



North & South Trust

THE NORTH AND SOUTH TRUST LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The Directors are please to present their Annual Report for the year ended 31st march 2016 and the Auditor's report thereon.

The Shareholders of the Company have exercised their rights under Section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of the paragraphs (a), and (e) to (j) of Section 211(1) of the Act

Director  Date 22/6/16

Director  Date 22/6/16

THE NORTH AND SOUTH TRUST LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

THE NORTH AND SOUTH TRUST LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2016

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THE NORTH AND SOUTH TRUST LIMITED

Directory

For the year ended 31 March 2016

Registered office

14a Charlotte Street
Eden Terrace
Auckland

Nature of business

The North and South Trust Limited generates funds for its Authorised Purpose by operating gaming machines in the Auckland, Tauranga and Hawkes Bay regions primarily to support amateur rugby and sport in the Auckland, Tauranga and Hawkes Bay areas.

Directors

Robin Winston Hargrave
Anthony Gale Jayne
Dennis John Mullins
Alan James Whetton

Company number

2391554

Independent auditor

RSM Hayes Audit
Level 3
22 Amersham Way,
Manukau

Bankers

Bank of New Zealand

Solicitors

Kensington Swan

THE NORTH AND SOUTH TRUST LIMITED

**Directors' Report and Statement of Responsibility
For the year ended 31 March 2016**

Directors' Report

The Directors of The North and South Trust Limited ("The Trust") present this Annual Report, being the financial statements of the Trust for the financial year ended 31 March 2016, and the independent auditor's report thereon.

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, RSM Hayes Audit, have audited the financial statements and their report appears on pages 3 to 4.

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 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 have been executed in accordance with authority and 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 Trust will not remain a going concern in the foreseeable future. Please see Note 2(e) for further information.

In the opinion of the Directors:

- The Statement of Comprehensive Revenue and Expenses is drawn up so as to give a true and fair view of the financial result of the Trust for the financial year ended 31 March 2016;
- The statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Trust as at 31 March 2016;
- There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due.

For and on behalf of the Directors:

Director

Date

Director

Date



Independent Auditor's Report

To the Shareholders of
The North and South Trust Limited

RSM Hayes Audit

PO Box 76 261
Manukau City, Auckland 2241
Level 3, 22 Amersham Way
Manukau City, Auckland 2104

T +64 (9) 262 2595
www.rsmnz.co.nz

Report on the Financial Statements

We have audited the financial statements of The North and South Trust Limited ("the Company") on page 5 to 20, which comprise the Statement of Financial Position as at 31 March 2016, Statement of Comprehensive Revenue and Expenses, Statement of Changes in Net Assets/Equity and Statement of Cash Flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view of the matters to which they relate and in accordance with generally accepted accounting practice in New Zealand using PBE Accounting Standards (PBE IPSAS) Reduced Disclosure Regime, and for such internal control as the directors 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.

Our firm has formatted the financial statements of The North and South Trust Limited to which our audit opinion relates, working from completed records which we have audited. We have had no involvement in the compilation of those records or the entries they contain.

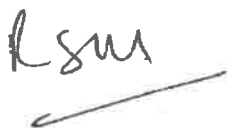
Our firm have assisted in the conversion from "Old GAAP" to PBE Standards. This involved assessing the impact, analysing the balances and preparing journal entries. The advice provided on the conversion process was provided by members of the RSM Team who were independent of the audit. Other than in the provision of this service and in our capacity as auditor we have no relationship with, or interests, in The North and South Trust Limited.

Matter of Emphasis

The current licence to operate will expire in June 2016. Management 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 licence will be renewed to enable the Company to continue operation. The directors are confident that the licence will be renewed as in previous years. The financial statements do not include any adjustments that would result should the Department of Internal Affairs not renew the Company's Class 4 Operator's licence.

