			
Trade and other payables	5	1,676,169	1,465,131
GST payable		683,947	331,931
Borrowings	6	1,180,077	818,444
Total current liabilities		3,540,193	2,615,506
Non-current liabilities			
Borrowings	6	1,449,567	1,014,490
Total non-current liabilities		1,449,567	1,014,490
Total Liabilities		4,989,760	3,629,996
Total net assets		1,151,003	1,406,151

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

BLUESKY COMMUNITY TRUST LIMITED

**STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 JULY 2022**

	Note	2022 \$	2021 \$
Net Assets			
Accumulated comprehensive revenue and expense		1,151,003	1,406,151
Total net assets / equity	8	1,151,003	1,406,151

For and on behalf of the Company:



Director

27/10/2022

Date



Director

27/10/2022

Date

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

BLUESKY COMMUNITY TRUST LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
<i>Cash was received from:</i>			
Gaming machine proceeds		18,249,752	23,582,858
		<u>18,249,752</u>	<u>23,582,858</u>
<i>Cash was applied to:</i>			
Payments to suppliers		(8,609,865)	(11,971,289)
Grants to the community		(8,584,560)	(9,941,690)
Interest paid		(149,955)	(94,998)
		<u>(17,344,380)</u>	<u>(22,007,977)</u>
Net cash flows from operating activities		<u>905,372</u>	<u>1,574,881</u>
Cash flows from investing activities			
<i>Cash was received from:</i>			
Proceeds from sale of property plant and equipment		1,153,300	410,480
		<u>1,153,300</u>	<u>410,480</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		(2,440,682)	(1,558,808)
		<u>(2,440,682)</u>	<u>(1,558,808)</u>
Net cash flow to investing activities		<u>(1,287,382)</u>	<u>(1,148,328)</u>
Cash flows from financing activities			
Cash was received from:			
Proceeds from draw down of loans		1,649,706	1,295,626
		<u>1,649,706</u>	<u>1,295,626</u>
Cash was applied to:			
Repayment of Borrowings		(852,996)	(1,545,884)
		<u>(852,996)</u>	<u>(1,545,884)</u>
Net cash flow to financing activities		<u>796,710</u>	<u>(250,258)</u>
Net increase in cash and cash equivalents		<u>414,700</u>	<u>176,295</u>
Cash and cash equivalents at the beginning of the period		1,863,157	1,686,862
Cash and cash equivalents at the end of the period	3	<u><u>2,277,857</u></u>	<u><u>1,863,157</u></u>

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

BLUESKY COMMUNITY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

1. Statement of accounting policies

Reporting entity

BlueSky Community Trust Limited is a registered Company incorporated under the Companies Act 1993. The Company is licensed to operate gaming machines by the Department of Internal Affairs, licence number 2056636. The Company raises funds through the operation of gaming machines to distribute to community groups.

BlueSky Community Trust Limited is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013). The objective of the Company is not to make returns for the shareholders and mainly exists to distribute net proceeds to the community as per the requirements of the Gambling ACT.

Basis of preparation

Statement of compliance

The financial statements comply with generally accepted accounting practice in New Zealand ("NZ GAAP"). The primary objective of the Company is to apply all of its net proceeds as grants in the application of its Authorised Purpose as per the Gambling (class 4 net proceeds) Regulations 2004. As such the Company is Not-for-Profit a public benefit entity for the purpose of complying with NZ GAAP. The financial statements of the Company comply with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") for Tier 2 entities issued by the New Zealand External Reporting Board (XRB) and disclosure concessions have been applied. The Company is eligible to report in accordance with PBE Standards RDR because it does not have public accountability and is not large. All reduced disclosure regime exemptions have been adopted. The financial statements for the Company are for the year ended 31 July 2022, and were approved by the Board as stated in page 9.

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

The financial statements are presented in New Zealand Dollars (\$), which is the functional and presentation currency rounded to the nearest dollar.

Significant accounting policies

The following specific accounting policies have been adopted in the preparation and presentation of the financial statements.

Significant judgements and assumptions

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of the estimates. Actual results in the future could differ from these estimates. Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

a) Judgements

In the process of applying the Company's accounting policies, management has made the following judgements,

Classification of non-financial assets as cash generating assets or non-cash-generating assets

For the purpose of assessing impairment indicators and impairment testing, the Company classifies non-financial assets as either cash-generating or non-cash-generating assets. The Company classifies a non-financial asset as a cash-generating asset if the primary objective of the asset is to generate commercial return. All other assets are classified as non-cash-generating assets.

b) Assumptions and estimation uncertainties

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.

