
Constellation Communities Trust Limited

**FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Constellation Communities Trust Limited

**FINANCIAL STATEMENTS
For the year ended 31 December 2022**

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Constellation Communities Trust Limited

**Directory
For the year ended 31 December 2022**

Registered office	127a Browns Bay Road, Browns Bay Auckland 0630
Nature of business	Constellation Communities Trust Limited generates funds for its Authorised Purpose by operating gaming machines primarily to support the wider communities around New Zealand.
Directors	Christopher Kennings George Paterson Kerry Francis Kevin Lunny
Company number	3874696
Independent auditor	JSA Audit Ltd Level 2 155 Parnell Road Auckland 1052
Bankers	Bank of New Zealand
Solicitors	True Legal Hamilton
Shareholders	Kevin Lunny (1 Share) George Paterson (2 Shares)

Constellation Communities Trust Limited

Directors' Report and Statement of Responsibility
For the year ended 31 December 2022

Directors' Report

The Directors of Constellation Communities Trust Limited ("The Company") present this Annual Report, being the financial statements of the Company for the financial year ended 31 December 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) or section 211(2) of the Act.

Statement of Responsibility

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

The independent external auditors, JSA Audit Ltd, have audited the statement of service performance and 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 Service Performance is drawn up so as to present fairly, in all material respects, the service performance information for the year ended 31 December 2022;

-The Statement of Comprehensive Revenue and Expenses is drawn up so as to present fairly, in all material respects, the financial result of the Company for the financial year ended 31 December 2022;

- The statement of financial position is drawn up so as to present fairly, in all material respects, the affairs of the Company as at 31 December 2022;

- The statement of cash flows is drawn up so as to present fairly, in all material respects, the cash flow of the Company for the financial year ended 31 December 2022;

- 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:

[Signature]

Chairperson

[Signature]

Director

30. MARCH 2023

Date

30 March 2023

Date



JSA Audit Limited
is a CPA Practice



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Constellation Communities Trust Limited

Opinion

We have audited the general purpose financial report of Constellation Communities Trust Limited ("the Company"), which comprise the statement of service performance on pages 6 to 7 and the financial statements on pages 8 to 22. The complete set of financial statements comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive revenue and expenses, 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 general purpose financial report presents fairly, in all material respects:

- (a) the financial position of the Company as at 31 December 2022, and its financial performance, and cash flows for the year then ended.
- (b) the service performance for the year ended 31 December 2022 in accordance with the Company'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 New Zealand Auditing Standards (NZ AS1) 'The Audit of Service Performance Information (NZ)'. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the General Purpose Financial Report section of our report.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 statement of service performance, 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 statement of service performance and 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 statement of service performance and 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 statement of service performance, 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 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.

Other Matter

The financial statements for the prior year ended 31 December 2021 were audited by another auditor, who expressed an unmodified opinion on 30 March 2022.

This is the first year the Company prepared the Statement of Service Performance. The corresponding figures in the Statement of Service Performance are unaudited.

Who We Report To

This report is made solely to the Company's shareholders, as a body, in accordance with Section 207B(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders 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 its shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Responsibilities of the Directors for the General Purpose Financial Report

The directors are responsible on behalf of the company for:

- (a) the preparation and fair presentation of the financial statements and statement of service performance in accordance with Public Benefit Entity Standards – Reduced Disclosure Regime (Not-For-Profit).
- (b) Service performance criteria that are suitable in order to prepare service performance information in accordance with Public Benefit Entity Standards; and
- (c) for such internal control as they determine is necessary to enable the preparation of the general purpose financial report that is free from material misstatement, whether due to fraud or error.

In preparing the general purpose financial report, 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 General Purpose Financial Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, and the statement of service performance 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 this general purpose financial report.

