TRUST HOUSE
COMMUNITY ENTERPRISE

ANNUAL REPORT 2013

People, customer focus and **performance** deliver our purpose

We seek to better our communities

We will responsibly offer our products and services

Integrity, **trust** and **entrepreneurship** are our competitive advantage

CONTENTS 2013

1. Paul Hargood and Navin Varghese – Copthorne Hotel & Resort Solway Park, Wairarapa
2. Naomi Law – The Bottle-O Feilding
3. Jacqui Hoar – Copthorne Hotel & Resort Solway Park, Wairarapa
4. Richard Simmonds – Trust House Support Office
5. David Lewis – The Bottle-O Masterton
6. Jessica Clark – Copthorne Hotel & Resort Solway Park, Wairarapa
7. Shannon Woolston – Copthorne Hotel & Resort Solway Park, Wairarapa
8. Stephanie Murray – Copthorne Hotel & Resort Solway Park, Wairarapa
9. Deanna Clement – Trust House Support Office
10. Yuri McKenna – Copthorne Hotel & Resort Solway Park, Wairarapa
11. Bruce Willoughby – Empire Tavern
12. Theresa Fawdray – Trust House Support Office
13. Trent Hoar – Copthorne Hotel & Resort Solway Park, Wairarapa
14. Donna Shanahan – The Bottle-O Pahiatua
15. Wendy Donnelly – Copthorne Hotel & Resort Solway Park, Wairarapa
16. Jeana Adams – Gusto Café
17. Leeann Campbell – Copthorne Hotel & Resort Solway Park, Wairarapa
18. Gary McDowall – The Pukemanu Tavern
19. Betty Hanlon – The Bottle-O Masterton
20. Raewyn Richardson – Rimutaka Sports Bar
21. Missy Edwards – Rimutaka Sports Bar
22. Tania Cantwell – Trust House Support Office
23. Tanya Spence – Rimutaka Sports Bar
24. Jinny Jun Zittersteijn – Copthorne Hotel & Resort Solway Park, Wairarapa
25. Rick Bryant – The Horseshoe Complex
26. Karen Herbert – Trust House Housing
27. Ryan Willoughby – The Bottle-O Feilding
28. Kiriana Brown – The Pukemanu Tavern
29. Jerry Crump – Copthorne Hotel & Resort Solway Park, Wairarapa
30. Peter Rickman – Trust House Support Office
31. Jane Cahill – Island Bay Bar


2


3


4


5


6


7


8


9


10

11


12


13


14


15


16


17


18


19


20


21


22


23


24


25


26


27


28


29


30


31

The future presents challenges and opportunities to Trust House and our people.

We must learn how to beat our competitors, how to distribute our assets and resources to best operate in today's volatile economy, and play by the rules while pursuing a competitive advantage in the age of strict compliance.

Together, we will create sustainable performance for Trust House through a culture of innovation, open communication, collaboration and planning. And when decisions need to be made, we will reflect on the guiding principles behind our core purpose, our vision, values and strategic intent.

We welcome change in the coming year that will lay the foundations for our future.

Allan Pollard

Chief Executive

People, customer focus and performance deliver our purpose

By focusing on our customer we will set ourselves apart from competitors. Meeting customer wants and needs will undoubtedly improve our performance and, importantly, create a culture where people matter. As a community-owned organisation, we embrace this culture; it shapes our relationships with those within and outside our business. It is key to our success.

TRUST HOUSE LIMITED

DIRECTORS REPORT

PRINCIPAL ACTIVITIES

Trust House Limited is a community enterprise that owns and operates the business units of the Masterton and Flaxmere Licensing Trusts. Management services are provided to the Rimutaka Licensing Trust, the Tararua Foundation and associated Charitable Trusts. Trust House's shareholding comprises:

Masterton Licensing Trust	75.2%
Flaxmere Licensing Trust	3.2%
Flaxmere Licensing (Charitable) Trust	1.4%
Masterton Licensing (Charitable) Trust	20.2%

The Group owns and operates 21 business units including:

- Licenced premises – hotels, restaurants, bars, cafes and bottle stores.
- Supermarkets.
- A Housing estate with 513 homes to rent.
- A hydro electricity scheme (Tararua Foundation).

RESULTS FOR THE YEAR

The difficult trading conditions of the past two to three years intensified during the year, particularly in our rural areas. Cash flows and profits (as detailed in the following table) were sound and the financial position remains strong.

Table 1: cash flows generated

Year	$
2013	3.778m*
2012	4.965m
2011	4.621m
2010	5.855m
2009	5.547m
2008	5.307m

*cash flow impacted with the sale of five business units.

CHARITABLE DISTRIBUTION

The charitable distribution for the year was $2.816m (2012 $2.754m) and ahead of last year but again followed the traditional procedures: local elected representatives call for, or initiate, donations or projects in their areas, and then make the initial decisions on the extent of the grant. These recommendations are then approved, or not, by the Trust House Foundation. All the Licensing Trusts have established priorities for their communities and there is a high degree of openness, accountability and consultation.

The various reports in this document record the distribution made to each community.

DIRECTORS OF THE COMPANY AND REMUNERATION

The Directors, and the remuneration paid to them for the year ended 31 March 2013 were:

		$
B J Bourke (Chairman)	Appointed 1989	35,000
D B Henry (Chair, Audit Committee)	Appointed 2005	25,000
S D Blakemore	Appointed 2002	19,000
M C Cooper	Appointed 2011	19,000
J W Kershaw	Appointed 2007	22,000
D J Baskerville	Appointed 2011	19,000
	Total	139,000

RELATIONSHIP WITH SHAREHOLDERS

There is an agreement with the shareholders that:

- Business plans will be presented in March each year for the financial year beginning 1 April.
- Reports on key events and trading compared to business plan targets will be presented quarterly.
- Annual accounts will be presented in July.
- Consultation will be undertaken during the annual appointment of two Directors.
- Discussion will occur on all major transactions and, where necessary, shareholder approval received.

There are strong and close links between the various Trusts and Trust House Limited.

AUDITORS

The Office of the Controller and Auditor-General has appointed Audit New Zealand to conduct the audit of Trust House Limited and its associated licensing and charitable trusts. Audit fees paid to Audit New Zealand for the year ended 31 March 2013 were $85,078 for Trust House Group.

AUDIT COMMITTEE

The members of the committee are DB Henry (Chairman), BJ Bourke and J W Kershaw. The Committee met six times during the year.

USE OF COMPANY INFORMATION

The Board received no notice during the year from Directors requesting to use Company information received in their capacity as Directors which would not have otherwise been available to them.

SHARE DEALING

No Director acquired or disposed of any interest in shares in the Company during the year.

INTEREST IN TRANSACTIONS

No Director is interested in any transaction (as defined by Section 139 of the Companies Act 1993) or proposed transaction with the Company.

NEW CHIEF EXECUTIVE

Long time Chief Executive Bernard Teahan retired at the end of March 2013. All board members wish to acknowledge and thank Bernard for the contribution he has made over the years.

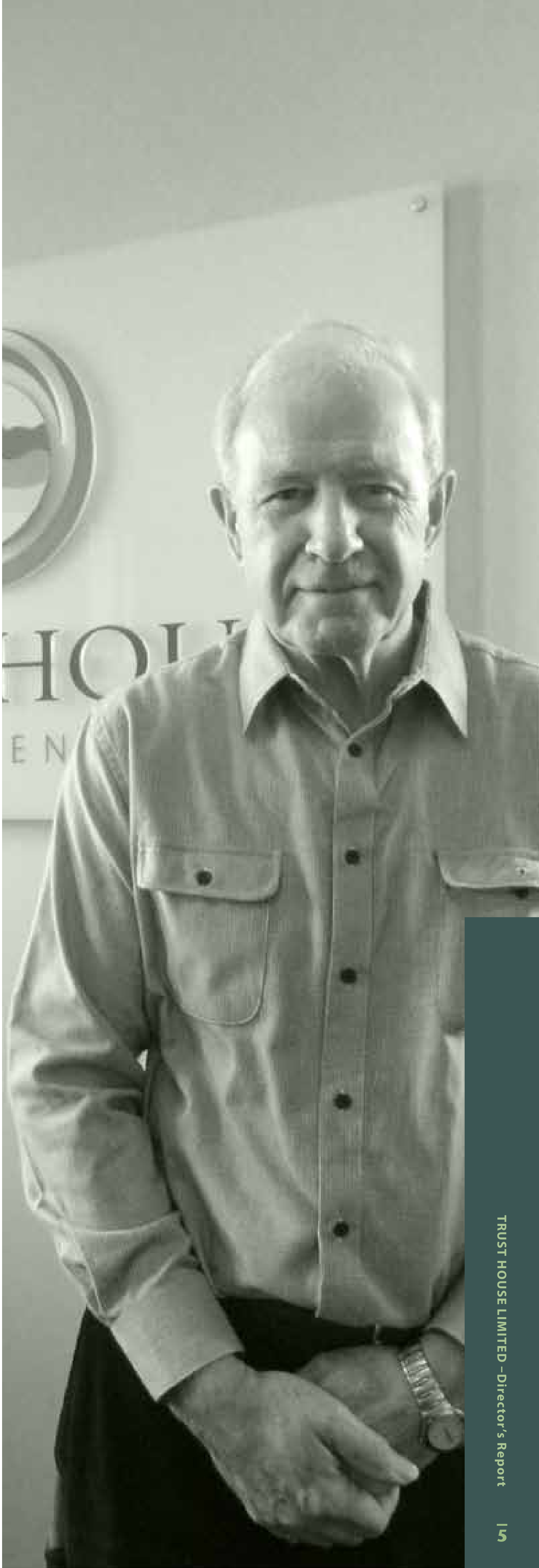
CONCLUSION

It has been a difficult trading year with tough economic times, rising operational costs and increased market competition all contributing factors. It is however pleasing to note the increase in charitable distributions for the year and the benefits that this delivers back to our communities of interest.

Brian J Bourke

CHAIRMAN

For the Directors of Trust House Limited



OPERATIONAL REVIEW

In line with the majority of hospitality and retail segments both regionally and nationally, increased competition, tight economic times and climbing operational costs have all impacted sales and profit. With market forces changing so dramatically it is appropriate that we reflect on current operational practices. We have reviewed both outlet and business segments for their continued viability and made some tough decisions to exit a number of business units.

This year highlighted the need to redevelop our strategic intent and planning. Whilst performance must improve current profitability has instilled the desire to implement change. We commenced and will continue throughout the new financial year to implement initiatives that will grow profitability and deliver increased benefits back to our communities of interest.

OUTLETS

We exited the following outlets throughout the year:

- Newtown Sports bar and Liquorland.
- Liquor Plus Carterton.
- Eketahuna Community Store.
- The Kiwi Pub.
- Liquorland Hutt City.

The rational for exit was based on either a lack of profitability or the requirement of capital investment which did not fit within our required returns or strategic intent.

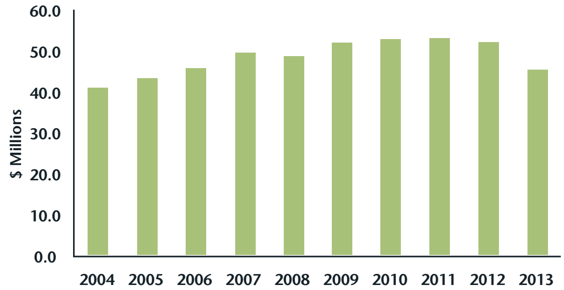
Current business units are:

- Copthorne Hotel & Resort Solway Park
- The Horseshoe Restaurant and Golden Shears Tavern
- The Homestead bar and Solway Four Square
- Kuripuni Sports bar and Apache Jacks
- The Bottle-O Masterton
- Empire Tavern
- The Bottle-O Fielding
- The Bottle-O Pahiatua
- Flaxmere Tavern
- Greytown Four Square and Greytown Wines & Spirits
- Gusto Cafe & Bakery
- Greytown Hotel
- Featherston Community Store
- Featherston Lotto & Post Shop
- The Bottle-O Featherston
- Pukemanu Tavern, Apache Jacks and The Bottle-O Martinborough
- Bull & Bear
- Residential housing portfolio
- Island Bay Bar and The Bottle-O Island Bay
- Rimutaka Tavern and Liquorland Rimutaka (managed)
- The Kourarau Hydro electrical scheme (managed)

SALES

Trends over the last 10 years.

Group Sales



Sales in 2013 have been impacted by a reduction in outlets and current market forces.

OPERATIONAL REVIEW CONTINUED

PROFITS AND RATIOS

A reduction in sales as well as an increase in operational costs and impairment of assets has had a major impact on profitability. Table 1 depicts the changes from the previous year.

Table 1

	2013 $m	2012 $m
Operating profit before interest depreciation and impairment.	5.235	6.405
Interest	1.457	1.440
Depreciation/Amortisation	1.702	1.858
Impairments*	1.250	0.162
Devaluation of properties	0.473	0.294
Net profit/(loss) for year	0.353	2.651

Net impairment losses of $1,136,831 were recognised in 2012/13 (2011/12 $291,050). Of the total $512,529 relates to Featherston outlets and $624,302 relates to the Homestead Complex.

*$1,250,141 charged to profit and a net credit of $113,310 through to other comprehensive income.

Table 2 - Equity

	$m
2013	37.2
2012	39.6
2011	39.8
2010	45.9
2009	44.8

Trust House equity demonstrates the strength of the organisation despite the difficult trading year.

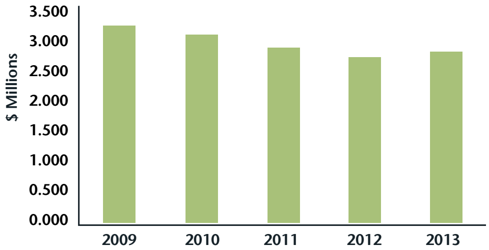
Table 3 - Equity Ratio

	%
2013	59.8
2012	58.8
2011	58.3
2010	63.2
2009	64.8

Trust House continues to report a strong balance sheet. We have also paid off $2 million of debt.

COMMUNITY SUPPORT

Community Grants



Donations by way of community grants were $2.816 million. We supported many events, clubs, associations and charities. Significant grants were made to:

- Wings over Wairarapa.
- Destination Wairarapa
- Wairarapa Balloon festival.
- Masterton Motorplex.
- Pukaha Mount Bruce.

MARKET SEGMENT OVERVIEW

Bottle Stores

This segment continues to be challenging. We have exited three full service stores as they were no longer viable within our operational management model. This was for the most part as a result of increased competition and the ability of owner operator competitors to work within single digit margins.

Residential Housing portfolio

This continues to be a strong performer with occupancies annually in excess of 94%. Continued maintenance programs were a focus in the upkeep of our portfolio. We addressed some market supply and demand issues in Dannevirke.

Bars

Gaming revenue has declined by $370K or 5.3%, this figure includes a reduction in gaming halls. Overall bars have been impacted by a poor regional economy which has reduced passive customer spends, margins have also been squeezed with rising operational cost and an inability to increase retail prices. The on-premise segment continues to be a challenge for most organisations nationally. Entrepreneurial initiatives that align with contemporary market forces will be key to our continued success in this segment.

Hotels

A reduction in the inbound tourist markets and decline in conferencing due, for the most part, with companies and organisations reducing expenditure has impacted hotel performance. Conferencing has, in the past, been a key segment of our business. We have been exploring alternative market strategies to combat declines such as an increased focus in leisure and corporate business.

Community Stores

Historically this segment has delivered strong results however in July 2012 Progressive Enterprises opened a new Fresh Choice supermarket development in Greytown which has impacted the performance of our Greytown Four Square. Featherston continues to perform well. We opened a new store, Solway Four Square, last year and continue to work towards establishing this brand in south Masterton.

Kourarau Hydro Electrical Scheme (managed)

We have upgraded the infrastructure throughout the year with the benefits of this process to be realised in 2013/14. This included an upgrade of the turbines. Early indications are that power generation potential has been increased. We look forward to increased efficiencies and the rewards that this will deliver to the organisation.

Rimutaka Licensing Trust (managed)

We manage the Rimutaka Licensing Trust on behalf of the Board of Trustees. It is fair to say that this outlet and indeed region has been negatively impacted by increased competition, particularly the off premise segment. Gaming has also been reduced due to a reconfiguration of the outlet entry and exit points, this has been driven by regulatory compliance. We continue to work with the Trustees to overcome the obstacles that are hampering performance.

REINVESTMENT

The major reinvestments over the last year were:

- Solway Four Square - $873,725
- Kourarau Hydro Scheme - $650,160
- Housing - $343,096

We also continue to reinvest in the portfolio with numerous minor works occurring throughout the year. It is a priority that we have business units that can compete with the increased competition in our segments and ensuring that we have modern and well appointed outlets will be a critical success factor in improving performance.

CONCLUSION

We take no comfort from the fact that nationally hospitality and retail has been doing it tough in 2012/13. This merely confirms my philosophy that market forces have changed significantly and that we must adapt. We have developed and commenced implementation of a new Strategic Plan to better position Trust House for the future. Much change throughout the year has occurred but more will be required.

