YOUTHTOWN INC

FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTH PERIOD ENDED 30 JUNE 2014

YOUTHTOWN INC
CONTENTS
FOR THE EIGHTEEN MONTH PERIOD ENDED 30 JUNE 2014

YOUTHTOWN INC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE EIGHTEEN MONTH PERIOD ENDED 30 JUNE 2014

		GROUP		PARENT	
		2014 (18 Months)	2012 (12 Months)	2014 (18 Months)	2012 (12 Months)
	Note	$	$	$	$
Gaming revenue	3	18,836,577	13,863,001	18,836,577	13,863,001
Gaming expenditure					
Gaming venue payments and other direct costs		(6,018,357)	(3,572,374)	(6,018,357)	(3,572,374)
Gaming indirect costs		(950,172)	(986,752)	(950,172)	(986,752)
Gaming machine depreciation	7	(2,125,210)	(1,283,307)	(2,125,210)	(1,283,307)
Gaming grants to other community groups	4	(2,765,380)	(3,362,719)	(2,765,380)	(3,362,719)
Total gaming expenditure		(11,859,119)	(9,205,152)	(11,859,119)	(9,205,152)
Gaming contribution		6,977,458	4,657,849	6,977,458	4,657,849
Youth Services and other revenue					
Programme registrations		1,543,521	1,456,485	1,543,521	1,487,887
Central govt programme funding		487,925	366,370	487,925	366,370
Council revenue grants		135,000	110,311	135,000	110,311
Fundraising		11,842	57,025	11,842	57,025
Insurance Settlement	**16**	874,473	-	874,473	-
Sundry income		581,036	24,926	581,036	20,687
Total Youth Services and other revenue		3,633,797	2,015,117	3,633,797	2,042,280
Youth Services and other expenditure					
Youth Services direct programme expenses		(3,536,837)	(3,313,149)	(3,536,837)	(3,313,149)
Communications		(109,522)	(711,712)	(109,522)	(711,712)
Occupancy costs		(788,381)	(761,503)	(770,501)	(733,974)
Professional services		(488,740)	(524,671)	(438,553)	(508,964)
Audit fees		(30,334)	(71,117)	(30,334)	(71,117)
Depreciation	7	(487,324)	(336,278)	(410,165)	(259,120)
Amortisation	6, 8	(626,786)	(348,214)	(626,786)	(348,214)
Impairment of fixed assets	7	(1,332,726)	-	(344,632)	-
Personnel costs		(3,120,046)	(1,048,780)	(3,120,046)	(1,048,780)
Sundry costs		(766,863)	(130,154)	(771,455)	(11,695)
Contamination costs	5	(466,166)	-	(466,166)	-
Charitable grants		(49,350)	-	-	-
Total Youth Services and other expenditure		(11,803,075)	(7,245,578)	(10,624,997)	(7,006,725)
Finance Income		288,885	147,516	43,671	30,955
Finance Expense		(268,681)	(187,892)	(268,681)	(187,892)
Net Finance Income / (Expense)		20,204	(40,376)	(225,010)	(156,937)
(Loss) from continuing operations		(1,171,616)	(612,987)	(238,752)	(463,533)
Other comprehensive Income					
Net change in fair value of available for sale financial assets		203,072	213,647	40	-
Total Comprehensive (Loss)		**(968,544)**	**(399,340)**	**(238,712)**	**(463,533)**

The financial statements must be read in conjunction with the attached notes

YOUTHTOWN INC
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE EIGHTEEN MONTH PERIOD ENDED 30 JUNE 2014

		GROUP		PARENT	
		2014	2012	2014	2012
		(18 Months)	(12 Months)	(18 Months)	(12 Months)
	Note	$	$	$	$
Accumulated Funds					
Balance at beginning of period		6,818,938	7,218,278	2,353,326	2,816,859
Total Comprehensive (Loss) for the period					
Net (Deficit)for the period		(1,171,616)	(612,987)	(238,752)	(463,533)
Total Other Comprehensive (Loss) for the Period					
Fair Value Movement on Available for sale financial asset		203,072	213,647	40	-
Total Comprehensive (Loss) for the period		(968,544)	(399,340)	(238,712)	(463,533)
Balance at end of period		5,850,394	6,818,938	2,114,614	2,353,326

The financial statements must be read in conjunction with the attached notes

YOUTHTOWN INC
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	GROUP 2014 (18 Months)	GROUP 2012 (12 Months)	PARENT 2014 (18 Months)	PARENT 2012 (12 Months)
Accumulated Funds					
Accumulated Funds		5,850,394	6,818,938	2,114,614	2,353,366
Total Accumulated Funds		5,850,394	6,818,938	2,114,614	2,353,366
Represented by:					
Current Assets					
Prepayments		245,775	20,685	168,616	20,685
Accounts Receivable	13	594,778	860,305	594,778	860,305
Cash and Cash Equivalents	14	2,185,942	851,969	1,717,179	673,032
Total Current Assets		3,026,495	1,732,959	2,480,573	1,554,022
Non-Current Assets					
Property Plant & Equipment	7	3,562,267	6,003,630	3,477,267	4,853,377
Intangible Assets	8	-	626,786	-	626,786
Investments	9, 14	2,129,858	2,088,704	-	-
Total Non Current Assets		5,692,125	8,719,120	3,477,267	5,480,163
Total Assets		8,718,620	10,452,079	5,957,840	7,034,185
Current Liabilities					
Goods & Services Taxation	12	284,001	299,104	284,001	299,104
Trade Creditors	12	238,266	607,340	238,266	607,340
Other Creditors	12	1,779,243	688,852	1,779,243	761,530
Borrowings	10	566,716	1,018,000	566,716	1,018,000
Foundation Loan	10	-	-	975,000	975,000
Total Current Liabilities		2,868,226	2,613,296	3,843,226	3,660,974
Non Current Liabilities					
Borrowings	10	-	1,019,845	-	1,019,845
Total Non Current Liabilities		-	1,019,845	-	1,019,845
Total Liabilities		2,868,226	3,633,141	3,843,226	4,680,819
Net Assets		5,850,394	6,818,938	2,114,614	2,353,366

