



BlueSky Community Trust Limited
Financial Statements
For the year ended 31 July 2014

BlueSky Community Trust Limited
Financial Statements
For the year ended 31 July 2014

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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 15, which comprise the statement of financial position as at 31 July 2014, 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 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 15:

- 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 2014 and its financial performance for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by BlueSky Community Trust Limited as far as appears from an examination of those records.

CST Nexia Audit

CST Nexia Audit
Chartered Accountants
Manukau City

13 October 2014

BlueSky Community Trust Limited
Company Directory
As at 31st July 2014



Registered Office 9a Ranui Road
Remuera
Auckland

Directors Rong Lin
Xiaolan Lu
Chaowen Wu
Dandan Zhang

Company Number 3412831

Auditors CST Nexia Audit
22 Amersham Way
Manukau

Accountants NDCA Limited
301R 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 | Chaowen Wu | 90 | Ordinary Shares |
| | Xiaolan Lu | 10 | Ordinary Shares |
| | | <hr/> | |
| | | 100 | |

BlueSky Community Trust Limited
Financial Statements
For the year ended 31 July 2014



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.

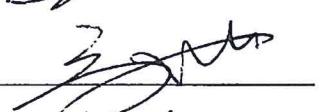
The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern in the foreseeable future.

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 2014;
- 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 2014;
- 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: 10/10/2014

BlueSky Community Trust Limited
Statement of Financial Performance
For the year ended 31 July 2014



| | <i>Note</i> | 2014 \$ | 2013 \$ |
|---|-------------|-------------------|-------------------|
| REVENUE | | | |
| Interest Received | | 3,776 | - |
| Gaming Profits | | 4,334,487 | 2,899,094 |
| Gain on Sale of Assets | | 40,031 | - |
| Other Revenue | | - | 3,232 |
| Total Income | | 4,378,294 | 2,902,326 |
| Less Expenses | | | |
| Accountancy Fees | | 24,825 | 27,345 |
| Administration costs | | - | 2,516 |
| Advertising | | 3,178 | 1,732 |
| Audit Fees | | 8,000 | 8,167 |
| Bank Charges | | - | 340 |
| Electronic Monitoring Fees | | 34,032 | 19,512 |
| Finance charges | | 4,130 | 3,085 |
| Gaming analysis audits | | 3,125 | 1,500 |
| Gaming Machines Repairs & Maintenance | | 64,720 | 39,096 |
| Gaming machine duty & Problem gambling levy | | 1,062,229 | 715,433 |
| General expenses | | 3,228 | 2,023 |
| Insurance | | 41,354 | 24,792 |
| Interest | | 107,634 | 96,161 |
| Legal Expenses | | 23,799 | 31,083 |
| Licences & Registrations | | 44,731 | 30,508 |
| Management Fees | | 194,744 | 109,122 |
| Office Rental | | - | 2,559 |
| Printing, Stamps & Stationery | | 2,863 | 1,380 |
| Repairs & Maintenance | | 9,451 | 5,658 |
| Salary & Benefits | | - | 14,826 |
| Site rental | | 656,604 | 378,018 |
| Staff Training | | 1,422 | 2,342 |
| Subscriptions | | 10,650 | 3,843 |
| Telephone, Tolls & Internet | | 4,063 | 3,702 |
| Travel & Accommodation | | 1,652 | - |
| Honoraria | 7 | 31,200 | 16,261 |
| Total Expenses | | 2,337,634 | 1,541,005 |
| Net Surplus Before Depreciation, Tax & Distributions | | 2,040,660 | 1,361,321 |
| Less Depreciation Adjustments | | | |
| Depreciation as per Schedule | | 389,211 | 224,359 |
| Depreciation - Loss on Sale | | 594 | - |
| Net Depreciation Adjustment | | 389,805 | 224,359 |
| Net Surplus Before Distributions & Tax | | 1,650,855 | 1,136,962 |