Allan Pollard

Chief Executive

INCOME STATEMENT

For the year ended 31 March 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Revenue	5	45,511,282	51,971,481	40,256,384	46,366,293
Less cost of sales		21,457,700	25,725,419	21,457,700	25,725,419
Gross profit		24,053,582	26,246,062	18,798,684	20,640,874
Operating expenses	7	21,795,736	21,908,498	19,168,134	19,051,550
Results from operating activities		2,257,846	4,337,564	(369,450)	1,589,324
Finance income		25,914	46,445	5,726	19,524
Finance costs		1,457,574	1,439,793	1,457,574	1,439,793
Net finance costs		1,431,660	1,393,348	1,451,848	1,420,269
Net operating profit / (loss)		**826,186**	**2,944,216**	**(1,821,298)**	**169,055**
Non operating items	6	(473,167)	(293,653)	(473,167)	(293,653)
Net profit / (loss) before charitable donations		**353,019**	**2,650,563**	**(2,294,465)**	**(124,598)**
Charitable donations	23	(2,836,091)	(2,778,628)	(44,000)	(72,000)
Net profit / (loss) for year		**(2,483,072)**	**(128,065)**	**(2,338,465)**	**(196,598)**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Net profit / (loss)		(2,483,072)	(128,065)	(2,338,465)	(196,598)
Other comprehensive income					
Building impairment charged to equity		(127,721)	(128,724)	(127,721)	(128,724)
Reversal of prior asset impairments		241,031	-	241,031	-
Total other comprehensive income / (expense)		113,310	(128,724)	113,310	(128,724)
Total comprehensive income / (expense)		**(2,369,762)**	**(256,789)**	**(2,225,155)**	**(325,322)**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Equity at the start of the year	18	39,557,308	39,814,097	38,977,139	39,302,461
Total comprehensive income / (expense)		(2,369,762)	(256,789)	(2,225,155)	(325,322)
Equity at the end of the year		**37,187,546**	**39,557,308**	**36,751,984**	**38,977,139**

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Current assets					
Cash and cash equivalents	8	606,222	1,034,862	236,034	270,769
Trade and other receivables	9	640,559	689,234	728,710	804,958
Prepayments		83,897	349,957	42,709	309,443
Inventories	10	2,105,533	2,771,786	2,105,533	2,771,786
Investment properties held for sale	12	-	229,000	-	229,000
Property, plant and equipment held for sale	13	-	2,059,309	-	2,059,309
Total current assets		**3,436,211**	**7,134,148**	**3,112,986**	**6,445,265**
Non-current assets					
Other investments	11	515,686	338,207	515,686	338,207
Investment properties	12	35,300,000	35,421,000	35,300,000	35,421,000
Property, plant and equipment	13	22,004,923	23,246,422	21,241,596	22,699,466
Intangible assets	14	971,889	1,119,645	945,948	989,620
Total non-current assets		**58,792,498**	**60,125,274**	**58,003,230**	**59,448,293**
Total assets		**62,228,709**	**67,259,422**	**61,116,216**	**65,893,558**
Current liabilities					
Trade and other payables	15	2,862,290	3,389,827	2,574,363	3,021,408
Employee entitlements	16	891,696	1,094,621	891,696	1,094,621
Borrowings	17	1,002,091	852,396	1,002,091	852,396
Charitable donations allocated		389,004	417,276	-	-
Total current liabilities		**5,145,081**	**5,754,120**	**4,468,150**	**4,968,425**
Non-current liabilities					
Employee entitlements	16	113,172	105,296	113,172	105,296
Borrowings	17	19,662,000	21,662,000	19,662,000	21,662,000
Property reinstatement provision		120,910	180,698	120,910	180,698
Total non-current liabilities		**19,896,082**	**21,947,994**	**19,896,082**	**21,947,994**
Equity					
Share capital	18	11,330,740	11,330,740	11,330,740	11,330,740
Retained earnings	18	25,005,813	26,823,190	24,570,251	26,243,021
Asset Revaluation Reserve	18	850,993	1,403,378	850,993	1,403,378
Total Equity		**37,187,546**	**39,557,308**	**36,751,984**	**38,977,139**
Total liabilities and equity		**62,228,709**	**67,259,422**	**61,116,216**	**65,893,558**

Signed on Behalf of the Trust House Limited

B J Bourke
Chairman

D B Henry
Director

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

CASH FLOW

For the Year ended 31 March 2013

	Note:	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		45,408,616	51,828,389	40,192,629	46,218,391
Interest received		25,914	46,445	5,726	19,524
		45,434,530	**51,874,834**	**40,198,355**	**46,237,915**
Cash was applied to:					
Payments to suppliers and employees		40,586,956	45,687,774	38,282,174	43,261,121
Charitable donations		2,864,363	3,188,592	44,000	72,000
Interest paid		1,463,071	1,443,925	1,463,071	1,443,925
		44,914,390	50,320,291	39,789,245	44,777,046
Net cash flows from operating activities	22	**520,140**	**1,554,543**	**409,110**	**1,460,869**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		36,292	3,500	-	500
Sale of intangibles		26,084	4,250	-	-
Sale of business		2,880,027	-	2,880,027	-
Sale of investment property		301,802	756,001	301,802	756,001
		3,244,205	763,751	3,181,829	756,501
Cash was applied to:					
Purchase of plant, property and equipment		1,816,109	1,612,121	1,272,698	1,443,858
Purchase of intangible assets		28,475	12,993	4,575	12,993
Upgrading of investment property		343,096	451,973	343,096	451,973
Loan to Tararua Foundation		155,000	-	155,000	-
		2,342,680	2,077,087	1,775,369	1,908,824
Net cash flows from investing activities		**901,525**	**(1,313,336)**	**1,406,460**	**(1,152,323)**
Cash flows from financing activities					
Cash was applied to:					
Repayment of borrowings		2,000,000	30,000	2,000,000	30,000
		2,000,000	30,000	2,000,000	30,000
Net cash flows from financing activities		**(2,000,000)**	**(30,000)**	**2,000,000)**	**(30,000)**
Net (decrease) / increase in cash held		(578,335)	211,207	(184,430)	278,546
Opening cash balance		407,466	196,259	(356,627)	(635,173)
Closing cash balance		**(170,869)**	**407,466**	**(541,057)**	**(356,627)**
This balance is made up as follows:					
Cash and cash equivalents	8	(170,869)	407,466	(541,057)	(356,627)
		(170,869)	407,466	(541,057)	(356,627)

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

These financial statements have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the Constitution of Trust House Limited. The consolidated financial statements of Trust House Limited as at and for the year ended 31 March 2013 comprise of Trust House Limited, Trust House Charitable Trust (a controlled entity which ceased trading on 30 March 2012) and Trust House Foundation (a controlled entity).

Trust House Limited is primarily involved in the hospitality industry running a number of bars, restaurants, bottle stores, two hotels and three general community stores and a large rental housing portfolio.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 26 June 2013.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Measurement base

The financial statements have been prepared on the historical cost basis except for the following:

- investment property is measured at fair value
- land and buildings are measured at fair value

The methods used to measure fair values are discussed further in Note 4.

(c)Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3 — lease classification.
- Note 12 — valuation of investment property
- Note 13 — property, plant and equipment

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Trust House Limited and its subsidiaries as at 31 March each year ('the Group').

The Group financial statements consolidate the financial statement of subsidiaries, using the purchase method.

The purchase method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, liabilities assumed or incurred at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. The excess of cost of acquisition over the fair value of the Group's share in the identifiable net assets acquired is recorded as goodwill.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances, call deposits and term deposits with a duration of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments and measured at amortised cost.

Trade and other payables

Trade and other payables are stated at amortised cost.

Property, plant and equipment

Recognition and measurement

Land and buildings are revalued every three years to their fair value as determined by an independent registered valuer by reference to their highest and best use. Additions between revaluations are recorded at cost.

The results of land and buildings are credited or debited to an asset revaluation reserve for that individual asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the Income Statement.

Plant and equipment, motor vehicles and gaming machines are initially recorded at cost, and depreciated.

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.

Depreciation

Depreciation is calculated on a diminishing value basis on all plant, property and equipment except gaming machines which are calculated on a straight line basis (other than freehold land and items under construction, which are not depreciated), at a rate which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The depreciation rates for property, plant and equipment are as follows:

Buildings – Structure	3% – 33.3%
Buildings – Services and Fit Out	6.5%
Furniture, Equipment and Plant	6.67% - 25%
Motor Vehicles	20%
Gaming machines and Counters	25% - 100%

When the components of an item of property, plant and equipment have different useful lives or provide benefits to the entity in different patterns, thus requiring different depreciation rates and methods, the cost of the item is allocated to its component and each component is accounted for separately.

Intangible Assets

Intangible assets comprise of software acquired by the Group and goodwill on acquired businesses. Intangible assets acquired by the Group which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Software is amortised at a rate of 15-25% per year on a straight line basis.

Goodwill represents the excess of the cost of an acquisition over the fair value of Trust House Limited's share of the identifiable assets, liabilities and contingent liabilities of the acquired business at the acquisition date.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Investment Property

Investment property is stated at valuation, as determined every year by Mr Jerome McKeefry (BBS (VPM), Dip BS (Fin), MPINZ) of Telfer Young (Wellington) Limited, registered valuers. The basis for valuation is fair value. The effective date of the valuation was 31 March 2013. Any increase or decrease in valuation is recognised in the Income Statement. Investment property is not depreciated.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

(i) Impairment of receivables

All individual receivables which are considered to be significant are evaluated on a case by case basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Leases

Finance Leases

Leases which effectively transfer substantially all the risks and benefits incidental to the ownership of the leased item to the Company and Group are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and the corresponding lease liabilities are recognised in the Balance Sheet. The leased assets are depreciated over its useful life. If there is no certainty as to whether the Company and Group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term.

Inventories

Inventories are valued at the lower of cost, on a weighted average basis, and net realisable value.

Employee Entitlements

Provision is made in respect of the Group's liability for annual leave, long service leave, and retirement gratuities.

Annual leave and other entitlements that are expected to be settled within 12 months of the reporting date are measured at nominal values on an actual entitlement basis at a current rate of pay.

Entitlements that are payable beyond twelve months, such as long service leave and retirement gratuities, have been calculated on an actuarial basis on the present value of the expected future entitlements.

A provision for sick leave is recognised where employees have over the past two years taken more sick leave than their yearly allowance and still have accrued sick leave entitlements at year end. The provision is calculated as the number of excess sick leave days over the employees entitlement expected to be taken in the next 12 months times the employees' daily rate.

A provision is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Revenue

(1) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(2) Services

The Group acts as a management company for a number of entities. Revenue for management fees is recognised in accordance with the fees agreed in those contracts.

(3) Rental income

Rental income from investment property is recognised in the Income Statement as it becomes due, adjusted by a provision for doubtful debts.

(4) Gaming Machine income

Revenue from gaming operations is measured at the fair value of the consideration received or receivable. Revenue is recognised when recovery of the consideration is probable.

Investments

Investments in Foodstuffs deferred rebates are initially recognised at fair value by present valuing the future cash flows to be received under the rebate. They are subsequently measured at amortised cost.

Investment in Foodstuffs shares and rebates are accounted for at cost as the fair value of the rebates and shares cannot be reliably measured.

Borrowings

Long Term debt is recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Interest on qualifying assets is capitalised to the asset.

Tax

Trust House Limited is exempt from Income Tax as the Charities Commission has granted it Charitable Status. Trust House Charitable Trust is exempt from Income Tax at balance date as it is a Class IV gaming venue operator. Trust House Foundation is exempt from Income Tax as it is a Class IV gaming venue operator.

Goods and Services Tax

These accounts are prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or from the Inland Revenue Department (IRD) at balance date, being the difference between Output GST and Input GST, is included in Accounts Receivable or Accounts Payable (as appropriate). The net GST paid or received from the IRD including the GST relating to investing and financial activities, is classified as an operating cash flow in the Cash Flow Statement.

Charitable Donations

Charitable donations are recognised when approval is given.

Changes in Accounting Policy

There have been no changes to accounting policies from prior years. All accounting policies have been consistently applied.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair values for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property plant and equipment

The fair value of property plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(b) Investment property

An external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued, values the Groups investment property portfolio every 12 months. The valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the properties. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

5. REVENUE

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Sales	40,088,361	46,831,920	34,366,213	40,781,732
Services	261,250	250,953	728,500	695,953
Rentals	4,820,931	4,640,927	4,820,931	4,640,927
Gain on sale of investment properties	81,873	247,681	81,873	247,681
Gain in sale of businesses	258,867		258,867	
Total revenues	45,511,282	51,971,481	40,256,384	46,366,293

6. NON OPERATING ITEMS

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Change in fair value of investment property	12	(473,167)	(293,653)	(473,167)	(293,653)
		(473,167)	(293,653)	(473,167)	(293,653)

7. OPERATING EXPENSES

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Administration and financial		1,355,409	1,487,262	1,135,737	1,245,050
Advertising and promotion		1,049,802	1,077,166	1,049,802	1,077,166
Auditor fees					
- Annual audit		85,078	86,404	74,838	70,009
- Prospective financial statement review *		3,750	-	-	-
Bad debts written off	9	50,052	14,815	50,052	14,815
Movement in provision for doubtful debts	9	(37,428)	37,827	(37,428)	37,827
Depreciation	13	1,555,065	1,655,173	1,249,606	1,327,844
Amortisation	14	146,774	202,723	48,247	54,724
Impairment of property, plant and equipment	13	1,250,141	162,326	1,250,141	162,326
Loss / (gain) on sale of plant and equipment		(14,711)	1,239	-	-
Loss / (gain) on sale of intangible assets		3,373	4,570	-	-
Loss on sale of business	13	129,700	-	129,700	-
Gaming machine duty and licences		1,722,719	1,825,036	-	-
Property expenses		4,593,436	4,643,795	4,418,573	4,448,838
Rent and lease expenses	20	755,333	832,589	651,623	735,378
Employee costs		9,008,243	9,741,740	9,008,243	9,741,740
Directors fees		139,000	135,833	139,000	135,833
		21,795,736	21,908,498	19,168,134	19,051,550

* Theses fees relate to prospective financial accounts for the Trust House Foundation forecast, required by the Department of Internal Affairs.

8. CASH AND CASH EQUIVALENTS

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Bank balances	370,188	764,232	-	139
Cash floats	236,034	270,630	236,034	270,630
Cash and cash equivalents	606,222	1,034,862	236,034	270,769
Bank overdrafts used for cash management purposes	(777,091)	(627,396)	(777,091)	(627,396)
Cash and cash equivalents used in the Statement of Cash Flows	(170,869)	407,466	(541,057)	(356,627)

The carrying value of cash at bank, cash floats and bank overdrafts is equal to fair value.

9. TRADE AND OTHER RECEIVABLES

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Trade receivables	494,315	670,679	494,315	670,679
Less provision for impairment	(51,512)	(88,939)	(51,512)	(88,939)
	442,803	581,740	442,803	581,740
Sundry receivables	197,756	107,494	285,907	223,218
	640,559	689,234	728,710	804,958

Ageing of trade receivables

The status of trade receivables at the reporting date is as follows:

Group and parent	Not past due	1-30 days	31-60 days	60 days+	Total
31 March 2013	294, 151	121,332	12,185	66,647	494, 315
31 March 2012	427,332	116,868	14,306	112,173	670,679

As at 31 March 2013 trade receivables of $51,512 (2012: $88,939) were past due and considered impaired and trade receivables of $148,652 (2012: $154,408) were past due but not considered impaired.

Movements in the provision for impairment of receivables are as follows:

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
As at 1 April	88,939	51,112	88,939	51,112
Additional provisions made during the year	12,318	53,038	12,318	53,038
Receivables written off during the year	(49,745)	(15,211)	(49,745)	(15,211)
Balance at the end of the year	51,512	88,939	51,512	88,939

Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

The individually impaired receivables relate mainly to customers that are in difficult economic circumstances.

10. INVENTORIES

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Raw materials and consumables	66,901	61,890	66,901	61,890
Goods available for sale	2,038,632	2,709,896	2,038,632	2,709,896
	2,105,533	2,771,786	2,105,533	2,771,786

Inventory comprises goods available for sale and food ingredients.

No inventories are pledged as security for liabilities (2012 $nil). However, some inventories are subject to retention of title clauses.

11. OTHER INVESTMENTS

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Non current investments (at amortised cost)				
Foodstuffs Ltd - deferred rebates	164,718	156,494	164,718	156,494
	164,718	156,494	164,718	156,494
Non current investments (at cost)				
Foodstuffs Ltd - shares and rebates	195,968	171,713	195,968	171,713
Loan to Tararua Foundation	155,000	10,000	155,000	10,000
	350,968	181,713	350,968	181,713
Total non current investments	515,686	338,207	515,686	338,207

12. INVESTMENT PROPERTY

	Group and Parent 2013 $	Group and Parent 2012 $
Balance at 1 April	35,650,000	36,000,000
Properties sold during the year	(219,929)	(508,320)
Improvements	343,096	451,973
Change in fair value	(473,167)	(293,653)
Balance at 31 March	35,300,000	35,650,000
Classified as:		
Current - available for sale at 31 March	-	229,000
Non Current	35,300,000	35,421,000
	35,300,000	35,650,000

Investment property comprises 513 (2012: 517) rental houses in the lower North Island. The Group's investment properties are valued annually at fair market value effective 31st March. All investment properties were valued based on an investment approach basis. The valuation was performed by J McKeefry BBS (VPM), Dip BS (Fin), MPINZ; Registered Valuer of Telfer Young, Wellington. Telfer Young are an experienced valuer with extensive market knowledge in the types of investment properties owned by the Group.

