

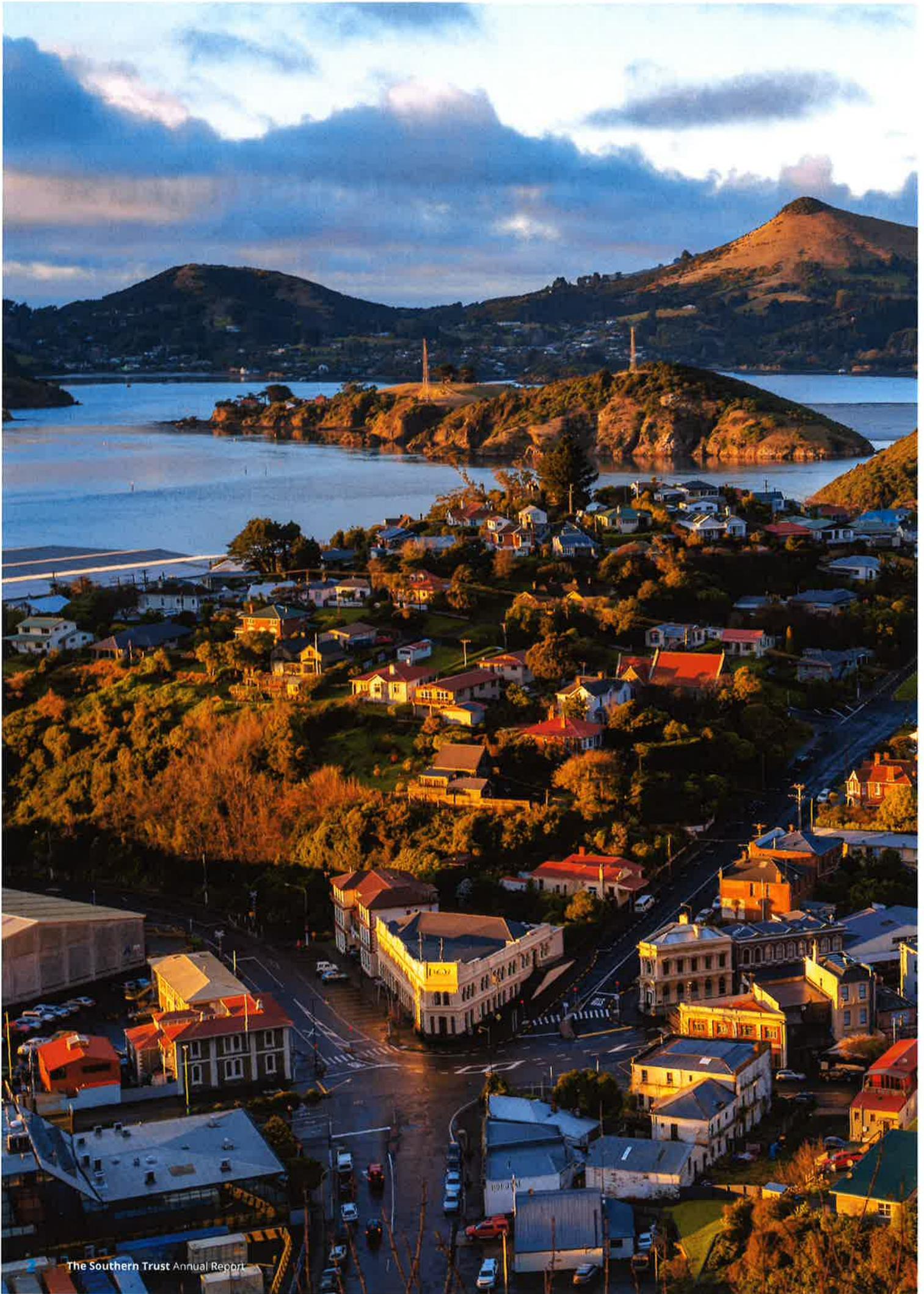
The Southern Trust

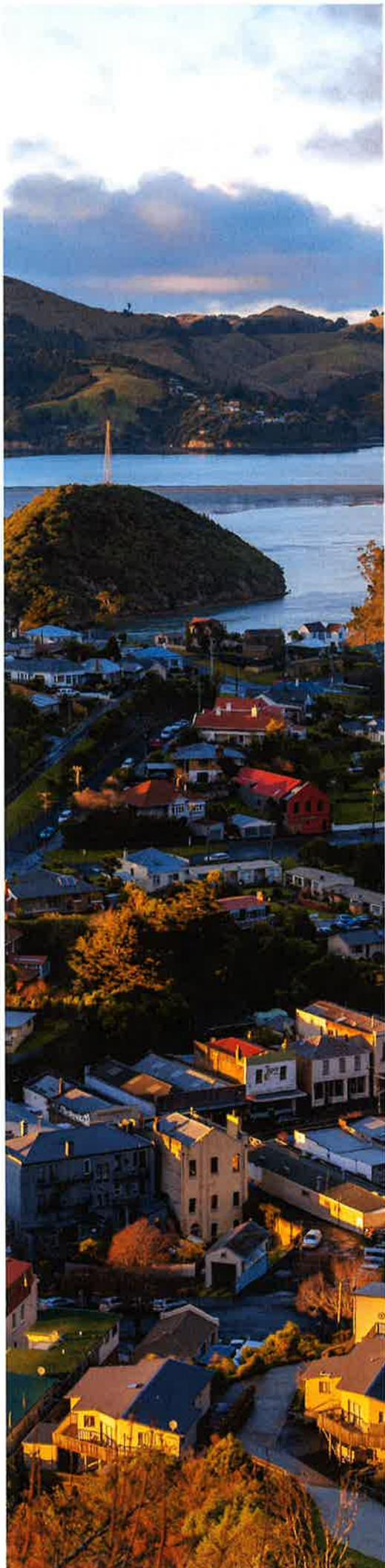
Annual Report

2020



the
Southern
trust





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Introduction

The Southern Trust (TST) is a Class 4 gaming machine society. TST is dedicated to running a socially responsible gaming operation that in turn generates funding for community organisations.

Our gaming operation is predicated on strong venue partnerships, up-to-date gaming rooms and exemplary compliance practises.

Since TSTs inception in 1998 approximately \$327.5 million has been distributed to communities around New Zealand. The Board of Trustees are careful stewards of community funding and alongside the grants committee great care is taken to distribute to a wide variety of organisations who have a strong community focus.



Directory

As at 27 December, 2020

Principal business:

Administration of Gaming Machines

Date of establishment:

16 January 1998

Head office:

98 Glasgow St.

PO Box 858

Dunedin

Telephone - 03 471 8850

Facsimile - 03 471 8470

Email - info@tst.org.nz

Website - www.tst.org.nz

Trustees:

Evan Moore

Karen Shea

Peter Haslemore

Doug McCaulay

Solicitors:

Wilkinson Rodgers

Bankers:

Bank of New Zealand

Auditors:

PricewaterhouseCoopers



Board of Trustees



Evan More

Chair

Evan was born and raised in the Maniototo, he completed his law degree at the University of Otago. He worked as a general lawyer with his primary areas of expertise being residential conveyancing, general family law, wills, trusts and estate administration. Evan is now retired and living in Central Otago.



Doug McCaulay

Deputy Chair

Doug brings a wealth of experience to the board from the security, training and hospitality sectors. He has a particular interest and expertise in risk management and holds several board positions in the not for profit sector.



Karen Shea

Chief Executive

