



PAPANUI CLUB INCORPORATED

ANNUAL FINANCE REPORT FOR THE YEAR ENDED 31 MARCH 2023

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PAPANUI CLUB INCORPORATED

EXECUTIVE RESPONSIBILITY STATEMENT

The Executive are responsible for the preparation, in accordance with New Zealand law and New Zealand generally accepted accounting practice (GAAP) and other applicable reporting standards deemed appropriate for public benefit entities, financial statements that materially reflect the financial position of Papanui Club Incorporated (the 'Club') as at 31 March 2023 and the results of its operations for the year ended on that date.

The Executive consider that the financial statements have been prepared using accounting policies appropriate to the Club's circumstances, consistently applied and supported by reasonable and prudent judgements and best estimates.

The Executive believe that proper accounting records have been maintained that enable, with reasonable accuracy, the determination of the financial position of the Club and facilitate compliance of the financial statements with the Incorporated Societies Act 1908.

The Executive have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Executive consider that adequate steps have been taken to safeguard the assets of the Club and to prevent and detect fraud and other irregularities.

AUTHORISATION FOR ISSUE

The Executive authorised the issue of these financial statements on the 2nd June 2023.

APPROVAL BY EXECUTIVE COMMITTEE

The Executive are pleased to present the statement of service performance and financial statements of Papanui Club Incorporated for the year ended 31 March 2023 on pages 2 to 16, as well as the Appendices on pages 19 to 22.

For and on behalf of the Executive:



Terry Stewart
Club President



Peter Sargisson
Vice-President & Chair of Finance

PAPANUI CLUB INCORPORATED

STATEMENT OF SERVICE PERFORMANCE

Vision: To be the leading Club in Christchurch enjoyed by its members, respected by the wider community, and highly regarded within the hospitality industry

Key Objective: The key objective of the Papanui Club is to provide genial and social interaction between Members for their mutual benefit and such social amenities, entertainments, recreation, services and improvements as the elected Executive shall deem fit for purpose, by providing suitable buildings, rooms, materials and resources, as well as any other conveniences necessary for such objects

Mission:

- * to have a framework that ensures future sustainability
- * to be financially sound and fiscally responsible
- * to provide a pleasant modern atmosphere for Members, by providing excellent facilities supported by quality product offerings, backed up by first-class service standards
- * to provide constant value to its Members
- * to be both an environmentally and family-friendly venue
- * to give back to the local Community by supporting local Schools, Sports Clubs and Welfare Groups
- * to maintain a reputation as an organisation with the heights standards of integrity, governance and ethics
- * to be recognised as a preferred employer of first choice within the hospitality industry

Key Judgements: In preparing the Statement of Service Performance and Impact Report, significant judgement is required with regards to the elements of service performance reported and how those elements are measured or described.

Performance Measures:

What did the Papanui Club do during the 2023 financial year to help work towards the overall Vision, Mission and Objectives?

Members

The Club has several classes of Membership and focuses on continually trying to retain the Membership base year on year. As highlighted in the key objective of the Club, the main focus is to provide social and genial interaction for Members. To achieve this, it's important that the Papanui Club continues to maintain it's annual affiliation with Clubs New Zealand, enabling Members of the Papanui Club to benefit from reciprocal rights and other privileges across all Member Clubs domiciled in New Zealand, whilst also benefitting from the many different tournaments offered to the various sections within the Club.

To show the Club is financially sound and fiscally responsible, the Club's Accountant presents monthly to the Executive Committee and answers any Members questions as they arise, including those voiced at the Annual General Meeting.

Performance Measure	Target	2023	2022
Membership Retention (<i>year on year</i>)	100%	8,859	8,923
Premises Open for Members Use (<i>number of days</i>)	364	364	334
Sections offered to Members (<i>available to join each year</i>)	17	17	17
Membership Promotions worth over \$8,000 (<i>per annum</i>)	1	1	1
Remain a fully Affiliated Member of Clubs New Zealand (<i>each year</i>)	Yes	Yes	Yes
Club Accountant attends monthly Executive Meetings (<i>meetings attended</i>)	12	12	12

**Please note during the 2022 financial year that COVID-19 impacted the ability for the Club to be open for 364 days, due to Government regulations and restrictions, as well as Public Health and Safety measures.*

PAPANUI CLUB INCORPORATED

STATEMENT OF SERVICE PERFORMANCE

Trading – Food & Beverage

The Club provides food and beverage services to maximise the use of the facilities owned by the club. These services benefit the Members who are able to utilise these in accordance with the membership guidelines. The Food and Beverage offering by the Club is the largest revenue earner for the Club, so constant monitoring of Gross Profit is critical to ensure the Members financially benefit from having these services in the Club.

Performance Measure	Target	2023	2022
Gross Profit from Beverage	65.9%	66.3%	64.6%
Gross Profit from Food	64.4%	64.6%	54.1%

Gaming

The Club holds a Class 4 Gaming Licence with the Department of Internal Affairs which enables Members to benefit from the proceeds of Class 4 Gaming. Class 4 Gaming Licences are highly regulated by the DIA and require the licence holder to comply with a number of conditions.