12. INVESTMENT PROPERTY (CONTINUED)

	Group and Parent 2013 $	Group and Parent 2012 $
Rental income	4,738,181	4,620,240
Expenses from investment property generating income	1,755,915	1,834,027

Insurance

Rental properties are insured for full replacement value, with a deductible (excess) of $10,000 per dwelling.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $	Furniture and plant $	Motor vehicles $	Development in progress $	Under construction $	Total $
Group						
Cost or deemed cost						
Balance at 1 April 2011	21,125,674	8,922,262	245,834	1,547,715	4,437	31,845,922
Additions	1,146,914	362,823	40,744	18,642	96,364	1,665,487
Disposals	-	(55,275)	(6,698)	-	-	(61,973)
Reclassified as available for sale	(2,031,511)	(137,010)	-	-	-	(2,168,521)
Balance at 31 March 2012	**20,241,077**	**9,092,800**	**279,880**	**1,566,357**	**100,801**	**31,280,915**
Balance at 1 April 2012	20,241,077	9,092,800	279,880	1,566,357	100,801	31,280,915
Additions	992,230	813,075		9,078	(75,501)	1,738,882
Disposals	(615,232)	(1,240,640)	(66,280)			(1,922,152)
Reclassified from development in progress	1,575,435	-	-	(1,575,435)	-	-
Restate assets to fair value*	(182,529)	-	-	-	-	(182,529)
Balance at 31 March 2013	**22,010,981**	**8,665,235**	**213,600**	**-**	**25,300**	**30,915,116**
Depreciation and impairment losses						
Balance at 1 April 2011	641,519	5,442,927	134,375	34,931	-	6,253,752
Depreciation for the year	908,835	710,509	24,877	10,952	-	1,655,173
Impairment loss	291,050	-	-	-	-	291,050
Disposals	-	(51,036)	(5,234)	-	-	(56,270)
Reclassified as available for sale	(42,852)	(66,360)	-	-	-	(109,212)
Balance at 31 March 2012	**1,798,552**	**6,036,040**	**154,018**	**45,883**	**-**	**8,034,493**
Balance at 1 April 2012	1,798,552	6,036,040	154,018	45,883	-	8,034,493
Depreciation for the year	851,579	667,957	24,819	10,710	-	1,555,065
Impairment loss	954,302	-	-	-	-	954,302
Disposals	(446,976)	(1,138,753)	(47,938)	-	-	(1,633,667)
Reclassified from development in progress	56,593	-	-	(56,593)	-	-
Balance at 31 March 2013	**3,214,050**	**5,565,244**	**130,899**	**-**	**-**	**8,910,193**
Carrying amounts						
At 1 April 2011	20,484,155	3,479,335	111,459	1,512,784	4,437	25,592,170
At 31 March 2012	18,442,525	3,056,760	125,862	1,520,474	100,801	23,246,422
At 1 April 2012	18,442,525	3,056,760	125,862	1,520,474	100,801	23,246,422
At 31 March 2013	18,796,931	3,099,991	82,701	-	25,300	22,004,923

* This results from reclassification of the development in progress to land and buildings.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent	Land and buildings $	Furniture and plant $	Motor vehicles $	Development in progress $	Under construction $	Total $
Cost or deemed cost						
Balance at 1 April 2011	21,125,674	4,939,340	245,834	1,547,715	4,437	27,863,000
Other additions	1,146,914	200,586	40,744	18,642	96,364	1,503,250
Disposals	-	-	(6,698)	-	-	(6,698)
Reclassified as available for sale	(2,031,511)	(137,010)	-	-	-	(2,168,521)
Balance at 31 March 2012	**20,241,077**	**5,002,916**	**279,880**	**1,566,357**	**100,801**	**27,191,031**
Balance at 1 April 2012	20,241,077	5,002,916	279,880	1,566,357	100,801	27,191,031
Other additions	992,230	269,664		9,078	(75,501)	1,195,471
Disposals	(615,232)	(331,757)	(66,280)	-	-	(1,013,269)
Reclassified from development in progress	1,575,435	-		(1,575,435)	-	-
Restate assets to fair value*	(182,529)	-	-	-	-	(182,529)
Balance at 31 March 2013	**22,010,981**	**4,940,823**	**213,600**	**-**	**25,300**	**27,190,704**
Depreciation and impairment losses						
Balance at 1 April 2011	641,519	2,176,292	134,375	34,931	-	2,987,117
Depreciation for the year	908,835	383,180	24,877	10,952	-	1,327,844
Impairment loss	291,050	-	-	-	-	291,050
Disposals	-	-	(5,234)	-	-	(5,234)
Reclassified as available for sale	(42,852)	(66,360)	-	-	-	(109,212)
Balance at 31 March 2012	**1,798,552**	**2,493,112**	**154,018**	**45,883**	**-**	**4,491,565**
Balance at 1 April 2012	1,798,552	2,493,112	154,018	45,883	-	4,491,565
Depreciation for the year	851,579	362,498	24,819	10,710	-	1,249,606
Impairment loss	954,302	-	-	-	-	954,302
Disposals	(446,976)	(251,451)	(47,938)	-	-	(746,365)
Reclassified from development in progress	56,593	-	-	(56,593)	-	-
Balance at 31 March 2013	**3,214,050**	**2,604,159**	**130,899**	**-**	**-**	**5,949,108**
Carrying amounts						
At 1 April 2011	20,484,155	2,763,048	111,459	1,512,784	4,437	24,875,883
At 31 March 2012	18,442,525	2,509,804	125,862	1,520,474	100,801	22,699,466
At 1 April 2012	18,442,525	2,509,804	125,862	1,520,474	100,801	22,699,466
At 31 March 2013	18,796,931	2,336,664	82,701	-	25,300	21,241,596

* This results from the reclassification of the development in progress to land and buildings.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation - land and buildings

At fair value as determined from market based evidence by an independent valuer.

The most recent valuation was performed by J McKeefry BBS (VPM), Dip BS (Fin), MPINZ; Registered Valuer of Telfer-Young Wellington and the valuation is effective as at 31 March 2011.

The valuations were primarily based on the rental capitalisation methodology, depreciated replacement cost is used as a support method.

Total fair value of land and buildings valued by J McKeefry Group and Parent as at 31 March 2011 was $19,424,000.

Impairment

Net impairment losses of $1,136,831 were recognised in 2012/13 (2011/12 $291,050).

Of the total $512,529 relates to Featherston outlets and $624,302 relates to the Homestead complex. The Featherston impairment relates to land and buildings aquired for development purposes and subsequent planning and architecture and demolition fees have been written down to fair value.

Impairment losses of $624,302 were recognised in relation to the Homestead complex due to the particular impacts of the current trading enviroment.

Disposals

During the year the Group sold five businesses, The Kiwi Pub, Newtown Sports Bar and Liquorland, Liquor Plus Carterton, Liquorland Hutt City and Eketahuna Community Store.

The aggregate effect of these sales on the Company's financial results were:

Cash	2,880,027
Sundry receivables	107,342
Total consideration	2,987,369
Inventory	(497,370)
Property plant and equipment - held for sale	(2,059,309)
Property plant and equipment	(266,905)
Accrued expenses	(25,000)
Property reinstatement provision	64,329
Net assets disposed	(2,784,255)
Other Payments	
Notice Pay	63,530
Legal Fees	9,346
Other	1,071
	73,947
Net Profit on disposal	129,167
Represented in the P & L by:	
Profits on sale	258,867
Losses on sale	(129,700)
	129,167

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Insurance

Due to far higher premiums and deductible's (excess) imposed by insurers in the wake of the Christchurch earthquakes, the Group has the following deductibles for material damage insurance in relation to property, plant and equipment.

Non-natural disaster - $50,000 for each and every claim.

Natural disaster - 10% of site sum insured plus $2,500 per site.

The Group has insured the majority of its properties on an indemnity basis and only four on a full replacement basis.

14. INTANGIBLE ASSETS

	Group			Parent		
	Goodwill $	Software $	Total $	Goodwill $	Software $	Total $
Cost						
Balance at 1 April 2011	1,110,390	1,018,233	2,128,623	1,110,390	397,042	1,507,432
Additions	-	12,993	12,993	-	12,993	12,993
Disposals	-	(24,610)	(24,610)	-	-	-
Balance at 31 March 2012	1,110,390	1,006,616	2,117,006	1,110,390	410,035	1,520,425
Balance at 1 April 2012	1,110,390	1,006,616	2,117,006	1,110,390	410,035	1,520,425
Additions	-	28,475	28,475	-	4,575	4,575
Disposals	-	(229,156)	(229,156)	-	-	-
Balance at 31 March 2013	1,110,390	805,935	1,916,325	1,110,390	414,610	1,525,000
Amortisation and impairment losses						
Balance at 1 April 2011	439,000	371,428	810,428	439,000	37,081	476,081
Amortisation for the year	-	202,723	202,723	-	54,724	54,724
Disposals	-	(15,790)	(15,790)	-	-	-
Balance at 31 March 2012	439,000	558,361	997,361	439,000	91,805	530,805
Balance at 1 April 2012	439,000	558,361	997,361	439,000	91,805	530,805
Amortisation for the year	-	146,774	146,774	-	48,247	48,247
Disposals	-	(199,699)	(199,699)	-	-	-
Balance at 31 March 2013	439,000	505,436	944,436	439,000	140,052	579,052
Carrying amounts						
At 1 April 2011	671,390	646,805	1,318,195	671,390	359,961	1,031,351
At 31 March 2012	671,390	448,255	1,119,645	671,390	318,230	989,620
At 1 April 2012	671,390	448,255	1,119,645	671,390	318,230	989,620
At 31 March 2013	671,390	300,499	971,889	671,390	274,558	945,948

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations has been allocated to three cash generating units (CGU's) for impairment testing as follows:

Featherston Post and Lotto Shop

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management. The forecast covers a five year period for a portion of the business which would be retained within the Group and moved to another trading unit, regardless of the trading performance of this individual business. The discount rate applied to cash flow projections is 9.0% (2012 9.0%).

INTANGIBLES (CONTINUED)

Chungs Supermarket

Goodwill of $436,390 was recognised on the 2010 acquisition and has been apportioned to the Featherston Community Store ($291,000) and Liquor Plus Featherston ($145,390) businesses as these were expected to benefit when the Chungs business ceased trading shortly after being acquired.

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management which covers a five year period.

The discount rate applied to cash flow projections is 9.0% (2012: 9.0%).

(ii) Carrying amount of goodwill allocated to each group of cash generating units

	Group and Parent 2013 $	Group and Parent 2012 $
Featherston Post and Lotto Shop	235,000	235,000
Featherston Community Store	291,000	291,000
Featherston Liquor Plus	145,390	145,390
Total goodwill	671,390	671,390

(iii) Key assumptions used in value in use calculations for cash generating units

The calculation of value in use for all CGU's is most sensitive to the following assumptions; gross margins, discount rates and growth rates used. Gross margins are based on the average achieved in the last 12 months.

For the purposes of impairment testing a terminal growth rate has been used for all segments based on long-term industry averages.

(iv) Sensitivity to changes in assumptions

With regard to the assessment of the value in use for all CGU's, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed its recoverable amount.

15. TRADE AND OTHER PAYABLES

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Trade creditors	1,624,002	1,866,440	1,460,592	1,650,706
Interest payable	39,106	44,603	39,106	44,603
Capital payables	23,520	100,746	23,520	100,746
Accrued expenses	1,086,916	1,275,465	962,399	1,122,780
Revenue in advance	88,746	102,573	88,746	102,573
	2,862,290	3,389,827	2,574,363	3,021,408

16. EMPLOYEE ENTITLEMENTS

Current portion				
Accrued pay	156,685	232,086	156,685	232,086
Annual leave	726,170	844,987	726,170	844,987
Provision for staff long service / retirement benefits	3,461	12,808	3,461	12,808
Sick pay	5,380	4,740	5,380	4,740
	891,696	1,094,621	891,696	1,094,621
Non-current portion				
Provision for staff long service / retirement benefits	113,172	105,296	113,172	105,296
	1,004,868	1,199,917	1,004,868	1,199,917

17. BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing borrowings. For more information about the Company's exposure to interest rate risk see Note 19.

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Non-current liabilities				
Secured bank loans	19,662,000	21,662,000	19,662,000	21,662,000
	19,662,000	21,662,000	19,662,000	21,662,000
Current liabilities				
Bank overdrafts	777,091	627,396	777,091	627,396
Other loans	225,000	225,000	225,000	225,000
	1,002,091	852,396	1,002,091	852,396

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Group and Parent	Nominal interest rate	Year of maturity	Face value 2013 $	Carrying amount 2013 $	Face value 2012 $	Carrying amount 2012 $
Secured BNZ Bank loan	4.80%-6.70%	2017	15,000,000	15,000,000	15,000,000	15,000,000
Secured ANZ National Bank loan	6.70%	2014	4,662,000	4,662,000	6,662,000	6,662,000
Other loans	3.25%	2016	225,000	225,000	225,000	225,000
Bank overdrafts	8.75%	On demand	777,091	777,091	627,396	627,396
Total interest-bearing liabilities	-	-	20,664,091	20,664,091	22,514,396	22,514,396

The ANZ National Bank loans are secured with registered first mortgages over land and buildings with a carrying amount of $14,787,263 (2012: $16,488,419). The ANZ National Bank also has a general charge over Trust House Limited's assets.

The BNZ loans are secured by first charge mortgages over the residential housing portfolio. A secondary security is also held over the rental income stream from the housing portfolio.

18. CAPITAL AND RESERVES

Group	Share capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2011	11,330,740	1,532,102	26,951,255	39,814,097
Total comprehensive income / (expense)	-	(128,724)	(128,065)	(256,789)
Balance at 31 March 2012	11,330,740	1,403,378	26,823,190	39,557,308
Balance at 1 April 2012	11,330,740	1,403,378	26,823,190	39,557,308
Total comprehensive income / (expense)	-	113,310	(2,483,072)	(2,369,762)
Asset revaluation reserve realised on sale of business	-	(665,695)	665,695	-
Balance at 31 March 2013	11,330,740	850,993	25,005,813	37,187,546

Number of shares on Issue at 31 March 2013 10,637,000 (2012: 10,637,000).

18. CAPITAL AND RESERVES (CONTINUED)

Parent	Share capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2011	11,330,740	1,532,102	26,439,619	39,302,461
Total comprehensive income / (expense)	-	(128,724)	(196,598)	(325,322)
Balance at 31 March 2012	11,330,740	1,403,378	26,243,021	38,977,139
Balance at 1 April 2012	11,330,740	1,403,378	26,243,021	38,977,139
Total comprehensive income / (expense)	-	113,310	(2,338,465)	(2,225,155)
Asset revaluation realised on sale of business	-	(665,695)	665,695	-
Balance at 31 March 2013	11,330,740	850,993	24,570,251	36,751,984

The number of shares on issue at 31 March 2013 was 10,637,000 (2012: 10,637,000).

All issued shares are fully paid up and have no par value.

The revaluation reserve relates to the revaluation of land and buildings at 31 March 2011.

19. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and liquidity risk arises in the normal course of the Group's business.

Credit risk

Management has a process in place under which each new customer seeking credit with the Group is individually analysed for credit worthiness and assigned a purchase limit before credit is offered.

The Group does not require collateral in respect of trade and other receivables, except in relation to rental properties where bonds are required and lodged with the tenancy tribunal.

The Group's exposure to credit risk is mainly influenced by its customer base, as such it is concentrated to the default risk of its industry. No single customer balance would be considered material.

Investments are allowed only in call or short term deposits with specified counterparties.

Credit quality of financial assets

Cash and cash equivalents are held with the ANZ National Bank which currently has a Standard and Poor's credit rating of AA. Trade and other receivables are all with counterparties without credit ratings with no history of default with Trust House Limited in the past.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Overdrafts and credit lines in place	1,500,000	1,500,000	1,500,000	1,500,000

FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Group regularly reviews the balance between its fixed rate and floating rate borrowings. The Group has flexibility within its borrowing facilities to move between fixed and floating rates as required.

Other market price risk

The Group is not exposed any other substantial market price risk arising from financial instruments.

Quantitative disclosures

Credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

(a) Liquidity risk

The following table sets out the contractual cash flows for all financial liabilities.

	Carrying Amount $	Contractual cash flows $	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
Group 2013						
Secured bank loans	19,662,000	24,129,367	1,281,874	5,813,648	17,033,845	-
Other loans	225,000	245,155	7,313	7,313	230,529	-
Trade and other payables	2,862,290	2,862,290	2,862,290	-	-	-
Bank overdraft	777,091	777,091	777,091	-	-	-
Total non-derivative liabilities	23,526,381	28,013,903	4,928,568	5,820,961	17,264,374	-
Group 2012						
Secured bank loans	21,662,000	27,781,685	1,415,874	1,415,874	9,762,237	15,187,700
Other loans	225,000	252,468	7,313	7,313	237,842	-
Trade and other payables	3,389,827	3,389,827	3,389,827	-	-	-
Bank overdraft	627,396	627,396	627,396	-	-	-
Total non-derivative liabilities	25,904,223	32,051,376	5,440,410	1,423,187	10,000,079	15,187,700
Parent 2013						
Secured bank loans	19,662,000	24,129,367	1,281,874	5,813,648	17,033,845	-
Other loans	225,000	245,155	7,313	7,313	230,529	-
Trade and other payables	2,574,363	2,574,363	2,574,363	-	-	-
Bank overdraft	777,091	777,091	777,091	-	-	-
Total non-derivative liabilities	23,238,454	27,725,976	4,640,641	5,820,961	17,264,374	-
Parent 2012						
Secured bank loans	21,662,000	27,781,685	1,415,874	1,415,874	9,762,237	15,187,700
Other loans	225,000	252,468	7,313	7,313	237,842	-
Trade and other payables	3,021,408	3,021,408	3,021,408	-	-	-
Bank overdraft	627,396	627,396	627,396	-	-	-
Total non-derivative liabilities	25,535,804	31,682,957	5,071,991	1,423,187	10,000,079	15,187,700

FINANCIAL INSTRUMENTS (CONTINUED)

(b) Sensitivity analysis

Interest Rate Risk

The effect of a +100bps increase in interest rates applicable to the floating rate financial instruments held by the Group is a reduction in profit of $100,888 (2012:$68,879) and for the Company a reduction in profit of $104,590 (2012:$75,144).

(c) Classification and fair values

Group 2013	Loans and receivables $	At amortised cost $	Total carrying amount $	Fair value $
Assets				
Investments	515,686		515,686	515,686
Trade and other receivables	640,559		640,559	640,559
Prepayments	83,897		83,897	83,897
Cash and cash equivalents	606,222		606,222	606,222
Total assets	1,846,364		1,846,364	1,846,364
Liabilities				
Trade and other payables		2,862,290	2,862,290	2,862,290
Borrowings		20,664,091	20,664,091	20,664,091
Total liabilities		23,526,381	23,526,381	23,526,381
Group 2012				
Assets				
Investments	338,207		338,207	338,207
Trade and other receivables	689,234		689,234	689,234
Prepayments	349,957		349,957	349,957
Cash and cash equivalents	1,034,862		1,034,862	1,034,862
Total assets	2,412,260		2,412,260	2,412,260
Liabilities				
Trade and other payables		3,389,827	3,389,827	3,389,827
Borrowings		22,514,396	22,514,396	22,514,396
Total liabilities		25,904,223	25,904,223	25,904,223

FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification and fair values

Parent 2013	Loans and receivables $	At Amortised cost $	Total carrying amount $	Fair value $
Assets				
Investments	515,686		515,686	515,686
Trade and other receivables	728,710		728,710	728,710
Prepayments	42,709		42,709	42,709
Cash and cash equivalents	236,034		236,034	236,034
Total assets	1,523,139		1,523,139	1,523,139
Liabilities				
Trade and other payables		2,574,363	2,574,363	2,574,363
Borrowings		20,664,091	20,664,091	20,664,091
Total liabilities		23,238,454	23,238,454	23,238,454
Assets				
Investments	338,207		338,207	338,207
Trade and other receivables	804,958		804,958	804,958
Prepayments	309,443		309,443	309,443
Cash and cash equivalents	270,769		270,769	270,769
Total assets	1,723,377		1,723,377	1,723,377
Liabilities				
Trade and other payables		3,021,408	3,021,408	3,021,408
Borrowings		22,514,396	22,514,396	22,514,396
Total liabilities		25,535,804	25,535,804	25,535,804

20. OPERATING LEASES

Non cancellable operating leases are payable as follows:

	Group and Parent 2013 $	Group and Parent 2012 $
Less than one year	477,536	758,040
Between 1 and 2 years	418,961	716,477
Between 2 and 5 years	795,431	1,143,292
Over 5 years	1,096,452	1,391,492
	2,788,380	4,009,301

The Group leases a number of hospitality premises, vehicles and equipment under operating leases.

