BlueSky Community Trust Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

BlueSky Community Trust Limited

FINANCIAL STATEMENTS
For the year ended 31 July 2021

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BlueSky Community Trust Limited

Directory
For the year ended 31 July 2021

Registered office	19 Ohau Court Fairview Heights Auckland 0632
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.
Directors	Rong Lin Bei Zhang Chaowen Wu Dandan Zhang
Company number	3412831
Independent auditor	RSM Hayes Audit Level 1, 1 Broadway Newmarket Auckland 1023
Bankers	ASB Bank Limited Bank of New Zealand
Solicitors	True Legal Hamilton
Shareholders	Bei Zhang 10 shares Chaowen Wu 90 shares

BlueSky Community Trust Limited

Directors' Report and Statement of Responsibility
For the year ended 31 July 2021

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 2021, 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, RSM Hayes Audit, 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. Please see Note 2(e) for further information.

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 2021;

- 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 2021;

- 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 2021;

- other than as disclosed in note 2(e), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

For and on behalf of the Directors:

Chairperson	28/10/2021 **Date**
Director	28/10/2021 **Date**

RSM Hayes Audit
PO Box 9588
Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023
T +64 (9) 367 1656
www.rsmnz.co.nz

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 2021;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets/equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements on pages 5 to 19 present fairly, in all material respects, the financial position of BlueSky Community Trust Limited as at 31 July 2021, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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)* 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 information

The Directors are responsible for the other information. The other information comprises the Company directory and Directors' report and statement of responsibility on pages 1 and 2 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. 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 identified above 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 that we 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.

Responsibilities of the directors 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 Public Benefit Entity Standards Reduced Disclosure Regime, 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, 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 the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/

Who we report to

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

RSM

RSM Hayes Audit
Auckland

28 October 2021

BlueSky Community Trust Limited

Statement of Comprehensive Revenue and Expense
For the year ended 31 July 2021

	Notes	2021	2020
		$	$
Revenue from exchange transactions	17		
Gaming machine income		23,723,400	19,033,317
Other operating revenue		319,255	664
Total revenue		24,042,656	19,033,981
Expenses			
Depreciation	10	1,753,876	1,799,034
Gaming machine duty & Problem gambling levy		5,667,231	4,548,391
Venue rental		3,781,723	3,006,304
Legal fees		34,193	32,150
Management Fee		504,100	464,575
Licences & Registrations		168,153	150,526
Audit Fees		17,558	12,150
Finance cost	13	94,998	158,767
Other operating expenses	6	1,035,175	857,346
Total expenses		13,057,006	11,029,242
Total surplus/(deficit) for the year - before distributions		10,985,650	8,004,739
Less: distributions		(9,941,690)	(7,807,133)
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense for the year		1,043,959	197,607

The above statement should be read in conjunction with the notes to the financial statements.

BlueSky Community Trust Limited

Statement of Changes in Net Assets/Equity
For the year ended 31 July 2021

	Note	Accumulated Comprehensive Revenue & Expense $ 2021	Accumulated Comprehensive Revenue & Expense $ 2020
Opening balance 1 August		362,191	164,585
Surplus/ (deficit) for the year		1,043,959	197,607
Other comprehensive revenue and expense		-	-
Closing equity 31 July		**1,406,151**	**362,191**

The above statement should be read in conjunction with the notes to the financial statements.

RSM

BlueSky Community Trust Limited

Statement of Financial Position
As at 31 July 2021

	Notes	2021 $	2020 $
Current assets			
Cash and cash equivalents	7	1,863,157	1,686,862
Receivables from exchange transactions	8	580,708	429,623
		2,443,866	2,116,484
Non-current assets			
Property plant and equipment	10	2,592,282	2,921,178
		2,592,282	2,921,178
Total Assets		5,036,147	5,037,663
Current liabilities			
Loan Facility - secured	11	818,444	1,515,605
Trade and other payables	14	1,797,062	2,592,279
		2,615,506	4,107,884
Non-current liabilities			
Loan Facility - secured	11	1,014,490	567,587
		1,014,490	567,587
Total Liabilities		3,629,996	4,675,471
Total net assets		**1,406,151**	**362,191**
Net assets			
Accumulated comprehensive revenue and expense		1,406,151	362,191
Total net assets attribution		**1,406,151**	**362,191**

For and on behalf of the Board:

Chairperson — 28/10/2021 **Date**

Director — 28/10/2021 **Date**

The above statement should be read in conjunction with the notes to the financial statements.