As part of an audit in accordance with ISAs (NZ) and NZ As 1, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and service performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the financial statements and statement of service performance in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtain an understanding of the process applied by the entity to select what and how to report its service performance.
- Evaluate whether the service performance criteria are suitable so as to result in service performance information that is in accordance with Public Benefit Standards.
- Concludes on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the general purpose financial report, and whether the general purpose financial report represents the underlying transactions, events and service performance in accordance with Public Benefit Standards in a manner that achieves fair presentation.

The auditor communicates with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.



JSA Audit Limited
Parnell, Auckland
31 March 2023

Constellation Communities Trust Limited

Statement of Service Performance

For the year ended 31 December 2022

Why the entity exists:

Constellation Communities Trust Limited (CCT) was set up to provide financial support to AUT Millennium, North Shore athletics and the North Shore community, with funds raised by operating gaming machines.

CCT currently operates 18 machines at Bar Africa and 9 at Roweyz Karaoke Bar, both in William Pickering Drive, Rosedale, North Shore. The company is keen to operate at more venues, if the addition(s) would be viable.

Gambling can be a harmful activity for some people and CCT acknowledges its social responsibility in this regard, actively supporting and managing harm minimisation at venues. The company's venue operators are equally active in this area, enforcing the current list of persons excluded from gaming while monitoring gaming activity to identify potential problems and intervene where necessary.

Outputs:

During 2022, applicants received 40.9% of GST exclusive Gaming Machine Profit (GMP), (2021: 21.8% of GST exclusive GMP).

	2022	2021*
Number of Applications	157	163
Total Requested	\$1,285,722	\$1,402,791
Average	\$8,189	\$8,606
Number Approved	78	35
Total Paid	\$519,490	\$209,754
Average	\$6,660	\$5,993

** Reduced by venue closures*

All payments were for the direct or indirect benefit of the North Shore community, categorised as follows:

	2022	2021
Sport	89%	93%
Health and Welfare	7%	3%
Arts and Culture	4%	4%

CCT is subject to legislation and regulation that requires minimum returns to the community of 40% of GST-exclusive revenue. The company achieved the required community returns in 2022 (40.9%) but fell short in terms of accounting profit (36.0%). On a cash basis, however, profitability was much higher due to bank loan repayments being considerably less than depreciation. CCT is endeavouring to align accounting and cash profits, but until this can be achieved there will be ongoing variation between the two profitability measures.

Other Information:

Gross Gaming Machine Profit was \$1,271m exc GST in 2022, a 32% increase on \$966k exc GST in 2021 - the latter was adversely affected by venue closures due to the pandemic. Gaming revenue has still not recovered to pre-pandemic levels at the company's venues, likely due to a degree of "stay-away" as Covid remains common.

The company's venues received \$203,370 exc GST (2021: \$154,508 exc GST) of gross revenue (16%), complying with regulations setting maximum payments to venues.

Without venues, CCT would not exist and the company extends its sincere thanks and appreciation to the owners and staff of Bar Africa and Roweyz.

The company minimises costs wherever possible, to maximise returns to the community. During 2022, the single largest (non-statutory) cost was Depreciation (\$127,823, including loss on disposal) (2021: \$137,368 including loss on disposal), followed by Staffing \$83,400 (2021: \$80,432), Repairs and Maintenance \$27,063 (2021: \$42,508) and Insurance \$9,231 (2021: \$8,772).

Turning to the future, it is hoped and anticipated that gaming revenue will continue to recover at the company's venues. The budget and forecast indicate that CCT is on track to achieve 40% profitability and community returns during 2023.

Constellation Communities Trust Limited

**Statement of Comprehensive Revenue and Expenses
For the year ended 31 December 2022**

	Notes	2022	2021
		\$	\$
Revenue from exchange transactions			
Gaming machine income	17	1,271,060	965,675
Other operating revenue		-	-
Revenue from non-exchange transactions			
Other revenue	17	4,174	37,108
Total revenue		<u>1,275,234</u>	<u>1,002,783</u>
Expenses			
Depreciation	10	125,396	133,455
Gaming machine duty & Problem gambling levy		306,107	230,767
Venue rental		203,370	154,508
Legal fees and consulting		62,850	62,216
Licences & Registrations		27,714	25,853
Audit Fees		6,246	10,656
Finance costs	13	709	7,316
Other operating expenses	6	78,475	130,659
Total expenses		<u>810,867</u>	<u>755,430</u>
Total surplus/(deficit) for the year - before distributions		<u>464,367</u>	<u>247,353</u>
Less: distributions		(518,770)	(205,258)
(Deficit)/surplus for the year		<u>(54,403)</u>	<u>42,095</u>
Other comprehensive revenue and expenses		-	-
Total comprehensive revenue and expenses		<u>(54,403)</u>	<u>42,095</u>