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 Performance
For the year ended 31 July 2014



| | <i>Note</i> | <i>2014</i> \$ | <i>2013</i> \$ |
|---------------------------------------|-------------|------------------------|------------------------|
| Distributions | | | |
| Grant Payments | 3 | 1,635,847 | 1,101,419 |
| Net Surplus Before Tax Expense | | 15,008 | 35,543 |
| Less Tax Expense | 2 | 1,057 | - |
| NET SURPLUS/(DEFICIT) | | <u>\$13,951</u> | <u>\$35,543</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 Funds
For the year ended 31 July 2014



| | <i>2014</i> \$ | <i>2013</i> \$ |
|------------------------------------|-----------------------|-------------------------|
| EQUITY AT START OF YEAR | (5,268) | (40,811) |
| TRADING SURPLUS/(DEFICIT) | | |
| Net Surplus After Tax for the Year | 13,951 | 35,543 |
| EQUITY AT END OF YEAR | <u><u>\$8,683</u></u> | <u><u>(\$5,268)</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 Financial Position
As at 31st July 2014



| | <i>Note</i> | <i>2014</i> \$ | <i>2013</i> \$ |
|----------------------------------|-------------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| ASB Bank - Cheque Account | | 61,574 | 190,458 |
| ASB Bank - Savings account | | 72,530 | - |
| Income Tax Receivable | 2 | 189 | - |
| Gaming Debtors | | 38,592 | 79,966 |
| Venue Debtors | | 59,290 | 32,019 |
| Payments in Advance | | 38,573 | 29,837 |
| Total Current Assets | | <u>270,748</u> | <u>332,280</u> |
| NON-CURRENT ASSETS | | | |
| Fixed Assets | 4 | 741,798 | 571,606 |
| TOTAL ASSETS | | <u>1,012,546</u> | <u>903,886</u> |
| CURRENT LIABILITIES | | | |
| GST Due for payment | 1(c) | 83,176 | 83,872 |
| Accounts Payable | | 49,416 | 36,189 |
| Accrued Expenses | | 128,466 | 115,720 |
| Term Loans - Current Portion | 5 | 415,649 | 300,350 |
| Total Current Liabilities | | <u>676,707</u> | <u>536,131</u> |
| NON-CURRENT LIABILITIES | | | |
| Term Loans | 5 | 327,156 | 373,023 |
| TOTAL LIABILITIES | | <u>1,003,863</u> | <u>909,154</u> |
| NET ASSETS | | <u>\$8,683</u> | <u>(\$5,268)</u> |
| Represented by; | | | |
| Retained Earnings | | 8,683 | (5,268) |
| TOTAL FUNDS | | <u>\$8,683</u> | <u>(\$5,268)</u> |

For and on behalf of the BlueSky Community Trust Limited;

Director

Director

Date: 10/10/2014

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 year ended 31 July 2014



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 accordance with "Old GAAP" in New Zealand. Old GAAP comprises New Zealand Financial Reporting Standards and Statements of Standard Accounting Practice that existed prior to the introduction of New Zealand Equivalents to International Financial Reporting Standards. BlueSky Community Trust Limited has chosen to apply Old GAAP because it meets the criteria for doing so; that is, it was applying Old GAAP at 31 July 2011, and it is neither publicly accountable nor large as defined in the External Reporting Board's Standard A1: Application of Accounting Standards.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, BlueSky Community Trust Limited is classified as a Tier 2 reporting entity and will be required to apply Public Benefit Entities Standards Reduced Disclosure Regime (PBE Standards RDR). These standards have been developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for not for profit entities will be for reporting periods beginning on or after 1 April 2015. This means BlueSky Community Trust Limited is expected to transition to the new standards in preparing its 31 July 2016 financial statements.

The Company qualifies for Differential Reporting exemptions as it has no public accountability, and is not large. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted except Goods and Services Tax, with which it has fully complied.

The financial statements have been prepared on a historical cost basis unless otherwise stated.

The financial statements are presented in New Zealand Dollars ("NZD"), which is the Company's functional currency and presentation currency. All values are rounded to the nearest dollar.

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

(a) Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

(b) Fixed Assets & Depreciation

The entity has the following classes of fixed assets;

| | | |
|--|---------|----|
| Gaming Machines & Equipment | 3 Years | SL |
| Other Office Equipment, Furniture & Fittings | 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.

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

BlueSky Community Trust Limited
Notes to the Financial Statements
For the year ended 31 July 2014



(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.