During the year ended 31 March 2013 $651,623 was recognised as an expense in the Income Statement in respect of operating leases (2012: $735,378)

21. COMMITMENTS AND CONTINGENCIES

The Group and Parent had no capital commitments at 31 March 2013 (2012; $Nil).

The Group and Parent had contingent liabilities of $55,000 as at 31 March 2013 (2012: $55,000) in relation to guarantees provided by ANZ National Bank on behalf of Trust House Limited.

Tararua Foundation has a term loan of $500,000 from the ANZ Bank which is guaranteed by Trust House Limited.

22. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Net Surplus/(Deficit) for Year	(2,483,072)	(128,065)	(2,338,465)	(196,598)
Add (less) non-cash items:				
Depreciation	1,555,065	1,655,173	1,249,606	1,327,844
Software amortised	146,774	202,723	48,247	54,724
Revaluation of investment properties	473,167	293,653	473,167	293,653
Property reinstatement provision	4,541	2,581	4,541	2,581
Fixed assets impairment	1,250,141	162,326	1,250,141	162,326
Loss on sale of intangibles	3,373	4,570	-	-
(Gain)/loss on sale of fixed assets	(14,711)	2,203	-	964
Gain on sale of businesses	(129,166)	-	(129,166)	
Gain on sale of investment property	(81,873)	(247,681)	(81,873)	(247,681)
Investments issued in lieu of rebates	(22,479)	87,455	(22,479)	87,455
	3,184,832	2,163,003	2,792,184	1,681,866
Add (less) movements in working capital items:				
(Increase)/decrease in receivables and prepayments	422,077	55,709	450,324	65,687
(Increase)/decrease in inventories	168,883	(41,893)	168,883	(41,893)
Increase/(decrease) in charitable distributions payable	(28,272)	(409,964)	-	-
Increase/(decrease) in employee entitlements	(258,579)	128,149	(258,579)	128,149
Increase/(decrease) in trade and other payables	(485,729)	(212,396)	(405,237)	(176,342)
	(181,620)	(480,395)	(44,609)	(24,399)
Net cash flow from operating activities	520,140	1,554,543	409,110	1,460,869

23. RELATED PARTY TRANSACTIONS

(i) Parent and ultimate controlling party

The immediate parent and ultimate controlling party of Trust House Limited is the Masterton Licensing Trust.

(ii) Transactions with key management personnel

Several of the Directors of Trust House Limited and Trustees of Masterton Licencing Trust own or run businesses in their own right. A number of these entities transacted with the Group in the period and are disclosed below.

The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

During the year Directors and senior management, as part of a normal customer relationship, were involved in minor transactions with Trust House Limited (such as purchase of meals, liquor or groceries). Directors and senior management are entitled to a 10% discount on non-discounted goods. These buying privileges are available to all employees.

During the year the Company purchased promotional material from Mangan Graphics a business which is owned by Ray Southey a Trustee of Masterton Licensing Trust the parent of Trust House Limited. The Company purchased goods valued at $8,312 (2012: $17,281). The balance outstanding at year end was $639 (2012: $939).

RELATED PARTY TRANSACTIONS (CONTINUED)

During the year the Company purchased accommodation from the Highwayman Motel a business in which B Teahan is a Director, he also was Chief Executive of Trust House (to 31 March 2013). During the year the Company purchased services valued at $120 (2012: $150). The balance outstanding at year end was $120 (2012 $Nil). The Highwayman purchased goods from Trust House valued at $5,006 (2012: $5,724). The balance outstanding at year end was $429 (2012: $655).

The General Manager of Solway Park and one board member of Trust House Limited are on the board of Destination Wairarapa - a regional tourism promotion body. During the year Trust House Foundation paid Destination Wairarapa grants totalling $252,422 (2012: $249,923). Destination Wairarapa purchased $6400 (2012: $Nil) of goods and services from Trust House Limited. The amount outstanding at year end was $Nil (2012: $Nil). Trust House purchased advertising from and paid subscriptions to Destination Wairarapa. The value of the purchases was $8,303 (2012: $2,233). The amount outstanding at year end was $1,903 (2012: $Nil). Trust House Limited provides accounting services to Destination Wairarapa. During the year Destination Wairarapa paid $25,000 (2012 $23,750) for these services.

(iii) Key management personnel compensation

	2013 $	2012 $
Salaries and other short term benefits	1,011,739	1,057,642
Post employment benefits	4,773	1,641
Other long term benefits	-	-
Termination benefits	-	-
	1,016,512	1,059,283

Key management personnel compensation comprises that of the Directors, Chief Executive and other senior managers.

(iv) Other related party transactions

(a) Masterton Licensing Trust (MLT)

	2013	2012
Shares in Trust House Ltd (number of shares)	8,000,000	8,000,000
	$	$
Management fees paid by MLT to Trust House Ltd	15,750	15,000
Royalty fees paid by Trust House Ltd to MLT	37,000	69,000
Trust House Ltd provided goods and services to MLT on an arms length basis	1,102	942

(b) Masterton Licensing (Charitable) Trust (MLCT)

	2013	2012
Shares in Trust House Ltd (number of shares)	2,150,000	2,150,000
	$	$
Donations paid by Trust House Ltd to ML(C)T	44,000	36,000
Management fees paid by ML(C)T to Trust House Ltd	36,250	35,000
Trust House Ltd provided goods and services to ML(C)T on an arms length basis	21,732	20,779

RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Flaxmere Licensing (Charitable) Trust (FLCT)

	2013	2012
Shares in Trust House Ltd (number of shares)	150,000	150,000
	$	$
Term Loan to Trust House Limited	225,000	225,000
- This loan is repayable upon demand and is unsecured		
Management Fees paid by FLCT to Trust House Ltd	26,250	25,000

(d) Flaxmere Licensing Trust (FLT)

	2013	2012
Shares in Trust House Ltd (number of shares)	337,000	337,000
	$	$
Management Fees paid by FLT to Trust House Ltd	5,250	5,000

(e) Tararua Foundation Incorporated (TF)

	2013 $	2012 $
Donations paid by Trust House Ltd to TF	-	36,000
Management Fees paid by TF to Trust House Ltd	52,500	50,000
Loan advance to TF by Trust House Limited	155,000	10,000
Grants from Trust House Foundation to TF	512,000	500,000
Grant from Trust House Charitable Trust to TF	-	490,000
Trust House Ltd provided goods and services to TF on an arms length basis	7,527	1,557
Amounts owed to Trust House by TF at year end	679	-

Tararua Foundation has a term loan of $500,000 from the ANZ Bank which is guaranteed by Trust House Limited.

(f) Trust House Charitable Trust (THCT)

i. Trust House Charitable Trust is an independent Charitable Trust. Some of the Directors of Trust House Ltd were also Trustees of Trust House Charitable Trust.

ii. Gaming Machine proceeds are generated in the premises of the Rimutaka Licensing Trust and Trust House Ltd. By agreement the Trust House Charitable Trust allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to call for donations from the Trust House Charitable Trust. Once they are approved by the charitable arms, payment is made by the Trust House Charitable Trust direct to the organisation receiving the grant.

Trust House Charitable Trust has been wound up. At 31 March 2012 it had no assets or liabilities. The functions previously performed by the Trust House Charitable Trust are now carried out by the Trust House Foundation see (g) below.

Details of the funds available and grants approved are:

	2013 $	2012 $
Funds available 1st April	-	511,636
Net surplus before charitable distributions	-	349,630
Grants unclaimed	-	24,287
Grants approved	-	(885,553)
Funds available 31st March	-	-

RELATED PARTY TRANSACTIONS (CONTINUED)

Trust House Ltd is responsible for administering Trust House Charitable Trust.

	2013 $	2012 $
Site Rentals paid by THCT to Trust House Ltd	-	134,116
Management Fees paid by THCT to Trust House Ltd	-	74,167

THCT has paid the following entities for services perform by the entities on behalf of THCT:

	2013 $	2012 $
Masterton Licensing (Charitable) Trust	-	7,667
Rimutaka Trust	-	5,750
Flaxmere Licensing (Charitable) Trust	-	5,750
	-	19,167

THCT has paid the following grants:

	2013 $	2012 $
Flaxmere Licensing (Charitable) Trust	-	10,000
	-	10,000

(g) Trust House Foundation (THF)

i. Trust House Foundation is an independent trust. Some of the Directors of Trust House Ltd are also Trustees of Trust House Foundation.

ii. Gaming Machine proceeds are generated in the premises of the Rimutaka Licensing Trust and the Trust House Ltd. By agreement the Trust House Foundation allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to call for donations from the Trust House Foundation. Once they are approved by the charitable arms, payment is made by the Trust House Foundation direct to the organisation receiving the grant.

Details of the funds available and grants approved are:

	2013 $	2012 $
Funds available 1st April	580,169	-
Net surplus before charitable distributions	2647,484	2,425,531
Grants unclaimed	24,395	22,871
Grants approved	(2816,486)	(1,868,233)
Funds available 31st March	435,562	580,169

RELATED PARTY TRANSACTIONS (CONTINUED)

Trust House Ltd is responsible for administering Trust House Foundation

	2013 $	2012 $
Site Rentals paid by THF to Trust House Ltd	903,253	809,059
Management Fees paid by THF to Trust House Ltd	467,250	370,833

THF has paid the following entities for services performed by the entities on behalf of THF:

	2013 $	2012 $
Masterton Licensing (Charitable) Trust	46,000	38,333
Rimutaka Trust	34,500	28,750
Flaxmere Licensing (Charitable) Trust	34,500	28,750
	115,000	95,833

THF has paid the following grants:

	2013 $	2012 $
Masterton Licensing (Charitable) Trust	25,586	26,674
Rimutaka Trust	10,469	10,828
Flaxmere Licensing (Charitable) Trust	7,961	7,149
	44,016	44,651

As at 31 March 2013, the Trust House Foundation owed Trust House Limited $88,151 (2012: $115,724)

(h) Rimutaka Licensing Trust

Trust House has an agreement to manage the operations of the Rimutaka Licensing Trust

	2013 $	2012 $
Management Fees paid by RLT to Trust House Ltd	73,500	70,000
Site Rentals paid by Trust House Foundation to RLT	98,938	85,114
Site Rentals paid by Trust House Charitable Trust to RLT	-	14,095
Owed to Trust House Limited for payments made on behalf of RLT	15,693	9,084

(i) Rimutaka Trust

Trust House has an agreement to manage the operations of the Rimutaka Trust

	2013 $	2012 $
Management Fees paid by RT to Trust House Ltd	26,250	25,000
Owed to Trust House Limited for payments made on behalf of RLT	13	3,092

24. GROUP ENTITIES

Subsidiaries

Trust House Foundation is a controlled entity.

25. SUBSEQUENT EVENTS

Bank loans from both ANZ and BNZ require that 12 month rolling interest cover is maintained at 1.50 times EBITDA. As at 28 April 2013 the 12 month rolling interest cover was 1.48 times EBITDA. The ANZ term loans have been repaid and replaced with additional facilities with the BNZ.

The BNZ has acknowledged the level of interest cover and is charging an additional 0.2% per annum interest until the interest cover exceeds 1.50 times.

On the 2nd May the Homestead family restaurant was closed due to unsustainable trading losses.

26. CAPITAL MANAGEMENT

The Group's capital includes share capital, reserves and retained earnings. The Group's policy is to maintain a capital base so as to maintain creditor and community confidence and to sustain future development of the business.

The Group is not subject to any externally imposed capital requirements. There have been no material changes in the Group's management of capital during the period.

INDEPENDENT AUDITOR'S REPORT

To the readers of Trust House Limited and Group's financial statements for the year ended 31 March 2013

The Auditor General is the auditor of Trust House Limited (the Company) and Group. The Auditor General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Company and group on her behalf.

We have audited the financial statements of the Company and Group on pages 8 to 33, that comprise the Statement of Financial Position as at 31 March 2013, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

OPINION

Financial statements

In our opinion:

- the financial statements of the Company and Group on pages 8 to 33:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the company and group's:
    - financial position as at 31 March 2013; and
    - financial performance and cash flows for the year ended on that date.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the Company and Group as far as appears from an examination of those records.

Our audit was completed on 26 June 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company and Group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control 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 Company and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Company and Group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit and the audit report on the Company's subsidiary Trust House Foundation's forecast financial statements for the year ending 31 March 2014 in accordance with the requirements of the Department of Internal Affairs, we have no relationship with or interests in the Company or any of its subsidiaries.

Leon Pieterse

Audit New Zealand

On behalf of the Auditor General

Auckland, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Trust House Limited and Group for the year ended 31 March 2013 included on the Trust House Limited and Group's website. The Board of Directors is responsible for the maintenance and integrity of the Trust House Limited and Group's website. We have not been engaged to report on the integrity of Trust House Limited and Group's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 June 2013 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.


Castor
sweet fruit chutney
hollandaise
Roller
sweet

TRUST HOUSE FOUNDATION

1. Sharon Campbell – Copthorne Hotel & Resort Solway Park, Wairarapa
2. Grace Tessier – Apache Jacks Martinborough
3. Jane Stagg – Trust House Support Office
4. Jayne Onekawa – Copthorne Hotel & Resort Solway Park, Wairarapa
5. Dale Fanning – The Bottle-O Featherston
6. Charmaine Theobald – Apache Jacks Martinborough

INCOME STATEMENT

For the year ended 31 March 2013

	Note	2013 $	2012 $
Income			
Revenue		6,625,401	5,990,823
Interest received		20,188	11,484
Gain on sale of fixed assets		15,525	-
Gain on sale of intangible assets		20,687	-
Total income		6,681,801	6,002,307
Operating expenses	4	4,034,317	3,576,776
Net surplus before charitable distributions		2,647,484	2,425,531
Charitable distribution	5	(2,792,091)	(1,845,362)
Net surplus/(deficit)		(144,607)	580,169

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013 $	2012 $
Net surplus/(deficit) for year	(144,607)	580,169
Other comprehensive income	-	-
Total comprehensive income for the period	(144,607)	580,169

STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 March 2013

	2013 $	2012 $
Equity at start of year	580,169	-
Total comprehensive income	(144,607)	580,169
Equity at end of year	435,562	580,169

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 $	2012 $
Current assets			
Cash and cash equivalents	8	370,188	764,093
Prepayments		41,188	40,514
Total current assets		411,376	804,607
Non-current assets			
Plant and equipment	6	763,327	546,956
Intangible assets	7	25,941	130,025
Total non-current assets		789,268	676,981
Total assets		1,200,644	1,481,588
Current liabilities			
Trade and other payables	10	376,078	484,143
Charitable distribution allocated		389,004	417,276
Total current liabilities		765,082	901,419
Equity			
Retained earnings	11	435,562	580,169
Total equity		435,562	580,169
Total liabilities and equity		1,200,644	1,481,588

Signed on Behalf of the Trust House Foundation

B J Bourke

Chairman

A H J Pollard

Chief Executive

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Cash was provided from:			
Gaming machine revenue		6,625,401	5,990,823
Interest received		20,188	11,484
		6,645,589	6,002,307
Cash was applied to:			
Payments to suppliers		3,685,628	2,874,771
Charitable distributions		2,820,363	1,428,086
GST (net)		28,568	(142,845)
		6,534,559	4,160,012
Net cash inflows/ (outflows) from operating activities	*12*	111,030	1,842,295
Cash flows from investing activities			
Cash was provided from:			
Sale of plant and equipment		36,292	3,000
Sale of intangible assets		26,084	4,250
		62,376	7,250
Cash was applied to:			
Purchase of plant and equipment		543,411	823,568
Purchase of intangible assets		23,900	261,884
		567,311	1,085,452
Net cash inflows/(outflows) from investing activities		(504,935)	(1,078,202)
Net increase/(decrease) in cash held		(393,905)	764,093
Opening cash balance		764,093	-
Closing cash balance		370,188	764,093
Closing cash is made up of:			
Cash and cash equivalents		370,188	764,093
		370,188	764,093

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

STATEMENT OF ACCOUNTING POLICIES

1. REPORTING ENTITY

These financial statements have been prepared in accordance with the Trust Deed of the Trust House Foundation and the Charitable Trusts Act 1957.
Trust House Foundation runs a number of class IV gaming venues and distributes profits by way of charitable donations.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements of Trust House Foundation are for the year ended 31 March 2013. The financial statements were approved by the Trustees on 22nd May 2013.

(b) Measurement Base

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

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Foundation's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(d) Measurement uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Financial instruments

Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Foundation becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Foundation's contractual rights to the cash flows from the financial assets expire or if the Foundation transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Foundation commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Foundation's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Plant and equipment

Recognition and measurement

Plant and equipment consists of gaming machines and other related equipment. Plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated on a straight line basis on all plant and equipment assets at a rate which will write off the cost of the assets to their estimated residual value over their useful lives.

The depreciation rates for plant and equipment is 25% per annum.

Intangible Assets

Intangible assets comprise of software acquired by the Foundation. Intangible assets acquired by the Foundation which have finite lives are measured at cost less accumulated amortisation and accumulated impairment losses. The amortisation rate for intangible assets is 25%, calculated on a straight-line basis.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

The carrying amounts of the Foundation's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

Leases

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term.

Revenue

Gaming machine income

Revenue from gaming operations is measured at the fair value of the consideration received or receivable. Revenue is recognised when recovery of the consideration is probable.

Tax

The Trust House Foundation is exempt from Income Tax.

Goods and Services Tax

These accounts are prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Accounts Receivable or Accounts Payable (as appropriate). The net GST paid or received from the IRD including the GST relating to investing and financial activities, is classified as an operating cash flow in the Cash Flow Statement.

Charitable Donations

Charitable Donations are recognised when approval is given.

