BlueSky Community Trust Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

BlueSky Community Trust Limited

FINANCIAL STATEMENTS
For the year ended 31 July 2016

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Registered office	9a Ranui Road Remuera Auckland
Nature of business	BlueSky Community Trust Limited generates funds for its Authorised Purpose by operating gaming machines primarily to support the wider communities around New Zealand.
Directors	Rong Lin Bei Zhang Chaowen Wu Dandan Zhang
Company number	3412831
Independent auditor	RSM Hayes Audit Level 1 1 Broadway Newmarket
Bankers	ASB Bank Limited Bank of New Zealand
Solicitors	Harkness Henry Hamilton

BlueSky Community Trust Limited

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

Directors' Report

The Directors of BlueSky Community Trust Limited ("The Trust") present this Annual Report, being the financial statements of the Trust for the financial year ended 31 July 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 fairly state the financial result of the Trust for the financial year ended 31 July 2016;

- The statement of financial position is drawn up so as to fairly state the affairs of the Trust as at 31 July 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:

Chairperson — Date 20/10/2016

Director — Date 20/10/2016

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 Trustees of BlueSky Community Trust Limited
For the year ended 31 July 2016

Report on the Financial Statements

We have audited the financial statements of BlueSky Community Trust Limited on pages 5 to 20, which comprise the Statement of Financial Position as at 31 July 2016, Statement of Comprehensive Revenue and Expense, Statement of Changes in Net Assets/Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' Responsibility for the Financial Statements

The trustees are responsible for the preparation of financial statements that fairly present 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 trustees determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, BlueSky Community Trust Limited.

Opinion

In our opinion, the financial statements on pages 5 to 20 present fairly, in all material respects, the Statement of Financial Position of BlueSky Community Trust Limited as at 31 July 2016, Statement of Comprehensive Revenue and Expense, Statement of Changes in Net Assets/Equity and Statement of Cash Flows for the year then ended in accordance with PBE Accounting Standards (PBE IPSAS) Reduced Disclosure Regime.

RSM

21 October 2016

BlueSky Community Trust Limited

Statement of Comprehensive Revenue and Expense
For the year ended 31 July 2016

	Notes	2016	2015 Restated
		$	$
Revenue from exchange transactions	17		
Gaming machine income		6,737,637	5,175,217
Other operating revenue		140,968	10,832
Total revenue		6,878,605	5,186,049
Expenses			
Depreciation	10	534,300	470,093
Gaming machine duty & Problem gambling levy		1,651,077	1,268,266
Venue rental		926,246	771,907
Legal fees and consulting		284,130	254,363
Licences & Registrations		59,397	51,818
Audit Fees		11,000	10,000
Other operating expenses	6	502,218	377,688
Total expenses		3,968,368	3,204,135
Total surplus/(deficit) for the period - before distributions		2,910,237	1,981,914
Less: distributions		(2,881,096)	(1,978,672)
Total comprehensive revenue and expense		29,141	3,242

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

BlueSky Community Trust Limited

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

	Note	Total equity $
Opening balance 1 August 2014 (previously reported)		8,683
Adjustment for changes in accounting policies due to initial application of PBE Standards	20	-
Restated total equity at 1 August 2014*		8,683
Surplus/ (deficit) for the year		3,242
Closing equity 31 July 2015		**11,925**
Opening balance 1 August 2015		11,925
Surplus/ (deficit) for the year		29,141
Closing equity 31 July 2016		**41,066**

