



North & South Trust

THE NORTH AND SOUTH TRUST LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The Directors are please to present their Annual Report for the year ended 31st March 2017 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 21-6-17

Director  Date 21-6-17

THE NORTH AND SOUTH TRUST LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

THE NORTH AND SOUTH TRUST LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

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THE NORTH AND SOUTH TRUST LIMITED

**Directory
For the year ended 31 March 2017**

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 1, 1 Broadway, Newmarket, Auckland 1023
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 2017**

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 2017, 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.

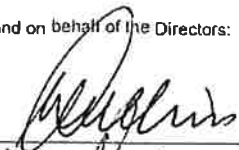
Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the financial records. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation 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 Expense 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 2017;
- 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 2017;
- The Statement of Cash Flows is drawn up so as to give a true and fair view of the Cashflow position of the Trust for the financial year ended 31 March 2017;
- 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

Director

2016/17

Date

2016/17

Date



RSM Hayes Audit

PO Box 9588
Newmarket, Auckland 1149
Level 1.1 Broadway
Newmarket, Auckland 1023

T: +64 (9) 367 1656
www.rsmnz.co.nz

Independent Auditor's Report

To the Shareholders of The North and South Trust Limited

Opinion

We have audited the financial statements of The North and South Trust Limited ("the Company"), which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets/equity;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the accompanying financial statements on pages 5 to 18 present fairly, in all material respects, the financial position of The North and South Trust Limited as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the The North and South Trust Limited in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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. 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 2017. 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.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and statement of responsibility (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, the directors are responsible, on behalf of the The North and South Trust Limited, for assessing the The North and South Trust Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the The North and South Trust Limited or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Who we report to

This report is made solely to the Shareholders, as a body. Our audit has been undertaken so that we might state to the Shareholders 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 Company and the Shareholders as a body, for our work, for this report, or for the opinions we have formed.

A handwritten signature in blue ink, appearing to read 'RSM', with a horizontal line underneath.

RSM Hayes Audit
Auckland

27 June 2017

THE NORTH AND SOUTH TRUST LIMITED

**Statement of Comprehensive Revenue and Expense
For the year ended 31 March 2017**

	Notes	2017 \$	2016 \$
Revenue from exchange transactions			
Gaming machine income		12,130,672	11,348,406
Total gaming revenue		12,130,672	11,348,406
Other operating revenue	17	246,582	72,792
Expenses			
Depreciation	10 & 11	769,962	813,423
Gaming machine duty		2,789,694	2,610,131
Venue rental / commission		1,679,181	1,632,695
Legal fees and consulting		20,249	12,983
Finance costs	13	36,338	35,682
Audit Fees		16,000	15,000
Other operating expenses	6	1,604,451	1,495,759
Total expenses		6,915,875	6,615,672
Surplus for the period - before distributions			
		5,461,379	4,805,526
Less: distributions		(5,319,670)	(4,949,370)
Surplus /(Deficit) for the period - after distributions			
		141,709	(143,844)
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense			
		141,709	(143,844)

 RSM

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 2017**

	Note	Accumulated comprehensive revenue and expense
Closing equity 31 March 2015		\$ 642,394
Deficit for the year		(143,844)
Closing equity 31 March 2016		<hr/> 498,550
Surplus for the year		141,709
Closing equity 31 March 2017		<hr/> <hr/> 640,259

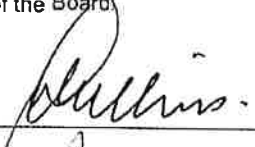
These financial statements should be read in conjunction with the notes to the financial statements.

THE NORTH AND SOUTH TRUST LIMITED

**Statement of Financial Position
For the year ended 31 March 2017**

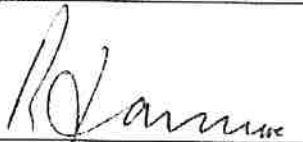
	Notes	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	7	109,195	115,050
Receivables from exchange transactions	8	160,805	170,177
		<u>270,000</u>	<u>285,227</u>
Non-current assets			
Property plant and equipment	10	1,569,051	1,531,323
Intangibles	11	43,311	115,782
		<u>1,612,362</u>	<u>1,647,105</u>
Total Assets		<u>1,882,362</u>	<u>1,932,332</u>
Current liabilities			
Loan Facility - secured	12	149,621	787,254
Trade and other payables	14	778,400	535,768
Employee related liabilities		14,840	110,760
Total Current Liabilities		<u>942,861</u>	<u>1,433,782</u>
Non-current liabilities			
Loan Facility - secured	12	299,242	-
Total Non-Current Liabilities		<u>299,242</u>	<u>-</u>
Total Liabilities		<u>1,242,103</u>	<u>1,433,782</u>
Total net assets		<u>640,259</u>	<u>498,550</u>
Net assets			
Accumulated comprehensive revenue and expense		640,259	498,550
Total net assets attribution		<u>640,259</u>	<u>498,550</u>

For and on behalf of the Board



Director

20/6/17
Date



Director

20/6/17
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 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts			
Receipts from exchange transactions		12,140,734	11,348,751
Interest received	13	243	472
Payments			
Payments to suppliers and employees		(5,899,244)	(5,631,055)
Distributions		(5,319,670)	(4,949,370)
Interest paid	13	(36,338)	(35,682)
Net cash flows from operating activities		886,725	733,116
Cash flows from investing activities			
Receipts			
Proceeds from sale of property plant and equipment		567,985	230,069
Purchase of property, plant and equipment		(1,121,174)	(1,299,228)
Net cash flows from investing activities		(553,189)	(1,069,159)
Net cash flows from financing activities			
Finance lease		-	(12,323)
Loan facility		(338,391)	440,386
Net cash flows from financing activities		(338,391)	428,063
Net increase/(decrease) in cash and cash equivalents		(5,855)	92,021
Cash and cash equivalents at 1 April		115,050	23,029
Cash and cash equivalents at 31 March	7	109,195	115,050

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 2017

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 2017, 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

The accounting policies have been applied consistently to the period presented in these 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 \$952,834 as at 31 March 2017 (2016: \$1,148,555) which is predominantly due to the BNZ Credit Plus loan facility - secured of \$448,863 payable within the next year. The Trust is subject to annual relicensing by the Department of Internal Affairs. The current licence to operate will expire in June 2017. 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 2017

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.

