

# **The North and South Trust Limited**

**Summary financial statements  
For the year ended 31 March 2022**

**THE NORTH AND SOUTH TRUST LIMITED**

**SUMMARY STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 MARCH 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Gaming machine revenue	7,704,885	8,006,280
Other operating revenue	<u>47,843</u>	<u>343,398</u>
	<u>7,752,728</u>	<u>8,349,678</u>
<b>Less: expenses</b>		
Gaming machine duty	(1,772,124)	(1,841,398)
Venue rental and commission	(1,191,605)	(1,213,189)
Depreciation expense	(903,932)	(908,190)
Finance costs	(31,137)	(22,907)
Other operating costs	(1,362,370)	(1,172,394)
Other expenses	<u>(34,399)</u>	<u>(31,979)</u>
	<u>(5,295,567)</u>	<u>(5,190,057)</u>
<b>Surplus before distributions</b>	2,457,161	3,159,621
Less: grants paid	<u>(2,535,215)</u>	<u>(2,755,402)</u>
<b>Surplus / (deficit) after distributions</b>	<u>(78,054)</u>	<u>404,219</u>
<b>Other comprehensive revenue and expense</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive revenue and expense for the year</b>	<u>(78,054)</u>	<u>404,219</u>

The accompanying notes form part of these summary financial statements.

THE NORTH AND SOUTH TRUST LIMITED

SUMMARY STATEMENT OF CHANGES IN NET ASSETS / EQUITY  
FOR THE YEAR ENDED 31 MARCH 2022

	<b>Accumulated comprehensive revenue and expense \$</b>
<b>Balance as at 1 April 2020</b>	986,767
Surplus for the year	<u>404,219</u>
<b>Total comprehensive revenue and expense for the year</b>	<u>404,219</u>
<b>Balance as at 31 March 2021</b>	<u>1,390,986</u>
<b>Balance as at 1 April 2021</b>	1,390,986
Deficit for the year	<u>(78,054)</u>
<b>Total comprehensive revenue and expense for the year</b>	<u>(78,054)</u>
<b>Balance as at 31 March 2022</b>	<u>1,312,932</u>

The accompanying notes form part of these summary financial statements.

**THE NORTH AND SOUTH TRUST LIMITED**  
**SUMMARY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	1,357,701	1,321,802
Non-current assets - property, plant & equipment	<u>2,075,071</u>	<u>1,740,072</u>
<b>Total assets</b>	<u><u>3,432,772</u></u>	<u><u>3,061,874</u></u>
<b>Liabilities</b>		
Current liabilities	1,232,711	887,258
Non-current liabilities - term debt	<u>887,129</u>	<u>783,630</u>
<b>Total liabilities</b>	<u><u>2,119,840</u></u>	<u><u>1,670,888</u></u>
<b>Net assets</b>	<u><u>1,312,932</u></u>	<u><u>1,390,986</u></u>
<b>Equity</b>		
Accumulated comprehensive revenue and expense	<u>1,312,932</u>	<u>1,390,986</u>
<b>Total equity</b>	<u><u>1,312,932</u></u>	<u><u>1,390,986</u></u>

The accompanying notes form part of these summary financial statements.

THE NORTH AND SOUTH TRUST LIMITED

SUMMARY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	\$	\$
Net cash provided by operating activities	1,159,385	753,166
Net cash used in investing activities	(1,256,809)	(359,702)
Net cash provided by financing activities	<u>175,453</u>	<u>614,186</u>
<b>Net increase in cash held</b>	<u>78,029</u>	<u>1,007,650</u>
<b>Reconciliation of cash</b>		
Cash at beginning of the financial year	1,035,425	27,775
Net increase in cash held	<u>78,029</u>	<u>1,007,650</u>
<b>Cash at end of financial year</b>	<u><u>1,113,454</u></u>	<u><u>1,035,425</u></u>

The accompanying notes form part of these summary financial statements.

## THE NORTH AND SOUTH TRUST LIMITED

### NOTES TO THE SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These summary financial statements are for The North and South Trust Limited (the "Company") for the year ended 31 March 2022.