Performance Measure	Target	2023	2022
Gross Profit from Gaming	72.2%	72.3%	72.0%
Gaming money spent on facilities for the benefit of Members and the local Community	\$608,276	\$725,556	\$579,512

Community

The Club plays an important role in the Community, with the net proceeds from Class 4 Gaming and the Food and Beverage services best utilised to ensure the spaces in the Club are maintained and continually upkept to an appropriate standard.

There are various spaces within the Club premises that are able to be used for hire which is tracked through the function planner. The Club proudly hosts a weekly Quiz Night, which is well-patronised and widely acknowledged as Christchurch's biggest weekly quiz, whereby the prizes and costs associated with running the Quiz, covered by the overall financial performance of the Club.

Performance Measure	Target	2023	2022
Hire and usage of the Club spaces including by Sections and external hire to benefit the Local Community (<i>number of Events and Functions per annum</i>)	480	487	446
Weekly Quizzes generally held on Tuesday Nights	44	44	44

PAPANUI CLUB INCORPORATED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 31 MARCH 2023

In New Zealand Dollars

	Note	2023 \$	2022 \$
REVENUE			
Trading - Food & Beverage		4,244,989	3,280,807
Gaming - Coin Machines		1,202,814	1,011,564
Government Wage Subsidies		65,173	536,627
Membership Fees		220,692	215,818
Sundry Income		129,362	127,597
Gym Subscriptions		97,716	95,871
Total Revenue		5,960,746	5,268,284
EXPENDITURE			
Administration & Operation		(3,778,613)	(3,470,694)
Cost of Sales - Trading		(1,460,755)	(1,308,022)
Cost of Sales - Gaming		(333,742)	(282,833)
Depreciation	13	(441,182)	(464,733)
Loss on Disposal of Assets		(3,077)	-
Donations Paid		(2,000)	(1,300)
Total Expenditure		(6,019,369)	(5,527,582)
Deficit from Trading Activities		(58,623)	(259,298)
FINANCING			
<i>Finance Income:</i>			
Dividends Received		1,421	1,010
Interest Received		4,250	891
<i>Finance Costs:</i>			
Interest Paid on Bank Borrowings		(92,960)	(50,235)
Net Financing Deficit		(87,289)	(48,334)
Deficit from Core Activities before Tax		(145,912)	(307,632)
Income Tax Expense		(3,428)	(1,506)
Deficit after Tax		(149,340)	(309,138)
Motel Development - Feasibility Costs		(10,710)	(57,369)
Total Comprehensive Revenue and Expense for the Year		(160,050)	(366,507)

The accompanying accounting policies and notes to the accounts should be read in conjunction with these financial statements

PAPANUI CLUB INCORPORATED

STATEMENT OF CHANGES IN ACCUMULATED MEMBERS FUNDS FOR THE YEAR ENDED 31 MARCH 2023

In New Zealand Dollars

	Accumulated Comprehensive Revenue and Expense \$
Balance 1 April 2021	11,423,282
Deficit after Tax	(366,507)
Other Comprehensive Income	-
Total Comprehensive Revenue and Expense for the Year	(366,507)
Other Distributions to Members	-
Total Transactions recorded directly in Accumulated Members Funds	-
Balance 31 March 2022	11,056,775
Deficit after Tax	(160,050)
Other Comprehensive Income	-
Total Comprehensive Revenue and Expense for the Year	(160,050)
Other Distributions to Members	-
Total Transactions recorded directly in Accumulated Members Funds	-
Balance 31 March 2023	10,896,725

The accompanying accounting policies and notes to the accounts should be read in conjunction with these financial statements

PAPANUI CLUB INCORPORATED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

In New Zealand Dollars

	Note	2023 \$	2022 \$
ASSETS			
Current			
Cash and Cash Equivalents	5	822,185	588,976
Inventories	6	108,578	105,555
Trade Receivables & Sundry Debtors	7	55,016	22,237
Total Current Assets		985,779	716,768
Non-Current			
Investments - Foodstuffs	8	31,155	34,855
Property, Plant & Equipment	13	12,613,488	12,909,804
Total Non-Current Assets		12,644,643	12,944,659
TOTAL ASSETS		13,630,422	13,661,427
LIABILITIES			
Current			
GST Payable to Inland Revenue		54,548	27,313
Trade Payables & Sundry Creditors	9	377,803	259,631
Sections Current Account		142,589	103,169
Employee Entitlements	10	236,112	197,566
Income Tax Payable		2,659	1,044
Redeemable Loyalty Points		138,976	123,770
Borrowings - Current Portion Due on Term Loan	11	122,848	120,000
Revenue In Advance - Subs & Function Deposits		167,326	151,435
Total Current Liabilities		1,242,861	983,928
Non-Current			
Borrowings - ASB Term Loan	11	1,490,836	1,620,724
Total Non-Current Liabilities		1,490,836	1,620,724
TOTAL LIABILITIES		2,733,697	2,604,652
NET ASSETS		10,896,725	11,056,775
<i>Represented by:</i>			
MEMBERS FUNDS			
Accumulated Comprehensive Revenue and Expense		10,896,725	11,056,775
TOTAL ACCUMULATED MEMBERS FUNDS		10,896,725	11,056,775

