

Annual Report

MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE
TRUST

For the year ended 31 March 2024

Prepared by Campbell Tyson Limited

Audit Report Clarification and Explanation

Negative Working Capital

The audit report notes that the Trust had negative working capital.

During the period 1 December 2004 to 1 July 2020, gaming societies were required by regulation to operate with negative working capital. During this 15-year period, gaming societies operated perfectly satisfactorily. They were always able to reward winners and pay levies, pay taxes, pay other operating costs, and apply or distribute net proceeds to authorised purposes. Societies were duly assessed by the Department of Internal Affairs for financial viability at licence renewal time, deemed compliant, and relicensed.

In July 2020, the law was changed to enable gaming societies to hold cash reserves and therefore have positive working capital. The Trust is taking advantage of this provision and transitioning to having positive working capital.

While it is accepted that it is desirable to have positive working capital, this is not a formal legal requirement.

Department of Internal Affairs "Investigation"

The Department of Internal Affairs is currently investigating/auditing every gaming society in New Zealand in relation to the process each society uses to purchase gambling equipment.

The Department has recently adopted a new and novel interpretation of the net proceeds regulations and taken the view that gaming machine societies cannot purchase gaming machines from their gaming machine profits. The Department has taken this view despite gaming machine societies being required by law to own the gaming machines at their venues, and the fact that gaming machine societies do not have any other form of income.

The Department's new interpretation is contrary to long-standing industry practice and the Department's own prior published guidelines. The new interpretation has been raised with the Trust in a draft preliminary audit report. The Trust has responded to the draft preliminary report by advising that it does not consider the Department's new interpretation to be correct. The Trust's reply is supported by legal advice from a gambling law specialist.

The Trust's interpretation is favourable, as it reduces borrowing costs, and therefore increases the amount of community return.

The Trustees
Manukau Counties Community Facilities Charitable Trust

Contents

3	Directory
4	Independent Auditor's Report
6	Service Performance Reporting
7	Approval of Financial Report
8	Charity Information
9	Statement of Comprehensive Revenue and Expenses
10	Statement of Changes in Net Assets/Equity
11	Statement of Financial Position
12	Statement of Cash Flows
13	Notes to the Financial Statements

Directory

MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST For the year ended 31 March 2024

Nature of Business

Charitable Trust

Purpose

The Authorised Purpose of Manukau Counties Community Facilities Charitable Trust is:

- Grants for the provision, maintenance and development of facilities and activities at Bruce Pulman Park, including additions to the park by way of land purchase.
- Funds for the charitable purposes of the Bruce Pulman Park Trust for community sporting and other community activities.
- Funds for the development, promotion and support of amateur sport and charitable purposes, in the greater Auckland area and in particular Counties Manukau and in the north Waikato and in particular the Tuakau and surrounding Area.

Charities Registration Number

CC24466

Trust Formation Date

28 July 1994

Trustees

Robert B Pulman
John L Sieprath
Kenneth J Robinson
Ben A Marris

Chartered Accountant

Campbell Tyson Limited
Level 2
1 Wesley Street
Pukekohe 2120

Auditor

RSM Hayes Audit
Chartered Accountants
Level 1, 1 Broadway
Newmarket
Auckland

Bankers

ASB Bank Limited

IRD Number

063-044-326

Independent Auditor's Report

To the Trustees of Manukau Counties Community Facilities Charitable Trust

Opinion

We have audited the general-purpose annual report (hereinafter referred to as 'financial report') of Manukau Counties Community Facilities Charitable Trust ("the Trust"), which comprises the financial statements on pages 9 to 20 and the service performance information on page 6. The complete set of financial statements comprises the statement of financial position as at 31 March 2024, the statement of comprehensive revenue and expenses, statement of changes in net assets/equity, 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 report presents fairly, in all material respects:

- The financial position of Manukau Counties Community Facilities Charitable Trust as at 31 March 2024, and its financial performance and its cash flows for the year then ended; and
- The service performance for the year ended 31 March 2024 in accordance with the entity's service performance criteria

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 of the financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs (NZ) and New Zealand Auditing Standard (NZ AS) 1 *The Audit of Service Performance Information*. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We are independent of the Trust 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 Manukau Counties Community Facilities Charitable Trust.

