

BlueSky Community Trust Limited
Financial Statements
For the 13 month period ended 31 July 2012

BlueSky Community Trust Limited
Financial Statements
For the 13 month period ended 31 July 2012

Contents	Page
Audit Report	1
Company Directory	3
Statement of Responsibility	4
Statement of Financial Performance	5
Statement of Movement in Trust Funds	6
Statement of Financial Position	7
Notes to the Accounts	8

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BlueSky Community Trust Limited

Report on the Financial Statements

We have audited the financial statements of BlueSky Community Trust Limited on page 5 to 13, which comprise the statement of financial position as at 31 July 2012, and the statement of financial performance and statement of trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director's Responsibility for the Financial Statements

The trustees are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

Auditor's 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). Those standards require that we comply with 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of 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 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 auditor we have no relationship with, or interest in, BlueSky Community Trust Limited.

INDEPENDENT AUDITOR'S REPORT Continued

Matter of Emphasis

The current licence to operate will expire on 31 October 2012. The Company will apply to the Department of Internal Affairs for renewal of the licence in the normal manner. The financial statements have been prepared on a going concern assumption. This assumes that the application to the Department of Internal Affairs for the renewal of the Class 4 Operator's and Venue licence will be renewed to enable the Company to continue operation. The Directors are confident these licences will be renewed. The financial statements do not include any adjustments that would result should the Department of Internal Affairs not renew the Trusts Class 4 Operator's and Venue licence.

Opinion

In our opinion, the financial statements on pages 5 to 13:

- Comply with generally accepted accounting practice in New Zealand;
- Give a true and fair view of the financial position of BlueSky Community Trust Limited as at 31 July 2012 and its financial performance for the 13 month period ended on that date.

CST Nexia Audit

**CST Nexia Audit
Chartered Accountants
Manukau City**

20 September 2012

BlueSky Community Trust Limited
Company Directory
As at 31st July 2012



Registered Office	263d Manukau Road Epsom Auckland		
Directors	Jinsheng Rao Mengyun Rao Chaowen Wu		
Company Number	3412831		
Auditors	CST Nexia Audit 22 Amersham Way Manukau		
Accountants	NDCA Limited 301S Botany Road Botany Auckland		
Bankers	ASB Bank Limited		
Solicitors	Harkness Henry Hamilton		
Date of Incorporation	7 June 2011		
Nature of Business	Gaming machine operator		
Shareholders	Jinsheng Rao Chaowen Wu	90 10 <u>100</u>	Ordinary Shares Ordinary Shares

BlueSky Community Trust Limited
Financial Statements
For the 13 month ended 31 July 2012



Statement of Responsibility

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The independent external auditors, CST Nexia Audit, have audited the financial statements and their report appears on pages 1-2.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability and integrity of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. Appropriate systems of internal control have been employed to ensure that all transactions are executed in accordance with authority and are correctly processed and accounted for in the financial records. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

- the statement of financial performance is drawn up so as to give a true and fair view of the financial results of BlueSky Community Trust Limited for the financial year ended 31 July 2012;
- the statement of financial position is drawn up so as to give a true and fair view of the financial position of BlueSky Community Trust Limited as at 31 July 2012;
- there are reasonable grounds to believe that BlueSky Community Trust Limited will be able to pay its debts as and when they fall due.

For and on behalf of the BlueSky Community Trust Limited Board

Director

Director

Date:

20/09/2012

BlueSky Community Trust Limited
Statement of Financial Performance
For the 13 month period ended 31 July 2012



	<i>Note</i>	<i>2012</i> \$
REVENUE		
Gaming Profits		770,277
Total Income		<u>770,277</u>
Less Expenses		
Accountancy Fees		10,931
Administration costs		66
Advertising		223
Audit Fees		8,000
Bank Charges		521
Consultancy		3,575
Electronic Monitoring Fees		5,299
Finance charges		2,055
Gaming Machines Repairs & Maintenance		10,368
Gaming machine duty & Problem gambling levy		190,274
General expenses		1,507
Insurance		6,599
Interest		27,552
Legal Expenses		34,922
Licences & Registrations		17,194
Office Rental	8	6,684
Printing, Stamps & Stationery		3,711
Repairs & Maintenance		2,410
Salary & Benefits	8	29,190
Site rental		81,831
Subscriptions		5,683
Telephone, Tolls & Internet		1,831
Honoraria	8	4,200
Total Expenses		<u>454,626</u>
Net Surplus Before Depreciation and Distributions		<u>315,649</u>
Less Depreciation Adjustments		
Depreciation as per Schedule		61,450
Net Surplus Before Distributions		<u>254,199</u>
Distributions		
Grant Payments	3	295,010
NET SURPLUS/(DEFICIT)		<u><u>(\$40,811)</u></u>

NOTE: This Statement is to be read in conjunction with the Auditors Report and Notes to the Financial Statements.