The accompanying accounting policies and notes to the accounts should be read in conjunction with these financial statements

PAPANUI CLUB INCORPORATED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

In New Zealand Dollars

	2023 \$	2022 \$
OPERATING ACTIVITIES		
Receipts from Members	5,893,891	4,740,343
Receipts from Government	65,173	536,627
Change in Section Funds Held	39,420	(19,923)
Payments to Suppliers & Employees	(5,404,889)	(5,143,580)
Income Taxes Paid	(1,813)	(300)
Net Cash generated from Operating Activities	591,782	113,167
INVESTING ACTIVITIES		
Dividends Received	1,421	1,010
Interest Received	4,250	891
Change in Investment Funds Held	3,700	(4,910)
Purchase of Property, Plant & Equipment	(147,944)	(56,607)
Net Cash used in Investing Activities	(138,573)	(59,616)
FINANCING ACTIVITIES		
Loan Principal Repayments	(127,040)	(141,765)
Interest Paid	(92,960)	(50,235)
Net Cash used in Financing Activities	(220,000)	(192,000)
NET CHANGE IN CASH & CASH EQUIVALENTS	233,209	(138,449)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	588,976	727,425
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	822,185	588,976

The accompanying accounting policies and notes to the accounts should be read in conjunction with these financial statements

PAPANUI CLUB INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1 Reporting Entity

These financial statements and accompanying notes represent those of Papanui Club Incorporated ("*the Club*"). The Club is a not-for-profit entity, domiciled in New Zealand and is an incorporated society formally registered under the Incorporated Societies Act 1908.

Papanui Club is affiliated to Clubs New Zealand Incorporated, and its principal activity is to provide quality food, beverage, gaming, entertainment and leisure services to its general membership from within their operating premises situated at 310 Sawyers Arm Road, Christchurch. The Club presently has in excess of 9,000 fully paid-up members and caters for 16 different sections, offering a vast array of recreational activities and pursuits to members.

2 Basis of Preparation

(a) Statement of Compliance

The financial statements have been prepared in accordance with Tier 2 Public Benefit Entity (PBE) standards and disclosure concessions have been applied. The criteria under which the entity is eligible to report in accordance with Tier 2 standards are on the basis that the Club does not have public accountability and is not defined as a large not-for-profit public benefit entity. All available exemptions have been applied.

Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

(b) Basis of Measurement

These financial statements, except for the cash flow information, have been prepared on an accrual basis and are founded on historical costs, modified where applicable, by the measurement at fair value of the selected non-current assets, financial assets and financial liabilities. The amounts presented within the financial statements have been rounded to the nearest dollar, and are reported in New Zealand dollars, which is the Club's functional currency.

(c) Going Concern

At balance date, the Club has a working capital deficit of \$257,082 (2022: \$267,160) and had generated an after tax loss of \$160,050 (2022: \$366,507). The Club has compiled a budget and cashflow forecast out to 31 March 2024, which demonstrates sufficient cash flow is available in order to service both future operating costs and liabilities held by the Club as at 31 March 2023, as well as the foreseeable future. Based on this judgment, the Executive is content that the going concern assumption is entirely appropriate for the Club over the next 12 months following approval of these financial statements.

The Class 4 Venue Licence for the gambling services awarded to the Club expires on 30 June 2023. The Club is currently in the process of renewing this annual Licence with the Department of Internal Affairs.

3 Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are summarised as follows:

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings under current liabilities in the Statement of Financial Position.

(b) Trade Receivables and other Debtors

Trade receivables and other debtors are measured at their cost less any impairment losses.

An allowance for impairment is established where there is objective evidence the Club will not be able to collect all amounts due according to the original terms of the receivable.

(c) Trade Payables and other Creditors

Trade payables and other creditors represent the liabilities for goods and services that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(d) Inventories

Inventories are measured and stated at the lower of cost and net realisable value, on a weighted average cost basis, with due allowance for any damaged any damaged and obsolete stock items.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses necessary to complete the sale.

PAPANUI CLUB INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

(e) Income Taxation

Under the "mutuality" principle, the Club is not required to pay income tax on income generated from members' contributions. Tax entries disclosed in the financial statements relate to income tax payable on interest received, dividends received and rental income.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) Inland Revenue; and are recorded as such in the Statement of Financial Position.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to Inland Revenue, is separately classified in the Statement of Financial Position.

GST is accounted for on an Invoice basis, with returns submitted to Inland Revenue on a monthly reporting cycle.

(g) Employee Entitlements

Employee benefits that the Club expect to be settled within 12 months of the reporting date are measured at nominal value based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to and including the balance sheet date.

