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*North & South Trust*

**THE NORTH & SOUTH TRUST LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 MARCH 2015**

The Directors are pleased to present their Annual report for the year ended 31 March 2015 and the Auditor's report thereon.

The shareholders of the company have exercised their rights under section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual report need not comply with any of the paragraphs (a), and (e) to (j) of section 211(1) of the Act.

For and on behalf of the Directors:

Director.....

*[Signature]* Date *20/5/2015*

Director.....

*[Signature]* Date *20/5/15*

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**THE NORTH & SOUTH TRUST LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 MARCH 2015**

**Financial Statements**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of The North and South Trust Limited**

### **Report on the Financial Statements**

We have audited the financial statements of The North and South Trust Limited ("the Company") on page 3 to 10, which comprise the statement of financial position as at 31 March 2015, and the statement of financial performance and movements in accumulated company funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, The North and South Trust Limited.

#### **CST Nexia Audit**

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**INDEPENDENT AUDITOR'S REPORT Continued**

**Matter of Emphasis**

The current licence to operate will expire in June 2015. Management will apply to the Department of Internal Affairs for renewal of the licence in the normal manner. The financial statements have been prepared on a going concern assumption. This assumes that the application to the Department of Internal Affairs for the renewal of the Class 4 Operator's licence will be renewed to enable the Company to continue operation. The directors are confident that the licence will be renewed as in previous years. The financial statements do not include any adjustments that would result should the Department of Internal Affairs not renew the Company's Class 4 Operator's licence.

**Opinion**

In our opinion, the financial statements on pages 3 to 10 present fairly, in all material respects, the financial position of The North and South Trust Limited as at 31 March 2015, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.

*CST Nexia Audit*

**CST Nexia Audit  
Chartered Accountants  
Manukau City**

**2 June 2015**

**THE NORTH & SOUTH TRUST LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 MARCH 2015**

	Note	2015	2014
<b>Revenue</b>	3	10,502,797	11,220,683
<b>Expenditure</b>			
Gaming machine duty		2,415,219	2,516,476
Venue rental		1,521,342	1,683,526
Legal fees and consulting		33,418	25,420
Depreciation	4	776,529	738,274
Interest expense		38,017	99,402
Audit fee		15,000	9,475
Sundry expenses		1,280,614	1,241,174
<b>Total expenses</b>		<u>6,080,139</u>	<u>6,313,747</u>
<b>Operating surplus before distributions</b>		<u>4,422,658</u>	<u>4,906,936</u>
<b>Less distributions relating to the current period</b>		<u>(4,549,094)</u>	<u>(4,705,594)</u>
<b>Net Surplus / (Loss) for the year ending 31 March 2105</b>		<u>(126,436)</u>	<u>201,342</u>

**THE NORTH & SOUTH TRUST LIMITED**  
**STATEMENT OF MOVEMENTS IN ACCUMULATED COMPANY FUNDS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

	Note	2015	2014
Accumulated funds at 1 April 2014		768,830	567,488
Net Surplus / (Loss) for the year ending 31 March 2105		<u>(126,436)</u>	<u>201,342</u>
Accumulated funds at 31 March 2015	5	<u>642,394</u>	<u>768,830</u>
<b>TOTAL ACCUMULATED COMPANY FUNDS</b>	5	<u>642,394</u>	<u>768,830</u>

These Financial Statements are to be read in conjunction with the notes to the Financial Statements and the Auditor's Report.