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

BlueSky Community Trust Limited

Statement of Financial Position
For the year ended 31 July 2016

	Notes	2016 $	2015 $
Current assets			
Cash and cash equivalents	7	167,864	133,563
Non-Current Assets held for sale	10	8,372	-
Receivables from exchange transactions	8	196,974	151,263
Receivables from non-exchange transactions	8	50	77
		373,260	284,903
Non-current assets			
Property plant and equipment	10	1,039,351	768,999
		1,039,351	768,999
Total Assets		1,412,611	1,053,902
Current liabilities			
Loan Facility - secured	11	449,891	345,653
Cash and cash equivalents	7	48,795	55,332
Trade and other payables	14	386,221	323,887
		884,907	724,872
Non-current liabilities			
Loan Facility - secured	11	486,638	317,105
Total Liabilities		1,371,545	1,041,977
Total net assets		**41,066**	**11,925**
Net assets			
Accumulated comprehensive revenue and expense		41,066	11,925
Total net assets attribution		**41,066**	**11,925**

For and on behalf of the Board:

Chairperson 20/10/2016 **Date**

Director 20/10/2016 **Date**

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

BlueSky Community Trust Limited

Statement of Cash Flows
For the year ended 31 July 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts			
Receipts from non-exchange transactions		-	-
Receipts from exchange transactions		6,701,008	5,177,432
Interest received		997	1,539
Payments			
Payments to suppliers and employees		(3,217,022)	(2,585,009)
Distributions		(2,881,096)	(1,978,672)
Interest paid		(74,372)	(91,164)
Net cash flows from operating activities		**529,515**	**524,126**
Cash flows from investing activities			
Receipts			
Proceeds from sale of property plant and equipment		351,193	500
Purchase of property, plant and equipment		(1,113,640)	(500,453)
Net cash flows from investing activities		**(762,447)**	**(499,953)**
Net cash flows from financing activities			
Loan facility		273,770	(80,046)
Net cash flows from financing activities		**273,770**	**(80,046)**
Net increase/(decrease) in cash and cash equivalents		40,838	(55,873)
Cash and cash equivalents at 1 August		78,231	134,104
Cash and cash equivalents at 31 July	7	119,069	78,231

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

1. REPORTING ENTITY

BlueSky Community 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 7 June 2011 under the Companies Act 1993, and commenced trading from 28 February 2012 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 to support the wider communities around New Zealand.

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 July 2016, and were approved by the Board as reflected 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.

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

d) Changes in accounting policy
For the year ended 31 July 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 20 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 $511,647 as at 31 July 2016 (2015: $439,969) which is predominantly due to the BNZ Term loan facility - secured of $449,891(2015:$345,653) 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 for any charitable and non-commercial purpose that is beneficial to the whole or a section of a community. The Trust prioritises funding applications which support wider communities accross New Zealand.

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.

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.

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The estimated useful lives are:

Gaming machines & Equipment	3 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.

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.

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.

Net surplus generated by the Trust is to be paid out in accordance with the Gambling (Class 4 Net Proceeds) Regulations 2004. The regulation stipulates that all or nearly all net surplus must be distributed during the financial year and any remainder of net surplus within 3 months after the end of each of its financial years. In addition, the Trust is expected to generate net surplus equal to 40% of its GST exclusive gross receipts in each financial year. The percentage requirement for 2015 financial year was 37.12%. It changed to 40% from the start of the current financial year

For the current financial year the Trust has generated net surplus equal to 41.88% of its GST exclusive gross receipts (2015: 38.15%). All net surplus generated from last financial year has been distributed in the current year.

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.

6. OTHER OPERATING INCOME/EXPENSES

	2016	2015
Operating expenses include all the expenses including the following:		
(Gains)/Losses on sale of fixed assets	48,343	2,667
Gaming machine maintenance	86,239	77,944
Servicing of equipment	20,676	11,216
EMS monthly fees	65,883	42,244

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

Current assets:		
Cash at bank	167,864	133,563
Current liabilities:		
Bank overdrafts	(48,795)	(55,332)
Total cash and cash equivalents in statement of cash flows	119,069	78,231

The Trust has $150,000 unsecured ovedraft facility at reporting date(2015: $150,000)

8. RECEIVABLES

Trade receivables from exchange transactions	168,146	99,940
Allowance for impairment	-	-
Net trade receivables from exchange transactions	168,146	99,940
Prepayments	28,828	51,323
Receivables from exchange transactions	196,974	151,263

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

Income tax refund due	50	77
Receivables from non-exchange transactions	50	77

9. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel
An honorarium was paid to Directors of $30,550 (2015: $31,200) for services to the Net Proceeds Committee as well as their duties as directors.