President
29 October 2014

Director
29 October 2014

The financial statements must be read in conjunction with the attached notes

YOUTHTOWN INC
STATEMENT OF CASHFLOWS
FOR THE EIGHTEEN MONTH PERIOD ENDED 30 JUNE 2014

		GROUP		PARENT	
		2014 (18 Months)	2012 (12 Months)	2014 (18 Months)	2012 (12 Months)
	Note	$	$	$	$
Cash Flow from Operating Activities					
Receipts from Customers		3,665,267	1,923,049	3,665,267	1,937,622
Gaming Machine Receipts		25,206,331	18,079,193	25,206,331	18,079,193
Payments to Suppliers and employees		(24,745,439)	(19,156,949)	(24,627,937)	(18,921,796)
Interest Received		288,885	147,516	43,711	30,955
Interest Paid		(268,681)	(187,892)	(268,681)	(187,892)
Net Cash provided by Operating Activities		**4,146,363**	**804,917**	**4,018,691**	**938,082**
Cash Flow from Investing Activities					
Proceeds from maturity of Investments		-	-	-	-
Proceeds from Sale of Assets		162,113	244,604		244,603
Payment for Capital Assets		(1,503,375)	(2,038,120)	(1,503,375)	(2,038,120)
Payment for Intangible assets		-	(975,000)	-	(975,000)
Payment for Investment Portfolio		-	3,310		
Net cash used in Investing Activities		**(1,341,262)**	**(2,765,206)**	**(1,503,375)**	**(2,768,517)**
Cash Flow from Financing Activities					
Proceeds from Financing - UDC Finance		-	1,270,509	-	1,270,509
Proceeds from Financing - Foundation Loan		-	-	-	975,000
Proceeds from Financing - Westpac Loan		1,207,000		1,207,000	-
Repayment of Financing		(2,678,129)	(990,421)	(2,678,129)	(990,421)
Net Cash used in Financing Activities		**(1,471,129)**	**280,088**	**(1,471,129)**	**1,255,088**
Net Increase / (Decrease) in cash and cash equivalents held		1,333,972	(1,680,201)	1,044,187	(575,347)
Cash and cash equivalents at beginning of period		851,969	2,532,170	673,032	1,248,379
Cash and Cash equivalents at end of period		**2,185,941**	**851,969**	**1,717,219**	**673,032**
Comprehensive Income		(968,544)	(399,340)	(238,712)	(463,533)
b) Non Cash flow Items from Operating Profit					
Gaming Machine Depreciation		2,125,210	1,283,307	2,125,210	1,283,307
Depreciation		487,324	336,278	410,165	259,120
Amortisation		626,786	348,214	626,786	348,214
Impairment of fixed assets		1,332,726	-	344,632	-
Gain on sale of fixed assets		(5,199)	(204,395)	(522)	(204,395)
Change in fair value (Gain) of Available for Sale Financial Instruments		(203,032)	(213,647)	-	-
Prior Period Adjustment		-	(2,436)	-	-
Movements in Assets / Liabilities					
Prepayments		(147,931)	(2,448)	(147,931)	(4,994)
Accounts Receivable - Youth Services		187,877	(86,922)	187,877	(86,922)
Accounts Receivable - Gaming		77,650	(336,368)	77,650	(336,368)
Goods & Services Taxation		(15,103)	36,074	(15,103)	36,239
Trade Creditors		(369,075)	27,266	(369,075)	27,266
Other Creditors		1,017,713	55,882	1,017,713	116,656
Revenue Received in Advance		-	(36,548)	-	(36,548)
Cash Flow from Operating Profit		4,146,402	804,917	4,018,690	938,042

The financial statements must be read in conjunction with the attached notes

YOUTHTOWN INC
STATEMENT OF ACCOUNTING POLICIES
FOR THE EIGHTEEN MONTH PERIOD ENDED 30 JUNE 2014

1. STATEMENT OF ACCOUNTING POLICIES

Statement of Compliance

Youthtown Inc is an incorporated society, incorporated in New Zealand under the Incorporated Societies Act 1908 and registered under the Charities Act 2005.

The consolidated financial statements comprise the "Parent", Youthtown Inc, and the "Group" – Youthtown Inc and Youthtown Foundation Trust.

Youthtown Inc designs and delivers initiatives and activities that engage and develop young New Zealanders. The Youthtown Foundation Trust's purpose is to create a fund to support Youthtown Inc.

Youthtown Inc and Youthtown Foundation Trust have been established to carry on activities for the exclusive benefit of charitable purposes within New Zealand.