Karen was one of the founders of the Southern Trust; over her 20 years working for the Trust in the Class 4 sector and a previous role with the regulator, she has a great deal of experience and knowledge about the sector. The Trust focus is on ensuring that the granting decisions made support the wider New Zealand community.



Peter Haslemore

Trustee

Peter is Dunedin born and bred and has had a long career as a Public servant working for a variety of different organisations including the Department of Internal Affairs. He is currently working in the public health sector. Peter has active roles in sport and the community, especially surf lifesaving.

Achievements

COVID-19

The COVID challenge was met with the helpful and understanding approach our Venues have come to expect from TST staff. The emphasis was on the safety of people and socially responsible gaming. At the same time TST staff were mindful of the business pressures our Venue partners were facing as part of the hospitality sector. This is an ongoing situation and one which TST will continue to monitor closely and assist with where possible.

Venue Support

The Southern Trust Operations Team has continued with its focus on Venue improvement. In particular this year the machine fleet has undergone a significant upgrade. This focus on continuous improvement for Venues will continue into 2021.

Harm Minimisation

Harm Minimisation has been a particular focus this year for the Chief Executive Karen Shea. Karen participated in the development of a new training programme that is to be rolled out nationwide in the coming months. Alongside this initiative TST will continue to emphasise socially responsible gambling through the ongoing development of its Harm Minimisation programme.

New offices for The Southern Trust

New Offices. In 2020 The Southern Trust moved to new premises located at 98 Glasgow St, South Dunedin. The staff are delighted with their new work spaces and updated ergonomic work stations.



Chair and Chief Executive's report

We cannot fail to acknowledge the unprecedented situation New Zealand and the World faced and are still dealing with in 2020 with the COVID-19 pandemic.

