
THE NORTH AND SOUTH TRUST LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

THE NORTH AND SOUTH TRUST LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2018

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THE NORTH AND SOUTH TRUST LIMITED

Directory

For the year ended 31 March 2018

Registered office	Kensington Swan, 18 Viaduct Harbour Avenue, Auckland, 1010
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 2018**

Directors' Report

The Directors of The North and South Trust Limited (the "Company") present this Annual Report, being the financial statements of the Company for the financial year ended 31 March 2018, and the independent auditor's report thereon.

The shareholders of the Company have exercised their right under section 211(3) of the companies Act 1993, whereby pursuant to a decision of the shareholders of the Company who together hold at least 95% of the voting shares, they have agreed not to comply with the paragraphs (a) and (e) to (j) of section 211(1) or section 211(2) of the Act.

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 Company 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 present fairly, in all material respects the financial result of the Company for the financial year ended 31 March 2018;
- The Statement of Financial Position is drawn up so as to present fairly, in all material respects the state of affairs of the Company as at 31 March 2018;
- The Statement of Cash Flows is drawn up so as to present fairly, in all material respects the Cashflow position of the Company for the financial year ended 31 March 2018;
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

For and on behalf of the Directors:

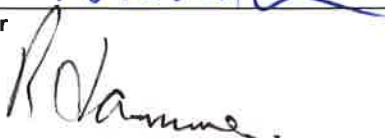
Director



Date

20/6/18

Director



Date

20/6/18

THE NORTH AND SOUTH TRUST LIMITED

**Statement of Comprehensive Revenue and Expense
For the year ended 31 March 2018**

	Notes	2018	2017
		\$	Restated*
			\$
Revenue from exchange transactions			
Gaming machine income		16,103,560	12,130,672
Total gaming revenue		16,103,560	12,130,672
Other operating revenue	17	350	246,582
Expenses			
Depreciation	10 & 11	1,048,183	769,962
Gaming machine duty		3,703,819	2,789,694
Venue rental / commission		2,554,989	1,679,181
Legal fees and consulting		9,612	20,249
Finance costs	13	48,690	36,338
Audit Fees		13,126	16,000
Other operating expenses	6 & 19	1,529,270	1,562,735
Total expenses		8,907,690	6,874,159
Surplus for the year - before distributions			
		7,196,220	5,503,095
Less: distributions		(6,922,967)	(5,319,670)
Surplus /(Deficit) for the year - after distributions			
		273,254	183,425
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense		273,254	183,425

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to note 19.

The above statement of comprehensive revenue and expense 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 2018**

	Note	Accumulated comprehensive revenue and expense Restated* \$
At 1 April 2016		498,550
Surplus for the year as reported in the 2017 financial statements		141,709
Adjustment of prior period error	19	41,716
Other comprehensive revenue and expense		-
Total comprehensive revenue and expense for the year		681,975
Transactions with owners in their capacity as owners:		-
At 31 March 2017		681,975
Surplus for the year		273,254
Other comprehensive revenue and expense		-
Total comprehensive revenue and expense for the year		955,229
Transactions with owners in their capacity as owners:		-
At 31 March 2018		955,229

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to note 19.

The above statement of changes in net assets/equity financial should be read in conjunction with the notes to the financial statements.

THE NORTH AND SOUTH TRUST LIMITED

**Statement of Financial Position
As at 31 March 2018**

	Notes	2018	2017 Restated*
Current assets		\$	\$
Cash and cash equivalents	7	183,025	109,195
Receivables from exchange transactions	8	358,744	202,521
		<u>541,769</u>	<u>311,716</u>
Non-current assets			
Property, plant and equipment	10	2,319,349	1,569,051
Intangibles	11	10,246	43,311
		<u>2,329,595</u>	<u>1,612,362</u>
Total Assets		<u>2,871,364</u>	<u>1,924,078</u>
Current liabilities			
Loan facility - secured	12	248,663	149,621
Trade and other payables	14	957,578	778,400
Employee related liabilities		26,070	14,840
Total Current Liabilities		<u>1,232,312</u>	<u>942,861</u>
Non-current liabilities			
Loan facility - secured	12	683,824	299,242
Total Non-Current Liabilities		<u>683,824</u>	<u>299,242</u>
Total Liabilities		<u>1,916,136</u>	<u>1,242,103</u>
Total net assets		<u>955,229</u>	<u>681,975</u>
Net assets			
Accumulated comprehensive revenue and expense		955,229	681,975
Total net assets attribution		<u>955,229</u>	<u>681,975</u>

For and on behalf of the Board:

Director

20/6/18
Date

Director

20/6/18
Date

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to note 19.

