



**THE SOUTHERN TRUST INCORPORATED  
FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED  
30 DECEMBER, 2018**

<b>Contents</b>	<b>Page</b>
Directory	3
Statement of Comprehensive Revenue & Expense	4
Statement of Changes in Net Assets/Equity	5
Statement of Financial Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 19
Independent Auditor's Report	20 - 21

## **DIRECTORY**

**As at 30 December, 2018**

**PRINCIPAL BUSINESS:** Administration of Gaming Machines

**DATE OF ESTABLISHMENT:** 16 January 1998

**HEAD OFFICE:** 245 Stuart Street  
PO Box 858  
Dunedin  
Telephone 03 471 8850  
Facsimile 03 471 8470  
Email: [info@tst.org.nz](mailto:info@tst.org.nz)  
Web site: [www.tst.org.nz](http://www.tst.org.nz)

**TRUSTEES:** Evan Moore  
Karen Shea  
Peter Haslemore  
Doug McCaulay

**SOLICITORS:** Wilkinson Rodgers

**BANKERS:** Bank of New Zealand

**AUDITORS:** PricewaterhouseCoopers

**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE  
FOR THE PERIOD ENDED 30 DECEMBER, 2018**

	<b>Note</b>	<b>30-Dec 2018</b>	<b>31-Dec 2017 (restated)</b>
Gaming Revenue		31,901,464	30,032,390
<b>Gaming Expenses</b>			
Gaming Machine Duty		7,337,336	6,907,450
Electronic Monitoring, Gaming Fees & Levies		1,522,209	1,456,299
Venue Costs		5,054,163	4,788,525
Depreciation Costs	<b>1</b>	1,406,923	962,765
Other Direct Gaming Costs		1,066,987	1,162,486
<b>Total Gaming Expenses</b>		<b>16,387,618</b>	<b>15,277,525</b>
<b>Gross Gaming Surplus</b>		<b>15,513,846</b>	<b>14,754,865</b>
Other income		1,473	1,960
Gain on sale of gaming machines and fixed assets		55,005	135,676
<b>Total Other Income</b>		<b>56,478</b>	<b>137,636</b>
Administration		667,780	585,746
Employment		1,541,261	1,553,609
Non Gaming Depreciation		77,223	64,045
		<b>2,286,264</b>	<b>2,203,400</b>
<b>Surplus Available for Distribution</b>		<b>13,284,060</b>	<b>12,689,101</b>
Authorised Purpose Distributions for the period	<b>2</b>	13,284,060	12,753,926
Refunds Received		238,487	193,646
		<b>13,045,573</b>	<b>12,560,280</b>
<b>Surplus for the period from continuing operations</b>		<b>238,487</b>	<b>128,821</b>
<b>Surplus for the Period</b>		<b>238,487</b>	<b>128,821</b>
<b>Other comprehensive revenue and expense for the period</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive revenue and expense for the period</b>		<b>238,487</b>	<b>128,821</b>

The above statement should be read in conjunction with the accompanying notes

**STATEMENT OF CHANGES IN NET ASSETS/ EQUITY  
FOR THE PERIOD ENDED 30 DECEMBER, 2018**

	<b>30-Dec 2018</b>	<b>31-Dec 2017 (restated)</b>
<b>Equity Opening Balance</b>	<b>3,052,411</b>	<b>2,923,590</b>
Surplus available for distribution	13,284,060	12,689,101
<b>Transactions with the community:</b>		
Net distributions to the community	(13,045,573)	(12,560,280)
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	238,487	128,821
<b>Equity Closing Balance</b>	<b><u>3,290,898</u></b>	<b><u>3,052,411</u></b>