RSM

BlueSky Community Trust Limited

Statement of Cash Flows
For the year ended 31 July 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts			
Receipts from exchange transactions		23,582,858	19,149,701
Payments			
Payments to suppliers and employees		(11,971,289)	(7,691,742)
Distributions		(9,941,690)	(7,807,133)
Interest paid		(94,998)	(158,767)
Net cash flows from operating activities		**1,574,881**	**3,492,060**
Cash flows from investing activities			
Receipts			
Proceeds from sale of property plant and equipment		410,480	12,850
Purchase of property, plant and equipment		(1,558,808)	(1,807,647)
Net cash flows from investing activities		**(1,148,328)**	**(1,794,797)**
Net cash flows from financing activities			
Proceeds from draw down of loans		1,295,626	610,800
Repayments of loan principal		(1,545,884)	(958,413)
Net cash flows from financing activities		**(250,258)**	**(347,613)**
Net increase/(decrease) in cash and cash equivalents		176,296	1,349,650
Cash and cash equivalents at 1 August		1,686,862	337,211
Cash and cash equivalents at 31 July	**7**	**1,863,157**	**1,686,862**

The above statement should be read in conjunction with the notes to the financial statements.

RSM

1. REPORTING ENTITY

BlueSky Community Trust Limited (the "Company") is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act 2013. The Company was incorporated in New Zealand on 7 June 2011 under the Companies Act 1993, and commenced trading from 28 February 2012 upon the issue of its Class 4 Operator's Licence by the Department of Internal Affairs under the Gambling Act 2003.

The financial statements and the accompanying notes summarise the financial results of activities carried out by the Company. The Company is involved in operating gaming machines to support the wider communities around New Zealand.

2. BASIS OF PREPARATION

a) 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 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") 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. This decision results in the Company not preparing a Statement of Service Performance for both reporting periods.

The financial statements for the Company are for the year ended 31 July 2021, and were authorised for issue by the Board on the date reflected on page 7.

b) Measurement basis
The financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency
The financial statements are presented in New Zealand Dollars ($), which is the functional and presentation currency. All values are rounded to the nearest dollar unless otherwise stated.

There has been no change in the functional currency of the Company.

d) Changes in accounting policy
There have been no changes to the accounting policies. All policies applied are consistent with prior year.

e) Basis of preparation
The financial statements have been prepared on a going concern basis, the validity of which depends on the Company continuing to generate adequate operating revenue and cash flows from its gaming machines to cover the Company's operating costs which include the payments required under the gaming machines finance agreements. It is the considered view of the Board of Directors that the gaming machines will continue to satisfy these requirements. The Company has net current liabilities of $171,641 as at 31 July 2021 (2020: $1,991,399) which is predominantly due to the BNZ Term loan facility - secured of $818,444 and gaming duty payable of $613,803 within the next year. The Directors review the capital structure on a semi annual basis. As part of the review, the Directors consider the cost of capital and risk 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.

3. PRINCIPAL ACTIVITY

The Company's principal activity is the operation of gaming machines for the purpose of generating surplus revenue to be distributed in accordance with the objectives of the Company. Under the terms and Constitution of the Company, the grants paid are required to be used for any charitable and non-commercial purpose that is beneficial to the whole or a section of a community. The Company prioritises funding applications which support wider communities across New Zealand.

3. PRINCIPAL ACTIVITY (CONT'D)

All gaming machine grants paid by the Company have been appropriately used for the Authorised Purpose.

4. SIGNIFICANT JUDGMENTS AND ESTIMATES

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.

a) Judgements:
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

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.

The majority of property, plant and equipment held by the Company is classified as 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.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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
- Changes in the market in relation to the asset

Changes in accounting estimates
There have been no changes in the accounting estimates for the current reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue

Revenue is recognised to the extent that it is probable that the 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Revenue (cont'd)

i) Revenue from exchange transactions
Interest revenue
For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, 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 Revenue 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.

ii) Revenue from non-exchange transactions

The Company did not receive any non-exchange revenue during the current financial period.

b) Finance income and finance costs

Finance income comprises interest income on financial assets. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on financial liabilities.

c) Financial instruments

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) Financial instruments (cont'd)

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.
The Company also derecognises financial assets and financial liabilities when there has been significant changes to the terms and/or the amount of contractual payments to be received/paid.

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.