(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 1.31% of proceeds from gaming machines as a Problem Gambling Levy.

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

BlueSky Community Trust Limited
Notes to the Financial Statements
For the year ended 31 July 2014



2. TAXATION

| | <i>Jul 2014</i> | <i>Jul 2013</i> |
|-----------------------------------|-----------------|-----------------|
| | \$ | \$ |
| Non-gaming Income (Interest) | 3,776 | - |
| Net taxable profit/loss | <u>3,776</u> | <u>-</u> |
| Taxation charge at 28% | 1,057 | - |
| Less | | |
| RWT credits | (1,246) | - |
| Tax Receivable | <u>(189)</u> | <u>-</u> |
| | | |

3. GRANT PAYMENTS

| | <i>Jul 2014</i> | <i>Jul 2013</i> |
|-----------------------------|------------------|------------------|
| | \$ | \$ |
| Various Donee Organisations | 1,635,847 | 1,101,419 |
| Total Grants Paid | <u>1,635,847</u> | <u>1,101,419</u> |

4. FIXED ASSETS

| | <i>Jul 2014</i> | <i>Jul 2013</i> |
|---|----------------------|----------------------|
| | \$ | \$ |
| Gaming Machines & Equipment | | |
| At cost | 1,362,781 | 848,744 |
| Less Accumulated Depreciation | <u>(623,376)</u> | <u>(281,956)</u> |
| | <u>739,405</u> | <u>566,788</u> |
| Other Office Equipment, Furniture & Fixtures | | |
| At cost | 9,171 | 8,671 |
| Less Accumulated Depreciation | <u>(6,778)</u> | <u>(3,853)</u> |
| | <u>2,393</u> | <u>4,818</u> |
| Total Fixed Assets | <u>\$741,798</u> | <u>\$571,606</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 year ended 31 July 2014



5. TERM LIABILITIES

| | <i>Jul 2014</i> | <i>Jul 2013</i> |
|--|-----------------|-----------------|
| | \$ | \$ |
| Jinsheng Rao - Wairau | | |
| Opening Balance | - | 270,318 |
| Interest | - | 2,879 |
| Payments | - | (273,197) |
| Non-Current Portion | - | - |
| Jinsheng Rao - Strike Manukau | | |
| Opening Balance | - | 322,730 |
| Interest | - | 6,860 |
| Payments | - | (329,589) |
| Non-Current Portion | - | - |
| Jinsheng Rao - Cool Bar | | |
| Opening Balance | 78,202 | - |
| Advance | - | 96,000 |
| Interest | 5,795 | 8,806 |
| Payments | (83,998) | (26,604) |
| Total Outstanding | - | 78,202 |
| Current Portion due | - | 30,231 |
| Non-Current Portion | - | 47,971 |
| Jinsheng Rao - Pacific Bar | | |
| Opening Balance | 167,188 | - |
| Advance | - | 175,000 |
| Interest | 21,583 | 4,312 |
| Payments | (72,746) | (12,124) |
| Total Outstanding | 116,025 | 167,188 |
| Current Portion due | 59,358 | 51,163 |
| Non-Current Portion | 56,667 | 116,025 |
| Mutual Credit Finance - Strike & Wairau | | |
| Opening Balance | 427,983 | - |
| Advance | - | 602,030 |
| Interest | 49,383 | 71,930 |
| Payments | (268,339) | (245,977) |
| Total Outstanding | 209,027 | 427,983 |
| Current Portion due | 209,027 | 218,956 |
| Non-Current Portion | - | 209,027 |