Material uncertainty related to going concern

We draw attention to Note 13, *Material Uncertainty* on page 19 and 20 of the financial report, which indicates that at 31 March 2024, the Trust had negative working capital of \$191,750 and is under investigation by the Department of Internal Affairs (DIA) with regards to presumed non-compliance of the Gambling Act 2003 by the Trust. As stated in Note 13 on page 19 and 20 of the financial statements, the negative working capital, the need for working capital improvement and the need for renewing the license with DIA indicates that a material uncertainty exists that may cast significant doubt on the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The trustees are responsible for the other information. The other information comprises the Directory, the Approval of Financial Report and the Charity Information on pages 3 and 7 to 8 (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial report 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 report, 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 report, 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 trustees for the financial report

The trustees are responsible, on behalf of the Trust, for:

- (a) the preparation and fair presentation of the financial statements and service performance information in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board;
- (b) service performance criteria that are suitable in order to prepare service performance information in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- (c) such internal control as the trustees determine is necessary to enable the preparation of financial statements and service performance information that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, and the service performance information, 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) and NZ AS 1 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 or collectively, they could reasonably be expected to influence the decisions of users taken on the basis of this financial report.

A further description of the auditor's responsibilities for the audit of the financial report is located at the XRB's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-14/>

Who we report to

This report is made solely to the trustees, as a body. Our audit has been undertaken so that we might state to the trustees 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 Manukau Counties Community Facilities Charitable Trust and the trustees as a body, for our work, for this report, or for the opinions we have formed.



RSM Hayes Audit
Auckland

27 June 2024

Manukau Counties Community Facilities Charitable Trust



Statement of Service Performance for year ended 31st March 2024

Description of Entity's Purpose:

A Trust which supports Bruce Pulman Park Trust (BPPT) and the organisations that use the Park. Provides funding for the provision, maintenance and development of facilities and activities at BPP for community sporting and other community activities.

A Funder of the development, promotion and support of amateur sport and charitable purposes, in the greater Auckland area in particular Counties Manukau and in the north Waikato, Tuakau and surrounding Area.

Description of Entity's Outcomes:

2024

5

Venues at year end

\$6.24m

Gaming Machine Revenue

37

Community Funding Applications Approved

\$3.01m*

Funds Distributed

48.3%

of Gaming Machine Revenue distributed



\$2.56m

Funds Distributed Directly to BPPT

85.08%

of total funds distributed to BPPT



2023

5

Venues at year end

\$5.17m

Gaming Machine Revenue

32

Community Funding Applications Approved

\$2.39m*

Funds Distributed

46.4%

of Gaming Machine Revenue distributed



\$2.29m

Funds Distributed Directly to BPPT

95.94%

of total funds distributed to BPPT



* Prior to unspent grants refunded

Approval of Financial Report

MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST

For the year ended 31 March 2024

The Trustees are pleased to present the approved financial report including the historical financial statements of MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST for year ended 31 March 2024.

APPROVED

For and on behalf of the Trustees:



Robert B Pulman

Date 27-06-2024



John L Sieprath

Date 27.06.2024

Charity Information

MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST

For the year ended 31 March 2024

Why does the charity exist?

The Charity exists to provide support to The Bruce Pulman Park Trust (BPPT) and the organisations that use the Park. Provides funding for the provision, maintenance and development of facilities and activities at BPPT for community sporting and other community activities. A Funder of the development, promotion and support of amateur sport and charitable purposes, in the greater Auckland area in particular Counties Manukau and in the north Waikato, Tuakau and surrounding Area.

Authorised Purpose

The Authorised Purpose of Manukau Counties Community Facilities Charitable Trust is;

- Grants for the provision, maintenance and development of facilities and activities at Bruce Pulman Park, including additions to the park by way of land purchase.
- Funds for the charitable purposes of the Bruce Pulman Park Trust for community sporting and other community activities.
- Funds for the development, promotion and support of amateur sport and charitable purposes, in the greater Auckland area and in particular Counties Manukau and in the north Waikato and in particular the Tuakau and surrounding Area.

How does the charity achieve its goals?