The above statement should be read in conjunction with the accompanying notes

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 DECEMBER, 2018**

	Note	30-Dec 2018	31-Dec 2017 (restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	976,483	961,981
Receivables from exchange transactions		819,944	773,932
Prepayments		270,917	305,124
		<u>2,067,344</u>	<u>2,041,037</u>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4	4,523,765	3,632,683
		<u>4,523,765</u>	<u>3,632,683</u>
<b>TOTAL ASSETS</b>		<u><b>6,591,109</b></u>	<u><b>5,673,720</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions		529,564	374,448
Gaming Duty		821,438	769,466
Goods and Services Tax		616,444	535,367
Employment Taxes and Leave		157,427	168,368
Multi-year Grants		57,640	115,280
Provision for Grant Distributions	12	1,117,698	658,380
		<u>3,300,211</u>	<u>2,621,309</u>
<b>TOTAL LIABILITIES</b>		<u><b>3,300,211</b></u>	<u><b>2,621,309</b></u>
<b>NET ASSETS/EQUITY</b>			
Trust Equity		3,290,898	3,052,411
<b>TOTAL NET ASSETS/EQUITY</b>		<u><b>3,290,898</b></u>	<u><b>3,052,411</b></u>



Trustee



Trustee

21 March 2019

Date \_\_\_\_\_

The above statement should be read in conjunction with the accompanying notes

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 DECEMBER, 2018**

	<b>30-Dec 2018</b>	<b>31-Dec 2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Trade and Other Debtors	<b>31,912,788</b>	<b>30,119,808</b>
Trustee Distributions to Authorized Purposes	(12,674,519)	(11,986,556)
Taxes Paid - Duty & Problem Gambling Levy	(7,762,763)	(7,319,224)
Payments to Trade Creditors, Others & Employees	(9,143,896)	(8,979,583)
Interest Received	743	1,960
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>2,332,353</u></b>	<b><u>1,836,405</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Property, Plant and Equipment	(2,427,236)	(2,484,589)
Proceeds from sale of fixed assets	109,385	389,160
<b>NET CASH FLOWS (TO) INVESTING ACTIVITIES</b>	<b><u>(2,317,851)</u></b>	<b><u>(2,095,429)</u></b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	14,502	(259,024)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	961,981	1,221,005
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>976,483</u></b>	<b><u>961,981</u></b>

**RECONCILIATION OF OPERATING CASH FLOW**  
**OPERATING RESULT**

	<b>30-Dec 2018</b>	<b>31-Dec 2017 (restated)</b>
Total Comprehensive Revenue and Expense	<b>238,487</b>	<b>128,821</b>
<b>Items not involving Cash Flow</b>		
Gain on Sale of Fixed Assets	(55,005)	(135,676)
Depreciation	1,484,146	1,026,810
<b>Impact of changes in Working Capital</b>		
Accounts receivable	(46,012)	51,442
Accounts payable	217,213	132,524
Prepayments	34,206	(25,896)
Provision for Grant Distributions	459,318	658,380
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>2,332,353</u></b>	<b><u>1,836,405</u></b>

The above statement should be read in conjunction with the accompanying notes

## Notes to the Financial Statements

### 1. Reporting Entity

The Southern Trust (the "Trust") is a charitable trust, registered in New Zealand under the Charitable Trusts Act 1957, and domiciled in New Zealand, and is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act 2013. The Trust's registered office and principle place of business is 245 Stuart Street, Dunedin, New Zealand.

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 surpluses arising from these activities to community groups either within the region from which the surpluses originated, or to organisations which provide services nationally in accordance with the standards and practices set out by the Gambling Act of 2003 and the associated regulations.

### **Basis of Preparation**

The financial statements of the Trust have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with PBE Standards as appropriate for Tier 1 not-for-profit public benefit entities.

These financial statements were authorised for issue by the Trustees 21 March, 2019.

No other bodies have the power to amend the financial statements after the date of issuance.

The financial statements have been prepared on the historical cost basis. Cost is based on the amount of cash and cash equivalents paid on the fair value or the other consideration given to acquire an asset at the time of its acquisition or construction.

