



**THE SOUTHERN TRUST INCORPORATED  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER 2013**

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## **DIRECTORY**

**As at 31<sup>st</sup> December 2013**

**PRINCIPAL BUSINESS:** Administration of Gaming Machines

**DATE OF ESTABLISHMENT:** 16<sup>th</sup> January 1998

**HEAD OFFICE:** 245 Stuart Street  
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**TRUSTEES:** Evan Moore  
Karen Shea  
Ken Lister  
Peter Haslemore  
Stewart Harvey  
Doug McCaulay (appointed 9<sup>th</sup> July 2013)

**SOLICITORS:** Rodgers Law

**BANKERS:** Bank of New Zealand

**AUDITORS:** PricewaterhouseCoopers

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2013**

		<b>2013</b>	<b>2012</b>
	\$	\$	\$
<b>REVENUE</b>			
Gaming revenue		28,423,975	29,803,179
<b>Other Revenue</b>			
Interest income	50,323		67,243
Gain on sale of assets	146,532		441,149
Business interruption settlement	-		481,356
Share of associates net (loss)	(103)		(763)
		196,752	988,985
<b>Total Revenue</b>		<b>28,620,727</b>	<b>30,792,164</b>
<b>GAMING DIRECT COSTS</b>			
<b>Fixed Asset costs</b>			
Depreciation	2,238,842		2,496,075
Conversion costs	6,074		3,369
<b>Total Fixed Asset cost</b>		<b>2,244,916</b>	<b>2,499,444</b>
<b>Gaming operating costs</b>			
<b>Electronic monitoring system</b>		381,419	375,935
<b>Other</b>			
Bad debts expense/(recovery)	(5,655)		219
Gaming advertising	22,716		24,036
Gaming stationery	989		6,114
Conference expenses	259		0
Insurance – gaming equipment	223,465		181,270
		241,774	211,639
<b>Service contractors</b>			
Gaming machine movements	13,204		35,876
Storage	10,504		11,213
Gaming machine ancillary service	74,614		88,507
Freight	39,095		69,195
Security & air conditioner service	15,755		32,619
Venue broadband connection	10,086		9,656
Service contractors	691,619		669,272
		854,877	916,338
<b>Venue costs</b>			
Installation costs current year expenditure	2,794		983
Installation costs recovered	(9,294)		(6,960)
Venue payments	4,472,899		4,691,771
		4,466,399	4,685,794
<b>Gaming fees &amp; levies</b>			
DIA licence & amendment fees	347,848		355,507
Territorial Authority fee	217		1,362
Problem Gambling levy	455,299		507,246
		803,364	864,115
<b>Total gaming operating costs</b>		<b>6,747,833</b>	<b>7,053,821</b>
<b>TOTAL GAMING DIRECT COSTS</b>		<b>8,992,749</b>	<b>9,553,265</b>
<b>GROSS GAMING SURPLUS</b>		<b>19,627,978</b>	<b>21,238,899</b>