The financial statements of Youthtown Inc (the "Parent") and the group for the eighteen month period ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors.

Basis of Preparation

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards, as appropriate for public benefit entities.

Youthtown Inc and the Group is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

Basis of Measurement

The financial statements have been prepared on a historical costs basis, except for assets and liabilities that have been measured at fair value.

Cost is based on the fair value of the consideration given in exchange for assets. The reporting currency is New Zealand dollars.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

Presentation Currency
The financial statements are presented in New Zealand dollars, which is the Parent and Group's functional currency. All numbers presented have been rounded to the nearest dollar, unless otherwise stated.

Use of Estimates and Judgments
The preparation of financial statements in conformity with NZ IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant judgments, estimates and assumptions is provided in the relevant accounting policy or note disclosure

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Reporting Date Change and Comparatives
The Group changed its balance date from December 31 to June 30 during the current financial period. The financial current period is for an 18 month period covering 1 January 2013 to 30 June 2014 whereas the comparative financial period presented is 12 months covering 1 January 2012 to 31 December 2012 and therefore not entirely comparable. The balance date was changed to better align with our funding and obligations.

Significant Accounting Policies
The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of Consolidation
The Group consolidated financial statements include the Youthtown Inc's in substance subsidiary the Youthtown Foundation Trust. Prior to 2012, the Group consolidated financial statements comprised of the Parent's in substance subsidiary Youthtown Foundation Trust and Youthtown Property Trust.

The Youthtown Foundation Trust and Youthtown Property Trust were amalgamated in March 2012, to be known as Youthtown Foundation Trust.

The Youthtown Foundation Trust is accounted on a consolidation basis as though it is a subsidiary of the Parent. Youthtown Inc, as parent, consolidates the Youthtown Foundation Trust because it has the capacity to control the Youthtown Foundation Trust, appointment and removal of the Trustee and Advisory Trustees.

The purchase method is used to prepare the consolidated group financial statements, which involves adding together like items of assets, liabilities, equity, income and expensed on a line-by-line basis.

Intergroup balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange rate differences arising on translation are recognised in the statement of comprehensive income.

(c) Non derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, investments, trade and other payables and finance loans.

Recognition

Financial instruments are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term, highly liquid investments.

Other

All non derivative financial instruments are classified as either loans and receivables or other financial liabilities. Subsequent to initial recognition, all financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and Other Receivables

Loans and other receivables (including trade and other receivables and investments) are stated at amortised cost, using the effective rate of interest method, less impairment losses.

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through statement of comprehensive income) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets

Investments

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.
Held-to-maturity financial assets comprise debentures.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity.

When an investment is derecognised, the gain or loss accumulated in equity is reclassified to statement of comprehensive income.

Available-for-sale financial assets comprise equity securities and debt securities.

(d) Non Derivative Financial Liabilities

Trade and Other Payables

Trade and other payables are recognized when the entity becomes obliged to make future payments resulting from the purchase of goods and services. Payables are classified as financial liabilities at amortised cost using the effective interest method.

Finance Costs

Interest payable on borrowings is recognised on an accrual basis and calculated using the effective interest rate method. All interest costs are recognised in Statement of Comprehensive Income.

(e) Property, Plant & Equipment

Recognition and Measurement

Land is recorded at cost. All other owned items of property, plant and equipment are recorded at cost less accumulated depreciation. Initial cost includes the purchase consideration, or fair value in the case of a donated asset and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. These costs include, where appropriate, site preparation costs and installation costs.

Subsequent Costs

Subsequent expenditure relating to an item of property, plant or equipment is added to its gross carrying amount when such expenditure either increases the future economic benefits beyond its

existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and if that expenditure would have been included in the initial cost of the item it had been incurred at that time.

Items of property, plant or equipment are written down immediately if impairment in the value of the asset causes its recoverable amount to fall below its carrying amount. The impairment is recognised in the Statement of Comprehensive Income.

Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the Statement of Comprehensive Income is calculated as the difference between the net sale price and the carrying amount of the asset. Any revaluation is reduced or increased by the amount applicable to that item.

Depreciation
Depreciation is calculated on all assets with the exception of land over their estimated useful lives. Property, Plant and Equipment are stated at cost less accumulated depreciation.

Buildings	2.0% SL – 11.4% DV
Plant & Equipment	10.0% - 80.0% DV
Motor Vehicles	10.0% - 36% DV
Furniture & Fittings	9.0% - 60.0% DV
Gaming Plant and Equipment	24% – 48% SL

The assets' residual values, depreciation methods and useful lives are reviewed and adjusted if appropriate at each reporting date. 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.

(f) Intangible Assets
Purchase of Premier Gaming
The purchase of Premier Gaming Ltd, was recognised at cost and was amortised over is expected useful life, being the duration of the original management agreement between Premier Gaming and Youthtown Inc.

The Asset is recognised at cost less any accumulated amortisation. Amortisation methods, useful lives and current residual values are to be reassessed annually.

Amortisation is recognised in Statement of Comprehensive Income on a straight line basis over the estimated useful life of the intangible asset. The amortisation ceased in March 2013 when the asset was fully amortised.

At the time of purchase, an agreement was entered into between Youthtown Inc and Youthtown Foundation Trust, to make interest payments of 6% commencing the financial year 2013.