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

There has been no change in the functional currency of the Trust.

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 current reporting period which covers the 52 week period commencing 1 January 2018 to 30 December 2018, and the comparative information covering the 52 week period commencing 2 January 2017 to 31 December 2017. The preparation of financial statements in conformity with PBE Standards 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 PBE Standards that have a significant effect on the financial statements and estimates are discussed below.

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

The financial statements have been prepared on a going concern basis. The Trust prepares detailed budgets and forecasts, which are presented to and approved by the board on a regular basis. While working capital was negative at year end there is an approved BNZ facility in place. The budgets indicate that the current BNZ facility is sufficient to meet any short term funding and ensure that accounts can be paid as they fall due.

### **Critical Estimates and Judgements**

The preparation of financial statements requires the use of accounting estimates and assumptions which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Trust's accounting policies. The estimate that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year is detailed below.

The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposals:

- The condition of the asset
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful of the asset classes held by the Trust are set out in the Depreciation note below.

### **Changes in Accounting Policies**

There have been no changes in accounting policies for the year.

### **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 surplus or deficit in the statement of comprehensive revenue and expense.

## Depreciation

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

	30-Dec 2018	31-Dec 2017	
Motor vehicles	25%	25%	straight line
Computer equipment	25%	25%	straight line
Gaming machines			straight line
Cabinets	20%	20%	straight line
Electronic games	33%	33%	straight line
Ancillary gaming machine equipment			straight line
IT equipment	25%	25%	straight line
Furniture	33%	33%	straight line
Security equipment	33%	33%	straight line
Signage	33%	33%	straight line
Monitoring equipment	33%	33%	straight line
Note & coin counters	33%	33%	straight line
Office furniture and fittings	10-25%	10-25%	straight line

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

## 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. Other borrowing costs are expensed.

## 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 surplus or deficit in the statement of comprehensive revenue and expenses, 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 surplus or deficit 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 cash generating assets**

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is written down.

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 surplus or deficit in the statement of comprehensive revenue and expense, 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 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 surplus or deficit in the statement of comprehensive revenue and expense.

## **Impairment of non-cash generating assets**

For non-financial non-cash-generating assets, the Trust assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Trust estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. An impairment loss is recognised immediately in surplus or deficit in the statement of comprehensive revenue and expense.

In assessing value in use, the Trust has adopted the depreciated replacement cost approach. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

In determining fair value less costs to sell, the price of the asset in a binding agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributed to the disposal of the asset, is used. If there is no binding agreement, but the asset is traded on an active market, fair value less cost to sell is the asset's market price less cost of disposal. If there is no binding sale agreement or active market for an asset, the Trust determines fair value less cost to sell based on the best available information.

Cash generating assets and non-cash generating assets are distinguished as follows:

Cash generating assets are assets held with the primary objective of generating a commercial return and a Cash Generating Unit (CGU) is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. The most significant CGU's for the Trust have been identified as gaming machines.

Non cash generating assets are assets other than cash-generating assets.

## **Income Tax**

The Trust is not liable for income tax on income derived for charitable purposes. All income is non-taxable and therefore no income tax is recognised.

## **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 statement of financial position 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 as borrowing costs.

## **Revenue Recognition**

### **Revenue from Exchange Transactions**

- *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 statement of comprehensive revenue and expense on a straight-line basis over the term of the lease. Lease

incentives received are recognised in surplus or deficit, in the statement of comprehensive income and expense as an integral part of the total lease expense.

▪ *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.

## **Employee Benefits**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

## **Distributions to Authorised Purposes**

All grant applications are assessed against the Trust's Grants Policy. Only grants that comply with the policy will be considered by the Net Proceeds Committee. Non multi-year grant distributions are expensed at the time payment is made and will have been approved by the Net Proceeds Committee and all required conditions in respect of the application will have been met. Multi-year grant distributions are expensed at the time of approval by the Net Proceeds Committee and after all substantive conditions have been satisfied.