The summary financial statements are presented in New Zealand Dollars (NZD) rounded to the nearest dollar.

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 License by the Department of Internal Affairs under the Gambling Act 2003.

The summary financial statements are presented in summary form and therefore do not give all information required by Generally Accepted Accounting Practice in New Zealand using PBE Accounting Standards (PBE IPSAS) Reduced Disclosure Regime. The Summary Financial Statements have been prepared in accordance with PBE FRS 43 Summary Financial Statements.

The full financial statements for the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand using PBE Accounting Standards (PBE IPSAS) Reduced Disclosure Regime.

The full financial statements have been audited and issued with an unmodified opinion in respect to the year ended 31 March 2022 on 22 June 2022. The audit opinion included a material uncertainty related to going concern. Refer to further details in Note 2.

Due to the summarised nature, these summary financial statements cannot provide a full understanding of the financial performance and financial position of the Company. The understanding can only be obtained by reference to the annual financial statements of the Company which are available from the registered office.

#### NOTE 2: GOING CONCERN

The full financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The validity of the going concern basis depends on the Company continuing to generate 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.

##### *Global pandemic of coronavirus disease 2019*

On 11 March 2020, the World Health Organization declared the ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' ('COVID-19'), as a pandemic. In response, governments (including in New Zealand) have implemented a range of public health and social measures to prevent and contain the transmission of COVID-19 and economic responses to provide financial stimulus and welfare support to mitigate the economic impacts of the COVID-19 pandemic.

## THE NORTH AND SOUTH TRUST LIMITED

### NOTES TO THE SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

#### NOTE 2: GOING CONCERN (CONTINUED)

During the 2021 financial year, this included fifteen weeks of Level 4 and 3 restrictions under New Zealand's four-tiered 'COVID-19 Alert Level system' for the Auckland region between August and December 2021. On 3 December 2021, New Zealand transitioned to 'the COVID-19 Protection Framework (traffic lights)'. This new framework has three settings – Red, Orange and Green. The entire country moved to the Orange setting on 3 December 2021, with the exception of several regions including Auckland, which moved to the Red setting. Auckland subsequently moved to the Orange setting on 31 December 2021.

The pandemic and these public health and social measures implemented have lowered overall economic activity and confidence due to reduced ability for businesses to operate and reduced demand for many goods and services, resulting in significant volatility and instability in the financial markets.

The Company faced 106 days of continuous lockdown where Auckland Venues were closed and unable to operate their Gaming Rooms. This significantly impacted the Company's ability to generate the minimum 40% net surplus requirement. The Department of Internal Affairs, in its 22 March 2022 Operational Update, recognised that Class 4 Gaming Societies have faced ongoing difficulties and that financial performance has been impacted by the Covid-19 pandemic. For the current financial year, the Company generated a net surplus of 31.88% (2021: 38.04%).

As part of the Company's annual operator licence renewal application, due on 30 June 2022, the Department of Internal Affairs requested a number of additional supporting documents and information be provided in order to assess the Company's future financial viability. The Board of Directors are confident that the Company's ongoing future financial viability remains strong, as shown by the 31 March 2022 statement of financial position, and the 12 month forecast to 31 March 2023, approved at the April 2022 board meeting.

The full financial statements have been prepared based upon conditions existing as at 31 March 2022 and consider those events occurring subsequent to that date that provide evidence of conditions that existed at the end of the reporting period. As at the date of signing the full financial statements, the Company is yet to complete its annual operator licence renewal application, due on 30 June 2022. The Board of Directors are confident the Company's operator license will be renewed for the 12 months to 30 June 2023. Since no decision has been made as at the date of signing the full financial statements, as described above, the full financial statements have been prepared on a going concern basis. Nonetheless, if the full financial statements were to be prepared on a realisation basis, Management have determined that there would be no adjustments required to be made to the recorded values of the Company's assets and liabilities which have presented as current and their realisation values would remain unchanged.