By granting and auditing funds provided to the Bruce Pulman Park Trust and others.

What did the charity do during the year?

Continued to provide funding for facilities, to user Groups and, operations of the Bruce Pulman Park Trust.

Statement of Comprehensive Revenue and Expenses

MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST
 For the year ended 31 March 2024

	NOTES	2024	2023
Operating Revenue			
Gaming Machine Income (Exchange Transaction)		6,236,078	5,165,220
Interest Received		1,261	527
Total Operating Revenue		6,237,339	5,165,747
Expenses			
Authorised Expenses	2	2,988,637	2,471,633
Authorised Purpose Payments	2	3,000,925	2,394,247
Non Cash Expenditure	2	322,451	252,121
Total Expenses		6,312,013	5,118,001
Total Comprehensive Revenue and Expenses		(74,673)	47,746

These financial statements are to be read in conjunction with the accompanying Notes and the Audit Report.

Statement of Changes in Net Assets/Equity

MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST

For the year ended 31 March 2024

	2024	2023
Equity		
Opening Balance	616,404	568,657
Increases/(Decreases)		
Total Comprehensive Revenue and Expenses	(74,673)	47,746
Total Increases/(Decreases)	(74,673)	47,746
Total Equity	541,730	616,404

These financial statements are to be read in conjunction with the accompanying Notes and the Audit Report.

Statement of Financial Position

MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST

As at 31 March 2024

	NOTES	31 MAR 2024	31 MAR 2023
Equity			
Retained Profits	4	84,765	83,504
Gaming Machines Reserve	3	456,965	532,900
Total Equity		541,730	616,404
Assets			
Current Assets			
ASB Bank Limited - Call Account	10	32,229	55,743
ASB Bank Limited - Gaming Machine Account	10	223,190	249,854
ASB Bank Limited - Trust Account	10	15,170	10,305
Prepayments		15,057	-
Total Current Assets		285,646	315,902
Non-Current Assets			
Property, Plant and Equipment	7	833,128	978,366
Total Non-Current Assets		833,128	978,366
Total Assets		1,118,773	1,294,269
Liabilities			
Current Liabilities			
GST Payable		110,607	108,917
Trade and Other Payables	10	199,531	147,603
Loans	11	167,258	164,094
Total Current Liabilities		477,396	420,615
Non-Current Liabilities			
Loans	11	99,647	257,250
Total Non-Current Liabilities		99,647	257,250
Total Liabilities		577,043	677,865
Net Assets		541,730	616,404

These financial statements are to be read in conjunction with the accompanying Notes and the Audit Report.

Statement of Cash Flows

MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST For the year ended 31 March 2024

	2024	2023
Cash Flows from Operating Activities		
Receipts from providing goods or services (exchange transactions)	6,236,078	5,180,090
Interest, dividends and other investment receipts	1,261	527
GST	2,822	54,317
Payments to suppliers	(2,952,899)	(2,418,607)
Donations or grants paid	(3,000,925)	(2,394,247)
Total Cash Flows from Operating Activities	286,338	422,080
Cash Flows from Investing and Financing Activities		
Receipts from sale of property, plant and equipment	1,389	1,150
Proceeds/(payments) from loans borrowed from other parties	(154,439)	421,344
Payments to acquire property, plant and equipment	(178,602)	(631,570)
Total Cash Flows from Investing and Financing Activities	(331,652)	(209,076)
Net Increase/ (Decrease) in Cash	(45,314)	213,004
Cash Balances		
Cash and cash equivalents at beginning of period	315,902	102,898
Cash and cash equivalents at end of period	270,589	315,902
Net change in cash for period	(45,314)	213,004

These financial statements are to be read in conjunction with the accompanying Notes and the Audit Report.

Notes to the Financial Statements

MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST For the year ended 31 March 2024

1. Statement of Accounting Policies

Reporting Entity

The entity is a Charitable Trust established by Trust Deed dated 28 July 1994, registered under the Charitable Trusts Act 1957.

The financial statements of MANUKAU COUNTIES COMMUNITY FACILITIES CHARITABLE TRUST are general purpose financial statements which have been prepared according to Generally Accepted Accounting Practice in New Zealand (NZGAAP).