The Club recognises a liability and a corresponding expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

(h) Critical Accounting Estimates and Judgements

The Executive evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available market information. Estimates assume a reasonable expectation of future events and are based on current trends and other known economic data, obtained both externally and within the Club.

(i) Provisions

Provisions are recognised when the Club has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(j) Revenue Recognition

Exchange Revenue

Trading Revenue

Revenue is measured at fair value of the consideration receivable. Revenue from the sale of goods relates to Food and Beverage income, and is recognised when the goods are delivered and title has passed, at which time all of the following conditions are satisfied:

- The Club has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Club retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Club; and
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividends Received

- Dividend income is recognised when the Club's right to receive payment is established.

Gaming Proceeds

- Gaming Licensing Laws in New Zealand restrict the use to which the proceeds from gaming machines can be applied to. However, as it is more likely than not the Club is going to be the ultimate beneficiary of these 'Authorised Purpose Payments' under the legislation, then Gaming Revenue is recognised when earned, and not when applied or distributed.

Interest Received

- Interest income is recognised when it is accrued or received, using the effective interest method, based on the prevailing interest rate inherent within the financial asset.

PAPANUI CLUB INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Membership Fees & Gym Subscriptions

- Membership Fees and Gym Subscriptions are recognised on an accrual basis, amortised over the life of the contract period, which is generally 12 months or less.

Non-Exchange Revenue

Donations Received

- Revenue from Donations is recognised when the Club obtains control of the transferred asset (cash, goods, services, or property). However, to the extent there are conditions attached that would give rise to a liability to repay the donation or to return any donated asset, a deferred revenue liability is recognised instead of revenue. Revenue is then recognised through the profit or loss, only once the Club has satisfied any such conditions.

Government Grants

- Revenue received in the form of Covid-related Government Wage Subsidies and Resurgence Support Payments are initially recognised as a current liability, until such time as all the terms and conditions attached to the grant or subsidy have been satisfied. Once the corresponding expenditure has been incurred, including payment of salaries, wages and general overheads, the liability is reduced, with the grant or subsidy being recognised through the profit and loss on a gross basis. Wherever any of the terms and conditions of the grant or subsidy cannot be satisfied, either partly or wholly, any unutilised portion is subsequently returned to Government.

(k) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs, including interest expense are recognised in profit or loss in the period in which they are incurred.

(l) Loyalty Points

Members earn loyalty points on purchases of goods and services from the Club, based on a set percentage of revenue. Any loyalty points not redeemed by balance date are accrued and reported under current liabilities within the balance sheet. Loyalty points both earned and redeemed by Members during the financial year, are recognised through the profit or loss.

(m) Property, Plant and Equipment

All items of Property, Plant and Equipment are measured at historical cost, less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition and bringing the asset to the location and condition for its intended use.

Depreciation

All assets, are depreciated on a diminishing value basis. Depreciation is charged to profit and loss and separately disclosed. The following depreciation rates have been applied for each class of asset:

Class	Estimated Useful Life	Rates Used
Buildings & Improvements	33 to 50 Years	1-12%
Plant & Equipment	10 Years	10-50%
Furniture & Fittings	20 Years	5-40%
Gaming Machines	5 Years	19-48%
Pool & Billiards Tables	5 Years	20%
Office Equipment	8 Years	12-50%
Restaurant & Kitchen Equipment	10 Years	10-67%
Gym Equipment	7 Years	15-40%
Motor Vehicles	5 Years	24-40%

Additions

The cost replacing part of an item is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Club and the cost of the item can be measured reliably.

In most instances an item is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date. All repairs and maintenance expenditure is charged to profit or loss in the year in which the expense is incurred.

Disposals

When an item is disposed of, the gain or loss recognised in the profit or loss is calculated as the difference between the net sale proceeds and the carrying amount of the asset.

PAPANUI CLUB INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

(n) Impairment of Assets

At each reporting date, the carrying amounts of all tangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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

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

Impairment losses are reversed when there is a change in estimates used to determine the recoverable amount. All impairment losses are reversed through profit or loss.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit and loss statement over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings within the Statement of Financial Position.

(p) Members Current Account

Each section of the Club operates its own current account in order to conduct its financial affairs. The Club records the individual transactions of each Section during the year, with the net movement in the bank account balance representing the net surplus or deficit reported for the period. The current account balances are interest-free and repayable on demand to the Members.

(q) Financial Instruments

Financial instruments comprise trade debtors and other receivables, cash and cash equivalents, investments, other financial assets, trade creditors and other payables, borrowings, and any other financial liabilities.

(i) Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Club becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at Fair Value through Surplus or Deficit, transaction costs that are attributable to its acquisition or issue. At initial recognition, the Club measures short-term receivables and payables at the original invoice amount.