As the outbreak of the COVID-19 pandemic occurred before 31 March 2022, its impacts are considered an event that is indicative of conditions that arose prior to reporting period. Accordingly, as at the date of signing the full financial statements, all reasonably known and available information with respect to the COVID-19 pandemic has been taken into consideration in the critical accounting estimates and judgements applied by Management and all reasonably determinable adjustments have been made in preparing the full financial statements.

#### NOTE 3: BORROWINGS

The term loans requires the Company to comply with certain covenants. The Company is required to generate Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) that is 3.0 times more than the interest servicing costs and shareholder funds ratio of 40% to be maintained. As at 31 March 2022, the EBITDA is 27.5 (2021: 58.2) times the interest servicing costs and shareholders funds ratio is 38.3% (2021: 45%).

THE NORTH AND SOUTH TRUST LIMITED

NOTES TO THE SUMMARY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 \$	2021 \$
<b>NOTE 4: CURRENT LIABILITIES</b>			
Accounts payable		383,926	126,508
Loan facility		450,093	378,139
Employee related liabilities		48,876	37,776
Gaming duty payable		210,312	176,014
GST payable		121,222	129,727
Accrued expenses		<u>18,282</u>	<u>39,094</u>
		<u>1,232,711</u>	<u>887,258</u>

**NOTE 5: CONTINGENT LIABILITIES**

There are no known contingent liabilities at balance date (2021: Nil).

**NOTE 6: CAPITAL AND LEASING COMMITMENTS**

There are no known commitments at balance date (2021: Nil).

**NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE**

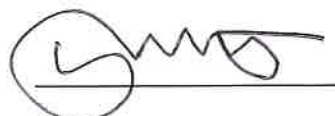
The directors are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these summary financial statements that have significantly or may significantly affect the operations of the Company (2021: Nil).

The Directors authorised the publication of these Summary Financial Statements on *26<sup>th</sup> Oct* 2022.

Approved on behalf of the board:



Director



Director



## INDEPENDENT AUDITOR'S REPORT

### On the Summary Financial Statements

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

The accompanying summary financial statements, which comprise the Summary Statement of Financial Position as at 31 March 2022, the Summary Statement of Financial Performance, Summary Statement of Changes in Net Assets / Equity and Summary Statement of Cash Flows for the year then ended, and related notes, are derived from the audited financial statements of The North and South Trust Limited for the year ended 31 March 2022.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of The North and South Trust Limited. The audited financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

We expressed an unmodified audit opinion on the audited financial statements in our report dated 22 June 2022. That report also includes a Material Uncertainty Related to Going Concern section that draws attention to Note 1(o) in the audited financial statements, which indicates that the Company generated a net surplus of 31.88% of gross gaming income, which is below the minimum 40% requirement as outlined in the Gambling (Class 4 Net Proceeds) Regulations 2004. That report also draws attention to Note 1(b) in the audited financial statements, which notes that the Company is in the process of renewing its annual operator license, due on 30 June 2022, and that the Department of Internal Affairs has requested additional information be provided as part of this application. These events or conditions, along with other matters outlined in Note 1(b) and Note 1(o) of the audited financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. These matters are addressed in Note 2 of the summary financial statements.

#### **Responsibilities of the Directors of the General Partner for the Summary Financial Statements**

The Directors of the General Partner are responsible for the preparation of a summary of the audited financial statements in accordance with Financial Reporting Standard 43: *Summary Financial Statements* (FRS-43).

#### **Auditor's Responsibilities for the Audit of the Summary Financial Statements**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810, "*Engagements to Report on Summary Financial Statements*."

Other than in our capacity as auditor, our firm carries out other assignments for The North and South Trust Limited in the area of financial statements compilation services. The provision of these other services has not impaired our independence.

**Opinion**

In our opinion, the summary financial statements derived from the audited financial statements of The North and South Trust Limited for the year ended 31 March 2022 are consistent, in all material respects, with those financial statements, in accordance with FRS-43.

*Baker Tilly Staples Rodway*

**BAKER TILLY STAPLES RODWAY AUCKLAND**

**Auckland, New Zealand**

26 October 2022