The above statement of financial position 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 2018**

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
<u>Receipts</u>			
Receipts from exchange transactions		15,947,634	12,140,734
Interest received	13	53	243
<u>Payments</u>			
Payments to suppliers and employees		(7,610,181)	(5,899,244)
Distributions		(6,922,967)	(5,319,670)
Interest paid	13	(48,690)	(36,338)
Net cash flows from operating activities		<u>1,365,849</u>	<u>885,725</u>
Cash flows from investing activities			
<u>Receipts</u>			
Proceeds from sale of property plant and equipment		-	567,985
Purchase of property, plant and equipment		(1,775,643)	(1,121,174)
Net cash flows from investing activities		<u>(1,775,643)</u>	<u>(553,189)</u>
Net cash flows from financing activities			
Finance lease		-	-
Proceeds from/(repayments of) loan facilities		483,624	(338,391)
Net cash flows from financing activities		<u>483,624</u>	<u>(338,391)</u>
Net increase/(decrease) in cash and cash equivalents		73,830	(5,855)
Cash and cash equivalents at 1 April		109,195	115,050
Cash and cash equivalents at 31 March	7	<u>183,025</u>	<u>109,195</u>

The above statement of cash flows 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 2018

1. REPORTING ENTITY

The Company 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 Company. The Company is involved in operating gaming machines in the Auckland, Tauranga and Hawkes Bay regions primarily to support amateur rugby and sport in the stated areas.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements comply with the generally accepted accounting practice in New Zealand ("NZ GAAP").

The primary objective of the entity 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 Company is a public benefit entity for the purpose of financial reporting.

The financial statements of the company comply with the Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") and disclosure concessions have been applied. The Company is eligible to report in accordance with PBE Standards RDR because it does not have public accountability and is not large. This decision results in the Company not preparing a Statement of Service Performance for both reporting periods.

The financial statements for the Company are for the year ended 31 March 2018, and were approved by the Board on the date stated on page 7.

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 unless otherwise stated.

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

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 Company continuing to generate adequate operating revenue and cash flows from its gaming machines to cover the Company'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 Company has net current liabilities of \$690,543 as at 31 March 2018 (2017: \$631,145) which is predominantly due to the BNZ Credit Plus Asset Finance facility of \$248,663, gaming duty payable of \$383,619 and GST of \$440,264 payable within the next year. The Company is reliant on the Class 4 Operator's license, expiring in June 2018, that is renewed on an annual basis by the Department of Internal Affairs.

3. PRINCIPAL ACTIVITY

The Company'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 Company. Under the terms and Constitution of the Company, 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 2018

3. PRINCIPAL ACTIVITY (CONT'D)

Gaming machine grants paid by the Company have been appropriately used for the Authorised Purposes.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company'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 Company'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 Company classifies non-financial assets as either cash-generating or non-cash-generating assets. The Company 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 Company 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 Company 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 Company. 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 Company
- 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 Company 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 2018

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 are recognised as and when gaming services are rendered to customers with these proceeds being captured 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 Company 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 Company 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 Company has a legal or constructive obligation to remunerate employees for services provided beyond 12 months of reporting date.

The Company 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 Company 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 2018

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Financial instruments (cont'd)

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

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company 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 Company 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 Company classifies financial assets as loans and receivables.

The Company 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 Company on terms that the Company 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 2018

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

i) Financial assets classified as loans and receivables

The Company 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 Company 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 Company. 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 Company 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 2018

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The estimated useful lives are:

Leasehold improvements	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 Company'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 Company 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 Company 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 Company 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 Company's accumulated surplus or deficit since the formation of the Company adjusted for transfers to/from specific reserves.

THE NORTH AND SOUTH TRUST LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k) Income Tax

The entity 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 Company's Authorised Purpose statement as approved by Department of Internal Affairs. The Directors have determined that all the Company'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 Company is to be paid out in accordance with the Constitution and Authorised Purpose statement as approved by the Department of Internal Affairs under the Company's Class 4 licence to operate gaming machines.

For the current financial year the Company has met its obligation and paid out 43% GST exclusive gross gaming receipts (2017: 43.85%). 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 2018**

6. OTHER OPERATING INCOME / EXPENSES

	Note	2018 \$	2017 \$
Operating expenses include all other expenses including the following:			
Problem gambling levy		240,748	181,650
Gaming machine maintenance		153,822	146,335
Servicing of equipment		69,812	109,554
EMS monthly fees		140,513	129,950
Management Fee		297,916	258,023

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

Cash at bank	183,025	109,195
Total cash and cash equivalents	<u>183,025</u>	<u>109,195</u>

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

8. RECEIVABLES

Trade receivables from exchange transactions		358,744	160,805
Allowance for impairment		-	-
Net trade receivables from exchange transactions		<u>358,744</u>	<u>160,805</u>
Prepayments	19	-	41,716
		<u>358,744</u>	<u>202,521</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 (2017: \$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 \$nil (2017: \$124,062).