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**THE NORTH & SOUTH TRUST LIMITED**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 MARCH 2015**

	Note	2015	2014
<b>CURRENT ASSETS</b>			
Cash at bank		23,029	168,297
Accounts receivable		206,708	178,225
Prepayments		18,977	21,602
<b>TOTAL CURRENT ASSETS</b>		<b>248,714</b>	<b>368,124</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	8	1,319,842	1,505,749
<b>TOTAL NON CURRENT ASSETS</b>		<b>1,319,842</b>	<b>1,505,749</b>
<b>TOTAL ASSETS</b>		<b>1,568,556</b>	<b>1,873,873</b>
<b>CURRENT LIABILITIES</b>			
BNZ Credit Plus Loan Facility – secured	9	346,868	252,000
Accounts payable		111,234	93,328
Accruals		35,808	19,777
Duty Payable		232,562	210,619
GST / PAYE payable		187,367	210,996
Finance Agreements – secured	11	0	306,000
Finance Agreement – Car secured		12,323	0
<b>TOTAL CURRENT LIABILITIES</b>		<b>926,162</b>	<b>1,092,720</b>
<b>NON CURRENT LIABILITIES</b>			
Finance Agreements – secured Car	11	0	12,323
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>0</b>	<b>12,323</b>
<b>TOTAL LIABILITIES</b>		<b>926,162</b>	<b>1,105,043</b>
<b>NET ASSETS</b>		<b>642,394</b>	<b>768,830</b>
<b>TOTAL ACCUMULATED COMPANY FUNDS</b>		<b>642,394</b>	<b>768,830</b>

These Financial Statements are to be read in conjunction with the notes to the Financial Statements and the Auditor's Report.

**THE NORTH & SOUTH TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**I. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**A. CORPORATE INFORMATION**

The North & South Trust Limited (the "Company") was incorporated in New Zealand on 10 February 2010 under the Companies Act 1993, and commenced trading from 7 December 2010 upon the issue of its Class 4 Operator's Licence by the Department of Internal Affairs under the Gambling Act 2003.

**B. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

These financial statements have been prepared in compliance with New Zealand generally accepted accounting practices as defined by the Financial Reporting Act 1993.

The Company has not yet adopted New Zealand International Financial Reporting Standards (NZ IFRS), as it meets the criteria in XRB A1 to continue applying Old GAAP. In 2012 the External Reporting Board (XRB) issued a new Accounting Standards Framework. Under the new Framework, not for profit public benefit entities will be required to report in accordance with either PBE Accounting Standards or PBE Simple Format Reporting (depending on the size of the entity). These standards are expected to become effective for periods beginning on or after 1 April 2015. It is likely that under the new Framework the Company will qualify to report in accordance with Tier 2 (PBE Standards Reduced Disclosure Regime (PBE Standards RDR) as the company is not publicly accountable and not large according to the International Accounting Standards Board's definition of 'publicly accountable' and 'large'.

The financial statements consist of statements of financial performance, movements in accumulated company funds, financial position and significant accounting policies along with the notes to these statements.

The Financial Statements were approved by the Directors on the 20th May 2015.

**C. DIFFERENTIAL REPORTING**

The Company is a qualifying entity under the framework for differential reporting on the basis that it has no public accountability and it is not large, as defined by the framework for differential reporting.

All available differential reporting exemptions have been applied except for: SSAP22 Related party Disclosures, and FRS19 Accounting for Goods and Services Tax, with which they have complied fully.

**D. BASIS OF MEASUREMENT**

The financial statements are presented in New Zealand dollars (\$). They have been prepared on a going concern basis in accordance with historical cost concepts, as modified by the revaluation of certain assets and liabilities as identified in the specific accounting policies below.

**THE NORTH & SOUTH TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**E. GOING CONCERN**

The financial statements have been prepared on a going concern basis, the validity of which depends on the Company continuing to produce adequate operating revenue and cash flows from its Gaming machines to cover the Company's operating costs which include the payments required under the Gaming machines finance agreements. It is the considered view of the Board of Directors that the Gaming machines will continue to satisfy these requirements. The Company has net current liabilities of \$677,448 as at 31<sup>st</sup> March 2015 (2014: \$724,596) which is predominately due to the current commitment under the finance agreements of \$12,323 and the BNZ Credit Plus loan facility – secured of \$346,868 payable within the next year. 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 those which they are currently recorded in the statement of financial position and the Company may have to provide for further liabilities that may arise.