4. OPERATING EXPENSES

Details of operating expenses are:

	2013 $	2012 $
Administration and financial	599,698	478,388
Audit fees	10,240	9,840
Other services provided by auditor - Prospective financial statements	3750	-
Gaming machines licences	86,113	74,876
Depreciation	305,459	272,373
Amortisation of intangible assets	98,527	123,039
EMS monitoring	87,224	79,739
Loss on disposal of assets	814	1,239
Loss on disposal of intangibles	24,060	4,570
Service, maintenance and insurance expenses	174,863	158,685
Gaming machines duty	1,523,842	1,377,889
Problem gambling levy	112,764	101,964
Site rentals	1,006,963	894,174
	4,034,317	3,576,776

5. CHARITABLE DISTRIBUTIONS

Details of charitable distributions are:

	2013 $	2012 $
Charitable distributions approved	2,816,486	1,868,233
Add back - distributions not uplifted	(20,484)	(21,599)
- distributions refunded	(3,911)	(1,272)
	2,792,091	1,845,362

6. PLANT AND EQUIPMENT

	Plant and equipment $
Cost	
Balance at 1 April 2011	-
Additions	823,568
Disposals	(4,926)
Balance at 31 March 2012	818,642
Balance at 1 April 2012	818,642
Additions	543,411
Disposals	(52,720)
Balance at 31 March 2013	1,309,333
Depreciation and impairment losses	
Balance at 1 April 2011	-
Depreciation for the year	272,373
Disposals	(687)
Balance at 31 March 2012	271,686
Balance at 1 April 2012	271,686
Depreciation for the year	305,459
Disposals	(31,139)
Balance at 31 March 2013	546,006
Carrying amounts	
At 1 April 2011	-
At 31 March 2012	546,956
At 1 April 2012	546,956
At 31 March 2013	763,327

7. INTANGIBLE ASSETS

	Gaming Software $
Cost	
Balance at 1 April 2011	-
Additions	261,884
Disposals	(11,895)
Balance at 31 March 2012	249,989
Balance at 1 April 2012	249,989
Additions	23,900
Disposals	(97,378)
Balance at 31 March 2013	176,511
Amortisation and impairment losses	
Balance at 1 April 2011	-
Amortisation for the year	123,039
Disposals	(3,075)
Balance at 31 March 2012	119,964
Balance at 1 April 2012	119,964
Amortisation for the year	98,527
Disposals	(67,921)
Balance at 31 March 2013	150,570
Carrying amounts	
At 1 April 2011	-
At 31 March 2012	130,025
At 1 April 2012	130,025
At 31 March 2013	25,941

8. CASH AND CASH EQUIVALENTS

These comprise of deposits held on call at banks.

9. FINANCIAL INSTRUMENTS

Classification and fair value

The carrying amount of financial instruments approximates their fair value.

Liquidity Risk

Exposure to liquidity risk arises in the normal course of the Foundations business.

Liquidity risk represents the Foundation's ability to meet its contractual obligations. The Foundation evaluates its liquidity requirements on an ongoing basis. In general, the Foundation generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets out the contractual cash flows for all financial liabilities

2012	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
Trade and other payables	484,143	-	-	-
Charitable distributions payable	417,276	-	-	-
Total non-derivative liabilities	901,419	-	-	-
2013				
Trade and other payables	376,078	-	-	-
Charitable distributions payable	389,004	-	-	-
Total non-derivative liabilities	765,082	-	-	-

10. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Gaming machine duty payable	134,400	177,911
Problem gambling levy payable	9,946	13,165
Goods and services tax payable	114,277	142,845
Audit fees payable	10,240	9,840
Capital payables	-	-
Intangible payables	-	-
Trade creditors	107,215	140,382
	376,078	484,143

11. RETAINED EARNINGS

Gaming machine proceeds are generated in the premises of the Rimutaka Licensing Trust and Trust House Limited. By agreement the Trust House Foundation allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to consider grant applications and make recommendations to the Trust House Foundation. Once they are approved by the charitable arms, payment is made by the Trust House Foundation direct to the organisation receiving the grant.

Details of the funds available and grants approved are:

	2013	2012
Flaxmere Licensing (Charitable) Trust	$	$
Funds available 1st April	124,968	-
Net surplus before charitable distributions	437,867	401,455
Grants written off/refunded	2,557	6,851
Grants approved	(483,984)	(283,338)
Funds available 31st March	81,408	124,968
Masterton Licensing (Charitable) Trust		
Funds available 1st April	283,066	-
Net surplus before charitable distributions	1,910,765	1,677,765
Grants written off/refunded	14,615	9,076
Grants approved	(1,892,888)	(1,403,775)
Funds available 31st March	315,558	283,066
Rimutaka Trust		
Funds available 1st April	172,135	-
Net surplus before charitable distributions	298,852	346,311
Grants written off/refunded	7,223	6,944
Grants approved	(439,614)	(181,120)
Funds available 31st March	38,596	172,135
Totals		
Funds available 1st April	580,169	-
Net surplus before charitable distributions	2,647,484	2,425,531
Grants written off/refunded	24,395	22,871
Grants approved	(2,816,486)	(1,868,233)
Funds available 31st March	435,562	580,169

12. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 $	2012 $
Net surplus/(deficit) for year	(144,607)	580,169
Add/(less) non-cash items:		
Depreciation	305,459	272,373
Amortisation	98,527	123,039
	403,986	395,412
Add/(less) movements in working capital items:		
(Increase)/decrease in debtors and prepayments	(674)	(40,514)
Increase/(decrease) in charitable distribution payable	(28,272)	417,276
Increase/(decrease) in payables and accruals	(106,065)	484,143
	(137,011)	860,905
Add/(less) investing activities		
Loss on sale of intangible assets	3,373	4,570
Loss/(gain) on sale of plant and equipment	(14,711)	1,239
	(11,338)	5,809
Net cash flow from operating activities	111,030	1,842,295

13. OPERATING LEASES

The Foundation does not have any term commitment in relation to operating leases. It did however pay, in a manner prescribed by the Department for Internal Affairs, site rentals for the gaming in the Trust House Limited and Rimutaka Licensing Trust, premises where its gaming machines are located. Details of these payments are in Note 15.

14. CONTINGENT LIABILITIES AND COMMITMENTS

The Trust House Foundation has no contingent liabilities or commitments as at 31 March 2013 (2012: Nil).

15. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Foundation is considered to be a controlled entity of Trust House Limited. The ultimate controlling party is the Masterton Licensing Trust.

(a) Trust House Limited

(i) The Trust House Foundation is an independent Charitable Foundation. Four Trustees of the Trust House Foundation are also Directors of Trust House Limited.

(ii) Trust House Limited is also responsible for administering the Foundation. Any transactions between this Foundation, Trust House Limited and its shareholder Trusts are carried out on a commercial and arms length basis.

(iii) The Trust House Foundation paid $467,250 for management fees to Trust House Limited in 2012/13 (2011/12: $370,833).

(iv) In 2012/13 the Trust House Foundation paid site rentals of $903,253 to Trust House Limited (2011/12: $809,059).

(v) As at 31 March 2013, the Trust House Foundation owed Trust House Limited $88,151 (2011/12: $115,724).

RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Flaxmere Licensing Trust/ Flaxmere Licensing (Charitable) Trust

(i) One Trustee from the Flaxmere Licensing Trust is also a Trustee of the Trust House Foundation.

(ii) By arrangement, the Trust House Foundation accepts recommendations from the Trustees of the Flaxmere Licensing (Charitable) Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the Flaxmere Tavern (owned by Trust House Limited).

(iii) In 2012/13 the Trust House Foundation made charitable distributions of $7,961 to the Flaxmere Licensing (Charitable) Trust (2011/12: $7,149).

(iv) As at 31 March 2013, the Trust House Foundation owed the Flaxmere Licensing Trust $Nil (2011/12: $Nil).

(v) In 2012/13 the Trust House Foundation paid the Flaxmere Licensing (Charitable) Trust $34,500 for services on behalf of the Trust House Foundation (2011/12: $28,750).

(c) Rimutaka Licensing Trust/ Rimutaka Trust

(i) One Trustee from the Rimutaka Licensing Trust is also a Trustee of the Trust House Foundation.

(ii) By arrangement, the Trust House Foundation accepts recommendations from the Trustees of the Rimutaka Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the Rimutaka Tavern (owned by the Rimutaka Licensing Trust).

(iii) In 2012/13 the Trust House Foundation paid site rentals of $98,938 to the Rimutaka Licensing Trust (2011/12: $85,114).

(iv) In 2012/13 the Trust House Foundation paid the Rimutaka Trust $34,500 for services on behalf of the Trust House Foundation (2011/12: $28,750).

(v) In 2012/13 the Trust House Foundation made charitable distributions of $10,469 to the Rimutaka Trust (2011/12: $10,828).

(vi) As at 31 March 2013, the Trust House Foundation owed the Rimutaka Licensing Trust $9,487 (2011/12: $11,114).

(d) Masterton Licensing Trust/ Masterton Licensing (Charitable) Trust

(i) Four Trustees from the Masterton Licensing Trust/ Masterton Licensing (Charitable) Trust are also Trustees of the Trust House Foundation.

(ii) By arrangement, the Trust House Foundation accepts recommendations from the Trustees of the Masterton Licensing (Charitable) Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the premises of Trust House Limited (partly owned by the Masterton Licensing Trust).

(iii) In 2012/13 the Trust House Foundation paid the Masterton Licensing (Charitable) Trust $46,000 for services on behalf of the Trust House Foundation (2011/12: $38,333).

(iv) In 2012/13 the Trust House Foundation made charitable distributions of $25,586 to the Masterton Licensing Charitable) Trust (2011/12: $26,674).

(e) Tararua Foundation Incorporated

(i) Two Trustees from the Tararua Foundation Incorporated are also Trustees of the Trust House Foundation.

(ii) In 2012/13 the Trust House Foundation paid the Tararua Foundation Incorporated $Nil for services on behalf of the Trust House Foundation (2011/12: $Nil).

(iii) In 2012/13 the Trust House Foundation made charitable distributions of $512,000 to the Tararua Foundation Incorporated (2011/12: $500,000).

16. CAPITAL MANAGEMENT

The Foundation's capital includes retained earnings. Equity is represented by net assets. The Foundation manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Foundation equity is largely managed as a by product of managing revenue, expenses, assets and liabilities.

The objective of managing the Foundation's equity is to ensure the Foundation achieves its goals and objectives for which it has been established, whilst remaining a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF TRUST HOUSE FOUNDATION'S FINANCIAL REPORT

for the year ended 31 March 2013

The Auditor-General is the auditor of the Trust House Foundation (the Foundation) pursuant to section 107 of the Gambling Act 2003. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial report of the Foundation, on her behalf.

We have audited the financial report of the Foundation on pages 38 to 47, that comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion on the financial report

In our opinion the financial report of the Foundation on pages 38 to 47:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Foundation's:
  - Financial position as at 31 March 2013; and
  - Financial performance and cash flows for the year ended on that date.

Opinion on other legal matters

In our opinion proper accounting records have been kept by the Foundation as far as appears from our examination of those records.

Our audit was completed on 26 June 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporates the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial report. If we

had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments; we consider internal control relevant to the preparation of the Foundation's financial report that fairly reflect the matters to which they relate. We consider internal control 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 Foundation's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial report; and
- the overall presentation of the financial report.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial report.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE TRUSTEES

The Trustees is responsible for preparing the financial report that:

- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects the Trust's financial position, financial performance and cash flows.

The Trustees is also responsible for such internal control as it determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. The Trustees is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Trustee's responsibilities arise from the Gambling Act 2003.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial report and reporting that opinion to you based on our audit.

Our responsibility arises from section 15 of the Public Audit Act 2001 and the Gambling Act 2003.

INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out an assignment over the forecast financial statements, which is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Foundation.

Leon Pieterse

Audit New Zealand

On behalf of the Auditor-General

Auckland, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Trust House Foundation and Group for the year ended 31 March 2013 included on the Trust House Foundation's website. The Trustees are responsible for the maintenance and integrity of the Trust House Foundation's website. We have not been engaged to report on the integrity of Trust House Foundation's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 June 2013 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

We seek to better our communities

Enhancing the well-being of our communities of interest is our core purpose. In all the decisions that we make, and in all that we seek to achieve, creating opportunities to improve community well-being is what drives us.

MASTERTON LICENSING TRUST

Masterton Licensing Trust – **President's Report**

The six members of the Masterton Licensing Trust board have a primary function to look after the assets that have been created over the last 65 years. We share an obligation to be listeners of one another and work together in a respectful and non political way. Critical to the Board's function is the open exchange of business plans and financial results with the Directors of Trust House. As President I have had no concerns that those relationships have not operated well.

The major event of last year was the change in Chief Executive. Long time CEO Bernard Teahan retired at 31st March 2013 from that role and Allan Pollard was appointed. Bernard's time with the Licensing Trust is best described as a dynasty and all Board members would join me in acknowledging and thanking Bernard for the contribution he made. Bernard remains with us for the time being managing some special projects. Allan had been with the company for nine years and we were delighted to be able to appoint the new CEO from within the Company. The change of CEO is a big event for any Company but I could not have wished for a smoother transition.

The businesses we operate continue to change. Customer demands, shifts in demographic profiles and strong competition means that assets must be continually aligned to meet market demands. We have exited some business in Wellington, Carterton, Featherston and Eketahuna and established Solway Four Square. We have also upgraded Kourarau Dam. This was the first significant upgrade since the dam was built in 1923. We have enjoyed strong electricity production since the upgrade. However we cannot escape the difficult trading conditions in this region.

We have had a tough year. We rely on management to continue to explore initiatives to drive market share and profitability. The values of the business will remain. We want a well run business that contributes to the well being and satisfaction in the community we serve.

The problems of the sale and consumption of alcohol continue to wax and wane in the press. A few television pictures of binge drinking young people do not convince me that we have an endemic drinking problem amongst young people in New Zealand. Higher age groups tend to drink in private. Alcohol problems exist in all age groups. There are many onerous trading obligations on the sellers of alcohol. Until recently it has been easier to buy soft drugs than alcohol.

We operate dynamic businesses that require very special management. I am happy to say we have been well served in that regard. The standard of advice and guidance we have received has made our job easier. On behalf of this Board I wish to thank Bernard and Allan and all the senior management team.

My thanks also to my fellow Trustees. It has been a pleasure to serve with all of you.

Brian Bourke

President Masterton Licensing Trust

In the year ended 31st March 2013, the Trustees of the Masterton Licensing (Charitable) Trust considered 350 applications for funds from many varied causes throughout our community. Of those, 236 were successful applicants and between them we distributed $1,892,888. Those numbers, both for successful applicants and the funds distributed are slightly up on the previous couple of years and as such probably reflects the economic times of provincial New Zealand – cautiously steady.

As in previous years, we apply a budgeted process to the distribution of the funds available. This allows for a similar sum of funds to be available at each consideration meeting so applicants are not disadvantaged at any particular time of the year. While knowledge of previous applications and grants approved gives the Trustees some indication of what to expect in the coming year, this does not mean there is any pre-determination towards any applications. Each application is considered on its merits at the time and within the budget constraints that we have. We still regularly receive applications at each consideration meeting seeking a total funding support of between $500,000 and $700,000. To be able to satisfy that level of support we would need considerably greater funds available. While it would be excellent to be able to help all applicants, we must however cut our cloth accordingly.

The applications received always represent a broad cross section of our community through a variety of clubs and organisations. There are good people and activities achieving excellent outcomes in our community but we are aware that many of these are very reliant of support from funding providers such as this Trust. Trustees study these applications thoroughly as we are mindful of the financial constraints on both sides of the equation. This means Trustees must consider each application fully and have an excellent knowledge of our community and the goings on within.

The six Trustees who sit around the table have a wealth of knowledge and involvement in our community. This ensures a good deal of informed discussion occurs when considering the applications. Occasionally, a Trustee will declare a conflict of interest with a particular application. They take no part in the decision made in that instance. In all cases Trustees are very objective with their considerations. Personal preferences are put to one side and there is mutual respect for all opinions expressed while considering applications. Without exception this ensures positive decisions are achieved.

There are a number of events or organisations that we continue to fund on a recurring basis. Destination Wairarapa, Golden Shears and Wings over Wairarapa are a few examples. In all these cases, we continually evaluate the investment into our community through these causes. We communicate regularly, seeking to know how they are progressing and their planning into the future. It is essential that they recognise our funding as assistance, not a lifeline. How we are able to distribute funds is strongly regulated, as it should be, but that also means changes to those laws in relation to the funds and/or their distribution could happen at any time in the future. We must all consider our options to future proof to the best of our ability. Whether it is those larger grants or the numerous smaller grants that all achieve excellent things in our community, we must all be mindful that nothing stays the same. Nor should it, we as Trustees and our community should always be asking ourselves, "is this the best way to help, to grow, to invest in our community?"

It is a privilege to consider the applications and witness the efforts and results that are achieved by so many. This applies equally to a $500 grant as it does to a $200,000 grant. We are also very aware that while our funding is of assistance, there are many people who give so much of their personal time to achieve outstanding results across many spectrums in this community. From that point of view, we see a caring, progressive society that achieves many great things and are continually striving to do better. Where we are able to help along the way, then we have no doubt about the value of those grants as an investment into this community.

On behalf of the Trustees I extend a big thank you to our Community Support Manager, Craig Thomson for his wisdom and guidance throughout the year. As always he is often an essential link between ourselves and many people in this community.

I also extend a warm thank you to my fellow Trustees. Our meetings are always positive and lively. An occasional compromise in opinion or thought ensures we work well as a team. As such there is never any reluctance to get together for our meetings.