The gaming (net proceeds) regulations 2004 require a specified portion of the undistributed surplus at year end to be distributed to the community. This is recorded as a liability in the statement of financial position and as a distribution within both the statement of comprehensive revenue and expense and statement of changes in net assets/equity.

## **Standards Issued but not yet Effective**

### **PBE IFRS 9 Financial Instruments**

This standard is based upon the for-profit standard NZ IFRS 9 *Financial Instruments* and has an effective date of 1 January 2021. However, the standard gives PBEs the opportunity to early adopt. PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* will continue to be available until an international project on financial instruments has been completed.

Consistent with NZ IFRS 9, PBE IFRS 9 simplifies the model for classifying and recognising financial instruments to align hedge accounting more closely with common risk management practices. Additionally this standard allows changes in credit risk in respect of liabilities designated at fair value through profit or

loss to be presented within other comprehensive income and introduces a new impairment model moving away from an incurred credit loss model to an expected credit loss model.

The Trust will first apply this standard in the financial period beginning 3 January, 2022. The impact of implementation is not reasonably known.

### **PBE FRS 48 Service Performance Reporting**

The standard establishes principles and requirements for presenting service performance and information that is useful for accountability and decision making purposes. These high level requirements provide flexibility for entities to determine how best to 'tell their story'. The effective date is annual periods beginning on or after 1 January 2021, with early adoption permitted. The impact of implementation is not reasonably known.

### **Comparative Balances**

Comparative balances have been restated in line with current year reporting.

## **2. AUTHORISED PURPOSE (GRANTS)**

- 2.1 Grants are expensed in the period in which payment is made with the exception of multi-year grants which are expensed when approved and any outstanding documentation has been received. At the 30 December, 2018 grants of \$137,640, (Dec 2017 \$145,904) had been approved but not yet paid.
- 2.2 Amounts paid for grants net of refunds for the reporting period ended 30 December, 2018 were \$13,045,573 (Dec 2017 \$12,560,280).
- 2.3 Authorised Purpose distributions within the statement of comprehensive revenue and expense include a provision of \$1,117,698 (Dec 2017 \$658,380) representing the undistributed Net Proceeds that are required to be distributed within three months of year end.

## **3. CASH AND CASH EQUIVALENTS**

	<b>30-Dec 2018</b>	<b>31-Dec 2017</b>
Cash and cash equivalents comprise the following:		
Petty Cash	446	162
Main Account	866,030	825,372
Investment Account - Call Account	110,007	136,447
	<b><u>976,483</u></b>	<b><u>961,981</u></b>

#### 4. 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 January 2017	286,839	144,165	477,152	18,918,198	2,056,686	14,334	21,897,374
Additions at cost	45,000	6,822	19,410	1,979,392	318,649	-	2,369,273
Disposals	(34,639)	-	-	(3,315,131)	(282,587)	-	(3,632,357)
<b>Balance as at 31 December 2017</b>	<b>297,200</b>	<b>150,987</b>	<b>496,562</b>	<b>17,582,459</b>	<b>2,092,748</b>	<b>14,334</b>	<b>20,634,290</b>
<b>Accumulated Depreciation</b>							
Balance as at 1 January 2017	119,170	136,329	472,951	16,840,038	1,770,883	14,334	19,353,705
Current period depreciation	56,165	4,548	3,331	790,100	172,666	-	1,026,810
Disposals	(34,639)	-	-	(3,079,486)	(264,783)	-	(3,378,908)
Balance as at 31 December 2017	140,696	140,877	476,282	14,550,652	1,678,766	14,334	17,001,607
<b>Net book value at 31 December 2017</b>	<b>156,504</b>	<b>10,110</b>	<b>20,280</b>	<b>3,031,807</b>	<b>413,982</b>	<b>-</b>	<b>3,632,683</b>