BLUESKY COMMUNITY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

Significant judgements and assumptions (Con't)

Useful lives and residual values

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

- The condition of the asset based on the assessment of Directors of The Company
- 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

Revenue from exchange transactions

Revenue is recognised to the extent that it is probable that economic benefits or service potential will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Interest revenue

For all financial instruments measured at amortised cost and interest income is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest revenue is included in finance income in the statement of comprehensive revenue and expense.

Gaming machine revenue

Revenue shown in the Statement of Comprehensive Income and Expense comprise the amounts received and receivable for gaming services supplied to customers in the ordinary course of business. Revenue recognised in relation to the gaming proceeds is recognised on a daily basis. Gaming profits represent the net win to the Company from gaming activities, being the difference between the amounts wagered and amounts won by gaming patrons.

Grant distribution

Grants are accounted for at the time the Board has approved them. Payment comprises approval by the Directors that the grant is for an 'authorised purpose' as defined under the Gambling Act 2003. In the event that grants are not used for their authorised purpose they are returned to the Company. Grant refunds are identified by the recipient's accountability report which is due 3 months after payment and is recorded as a contra expense.

BLUESKY COMMUNITY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

Finance expenses

Interest payable on borrowings is recognised on the accrual basis and calculated using the effective interest rate method.

Income tax

The Company is exempt from income tax in accordance with section CW48 of the (New Zealand) Income Tax Act 2007. The Act provides an exemption for gaming machine income of licensed operators provided all distributions are made in accordance with the Gambling Act 2003. Accordingly, all surpluses are distributed as grants in accordance with the Company's Authorised Purpose statement as approved by Department of Internal Affairs.

Plant and equipment

Items of 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 material parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. Subsequent costs are added to the carrying amount of an item of plant and equipment when the cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced component is derecognised. All other costs are recognised in surplus or deficit as an expense when incurred.

Depreciation

Depreciation is calculated so as to write off the cost of plant and equipment, less any assigned residual value, over the expected useful economic lives of the assets concerned.

The depreciation rates applied to each class of the assets for the current and prior year are as follows:

Gaming Machines & Associated Equipment	SL	33.3%
Non-Gaming Equipment	SL	33.3%

The useful lives, depreciation methods and residual values of assets is reassessed annually.

Financial instruments

Financial instruments are recognised in the Statement of Financial Position initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below. A financial instrument is recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents (including bank overdrafts), interest-bearing loans and borrowings, related party receivables and payables and trade and other payables.

Loans and receivables

Loans and receivables, which consist of trade and other receivables and related party receivables, are subsequently measured at amortised cost, using the effective interest method, less impairment losses. Trade receivables of a short-term nature are not discounted.

BLUESKY COMMUNITY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and bank overdrafts.

Liabilities at amortised cost

Liabilities at amortised cost, which consist of trade and other payables, related party payables and interest-bearing loans and borrowings, are measured at amortised cost, using the effective interest method. Trade payables of a short-term nature are not discounted.

Impairment of assets

Financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar characteristics. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted. For trade receivables, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default in payments are considered indicators that the receivable is impaired.

All impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables.

Bad debts are written off in the period in which they are identified and authorised by the Directors as non recoverable.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in surplus or deficit.

Non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in surplus or deficit.

The estimated recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A cash-generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of the other assets or groups of assets.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit on a pro rata basis.

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount and there is an indication that the impairment loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. All impairment losses are reversed through surplus or deficit.

BLUESKY COMMUNITY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

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 component:

Accumulated comprehensive revenue and expense

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

Distributions to the Community

Distributions to the Community are recorded as expenses.

Net proceeds generated by the Company is to be paid out in accordance with the Gambling (Class 4 Net Proceeds) Regulations 2004. The regulation stipulates that all or nearly all net proceeds from class 4 gambling must be distributed during the financial year and any remainder of net proceeds within 3 months after the end of each of its financial years. In addition, the Company is expected to generate net proceeds equal to 40% of its GST exclusive gross receipts in each financial year.

For the current financial year the Company has generated net proceeds from class 4 gambling equal to 43.45% of its GST exclusive gross receipts (2021: 45.69%). All net proceeds generated from last financial year has been distributed in the current year.

Payment requires approval by the Board of Directors that the recipient has requested the donation for an "authorised purpose" as defined by the Gambling Act 2003.

Goods and services tax (GST)

The financial statements have been prepared on a GST exclusive basis with the exception of receivables and payables which are stated inclusive of GST.

Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments, net of outstanding bank overdrafts. The following terms are used in the statement of cash flows;

- operating activities are the principal revenue producing activities of the Company and other activities that are not financing or investing; and
- investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents;
- financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Changes in Accounting Policies

There have been no changes in Accounting Policies. All policies have been applied on a basis consistent with those applied in previous years.