Opinion

In our opinion, the financial statements on pages 5 to 20 give a true and fair view of the Statement of Financial Position of The North and South Trust Limited as at 31 March 2016, Statement of Comprehensive Revenue and Expenses, Statement of Changes in Net Assets/Equity and Statement of Cash Flow for the year then ended in accordance with PBE Accounting Standards (PBE IPSAS) Reduced Disclosure Regime.

A handwritten signature in black ink, appearing to read "RSM", is located on the left side of the page. A horizontal line is drawn underneath the signature.

15 June 2016

THE NORTH AND SOUTH TRUST LIMITED

Statement of Comprehensive Revenue and Expenses
For the year ended 31 March 2016

	Notes	2016	2015 Restated ^a
Revenue from exchange transactions	17	\$	\$
Gaming machine income		11,348,406	10,500,954
Other operating revenue	6 & 17	72,792	1,843
Total revenue		11,421,198	10,502,797
Expenses			
Depreciation	10	813,423	776,529
Gaming machine duty		2,610,131	2,415,219
Venue rental		1,632,695	1,521,342
Legal fees and consulting		12,983	33,418
Finance costs		35,682	38,017
Audit Fees		15,000	15,000
Other operating expenses	6	1,495,759	1,280,614
Total expenses		6,615,672	6,080,139
Total surplus/(deficit) for the period - before distributions		4,805,526	4,422,658
Less: distributions		(4,949,370)	(4,549,094)
Total comprehensive revenue and expense		(143,844)	(126,436)



These financial statements should be read in conjunction with the notes to the financial statements.

THE NORTH AND SOUTH TRUST LIMITED

**Statement of Changes in Net Assets/Equity
For the year ended 31 March 2016**

	Note	Total equity
		\$
Opening balance 1 April 2014 (previously reported)		768,830
Adjustment for changes in accounting policies due to initial application of PBE Standards	19	-
Restated total equity at 1 April 2014*		768,830
Surplus/ (deficit) for the year		(126,436)
Closing equity 31 March 2015		642,394
Opening balance 1 April 2015		642,394
Surplus/ (deficit) for the year		(143,844)
Closing equity 31 March 2016		498,550

 RSM

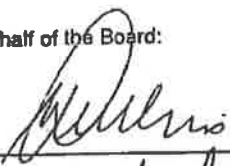
These financial statements should be read in conjunction with the notes to the financial statements.

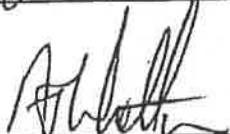
THE NORTH AND SOUTH TRUST LIMITED

**Statement of Financial Position
For the year ended 31 March 2016**

	Notes	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	7	115,050	23,029
Receivables from exchange transactions	8	170,177	225,685
Receivables from non-exchange transactions	8	-	-
		<u>285,227</u>	<u>248,714</u>
Non-current assets			
Property plant and equipment	10	1,647,105	1,319,842
		<u>1,647,105</u>	<u>1,319,842</u>
		<u>1,932,332</u>	<u>1,568,556</u>
Total Assets			
Current liabilities			
Loan Facility - secured	11	787,254	346,868
Trade and other payables / Employee related liabilities	13	646,528	565,971
Finance lease	16	-	12,323
		<u>1,433,782</u>	<u>925,162</u>
Non-current liabilities			
Finance lease	16	-	-
Total Liabilities		<u>1,433,782</u>	<u>925,162</u>
Total net assets		<u>498,550</u>	<u>642,394</u>
Net assets			
Accumulated comprehensive revenue and expense		<u>498,550</u>	<u>642,394</u>
Total net assets attribution		<u>498,550</u>	<u>642,394</u>

For and on behalf of the Board:


 Director


 Director

24/06/2016
Date

14/06/2016
Date

These financial statements should be read in conjunction with the notes to the financial statements.