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

Constellation Communities Trust Limited

**Statement of Changes in Net Assets/Equity
For the year ended 31 December 2022**

	Note	Total equity \$	Total equity \$
		2022	2021
Opening balance 1 January		187,595	145,500
Surplus/ (deficit) for the year		(54,403)	42,095
Other comprehensive revenue and expenses		-	-
Closing equity as at 31 December		<u>133,192</u>	<u>187,595</u>

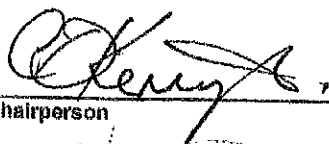
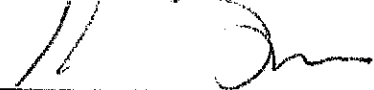
The above financial statement should be read in conjunction with the notes to the financial statements.

Constellation Communities Trust Limited

**Statement of Financial Position
As at 31 December 2022**

	Notes	2022	2021
		\$	\$
Current assets			
Cash and cash equivalents	7	114,387	89,644
Receivables from exchange transactions	8	32,712	37,711
Receivables from non-exchange transactions	8	64	64
		<u>147,163</u>	<u>127,419</u>
Non-current assets			
Property plant and equipment	10	118,598	176,027
		<u>118,598</u>	<u>176,027</u>
Total Assets		<u>265,761</u>	<u>303,446</u>
Current liabilities			
Loan facility - secured	11	22,801	36,333
Trade and other payables	14	65,968	76,378
		<u>88,769</u>	<u>112,711</u>
Non-current liabilities			
Loan facility - secured	11	43,800	3,140
Total Liabilities		<u>132,569</u>	<u>115,851</u>
Total net assets		<u>133,192</u>	<u>187,595</u>
Net assets			
Accumulated comprehensive revenue and expense		133,192	187,595
Total net assets attribution		<u>133,192</u>	<u>187,595</u>

For and on behalf of the Board:


 pp Chairperson

 Director

30/3/23
Date

30/3/23
Date

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

Constellation Communities Trust Limited**Statement of Cash Flows
For the year ended 31 December 2022**

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
<u>Receipts</u>			
Receipts from non-exchange transactions		4,174	37,108
Receipts from exchange transactions		1,280,983	970,485
Interest received		-	-
<u>Payments</u>			
Payments to suppliers and employees		(696,070)	(639,448)
Distributions		(518,770)	(205,258)
Interest paid		(2,309)	(7,316)
Net cash flows from operating activities		68,008	155,571
Cash flows from investing activities			
Proceeds from sale of property plant and equipment		-	14,065
Purchase of property, plant and equipment		(70,393)	(65,010)
Net cash flows from investing activities		(70,393)	(50,945)
Net cash flows from financing activities			
Proceeds from draw down of loans		65,000	65,353
Payments of loan facilities		(37,872)	(221,939)
Net cash flows from financing activities		27,128	(156,586)
Net increase/(decrease) in cash and cash equivalents		24,743	(51,960)
Cash and cash equivalents at 1 January		89,644	141,604
Cash and cash equivalents at 31 December	7	114,387	89,644

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

Constellation Communities Trust Limited

Notes to the financial statements For the year ended 31 December 2022

1. REPORTING ENTITY

The Company was incorporated in New Zealand on 12 June 2012 under the Companies Act 1993, and commenced trading in January 2013 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.