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2013**

		<b>2013</b>	<b>2012</b>
	\$	\$	\$
<b>ADMINISTRATION EXPENSES</b>			
<b>Fixed Asset costs – non gaming</b>			
Depreciation	152,284		260,434
<b>Total Fixed Asset costs</b>		152,284	260,434
<b>Admin – operating costs</b>			
Admin software upgrades & consultancy		41,720	44,613
Advertising		250	-
Audit fees		25,026	22,265
Professional/consultancy fees		10,884	36,463
Legal fees		343	473
Bank charges & interest		33,747	27,736
Subscriptions		15,477	21,996
Travel expenses		94,812	115,225
Membership fees		-	3,867
Vehicle expenses		86,584	88,398
<b>Employment</b>			
ACC levy	6,794		6,798
Fringe benefit tax	34,894		42,649
Staff training	15,956		4,189
Corporate livery	1,664		218
Wages & employee benefits	1,550,436		1,557,728
		1,609,744	1,611,582
<b>Property</b>			
Cleaning – office	12,730		12,406
Power	8,899		8,635
Rent & rates	106,827		103,958
Telephone	36,710		40,085
Postage	11,742		13,754
Insurance	25,465		49,785
Office supplies	38,169		43,435
		240,542	272,058
<b>Total Admin – operating costs</b>		2,159,130	2,244,676
<b>TOTAL ADMINISTRATION EXPENSES</b>		2,311,413	2,505,110
<b>NET SURPLUS BEFORE DUTY</b>		17,316,565	18,733,789
Gaming Duty		6,540,021	6,854,681
<b>NET SURPLUS AFTER DUTY</b>		10,776,545	11,879,108
Authorised Purpose distributions		14,126,622	13,347,375
Refunds received		(261,187)	(301,899)
<b>NET (DEFICIT) AFTER AP DISTRBUTIONS</b>		(3,088,891)	(1,166,368)
Undistributed funds provision – Use of provision		3,003,370	1,175,950
<b>NET SURPLUS/(DEFICIT) BEFORE COMPREHESIVE INCOME</b>		(85,521)	9,582
Other Comprehensive Income		-	-
<b>Total Comprehensive Income/(Loss)</b>		(85,521)	9,582

**STATEMENT OF CHANGES IN TRUSTEES CAPITAL  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

	<b>2013</b> \$	<b>2012</b> \$
<b><u>Income Account Opening Balance</u></b>	3,272,373	3,262,791
Total Comprehensive Income comprising:		
- Trading Result	(3,088,891)	(1,166,368)
- Undistributed Funds - Use of provision [representing the movement in the Undistributed Authorised Purpose liability as stated in the Statement of Financial Position]	3,003,370	1,175,950
<b><u>Income Account Closing Balance</u></b>	<u>3,186,852</u>	<u>3,272,373</u>

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31ST DECEMBER 2013**

	Notes	2013 \$	2012 \$
<b><u>TRUST CAPITAL</u></b>			
Community Equity	3&8	3,186,852	3,272,373
<b><u>CURRENT ASSETS</u></b>			
Cash and Cash Equivalents	4	2,683,772	4,043,257
Receivables	5	538,686	578,878
Prepayments		261,092	337,983
<b><u>TOTAL CURRENT ASSETS</u></b>		3,483,550	4,960,118
<b><u>NON CURRENT ASSETS</u></b>			
Investment in Associates	6	14,517	14,620
Property, Plant and Equipment	7	2,200,668	3,336,909
<b><u>TOTAL NON CURRENT ASSETS</u></b>		2,215,185	3,351,529
<b><u>TOTAL ASSETS</u></b>		5,698,735	8,311,647
<b><u>CURRENT LIABILITIES</u></b>			
Payables	8	2,120,420	2,035,904
Undistributed Authorised Purpose - current	3&8	-	3,003,370
<b><u>TOTAL CURRENT LIABILITIES</u></b>		2,120,420	5,039,274
<b><u>NON CURRENT LIABILITIES</u></b>			
Multi Year Grants Payable – non-current	3&8	391,463	-
<b><u>TOTAL LIABILITIES</u></b>		2,511,883	5,039,274
<b><u>NET ASSETS</u></b>		3,186,852	3,272,373



Trustee



Trustee

25th March 2014

Date \_\_\_\_\_

**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2013**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from Trade and other debtors	28,464,167	30,365,295
Trustee distributions to authorised purposes	(13,148,666)	(12,849,621)
Taxes paid – Duty & Problem Gambling Levy	(7,154,999)	(7,390,965)
Payments to Trade creditors, others & employees	(8,461,957)	(8,894,615)
Interest Received	50,323	67,243
<b><u>NET CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	<b>(251,132)</b>	<b>(1,297,337)</b>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
Payments for property, plant & equipment	(1,295,020)	(2,483,332)
Payments for investments	-	-
Proceeds from investments	-	-
Proceeds from sale of fixed assets	186,667	749,682
<b><u>NET CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	<b>(1,108,353)</b>	<b>(1,733,650)</b>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
Loans advanced	-	-
Loans repaid	-	-
<b><u>NET CASH FLOWS FROM FINANCING ACTIVITIES</u></b>	<b>-</b>	<b>-</b>
<b><u>NET DECREASE IN CASH HELD</u></b>	<b>(1,359,485)</b>	<b>(436,313)</b>
<b><u>CASH AT THE BEGINNING OF THE FINANCIAL YEAR</u></b>	<b>4,043,257</b>	<b>4,479,570</b>
<b><u>CASH AT THE END OF THE FINANCIAL YEAR</u></b>	<b>2,683,772</b>	<b>4,043,257</b>