THE NORTH AND SOUTH TRUST LIMITED

**Statement of Cash Flows
For the year ended 31 March 2016**

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
<u>Receipts</u>			
Receipts from non-exchange transactions		-	-
Receipts from exchange transactions		11,348,751	10,533,540
Interest received		472	556
<u>Payments</u>			
Payments to suppliers and employees		(5,631,055)	(5,244,041)
Distributions		(4,949,370)	(4,549,094)
Interest paid		(35,682)	(38,017)
Net cash flows from operating activities		733,116	702,944
Cash flows from investing activities			
<u>Receipts</u>			
Proceeds from sale of property plant and equipment		230,069	21,907
Purchase of property, plant and equipment		(1,299,228)	(658,987)
Net cash flows from investing activities		(1,069,159)	(637,080)
Net cash flows from financing activities			
Finance lease		(12,323)	(306,000)
Loan facility		440,386	94,868
Net cash flows from financing activities		428,063	(211,132)
Net increase/(decrease) in cash and cash equivalents		92,021	(145,268)
Cash and cash equivalents at 1 April		23,029	168,297
Cash and cash equivalents at 31 March	7	115,050	23,029

RSM

These financial statements should be read in conjunction with the notes to the financial statements.

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

1. REPORTING ENTITY

The North and South Trust Limited (the "Trust") is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act 2013. The Trust was incorporated in New Zealand on 10 February 2010 under the Companies Act 1993, and commenced trading from 7 December 2010 upon the issue of its Class 4 Operator's Licence by the Department of Internal Affairs under the Gambling Act 2003.

The financial statements and the accompanying notes summarise the financial results of activities carried out by the Trust. The Trust is involved in operating gaming machines in the Auckland, Tauranga and Hawkes Bay regions primarily to support amateur rugby and sport in the Auckland, Tauranga and Hawkes Bay areas.

2. BASIS OF PREPARATION

a) Statement of compliance

As the primary objective of the Trust is to apply all of its net proceeds as grants in the application of its Authorised Purpose as per the Gambling (class 4 net proceeds) Regulations 2004. As such the Trust is a public benefit entity for the purpose of financial reporting. They comply with Public Benefit Entity Standards. For the purposes of complying with NZ GAAP, the Trust is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

All reduced disclosure regime exemptions have been adopted. This decision results in the Trust not preparing a Statement of Service Performance for both reporting periods.

The financial statements for the Trust are for the year ended 31 March 2016, and were approved by the Board on the date stated in the Statement of Financial Position.

b) Measurement basis

The financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

The financial statements are presented in New Zealand Dollars (\$), which is the functional and presentation currency, rounded to the nearest dollar.

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

d) Changes in accounting policy

For the year ended 31 March 2015, the Trust prepared its financial statements using the "Old GAAP". These have now been restated to Not-For-Profit PBE IPSAS – RDR. An explanation of how the transition to Tier 2 Not-For-Profit PBE Accounting Standards has affected the reporting Statement of Financial Position and Statement of Comprehensive Revenue and Expenses is provided in Note 19 of the financial statements.

e) Basis of preparation

The financial statements have been prepared on a going concern basis, the validity of which depends on the Trust continuing to provide adequate operating revenue and cash flows from its gaming machines to cover the Trust's operating costs which include the payments required under the gaming machines finance agreements. It is the considered view of the Board of Directors that the gaming machines will continue to satisfy these requirements. The Trust has net current liabilities of \$1,148,555 as at 31 March 2016 (2015: \$677,448) which is predominantly due to the BNZ Credit Plus loan facility - secured of \$787,254 payable within the next year. The Trust is subject to annual relicensing by the Department of Internal Affairs. If the Trust is unable to continue in operational existence in the foreseeable future, adjustments may have to be made to reflect the fact that assets and liabilities may need to be realised at amounts other than those at which they are currently recorded in the statement of financial position and the Trust may have to provide for further liabilities that may arise.