	Motor Vehicles	Office Equipment	Computer Equipment	Gaming Machines	Gaming Machine Ancillary Equipment	Leasehold Improvement	Total
<b>Cost</b>							
Balance as at 1 January 2018	297,200	145,731	501,818	17,582,459	2,092,748	14,334	20,634,290
Additions at cost	44,659	2,361	23,084	2,001,169	358,335	-	2,429,608
Disposals	(32,325)	-	(1,941)	(1,602,959)	(96,926)	-	(1,734,151)
<b>Balance as at 30 December 2018</b>	<b>309,534</b>	<b>148,092</b>	<b>522,961</b>	<b>17,980,669</b>	<b>2,354,157</b>	<b>14,334</b>	<b>21,329,747</b>
<b>Accumulated Depreciation</b>							
Balance as at 1 January 2018	140,696	140,658	476,501	14,550,652	1,678,766	14,334	17,001,607
Current period depreciation	65,469	1,643	10,110	1,153,360	253,564	-	1,484,146
Disposals	(32,325)	-	(1,941)	(1,560,082)	(85,423)	-	(1,679,771)
Balance as at 31 December 2018	173,840	142,301	484,670	14,143,930	1,846,907	14,334	16,805,982
<b>Net book value at 30 December 2018</b>	<b>135,694</b>	<b>5,791</b>	<b>38,291</b>	<b>3,836,739</b>	<b>507,250</b>	<b>-</b>	<b>4,523,765</b>

#### 5. OVERDRAFT FACILITY AND SECURITIES HELD

The Trust has an approved overdraft facility with the BNZ which was utilised for one day during the financial period ended 30 December, 2018. The BNZ has a registered first and only general security agreement over the assets and undertakings of the Trust. \$500,000 remained undrawn at 30 December, 2018.

#### 6. 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 investments in cash.

Funds on-call expose the Trust to cash flow interest rate risk.

The Trust has 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 Trust is not materially exposed to interest rate risk from its interest earning financial assets, as there are no long term investments.

#### 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 due from debtors which amounted to \$819,944 (Dec 2017 \$773,932).

The key concentration of credit risk arises from the funds on deposit with the Bank of New Zealand \$976,483 (Dec 2017 \$961,981). The Bank of New Zealand has a credit rating of AA- [Standard & Poor's], A1 [Moody's] and AA- [Fitch] (BNZ Disclosure Statement September 2018).

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>31 December, 2017 (restated)</b>				
Trade & Other Payables	1,847,649	1,847,649	-	-
Provision for Grant Distributions	658,380	658,380	-	-
Multi-Year Grants	115,280	115,280	-	-
	<u>2,621,309</u>	<u>2,621,309</u>	<u>-</u>	<u>-</u>
<b>30 December, 2018</b>				
Trade & Other Payables	2,124,873	2,124,873	-	-
Provision for Grant Distributions	1,117,698	1,117,698	-	-
Multi-Year Grants	57,640	57,640	-	-
	<u>3,300,211</u>	<u>3,300,211</u>	<u>-</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.

7. **COMMITMENTS**

	30-Dec 2018	31-Dec 2017
<b>a. Non-Cancellable Operating Lease Commitments</b>		
Payable no later than one year	109,640	107,415
Payable later than one year, not later than five years	78,840	180,693
Payable later than five years	-	-
<b>b. Capital Commitments</b>		
The Trust has capital commitments of \$0 (Dec 2017: \$45,000) relating to equipment purchases.		

8. **AUDIT FEES**

The amount paid for audit fees for the reporting period ended 30 December, 2018 was \$24,150, (Dec 2017 \$22,732).

The amount paid for non-audit fees relating to the Agreed Upon Procedures over the prospective financial information for the reporting period ended 30 December 2018 was \$5,250 (Dec 2017 \$4,988).

9. **CONTINGENCIES**

The Trust has contingent liabilities relating to capital expenditure purchase obligations dependent upon DIA licensing requirements of \$0 (Dec 2017 \$198,212).