(ii) Classification and Subsequent Measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, Fair Value through Other Comprehensive Income, or Fair Value through Surplus or Deficit. Financial assets are not reclassified subsequent to their initial recognition unless the Club changes its management model for managing assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the management model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair Value through Surplus or Deficit :

- it is held within a management model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial instrument is measured at Fair value through other comprehensive income if it meets both of the following conditions and is not designated as at Fair Value through Surplus or Deficit :

- it is held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or Fair Value through Comprehensive Income as described above are measured at Fair Value through Surplus or Deficit. The Club may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at Fair Value through Other Comprehensive Income as at Fair Value through Surplus or Deficit, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

PAPANUI CLUB INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Financial Liabilities

Classification, subsequent measurement and gains and losses derived from financial liabilities are classified as measured at amortised cost or Fair Value through Surplus or Deficit. A financial liability is classified as at Fair Value through Surplus or Deficit if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at Fair Value through Surplus or Deficit are measured at fair value and net gains and losses, including any interest expense, are recognised in Surplus or Deficit. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised through Surplus or Deficit, and any gain or loss on derecognition is also recognised in Surplus or Deficit.

(iii) *Impairment*

The Club recognises an allowance for credit losses (ECL) for all financial assets not held at fair value. ECLs are based on the difference between contractual cashflows due in accordance with the contract and all the cashflows that the club expects to receive. The cashflows will include cashflows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are measured using the simplified approach given there is no significant financing components.

(iv) *Derecognition*

Financial Assets

The Club derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Club neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial Liabilities

The Club derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Club also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

(r) **Comparative Figures**

The comparative figures represent the financial year ending 31 March 2022.

PAPANUI CLUB INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

5 CASH & CASH EQUIVALENTS	2023	2022
	\$	\$
Cash and cash equivalents held at balance date comprises:		
Cash at Bank	689,683	469,602
Floats on Hand	69,660	69,651
Short-Term Deposits - Foodstuffs	62,842	49,723
Total	822,185	588,976
<p>The Club has the use of an overdraft facility with ASB Bank to manage its seasonal cash flows throughout the financial year. The overdraft limit is \$100,000, and interest is charged at a current rate of 8.78% per annum. During this financial year, no funds were drawn down under the facility, similar to the prior year.</p> <p>The Club has restrictions for spending the Gaming Bank Trust Account balance of \$78,593 (2022: \$89,937) received from gambling services. The Club can distribute the net proceeds from the gambling services for the purposes authorised within the terms and conditions of the Gaming Licence issued by the DIA each year.</p>		
6 INVENTORIES	2023	2022
	\$	\$
Physical stock on hand held at balance date comprises:		
Beverage Products	72,010	58,419
Food Products	36,568	47,136
Total	108,578	105,555
7 TRADE RECEIVABLES AND OTHER DEBTORS	2023	2022
	\$	\$
Trade Receivables	10,459	971
Sundry Debtors & Accruals	44,557	21,266
Total	55,016	22,237
<p>Trade receivables and other debtors are non-interest bearing and receipt is normally on 30 day terms. Therefore the carrying value of trade debtors and other receivables approximates their fair value.</p>		
8 INVESTMENTS	2023	2022
	\$	\$
Arising from trading rebates generated over this period as well as previous years, the Club has since accumulated the following investments:		
Foodstuffs - Trading Credit Account	985	755
Foodstuffs - Retained Patronage & B Preference Shares	30,170	34,100
Total	31,155	34,855
9 TRADE PAYABLES AND OTHER CREDITORS	2023	2022
	\$	\$
Trade Payables	349,884	240,706
Sundry Creditors & Accruals	27,919	18,925
Total	377,803	259,631
<p>Trade payables and other creditors are non-interest bearing and are normally settled on 30 day terms. Therefore the carrying value of trade creditors and other payables approximates their fair value.</p>		
10 EMPLOYEE ENTITLEMENTS	2023	2022
	\$	\$
Employee benefits accrued at balance date comprises:		
Salaries & Wages - Ordinary Time	28,515	14,905
Lieu Days - Statutory Holidays	37,474	29,475
Annual Leave - Holiday Pay	170,123	153,186
Total	236,112	197,566

PAPANUI CLUB INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

11 BORROWINGS

2023
\$

2022
\$

Loan borrowings held with ASB Bank are recorded at book value, comprising:

Current Portion - Principal Repayable over the next 12 months	122,848	120,000
Non Current - Term Debt Portion	1,490,836	1,620,724
Total	1,613,684	1,740,724

The ASB Bank currently holds a registered mortgage over property situated at 310 Sawyers Arms Road, Christchurch, along with a General Security Deed over all of the assets and undertakings of the Club.

The table loan is for a 15-year term, expiring 31 August 2032, with interest currently charged at a floating rate of 7.30% per annum as at balance date. Monthly instalments of \$20,000 are payable, comprising a mixture of interest and principal. The current portion repayable on the loan is \$122,848 (2022: \$120,000).

12 RELATED PARTY TRANSACTIONS

Related party transactions arise when an entity or person(s) has the ability to significantly influence the financial and operational policies of the Club.