10. PROPERTY, PLANT AND EQUIPMENT

	31-Mar-18			31-Mar-17		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	\$	\$	\$	\$	\$	\$
Furniture and fittings	697,378	391,525	305,853	416,932	250,752	166,180
Computer Equipment	180,618	129,970	50,648	168,171	79,958	88,213
Gaming machines	4,343,551	2,380,703	1,962,848	3,297,635	1,986,122	1,311,513
Leasehold improvements	13,724	13,724	-	13,724	10,579	3,145
	<u>5,235,271</u>	<u>2,915,922</u>	<u>2,319,349</u>	<u>3,896,462</u>	<u>2,327,411</u>	<u>1,569,051</u>

THE NORTH AND SOUTH TRUST LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

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

Reconciliation of property, plant and equipment - March 2018

	Opening balance	Additions	Disposals	Depreciation	Closing balance
	\$	\$	\$	\$	\$
Furniture and fittings	166,179	305,776		166,102	305,853
Computer Equipment	88,213	17,136	-	54,701	50,648
Gaming machines	1,311,514	1,452,731	10,227	791,170	1,962,848
Leasehold improvements	3,145	-	-	3,145	-
	<u>1,569,051</u>	<u>1,775,643</u>	<u>10,227</u>	<u>1,015,118</u>	<u>2,319,349</u>

Net book value

As at 31 March 2018	\$2,319,349
As at 31 March 2017	\$1,569,051

11. INTANGIBLES

	31-Mar-18			31-Mar-17		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	\$	\$	\$	\$	\$	\$
Software	99,672	89,426	10,246	99,672	56,361	43,311

Reconciliation of Intangibles - March 2018

	Opening balance	Additions	Disposals	Amortisation	Closing balance
Software	43,311	-	-	33,065	10,246

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:

	2018	2017
	\$	\$
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	183,025	109,195
Receivables from exchange transactions	358,744	160,805
Financial liabilities		
<i>At amortised cost</i>		
Trade and other creditors (excluding GST and Duty)	163,696	223,000
Loan facility	932,487	448,863

On 30 October 2013, the Company entered into a line credit facility ("Credit Facility") with the Bank of New Zealand.

As at 31 March 2018 the Credit Facility was for a maximum amount of \$1,652,604 (2017: \$1,248,212) at the prevailing Credit Plus Facility Base Rate of 8.43% (2017: 8.33%) per annum.

As at balance date the Credit Facility was scheduled to expire on 18 December 2022 and is subject to an annual review due in August 2018.

The Credit Facility is collateralised by all present and after acquired assets of the Company.

The Credit Facility requires the Company to comply with certain covenants. The Company is required at all times to ensure that the Company's total tangible assets exceed the Company's total liabilities. As at 31 March 2018 total tangible assets exceed total liabilities by \$922,443. No breaches of covenants have been noted.

13. NET FINANCE COSTS

Finance income

Interest income from loans and receivables	53	243
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Finance expense

Financial liabilities at amortised cost	48,743	36,338
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Net finance costs	(48,690)	(36,095)
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THE NORTH AND SOUTH TRUST LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

14. PAYABLES - EXCHANGE TRANSACTIONS

	2018	2017
	\$	\$
Accounts payable	148,696	206,126
Accruals	15,000	16,874
Duty payable	383,619	295,493
GST payable	410,264	259,907
	<u>957,578</u>	<u>778,400</u>

Accounts payable are non-interest bearing and are normally settled on 30 day terms.

15. CAPITAL COMMITMENTS

There are no capital commitments at the reporting date. (2017: \$Nil).

16. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities at the reporting date. (2017: \$Nil).

17. OTHER OPERATING REVENUE

Gain on asset sales	-	246,237
Other revenue	350	102
	<u>350</u>	<u>246,339</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 Company (2017: \$Nil).

19. PRIOR PERIOD ADJUSTMENT

In the previous financial year (2017), an amount of \$41,716 prepaid for insurance relating to the 2018 financial year was inadvertently expensed to surplus or deficit in the statement of comprehensive revenue and expense. As a consequence, insurance expenses in 2017 were overstated by \$41,716. Prepayments and the surplus for the year were also understated by the same amount.

The error was corrected by restating the surplus for the 2017 financial year and each of the affected financial statement items for the year ended 31 March 2017, as shown below.

	<u>Previously reported</u>	<u>Adjustment</u>	<u>Restated Balance</u>
Impact on the Statement of Comprehensive Revenue and Expense			
Surplus for the year to 31 March 2017	141,709	41,716	183,425
Other operating expenses	1,604,451	(41,716)	1,562,735
Impact on the Statement of Financial Position			
Prepayment	-	41,716	41,716
Impact on the Statement of Financial Position			
Equity	640,259	41,716	681,975