The Trust qualifies and has elected to prepare financial statements as a Tier 2 reporting entity as total expenditure was more than \$2 million but less than \$30 million, and the Trust is not considered publicly accountable.

Basis of Preparation

The financial statements have been prepared in accordance with Tier 2 Public Benefit Entity (PBE) Financial Reporting Standards as issued by the New Zealand External Reporting Board (XRB). They comply with New Zealand equivalents to International Public Sector Accounting Standards Reduced Disclosure Regime (NZ)

The accounting principles recognised as appropriate for the measurement and reporting of the Statement of Comprehensive Revenue and Expense and Statement of Financial Position on a historical cost basis are followed by the trust. The information is presented in New Zealand dollars rounded to the nearest dollar.

Gaming Income

Gaming machine income is recognised net of cash disbursements from gaming machines. Income is recognised when received or receivable on an accrual basis.

Interest Income

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

Expenses

Expenses for authorised purpose payments are incurred in accordance with the rules set under the Gambling Act 2003. Authorised expenditure is approved by the board and is recognised when incurred.

Other Expenses

Expenses incurred in running the Trust is recognised when goods or services have been received by the Trust. Expenses are recognised on an accrual basis.

Income Tax

The Charitable Trust is exempt from taxation as it is a Charitable Trust registered with the Charities Commission under the Charities Act 2005.

Goods and Services Tax

Revenues and expenses have been recognised in the financial statements exclusive of GST except that irrecoverable GST input tax has been recognised in association with the expense to which it relates. All items in the Statement of Financial Position are stated exclusive of GST except for receivables and payables which are stated inclusive of GST.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is made up of the following components:

Gaming Machines Reserve

Gaming Machine Funds are held in reserve for appropriation by the Trust in accordance with the licence conditions granted by the Department of Internal Affairs.

Retained Profits

These represent the accumulated surplus/deficit of the Trust after transfer to or from the gaming machine reserve.

Cash Flow Statement Policy

Investing activities are those activities relating to the acquisition and disposal of property, plant & equipment and other long term assets. Financing activities are those activities that change the equity and borrowings of the Trust. Operating activities are those relating to the principal revenue generating activities of the trust and includes all transactions and other events that are not investing or financing activities. Cash flows from movements in investments are classified as operating activities

Property, Plant & Equipment

Property, Plant & Equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation has been calculated based on the assets useful life. Gains and losses on disposal of fixed assets are taken into account in determining the operating result for the year.

Depreciation rates are by class of assets:

Gaming Machines - 39.6% to 48% DV

Plant and Equipment - 8% to 60% DV

Furniture and Fittings - 20% to 24% DV

Impairment of Non-Financial Assets

The carrying amounts of the Trust'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 recognized in the 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 amortization, if no impairment loss had been recognized.

Significant Estimates and Judgements

In preparing these financial statements, estimates and judgement have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and judgement that have a significant risk of causing a material change within the next financial year are discussed below.

Depreciation of Property, Plant & Equipment has been calculated based on an estimate of the assets useful life.

Going Concern

The Trustees believe that the going concern assumption is valid as they believe the Trust should be able to sustain operations for 12 months from the date of these financial statements being authorised for issue. Refer Note 13 for additional information on Material Uncertainty.

Changes in Accounting Policies

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous reporting period.

Distributions to the Community

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

Net surplus generated by the Trust is to be paid 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 Trust is expected to generate net surplus equal to 40% of its GST exclusive gross receipts in each financial year.

For the current financial year the Trust has generated net surplus equal to 48% of its GST exclusive gross receipts.