The response of the New Zealand government to "go hard and go early" has certainly had a positive effect on the spread of the pandemic in our country and protecting our most vulnerable citizen's.

The initial lockdown and subsequent shifts in the levels we operate under have had a major impact on hospitality which includes the gambling activity at venues and negatively impacted on our ability to raise funds for the community and support our venue operators through venue payments.

The first lockdown which lasted for nearly two months stopped any income generation at all. The Southern Trust (TST) wants to acknowledge its staff, our venue operators and our community grant recipients for the support and understanding everyone showed during this very difficult time.

The Southern Trust was very prudent in how it managed its cashflow and outgoings, expenses were minimised wherever possible, our focus was to support our venue operators by providing tools to assist them to be compliant with all of the rules in different levels and to enable them to return to "business as normal" as soon as possible by providing divider screens, hand sanitiser, masks for staff, barrier screens when facing customers and as much advice as we had access to.

During the Covid period GMANZ – the industry body which TST is a member – was able to negotiate with Govt to change the regulations to allow suspension of minimum return and timing requirements which reflected the ongoing effect of closures and restrictions. GMANZ also negotiated a change to equity requirements which now provide a realistic approach.

During 2020 the Trust was able to distribute 36.7% of gaming machine profit. We are proud that we were able to achieve this given the circumstances. Sport and Community groups received the biggest percentage of grants followed by Education and Health.

It was pleasing that income bounced back fairly quickly after the country moved into level 1.

The Trust remains committed to maximising the amount it generates for the community good. The Trust will continue to prudently and strategically invest in new equipment, technology, training and compliance tools. Utilising our resources effectively and efficiently allows us to increase profitability at our venues.

The Board would like to acknowledge its appreciation of the work of our staff and our venue operators during what was a most challenging and difficult year.



Evan More
Board Chair



Karen Shea
Chief Executive



Report of the independent auditor on the summary financial statements

To the Trustees of The Southern Trust Incorporated

The summary financial statements comprise:

- the summary statement of financial position as at 27 December 2020;
- the summary statement of comprehensive revenue and expense for the period then ended;
- the summary statement of changes in net assets/equity for the period then ended;
- the summary statement of cashflows for the period then ended; and
- summary notes to the financial statements.

Our opinion

The summary financial statements are derived from the audited financial statements of The Southern Trust Incorporated for the 52 week period ended 27 December 2020

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with PBE FRS-43: Summary Financial Statements issued by the New Zealand Accounting Standards Board.

Summary financial statements

The summary financial statements do not contain all the disclosures required by Public Benefit Entity Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 25 March 2021.

Information other than the summary financial statements and auditor's report

The Trustees are responsible for the annual report. Our opinion on the summary financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the summary financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the summary financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Trustees for the summary financial statements

The Trustees are responsible, on behalf of the Company, for the preparation of the summary financial statements in accordance with PBE FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810 (Revised), Engagements to Report on Summary Financial Statements.

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.

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.

Price Waterhouse Coopers.

Chartered Accountants
25 March 2021

Dunedin



THE SOUTHERN TRUST INCORPORATED
Summary Financial Statements for the period ended
27 DECEMBER, 2020

Summary Statement of Comprehensive Revenue and Expense for the period ended 27 December 2020

	27-Dec 2020	29-Dec 2019
Revenue		
Gaming Revenue	23,033,645	31,337,758
Other income including government grants	71,160	1,242
Net gain on disposal of property, plant and equipment	94,605	60,972
Operating Revenue	23,199,410	31,399,972
Expenditure		
Administrative Expenses	2,055,246	2,181,428
Depreciation and Amortisation Costs	1,879,086	1,754,667
Direct Operation Costs	7,193,706	9,525,183
Venue Payments	3,637,255	4,967,168
Operating Expenditure	14,765,293	18,428,446
Surplus Available for Distribution	8,434,117	12,971,526
Distributions to the Community	6,577,279	12,757,587
Surplus for the period	1,856,838	213,939

Summary Statement of Changes in Net Assets/Equity for the period ending 27 December 2020

Equity Opening Balance	3,504,837	3,290,898
Total Comprehensive Revenue and Expense	1,856,838	213,939
Closing Equity	5,361,675	3,504,837