The Executive and Management specifically disclose the following transactions during the year:

Compensation of Key Management Personnel

2023

2022

Remuneration payments to the Executive and other members of key management personnel during the year were as follows:

#

#

Number of Individuals separately remunerated

10

10

\$

\$

Executive Allowances and Gross Salaries paid

178,190

176,992

Procurement of Goods and Services

2023
\$

2022
\$

The declaration of Personal Interests held in Club Procurement Contracts were rendered as follows:

Craig Morganty held office as an Executive Member during the year. He owns and operates a freelance advertising and marketing business, **Frontline Design Limited** (formerly **CM Advertising**), that provides professional marketing and promotional services to the Club at an agreed market contract rate. The following transactions were separately recorded during the period:

Value of Contract Goods and/or Services sold and/or performed during the Year	20,702	2,800
Balance Owing as at Balance Date	10,793	-

John Blease held office as an Executive Member during the year. He is a Director and Shareholder in a company, **Concrete Solutions (2003) Limited**, that provides specific concreting, paving and tarmacking solutions to the Club at an agreed market contract rate. The following transactions were separately recorded during the period:

Value of Contract Goods and/or Services sold and/or performed during the Year	7,421	-
Balance Owing as at Balance Date	-	-

Terry Stewart held office as an Executive Member and President during the year. In a personal capacity he rendered his professional services as a Greenkeeper to the Papanui Club Outdoor Bowls Section at an agreed market contract rate. The following transactions were separately recorded during the period:

Value of Contract Goods and/or Services sold and/or performed during the Year	40,442	39,623
Balance Owing as at Balance Date	3,333	3,333

PAPANUI CLUB INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

13 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment comprises:

	Opening Cost Price	Annual Additions	Disposals & Impairment	Accumulated Depreciation	Carrying Amount
31 March 2023	\$	\$	\$	\$	\$
Class of Asset					
Assets Under Construction		10,453			10,453
Land	93,013			-	93,013
Buildings & Improvements	13,336,785	4,462		(2,213,804)	11,127,443
Plant & Equipment	434,872	47,938		(308,968)	173,842
Furniture & Fittings	1,329,106	21,801		(489,283)	861,624
Gaming Machines	415,717	58,663	(81,945)	(308,556)	83,879
Pool & Billiard Tables	21,021			(16,370)	4,651
Office Equipment	96,776	1,270	(12,903)	(65,620)	19,523
Restaurant & Kitchen Equipment	488,356	2,122		(275,855)	214,623
Gym Equipment	76,098	1,235		(57,691)	19,642
Motor Vehicles	71,519			(66,724)	4,795
Total	16,363,263	147,944	(94,848)	(3,802,871)	12,613,488

	Opening Cost Price	Annual Additions	Disposals & Impairment	Accumulated Depreciation	Carrying Amount
31 March 2022	\$	\$	\$	\$	\$
Class of Asset					
Land	93,013			-	93,013
Buildings & Improvements	13,319,175	17,610		(1,926,575)	11,410,210
Plant & Equipment	421,867	13,005		(278,171)	156,701
Furniture & Fittings	1,321,572	7,534		(435,399)	893,707
Gaming Machines	415,717			(358,877)	56,840
Pool & Billiard Tables	21,021			(15,220)	5,801
Office Equipment	94,666	2,110		(72,670)	24,106
Restaurant & Kitchen Equipment	472,538	15,818		(247,562)	240,794
Gym Equipment	75,568	530		(54,309)	21,789
Motor Vehicles	71,519			(64,676)	6,843
Total	16,306,656	56,607	0	(3,453,459)	12,909,804

ACCUMULATED DEPRECIATION

	Opening	Disposals	Annual Depreciation Charge	Closing
31 March 2023	\$	\$	\$	\$
Class of Asset				
Buildings & Improvements	1,926,575		287,229	2,213,804
Plant & Equipment	278,171		30,797	308,968
Furniture & Fittings	435,399		53,884	489,283
Gaming Machines	358,877	(79,436)	29,115	308,556
Pool & Billiard Tables	15,220		1,150	16,370
Office Equipment	72,670	(12,334)	5,284	65,620
Restaurant & Bistro Equipment	247,562		28,293	275,855
Gym Equipment	54,309		3,382	57,691
Motor Vehicles	64,676		2,048	66,724
Total	3,453,459	(91,770)	441,182	3,802,871

PAPANUI CLUB INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

ACCUMULATED DEPRECIATION

31 March 2022	Opening \$	Disposals \$	Annual Depreciation Charge \$	Closing \$
Class of Asset				
Buildings & Improvements	1,632,381		294,194	1,926,575
Plant & Equipment	249,139		29,032	278,171
Furniture & Fittings	378,902		56,497	435,399
Gaming Machines	321,340		37,537	358,877
Pool & Billiard Tables	13,786		1,434	15,220
Office Equipment	65,566		7,104	72,670
Restaurant & Bistro Equipment	215,409		32,153	247,562
Gym Equipment	50,454		3,855	54,309
Motor Vehicles	61,749		2,927	64,676
Total	2,988,726	-	464,733	3,453,459

INDEPENDENT BUILDING VALUATION

Land and Buildings are recorded at original cost, adjusted for depreciation and impairment charges. For insurance renewal purposes, the Executive sought and received, an independent valuation from Ford Baker Valuation Limited, Registered Valuers, dated 28 February 2023, which values all of the buildings and improvements at \$23,460,000. This valuation excludes any land owned by the Club, and was duly calculated on a reinstatement cost basis, including an inflationary provision of \$3,363,000 for the twelve months ended 28 February 2024.