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 2017

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, 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 costs

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 2017**

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 2017**

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 2017

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

l) 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 2017

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) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

The estimated useful lives for the current and comparative years intangible assets are as follows:

Software	33.33% on SL
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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 43.85% GST exclusive gross gaming receipts (2016: 43.61%). 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 2017

6. OTHER OPERATING INCOME / EXPENSES

	2017	2016
	\$	\$
Operating expenses include all other expenses including the following:		
Problem gambling levy	181,650	170,964
Gaming machine maintenance	146,335	161,223
Servicing of equipment	109,564	131,154
EMS monthly fees	129,950	99,002

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

Cash at bank	109,195	115,050
Total cash and cash equivalents	<u>109,195</u>	<u>115,050</u>

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	180,805	152,348
Allowance for impairment	-	-
Net trade receivables from exchange transactions	<u>180,805</u>	<u>152,348</u>
Prepayments	-	17,829
	<u>180,805</u>	<u>170,177</u>

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

Note a:

Compensation of key management personnel

An honorarium was paid to Directors of \$45,000 (2016: \$45,000) for services to the Net Proceeds Committee as well as their duties as directors. The total compensation paid to key management personnel amounted to \$124,062 (2016: \$241,934). The comparative figure includes redundancy and settlement payment to former General Manager.

10. PROPERTY, PLANT AND EQUIPMENT

	31-Mar-17			31-Mar-16		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	\$	\$	\$	\$	\$	\$
Furniture and fittings	416,932	250,752	166,180	496,777	326,013	170,764
Computer Equipment	168,171	79,958	88,213	115,642	56,113	59,529
Motor vehicles	-	-	-	54,697	5,698	48,999
Gaming machines	3,297,635	1,986,122	1,311,513	3,223,911	1,978,457	1,245,455
Buildings	13,724	10,579	3,145	13,724	7,148	6,576
	<u>3,886,462</u>	<u>2,327,411</u>	<u>1,568,051</u>	<u>3,904,752</u>	<u>2,373,429</u>	<u>1,531,323</u>

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

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

Reconciliation of property, plant and equipment - March 2017

	Opening balance	Additions	Disposals	Depreciation	Closing balance
	\$	\$	\$	\$	\$
Furniture and fittings	170,764	127,075	30,475	101,195	166,179
Computer Equipment	59,529	70,667	6,823	35,160	88,213
Motor vehicles	48,999	-	39,744	10,256	-
Gaming machines	1,245,455	923,432	280,700	576,673	1,311,514
Buildings	6,576	-	-	3,431	3,145
	1,531,323	1,121,174	355,742	726,705	1,569,051

Net book value
As at 31 March 2017 \$1,569,051
As at 31 March 2016 \$1,531,323

11. INTANGIBLES

	31-Mar-17			31-Mar-16		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Software	\$ 90,672	\$ 56,361	\$ 43,311	\$ 150,180	\$ 34,397	\$ 115,782

Reconciliation of intangibles - March 2017

	Opening balance	Additions	Disposals	Amortisation	Closing balance
Software	115,782	-	29,206	43,265	43,311

12. 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:

Financial assets	2017	2016
	\$	\$
<i>Loans and receivables</i>		
Cash and cash equivalents	109,195	115,050
Receivables from exchange transactions	160,805	152,348
Financial liabilities		
<i>At amortised cost</i>		
Trade and other creditors (excluding GST and Duty)	223,000	137,348
Loan facility	448,863	787,254

On 30 October 2013, the Trust entered into a line credit facility ("Credit Facility") with the Bank of New Zealand. As at 31 March 2017 the Credit Facility was for a maximum amount of \$1,248,212 (2016: \$929,078) at the prevailing Credit Plus Facility Base Rate of 8.33% (2016: 8.43%) per annum. As at balance date the Credit Facility was scheduled to expire on 19 December 2021 and is subject to an annual review due in August 2017. The Credit Facility is collateralised by all present and after acquired assets of the Trust. 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 2017 total tangible assets exceed total liabilities by \$735,384. No breaches of covenants have been noted.

13. NET FINANCE COSTS

<i>Finance income</i>		
Interest income from loans and receivables	243	472
<i>Finance expense</i>		
Financial liabilities at amortised cost	36,338	35,682
Net finance costs	(36,095)	(35,210)

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

14. PAYABLES - EXCHANGE TRANSACTIONS

	2017	2016
	\$	\$
Accounts payable	206,126	107,716
Accruals	16,874	29,632
Duty payable	295,493	217,185
GST payable	259,907	181,235
	<u>778,400</u>	<u>535,768</u>

15. CAPITAL COMMITMENTS

There are no capital commitments at the reporting date. (2016: \$Nil).

16. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities at the reporting date. (2016: \$Nil).

17. OTHER OPERATING REVENUE

Gain on asset sales	246,237	71,975
Interest received	243	472
Other revenue	102	345
	<u>246,582</u>	<u>72,792</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 (2016: \$Nil).