Craig Cooper

Chairman

INCOME STATEMENT

For the year ended 31 March 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Revenue	5	45,435,948	51,901,760	37,000	69,000
Less cost of sales		21,457,700	25,725,419	-	-
Gross profit		23,978,248	26,176,341	37,000	69,000
Operating expenses	7	21,815,305	21,895,483	65,530	67,620
Results from operating actvities		2,162,943	4,280,858	(28,530)	1,380
Finance income		26,057	46,446	143	1,399
Finance costs		1,457,574	1,438,395	-	-
Net finance costs		1,431,517	1,391,949	(143)	(1,399)
Net operating profit / (loss)		731,426	2,888,909	(28,387)	2,779
Non operating items	6	(473,167)	(293,653)	-	-
Net profit / (loss) before charitable donations		258,259	2,595,256	(28,387)	2,779
Charitable donations		(2,770,359)	(2,721,930)	-	-
Tax expense	25	-	317	-	317
Net profit / (loss) for year		(2,512,100)	(126,991)	(28,387)	2,462
Attributable to:					
Masterton Licensing Trust		(2,398,416)	(121,128)	(28,387)	2,462
Minority interest		(113,684)	(5,863)		
		(2,512,100)	(126,991)	(28,387)	2,462

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Net Profit / (loss)	(2,512,100)	(126,991)	(28,387)	2,462
Other comprehensive income				
Building impairment charged to equity	(127,721)	(128,724)	-	-
Reversal of prior asset impairments	241,031	-	-	-
Total other comprehensive income	113,310	(128,724)	-	-
Total comprehensive income for the period	(2,398,790)	(255,715)	(28,387)	2,462
Attributable to:				
Masterton Licensing Trust	(2,290,294)	(243,958)	(28,387)	2,462
Minority interest	(108,496)	(11,757)	-	-
	(2,398,790)	(255,715)	(28,387)	2,462

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Equity at the start of the year	*18*	39,577,286	39,833,001	8,024,217	8,021,755
Total comprehensive income / (expense)		(2,398,790)	(255,715)	(28,387)	2,462
Attributable to:					
Masterton Licensing Trust		(2,290,294)	(243,958)	(28,387)	2,462
Minority interest		(108,496)	(11,757)	-	-
		(2,398,790)	(255,715)	(28,387)	2,462
Equity at the end of the year		37,178,496	39,577,286	7,995,830	8,024,217

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

STATEMENT OF FINANCIAL POSITION

As at 31 MARCH 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Current assets					
Cash and cash equivalents	8	608,734	1,065,990	2,231	30,606
Trade and other receivables	9	640,559	689,234	-	-
Prepayments		83,897	349,957	-	-
Inventories	10	2,105,533	2,771,786	-	-
Investment properties available for sale	12	-	229,000	-	-
Property, plant and equipment held for sale	13	-	2,059,309	-	-
Total current assets		**3,438,723**	**7,165,276**	**2,231**	**30,606**
Non-current assets					
Investments	11	515,686	338,207	8,000,000	8,000,000
Investment properties	12	35,300,000	35,421,000	-	-
Property, plant and equipment	13	22,004,923	23,246,422	-	-
Intangible assets	14	971,889	1,119,645	-	-
Total non-current assets		58,792,498	60,125,274	8,000,000	8,000,000
Total assets		**62,231,221**	**67,290,550**	**8,002,231**	**8,030,606**
Current liabilities					
Trade and other payables	15	2,873,852	3,400,660	6,401	6,072
Income tax payable	25	-	317	-	317
Employee entitlements	16	891,696	1,094,621	-	-
Borrowings	17	1,002,091	852,396	-	-
Property reinstatement provision		-	-	-	-
Charitable donations allocated		389,004	417,276	-	-
Total current liabilities		**5,156,643**	**5,765,270**	**6,401**	**6,389**
Non-current liabilities					
Employee entitlements	16	113,172	105,296	-	-
Borrowings	17	19,662,000	21,662,000	-	-
Property reinstatement provision		120,910	180,698	-	-
Total non-current liabilities		19,896,082	21,947,994	-	-
Equity					
Retained earnings	18	34,664,530	36,431,292	7,995,830	8,024,217
Minority interest	18	1,698,372	1,806,868	-	-
Asset revaluation reserve	18	815,594	1,339,126	-	-
Total equity		**37,178,496**	**39,577,286**	**7,995,830**	**8,024,217**
Total liabilities and equity		**62,231,221**	**67,290,550**	**8,002,231**	**8,030,606**

Signed on Behalf of the Masterton Licensing Trust

B J Bourke
Chairman

A H J Pollard
Chief Executive

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

CASH FLOW

For the Year ended 31 March 2013

	note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		45,344,620	51,751,895	37,000	69,000
Interest received		26,057	46,446	143	1,399
		45,370,677	51,798,341	37,143	70,399
Cash was applied to:					
Payments to suppliers and employees		40,617,134	45,672,082	65,201	72,027
Charitable donations		2,798,631	3,131,894	-	-
Income tax paid		317	-	317	-
Interest paid		1,463,071	1,442,526	-	-
		44,879,153	50,246,502	65,518	72,027
Net cash flows from operating activities	22	**491,524**	**1,551,839**	**(28,375)**	**(1,628)**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		36,292	3,500	-	-
Sale of intangibles		26,084	4,250	-	-
Sale of businesses		2,880,027	-	-	-
Sale of investment property		301,802	756,001	-	-
		3,244,205	763,751	-	-
Cash was applied to:					
Purchase of plant, property and equipment		1,816,109	1,612,121	-	-
Purchase of intangible assets		28,475	12,993	-	-
Upgrading of investment property		343,096	451,973	-	-
Loan to Tararua Foundation		155,000	-	-	-
		2,342,680	2,077,087	-	-
Net cash flows from investing activities		901,525	(1,313,336)	-	-
Cash flows from financing activities					
Cash was provided from:					
Repayment of loan by borrower		-	-	-	30,000
		-	-	-	30,000
Cash was applied to:					
Repayment of borrowings		2,000,000	-	-	-
		2,000,000	-	-	-
Net cash flows from financing activities		**(2,000,000)**	-	-	**30,000**
Net (decrease) / increase in cash held		(606,951)	238,503	(28,375)	28,372
Opening Cash Balance		438,594	200,091	30,606	2,234
Closing Cash Balance		(168,357)	438,594	2,231	30,606
This Balance is made up as follows:					
Cash and cash equivalents		(168,357)	438,594	2,231	30,606
		(168,357)	438,594	2,231	30,606

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

These financial statements have been prepared in accordance with the Sale of Liquor Act 1989. The consolidated financial statements of Masterton Licensing Trust as at and for the year ended 31 March 2013 comprise of Masterton Licensing Trust, Masterton Licensing (Charitable) Trust, Trust House Limited (95.4% owned) and the Trust House Foundation (a controlled entity).

The Masterton Licensing Trust is a licensing trust established in accordance with the Sale of Liquor Act 1989 and through its subsidiary Trust House Limited is primarily involved in the hospitality industry running a number of bars, restaurants, bottle stores, two hotels and three general community stores and a large rental housing portfolio.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Trustees on 25 June 2013.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

(b) Measurement base

The financial statements have been prepared on the historical cost basis except for the following:

- investment property is measured at fair value
- land and buildings are measured at fair value

The methods used to measure fair values are discussed further in Note 4

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3 — lease classification.
- Note 12 — valuation of investment property
- Note 13— property, plant and equipment

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Basis of Consolidation

The consolidated financial statements of Masterton Licensing Trust as at and for the year ended 31 March 2013 comprise of Masterton Licensing Trust, Masterton Licensing (Charitable) Trust, Trust House Limited (95.4% owned) and the Trust House Foundation (a controlled entity).

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group financial statements consolidate the financial statement of subsidiaries, using the purchase method.

The purchase method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, liabilities assumed or incurred at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. The excess of cost of acquisition over the fair value of the Group's share in the identifiable net assets acquired is recorded as goodwill.

Transactions eliminated on consolidation

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances, call deposits and term deposits with a duration of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments and measured at amortised cost.

Trade and other payables

Trade and other payables are stated at amortised cost.

Property, plant and equipment

Recognition and measurement

Land and buildings are revalued every three years to their fair value as determined by an independent registered valuer by reference to their highest and best use. Additions between revaluations are recorded at cost.

The results of land and buildings are credited or debited to an asset revaluation reserve for that individual asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the Income Statement.

Plant and equipment, motor vehicles and gaming machines are initially recorded at cost, and depreciated.

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.

Depreciation

Depreciation is calculated on a diminishing value basis on all fixed assets except gaming machines which are calculated on a straight line basis (other than freehold land and items under construction, which are not depreciated), at a rate which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The depreciation rates for property, plant and equipment are as follows:

Buildings – structure	3% – 33.3%
Buildings – services and fit out	6.5%
Furniture, equipment and plant	6.67% - 25%
Motor vehicles	20%
Gaming machines and counters	25% - 100%

When the components of an item of property, plant and equipment have different useful lives or provide benefits to the entity in different patterns, thus requiring different depreciation rates and methods, the cost of the item is allocated to its component and each component is accounted for separately.

Intangible Assets

Intangible assets comprise of software acquired by the Group and goodwill on acquired businesses. Intangible assets acquired by the Group which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Software is amortised at a rate of 15-25% per year on a straight line basis.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Groups' share of the identifiable assets, liabilities and contingent liabilities of the acquired business at the acquisition date.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Investment Property

Investment property is stated at valuation, as determined every year by Mr Jerome McKeefry (BBS (VPM), Dip BS (Fin), MPINZ) of Telfer Young (Wellington) Limited, registered valuers. The basis for valuation is fair value. The effective date of the valuation was 31 March 2013. Any increase or decrease in valuation is recognised in the Income Statement. Investment property is not depreciated.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

(i) Impairment of receivables

All individual receivables which are considered to be significant are evaluated on a case by case basis.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term.

Inventories

Inventories are valued at the lower of cost, on a weighted average basis, and net realisable value.

Employee Entitlements

Provision is made in respect of the Group's liability for annual leave, long service leave, and retirement gratuities.

Annual leave and other entitlements that are expected to be settled within 12 months of reporting date are measured at nominal values on an actual entitlement basis at a current rate of pay.

Entitlements that are payable beyond 12 months, such as long service leave and retirement gratuities, have been calculated on an actuarial basis on the present value of the expected future entitlements.

A provision for sick leave is recognised where employees have over the past two years taken more sick leave than their yearly allowance and still have accrued sick leave entitlements at year end. The provision is calculated as the number of excess sick leave days over the employees entitlement expected to be taken in the next 12 months times the employees' daily rate.

A provision is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Revenue

(1) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(2) Services

The Group acts as a management company for a number of entities. Revenue for management fees is recognised in accordance with the fees agreed in those contracts.

(3) Rental income

Rental income from investment property is recognised in the Income Statement as it becomes due, adjusted by a provision for doubtful debts.

(4) Gaming machine income

Revenue from gaming operations is measured at the fair value of the consideration received or receivable. Revenue is recognised when recovery of the consideration is probable.

Investments

Investments in Foodstuffs deferred rebates are initially recognised at fair value by present valuing the future cash flows to be received under the rebate. They are subsequently measured at amortised cost.

Investment in Foodstuffs shares and rebates are accounted for at cost as the fair value of the rebates and shares cannot be reliably measured.

Borrowings

Long term debt is recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Interest on qualifying assets is capitalised to the asset.

Tax

The Masterton Licensing Trust is subject to Income Tax. Trust House Limited and Masterton Licensing (Charitable) Trust are exempt from Income Tax as they are registered charities. Trust House Charitable Trust and Trust House Foundation are exempt from Income Tax as Class IV gaming operators.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have become enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The measurement of deferred tax reflects the tax consequences that would flow from the manner in which the entity expects to recover or settle the carrying amount of is assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Goods and Services Tax

These accounts are prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or from the Inland Revenue Department (IRD) at balance date, being the difference between Output GST and Input GST, is included in Accounts Receivable or Accounts Payable (as appropriate). The net GST paid or received from the IRD including the GST relating to investing and financial activities, is classified as an operating cash flow in the Cash Flow Statement.

Charitable Donations

Charitable Donations are recognised when approval is given.

Changes in Accounting Policy

There have been no changes to accounting policies from prior years. All accounting policies have been consistently applied

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair values for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property plant and equipment

The fair value of property plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(b) Investment property

An external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued, values the Group's investment property portfolio every 12 months. The valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the properties. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

5. REVENUE

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Sales	40,065,527	46,812,199	-	-
Services	208,750	200,953	-	-
Rentals	4,820,931	4,640,927	-	-
Gain on sale of investment properties	81,873	247,681	-	-
Gain on sale of businesses	258,867	-	-	-
Other	-	-	37,000	69,000
Total revenues	45,435,948	51,901,760	37,000	69,000

6. NON OPERATING ITEMS

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Change in fair value of investment property	*12*	(473,167)	(293,653)	-	-
		(473,167)	(293,653)	-	-

7. OPERATING EXPENSES

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Administration and financial		1,281,328	1,398,124	28,319	27,094
Advertising and promotion		1,049,802	1,077,166	-	-
Auditor fees					
- Annual audit		94,184	95,168	5,405	5,208
- Prospective financial statement review *		3,750	-	-	-
Bad debts written off		50,052	14,815	-	-
Movement in provision for doubtful debts		(37,428)	37,827	-	-
Depreciation	*13*	1,555,065	1,655,173	-	-
Amortisation	*14*	146,774	202,723	-	-
Impairment of property, plant and equipment	*13*	1,250,141	162,326	-	-
Loss on sale of business		129,700	-	-	-
Gaming machine duty and licences		1,722,719	1,825,036	-	-
Property expenses		4,593,436	4,643,795	-	-
Rent and lease expenses	*20*	755,333	834,589	-	-
Employee costs		9,008,243	9,741,740	-	-
Trustee and directors fees and expenses		212,206	207,001	31,806	35,318
		21,815,305	21,895,483	65,530	67,620

* These fees relate to prospective financial accounts for the Trust House Foundation forecast, required by the Department of Internal Affairs.

8. CASH AND CASH EQUIVALENTS

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Bank balances	372,700	795,360	2,231	30,606
Cash floats	236,034	270,630	-	-
Cash and cash equivalents	608,734	1,065,990	2,231	30,606
Bank overdrafts used for cash management purposes	(777,091)	(627,396)	-	-
Cash and cash equivalents used in the Statement of Cash Flows	(168,357)	438,594	2,231	30,606

The carrying value of cash at bank, cash floats and bank overdrafts is equal to fair value.

9. TRADE AND OTHER RECEIVABLES

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Trade receivables	494,315	670,678	-	-
Less provision for impairment	(51,512)	(88,939)	-	-
	442,803	581,739	-	-
Sundry receivables	197,756	107,494	-	-
	640,559	689,233	-	-

Ageing of Trade receivables

The status of consolidated trade receivables at the reporting date is as follows:

Group	Not past due	1-30 days	31-60 days	60 days+	Total
31 March 2013	294,151	121,332	12,185	66,647	494,315
31 March 2012	427,332	116,868	14,306	112,173	670,679

As at 31 March 2013 trade receivables of $51,512 (2012: $88,939) were past due and considered impaired and trade receivables of $148,652 (2012: $154,408) were past due but not considered impaired.

Movements in the provision for impairment of receivables are as follows:

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
As at 1 April	88,939	51,112	-	-
Additional provisions made during the year	12,318	53,038	-	-
Receivables written off during the year	(49,745)	(15,211)	-	-
Balance at the end of the year	51,512	88,939	-	-

Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

The individually impaired recievables relate mainly to customers which are in difficult economic circumstances.

10. INVENTORY

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Raw materials and consumables	66,901	61,890	-	-
Goods available for sale	2,038,632	2,709,896	-	-
	2,105,533	2,771,786	-	-

Inventory comprises goods available for sale and food ingredients. No inventories are pledged as security for liabilities (2012 $nil). However, some inventories are subject to retention of title clauses.

11. INVESTMENTS

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Non current investments (at amortised cost)				
Foodstuffs Ltd - deferred rebates	164,718	156,494	-	-
	164,718	156,494	-	-
Non current investments (at cost)				
Foodstuffs Ltd - shares and rebates	195,968	171,713	-	-
Loan to Tararua Foundation	155,000	10,000		
Trust House Limited (shares)	-	-	8,000,000	8,000,000
	350,968	181,713	8,000,000	8,000,000
Total non current investments	515,686	338,207	8,000,000	8,000,000

12. INVESTMENT PROPERTY

	2013 $	2012 $
Group		
Balance at 1 April	35,650,000	36,000,000
Properties sold during the year	(219,929)	(508,320)
Improvements	343,096	451,973
Change in fair value	(473,167)	(293,653)
Balance at 31 March	35,300,000	35,650,000
Classified as:		
Current - available for sale at 31 March	-	229,000
Non Current	35,300,000	35,421,000
	35,300,000	35,650,000

Investment property comprises 513 (2012: 517) rental houses in the lower North Island. The Group's investment properties are valued annually at fair market value effective 31st March.

All investment properties were valued based on an investment approach basis. The valuation was performed by J McKeefry BBS (VPM), Dip BS (Fin), MPINZ; Registered Valuer of Telfer Young, Wellington. Telfer Young are an experienced valuer with extensive market knowledge in the types of investment properties owned by the Group.

	2013 $	2012 $
Group		
Rental income	4,738,181	4,620,240
Expenses from investment property generating income	1,755,915	1,834,027

Insurance

Rental properties are insured for full replacement value, with a deductible (excess) of $10,000 per dwelling.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings $	Furniture and plant $	Motor vehicles $	Development in progress $	Under construction $	Total $
Cost or deemed cost						
Balance at 1 April 2011	21,125,674	8,922,262	245,834	1,547,715	4,437	31,845,922
Additions	1,146,914	362,823	40,744	18,642	96,364	1,665,487
Disposals	-	(55,275)	(6,698)	-	-	(61,973)
Reclassified as available for sale	(2,031,511)	(137,010)	-	-	-	(2,168,521)
Balance at 31 March 2012	20,241,077	9,092,800	279,880	1,566,357	100,801	31,280,915
Balance at 1 April 2012	20,241,077	9,092,800	279,880	1,566,357	100,801	31,280,915
Additions	992,230	813,075	-	9,078	(75,501)	1,738,882
Disposals	(615,232)	(1,240,640)	(66,280)	-	-	(1,922,152)
Reclassified from development in progress	1,575,435	-	-	(1,575,435)	-	-
Restate assets to fair value*	(182,529)	-	-	-	-	(182,529)
Balance at 31 March 2013	22,010,981	8,665,235	213,600		25,300	30,915,116
Depreciation and impairment losses						
Balance at 1 April 2011	641,519	5,442,927	134,375	34,931	-	6,253,752
Depreciation for the year	908,835	710,509	24,877	10,952	-	1,655,173
Impairment loss	291,050	-	-	-	-	291,050
Disposals	-	(51,036)	(5,234)	-	-	(56,270)
Reclassified as available for sale	(42,852)	(66,360)	-	-	-	(109,212)
Balance at 31 March 2012	1,798,552	6,036,040	154,018	45,883	-	8,034,493
Balance at 1 April 2012	1,798,552	6,036,040	154,018	45,883	-	8,034,493
Depreciation for the year	851,579	667,957	24,819	10,710	-	1,555,065
Impairment loss	954,302	-	-	-		954,302
Disposals	(446,976)	(1,138,753)	(47,938)	-	-	(1,633,667)
Reclassified from development in progress	56,593	-	-	(56,593)	-	-
Balance at 31 March 2013	3,214,050	5,565,244	130,899	-	-	8,910,193
Carrying amounts						
At 1 April 2011	20,484,155	3,479,335	111,459	1,512,784	4,437	25,592,170
At 31 March 2012	18,442,525	3,056,760	125,862	1,520,474	100,801	23,246,422
At 1 April 2012	18,442,525	3,056,760	125,862	1,520,474	100,801	23,246,422
At 31 March 2013	18,796,931	3,099,991	82,701	-	25,300	22,004,923

* This results from reclassification of the development in progress to land and buildings.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation – Land and Buildings

At fair value as determined from market based evidence by an independent valuer. The most recent valuation was performed by J McKeefry BBS (VPM), Dip BS (Fin), MPINZ; Registered Valuer of Telfer-Young Wellington and the valuation is effective as at 31 March 2011.