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**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2013**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b><u>RECONCILIATION OPERATING CASH FLOW TO RESULT</u></b>		
Total Comprehensive Income/(Loss)	(85,521)	9,582
<b><i>Items not involving Cash Flow</i></b>		
Share of net surplus of associates	103	763
Gain on Sale of Fixed Assets	(146,532)	(441,149)
Depreciation	2,391,126	2,759,878
<b><i>Impact of changes in Working Capital</i></b>		
Account receivable	40,192	80,762
Accounts payable	(2,527,391)	(1,097,783)
Prepayments	76,891	(14,716)
<b><u>NET CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	<u>(251,132)</u>	<u>1,297,337</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013****1. GENERAL INFORMATION**

The Southern Trust (the "Trust") is a charitable trust, registered in New Zealand under the Charitable Trusts Act 1957.

The Trust is involved in the gaming industry, and its principal trading activities are the ownership and operation of gaming machines, and the distribution of profits arising from these activities to community groups either within the region from which the profits originated, or to organisations which provide services nationally.

**Statement of Compliance**

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, and comply with the New Zealand equivalents of International Reporting Standards (NZ IFRS) and other applicable accounting standards as deemed appropriate for public benefit entities.

**Basis of Preparation**

The financial statements are presented in New Zealand currency, rounded to the nearest whole dollar.

The financial statements have been prepared on the historic cost basis. Cost is based on the fair value of consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2013; the comparative information presented in the financial statements for the year ended 31 December 2012.

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of NZ IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 13.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

The accounting policies set out below have been applied consistently by the Trust to all periods presented in these financial statements.

**Standards, interpretations and amendments to published standards that are not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the 2013 reporting period. The Trust's assessment of the impact of these new standards and interpretations is set out below:

There were no new significant standards adopted by the Trust in the year ended 31<sup>st</sup> December 2013.

<b>Standard</b>		<b>Effective for Annual Reporting Periods Beginning on</b>
NZ IFRS 9	Financial Instruments	1 January 2015

**NZ IFRS 9 Financial Instruments** (effective for annual reporting periods beginning on or after 1 January 2015)

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. When the standard is adopted, it is not expected to result in a change in measurement for financial assets, as the current categorisation of receivables is expected to remain the same. The Trust would not have any transactions to disclose under the new IAS 1 and IFRS 7 disclosure requirements relating to gain or loss arising on derecognition of financial assets measured at amortised cost. There will be no impact on the Trust's accounting for financial liabilities that are designated as at fair value through profit or loss, and the Trust does not have any such liabilities. The derecognition rules have been transferred from NZ IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The Trust has not yet decided when to adopt NZ IFRS 9.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**Significant Accounting Policies**

The following significant accounting policies have been adopted in the preparation and presentation of these financial statements:

**Property, Plant and Equipment**

Property, plant and equipment comprise gaming machines, ancillary gaming machine equipment, motor vehicles, computer equipment and furniture and fittings.

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate when it is probable that the future economic benefits embodied within the item will flow to the Trust and the cost of the item can be measured reliably.

All other costs are recognised in the income statement as the expense is incurred.

**Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives as follows:

Motor vehicles	26%	straight line
Computer equipment	33% - 48%	straight line
Gaming machines		
Cabinets	33%	straight line
Electronic games	50% - 100%	straight line
Ancillary gaming machine equipment		
IT equipment	48%	straight line
Furniture	100%	straight line
Security equipment	100%	straight line
Signage	24%-33%	straight line
Monitoring equipment	33%	straight line
Note & coin counters	33%	straight line
Office furniture and fittings	12% - 33%	straight line

Gains and losses on disposal of fixed assets are taken into account in determining the operating result for the year.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013****Borrowing Costs**

Borrowing costs directly attributable to the acquisition or installation of non-current assets are capitalised as part of the cost of those assets.

**Intangibles**

Gaming machine licences are intangible assets that are renewable annually. For this reason, expenditure on the acquisition or renewal of gaming machine licences is expensed in the Income Statement, and is not carried forward to future accounting periods as an Intangible Asset.

**Receivables**

Trade and other receivables are recorded at the actual amounts due, less any provision for doubtful debts (impairment losses). An estimate of doubtful debts is made when collection of the full amount due is no longer probable. Bad debts are written off against the allowance account when these are deemed no longer collectible.

Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Income.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and current and short term deposit accounts held by external banking institutions.

Bank overdrafts that are repayable on demand and which form an integral part of cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**Impairment of Assets**

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is written down, or in the case of trade debtors the carrying amount is reduced through the use of a provision for doubtful debts account.

The recoverable amount is the higher of fair value less costs to sell, and value in use. When assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate to reflect market assessments of the time-value of money and the risks specific to the asset for which estimated future cash flows have not been adjusted.

If the recoverable amount of an asset, or cash generating unit, is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount, and an impairment loss is recognised immediately in the income statement, unless the asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

the carrying amount that would have been determined had no impairment loss been recognised for the asset previously. A reversal of impairment loss is recognised immediately in the Statement of Comprehensive Income.

**Income Tax**

The Trust is not liable for income tax on income derived for charitable purposes.

**Payables**

Trade and other payables are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services, or from the approval of community grants.

**Provisions**

A provision is recognised on the face of the balance sheet when the Trust has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**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 recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

**Revenue Recognition**

- *Revenue from Gaming Machines*

Revenue from the operation of gaming machines is recognised when it is probable and can be reliably measured.

- *Interest Revenue*

Interest revenue is recognised on a time proportionate basis taking into account the effective yield on the financial asset.

**Expenses**

- *Operating lease payments*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013****■ Finance lease payments**

Finance leases, which transfer to the Trust substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge and the reduction of any outstanding liability. Finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised exclusive of GST, except for receivables and payables, which are reported inclusive of GST.

Cash flows are included in the cash flow statement on an exclusive basis.

Commitments and contingencies are disclosed exclusive of the amounts of GST receivable or payable.

**Group Financial Statements – Investment in Associates**

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. The Group's share of the net surplus of associates is recognised as a component of operating revenue in the statement of comprehensive income using the equity method. The Group's share of the other gains and losses of associates is recognised as a component of total recognised revenues and expenses in the statement of movements in equity. Dividends received from associates are credited to the carrying amount of the investment in associates.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Trust's share of losses in an associate equals or exceeds its interest in the associate, the Trust does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

**Changes in Accounting Policies**

There have been no significant changes to accounting policies.

**2. AUTHORISED PURPOSE (GRANTS)**

2.1 Grants are expensed in the year in which payment is made plus grants approved by the Trustees. At the 31<sup>st</sup> December 2013 grants of \$1,061,369 (2012 \$344,600) had been approved but not yet paid.

2.2 The introduction of the Gambling (Class 4 Net Proceeds) Amendment Regulations 2011 (the Amendment) permits the approval and payment of a grant by installments, known as multi-year grants, over one or more years. Any multi-year grants are subject to the conditions detailed in section 16A of the Amendment. At the 31<sup>st</sup> December 2013 the multi-year grants included in 2.1 above is \$1,061,369 (2012 \$125,000).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

2.3 Any amounts of multi-year grants that are planned to be paid beyond 2014 are treated as a long term liability and as at the 31<sup>st</sup> December 2013 the amount, included in 2.2 above is \$681,383 (2012 \$nil).