BlueSky Community Trust Limited
Statement of Movements in Trust Funds
For the 13 month period ended 31 July 2012



	2012 \$
EQUITY AT START OF YEAR	-
TRADING SURPLUS/(DEFICIT)	
Net Deficit for the Year	(40,811)
EQUITY AT END OF YEAR	<u>(\$40,811)</u>

NOTE: This Statement is to be read in conjunction with the Auditors Report and Notes to the Financial Statements.

BlueSky Community Trust Limited
Statement of Financial Position
As at 31st July 2012



	<i>Note</i>	<i>2012</i> <i>\$</i>
CURRENT ASSETS		
ASB Bank - Cheque Account		128,371
Gaming Debtors		46,251
Venue Debtors		9,398
Payments in Advance		13,269
Total Current Assets		<u>197,289</u>
NON-CURRENT ASSETS		
Fixed Assets	4	<u>501,979</u>
TOTAL ASSETS		<u>699,268</u>
CURRENT LIABILITIES		
GST Due for payment		48,234
Accounts Payable	1(c)	21,692
Accrued Expenses		77,105
Term Loans - Current Portion	5	<u>593,048</u>
Total Current Liabilities		<u>740,079</u>
TOTAL LIABILITIES		<u>740,079</u>
NET ASSETS		<u><u>(\$40,811)</u></u>
Represented by;		
TRUSTEES FUNDS		
Retained Earnings		<u>(40,811)</u>
TOTAL TRUSTEES FUNDS		<u><u>(\$40,811)</u></u>

For and on behalf of the BlueSky Community Trust Limited;

Director 

Director 

Date: 20/09/2012

NOTE: This Statement is to be read in conjunction with the Auditors Report and Notes to the Financial Statements.

BlueSky Community Trust Limited
Notes to the Financial Statements
For the 13 month period ended 31 July 2012



1. STATEMENT OF ACCOUNTING POLICIES

The BlueSky Community Trust Limited (the "Company") was incorporated on 07 June 2011 under the Companies Act 1993, and commenced trading from 28 February 2012.

These financial statements have been prepared in compliance with New Zealand generally accepted accounting practices as defined by the Financial Report Act 1993.

The Company qualifies for differential reporting under the Framework for Differential Reporting, on the basis that the trust is not publicly accountable and not large. Accordingly, it had taken advantage of all differential reporting exemptions, except for FRS 19 - Accounting for Goods and Services Tax, with which it has complied fully.

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis have been used, with the exception of certain items for which specific accounting policies have been identified.

(a) Changes in Accounting Policies

As these are the first financial statements prepared for this client, there are no comparatives for the previous year and no accounting policies previously employed which could have changed.

(b) Fixed Assets & Depreciation

The entity has the following classes of fixed assets;

Gaming Machines & Equipment 3 Years SL

All fixed assets are initially recorded at cost less accumulated depreciation.

Depreciation has been calculated on a straight-line basis so as to expense the cost of the assets over the term of the venue agreements, presently three years in the case of all operative gaming venues, avoiding any residual risk to the Company.

(c) Goods & Services Tax

The Statement of Financial Performance has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of account receivables and payables.

(d) Income Tax

The Company is exempt from income tax under section CW 48 of the Income Tax Act 2007 in respect of gaming income. The Company is however, liable for tax on non-gaming income.

NOTE: These Notes are to be read in conjunction with the Financial Statements.

BlueSky Community Trust Limited
Notes to the Financial Statements
For the 13 month period ended 31 July 2012



(e) **Operating Leases**

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

(f) **Finance Leases**

Leases under which the trust assumes substantially all the risks and rewards incidental to ownership, including hire purchase contracts, have been classified as finance leases and are capitalised. The asset and corresponding liability are recorded at inception of the lease at the fair value of the leased asset.

Finance charges are apportioned over the terms of the respective leases using the Rule of 78 method. Capitalised leased assets are depreciated over their expected lives in accordance with rates established for other similar Company assets.

(g) **Revenue**

Gaming revenue comprises the amounts received and receivable for gaming services supplied to customers in the ordinary course of business.

(h) **Grant Distributions**

The Company is obligated to comply with regulated minimum levels of payments to its approved community of grants for authorised purposes. Such donations are an expense to the Company and are recognised upon payment.

(i) **Gaming Duty**

The Company is required to deduct Gaming Machine Duty of 20% on proceeds including GST from gaming machines.

(j) **Problem Gambling Levy**

The Company is also required to deduct 1.48% of proceeds from gaming machines as a Problem Gambling Levy.