The Company classifies financial assets as loans and receivables.

The Company recognises financial liabilities at amortised cost.

Financial instruments are initially measured at fair value, plus for those financial instruments not subsequently measured at fair value through surplus or deficit, directly attributable transaction costs.

Subsequent measurement is dependent on the classification of the financial instrument, and is specifically detailed in the accounting policies below.

i) Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.
Loans and receivables comprise cash and cash equivalents and receivables.

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

ii) Amortised cost financial liabilities
Financial liabilities classified as amortised cost are non-derivative financial liabilities that are not classified as fair value through surplus or deficit financial liabilities.

Financial liabilities classified at amortised cost are subsequently measured at amortised cost using the effective interest method.

Financial liabilities classified as amortised cost comprise payables, loans and finance lease payable.

d) Impairment of non-derivative financial assets

A financial asset not subsequently measured at fair value through surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Impairment of non-derivative financial assets (cont'd)

i) Financial assets classified as loans and receivables
The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the 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 asset's original effective interest rate. Losses are recognised in statement of comprehensive revenue and expense and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive revenue and expense.

e) Property, plant and equipment

i) Recognition and measurement
Items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. Where an asset is acquired in a non-exchange transaction for nil or nominated consideration, the asset is initially measured at its fair value.

Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised as surplus or deficit in the statement of comprehensive revenue and expense.

ii) Subsequent expenditure
Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

iii) Depreciation
For property, plant and equipment, depreciation is based on the cost of an asset less its residual value

Depreciation is recognised in statement of comprehensive revenue and expense on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Property, plant and equipment (cont'd)

The estimated useful lives are:

Gaming machines & Equipment	3 years

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate.

f) Impairment of non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows (for cash-generating assets) or future remaining service potential (for non-cash-generating assets) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in statement of comprehensive revenue and expense. 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 or amortisation, if no impairment loss had been recognised.

g) Leases

i) Classification and treatment
Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases
Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

h) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) 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.

j) Goods and services tax

All amounts are shown exclusive of goods and services tax (GST), except for receivables and payables that are stated inclusive of GST.

k) Distributions to the Community

Distributions to the Community are recorded as an appropriation of the surplus for the year.

Net surplus 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 surplus must be distributed during the financial year and any remainder of net surplus within 3 months after the end of each of its financial years. In addition, the Company is expected to generate net surplus equal to 40% of its GST exclusive gross receipts in each financial year.

On 1 July 2020 the Government introduced a number of regulatory amendments to mitigate the impact of COVID-19 on the gambling sector, one of which suspends the obligation to return a minimum of 40% of gross proceeds to the community for 2020 and 2021 financial years.

For the current financial year the Company has generated net surplus equal to 45.69% of its GST exclusive gross receipts (2020: 42.50%). All net surplus 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.

6. OTHER OPERATING INCOME/EXPENSES

	2021	2020
Operating expenses include all the expenses including the following:		
Gaming machine maintenance	276,080	167,825
Servicing of equipment	85,909	76,790
EMS monthly fees	144,538	131,046

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

Current assets:		
Cash at bank	1,863,157	1,686,862
Current liabilities:		
Bank overdrafts	-	-
Total cash and cash equivalents in statement of cash flows	1,863,157	1,686,862

The Company has $150,000 unsecured ovedraft facility at reporting date (2020: $150,000) all undrawn.

8. RECEIVABLES

Trade receivables from exchange transactions	445,183	304,436
Allowance for impairment	-	-
Net trade receivables from exchange transactions	445,183	304,436
Prepayments	135,525	125,187
Receivables from exchange transactions	**580,708**	**429,623**

9. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel
An honorarium was paid to Directors of $109,083 (2020: $76,700) for services to the Net Proceeds Committee as well as their duties as directors.

During the year grants were made to two entities, New Zealand Culture and Arts Foundation and New Zealand Culture & Media Group Limited, in which Jackson Rao held or is still holding a governance position. Jackson is the Shareholder and Director of Dawn Management which provides management services to BlueSky Community Trust Limited. Jackson declared his interests in Net Proceed Committee meetings and abstained from discussion and decision-making on grant applications for these entities. A full listing of grant amounts approved can be found on BlueSky Community Trust Limited's website.

