



North & South Trust

THE NORTH & SOUTH TRUST LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2014

The Directors are please to present their Annual report for the year ended 31 March 2014 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.....*R. James*.....Date *21/5/2014*.

Director.....*B. McLeish*.....Date *21/5/2014*.

THE NORTH & SOUTH TRUST LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2014

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THE NORTH & SOUTH TRUST LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014	2013
Revenue	3	11,220,683	11,320,582
Expenditure			
Gaming machine duty		2,516,476	2,588,332
Venue rental		1,683,526	1,664,222
Legal fees and consulting		25,420	12,415
Depreciation	4	738,274	684,659
Interest expense		99,402	178,240
Audit fee		9,475	10,450
Sundry expenses		1,241,174	1,197,335
Total expenses		6,313,747	6,335,653
Operating surplus before distributions		4,906,936	4,984,928

THE NORTH & SOUTH TRUST LIMITED
STATEMENT OF MOVEMENTS IN ACCUMULATED COMPANY FUNDS
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014	2013
Operating surplus before distributions		4,906,936	4,984,928
Total recognised revenues and expenses		4,906,936	4,984,928
Less distributions relating to the current period		(4,705,594)	(4,644,539)
Net movement in accumulated company funds		201,342	340,389
Accumulated funds at 1 April 2013		567,488	227,099
Accumulated funds at 31 March 2014	5	768,830	567,488
TOTAL ACCUMULATED COMPANY FUNDS	5	768,830	567,488

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Note	2014	2013
CURRENT ASSETS			
Cash at bank		168,297	329,148
Accounts receivable		178,225	311,408
Prepayments		21,602	-
TOTAL CURRENT ASSETS		368,124	640,556
NON CURRENT ASSETS			
Property, plant and equipment	8	1,505,749	1,861,508
TOTAL NON CURRENT ASSETS		1,505,749	1,861,508
TOTAL ASSETS		1,873,873	2,502,064
CURRENT LIABILITIES			
NST Inc – Grants Reserve		-	14,040
BNZ Credit Plus Loan Facility – secured	9	252,000	-
Accounts payable		93,328	69,322
Accruals		19,777	14,294
Duty Payable		210,619	230,528
GST / PAYE payable		210,996	205,130
Finance Agreements – secured	11	306,000	883,521
TOTAL CURRENT LIABILITIES		1,092,720	1,416,835
NON CURRENT LIABILITIES			
Finance Agreements – secured	11	12,323	517,741
TOTAL NON CURRENT LIABILITIES		12,323	517,741
TOTAL LIABILITIES		1,105,043	1,934,576
NET ASSETS		768,830	567,488
TOTAL ACCUMULATED COMPANY FUNDS		768,830	567,488

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 2014

1. 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 21 May 2014.

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.

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

THE NORTH & SOUTH TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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 \$724,596 as at 31 March 2014 (2013: \$776,279) which is predominately due to the current commitment under the finance agreements of \$306,000 and the BNZ Credit Plus loan facility – secured of \$252,000 payable within the next year. 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 2004. 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	3 to 5 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.

Finance Agreement

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

THE NORTH & SOUTH TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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

	2014	2013
Gaming Machine Income	10,941,199	11,253,618
Gain on Asset Sales	269,349	41,946
Interest Received	10,135	12,659
Other Revenue	-	12,358
Total Revenue	<u>11,220,683</u>	<u>11,320,581</u>

4. DEPRECIATION EXPENSES

	2014	2013
Depreciation:		
Furniture and Fittings	133,848	116,916
Gaming Machines	595,793	559,395
Motor Vehicle	8,348	8,348
Buildings	285	-
	<u>738,274</u>	<u>684,659</u>

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.

THE NORTH & SOUTH TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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, a director of the Company, is a director of Evolve Management Limited.

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

Grants Administration	\$50,917 (2013:\$42,690)
Gaming Consultancy	\$ 1,800 (2013:\$1,976)

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

- 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 Service	\$3,399 (2013: nil)
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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 spouse, Carl McComb, is the director of Servco Limited

The Fees paid to Servco Limited during the year were:

Gaming Machine Service Agreement	\$178,416 (2013:\$174,672)
Other Repairs and Maintenance	\$102,770 (2013:\$106,556)
Fixed Assets	\$39,383 (2013:\$121,153)

At balance date \$10,128 was owed by the Company for services provided by Servco Limited

During the year the Company sold fixed assets to the value of \$9,000 to Servco Limited.

At balance date amounts owed by Servco to the company were nil (2013: Nil).

7. CAPITAL COMMITMENTS

The Company has no capital commitments as at 31 March 2014 (31 March 2013: nil).

THE NORTH & SOUTH TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

8. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
Furniture and Fittings – cost	436,595	471,056
Accumulated depreciation	203,984	143,242
Net book value	<u>232,611</u>	<u>327,814</u>
Motor Vehicle – cost	41,739	41,739
Accumulated depreciation	22,956	14,609
Net book value	<u>18,783</u>	<u>27,130</u>
Gaming Machines – cost	2,332,211	2,431,434
Accumulated depreciation	1,091,294	924,870
Net book value	<u>1,240,917</u>	<u>1,506,564</u>
Buildings – cost	13,724	-
Accumulated depreciation	286	-
Net book value	<u>13,438</u>	<u>1,506,564</u>
Total cost	2,824,269	2,944,229
Accumulated depreciation	1,318,520	1,082,721
Net book value	<u>1,505,749</u>	<u>1,861,508</u>

Property, Plant and Equipment with net book values totalling \$318,323 have been purchased by way of finance agreements.

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 31/03/2014 the Credit Facility was for a maximum amount of \$642,418 at the prevailing CreditPlus Facility Base Rate plus a margin of 5.00% per annum. The prevailing CreditPlus Facility Base Rate was 4.04% as at 31 March 2014. 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 property of the Company. As at 31 March 2014 the company’s property had a net carrying value of \$1,505,749 (2013: \$1,861,508). A \$318,323 tranche of the company’s property covers finance agreements.

The Credit Facility requires the Company to comply with certain financial and non-financial 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 31/03/2014 total tangible assets exceeded total liabilities by \$400,706.

10. CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 31 March 2014 (31 March 2013: nil).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

11. FINANCE AGREEMENT LIABILITIES

	2014	2013
Total minimum agreement payments due:		
Not later than one year	320,534	985,006
Later than one year but not later than two years	10,485	475,486
Later than two years but not later than five years	2,621	70,513
	<u>333,640</u>	<u>1,531,005</u>
Future agreement finance charges	(15,317)	(129,743)
Net finance agreement liability:	<u>318,323</u>	<u>1,401,262</u>
	2014	2013
Current Portion	306,000	883,521
Non-current Portion	12,323	517,741
	<u>318,323</u>	<u>1,401,262</u>

The finance agreement liabilities carry interest rates of between 9.36% and 11.05% 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. 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.