BLUESKY COMMUNITY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

3. Cash and cash equivalents	2022	2021
	\$	\$
BNZ bank accounts	1,691,208	1,631,502
ASB bank accounts	586,649	231,655
Total	2,277,857	1,863,157

There is no overdraft facility on the bank account (2021: \$150,000 undrawn). Bank balances are on call and the interest received on bank balances at 0.10% (2021: 0.10%).

4. Trade and other receivables	2022	2021
	\$	\$
Trade receivables (from exchange transactions)	556,252	445,183
Total	556,252	445,183

Trade receivables generally have terms of 5 days and are interest free. Trade receivables of a short-term duration are not discounted. There are no impairment losses relating to trade receivables (2021: Nil). Impairment losses are recognised in surplus or deficit.

5. Trade and other payables	2022	2021
	\$	\$
Trade payables	943,296	971,078
Gaming Machine Duty Payable	732,873	494,053
Total	1,676,169	1,465,131

Trade payables generally have terms of 30 days and are interest free. Trade payable of a short-term duration are not discounted.

BLUESKY COMMUNITY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

6. Borrowings	Effective Interest Rate %	Year of Maturity	2022	2021
			\$	\$
Current portion of borrowing				
BNZ Term Loan 015	3.51%	2022	-	19,205
BNZ Term Loan 016	3.51%	2022	-	19,503
BNZ Term Loan 017	4.07%	2022	-	43,322
BNZ Term Loan 018	4.06%	2022	-	100,612
BNZ Term Loan 020	5.53%	2023	187,681	228,660
BNZ Term Loan 021	6.16%	2024	44,357	37,745
BNZ Term Loan 022	6.29%	2024	172,573	150,328
BNZ Term Loan 023	6.18%	2024	163,999	140,857
BNZ Term Loan 024	6.19%	2024	91,076	78,212
BNZ Term Loan 025	6.43%	2025	157,622	-
BNZ Term Loan 026	6.34%	2025	56,189	-
BNZ Term Loan 027	6.99%	2025	144,435	-
BNZ Term Loan 028	7.12%	2025	162,145	-
			1,180,077	818,444
Term portion of borrowing				
BNZ Term Loan 020	5.53%	2023	-	153,285
BNZ Term Loan 021	6.16%	2024	27,513	64,775
BNZ Term Loan 022	6.29%	2024	187,873	315,329
BNZ Term Loan 023	6.18%	2024	173,313	309,338
BNZ Term Loan 024	6.19%	2024	96,248	171,763
BNZ Term Loan 025	6.43%	2025	230,547	-
BNZ Term Loan 026	6.34%	2025	100,106	-
BNZ Term Loan 027	6.99%	2025	298,247	-
BNZ Term Loan 028	7.12%	2025	335,720	-
			1,449,567	1,014,490
Total			2,629,644	1,832,934
Lender information				
BNZ			2,629,644	1,832,934
Total			2,629,644	1,832,934

Finance is secured over all present and after acquired gaming machines and equipment of the Company. Covenants for these loans are; provide annual audited accounts within 180 days of the financial year end, submit financial projections for the next year within 30 days of the end of each financial year end and EBITDA is to be maintained at a minimum of 3 times gross interest expense which will be tested as at the last business day of each financial year.

7. Plant and equipment

	Gaming Machines & Associated Equipment	Non-Gaming Equipment	Total
Cost			
Balance as at 1 August 2021	8,295,792	52,913	8,348,705
Additions	2,424,346	16,335	2,440,681
Disposals	(2,017,886)	(900)	(2,018,786)
Balance as at 31 July 2022	8,702,252	68,348	8,770,600
Accumulated depreciation and impairment			
Balance as at 1 August 2021	5,725,165	31,258	5,756,423
Depreciation	1,460,841	13,395	1,474,236
Disposals	(1,556,302)	(325)	(1,556,627)
Balance as at 31 July 2022	5,629,704	44,328	5,674,032
Net book value			
As at 31 July 2020	2,888,097	33,081	2,921,178
As at 31 July 2021	2,570,627	21,655	2,592,282
As at 31 July 2022	3,072,548	24,020	3,096,568

BLUESKY COMMUNITY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

8. Equity

	Accumulated Revenue	Share Capital	Total Equity
Balance at 31 July 2020	362,192	-	362,192
Surplus for the year	1,043,959	-	1,043,959
Balance at 31 July 2021	1,406,151	-	1,406,151
Surplus for the year	(255,148)	-	(255,148)
Balance at 31 July 2022	1,151,003	-	1,151,003

Share Capital	Number of Shares		Issued / Paid	
	2022	2021	2022	2021
			\$	\$
Shares				
Balance 1 August	100	100	-	-
Balance at 31 July	100	100	-	-

As at 31 Jul 2022, share capital comprised 100 shares (2021: 100). All issued shares are unpaid and have no par value.