14 SEGMENTAL REPORTING

The Club operates entirely within New Zealand and only in the one industry sector, being hospitality and leisure services; and is located in a single geographic area, representing the city of Christchurch.

15 CONTINGENCIES

There are no contingent liabilities as at 31 March 2023 (2022: Nil).

16 CAPITAL COMMITMENTS

Non-cancellable operating leases payable at balance date comprises:

	2023 \$	2022 \$
Less than One Year	9,969	9,969
Between One and Five Years	2,265	12,233
Total	12,234	22,202

The Club uses the following assets based on operating lease arrangements. The two lease terms are summarised below::

Eclipz Commercial - lease of Computer Server, payable in monthly instalments of \$543.92 plus GST, with an expiry date of 27 April 2024.

Fuji Xerox - lease of Colour Photocopier, payable in monthly instalments of \$286.80 plus GST, with an expiry date of 4 September 2024.

During the reporting period a sum total of \$9,969 (2022: \$10,255) was recognised as operating lease expenses within the Statement of Comprehensive Income and Expense.

17 SUBSEQUENT EVENTS

There have been no events subsequent to 31 March 2023 that the Executive considers a requirement for separate disclosure.

Independent Auditor's Report

To the Members of Papanui Club Incorporated

Opinion

We have audited

- The financial statements of Papanui Club Incorporated (the 'entity') on pages 4 to 16, which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive revenue and expense, statement of changes in accumulated members funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- The statement of service performance of the entity on pages 2 to 3.

In our opinion :

- the accompanying financial statements on pages 4 to 16, present fairly, in all material respects, the financial position of the entity as at 31 March 2023, and its financial performance and 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.
- the statement of service performance on pages 2 to 3, presents fairly, in all material respects, the entity's service performance criteria for the year ended 31 March 2023 and complies with generally accepted accounting practice in New Zealand.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the entity, except that partners and employees of our firm deal with the entity on normal terms within the ordinary course of trading activities of the business of the entity.

Other information

The Executive Committee is responsible on behalf of the entity for the other information. The other information comprises the information in the Appendix of the Annual Report that accompanies the financial statements and the audit report.

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

Our responsibility is to read the other information obtained prior to the date of our audit report, and consider whether it is materially inconsistent with the financial statements and statement of service performance, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Executive Committee's responsibilities for the financial statements and statement of service performance

The Executive Committee is responsible on behalf of the entity for the preparation and fair presentation of the financial statements and the statement of service performance in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Executive Committee determine is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Executive Committee is responsible for assessing the entity'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 Executive Committee either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance 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 and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the statement of service performance.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

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

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Deloitte Limited
Christchurch, New Zealand
2 June 2023

PAPANUI CLUB INCORPORATED

APPENDIX - SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 MARCH 2023

In New Zealand Dollars

TRADING ACCOUNTS

2023

2022

\$

\$

The Club generated the following revenue streams and gross profits during the year:

Profit Centre:

Trading:

Beverage

Sales	2,419,819	1,894,354
Cost of Sales	815,214	671,260
Gross Profit	1,604,605	1,223,094
GP Rate	66.3%	64.6%

Food

Sales	1,825,170	1,386,453
Cost of Sales	645,541	636,762
Gross Profit	1,179,629	749,691
GP Rate	64.6%	54.1%

Profit Centre	TRADING SUMMARY	
Food & Beverage	Sales	4,244,989
	Cost of Sales	1,460,755
	Gross Profit	2,784,234
	GP Rate	65.6%

Profit Centre	GAMING SUMMARY	
Coin Machines	Sales	1,202,814
	Cost of Sales	333,742
	Gross Profit	869,072
	GP Rate	72.3%

SUNDRY INCOME

2023

2022

\$

\$

The Club generated other revenue streams during the year, as follows:

Insurance Proceeds	-	12,837
Miscellaneous Income	6,593	5,160
Promotions Income	34,097	26,986
Rental Income	9,074	9,074
Room & Venue Hire	18,122	19,771
Shuttle Income	18,758	14,913
TAB Commissions	18,450	16,956
Trading Rebates	24,268	21,900
Total Other Income	129,362	127,597