(g) Impairment
Financial Assets (including receivables)
At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in Statement of Comprehensive Income.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Impairment loss reversals are recognised in Statement of Comprehensive Income.

Non-Financial Assets
At each reporting date, the Group reviews the carrying values of its tangible and intangible assets, to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use (depreciated replacement cost), is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit of loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

(h) Goods and Services Tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables, which are recognised inclusive of GST.

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) Employee Benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, Kiwisaver and annual leave when it is probable that settlement will be required and they are capable of being measured.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration expected to apply at the time of settlement.

(j) Revenue
Revenue is measured at the fair value of consideration received or recoverable.

Sponsorship, Donations, Government Funding and Grants
Sponsorship, donations and grant income is recognised as income when it becomes receivable unless the Group has a liability to repay the sponsorship, donation or grant if the requirements or

conditions of the specific revenue received are not fulfilled. A liability is recognised to the extent that such conditions are not fulfilled at the end of the reporting period.

Bequests

Bequests are recognised in Statement of Comprehensive Income once received. Revenue from specifically designated bequests where the designated expenditure during the year has not occurred or is incomplete, and where there is an obligation to repay the funds, will be transferred to deferred income and will be brought to account in the future as the funds are expended.

Gaming Revenue

Gaming revenue is recognised when it becomes receivable, and is presented net of applicable gaming duties and levies.

Dividends

Dividend income from investment portfolios are recognised in the Statement of Comprehensive Income as received.

Donated Assets

Where a physical asset is donated or vested in the Parent or Group for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the Group are recognised as revenue when control through ownership over the asset is obtained.

Programme Registrations

Revenue from the programmes is recognised when the service is rendered. Revenue received but not able to be recognised under the above policy is recorded in the Statement of Financial Position as a liability.

Changes in Accounting Policies

All policies have been applied on bases consistent with those used in previous years.

(k) Income Tax

The Group was granted charitable tax status by the Charities Commission therefore taxation expense does not apply

(l) Leases

The Group as lessee:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term. Lease incentives received are recognised in Statement of Comprehensive Income over the lease term as an integral part of the total lease expense.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding, using the effective interest method.

The corresponding rental obligations, net of finance charges are shown as liabilities on the Statement of Financial Position. The interest element of the finance cost is charged to Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under a finance lease is treated in the same manner as owned assets as detailed in note 8.

The Group as lessor:

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(m) Use of Estimates and Judgements

In preparing these financial statements the Group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future period affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is noted as follows:

- Management have judged that the Group is a public benefit entity. The primary objective of the Group is to benefit young New Zealander's.
- Any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

2. ACTIVITIES OF YOUTHTOWN INC

Youthtown Inc provides youth development and recreational services throughout New Zealand, which is partly funded by the operation of gaming machines.

Youthtown Inc – Youth Services

	GROUP		PARENT	
	2014 (18 Months)	2012 (12 Months)	2014 (18 Months)	2012 (12 Months)
	$	$	$	$
Revenue:				
Sponsorship, Donations & Grants	971,868	508,706	971,868	508,706
Bequests	-	25,000	-	25,000
Programme & Facility Income	1,772,511	1,456,485	1,772,511	1,487,887
Other Sundry Revenue	889,418	24,926	889,418	20,687
	3,633,797	2,015,117	3,633,797	2,042,280

3. GAMING REVENUE

Youthtown generates revenue from the operation of gaming machines at 25 gaming venues around New Zealand. These revenues are applied to the provision of Youthtown's 'Youth Services' at Youthtown Inc as the end user trust and also distribute as community grants (Note 4).

	GROUP		PARENT	
	2014 (18 Months)	2012 (12 Months)	2014 (18 Months)	2012 (12 Months)
	$	$	$	$
Gaming Revenue:				
Gross Gaming Revenue	24,972,274	18,415,561	24,972,274	18,415,561
Gaming Duties & Levies	(6,135,697)	(4,552,560)	(6,135,697)	(4,552,560)
	18,836,577	13,863,001	18,836,577	13,863,001

Legally Youthtown Inc is required to return Gaming Machine Duty of 20.00% of GST-inclusive gross gaming revenue (2012: 20.00%) and Problem Gambling Levies of 1.48% of gross gaming revenue (2012: 1.48%).

4. GAMING GRANTS TO OTHER COMMUNITY GROUPS

Youthtown Inc's Gaming operation is required by law to distribute at least 37.12% of gross gaming revenue by way of Grants to the community. For the financial period under review Youthtown Inc's Gaming operation has met its obligation and paid out 39.13% ($2,765,380)of gross gaming revenue (2012: 42.82%, $3,362,719).

All community grants up to $50,000 are approved by the Board Sub-Committee for Grants and all community grants over $50,000 must be approved by the Board.

All community grants must meet the criteria outlined in the Grants Policy including being for an "authorised purpose" as defined by the Gambling Act 2003.

Youthtown Inc as an end user trust applies gaming proceeds to enable the delivery of youth services programs and activities that engage and develop young New Zealander's

These 'grants' to Youth services do not appear in the Statement of Comprehensive Income as they are internal transactions that flow through as Gaming's contribution.

5. CONTAMINATION COSTS

During the 2012 year Youthtown Inc discovered lead contamination in the basement of the Nelson Street facility. The lead contamination was the result of years of operation of the rifle range in the basement, most recently by a Shooting Club.