The financial statements for the Company are for the year ended 31 December 2022, and were approved by the Board as 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, rounded to the nearest dollar.

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

d) Changes in accounting policy

There has been no change to the accounting policies. All accounting policies 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 provide 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. Based on the budgeted cash flows for the next year, it is the considered view of the Board of Directors that the gaming operations will continue to satisfy these requirements. The Company has net current assets of \$58,394 as at 31 December 2022 (2021: \$14,708). The Company is subject to annual relicensing by the Department of Internal Affairs. If the Company is unable to continue in operational existence in the foreseeable future, adjustments may have to be made to reflect the fact that assets and liabilities may need to be realised at amounts other than those at which they are currently recorded in the statement of financial position and the Company may have to provide for further liabilities that may arise.

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 the community. The Company prioritises funding applications for non-professional community health and well-being and educational activities operated by the Millennium Institute of Sport and Health and North Sport Academy.

Constellation Communities Trust Limited

Notes to the financial statements For the year ended 31 December 2022

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.

Constellation Communities Trust Limited

**Notes to the financial statements
For the year ended 31 December 2022**

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 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.

ii) Revenue from non-exchange transactions

Non-exchange revenue represented by IRD resurgence support payments, is recognised as received.

b) Finance costs

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.

Constellation Communities Trust Limited

Notes to the financial statements For the year ended 31 December 2022

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.

Constellation Communities Trust Limited

**Notes to the financial statements
For the year ended 31 December 2022**

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, except those acquired through non exchange transactions which are instead measured at fair value as their deemed cost at initial recognition.

Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Significant components of individual assets that have a useful life that is different from the remainder of those assets, those components are depreciated separately.

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.

Constellation Communities Trust Limited

**Notes to the financial statements
For the year ended 31 December 2022**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The estimated useful lives are:

Gaming machines & Equipment	3-5 years
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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.

Constellation Communities Trust Limited

**Notes to the financial statements
For the year ended 31 December 2022**

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 & Retention of Net Surplus - Working Capital

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. However, following the Covid-19 pandemic, the above requirements was suspended for the financial years ending in 2021 and 2020.

The Company is now expected to retain enough gross proceeds to achieve a ratio of current assets to current liabilities of up to a maximum of 1.5:1 also known as Working Capital Ratio (WCR).

The Company has achieved a WCR of 1.66: 1 as at 31 December 2022 (2021: 1.13: 1).

For the current financial year the Company has generated net surplus before distributions equal to 36.53% of its GST exclusive gross receipts (2021: 25.60%).

Constellation Communities Trust Limited

**Notes to the financial statements
For the year ended 31 December 2022**

6. OTHER OPERATING INCOME/EXPENSES

	2022	2021
	\$	\$
Operating expenses include all the expenses including the following:		
(Gains)/Losses on sale of fixed assets	2,427	3,913
Gaming machine maintenance	19,826	20,907
Servicing of equipment	-	3,633
EMS monthly fees	19,305	13,506

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

Current assets:

Cash at bank	114,387	89,644
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Current liabilities:

Bank overdrafts	-	-
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Total cash and cash equivalents in statement of cash flows	<u>114,387</u>	<u>89,644</u>
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The Company has \$150,000 unsecured overdraft facility at reporting date (2021: \$150,000).

8. RECEIVABLES

Trade receivables from exchange transactions	21,617	33,028
Allowance for impairment	-	-
Net trade receivables from exchange transactions	<u>21,617</u>	<u>33,028</u>
Prepayments	11,095	4,683
Receivables from exchange transactions	<u>32,712</u>	<u>37,711</u>

There are no amounts overdue nor impaired as at year end relating to trade receivables from exchange transactions.