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

	2024	2023
2. Expenses		
Authorised Expenses		
Accountancy Fees	6,950	7,250
Administration Fees	102,308	90,223
Advertising	2,051	2,795
Audit Fee	16,420	21,709
Bank Fees & Charges	867	874
Electronic Monitoring	76,720	61,373
Freight, Installation & Cartage	28,182	16,450
Gaming Machine Duty	1,438,737	1,183,291
Insurance	13,939	24,578
Interest	28,126	16,172
Legal Fees - Deductible	261	2,441
Licensing Fees	81,366	81,519
Other Equipment Lease	7,715	3,399
Problem Gambling Levy	77,692	60,368
Repairs & Maintenance	27,659	17,522
Security Expenses	5,650	3,521
Service Contract	75,573	63,213
Storage Fees - Equipment	155	-
Venue Payments - Gaming Machine Location	998,266	814,935
Total Authorised Expenses	2,988,637	2,471,633
Authorised Purpose Payments		
Donation - Bruce Pulman Park Trust	2,561,079	2,299,344
Donations - Other	449,044	97,269
Total Authorised Purpose Payments	3,010,123	2,396,613
Authorised Purpose Payments Refunded		
Donations Refunded - Other	(9,198)	(2,366)
Total Authorised Purpose Payments Refunded	(9,198)	(2,366)
Total Authorised Purpose Payments and Refunds	3,000,925	2,394,247
Non Cash Expenses		
Depreciation	252,077	238,249
Loss on Sale of Fixed Assets	70,373	13,871
Total Non Cash Expenses	322,451	252,121
Total Expenses	6,312,013	5,118,001

	2024	2023
3. Gaming Machines Reserve		
Gaming Machines Reserve		
Opening Balance	532,900	485,681
Transfer from/(to) Retained Profits	(75,935)	47,219
Total Gaming Machines Reserve	456,965	532,900

See policy note 'Gaming Machine Reserves' on page 14 for more information on this reserve

	2024	2023
4. Retained Profits		
Retained Profits		
Opening Balance	83,503	82,976
Current Year Earnings	(74,673)	47,746
Transfer from/(to) Gaming Machine Reserve	75,935	(47,219)
Total Retained Profits	84,765	83,503

5. Related Party

The Bruce Pulman Park Trust, where the bulk of the gaming funds have been distributed, is administered by a Board of Trustees, A Prasad, D M Lasenby, J L Slater (Chairperson), M R Pulman, K Leitner, and G B Troup.

Authorised Purpose Payments made to the Bruce Pulman Park Trust were \$2,561,079 (Last Year: \$2,299,344) .

Robert Bruce Pulman and Jessie Florence Pulman have advanced funds to Manukau Counties Community Facilities Charitable Trust to assist with the purchase of assets. Further details are included in note 11.

6. Gaming Venues

Gaming machines are located in the following venues:

F Bar Papakura, Papakura
 Forge 2 Bar, Papakura
 Midtown Bar, Papakura
 Coyote Bar, Papakura
 Elsie's Restaurant & Bar, Tuakau

7. Property, Plant & Equipment

	Opening Book Value	Additions	Disposals	Loss	Depreciation	Closing Book Value
Property, Plant & Equipment 2024	\$	\$	\$	\$	\$	\$
Gaming Machines	719,542	110,116	-	35,818	199,510	594,330
Plant & Equipment	196,737	44,858	489	30,686	39,127	171,294
Furniture & Fittings	62,087	23,627	900	3,869	13,441	67,504
Total Property, Plant & Equipment	978,366	178,602	1,389	70,373	252,077	833,128

	Closing Cost	Accumulated Depreciation	Closing Book Value
Property, Plant & Equipment 2024	\$	\$	\$
Gaming Machines	1,639,418	1,045,088	594,330
Plant & Equipment	332,497	161,204	171,294
Furniture & Fittings	178,012	110,508	67,504
Total Property, Plant & Equipment	2,149,930	1,316,800	833,128

	Closing Cost	Accumulated Depreciation	Closing Book Value
Property, Plant & Equipment 2023	\$	\$	\$
Gaming Machines	1,630,800	911,258	719,542
Plant & Equipment	339,124	142,387	196,737
Furniture & Fittings	177,190	115,103	62,087
Total Property, Plant & Equipment	2,147,113	1,168,747	978,366

8. Capital Expenditure Commitments

There are capital commitments of \$67,970 excluding GST as at 31 March 2024. (Last Year: \$0).

9. Contingent Liabilities

There are no contingent liabilities at balance date. (Last Year: \$0).