10. PROPERTY, PLANT AND EQUIPMENT

	31-Jul-21			31-Jul-20		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Gaming Machines & Equipment	8,348,704	5,756,423	2,592,282	7,571,685	4,650,507	2,921,178
	8,348,704	5,756,423	2,592,282	7,571,685	4,650,507	2,921,178

Reconciliation of property, plant and equipment - July 2021

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Gaming machines & Equipment	2,921,178	1,558,808	133,828	1,753,876	2,592,282
	2,921,178	1,558,808	133,828	1,753,876	2,592,282

Net book value

As at 31 July 2021	2,592,282
As at 31 July 2020	2,921,178

11. LOANS

	Effective interest rate %	Year of Maturity	2021	2020
Current interest bearing loans & borrowings				
Secured bank loan	6.22% - 6.77%	2022 - 2024	818,444	1,515,605
Non-current interest bearing loans & borrowings				
Secured bank loan	6.22% - 6.77%	2022 - 2024	1,014,490	567,587
			1,832,934	**2,083,192**

At reporting date, all loans were secured over gaming machines and associated equipment in note 10.

12. 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:

	2021	2020
Financial assets		
Loans and receivables		
Cash and cash equivalents (assets)	1,863,157	1,686,862
Receivables from exchange transactions(excl prepayments)	445,183	304,436
	2,443,866	2,116,484
Financial liabilities		
At amortised cost		
Trade and other creditors	992,843	599,786
Loan facility	1,832,934	2,083,192
	2,825,777	2,682,978

The Company has an overdraft facility with the Bank of New Zealand. As at 31 July 2021 the overdraft was for a maximum amount of $150,000 (2020: $150,000) at the prevailing Market Connect Overdraft Prime Rate of 5.9% (2020: 6.49%) per annum. The overdraft is unsecured and repayable on demand.

The Company also has Term loans with Bank of New Zealand. The term of the loans ranges from two to three years. The term loans are collateralised by all present and after acquired property of the Company. As at 31 July 2021 the Company's property had a net carrying value of $2,592,282 (2020: $2,921,178).

The Term loans requires the Company to comply with certain convenants. The Company is required to generate Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) that is 3.0 times more than the interest servicing costs. As at 31 July 2021 the EBITDA is 30.45 times the interest servicing costs (2020: 14.11 times). No breaches of covenants have been noted.

13. NET FINANCE COSTS

	2021	2020
Finance income		
Interest income from loans and receivables	-	-
Finance expense		
Interest expense	94,998	158,767
Net finance costs	(94,998)	(158,767)

RSM

14. PAYABLES - EXCHANGE TRANSACTIONS

	2021	2020
Accounts payable	703,927	480,350
Accruals	144,362	119,435
Gaming duty payable	613,803	1,326,743
GST/PAYE payable	334,970	665,750
	1,797,062	2,592,279

15. CAPITAL COMMITMENTS

In the next few months, BlueSky will onboard 3 new venues which will require a total capital commitment of $700,000 (2020: $Nil).

The amount is made up of:
- The Focal Point - $250,000 ex GST - Estimated onboard late Sep 2021.
- Kilala Bar - $300,000 ex GST - Estimated onboard late Oct 2021.
- The Waypoint - $150,000 ex GST - Estimated onboard early Nov 2021.

16. CONTINGENT ASSETS AND LIABILITIES

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

17. REVENUE

	2021	2020
Revenue from exchange transactions		
Gaming machine income	23,723,400	19,033,317
Gain on asset sales	319,050	664
Interest received	2	-
Other revenue	203	-
	24,042,656	19,033,981

Revenue from non-exchange transactions

There were no revenue from non-exchange transactions during the financial period.

18. EVENTS AFTER THE REPORTING DATE

NZ went into level 4 lockdown from 18th Aug 2021 resulting in no GMP being able to be generated. On 8th Sep 2021, the whole country except Auckland fell to level 2 which allows gaming activities to resume which affected four non-Auckland venues (Central Southern Lodge, Northen Wairoa Hotel, Red Fox and Roadrunner). It is not confirmed when Auckland will be allowed to fall to level 2. Estimating that Auckland will fall to level 2 in November 2021, the total estimated loss of the impact of the Aug to Oct 2021 lockdown is $6,678,086 (2020: $1,610,707).

19. GOING CONCERN

The Trustees have considered all information available at the date of signing the financial statements and is of the opinion that the Company is a going concern based on available liquidity levels and forecast operating cashflows being sufficient to cover future obligations when they fall due. The Trustees are closely monitoring the situation and regularly reviewing and will update the expected cash flows of the Company as the lockdown levels changed.