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

BlueSky Community Trust Limited
Notes to the Financial Statements
For the year ended 31 July 2014



| Mutual Credit Finance - Village Pakuranga | | |
|--|----------------|----------------|
| Advance | 245,895 | - |
| Interest | 15,642 | - |
| Payments | (50,067) | - |
| Total Outstanding | 211,470 | - |
| | | |
| Current Portion due | 76,185 | - |
| Non-Current Portion | 135,285 | - |
| | | |
| Mutual Credit Finance - Village Patumahoe | | |
| Advance | 101,530 | - |
| Interest | 6,459 | - |
| Payments | (20,673) | - |
| Total Outstanding | 87,316 | - |
| | | |
| Current Portion due | 31,457 | - |
| Non-Current Portion | 55,859 | - |
| | | |
| Mutual Credit Finance - Buffet House | | |
| Advance | 131,015 | - |
| Interest | 5,800 | - |
| Payments | (17,848) | - |
| Total Outstanding | 118,967 | - |
| | | |
| Current Portion due | 39,622 | - |
| Non-Current Portion | 79,345 | - |
| | | |
| Repayable as follows: | | |
| Current Liability | 415,649 | 300,350 |
| Non Current Liability | 327,156 | 373,023 |
| Total | 742,805 | 673,373 |

The term loans from Jinsheng Rao and Mutual Credit Finance Limited (MCF) are secured over gaming machines and associated equipment in note 4.

During the year three further loans of \$478,440 were advanced from MCF to fund for the purchase of equipment at Village Pakuranga, Village Patumahoe and Buffet House. The term loan from Jinsheng Rao for Cool Bar was fully repaid during the year.

The interest rate at balance date for all the loan balance is in the range of 13.50% to 14.95% p.a.

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

BlueSky Community Trust Limited
Notes to the Financial Statements
For the year ended 31 July 2014



6. COMMITMENTS

| | <i>Jul 2014</i> | <i>Jul 2013</i> |
|---|--------------------|--------------------|
| | \$ | \$ |
| Non cancellable operating lease commitments as follows: | | |
| Wairau | | |
| Current | 56,126 | 153,608 |
| Term | - | 56,126 |
| | <u>\$56,126</u> | <u>\$209,734</u> |
| Strike Manukau | | |
| Current | 133,294 | 133,294 |
| Term | 123,041 | 256,335 |
| | <u>\$256,335</u> | <u>\$389,629</u> |
| Cool Bar | | |
| Current | - | 103,421 |
| Term | - | 93,477 |
| | <u>-</u> | <u>\$196,898</u> |
| Pacific Bar | | |
| Current | 159,924 | 152,741 |
| Term | 92,264 | 305,481 |
| | <u>\$252,188</u> | <u>\$458,222</u> |
| Village Patumahoe | | |
| Current | 162,998 | - |
| Term | 166,132 | - |
| | <u>\$329,130</u> | <u>-</u> |
| Village Pakuranga | | |
| Current | 177,258 | - |
| Term | 180,667 | - |
| | <u>\$357,925</u> | <u>-</u> |
| Buffet House | | |
| Current | 6,130 | - |
| Term | 6,261 | - |
| | <u>\$12,391</u> | <u>-</u> |
| Total | | |
| Current | 695,730 | 543,064 |
| Term | 568,365 | 711,419 |
| | <u>\$1,264,095</u> | <u>\$1,254,483</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 year ended 31 July 2014



7. RELATED PARTY TRANSACTIONS

There were no other material related party transactions during the period ended apart from the following:

The directors were paid a total of \$31,200 in honorarium (2013: \$16,261). Jackson Rao ceased to be a director and shareholder of the Company from 12 July 2013, hence not a related party for current year.

2013: (Jackson Rao during his tenure as a director of the Company he advanced loans to purchase assets in Pacific Bar and Cool Bar. Refer Note 5 for details. Jackson Rao, was employed by the Company as General Manager and Grant Auditor. He was paid \$14,826 in salary and \$2,559 in rent for using his personal home as the Company's office. The employment was terminated in October 2012 where Dawn Management Limited (Dawn) took over the administration aspect of the Company. Jackson Rao is a shareholder and director of Dawn. During the year the Company paid Dawn \$109,122 for providing management services, this fee covers rental, salary costs as well as sundry expenses).

8. POST BALANCE DATE EVENTS

There are no material post balance date events, (2013: \$Nil).

9. 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.

10. COMPLIANCE

The regulations require undistributed net proceeds to be indentified as due for distribution. The amount of equity that is undistributed net proceeds due for distribution is \$8,683. This amount has been distributed between 31 July 2014 and 1 September 2014. The company has complied with Regulation 11 of the Gambling (Class 4 Net Proceeds) Regulations 2004.

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