## 10. TRANSACTIONS WITH RELATED PARTIES

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

The value of grant distributions to organisations listed on the register was \$9,000 (Dec 2017 \$60,000).

Related Party	Nature of Relationship	Date of Grant	Amount
New Zealand Salmon Anglers Association Otago Branch Inc.	Steve Bennett is a member of the New Zealand Salmon Anglers Association Otago Branch Inc.	17 May, 2018	\$3,000
Parafed Otago Inc.	Cam Wilson is the treasurer of Parafed Otago Inc.	29 March, 2018	\$6,000

During the period the Southern Trust paid Wilkinson Rodgers lawyers \$853 for professional services. Evan Moore (Trustee) is a consultant to this firm.

Salaries and other short term employee benefits of \$510,197 for four full-time equivalent employees (Dec 2017 \$518,308) were paid to key management personnel during the period. No amounts in 2018 were expensed for termination, post-employment or other long term benefits (Dec 2017 \$nil).

Trustees fees of \$66,000 (Dec 2018 \$63,124) were paid to four trustees during the year.

## 11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No events occurring after the reporting period (2018 nil).

## 12. PROVISIONS

**Movements in provision for grant distributions:**

	30-Dec 2018	31-Dec 2017 (restated)
Opening provision	658,380	-
Reductions to the provision	(658,380)	-
Additions to the provision	1,117,698	658,380
Closing provision	<u>1,117,698</u>	<u>658,380</u>

### 13. PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made resulting from the determination that a provision for undistributed net proceeds from gaming machine revenue should be reflected in the financial statements for 2017. The provision results from the regulatory requirement to distribute "all or nearly all" of net proceeds from gaming revenue for each year.

The correction of the error has resulted in the restatement of each of the financial statement line items as follows:

#### **Adjustments to the Statement of Financial Position:**

	<b>Reported 2017</b>	<b>Increase (decrease)</b>	<b>2017 (restated)</b>
Provision for grant distributions	-	658,380	658,380
<b>Total</b>	<b>-</b>	<b>658,380</b>	<b>658,380</b>
Trust equity	3,710,791	(658,380)	3,052,411
<b>Total</b>	<b>3,710,791</b>	<b>(658,380)</b>	<b>3,052,411</b>

#### **Adjustments to the Statement of Comprehensive Revenue and Expense**

Authorised distributions for the period	12,095,546	658,380	12,753,926
Surplus for the period	787,201	(658,380)	128,821
Total Comprehensive Revenue and Expense for the Period	787,201	(658,380)	128,821



## *Independent auditor's report*

To the trustees of The Southern Trust Incorporated

We have audited the financial statements, which comprise:

- the statement of financial position as at 30 December 2018;
- the statement of comprehensive revenue and expense for the 52 week period then ended;
- the statement of changes in net assets/equity for the 52 week period then ended;
- the statement of cash flows for the 52 week period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Our opinion*

In our opinion, the accompanying financial statements of The Southern Trust Incorporated (the "Trust"), present fairly, in all material respects, the financial position of the Trust as at 30 December 2018, its financial performance and its cash flows for the 52 week period then ended in accordance with Public Benefit Entity Standards.

---

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Trust in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Trust in the area of agreed upon procedures over prospective financial information. The provision of these other services has not impaired our independence as auditor of the Trust.

---

### *Responsibilities of the Trustees for the financial statements*

The Trustees are responsible, on behalf of the Trust, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.



### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our auditor's report.

### *Who we report to*

This report is made solely to the Trustees, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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.

---

The engagement partner on the audit resulting in this independent auditor's report is Elizabeth Adriana (Adri) Smit.

For and on behalf of:

A handwritten signature in black ink, reading 'Elizabeth Adriana (Adri) Smit'.

Chartered Accountants  
22 March 2019

Dunedin