3. PRINCIPAL ACTIVITY

The Trust's principal activity is the operation of gaming machines for the purpose of generating surplus revenue to be distributed in accordance with the objectives of the Trust. Under the terms and Constitution of the Trust, the grants paid are required to be used to support and encourage amateur games or sport conducted for the benefit of the general public as well as to assist and benefit any charitable, educational, cultural or philanthropic purpose or any other purposes that are beneficial to the public or a section of it.

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

3. PRINCIPAL ACTIVITY (CONT'D)

All gaming machine grants paid by the Trust have been appropriately used for the Authorised Purpose.

4. SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the Trust's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a) Judgements:

In the process of applying the Trust's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Classification of non-financial assets as cash generating assets or non-cash-generating assets

For the purpose of assessing impairment indicators and impairment testing, the Trust classifies non-financial assets as either cash-generating or non-cash-generating assets. The Trust classifies a non-financial asset as a cash-generating asset if the primary objective of the asset is to generate commercial return. All other assets are classified as non-cash-generating assets.

The majority of property, plant and equipment held by the Trust is classified as cash-generating assets.

b) Assumptions and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Trust based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Useful lives and residual values

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

- The condition of the asset based on the assessment of Directors of the Trust
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Changes in accounting estimates

There have been no changes in the accounting estimates for the current reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Trust and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Revenue (cont'd)

i) Revenue from exchange transactions

Interest revenue

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest revenue is included in finance income in the statement of comprehensive revenue and expense.

Gaming machine revenue

Revenue shown in the Statement of Comprehensive Income and Expense comprise the amounts received and receivable for gaming services supplied to customers in the ordinary course of business. Revenue recognised in relation to the gaming proceeds is recognised on a daily basis.

Gaming profits represent the net win to the Company from gaming activities, being the difference between the amounts wagered and amounts won by gaming patrons.

ii) Revenue from non-exchange transactions

The Trust did not receive any non-exchange revenue during the current financial period.

b) Employee benefits

i) Short term employee benefits

Short-term employee benefit liabilities are recognised when the Trust has a legal or constructive obligation to remunerate employees for services provided with 12 months of reporting date, and is measured on an undiscounted basis and expensed in the period in which employment services are provided.

ii) Long term employee benefits

Long-term employee benefit obligations are recognised when the Trust has a legal or constructive obligation to remunerate employees for services provided beyond 12 months of reporting date.

The Trust did not have any long term employee benefits during the current financial period.

c) Finance income and finance costs

Finance income comprises interest income on financial assets. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on financial liabilities.

d) Financial instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the financial instrument.

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Financial instruments (cont'd)

The Trust 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 Trust is recognised as a separate asset or liability.

The Trust derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The Trust also derecognises financial assets and financial liabilities when there has been significant changes to the terms and/or the amount of contractual payments to be received/paid.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Trust 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 Trust classifies financial assets as loans and receivables.

The Trust recognises financial liabilities at amortised cost.

Financial instruments are initially measured at fair value, plus for those financial instruments not subsequently measured at fair value through surplus or deficit, directly attributable transaction costs.

Subsequent measurement is dependent on the classification of the financial instrument, and is specifically detailed in the accounting policies below.

i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and receivables.

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

ii) Amortised cost financial liabilities

Financial liabilities classified as amortised cost are non-derivative financial liabilities that are not classified as fair value through surplus or deficit financial liabilities.

Financial liabilities classified at amortised cost are subsequently measured at amortised cost using the effective interest method.

Financial liabilities classified as amortised cost comprise payables, loans and finance lease payable.

e) Impairment of non-derivative financial assets

A financial asset not subsequently measured at fair value through surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Trust on terms that the Trust would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Impairment of non-derivative financial assets (cont'd)

i) Financial assets classified as loans and receivables

The Trust considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Trust uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 asset's original effective interest rate. Losses are recognised in statement of comprehensive revenue and expense and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive revenue and expense.

f) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are initially measured at cost, except those acquired through non exchange transactions which are instead measured at fair value as their deemed cost at initial recognition.

Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised as surplus or deficit in the statement of comprehensive revenue and expense.

ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Trust. Ongoing repairs and maintenance is expensed as incurred.

iii) Depreciation

For property, plant and equipment, depreciation is based on the cost of an asset less its residual value.

Significant components of individual assets that have a useful life that is different from the remainder of those assets, those components are depreciated separately.

Depreciation is recognised in statement of comprehensive revenue and expense on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Trust will obtain ownership by the end of the lease term.

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f) Property, plant and equipment (cont'd)

The estimated useful lives are:

Buildings	4 years
Furniture and fittings	2 - 4 years
Gaming machines	4 years
Motor vehicles	4 years

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate.

g) Impairment of non-financial assets

The carrying amounts of the Trust's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows (for cash-generating assets) or future remaining service potential (for non-cash-generating assets) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in statement of comprehensive revenue and expense. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h) Leases

i) Classification and treatment

Leases in terms of which the Trust assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

i) Provisions

A provision is recognised if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in statement of comprehensive revenue and expense.

j) Equity

Equity is the community's interest in the Trust measured as the difference between total assets and total liabilities. Equity is made up of the following component:

Accumulated comprehensive revenue and expense

Accumulated comprehensive revenue and expense is the Trust's accumulated surplus or deficit since the formation of the Trust adjusted for transfers to/from specific reserves.

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k) Income Tax

The Trust is exempt from income tax in accordance with section CW48 of the (New Zealand) Income Tax Act 2007. The Act provides an exemption for gaming machine income of licensed operators provided all distributions are made in accordance with the Gambling Act 2003. Accordingly, all surpluses are distributed as grants in accordance with the Trust's Authorised Purpose statement as approved by Department of Internal Affairs. The Directors have determined that all the Trust's income, including interest received and gain on sale of property, plant and equipment is gaming proceeds and exempt from income tax.

l) Goods and services tax

All amounts are shown exclusive of goods and services tax (GST), except for receivables and payables that are stated inclusive of GST.

m) Finance income and finance costs

Finance income comprises interest income on financial assets. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

Finance costs comprise interest expense on financial liabilities.

n) Distributions to the Community

Distributions to the Community are recorded as an appropriation of the surplus for the year.

A large portion of net surplus generated by the Trust is to be paid out in accordance with the Constitution and Authorised Purpose statement as approved by the Department of Internal Affairs under the Trust's Class 4 licence to operate gaming machines.

For the current financial year the Trust has met its obligation and paid out 43.61% GST exclusive gross gaming receipts (2015: 43.32%). Payment requires approval by the Board of Directors that the recipient has requested the donation for an "authorised purpose" as defined by the Gambling Act 2003.

THE NORTH AND SOUTH TRUST LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2016**

6. OTHER OPERATING INCOME / EXPENSES

	2016 \$	2015 \$
Operating expenses include all the expenses including the following:		
(Gains)/Losses on sale of fixed assets	(71,975)	40,005
Asset write offs	-	6,403
Problem gambling levy	170,964	158,198
Gaming machine maintenance	161,223	154,535
Servicing of equipment	131,154	87,530
EMS monthly fees	99,002	87,626

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

Cash at bank	115,050	23,029
Total cash and cash equivalents	115,050	23,029

The Trust does not have any overdraft facilities, nor are the bank balances held as security over any assets.

8. RECEIVABLES

Trade receivables from exchange transactions	152,348	206,708
Allowance for impairment	-	-
Net trade receivables from exchange transactions	152,348	206,708
Prepayments	17,829	18,977
	170,177	225,685

There are no amounts overdue nor impaired as at year end relating to trade receivables from exchange transactions.

There are no receivables from non-exchange transactions.