**3. TRUSTEES' INCOME ACCOUNT RESERVE**

The Trust, as a result of discussions with the Department of Internal Affairs (DIA), will describe Trust Capital: Trustees Income Account, in the balance sheet as Community Equity. This Community Equity will represent undistributed community funds.

As a result of this change it was also agreed with the DIA, to a planned reduction of this Community Equity to a maximum of 9.28% of GST inclusive Annual Gross Proceeds in a phased manner over a period ending 31<sup>st</sup> December 2013. 2013 9.69% (2012 9.28%)

It has been further agreed with the DIA that Community Equity will be a maximum of 8% and 7% of the GST exclusive Annual Gross Proceeds at the end of December 2014 and 2015 respectively.

**4. CASH AND CASH EQUIVALENTS**

	<b>2013</b>	<b>2012</b>
	\$	\$
Cash and cash equivalents comprise the following:		
Main Account	2,182,872	2,042,357
Petty Cash	900	900
Investment Account	500,000	2,000,000
	<hr/>	<hr/>
	2,683,772	4,043,257
	<hr/>	<hr/>

**5. LOANS AND RECEIVABLES**

	<b>2013</b>	<b>2012</b>
	\$	\$
<b><u>Current</u></b>		
Accounts receivable	538,686	578,878

**6. INVESTMENT IN ASSOCIATES**

The Trust has a 33.3% shareholding in Grants Monitoring Limited, an unlisted company incorporated in New Zealand, whose principle activity is to provide a centralised database of grant recipients who have received funding from gaming machine funding.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**Equity Accounted Investment in Associates**

	<b>2013</b>	<b>2012</b>
	\$	\$
<b>Carrying amount of associates</b>		
Carrying amount at beginning of the year	14,619	15,382
Additions during the period		
Equity accounted retained surplus of associates	(102)	(763)
	<hr/>	<hr/>
Carrying amount at end of year	14,517	14,619

Grants Monitoring Limited's reporting date is 30<sup>th</sup> June, however interim unaudited accounts are available for the period ended 31<sup>st</sup> December 2013.

The Trust's share (33.3%) of the results of Grants Monitoring Ltd, its share of the assets and liabilities is as follows:

	<b>2013</b>	<b>2012</b>
Revenues	16,395	18,856
(Loss)	(103)	(763)
Assets	14,564	14,471
Liabilities	48	148

**7. Property, plant and equipment**

	Motor vehicles	Office equipment	Computer equipment	Gaming machines	Gaming machine Ancillary equipment	Leasehold Improvement	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 <sup>st</sup> January 2012	289,248	131,951	501,772	20,379,032	1,825,129	14,334	23,141,46
Additions at cost	32,326	5,245	4,825	2,040,511	385,558	-	2,468,46
Disposals	(31,090)	-	(30,729)	(2,261,187)	(344,267)	-	(2,667,273
Balance as at 31 <sup>st</sup> December 2012	290,484	137,196	475,868	20,158,356	1,866,420	14,334	22,942,65
<b>Accumulated depreciation</b>							
Balance as at 1 <sup>st</sup> January 2012	84,047	105,978	272,221	17,102,465	1,651,797	2,970	19,219,47
Current year depreciation	72,802	13,222	171,544	2,242,741	253,334	2,867	2,756,51
Disposals	(31,090)	-	(30,615)	(1,995,241)	(313,293)	-	(2,370,239
Balance as at 31 <sup>st</sup> December 2012	125,759	119,200	413,150	17,349,965	1,591,838	5,837	19,605,74
<b>Net book value at 31<sup>st</sup> December 2012</b>	<b>164,725</b>	<b>17,996</b>	<b>62,718</b>	<b>2,808,391</b>	<b>274,582</b>	<b>8,497</b>	<b>3,336,90</b>

Motor vehicles	Office equipment	Computer equipment	Gaming machines	Gaming machine Ancillary	Leasehold Improvement	Total
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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