10. Categories of Financial Assets and Liabilities

The Carrying amounts of financial instruments presented in the financial position relate to the following categories of assets and liabilities:

	2024	2023
Categories of Financial Assets and Liabilities		
Financial Assets at Amortised Cost		
Cash and Cash Equivalents	270,589	315,902
Total Financial Assets at Amortised Cost	270,589	315,902
Financial Liabilities at Amortised Cost		
Loans	266,905	421,344
Trade Creditors and Other Payables	199,531	147,603
Total Financial Liabilities at Amortised Cost	466,436	568,948

11. Loan

The loans advanced from Robert Bruce Pulman and Jessie Florence Pulman will be applied by the borrower to purchase certain assets from the New Zealand Community Trust as per the Asset List recorded in Schedule 1 of the Deed of Acknowledgement of Debt.

The debt shall bear interest at the rate of 8% per annum accruing and calculated on a daily basis over a 365 day year and may be capitalized by the lender if required.

Loans are recorded at original liability less repayments made. There has been no adjustment for impairment of loans.

Per clause 2.(c) interest and principal shall be paid in 36 monthly instalments of \$15,214.

The borrower may repay the debt in whole or in part at any time without penalty providing one calendar month notice.

There is no security over the loans.

12. Subsequent Events

The DIA Financial compliance assessment found potential non-compliance in regard to the negative net working capital and the use of proceeds for the purchase of gaming machines, as detailed in Note 13. The financial viability concerns put forward by the DIA are only in draft and are disputed by the Trust at balance date. The Trust has agreed to a plan to improve its working capital ratio, as detailed in Note 13. At the time of signing the Annual Report, management have not had confirmation from the DIA of their acceptance of the proposed plan.

13. Material Uncertainty

The financial statements have been prepared on a going concern basis, which assumes the Trust will be able to pay its debts as they fall due in the normal course of business.

At 31 March 2024, the Trust made a net loss of \$74,673. The Trust has a negative working capital of \$191,750 (2023: \$ 104,713).

The negative working capital is partly attributable to the current portion of the loans due. The loans to the Trust are from related parties who have confirmed they will only require repayment of the outstanding amounts by the Trust, if the Trust has sufficient liquidity to cover its existing liabilities.

MCCFCT were in receipt of a draft report in May 2024 from Department of Internal Affairs (DIA) noting that there had been a departure from the requirements in the Gambling Act 2003. Namely sections 106(1) of the Act and regulations 11A (2) & (3). In so far as the DIA believes that net proceeds of the MCCFCT were used in the purchase of gaming machines over a three-year period.

Along with this, the DIA's report notes that the MCCFCT is running a WC ratio deficit and has been for the past four years. This observation by the DIA has indicated to them that the Trust may be at risk of default and may not be financially viable per the section 52(1) & (2) of the Act.

The Trust is of the opinion that:

- Gaming societies have operated successfully with negative working capital during the period 18 October 2004 to 1 July 2020. During this period, the Gambling (Class 4 Net Proceeds) Regulations required gaming societies to operate with negative working capital. This position only changed on 1 July 2020 with the introduction of regulation 11A, which allowed net proceeds to be retained for financial viability purposes.
- While there is a maximum working capital ratio of 1:5:1, there is no minimum ratio. The Trust is not in breach of the Gambling Act by having negative working capital.
- The financial viability concerns put forward by the DIA are only in draft and are disputed.

The Trust has agreed to a plan to improve its working capital ratio. Monthly grant distributions will be limited to 40.5% of the prior month's gaming revenue, with the surplus net proceeds retained to improve the working capital ratio. This shall continue until the ratio reaches 1.2:1. Thereafter, the ratio shall be monitored quarterly and shall be maintained at a level of between 1.2:1 and 1.5:1.

If the DIA's position is correct, that all Capital Purchases must be funded through borrowings, MCCFCT will undertake to abide by that requirement.

The above will ensure our ability to meet our financial commitments. While there is uncertainty in relation to achieving budgets and renewing the license with the DIA, we consider the Trust is a going concern, as forecast operating cashflows at the time of completing the accounts are sufficient to cover future obligations when they fall due.

This situation creates a material uncertainty which may cast significant doubt as to the validity of the going concern assumption. If the Trust was unable to meet its obligations in the next 12 months and/or the Trust is not able to renew its license, there is a risk we may be unable to pay our debts as and when they become due. In that event, this would mean our financial position could differ from what is currently reported.