2. **CONTINGENT LIABILITIES**

At balance date there are no known contingent liabilities. The Company has granted securities in respect of term loans as per Note 5.

NOTE: These Notes are to be read in conjunction with the Financial Statements.

BlueSky Community Trust Limited
Notes to the Financial Statements
For the 13 month period ended 31 July 2012



3. GRANT PAYMENTS

	<i>Jul 2012</i>
	\$
Various Donee Organisations	295,010
Total Grants Paid	<u>295,010</u>

4. FIXED ASSETS

	<i>Jul 2012</i>
	\$
Gaming Machines & Equipment	
At cost	554,758
Less Accumulated Depreciation	(60,494)
	<u>494,264</u>
Other Office Equipment, Furniture & Fixtures	
At cost	8,671
Less Accumulated Depreciation	(956)
	<u>7,715</u>
Total Fixed Assets	<u>\$501,979</u>
(Refer to Note 5)	

NOTE: These Notes are to be read in conjunction with the Financial Statements.

BlueSky Community Trust Limited
Notes to the Financial Statements
For the 13 month period ended 31 July 2012



5. TERM LIABILITIES

	<i>Jul 2012</i>
	\$
Jinsheng Rao - Wairau	
Advance	305,000
Interest	18,145
Payments	(52,827)
Total Outstanding	<u>270,318</u>
Current Portion due	270,318
Non-Current Portion	<u>-</u>
Jinsheng Rao - Strike Manukau	
Advance	337,810
Interest	8,324
Payments	(23,404)
Total Outstanding	<u>322,730</u>
Current Portion due	322,730
Non-Current Portion	<u>-</u>
Repayable as follows:	
Current Liability	593,048
Total	<u>593,048</u>

The term loans from Jinsheng Rao are secured over gaming machines and associated equipment in note 4. The loan balance had an interest rate at balance date of 14.95% p.a. As referred in Note 7, the above loan was paid back in the financial year 2012-13. Another loan of \$602,030 was obtained from Mutual Finance Credit Limited vide agreement dated 30 July 2012 but received in the financial year 2012-13. This loan also has an interest rate of 14.95% p.a. and repayable in 33 months.

6. TAXATION

	<i>Jul 2012</i>
	\$
Net taxable profit/loss	<u>-</u>
Taxation charge at 28%	<u>-</u>
Income tax expense per Statement of Financial Performance	<u>-</u>
Less	<u>-</u>
Taxation due as per Statement of Financial Position	<u>-</u>

NOTE: These Notes are to be read in conjunction with the Financial Statements.

BlueSky Community Trust Limited
Notes to the Financial Statements
For the 13 month period ended 31 July 2012



7. COMMITMENTS

Jul 2012

\$

Non cancellable operating lease commitments as follows:

Wairau		
Current		153,608
Term		209,734
		<u>\$363,342</u>
Strike Manukau		
Current		133,294
Term		202,505
		<u>\$335,799</u>
Office Rentals		
Current		12,600
Term		8,400
		<u>\$21,000</u>
Vehicle Lease		
Current		9,025
Term		-
		<u>9,025</u>
Term Loan		
Current		174,047
Term		427,983
		<u>602,030</u>

Loan from Director/Shareholder Jackson Rao as referred in Note 5 was paid back in the financial year 2012-13.

A New loan from Mutual Credit Finance Limited was received for \$602,030 repayable in 33 months as referred in Note 5. The agreement for this loan was entered on 30 July 2012, but received in the financial year 2012-13 hence disclosed as a commitment as on balance date.

Total		
Current		482,574
Term		848,622
		<u>1,331,196</u>

There are no capital commitments as at balance date.

NOTE: These Notes are to be read in conjunction with the Financial Statements.

BlueSky Community Trust Limited
Notes to the Financial Statements
For the 13 month period ended 31 July 2012



8. RELATED PARTY TRANSACTIONS

There were no other material related party transactions during the 13 month period ended 31 July 2012 apart from the following:

The directors were paid a total of \$4,200 in honorarium.

Jackson Rao (Jinsheng Rao), a director/shareholder is employed by the Company as General Manager and Grant Auditor was paid \$29,190 in salary and benefits and \$6,684 in rent for using his personal home as the Company's office.

As referenced in Note 5, there was a loan balance payable to Jackson Rao on balance date of \$593,048.

9. POST BALANCE DATE EVENTS

Apart from the loan balance from Jackson Rao being actually paid off in the financial year 2012-13 as referred in Note 5 and the Loan from Mutual Credit Finance Limited as referred in Note 7, being received in the financial year 2012-13, there are no other material post balance date events.

NOTE: These Notes are to be read in conjunction with the Financial Statements.