**F. CHANGES TO ACCOUNTING POLICIES**

All accounting policies remain unchanged during the period and have been applied on a consistent basis with those used in previous periods.

**G. SPECIFIC ACCOUNTING POLICIES**

**Accounts Receivable**

Accounts receivable have been stated at their estimated realisable value after providing for specific doubtful debts.

**Income Tax**

The Company is exempt from income tax under the 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 the Department of Internal Affairs.

**Property, plant and equipment**

All property, plant and equipment have been valued at cost less any accumulated depreciation and impairment losses and are depreciated on a straight line basis over their estimated lives.

Furniture and fittings	2 to 4 years
Gaming machines	4 years
Buildings	4 years
Motor Vehicle	5 years

Where a fixed asset is disposed of, the gain or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying amount of the fixed asset.

**Revenue**

Interest income from bank deposit is recognised on an accrual basis.

The Company recognises gaming income on an accruals basis.

**THE NORTH & SOUTH TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

Finance Agreement

Agreements where the Company assumes substantially all the risks and rewards of ownership are classified as finance agreements.

Assets acquired by way of finance agreements are stated initially at an amount equal to the lower of the fair value and present value of the future minimum agreement payments, and are depreciated as assets. The interest expense component of finance agreement payments is recognised in the statement of financial performance using the effective interest rate method.

Goods and services tax

All amounts are shown exclusive of Goods and Service Tax (GST), except for receivables and payables that are stated inclusive of GST.

**2. 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 of the Constitution of the Company, the grants paid are required to be used to support and encourage amateur games or sport conducted for the benefit of the general public as well as to assist and benefit any charitable, educational, cultural or philanthropic purpose or any other purposes that are beneficial to the public or a section of it.

All gaming machine grants paid by the Company have been appropriately used for the authorised purpose of the promotion and support of amateur sports or to assist and benefit any charitable, educational, cultural or philanthropic purpose or any other purposes that are beneficial to the public or a section of it.

**3. REVENUE**

	2015	2014
Gaming Machine Income	10,500,954	10,941,199
Gain on Asset Sales	952	269,349
Interest Received	556	10,135
Other Revenue	335	-
<b>Total Revenue</b>	<b>10,502,797</b>	<b>11,220,683</b>

**4. DEPRECIATION EXPENSES**

	2015	2014
Depreciation:		
Furniture and Fittings	16,574	133,848
Gaming Machines	751,321	595,793
Motor Vehicle	8,348	8,348
Buildings	286	285
	<b>776,529</b>	<b>738,274</b>

THE NORTH & SOUTH TRUST LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015

5. ACCUMULATED COMPANY FUNDS

A large portion of net surplus less than generated by the Company is to be paid out in accordance with the constitution and authorised purpose statement as approved by the Department of Internal Affairs under the Company's Class 4 licence to operate gaming machines.

6. RELATED PARTY TRANSACTIONS

- During the year the Company engaged the services of Evolve Management Limited to provide Grant Administration and Gaming Consultancy services.

Barbara McComb, was a director of the Company resigned 30<sup>th</sup> June 2014, is a director of Evolve Management Limited.

The fees paid to Evolve Management Limited during the year were:

Grants Administration	\$Nil (2014:\$50,917)
Gaming Consultancy	\$ 9,610 (2014:\$1,800)

At balance date \$Nil was owed by the Company for services provided by Evolve Management Limited. (2014 - \$8,734)

- During the year the Company engaged the services of Moore Stephens Markhams to provide accounting services relating to annual operator relicence forecasting.

Rob Hargrave, a Director of the Company, is a Principal of Moore Stephens Markhams.

The fees paid to Moore Stephens Markhams during the year were:

Accounting Services	\$6,149 (2014: \$3,399)
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- During the year the Company engaged the services of Servco Limited to provide repairs and maintenance services relating to venue gaming machines and other gaming equipment.