Costs have been expensed and accrued in these accounts for the decontamination.

6. BUSINESS COMBINATION

On 1 August 2012 the Group obtained control of Premier Gaming Limited, a gaming venue management company, by acquiring the assets of the Company.

Taking control of Premier Gaming has enabled Youthtown Inc to address any concerns raised by the Department of Internal Affairs (DIA) following an audit in 2011 by meeting all licensing requirements and obligations.

In the 5 months to 31 December 2012 Premier Gaming contributed revenue of $nil and profit of $nil but removed the previous management contract fees resulting in a cost saving each year.

The calculation of the intangible asset (management contract) acquired and its value is disclosed below.

The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration Transferred		
Cash		$975,000
Identifiable Assets Acquired and Liabilities Assumed		
Property, plant and equipment	NOTE 8	$0
Intangible assets	NOTE 8	$975,000

The following fair values have been determined:

Intangible asset: The useful life of the Premier Gaming Management Contract purchased August 2012 is 14 months being the remaining term of the contract.

	GROUP		PARENT	
	2014	2012	2014	2012
	(18 Months)	(12 Months)	(18 Months)	(12 Months)
	$	$	$	$
Purchase Cost	975,000	975,000	975,000	975,000
Amortisation (over 14 months at $69,643 per month)	(975,000)	(348,214)	(975,000)	(348,214)
Recognised Fair Value	-	626,786	-	626,786

Transactions Separate From The Acquisition

The Group incurred acquisition related costs of $27,000 during 2012 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in Professional Services Expenses in the Group's 2012 Consolidated Statement of Comprehensive Income.

Significant Subsidiaries

	2014	2012
Youthtown Foundation Trust	-	-

Although the Company does not hold any ownership interests in the Youthtown Foundation Trust, it receives substantially all of the benefits related to their operations and net assets based on the Trust deed under which Youthtown Foundation Trust was established. Consequently, Youthtown Inc consolidates this entity.

7. NON CURRENT ASSETS - PROPERTY, PLANT & EQUIPMENT

PARENT

	Freehold Land	Building	Plant & Equipment	Motor Vehicles	Furniture & Fittings	Gaming Equipment	Total
	$	$	$	$	$	$	$
Gross carrying amount:							
Balance as at 1 January 2012	-	1,715,568	1,400,104	1,016,768	270,419	7,636,108	12,038,967
Additions	-	23,239	33,282	79,283	33,835	1,235,505	1,405,144
Disposals	-	-	-	-	-	-	-
Balance as at 1 January 2013	-	1,738,807	1,433,386	1,096,051	304,254	8,871,613	13,444,111
Additions	-	-	447,648	175,883	5,581	1,506,524	2,135,636
Corrections to opening balances	-	-		-	-		-
Transfers between classes	-	-	(7,378)	7,378	-	-	-
Disposals	-	-	(7,167)	(109,654)	-	(1,430,026)	(1,546,847)
Impairment of assets	-	(414,813)	(690,108)	-	(220,727)	-	(1,325,648)
Balance as at 30 June 2014	-	1,323,994	1,176,381	1,169,658	89,108	8,948,110	12,707,251
						-	
Accumulated depreciation / amortisation and impairment:						-	
Balance as at 1 January 2012	-	232,563	1,089,735	726,349	185,712	4,807,986	7,042,345
Depreciation expense	-	54,054	88,481	108,695	13,852	1,283,307	1,548,389
Balance as at 1 January 2013	-	286,617	1,178,216	835,044	199,564	6,091,293	8,590,734
Disposals	-	-	(7,023)	(73,230)	-	(834,856)	(915,109)
Corrections to opening balances	-	-	-	-	-		-
Transfers between classes	-	-	(5,350)	5,350	-	-	-
Depreciation expense	-	73,125	344,857	205,301	24,901	1,887,191	2,535,375
Depreciation reversed on impairment	-	(225,360)	(589,524)	-	(166,132)	-	(981,016)
Balance as at 30 June 2014	-	134,382	921,176	972,465	58,333	7,143,628	9,229,984
						-	
Net book value:						-	
As at 31 December 2012	-	1,452,190	255,170	261,007	104,690	2,780,320	4,853,377
As at 30 June 2014	-	1,189,612	255,205	197,193	30,775	1,804,482	3,477,267