Cost	\$	\$	\$	\$	equipment \$	\$	\$
Balance as at 1 <sup>st</sup> January 2013	290,483	137,196	475,868	20,158,359	1,866,419	14,334	22,942,65
Additions at cost	-	591	3,723	1,076,934	213,771	-	1,295,01
Disposals	-	-	(11,283)	(506,747)	(182,891)	-	(700,921
Balance as at 31 <sup>st</sup> December 2013	290,483	137,787	468,308	20,728,546	1,897,299	14,334	23,536,75
<b>Accumulated depreciation</b>							
Balance as at 1 <sup>st</sup> January 2013	125,759	119,200	413,150	17,349,964	1,591,839	5,837	19,605,74
Current year depreciation	75,525	10,510	63,381	1,995,603	243,240	2,867	2,391,12
Disposals	-	-	(11,283)	(474,040)	(175,463)	-	(660,786
Balance as at 31 <sup>st</sup> December 2013	201,284	129,710	465,248	18,871,527	1,659,616	8,704	21,336,08
<b>Net book value at 31<sup>st</sup> December 2013</b>	<b>89,199</b>	<b>8,077</b>	<b>3,060</b>	<b>1,857,019</b>	<b>237,683</b>	<b>5,630</b>	<b>2,200,66</b>

8. PAYABLES	2013	2012
<b>Current Liabilities</b>	<b>\$</b>	<b>\$</b>
Trade Accounts payable	169,222	175,654
Duty & Problem Gambling Levy payable	601,546	761,221
Employee entitlements	123,478	133,468
GST payable	526,663	586,842
PAYE payable	29,605	34,111
Undistributed funds - current	-	3,003,370
Distributions payable	-	219,600
Distributions payable – multi-year grants	669,906	125,000
<b>Total current liabilities</b>	<b>2,120,420</b>	<b>5,039,274</b>
<b>Non-Current Liabilities</b>		
Distributions payable – multi-year grants	391,463	

8 (a) Provisions	2013	2012
	<b>Undistributed Funds (note 3)</b>	<b>Undistributed Funds (note 3)</b>
Opening balance	3,003,370	4,179,320
Increase in provisions		
Use of provisions during the year	(3,003,370)	(1,175,950)
Closing balance	-	3,003,370

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**9. BORROWINGS**

The Trust has an overdraft facility in place with the BNZ which was not utilized during the financial year 2013. The BNZ has a registered first and only general security agreement over the assets and undertakings of the Trust.

**10. FINANCIAL RISK FACTORS**

The Trust's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the Trustees and management.

**a. Market Risk – Cash Flow and Fair Value Interest Rate Risk**

The Trust is exposed to interest rate risk as it holds on-call and short term investments in cash, and it borrows funds at fixed interest rates.

Funds on-call or short term deposits expose the Trust to cash flow interest rate risk. Fixed interest borrowings expose the Trust to fair value interest rate risk.

The Trust has a an agreed borrowing facility with its bankers and any borrowing is subject to terms and conditions of the Market Connect overdraft facility which includes a registered first and only general security agreement.

Interest Rate Sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates on cash and cash equivalents on floating and short term deposits. It assumes all other variables remain constant during the year.

	<b>Carrying amount</b>	<b>- 1%</b>	<b>+ 1%</b>
<b>2012</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial Assets</b>			
Cash & cash equivalents	4,042	(40)	40
	<b>Carrying amount</b>	<b>- 1%</b>	<b>+ 1%</b>
<b>2013</b>		<b>\$000</b>	<b>\$000</b>
<b>Financial Assets</b>			
Cash & cash equivalents	2,684	(27)	27

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**b. Credit Risk**

Credit risk arises from cash and cash equivalents and accounts receivables. Credit risk is the risk that a counter-party will default on its contractual obligations resulting in financial loss for the Trust.

Funds on-call or short term deposit are held with reputable banks. Accounts receivable primarily consist of a maximum of one week's net proceeds from any one venue operator.