Income tax refund due	<u>64</u>	<u>64</u>
	<u>64</u>	<u>64</u>

Constellation Communities Trust Limited**Notes to the financial statements
For the year ended 31 December 2022****9. RELATED PARTY TRANSACTIONS AND BALANCES****Compensation of key management personnel**

K Lunny, one of the Directors, provides grants administration and secretarial services to the entity. During the year, Trust has paid to a Director an amount of \$20,700 (2021: \$18,910) for services and duties as director. Key management services provided by an independent contractor was \$61,154 for the year (2021: \$60,000)

10. PROPERTY, PLANT AND EQUIPMENT

	31-Dec-22			31-Dec-21		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Gaming machines & Equipment	660,214	541,616	118,598	634,971	458,944	176,027
	<u>660,214</u>	<u>541,616</u>	<u>118,598</u>	<u>634,971</u>	<u>458,944</u>	<u>176,027</u>

Net Book Value reconciliation of property, plant and equipment - December 2022

	Opening balance	Additions	Disposals	Write offs	Depreciation	Closing balance
Gaming machines & Equipment	176,027	70,393	2,426	-	125,396	118,598
	<u>176,027</u>	<u>70,393</u>	<u>2,426</u>	<u>-</u>	<u>125,396</u>	<u>118,598</u>
Net book value						
As at 31 December 2022	118,598					
As at 31 December 2021	176,027					

11. FACILITY SECURED

	<u>Effective</u> <u>Interest rate %</u>	<u>Year of Maturity</u>	2022	2021
Current interest bearing loans & borrowings				
Secured bank loan	10.26%	2025	22,801	36,333
Non-current interest bearing loans & borrowings				
Secured bank loan			43,800	3,140
			<u>66,601</u>	<u>39,473</u>

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

Constellation Communities Trust Limited

**Notes to the financial statements
For the year ended 31 December 2022**

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:

	2022	2021
	\$	\$
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents (assets)	114,387	89,644
Receivables from exchange transactions	32,712	37,711
Receivables from non-exchange transactions	64	64
	<u>147,163</u>	<u>127,419</u>
Financial liabilities		
<i>At amortised cost</i>		
Trade and other creditors	16,385	45,038
Cash and cash equivalents (liabilities)	-	-
Loan facility	66,601	39,473
	<u>82,986</u>	<u>84,511</u>

The Company has an overdraft facility with the Bank of New Zealand. As at 31 December 2022 the overdraft was for a maximum amount of \$150,000 (2021: \$150,000) at the prevailing Market Connect Overdraft Prime Rate of 10.74 (2021: 7.12%) per annum. The overdraft is unsecured and repayable on demand.

The Company also has Term loans with Bank of New Zealand. The term loans are collateralised by all present and after acquired property of the Company. As at 31 December 2022 the Company's property had a net carrying value of \$118,598 (2021: \$176,027).

The Term loans requires the Company to comply with certain covenants. 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 December 2022 the EBITDA is 804.62 times (2021: 53.05) the interest servicing costs. No breaches of covenants have been noted.

13. NET FINANCE COSTS

<i>Finance income</i>		
Interest income from loans and receivables	-	-
<i>Finance expense</i>		
Financial liabilities at amortised cost	709	7,316
Net finance costs	(709)	(7,316)

Constellation Communities Trust Limited

**Notes to the financial statements
For the year ended 31 December 2022**

14. PAYABLES - EXCHANGE TRANSACTIONS

	2022	2021
	\$	\$
Accounts payable	10,385	14,537
Accruals	6,000	30,500
Gaming duty payable	29,951	22,809
GST/PAYE payable	19,632	8,532
	<u>65,968</u>	<u>76,378</u>

15. CAPITAL COMMITMENTS

There are no capital commitments at the reporting date. (2021: \$Nil).

16. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities at the reporting date. (2021: \$Nil).

17. REVENUE

Revenue from exchange transactions

Gaming machine income	1,271,060	965,675
Gain on asset sales	-	-
Interest received	-	-
	<u>1,271,060</u>	<u>965,675</u>

Revenue from non-exchange transactions

COVID-19 Wage Subsidy	4,174	37,108
	<u>4,174</u>	<u>37,108</u>

18. EVENTS AFTER THE REPORTING DATE

The directors are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the Company (2021: \$Nil).