9. Commitments

There are capital commitments totalling \$1,435,504 (2021: \$700,000). The amount is made up of:

>\$872,854 of new machines in Aug 2022.

>\$375,100 for a new venue called Putaruru Public Bar which is estimated to be onboarded in Oct 2022.

>187,550 (estimate) for a new venue called The Boat Club which is estimated to be onboarded in Oct 2022.

10. Contingent liabilities

At reporting date there are no known contingent liabilities for which the Company may be liable. (2021: Nil)

11. Related party transactions

Key management personnel are the members of the 4 directors.

The Members of the governing body are paid monthly honoraria. The honoraria paid to the Chairperson was \$31,500 and the remaining members received \$87,000 during the year totalling \$118,500. (2021: \$109,083)

Dawn Management provides day to day operational services to the Company from accounting, compliance, grants to venue management. Expenses incurred by Dawn Management during the year totalled \$577,842 (2021 :\$559,210)

Grants are provided to community groups during the normal course of business. At times Directors may be a related party of the group that is applying for a grant (i.e. a Trustee, committee member etc.). During the grant allocation process the Director will disclose his interest and abstain from the discussion. In that way the Director remains independent of the grant process.

During the year the Company gave grants to the number or organisations which were related to Jackson Rao. Details are below:

Related Party Grants Provided to:	Total Approved by	Total Refunded by	Net Amount
	Board	Board	
Chinese Senior Citizen Help Foundation	7,940	-	7,940
Chinese Senior People Help Centre	27,793	-	27,793
New Zealand Chinese Culture and Arts Exchange Centre	592,496	54,465	538,031
New Zealand Culture & Media Group Limited	1,261,381	-	1,261,381
New Zealand Culture and Arts Foundation	452,247	9,800	442,447
Total	2,341,857	64,265	2,277,592

BLUESKY COMMUNITY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

12. Events subsequent to reporting date

In August 2022, new machines were purchased totalling \$872,854 (2021: \$4,005,107).

13. Capital risk management

The Company manages its capital to ensure that the Company is able to continue as a going concern while maximising the return to the community through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, which includes borrowings disclosed in note 6, cash and cash equivalents, and equity, comprising of accumulated revenue and expense disclosed in the statement of changes in net assets / equity.

The secured bank loans are subject to providing annual audited financials within 180 days of its financial year. In addition, the Company are required to submit financial projections for the next year within 30 days of the end of each financial year end and EBITDA is to be maintained at a minimum of 3 times gross interest expense which will be tested as at the last business day of each financial year. The Company complied with these covenants.

The Directors review the capital structure on an annual basis. As part of the review the Directors consider the cost of capital and the risks associated with each class of capital. The Directors balance the overall capital structure through the acquisition of new debt or the redemption of existing debt.

14. Categories of financial assets and financial liabilities

At reporting date, the Company had the following financial instruments by class of financial instrument:

	Loans and receivables	Liabilities at amortised cost	Total
31 July 2022	\$	\$	\$
Trade and other receivables	556,252	-	556,252
Cash and cash equivalents	2,277,857	-	2,277,857
	2,834,109	-	2,834,109
Interest bearing loans and borrowings	-	2,629,644	2,629,644
Trade and other payables	-	1,676,169	1,676,169
	-	4,305,813	4,305,813
31 July 2021			
Trade and other receivables	445,183	-	445,183
Cash and cash equivalents	1,863,157	-	1,863,157
	2,308,340	-	2,308,340
Interest bearing loans and borrowings	-	1,832,934	1,832,934
Trade and other payables	-	1,465,131	1,465,131
	-	3,298,065	3,298,065

BLUESKY COMMUNITY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

15. Going Concern

The Company posted a net deficit of \$255,148 for the year (2021: net surplus of \$1,043,959). The Company posted total operating cash inflow of \$905,372 (2021: \$1,574,881) and has working capital deficit of \$495,998 (2021: 171,641).

The Directors have continued to apply the going concern assumption as the basis of the preparation of the financial statements. In reaching their conclusion that the going concern assumption is appropriate, the Directors have considered the ability to achieve financial performance, cash flow and covenant forecasts prepared by management, the ability to withhold from application to or distribution to or for authorised purposes an amount of net proceeds not exceeding a maximum working capital ratio of 1.5 to 1 as per requirements of Gambling (Class 4 Net Proceeds) Regulations 2004 11A(1), and the sufficiency of the cash on hand as at the reporting date.

Management is not aware of any other event or condition that may cast significant doubt on its going concern assumptions.

To the best of the knowledge of the Directors, the Company has, or will have, adequate resources to continue operations for the foreseeable future.