



North & South Trust

THE NORTH & SOUTH TRUST LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2013

The Directors are pleased to present their annual report, including the financial statements, for the year ended 31 March 2013.

For and on behalf of The North & South Trust Limited

Director B. McLeadb Date 29 May 2013

Director [Signature] Date 29 May 2013

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ANNUAL REPORT
FOR THE YEAR PERIOD ENDED 31 MARCH 2013

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THE NORTH & SOUTH TRUST LIMITED

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013	2012
Operating revenue	3	11,320,581	8,523,640
Expenditure			
Gaming machine duty		2,588,332	1,958,995
Site rental		1,664,222	1,145,219
Legal fees & Consulting		12,415	156,819
Depreciation	4	684,659	444,415
Interest expense		178,240	149,531
Bad debt expense		-	34,741
Audit fee		10,450	9,175
Sundry expenses		1,197,335	856,669
Total expenses		<u>6,335,653</u>	<u>4,755,564</u>
Operating surplus before distributions		<u>4,984,928</u>	<u>3,768,076</u>

THE NORTH & SOUTH TRUST LIMITED

STATEMENT OF MOVEMENTS IN ACCUMULATED TRUST FUNDS

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013	2012
Operating surplus before distributions		<u>4,984,928</u>	<u>3,768,076</u>
Total recognised revenues and expenses		4,984,928	3,768,076
Less distributions relating to the current period		<u>(4,644,539)</u>	<u>(3,602,374)</u>
Net movement in accumulated trust funds		340,389	165,702
Accumulated funds at 1 April 2012		<u>227,099</u>	<u>61,397</u>
Accumulated funds at 31 March 2013	5	<u>567,488</u>	<u>227,099</u>
TOTAL ACCUMULATED TRUST FUNDS	5	<u>567,488</u>	<u>227,099</u>

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 2013

	Note	2013	2012
CURRENT ASSETS			
Cash at bank		329,148	324,008
Accounts receivable		311,408	227,918
Prepayments		-	4,505
TOTAL CURRENT ASSETS		640,556	556,431
NON CURRENT ASSETS			
Property, plant and equipment	8	1,861,508	2,144,289
TOTAL NON CURRENT ASSETS		1,861,508	2,144,289
TOTAL ASSETS		2,502,064	2,700,720
CURRENT LIABILITIES			
NST Inc – Grants Reserve		14,040	-
Accounts payable		69,322	88,899
Accruals		14,294	9,000
Duty Payable		230,528	260,933
GST / PAYE payable		205,130	161,120
Finance leases – secured	10	883,521	760,139
TOTAL CURRENT LIABILITIES		1,416,835	1,280,091
NON CURRENT LIABILITIES			
Finance leases – secured	10	517,741	1,193,530
TOTAL NON CURRENT LIABILITIES		517,741	1,193,530
TOTAL LIABILITIES		1,934,576	2,473,620
NET ASSETS		567,488	227,099

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 2013

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.

The Company was incorporated due to the Gambling Act 2003 coming into effect from 1 July 2004, which required gaming machine licence holders to be incorporated bodies.

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 Trust 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 trust funds, financial position and significant accounting policies along with the notes to these statements.

The Financial Statements were approved by the Directors on the 29 May 2013.

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.

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 required under the Gaming machines finance leases. 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 \$776,279 as at 31 March 2013 (2012: \$723,660) which is predominately due to the current commitment under the finance lease agreements of \$883,521 payable within the next year. If the Company is unable to continue in operational existence in the

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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 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
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.

Leases

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

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

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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. OPERATING REVENUE

	2013	2012
Gaming machine income	11,253,618	8,517,369
Gain on Asset Sales	41,946	-
Interest received	12,659	6,271
Other revenue	12,358	-
Total operating revenue	<u>11,320,581</u>	<u>8,523,640</u>

4. DEPRECIATION EXPENSES

	2013	2012
Depreciation:		
Furniture and Fittings	116,916	60,106
Gaming Machines	559,395	378,048
Motor Vehicle	8,348	6,261
	<u>684,659</u>	<u>444,415</u>

5. ACCUMULATED COMPANY FUNDS

All net surplus 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, a director of the Company, is a shareholder and director of Evolve Management Limited.

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

Grants Administration	\$42,690
Gaming Consultancy	\$ 1,976

At balance date \$4,218 was owed by the Company for services provided by Evolve Management Limited.

No related party balances owing or owed were written off or forgiven during the period.

7. CAPITAL COMMITMENTS

The Company has no capital commitments as at 31 March 2013 (31 March 2012: nil).

8. PROPERTY, PLANT AND EQUIPMENT

	2013	2012
Furniture and Fittings – cost	471,056	365,944
Accumulated depreciation	143,242	55,377
Net book value	327,814	310,567
Motor Vehicle – cost	41,739	41,739
Accumulated depreciation	14,609	6,261
Net book value	27,130	35,478
Gaming Machines – cost	2,431,434	2,193,875
Accumulated depreciation	924,870	395,631
Net book value	1,506,564	1,798,244
Total cost	2,944,229	2,601,558
Total accumulated depreciation	1,082,721	457,269
	1,861,508	2,144,289

Property, plant and equipment with net book values totalling \$1,861,508 are leased by way of finance leases.

9. CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 31 March 2013 (31 March 2012: nil).

10. FINANCE LEASE LIABILITIES

	2013	2012
Total minimum lease payments due:		
Not later than one year	985,006	929,068
Later than one year but not later than two years	475,486	910,132
Later than two years but not later than five years	70,513	386,076
	1,531,005	2,225,276
Future lease finance charges	(129,743)	(271,607)
Net finance lease liability:	1,401,262	1,953,669

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	2013	2012
Current Portion	883,521	760,139
Non-current Portion	517,741	1,193,530
	<u>1,401,262</u>	<u>1,953,669</u>

The finance lease liabilities carry interest rates of between 9.07% and 11.2% 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 lease the Company has ownership of the assets.

11. 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.