The maximum amount of credit risk is the amount held with banks and due from debtors which amounted to \$3,221,558 (2012 \$4,621,235).

The key concentration of credit risk arises from the funds on deposit with the Bank of New Zealand \$2,682,872 (2012 \$4,042,357). The Bank of New Zealand has a credit rating of AA- [Standard & Poor's] and Aa3 [Moody's] (*BNZ Disclosure Statement June 2013*).

There are no other concentrations of credit risk and no financial asset is past due.

The Trust does not hold any collateral for their assets.

**c. Liquidity Risk**

The Trust manages its liquidity to ensure it is able to meet its obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Trustees, who have provided management with a framework for the Trust's medium and long term financial management.

Liquidity risk is managed with the use of monthly forecasts.

The analysis of financial liabilities is shown below:

	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Greater than 5 years</b>
<b>2012</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Trade & other payables	2,036	2,036	-	-
Multi-year grants	-	-	-	-
Undistributed funds	3,003	3,003	-	-
	5,039	5,039	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Greater than 5 years</b>
<b>2013</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Trade & other payables	1,451	1,451	-	-
Multi-year grants	1,061	670	391	-
Undistributed funds	-	-	-	-
	<u>2,512</u>	<u>2,121</u>	<u>391</u>	<u>-</u>

d. **Capital Risk Management**

The Trust's objectives when managing capital are to safeguard the Trust's ability to continue as a going concern in order to provide grants to the community while maintaining an optimal capital structure to reduce the cost of operations.

The Trust's strategy is to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently. The Trust's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

**11. COMMITMENTS**

	<b>2013 \$</b>	<b>2012 \$</b>
<b>i. Non – Cancelable Operating Lease Commitments</b>		
Payable no later than one year	105,000	80,000
Payable later than one year, not later than five years	385,000	160,000
Payable later than five years	-	-
<b>ii. Capital Commitments</b>	-	-
	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013****12. CONTINGENCIES**

There were no contingent assets or liabilities at 31 December 2013 (2012 Nil)

**13. TRANSACTIONS WITH RELATED PARTIES**

The Southern Trust maintains a register of Trustees and key management personnel interests.

The amount of grant distributions to organisations listed on the register were \$nil (2012 \$16,600).

During the year the Southern Trust paid Grants Monitoring Limited \$10,434 (2012 \$11,324) for the provision of a centralized grants monitoring service. Karen Shea is a Director of this Company. At 31<sup>st</sup> December 2013 there were no amounts outstanding.

Salaries and other short term employee benefits of \$504,730 (2012:\$495,778) were paid to key management personnel during the year. No amounts were expensed for termination, post employment or other long term benefits.

**14. EXERCISE OF JUDGEMENT AND ESTIMATION**

The Trustee's believe that there are no significant judgements or estimates made in the preparation of these financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, except as disclosed in note 8.





## ***Independent Auditors' Report*** to the trustees of Southern Trust

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

We have audited the financial statements of The Southern Trust on pages 4 to 22, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, and statement of changes in trustees capital and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

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

The Trustees are responsible for the preparation and fair presentation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal controls as Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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) and International Standards on Auditing. These standards require that we comply with relevant 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 auditors' 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 auditors consider the internal controls relevant to the entity's preparation of financial statements that present fairly 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 overall 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 auditors we have no relationship with, or interests in, the Southern Trust.



## ***Independent Auditors' Report***

The Southern Trust

### ***Opinion***

In our opinion, the financial statements on pages 4 to 22 present fairly, in all material respects, the financial position of the Trust as at 31 December 2013, and its financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.

### ***Restriction on Use of our Report***

This report is made solely to the Trustees, as a body. Our audit work has been undertaken so that we might state to the Trustees those matters which we are required to state to them in an auditors' 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 Trust and the Trustees, as a body, for our audit work, for this report or for the opinions we have formed.

*PricewaterhouseCoopers*

Chartered Accountants  
25 March 2014

Dunedin