GROUP

	Freehold Land	Building	Plant & Equipment	Motor Vehicles	Furniture & Fittings	Plant & Equipment - Gaming	Total
	$	$	$	$	$	$	$
Gross carrying amount:							
Balance as at 1 January 2012	85,000	3,634,398	1,400,104	1,016,768	270,419	7,636,108	14,042,797
Additions	-	23,239	33,282	79,283	33,835	1,235,505	1,405,144
Disposals	-	-	-	-	-	-	-
Balance as at 1 January 2013	85,000	3,657,637	1,433,386	1,096,051	304,254	8,871,613	15,447,941
Additions	-	-	447,648	175,883	5,581	1,506,524	2,135,636
Transfers between classes	-	-	(7,378)	7,378	-	-	-
Disposals	-	-	(7,167)	(109,654)	-	(1,430,026)	(1,546,847)
Impairment of assets	-	(2,333,643)	(690,108)	-	(220,727)	-	(3,244,478)
Balance as at 30 June 2014	85,000	1,323,994	1,176,381	1,169,658	89,108	8,948,110	12,792,251
Accumulated depreciation / amortisation and impairment:							
Balance as at 1 January 2012	-	978,981	1,089,735	726,349	215,712	4,807,986	7,818,763
Depreciation expense	-	121,213	88,481	108,695	23,852	1,283,307	1,625,548
Balance as at 1 January 2013	-	1,100,194	1,178,216	835,044	239,564	6,091,293	9,444,311
Disposals	-	-	(7,023)	(73,230)	-	(834,856)	(915,109)
Transfers between classes	-	-	(5,350)	5,350	-	-	-
Depreciation expense	-	140,284	344,857	205,301	34,901	1,887,191	2,612,534
Depreciation reversed on impairment	-	(1,106,096)	(589,524)	-	(216,132)	-	(1,911,752)
Balance as at 30 June 2014	-	134,382	921,176	972,465	58,333	7,143,628	9,229,984
Net book value:							
As at 31 December 2012	85,000	2,557,443	255,170	261,007	64,690	2,780,320	6,003,630
As at 30 June 2014	85,000	1,189,612	255,205	197,193	30,775	1,804,482	3,562,267

The amount of expenditure recognised in the carrying amount of an item of Plant & Equipment - Gaming in the course of construction at balance date is $204k (2012: $NIL).

Due to the lead contamination the fair value of the property at 68A Nelson St cannot be reliably measured. This property and related fit out has therefore been stated at cost less impairment charges. An impairment charge of $1,332,726 was recognised at Group level in 2014 (2012:$Nil).

8. Intangible Assets

At the time of acquisition on 1 August 2012, the Premier Gaming management contract had 14 months remaining, expiring September 2013. The purchase value of Premier Gaming has been amortised on a Straight Line basis over the remaining 14 months. Nine months of amortisation expense has been stated in the Statement of Comprehensive Income (2012: Five months).

	GROUP		PARENT	
	2014 (18 Months) $	2012 (12 Months) $	2014 (18 Months) $	2012 (12 Months) $
Cost				
Opening Balance	975,000	-	975,000	-
Acquisitions through business combinations- Premier Gaming Management Contract	-	975,000	-	975,000
Closing Balance	975,000	975,000	975,000	975,000
Amortisation and impairment losses				
Opening Balance	348,214	-	348,214	-
Amortisation for the year	626,786	348,214	626,786	348,214
Impairment loss	-	-	-	-
Closing Balance	975,000	348,214	975,000	348,214
Carrying Amounts	-	626,786	-	626,786

Amortisation and impairment charge

Amortisation is calculated over the remaining useful life of the management contract being fourteen months and recognised in the Statement of Comprehensive Income. Intangible assets are assessed for impairment annually with any resulting impairment losses being recognised in the Statement of Comprehensive Income.

9. Investments

The market value of the debentures, notes and bonds, investment in shares and managed fund portfolio at 30 June 2014 was as follows:

	GROUP		PARENT	
	2014	2012	2014	2012
	(18 Months)	(12 Months)	(18 Months)	(12 Months)
	$	$	$	$
Held for Maturity				
Debentures, Notes and Bonds	350,661	528,567	-	-
	350,661	528,567	-	-
Available for Sale				
Investments in Shares	1,434,233	1,332,433	-	-
Managed Fund Portfolio	344,964	227,704	-	-
	1,779,197	1,560,137	-	-
	2,129,858	2,088,704	-	-

10. BORROWINGS

The Westpac loan is secured over the property at 68A Nelson Street and Youthtown Inc assets.
The Westpac loan incurs interest at a rate of 6.55% p.a. and is payable within 1 year.

The UDC Finance facility was at an interest rate of 8.0% to 9.72% with security over the gaming machines.

The Youthtown Foundation Trust loan incurs interest at 6% per annum and is repayable on demand.

	GROUP		PARENT	
	2014	2012	2014	2012
	(18 Months)	(12 Months)	(18 Months)	(12 Months)
	$	$	$	$
Current				
UDC Finance	-	1,018,000	-	1,018,000
Youthtown Foundation Trust Loan	-	-	975,000	975,000
Westpac Loan	566,716	-	566,716	-
Non Current				
UDC Finance	-	1,019,845	-	1,019,845
	566,716	2,037,845	1,541,716	3,012,845

11. LEASE COMMITMENTS

	GROUP		PARENT	
	2014	2012	2014	2012
	(18 Months)	(12 Months)	(18 Months)	(12 Months)
	$	$	$	$
Not longer than 1 year	141,620	85,000	141,620	85,000
Longer than 1 year and not longer than 5 years	87,090	90,000	87,090	90,000
Longer than 5 years	-	-	-	-
	228,710	175,000	228,710	175,000

The Group has entered into a number of operating leases in relation to premises and communication facilities. The operating leases have varying terms that all expire within 3 years. Where an operating lease contract contains an option to renew, the contract also contains a market review clause, in the event of renewal. The entity does not have an option to purchase the leased assets at the expiry of the lease periods.

12. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2014	2012	2014	2012
	(18 Months)	(12 Months)	(18 Months)	(12 Months)
	$	$	$	$
Trade Creditors	238,266	607,340	238,266	607,340
Income Received in Advance	231,922	285,935	231,922	285,935
Employee Salary and Wages Accrual	85,616	52,830	85,616	52,830
Employee Holiday Pay Accrual	149,721	140,594	149,721	140,594
Sundry Creditors	18,463	67,120	18,463	139,798
IRD - PAYE	38,730	58,944	38,730	58,944
Accrued Expenses	1,254,791	83,429	1,254,791	83,429
IRD - GST	284,002	299,104	284,002	299,104
	2,301,511	1,595,296	2,301,511	1,667,974

13. ACCOUNTS RECEIVABLE

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, as this may have an influence on credit risk.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

	GROUP		PARENT	
	2014	2012	2014	2012
	(18 Months)	(12 Months)	(18 Months)	(12 Months)
	$	$	$	$
Accounts Receivable - Youth Services	268,637	456,514	268,637	456,514
Accounts Receivable - Gaming	326,141	403,791	326,141	403,791
	594,778	860,305	594,778	860,305

14. FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

A summary of the financial instruments held by category is provided below:

	GROUP		PARENT	
	2014 (18 Months) $	2012 (12 Months) $	2014 (18 Months) $	2012 (12 Months) $
Financial Assets				
Held to maturity				
Debentures, Notes and Bonds	350,662	528,567	-	-
	350,662	528,567	-	-
Available for sale				
Investment in Shares	1,434,233	1,332,433	-	-
Managed Fund Portfolio	344,964	227,704	-	-
	1,779,197	1,560,137	-	-
Loans and receivables				
Receivables	594,778	860,305	594,778	860,305
Cash and Cash Equivalents	2,185,942	851,969	1,717,179	673,032
	2,780,720	1,712,274	2,311,957	1,533,337
Total Financial Assets	4,910,579	3,800,978	2,311,957	1,533,337

	GROUP		PARENT	
	2014 (18 Months) $	2012 (12 Months) $	2014 (18 Months) $	2012 (12 Months) $
Financial Liabilities				
Financial liabilities at amortised cost				
Trade and other payables	2,301,510	1,595,296	2,301,510	1,667,974
Loans and borrowings	566,716	1,018,000	1,541,716	1,993,000
Total Financial Liabilities	2,868,226	2,613,296	3,843,226	3,660,974

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	GROUP		PARENT	
	2014 (18 Months) $	2012 (12 Months) $	2014 (18 Months) $	2012 (12 Months) $
Debentures, Notes and Bonds	350,662	528,567	-	-
Investment in Shares	1,434,233	1,332,433	-	-
Managed Fund Portfolio	344,964	227,704	-	-
Receivables	594,778	860,305	594,778	860,305
Cash and Cash Equivalents	2,185,942	851,969	1,717,179	673,032
	4,910,579	3,800,978	2,311,957	1,533,337

Impairment Losses

The aging of trade and other receivables at the reporting date that were not impaired was as follows.

	GROUP		PARENT	
	2014 (18 Months) $	2012 (12 Months) $	2014 (18 Months) $	2012 (12 Months) $
Not past due or impaired	546,181	644,359	546,181	644,359
Past due 0 - 30 Days	17,808	177,828	17,808	177,828
Past due 31 - 90 Days	2,316	8,776	2,316	8,776
Past due 91 Days Plus	28,473	29,342	28,473	29,342
	594,778	860,305	594,778	860,305

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

Group – 2014 $Nil (2012 – $Nil)

An allowance for doubtful debts has been made for estimated irrecoverable amounts from the sale of services, determined by reference to past default experience. The allowance has increased $20,000 during the year (2012: $Nil). No collateral is held over debtors.

Bad Debts written off total $101 in current year (2012: $32,466)

Debentures

Guardian Trust are the appointed Trustee of Youthtown Foundation Trust and also manage the investments of the Youthtown Foundation Trust.

The Group limits its exposure to credit risk by investing only in liquid debentures and only with counterparties. Guardian Trust actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, the Group does not expect any counterparty to fail to meet its obligations, except for impaired debentures described below.

There were no impairment losses in respect of debentures, which were classified as held-to-maturity investments during the year.

Cash and Cash Equivalents

The Parent and Group held cash and cash equivalents of $1,771,180 and $2,185,943 respectively at 30 June 2014 (2012: $673,032 and $851,969 respectively), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Carrying Amount	Total	2 Months or Less	2 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
Loan from Foundation	975,000	975,000	-	-	-	-
Westpac Loan	566,716	201,168	365,548	-	-	-
Trade and Other Payables	238,266	238,266	-	-	-	-
	1,779,982	1,414,434	365,548	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

As at 30 June 2014 the Group had no exposure to foreign currency risk.

The Group adopts a policy of ensuring that between 45% and 65% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	GROUP		PARENT	
	2014 (18 Months) $	2012 (12 Months) $	2014 (18 Months) $	2012 (12 Months) $
Fixed Rate Instruments				
Financial Assets	3.67% - 9.80%	3.75% - 9.80%		3.75% - 7.50%
Financial Liabilities	5.20% - 9.72%	8.00% - 9.72%	5.20% - 9.72%	8.40% - 10.45%
Variable Rate Instruments				
Financial Assets	0.75% - 2.75%	1.75% - 4.00%	0.75% - 2.75%	1.75% - 4.50%

Fair Value Sensitivity Analysis for Fixed Rate Instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through Statement of Comprehensive Income, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect Statement of Comprehensive Income.

Other Market Price Risk
Equity price risk arises from available-for-sale equity securities held. The Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Youthtown Foundation Trustees.