PAPANUI CLUB INCORPORATED

APPENDIX - SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 MARCH 2023

In New Zealand Dollars

EXPENDITURE	2023	2022
	\$	\$
The Club incurred the following administration and operational overheads during the financial year:		
Overhead		
ACC Levies	10,712	9,365
Accountancy Fees	36,000	29,760
Advertising	18,172	43,997
Audit Fees	17,026	15,500
Bank Fees	33,890	27,132
Benevolent Expenses	2,538	2,313
Charter & Affiliation Fees	37,262	34,208
Cleaning & Laundry	172,472	170,983
Computer & IT Costs	31,933	28,758
Conference Costs	3,931	3,007
Consultancy Fees	-	2,843
Election & AGM	889	1,756
Entertainment - Musicians & Shouts	7,664	10,075
Eftpos & Equipment Hire	21,254	17,352
Executive Allowances & Expenses	18,863	18,880
General Expenses	5,586	4,755
Glassware	9,540	5,848
Grounds Maintenance	16,544	13,331
Gym Costs	6,071	6,706
Health, Safety & Wellbeing	8,457	10,531
Insurance	83,573	90,639
Legal Fees	-	9,255
Licences & Subscriptions	19,539	21,314
Membership Costs	17,836	16,310
Operating Leases	9,969	10,255
Power, Gas, Heat & Light	160,643	135,798
Printing, Postage & Stationery	21,393	25,847
Promotions & Loyalty Points	284,981	225,322
Rates	84,005	78,839
Repairs & Maintenance	129,319	101,798
Salaries & Wages	2,295,471	2,112,878
Section Expenses	22,190	12,143
Security	19,782	30,787
Signage	970	548
Sky TV & Spark Sport Subscription Fees	49,185	38,464
Staff, Recruitment, Training & Uniform Costs	58,052	52,323
Telecommunication Costs	13,141	14,614
Till Variances	2,517	-
Valuation Fees	1,090	-
Vehicle Costs (Shuttles)	25,920	17,482
Waste Removal	20,233	18,978
Total Administration & Operation Costs	3,778,613	3,470,694

PAPANUI CLUB INCORPORATED

APPENDIX - SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 MARCH 2023

In New Zealand Dollars

DONATIONS PAID	2023 \$	2022 \$
During the year the Club bequeathed the following amounts to local charities, schools and other community-based organisations:		
<i>General:</i>		
Cancer Society	-	50
Christchurch North Community Patrol	500	500
<i>State Integrated Schools:</i>		
Belfast Primary	-	750
Bishopdale Primary	-	-
Breens Intermediate	-	-
Casebrook Intermediate	-	-
Cotswold Primary	750	-
Emmanuel Christian	-	-
Harewood Primary	-	-
Isleworth Primary	-	-
Northcote Primary	750	-
Papanui Primary	-	-
Redwood Primary	-	-
Roydvale Primary	-	-
Wairakei Primary	-	-
Total Donations Paid	2,000	1,300

SECTIONS CURRENT ACCOUNT	2023 \$	2022 \$
The respective current account balances held by each recreational section of the Club at balance date are prescribed below:		
Cards	2,178	7,694
Darts	5,518	4,668
Fishing	7,828	8,210
FOMS	4,967	1,476
Garden	6,002	5,795
Golf	5,401	4,268
Indoor Bowls	12,796	11,246
Leisure	6,271	8,177
Marching	1,061	4,493
Merlins Netball	786	841
Outdoor Bowls	52,582	6,265
Petanque	8,195	11,668
Pool	1,945	770
Technology	6,345	5,367
Travel	11,755	8,307
Walking	5,370	7,607
Wine and Food Lovers	3,589	6,317
Total	142,589	103,169

This current account represents monies held on behalf of Section Members within the Club's main operating bank account held with ASB. Each respective current account balance is managed interest-free and is repayable on demand at the discretion of the Executive.

PAPANUI CLUB INCORPORATED

APPENDIX - SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 MARCH 2023

In New Zealand Dollars

GAMING FUND RECONCILIATION

In accordance with legislative reporting requirements that form part of the Club's Gaming Licence conditions held with the Department of Internal Affairs, find below an annual reconciliation of the Gaming Trust Account:

	2023 \$	2023 \$	2023 \$	2022 \$
Coin Machine Income - Gross Proceeds			1,202,814	1,011,564
<u><i>Less Direct Costs of Gaming Room:</i></u>				
Gaming Machine Duty	276,194			232,305
Problem Gambling Levy	13,963			9,060
Electronic Monitoring System	3,465			3,380
Management Services Provider Costs	1,092			-
Repairs & Maintenance	11,852			11,894
Licences	27,176			26,194
Direct Costs of Gaming		333,742		282,833
<u><i>Less Indirect Costs of Gaming Room:</i></u>				
Accounting Fees	3,600			2,976
Audit Fees	1,703			1,300
Depreciation - Coin Machines	29,115			37,537
Salaries and Wages	78,000			78,000
Electricity	13,768			12,580
Insurance	1,965			3,290
Other Costs	15,365			13,536
Indirect Costs of Gaming		143,516		149,219
Total Costs of Gaming Operation			477,258	432,052
Net Proceeds from Gaming Operations			725,556	579,512
<u><i>Less Total Distributions:</i></u>				
Authorised Purpose Payments			725,556	579,512
Net Surplus from Gaming Machines			-	-
Opening Balance - Accumulated Gaming Funds			-	-
Closing Balance - Accumulated Gaming Funds			-	-