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

Transactions with related parties during the reporting period are as follows:

Balances	Nature of transaction		
Evolve Management Limited	Services (note a)	8,475	9,610
Moore Stephens Markhams	Services (note b)	-	6,149
Servco Limited	Services (note c)	574,204	273,791
		582,679	289,550

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTD)

Note a:

During the year, the Trust engaged the services of Evolve Management Limited to provide Gaming Consultancy services. Barbara McComb was a director of the Trust resigned 30 June 2014, is a director of Evolve Management Limited.

The fees paid to Evolve Management Limited were:

Gaming Consultancy \$8,475 (2015: \$9,610)

At balance date \$Nil was owed by the Trust for services provided by Evolve Management Limited (2015: \$8,734)

Note b:

Trust receives the services of Moore Stephens Markhams to provide accounting services relating to annual operator relicense forecasting.

Rob Hargrave, a director of the Trust, is a principal of Moore Stephens Markhams.

The fees paid to Moore Stephens during the year was:

Accounting Services \$nil (2015: \$6,149)

At balance date \$Nil was owed by the Trust for services provided by Moore Stephens Markhams (2015: \$Nil)

Note c:

During the year the Trust engaged the services of Servco Limited to provide repairs and maintenance services relating to venue gaming machines and other gaming equipment.

Barbara McComb's (ex director of the Trust) spouse, Carl McComb, is the director of Servco Limited.

The fees paid to Servco Limited during the year were:

Gaming Machine Service Agreement \$173,400 (2015: \$154,535)

Other Repairs and Maintenance \$121,059 (2015: \$72,702)

Fixed Assets \$279,745 (2015: \$46,554)

At balance date \$24,864 was owed by the Trust for services provided by Servco Limited (2015: \$32,673).

During the year the Trust sold fixed assets to the value of \$9,535 to Servco Limited. (2015: \$600)

Note d:

Compensation of key management personnel

An honorarium was paid to Directors of \$45,000 (2015: \$40,833) for services to the Net Proceeds Committee as well as their duties as directors. The total compensation paid to key management personnel amounted to \$241,934 (2015: \$151,755). In accordance with the signed settlement agreement, the General Manager is to be paid in lieu of notice and for redundancy compensation.

10. PROPERTY, PLANT AND EQUIPMENT

	31-Mar-16			31-Mar-15		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	\$	\$	\$	\$	\$	\$
Furniture and fittings	496,777	326,013	170,764	679,953	379,054	300,899
Computer Equipment	115,642	56,113	59,529	-	-	-
Software	150,180	34,397	115,782	-	-	-
Motor vehicles	54,697	5,698	48,999	41,739	31,304	10,435
Gaming machines	3,223,911	1,978,457	1,245,455	2,568,625	1,570,127	998,498
Buildings	13,724	7,148	6,576	13,724	3,714	10,010
	4,054,932	2,407,827	1,647,105	3,304,041	1,984,199	1,319,842

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Reconciliation of property, plant and equipment - March 2016

	Opening balance	Additions	Disposals	Depreciation	Closing balance
	\$	\$	\$	\$	\$
Furniture and fittings	136,159	176,481	33,168	108,707	170,764
Computer Equipment	66,814	26,348	5,638	27,996	59,529
Software	-	166,680	14,665	36,233	115,782
Motor vehicles	10,435	54,697	4,870	11,263	48,999
Gaming machines	1,095,879	875,022	99,754	625,793	1,245,455
Buildings	10,007	-	-	3,431	6,576
	<u>1,319,394</u>	<u>1,299,228</u>	<u>158,094</u>	<u>813,423</u>	<u>1,647,105</u>
Net book value					
As at 31 March 2016	\$1,647,105				
As at 31 March 2015	\$1,319,842				

11. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

	2016	2015
	\$	\$
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	115,050	23,029
Receivables from exchange transactions	170,177	225,685
Receivables from non-exchange transactions	-	-
	<u>285,227</u>	<u>248,714</u>
Financial liabilities		
<i>At amortised cost</i>		
Trade and other creditors	646,528	566,971
Loan facility	787,254	346,868
	<u>1,433,782</u>	<u>913,839</u>