10. PROPERTY, PLANT AND EQUIPMENT

	31-Jul-16			31-Jul-15		
	Cost	Accumulated depreciation & Impairment	Carrying value	Cost	Accumulated depreciation	Carrying value
Gaming machines & Equipment	2,074,767	1,035,416	1,039,351	1,854,513	1,085,514	768,999
	2,074,767	1,035,416	1,039,351	1,854,513	1,085,514	768,999

Reconciliation of property, plant and equipment - July 2016

	Opening balance	Additions	Disposals	Depreciation	Impairment	Transfer to Non-Current assets held for sale	Closing balance
Gaming machines & Equipment	768,999	1,115,633	269,123	534,300	33,486	8,372	1,039,351
	768,999	1,115,633	269,123	534,300	33,486	8,372	1,039,351

Net book value	
As at 31 July 2016	1,039,351
As at 31 July 2015	768,999

11. LOANS

	Effective interest rate %	Year of Maturity	2016	2015
Current interest bearing loans & borrowings				
Secured bank loan	7.90% - 8.09%	2018 - 2019	449,891	345,653
Non-current interest bearing loans & borrowings				
Secured bank loan	7.90% - 8.09%	2018 - 2019	486,638	317,105
			936,529	662,758

At reporting date, all loans were secured over gaming machines and associated equipment in note 10.

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:

	2016	2015
Financial assets		
Loans and receivables		
Cash and cash equivalents (assets)	167,864	133,563
Receivables from exchange transactions	196,974	151,263
Receivables from non-exchange transactions	50	77
	364,888	284,903
Financial liabilities		
At amortised cost		
Trade and other creditors	386,221	323,887
Cash and cash equivalents (liabilities)	48,795	55,332
Loan facility	936,529	662,758
	1,371,545	1,041,977

The Trust has an overdraft facility with the Bank of New Zealand. As at 31 July 2016 the overdraft was for a maximum amount of $150,000 (2015: $150,000) at the prevailing Market Connect Overdraft Prime Rate of 7.54% (2015: 8.75%) per annum. The overdraft is unsecured and repayable on demand.

The Trust also has Term loans with Bank of New Zealand. The Trust entered into an agreement with BNZ on 4 March 2015. The loans were drawndown 13 April 2015. The term of the loans ranges from one to three years. The term loans are collateralised by all present and after acquired property of the Trust. As at 31 July 2016 the Trust's property had a net carrying value of $1,039,351 (2015: $768,999).

The Term loans requires the Trust to comply with certain convenants. The Trust is required to generate Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) that is 3.0 times more than the interest servicing costs. As at 31 July 2016 the EBITDA is 9.03 times the interest servicing costs. No breaches of covenants have been noted.

13. NET FINANCE COSTS

Finance income		
Interest income from loans and receivables	997	1,539
Finance expense		
Financial liabilities at amortised cost	74,372	91,164
Net finance costs	(73,375)	(89,625)

14. PAYABLES - EXCHANGE TRANSACTIONS

	2016	2015
Accounts payable	57,874	61,340
Accruals	32,313	31,615
Duty payable	174,128	134,222
GST/PAYE payable	121,906	96,710
	386,221	323,887

15. CAPITAL COMMITMENTS

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

16. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities at the reporting date. (2015: $36,002).

17. REVENUE

Revenue from exchange transactions

Gaming machine income	6,737,637	5,175,217
Gain on asset sales	130,414	-
Interest received	997	1,539
Other revenue	9,557	9,293
	6,878,605	5,186,049

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).

20. 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.