Sensitivity Analysis – Equity Price Risk
All of the Group's listed equity investments are listed on either the New Zealand Stock Exchange (NZX), the Australian Stock Exchange (ASX), or the London Stock Exchange (FTSE100). For such investments classified as available for sale, a 2% increase in the NZX, ASX and FTSE100 at the reporting date would have increased or decreased equity by $24,782 (2012: $26,653).

Capital Management
The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. Capital consists of retained earnings.

15. CAPITAL COMMITMENTS

As at balance date there are no known capital or other expenditure commitments (2012: $Nil). Non-cancellable operating lease commitments are disclosed in Note 9 to the financial statements.

16. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As at balance date there were no known contingent assets or contingent liabilities.

In 2012 there was a contingent asset for, two Youthtown Gaming venues which were forced to close during 2011 in Christchurch due to the Christchurch earthquake. In the prior year it was not yet practically quantifiable to determine the Loss of Profit's insurance payment. Since then the claim was settled and $868,423 has been received.

During the 2012 comparative period the Group experienced a lead contamination at their Nelson Street facility (see Note 5). As at that balance date it was believed that approximately $85,000 would need to be spent on further clean up should the facility ever be sold or structurally changed. Further costs have been accounted for in the current financial period that are believed to be to the value needed to leave the site in a clean state therefore no contingent liability is believed to still exist.

17. RELATED PARTY TRANSACTIONS

One of the current Directors of Youthtown Inc is a Partner of Wilson McKay. Wilson McKay provided legal services to Youthtown Inc during the current and four prior periods.

One of the former Directors of Youthtown Inc is an employee of Goode PR. Goode PR provided public relations services to Youthtown Inc during the current and four prior periods.

There were no fees paid to any Directors during the period (2012: $Nil) and there are no trade receivables from Directors (2012: $Nil).

Payments to related parties represent operational services provided during the period on an arm's length basis.

The balances included in closing balances are detailed below:

	GROUP		PARENT	
	2014 (18 Months) $	2012 (12 Months) $	2014 (18 Months) $	2012 (12 Months) $
Trade Payables	978	9,771	978	9,771

Key Management Personnel

The Directors, CEO and Senior Leadership Team are considered to be the key management personnel of Youthtown Inc. The Directors do not receive any remuneration. The remuneration for the CEO and Senior Leadership Team is as follows:

	GROUP		PARENT	
	2014 (18 Months) $	2012 (12 Months) $	2014 (18 Months) $	2012 (12 Months) $
Employee Benefits Expense	1,181,565	555,000	1,181,565	555,000
Total Compensation	1,181,565	555,000	1,181,565	555,000

18. TRADING ACTIVITIES

There were no changes in the trading activities of the Group.

19. SUBSEQUENT EVENTS

On the 26th of August 2014 the Youthtown Inc Board resolved Youthtown do not wish to reoccupy 68 Nelson Street.

As disclosed in note 7, the building and associated assets have been fully impaired as triggered by the lead contamination, and recorded at cost and as disclosed in note 5 and 16, actual costs and accruals have been accounted for regarding the decontamination.

A future decision on the building is yet to be decided, accordingly there is some uncertainty as to the ultimate outcome of the property.

Should the Foundation elect to retain the existing building to either occupy or hold as an investment property, it is probable significant costs would be incurred to reinstate and refurbish the property to the point of "available for use".

Due to this uncertainty, it is unable to be determined what funds would possibly be required to reinstate and refurbish the property. Accordingly, the timing and draw down of such funding if necessary, so as not to impact the ongoing trading operation of the Group (refer note 20) has not been determined at the time of completing these accounts.

20. GOING CONCERN

The year end results for the Group level reports working capital of $158,269 (2012: ($880,337).

The Directors have assessed the validity of the going concern assumption due to the negative working capital position of the Parent of ($1,362,653) (2012: ($2,106,952) as at 30 June 2014. As at year end the Parent has made a loss of $238,712 and has positive equity of $2,114,614.

The Directors have based their assessment on a letter of confirmation from the Youthtown Foundation Trust confirming it will provide ongoing financial support in the event the Parent requires funding to ensure it meets its financial commitments and daily operational obligations, and that it will not call upon the $975,000 loan in the foreseeable future.

INDEPENDENT AUDITOR'S REPORT
To the Members of Youthtown Incorporated and Group

Report on the Financial Statements

We have audited the financial statements of Youthtown Incorporated and Group on pages 3 to 26, which comprise the statements of financial position as at 30 June 2014, and the statements of changes in equity, statements of comprehensive income and statements of cash flows for the 18 month period then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members, as a body, in accordance with the rules of Youthtown Incorporated. Our audit has been undertaken so that we might state to the Members those matters 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 Members, as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, 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 judgment, 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Youthtown Incorporated and Group.

Opinion
In our opinion, the financial statements on pages 3 to 26, present fairly, in all material respects, the financial position of Youthtown Incorporated and Group as at 30 June 2014, and its financial performance and its cash flows for the 18 month period then ended in accordance with generally accepted accounting practice in New Zealand.

Emphasis of Matter
We draw attention to note 19 subsequent events, to the financial statements which describes the uncertainty surrounding the future decision of the property at 68 Nelson Street. Our opinion is not qualified in respect of this matter.

BDO Auckland

BDO Auckland
29 October 2014
Auckland
New Zealand