On 30 October 2013, the Trust entered into a line credit facility ("Credit Facility") with the Bank of New Zealand. As at 31 March 2016 the Credit Facility was for a maximum amount of \$929,078 (2015: \$570,008) at the prevailing Credit Plus Facility Base Rate of 8.43% (2015: 9.58%) per annum. As at balance date the Credit Facility was scheduled to expire on 18 March 2017 and is subject to renewal. The Credit Facility is collateralised by all present and after acquired assets of the Trust. As at 31 March 2016 the Trust's property had a net carrying value of \$1,647,105 (2015: \$1,319,842).

The Credit Facility requires the Trust to comply with certain covenants. The Trust is required at all times to ensure that the Trust's total tangible assets exceed the Trust's total liabilities. As at 31 March 2016 total tangible assets exceed total liabilities by \$578,550 (2015: \$642,394). No breaches of covenants have been noted.

12. NET FINANCE COSTS

<i>Finance income</i>		
Interest income from loans and receivables	472	556
<i>Finance expense</i>		
Financial liabilities at amortised cost	35,682	38,017
Net finance costs	(35,210)	(37,461)

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THE NORTH AND SOUTH TRUST LIMITED**Notes to the Financial Statements
For the year ended 31 March 2016****13. PAYABLES - EXCHANGE TRANSACTIONS**

	2016	2015
	\$	\$
Accounts payable	107,716	111,234
Accruals	29,632	21,067
Employee related liabilities	110,760	21,920
Duty payable	217,185	232,562
GST payable	181,235	180,188
	<u>646,528</u>	<u>566,971</u>

14. CAPITAL COMMITMENTS

There are no capital commitments at the reporting date. (2015: \$Nil).

15. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities at the reporting date. (2015: \$Nil).

16. FINANCE AGREEMENT LIABILITIES

Future minimum lease payments		
Not later than one year	-	10,485
Later than one year and not later than five years	-	2,621
Later than five years	-	-
	-	<u>12,323</u>
Finance charges	-	-
Present value of minimum lease payments	-	12,323
Current portion	-	12,323
Non-current portion		

17. REVENUE**Revenue from exchange transactions**

Gaming machine income	11,348,406	10,500,954
Gain on asset sales	71,975	952
Interest received	472	556
Other revenue	345	335
	<u>11,421,198</u>	<u>10,502,797</u>

Revenue from non-exchange transactions

There were no revenue from non-exchange transactions during the financial period.

18. EVENTS AFTER THE REPORTING DATE

The directors are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the Trust (2015: \$Nil).

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements
For the year ended 31 March 2016

19. CHANGES IN ACCOUNTING POLICY

a) Changes due to the initial application of a new, revised and amended PBE Standards

This is the first set of financial statements of the Trust that is presented in accordance with PBE Standards. The Trust has previously reported in accordance with a different GAAP.

The accounting policies adopted in these financial statements are consistent with those of the previous year, except for instances when the accounting or reporting requirements of a PBE Standard are different to requirements under the previous GAAP as outlined below.

The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

PBE IPSAS 1: Presentation of Financial Statements

There are minor differences between PBE IPSAS 1 and the equivalent standard in the previous GAAP. These differences have an effect on disclosure only. The main changes in disclosure resulting from application of PBE IPSAS 1 are the following:

Receivables from exchange and non-exchange transactions:

In the financial statements of the previous financial year, receivables were presented as a single total in the statement of financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the statement of financial position. This requirement affected the presentation of both current and comparative receivables figures. The Trust however did not have any receivables from non-exchange transactions to report.

Statement of cash flows

PBE IPSAS 2 requires that an entity that prepares and presents financial statements shall prepare a cash flow statement in accordance with the requirements of that Standard, and shall present it as an integral part of its financial statements for each period for which financial statements are presented. A Statement of cash flows is thus presented. Under previous GAAP, no Statement of cash flows was presented.