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

Summary Statement of Financial Position as at 27 December 2020

	27-Dec 2020	29-Dec 2019
ASSETS		
Current Assets	1,963,268	2,221,221
Non-Current Assets	4,978,942	4,128,934
TOTAL ASSETS	<u>6,942,210</u>	<u>6,350,155</u>
LIABILITIES		
Current liabilities	1,580,535	2,845,318
Non current liabilities	-	-
TOTAL LIABILITIES	<u>1,580,535</u>	<u>2,845,318</u>
NET ASSETS/EQUITY		
Trust Equity	5,361,675	3,504,837
TOTAL NET ASSETS/EQUITY	<u>5,361,675</u>	<u>3,504,837</u>
TOTAL NET ASSETS/EQUITY AND LIABILITIES	<u>6,942,210</u>	<u>6,350,155</u>

Summary Statement of Cashflows for the period ending 27 December 2020

Net Cashflow from operating activities	2,222,348	1,461,210
Net Cashflow from investing activities	(2,634,488)	(1,298,864)
Net Cashflow from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(412,140)	162,346
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	726,689	1,138,829



Trustee



Trustee

25 March 2021

Date

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

Summary Notes to the Financial Statements

1. 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 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.
2. The full 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. The functional and presentation currency for the Trust is New Zealand Dollars
3. The summary financial statements have been extracted from the full financial statements. The financial statements of The Southern Trust including Statement of Comprehensive Revenue and Expenses, Statement of Financial Position, Statement of Changes in Net Assets/ Equity and Statement of Cash Flow. The summary financial statements do not include all the disclosures contained in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.
4. A copy of the financial statements may be obtained on request from the Trust's office (Telephone 0800 424 274), PO Box 858, Dunedin
5. The Trust maintains an interest register in which the Trustees record all parties and transactions which they have an interest. At the time of discussion and approval of the grants the relevant trustee noted their involvement and excluded themselves from the decision making process. During the year the Trust made grant distributions to and purchased goods and services from the following organisations that were on the Trustee's register of interests:

Related Party	2020	2019
St Clair Surf Life Saving Club Incorporated	3,000	
Fire in Ice Outrigger Canoe Club Incorporated	5,000	
Kavanagh College	5,000	6,000
Parafed Otago Incorporated	10,000	
Royal New Zealand Returned and Services Inc.	100,000	25,000
Otago Boys High School	4,000	
Burnside Rugby Club	15,000	
Concord School	5,000	
Concord Kindergarten	1,500	
Total	148,500	31,000

During the period the Southern Trust paid Wilkinson Rodgers lawyers \$8,948 (2019 - \$5,362) for professional services. Evan Moore (Trustee) is a consultant to this firm.

Salaries and other short term employee benefits of \$498,932 for four full-time equivalent employees (Dec 2019 \$487,106) were paid to key management personnel during the period. \$15,000 was expensed for termination, post-employment or other long term benefits in 2019.

Trustees fees of \$63,000 (Dec 2019 \$64,000) were paid to four trustees during the year.

6. The Trust has capital commitments of \$23,980 (Dec 2019: \$344,931) relating to equipment purchases.

7. The annual full financial statements of The Southern Trust were approved by the trustees on 25 March 2021 and have been audited by PricewaterhouseCoopers who have issued an unmodified audit opinion in respect to the financial statements on 25 March 2021

8. The Trustees authorised the publication of these Summary Financial Statements on 25 March 2021

9. These Summary Financial Statements are in compliance with PBE FRS-43 Summary Financial Statements.

10. There are no events subsequent to the reporting date that require disclosure in the full financial statements.

11. Effects of the COVID-19 Pandemic

On 11 March 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. On 25 March 2020 New Zealand moved to an Alert Level 4 lockdown and non-essential business closed for a 5-week period.

The Trust submitted documentation in order to secure the COVID-19 wage subsidy provided by the Ministry of Social Development This subsidy was used to cover wages during the Alert Level 4 shutdown and during the Alert level 3 shutdown as bars and restaurants were unable to open for normal business. Ongoing operations were assessed at level 2 and the Trust repaid 4 weeks of the subsidy based on operating results.

On July 1st the Department of Internal Affairs announced changes to the Gambling Act of 2003 which suspended rules 10 and 11 for the remainder of 2020 and for the duration of 2021. The impact of this change means class 4 societies are no longer obligated to return 40% to the community but must continue to distribute as much as possible while maintaining a current ratio below 1.5: 1 at the end of each quarter.

The financial statements have been prepared on a going concern basis, consistent with the prior period.

The Board of Trustees has been made aware of the Department of Internal Affairs rule changes that were issued on July 1st and the impact of these rules was considered at length at a meeting held on July 14. The Board did not find any issues which would prevent the Trust from operating on a going concern basis through the remainder of 2020 or for the 2021 year.



98 Glasgow Street, South Dunedin | PO Box 858, Dunedin | 03 471 8850 | tst.org.nz

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