Barbara McComb's (ex Director) spouse, Carl McComb, is the director of Servco Limited

The Fees paid to Servco Limited during the year were:

Gaming Machine Service Agreement	\$154,535 (2014:\$178,416)
Other Repairs and Maintenance	\$ 72,702 (2014:\$102,770)
Fixed Assets	\$ 46,554 (2014:\$ 39,383)

At balance date \$32,673 was owed by the Company for services provided by Servco Limited

During the year the Company sold fixed assets to the value of \$600 to Servco Limited. (2014- \$9,000)

At balance date amounts owed by Servco to the company were nil (2014: Nil).

Directors are paid an honorarium for services for the Net Proceeds Committee and duties as directors.

**THE NORTH & SOUTH TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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**7. CAPITAL COMMITMENTS**

The Company has no capital commitments as at 31 March 2015 (31 March 2014: nil).

**8. PROPERTY, PLANT AND EQUIPMENT**

	2015	2014
Furniture and Fittings – cost	679,953	436,595
Accumulated depreciation	379,054	203,984
Net book value	<u>300,899</u>	<u>232,611</u>
Motor Vehicle – cost	41,739	41,739
Accumulated depreciation	31,304	22,956
Net book value	<u>10,435</u>	<u>18,783</u>
Gaming Machines – cost	2,568,625	2,332,211
Accumulated depreciation	1,570,127	1,091,294
Net book value	<u>998,498</u>	<u>1,240,917</u>
Buildings – cost	13,724	13,724
Accumulated depreciation	3,714	286
Net book value	<u>10,010</u>	<u>13,438</u>
Total cost	3,304,041	2,824,269
Accumulated depreciation	1,984,199	1,318,520
Net book value	<u>1,319,842</u>	<u>1,505,749</u>

Property, Plant and Equipment with net book values totalling \$12,323 have been purchased by finance agreement.

**9. CREDIT PLUS FACILITY**

On 30 October 2013, the Company entered into a lien Credit Facility with the Bank of New Zealand (BNZ CreditPlus Facility Agreement "Credit Facility"). As at 31/03/2015 the Credit Facility was for a maximum amount of \$570,008 at the prevailing CreditPlus Facility Base Rate inclusive of 9.58% per annum. As at balance date, the Credit Facility was scheduled to expire on 18 March 2017. The Facility is collateralised by all present and after acquired assets of the Company. As at 31 March 2015 the company's property had a net carrying value of \$1,319,842 (2014: \$1,505,749). A \$12,323 tranche of the company's property covers finance agreement.

The Credit Facility requires the Company to comply with certain covenants. The company is required at all times to ensure that the company's total tangible assets exceed the company's total liabilities. As at 31/03/2015 total tangible assets exceeded total liabilities by \$642,394. No breaches of covenants have been noted.

**10. CONTINGENT LIABILITIES**

The Company has no contingent liabilities as at 31 March 2015 (31 March 2014: nil).

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**THE NORTH & SOUTH TRUST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**11. FINANCE AGREEMENT LIABILITIES**

	2015	2014
Total minimum agreement payments due:		
Not later than one year	10,485	320,534
Later than one year but not later than two years	2,621	10,485
Later than two years but not later than five years	0	2,621
	12,323	333,640
Future agreement finance charges	0	(15,317)
Net finance agreement liability:	12,323	318,323
	2015	2014
Current Portion	12,323	306,000
Non-current Portion	0	12,323
	12,323	318,323

The finance agreement liabilities carry interest rates of between 9.36% and 9.58% (Credit plus) per annum. The liabilities are secured over the assets of the Company, the carrying value of which is disclosed in note 8. At the end of the agreements, the Company has ownership of the assets.

**12. RE-CLASSIFICATION**

In prior years the grant distributions were presented under the statement of movements in accumulated company funds. In line with industry practices this has been moved to statement of financial performance. This does not result in any changes to the total accumulated company funds.

**13. EVENTS AFTER BALANCE DATE**

Since the end of the financial year and to the date of this report, the directors are not aware of any matter or circumstance not dealt with otherwise in the financial statements that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