The valuations were primarily based on the rental capitalisation methodology, depreciated replacement cost is used as a support method.

Total fair value of land and buildings valued by J McKeefry Group and Parent as at 31 March 2011 was $19,424,000.

Impairment

Net impairment losses of $1,136,831 were recognised in 2012/13 (2011/12 $291,050).

Of the total $512,529 relates to Featherston outlets and $624,302 relates to the Homestead complex.

The Featherston impairment relates to land and buildings aquired for development purposes and subsequent planning and architecture and demolition fees have been written down to fair value.

Impairment losses of $624,302 were recognised in relation to the Homestead complex due to the particular impacts of the current trading enviroment.

Disposals

During the year the Group sold five businesses, The Kiwi Pub, Newtown Sports Bar and Liquorland, Liquor Plus Carterton, Liquorland Hutt City and Eketahuna Community Store.

The aggregate effect of these sales on the Company's financial results were:

Cash	2,880,027
Sundry receivables	107,342
Total consideration	2,987,369
Inventory	(497,370)
Property plant and equipment-held for sale	(2,059,309)
Property plant and equipment	(266,905)
Accrued expenses	(25,000)
Property reinstatement provision	64,329
Net assets disposed	(2,784,255)
Other Payments	
Notice Pay	63,530
Legal Fees	9,346
Other	1,071
	73,947
Net Profit on disposal	129,167
Represented in the PandL by:	
Profits on sale	258,867
Losses on sale	(129,700)
	129,167

Insurance

Due to far higher premiums and deductible's (excess) imposed by insurers in the wake of the Christchurch earthquakes, the Group has the following deductibles for material damage insurance in relation to property, plant and equipment.
Non-natural disaster - $50,000 for each and every claim. Natural disaster - 10% of site sum insured plus $2,500 per site.

The Group has insured the majority of its properties on an indemnity basis and only four on a full replacement basis.

14. INTANGIBLE ASSETS

	Goodwill	Group Software	Total
Cost			
Balance at 1 April 2011	1,110,390	1,018,233	2,128,623
Additions	-	12,993	12,993
Disposals	-	(24,610)	(24,610)
Balance at 31 March 2012	1,110,390	1,006,616	2,117,006
Balance at 1 April 2012	1,110,390	1,006,616	2,117,006
Additions	-	28,475	28,475
Disposals	-	(229,156)	(229,156)
Balance at 31 March 2013	1,110,390	805,935	1,916,325
Amortisation and impairment losses			
Balance at 1 April 2011	439,000	371,428	810,428
Amortisation for the year	-	202,723	202,723
Disposals	-	(15,790)	(15,790)
Balance at 31 March 2012	439,000	558,361	997,361
Balance at 1 April 2012	439,000	558,361	997,361
Amortisation for the year	-	146,774	146,774
Disposals	-	(199,699)	(199,699)
Balance at 31 March 2013	439,000	505,436	944,436
Carrying amounts			
At 1 April 2011	671,390	646,805	1,318,195
At 31 March 2012	671,390	448,255	1,119,645
At 1 April 2012	671,390	448,255	1,119,645
At 31 March 2013	671,390	300,499	971,889

Intangibles

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations has been allocated to three cash generating units (CGU's) for impairment testing as follows:

Featherston Post and Lotto Shop

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management. The forecast covers a five year period for a portion of the business which would be retained within the Group and moved to another trading unit, regardless of the trading performance of this individual business. The discount rate applied to cash flow projections is 9.0% (2012 9.0%).

Chungs Supermarket

Goodwill of $436,390 was recognised on the 2010 acquisition and has been apportioned to the Featherston Community Store ($291,000) and Liquor Plus Featherston ($145,390) businesses as these were expected to benefit when the Chungs business ceased trading shortly after being acquired.

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management which covers a five year period.

The discount rate applied to cash flow projections is 9.0% (2012: 9.0%).

INTANGIBLES (CONTINUED)

(ii) Carrying amount of goodwill allocated to each group of cash generating units

	Group and Parent 2013 $	Group and Parent 2012 $
Featherston Post and Lotto Shop	235,000	235,000
Featherston Community Store	291,000	291,000
Featherston Liquor Plus	145,390	145,390
Total Goodwill	671,390	671,390

(iii) Key assumptions used in value in use calculations for cash generating units

The calculation of value in use for all CGU's is most sensitive to the following assumptions; gross margins, discount rates and growth rates used.

Gross margins are based on the average achieved in the last 12 months.

Discount rates reflect the Groups' incremental cost of borrowings.

For the purposes of impairment testing a terminal growth rate has been used for all segments based on long-term industry averages.

(iv) Sensitivity to changes in assumptions

With regard to the assessment of the value in use for all CGU's, the Company believes that no reasonable possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed its recoverable amount.

15. TRADE AND OTHER PAYABLES

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Trade creditors	1,629,163	1,871,201	-	-
Interest payable	39,106	44,603	-	-
Capital payables	23,520	100,746	-	-
Accrued expenses	1,093,317	1,281,537	6,401	6,072
Revenue in advance	88,746	102,573	-	-
	2,873,852	3,400,660	6,401	6,072

16. EMPLOYEE ENTITLEMENTS

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Current portion				
Accrued pay	156,685	232,086	-	-
Annual leave	726,170	844,987	-	-
Provision for staff long service / retirement benefits	3,461	12,808	-	-
Sick pay	5,380	4,740	-	-
	891,696	1,094,621	-	-
Non-Current portion				
Provision for staff long service / retirement benefits	113,172	105,296	-	-
	1,004,868	1,199,917	-	-

17. BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing borrowings. For more information about the Company's exposure to interest rate risk see Note 19.

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Non-current liabilities				
Secured bank loans	19,662,000	21,662,000	-	-
	19,662,000	21,662,000	-	-
Current liabilities				
Bank overdrafts	777,091	627,396	-	-
Other loans	225,000	225,000	-	-
	1,002,091	852,396	-	-

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Group	Nominal interest rate	Year of maturity	Face value 2013	Carrying amount 2013	Face value 2012	Carrying amount 2012
Secured BNZ Bank loan	4.80%-6.70%	2017	15,000,000	15,000,000	15,000,000	15,000,000
Secured ANZ National Bank loan	6.70%	2014	4,662,000	4,662,000	6,662,000	6,662,000
Other loans	3.25%	2016	225,000	225,000	225,000	225,000
Bank overdrafts	8.75%	On demand	777,091	777,091	627,396	627,396
Total interest-bearing liabilities			20,664,091	20,664,091	22,514,396	22,514,396

The ANZ National Bank loans are secured with registered first mortgages over land and buildings with a carrying amount of $14,787,263. (2012: $16,488,419). The ANZ National Bank also has a general charge over Trust House Limited's assets.

The BNZ loans are secured by first charge mortgages over the residential housing portfolio. A secondary security is also held over the rental income stream from the housing portfolio.

18. CAPITAL AND RESERVES

(a) Group

Group	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2011	1,461,956	36,552,420	38,014,376
Total comprehensive income	(122,830)	(121,128)	(243,958)
Balance at 31 March 2012	1,339,126	36,431,292	37,770,418
Balance at 1 April 2012	1,339,126	36,431,292	37,770,418
Total comprehensive income	108,122	(2,398,416)	(2,290,294)
Asset revaluation reserve realised on sale of business	(631,654)	631,654	-
Balance at 31 March 2013	815,594	34,664,530	35,480,124
Parent			
Balance at 1 April 2011	-	8,021,755	8,021,755
Total comprehensive income	-	2,462	2,462
Balance at 31 March 2012	-	8,024,217	8,024,217
Balance at 1 April 2012	-	8,024,217	8,024,217
Total comprehensive income	-	(28,387)	(28,387)
Balance at 31 March 2013	-	7,995,830	7,995,830

(b) Minority interest

	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2011	70,146	1,748,479	1,818,625
Total comprehensive income	(5,894)	(5,863)	(11,757)
Balance at 31 March 2012	64,252	1,742,616	1,806,868
Balance at 1 April 2012	64,252	1,742,616	1,806,868
Total comprehensive income	5,188	(113,684)	(108,496)
Asset revaluation reserve realised on sale of business	(34,041)	34,041	-
Balance at 31 March 2013	35,399	1,662,973	1,698,372

The revaluation reserve relates to the revaluation of land and buildings at 31 March 2011.

19. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and liquidity risk arises in the normal course of the Group's business.

Credit Risk

Management has a process in place under which each new customer seeking credit with the Group is individually analysed for credit worthiness and assigned a purchase limit before credit is offered.

The Group does not require collateral in respect of trade and other receivables, except in relation to rental properties where bonds are required and lodged with the tenancy tribunal.

The Group's exposure to credit risk is mainly influenced by its customer base, as such it is concentrated to the default risk of its industry. No single customer balance would be considered material.

Investments are allowed only in call or short term deposits with specified counterparties.

Credit quality of financial assets

Cash and cash equivalents are held with the ANZ National Bank which currently has a Standard and Poor's credit rating of AA. Trade and other receivables are all with counterparties without credit ratings with no history of default with the Group in the past.

FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Overdrafts and credit lines in place	1,500,000	1,500,000	-	-

Interest rate risk

The Group regularly reviews the balance between its fixed rate and floating rate borrowings. The Group has flexibility within its borrowing facilities to move between fixed and floating rates as required.

Other market price risk

The Group is not exposed any other substantial market price risk arising from financial instruments.

Quantitative disclosures

Credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

(a) Liquidity risk

The following table sets out the contractual cash flows for all financial liabilities:

Group 2013	Carrying Amount $	Contractual cash flows $	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
Secured bank loans	19,662,000	24,129,367	1,281,874	5,813,648	17,033,845	-
Other loans	225,000	245,155	7,313	7,313	230,529	-
Trade and other payables	2,873,852	2,873,852	2,873,852	-	-	-
Bank overdraft	777,091	777,091	777,091	-	-	-
Total non-derivative liabilities	23,537,943	28,025,465	4,940,130	5,820,961	17,264,374	-
Group 2012						
Secured bank loans	21,662,000	27,781,685	1,415,874	1,415,874	9,762,237	15,187,700
Other loans	225,000	252,468	7,313	7,313	237,842	-
Trade and other payables	3,400,660	3,400,660	3,400,660	-	-	-
Bank overdraft	627,396	627,396	627,396	-	-	-
Total non-derivative liabilities	25,915,056	32,062,209	5,451,243	1,423,187	10,000,079	15,187,700
Parent 2013						
Trade and other payables	6,401	6,401	6,401	-	-	-
Total non-derivative liabilities	6,401	6,401	6,401	-	-	-
Parent 2012						
Trade and other payables	6,072	6,072	6,072	-	-	-
Total non-derivative liabilities	6,072	6,072	6,072	-	-	-

FINANCIAL INSTRUMENTS (CONTINUED)

(b) Sensitivity analysis

Interest Rate Risk

The effect of a +100bps change in interest rates applicable to the floating rate financial instruments held by the Group is a reduction in profit of $100,888 (2012:$68,879).

(c) Classification and fair values

Group 2013	Loans and receivables $	At amortised cost $	Total carrying amount $	Fair value $
Assets				
Investments	515,686	-	515,686	515,686
Trade and other receivables	640,559	-	640,559	640,559
Prepayments	83,897	-	83,897	83,897
Cash and cash equivalents	608,734	-	608,734	608,734
Total assets	1,848,876		1,848,876	1,848,876
Liabilities				
Trade and other payables	-	2,873, 852	2,873,852	2,873,852
Borrowings	-	20,664, 091	20,664,091	20,664,091
Total liabilities		23,537, 943	23,537,943	23,537,943
Group 2012				
Assets				
Investments	338,207	-	338,207	338,207
Trade and other receivables	689,234	-	689,234	689,234
Prepayments	349,957	-	349,957	349,957
Cash and cash equivalents	1,065,990	-	1,065,990	1,065,990
Total assets	2,443,388		2,443,388	2,443,388
Liabilities				
Trade and other payables	-	3,400,660	3,400,660	3,400,660
Borrowings	-	22,514,396	22,514,396	22,514,396
Total liabilities		25,915,056	25,915,056	25,915,056
Parent 2013				
Liabilities				
Trade and other payables	-	6,401	6,401	6,401
Total liabilities		6,401	6,401	6,401
Parent 2012				
Liabilities				
Trade and other payables	-	6,072	6,072	6,072
Total liabilities	-	6,072	6,072	6,072

20. OPERATING LEASES

Non cancellable operating leases are payable as follows:

	Group 2013 $	Group 2012 $
Less than one year	477,536	758,040
Between 1 and 2 years	418,961	716,477
Between 2 and 5 years	795,431	1,143,292
Over 5 years	1,096,452	1,391,492
	2,788,380	4,009,301

The Group leases a number of hospitality premises, vehicles and equipment under operating leases.

During the year ended 31 March 2013 $755,333 was recognised as an expense in the Income Statement in respect of operating leases (2012: $834,589).

21. COMMITMENTS AND CONTINGENCIES

The Group and Parent had no capital commitments at 31 March 2013 (2012; $Nil).

The Group had contingent liabilities of $55,000 as at 31 March 2013 (2012: $55,000) in relation to guarantees provided by ANZ National Bank on behalf of Trust House Limited.

Tararua Foundation has a term loan of $500,000 from the ANZ Bank which is guaranteed by Trust House Limited

22. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Net surplus/(deficit) for year	(2,512,100)	(126,991)	(28,387)	2,462
Add (less) non-cash items:				
Depreciation	1,555,065	1,655,173	-	-
Amortisation	146,774	202,723	-	-
Revaluation of investment properties	473,167	293,653	-	-
Property reinstatement provision	4,541	2,581	-	-
Fixed asset impairment	1,250,141	162,326	-	-
Loss on sale of intangible assets	3,373	4,570	-	-
(Gain)/loss on sale of property, plant and equipment	(14,711)	2,203	-	-
Gain on sale of investment property	(81,873)	(247,681)	-	-
Gain on sale of businesses	(129,166)	-	-	-
Investments issued in lieu of rebates	(22,479)	87,455	-	-
	3,184,832	2,163,003	-	-
Add (less) movements in working capital items:				
(Increase)/decrease in receivables and prepayments	422,077	55,709	-	-
(Increase)/decrease in inventories	168,883	(41,893)	-	-
Increase/(decrease) in charitable distributions payable	(28,272)	(409,964)	-	-
Increase/(decrease) in employee entitlements	(258,579)	128,149	-	-
Increase/(decrease) in income tax payable	(317)	317	(317)	317
Increase/(decrease) in trade and other payables	(485,000)	(216,491)	329	(4,407)
	(181,208)	(484,173)	12	(4,090)
Net cash flow from operating activites	491,524	1,551,839	(28,375)	(1,628)

23. RELATED PARTY TRANSACTIONS

(i) Parent and ultimate controlling party

The ultimate controlling party of the Group is the Masterton Licensing Trust.

(ii) Transactions with key management personnel

Several of the directors of Trust House Limited and Trustees of Masterton Licencing Trust own or run businesses in their own right. A number of these entities transacted with the Group in the period and are disclosed below.

The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

During the year Directors and senior management, as part of a normal customer relationship, were involved in minor transactions with Trust House Limited (such as purchase of meals, liquor or groceries). Directors and senior management are entitled to a 10% discount on non-discounted goods. These buying privileges are available to all employees.

During the year the Company purchased promotional material from Mangan Graphics a business which is owned by Ray Southey a Trustee of Masterton Licensing Trust the parent of Trust House Limited. The company purchased goods valued at $8,312 (2012: $17,281). The balance outstanding at year end was $639 (2012: $939).

During the year the Company purchased accommodation from the Highwayman Motel a business in which B Teahan is a Director, he also was Chief Executive of Trust House (to 31 March 2013). During the year the Company purchased services valued at $120 (2012: $150). The balance outstanding at year end was $120 (2012 $Nil). The Highwayman purchased goods from Trust House valued at $5,006 (2012: $5,724). The balance outstanding at year end was $429 (2012: $655).

The General Manager of Solway Park and one board member of Trust House Limited are on the board of Destination Wairarapa - a regional tourism promotion body. During the year Trust House Foundation paid Destination Wairarapa grants totalling $252,422 (2012: $249,923). Destination Wairarapa purchased $6400 (2012: $Nil) of goods and services from Trust House Limited. The amount outstanding at year end was $Nil (2012: $Nil). Trust House purchased advertising from and paid subscriptions to Destination Wairarapa. The value of the purchases was $8,303 (2012: $2,233). The amount outstanding at year end was $1,903 (2012: $Nil).

Trust House Limited provides accounting services to Destination Wairarapa. During the year Destination Wairarapa paid $25,000 (2012 $23,750) for these services.

(iii) Key management personnel compensation

	2013 $	2012 $
Salaries and other short term benefits	1,037,299	1,083,381
Post employment benefits	4,773	1,641
Other long term benefits	-	-
Termination benefits	-	-
	1,042,072	1,085,022

Key management personnel comprises the Directors, Chief Executive and other senior managers of Trust House Limited and the Trustees of the Masterton Licensing Trust.

The president of Masterton Licensing Trust was paid $15,000 (2012:$15,000) and the total paid to all Trustees, incuding the President, was $25,560 (2012:$25,379).

RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Other related party transactions

(a) Masterton Licensing Trust (MLT)

	2013	2012
Shares in Trust House Ltd (number of shares)	8,000,000	8,000,000
	$	$
Management fees paid by MIT to trust house ltd	15,750	15,000
Royalty fees paid by Trust House Ltd to MLT	37,000	69,000
Trust House Ltd provided goods and services to MLT on an arms length basis	1,102	942

(b) Masterton Licensing (Charitable) Trust (MLCT)

	2013	2012
Shares in Trust House Ltd (number of shares)	2,150,000	2,150,000
	$	$
Donations paid by Trust House Ltd to MLCT	44,000	36,000
Management fees paid by MLCT to Trust House Ltd	36,250	35,000
Trust House Ltd provided goods and services to MLCT on an arms length basis	21,732	20,779

(c) Flaxmere Licensing (Charitable) Trust (FLCT)

	2013	2012
Shares in Trust House Ltd (number of shares)	150,000	150,000
	$	$
Term loan to Trust House Limited	225,000	225,000
- This loan is repayable upon demand and is unsecured		
Management fees paid by FLCT to Trust House Ltd	26,250	25,000

(d) Flaxmere Licensing Trust (FLT)

	2013	2012
Shares in Trust House Ltd (number of shares)	337,000	337,000
	$	$
Management fees paid by FLT to Trust House Ltd	5,250	5,000

(e) Tararua Foundation Incorporated (TF)

	2013 $	2012 $
Donations paid by Trust House Ltd to TF	-	36,000
Management fees paid by TF to Trust House Ltd	52,500	50,000
Loan advance to TF by Trust House Limited	155,000	10,000
Grants from Trust House Foundation to TF	512,000	500,000
Grant from Trust House Charitable Trust to TF	-	490,000
Trust House Ltd provided goods and services to TF on an arms length basis	7,527	1,557
Amounts owed to Trust House by TF at year end	679	-

Tararua Foundation has a term loan of $500,000 from the ANZ Bank which is guaranteed by Trust House Limited.

RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Trust House Charitable Trust (THCT)

i. Trust House Charitable Trust is an independent Charitable Trust. Some of the Directors of Trust House Ltd were also Trustees of Trust House Charitable Trust.

ii. Gaming Machine proceeds are generated in the premises of the Rimutaka Licensing Trust and Trust House Ltd. By agreement the Trust House Charitable Trust allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to call for donations from the Trust House Charitable Trust. Once they are approved by the charitable arms, payment is made by the Trust House Charitable Trust direct to the organisation receiving the grant.

Trust House Charitable Trust has been wound up. At 31 March 2012 it had no assets or liabilities.

The functions previously performed by the Trust House Charitable Trust are now carried out by the Trust House Foundation see (g) below.

Details of the funds available and grants approved are:	2013 $	2012 $
Funds available 1st April	-	511,636
Net surplus before charitable distributions	-	349,630
Grants unclaimed	-	24,287
Grants approved	-	(885,553)
Funds available 31st March	-	-

Trust House Ltd is responsible for administering Trust House Charitable Trust.

	2013 $	2012 $
Site Rentals paid by THCT to Trust House Ltd	-	134,116
Management fees paid by THCT to Trust House Ltd	-	74,167

THCT has paid the following entities for services performed by the entities on behalf of THCT:

	2013 $	2012 $
Masterton Licensing (Charitable) Trust	-	7,667
Rimutaka Trust	-	5,750
Flaxmere Licensing (Charitable) Trust	-	5,750
	-	19,167

THCT has paid the following grants:

	2013 $	2012 $
Flaxmere Licensing (Charitable) Trust	-	10,000
	-	10,000

RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Trust House Foundation (THF)

i. Trust House Foundation is an independent trust. Some of the Directors of Trust House Ltd are also Trustees of Trust House foundation.

ii. Gaming Machine proceeds are generated in the premises of the Rimutaka Licensing Trust and the Trust House Ltd. By agreement the Trust House Foundation allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to call for donations from the Trust House Foundation. Once they are approved by the charitable arms, payment is made by the Trust House Foundation direct to the organisation receiving the grant.

Details of the funds available and grants approved are:

	2013 $	2012 $
Funds Available 1st April	580,169	-
Net Surplus before charitable distributions	2,647,484	2,425,531
Grants unclaimed	24,395	22,871
Grants approved	(2,816,486)	(1,868,233)
Funds available 31st March	435,562	580,169

Trust House Ltd is responsible for administering Trust House Foundation

	2013 $	2012 $
Site Rentals paid by THF to Trust House Ltd	903,253	809,059
Management Fees paid by THF to Trust House Ltd	467,250	370,833

THF has paid the following entities for services performed by the entities on behalf of THF:

	2013 $	2012 $
Masterton Licensing (Charitable) Trust	46,000	38,333
Rimutaka Trust	34,500	28,750
Flaxmere Licensing (Charitable) Trust	34,500	28,750
	115,000	95,833

THF has paid the following grants:

	2013 $	2012 $
Masterton Licensing (Charitable) Trust	25,586	26,674
Rimutaka Trust	10,469	10,828
Flaxmere Licensing (Charitable) Trust	7,961	7,149
	44,016	44,651

As at 31 March 2013, the Trust House Foundation owed Trust House Limited $88,151 (2012: $115,724).

RELATED PARTY TRANSACTIONS (CONTINUED)

(h) Rimutaka Licensing Trust

Trust House has an agreement to manage the operations of the Rimutaka Licensing Trust

	2013 $	2012 $
Management fees paid by RLT to Trust House Ltd	73,500	70,000
Site rentals paid by Trust House Foundation to RLT	98,938	85,114
Site rentals paid by Trust House Charitable Trust to RLT	-	14,095
Owed to Trust House Limited for payments made on behalf of RLT	15,693	9,084

(i) Rimutaka Trust

Trust House has an agreement to manage the operations of the Rimutaka Trust

	2013 $	2012 $
Management fees paid by RT to Trust House Ltd	26,250	25,000
Owed to Trust House Limited for payments made on behalf of RLT	13	3,092

24. GROUP ENTITIES

Subsidiaries

	Ownership	Interest (%)
	2013 $	2012 $
Trust House Limited	95.4	95.4
Trust House Foundation	-	-
Masterton Licensing (Charitable) Trust	-	-

Trust House Foundation and Masterton Licensing (Charitable) Trust are controlled entities.

25. TAXATION

The Taxation Expense has been calculated as follows:

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Components of tax expense				
Current tax	-	317	-	317
Prior period adjustments	-	-	-	-
	-	317	-	317
Surplus / (deficit) before tax and donations	258,259	2,595,256	(28,387)	2,779
Charitable donations	(2,770,359)	(2,721,930)	-	-
Surplus before tax	(2,512,100)	(126,674)	(28,387)	2,779
Taxation at 28% (2012: 28%)	(703,388)	(35,469)	(7,948)	778
Plus (less) tax effect of:				
Non taxable income	(695,440)	34,691	-	-
Tax loss utilised	-	461	-	461
Tax loss	(7,948)	-	(7,948)	-
Taxation expense	-	317	-	317

Tax losses of $28,387 (2011: $Nil) are available to carry forward and offset against future taxable income.

26. SUBSEQUENT EVENTS

Bank loans from both ANZ and BNZ require that 12 month rolling interest cover is maintained at 1.50 times EBITDA. As at 28 April 2013 the 12 month rolling interest cover was 1.48 times EBITDA.

The ANZ term loans have been repaid and replaced with additional facilities with the BNZ.

The BNZ has acknowledged the level of interest cover and is charging an additional 0.2% per annum interest until the interest cover exceeds 1.50 times.

On the 2nd May the Homestead family restaurant was closed due to unsustainable trading losses.

27. CAPITAL MANAGEMENT

The Group's capital includes reserves and retained earnings.

The Group's policy is to maintain a capital base so as to maintain creditor and community confidence and to sustain future development of the business.

The Group is not subject to any externally imposed capital requirements.

There have been no material changes in the Group's management of capital during the period.

INDEPENDENT AUDITOR'S REPORT

To the readers of Masterton Licensing Trust and Group's financial statements

for the year ended 31 March 2013

The Auditor General is the auditor of Masterton Licensing Trust (the Trust) and Group. The Auditor General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust and Group, on her behalf.

We have audited the financial statements of the Trust and group on pages 54 to 79, that comprise the Statement of Financial Position as at 31 March 2013, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION

In our opinion the financial statements of the Trust and Group on pages 54 to 79:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's:
    - financial position as at 31 March 2013; and
    - financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 June 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust and group's financial statements that fairly reflect the matters to which they relate. We consider internal control 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 Trust and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE TRUSTEES

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustees are also responsible for the publication of the financial statements, whether in printed or electronic form.

The Trustees' responsibilities arise from the Sale of Liquor Act 1989.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit.

Our responsibility arises from section 15 of the Public Audit Act 2001 and the Sale of Liquor Act 1989.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit and audit report on the Trust's subsidiary Trust House Foundation's forecast financial statements for the year ending 31 March 2014 in accordance with the Department of Internal Affairs, we have no relationship with or interests in the Trust or any of its subsidiaries.

Leon Pieterse

Audit New Zealand

On behalf of the Auditor General

Auckland, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Masterton Licensing Trust and Group for the year ended 31 March 2013 included on the Masterton Licensing Trust website. The Trustees are responsible for the maintenance and integrity of the Masterton Licensing Trust website. We have not been engaged to report on the integrity of Masterton Licensing Trust website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 June 2013 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

Masterton Licensing (Charitable) Trust – Grants Approved

Organisation	Approved
Access Radio Wairarapa Charitable Trust	$1,000
Alzheimers Wairarapa Inc	$1,000
Arthritis Foundation of NZ Inc	$1,500
Arts Culture and Heritage Trust - Toi Wa	$5,000
Athletics Masterton Inc	$500
Athletics Wairarapa Inc	$1,200
Autism Intervention Trust	$2,500
Bowls Wairarapa Inc	$3,000
Brain Injury Association Central Districts Inc	$1,000
Brainwave Aotearoa Trust	$750
Branch 46 NZ Assn of Radio Transmitter Inc	$1,000
Bush Blue Light	$810
Camp Quality Wellington/Central Region	$2,000
Cancer Society Wairarapa Dragon Boat Team Inc	$1,000
Canteen Central	$1,000
Carterton Events Centre Trust	$25,000
Carterton Playcentre	$375
Carterton Swimming Club Inc	$1,000
Castlepoint Fishing Club Inc	$1,000
Castlepoint Ratepayers and Residents Assn	$3,500
Central Search Dogs Inc	$1,000
Community Accounts Mentoring Service Trust	$500
Dalefield Hockey Club	$1,000
Dalefield School Board of Trustees	$500
Destination Wairarapa Inc	$252,422
Diabetes NZ Wellington Inc	$750
Eketahuna Community Charitable Trust	$3,000
Eketahuna Golf Club Inc	$1,000
Eketahuna Health Centre Trust Inc	$500
Eventing Wairarapa	$1,500
FAHS - Feilding High School Board of Trustees	$750
Featherston Amateur Athletic Club	$750
Featherston Amateur Wrestling Club Inc	$500
Featherston Community Patrol	$1,000
Featherston Muay Thai Club	$1,000
Featherston United Football Club	$1,000
Feilding Brigade Club	$1,000
Feilding Community Patrol	$750
Feilding Industrial Agricultural and Pastoral Assn	$1,000
Feilding Surfcasting Club (FSC)	$500
Feilding Tennis Club	$1,000
Friends of Friends Masterton	$990
Friends of Mauriceville Inc	$1,000
Girls Brigade Hutt Valley - Wairarapa Area	$1,000
Gladstone Netball	$300
Gladstone School Board of Trustees	$3,000
Glistening Waters Storytelling Festival Inc	$1,800
Golden Shears International Inc Shearing Championships Society	$25,000
Greytown Arts Festival Inc	$3,000
Greytown Bowling Club Inc	$2,000
Greytown Community Creche Inc	$750
Greytown Community Sport and Leisure Society Inc	$5,000
Greytown Cricket Club Inc	$1,000
Greytown Football Club Inc	$750
Greytown Junior Football Club	$600
Greytown Lawn Tennis Club	$4,000
Greytown Lioness Club Charitable Trust	$1,000

Organisation	Approved
Greytown Netball Club Inc	$1,000
Greytown School Board of Trustees	$500
Greytown Trails Trust	$5,000
He Kahui Wairarapa Inc	$1,000
Henley Mens Shed Inc	$3,000
Henley Trust 2003	$1,000
IHC New Zealand Inc	$1,000
Island Bay Enhancement Trust	$3,000
Island Bay Softball Club Inc	$1,000
Island Bay Tennis and Squash Club Inc	$3,000
Jazz and Ballet Fundraising Team	$1,000
Jazz in Martinborough	$1,200
Kia Kaha Womens Hockey Club	$1,000
Kidzstuff Theatre For Children Inc	$1,000
King Street Artworks Inc	$10,000
Kiwi Athletic Club Inc	$300
Kopuaranga Hall Society Inc	$1,200
Kuranui College Board of Trustees	$700
Lakeview School Board of Trustees	$2,000
Lansdowne Playcentre	$410
Learning Disabilities Assn Wai Inc	$2,000
Mahunga Golf Club Inc	$7,000
Makoura College Board of Trustees	$35,000
Manawatu Cricket Association Inc	$608
Manchester House Inc	$2,000
Martinborough Soccer Club	$660
Martinborough Squash Club Inc	$750
Masterton A and P Association	$5,000
Masterton Amateur Theatrical Society Inc (MATS)	$30,000
Masterton Apostolic Church Trust	$3,500
Masterton Association Football Club Inc	$2,000
Masterton Axemens Club	$500
Masterton Blue Light Disco Inc	$3,500
Masterton Bowling Club Inc	$3,000
Masterton Christian Child Care Programme	$1,000
Masterton Community Church	$1,000
Masterton Community Toy Library Inc	$1,500
Masterton District Council	$33,500
Masterton District Library	$2,500
Masterton Foodbank Inc	$5,000
Masterton Golf Club	$4,000
Masterton Licensing (Charitable) Trust	$35,000
Masterton Martial Arts Centre	$1,750
Masterton Masters Swimming Club	$400
Masterton Miniature Train Society Ltd	$3,000
Masterton Motorplex Inc	$200,000
Masterton Primary School Granny's Basket	$7,000
Masterton Principals Cluster (Primary)	$4,000
Masterton Racing Club Inc	$3,000
Masterton Red Star Rugby Club	$2,000
Masterton Riding Club	$1,000
Masterton Safe and Healthy Community Council	$6,000
Masterton Swimming Club Inc	$7,500
Mauriceville School Board of Trustees	$500
Mauriceville West Reserve Committee	$1,500
National Golf Tournament 2013	$5,000
Netball Wairarapa Inc	$15,000

Masterton Licensing (Charitable) Trust – Grants Approved

Organisation	Approved
New Zealand Blue Light Ventures Inc	$1,000
New Zealand Choral Federation - Wellington Region	$3,000
New Zealand Youth Choir	$500
Newtown Community and Cultural 2009 Trust	$1,500
Newtown Residents Association Inc	$2,000
Nota Bene Inc	$300
NZ Council of Victim Support Groups - Wairarapa	$3,000
NZ Equestrian Federation - Wairarapa Branch	$1,500
Oasis Charitable Trust Wairarapa	$3,000
Pahiatua Community Services Trust	$1,000
Pahiatua Railcar Society Inc	$2,000
Pahiatua Toy Library Inc	$500
Papawai Pa Committee	$3,164
Parent to Parent Wellington Region	$1,000
Pre Shears Woolhanding Championships	$1,000
Prisoners Aid and Rehabilitation Society	$1,500
Pukaha Mount Bruce Board	$30,000
Rally Wairarapa Inc	$40,000
Rathkeale College	$1,000
Red Star Cricket Club	$1,000
Red Star Squash Club	$10,000
Rimutaka Kindergarten Assn Inc - Martinborough	$1,000
Rimutaka Kindergarten Assn Inc Lansdowne	$500
Rimutaka Kindergarten Association - Manaia	$1,000
Riversdale Beach Surf Lifesaving Club Inc	$2,000
Ronald McDonald House Wellington Trust	$7,500
Royal New Zealand Plunket Society - Wairarapa Branch	$8,000
Saint Marks Churchwardens Seasons Grief and Loss Programme	$1,500
Saint Matthews Parish	$3,500
Shakespeare Globe Centre New Zealand	$2,000
Shear History Trust	$4,000
Southern Cross Kid's Camp Wellington	$1,000
Special Olympics Wellington	$1,000
Sport Wellington	$5,000
St James Union Parish	$400
St Lukes Union Parish	$10,000
St Matthews Collegiate School Board of Trustees	$750
St Patrick's Primary School PTA	$1,000
Stopping Violence Services Wairarapa	$8,000
Street Youth Ministries Trust Inc	$13,000
Stroke Foundation Central Region Inc	$2,000
Taki Rua Productions Society Inc	$500
Taonui School Board of Trustees	$500
Tararua Foundation	$512,000
Taratahi Agricultural Training Centre	$1,000
Te Hika O Papauma O Wairarapa	$750
Te Kura-A-Rangi Trust	$3,000
Te Ore Ore Maori Committee - Squash Wairarapa	$4,000
Te Ore Ore Marae Maori Committee	$799
The Anglican Diocese of Wellington	$3,000
The Catwalk Trust	$2,000
The House of Grace Trust Inc	$1,500
The Life Flight Trust	$10,000
The Lighthouse Church Charitable Trust	$2,500
The Lions Club of Featherston Charitable Trust	$1,000
The Mauriceville/Kopuaranga Fair Assn Inc	$750

Organisation	Approved
The Open Home Foundation - Wairarapa Service Centre	$750
The Orpheus Choir of Wellington Inc	$1,000
The Wairarapa Regional All Weather Track Trust	$25,000
Trinity Schools Trust Board	$2,000
Tuhirangi JAB	$750
UCOL @ Wairarapa - Scholarship	$1,500
Wairarapa Arts Festival Trust	$20,000
Wairarapa Balloon Society Inc	$20,000
Wairarapa Bird Club Inc	$750
Wairarapa Branch of The Vintage Car Club	$3,500
Wairarapa Bush Rugby Football Union Inc	$48,000
Wairarapa Cancer Society Inc	$15,000
Wairarapa College	$1,000
Wairarapa College 1st Girl's Hockey Team	$500
Wairarapa College 1st XI Boy's Hockey Team	$750
Wairarapa College 1st XI Girls Soccer Team	$750
Wairarapa College Basketball Team	$750
Wairarapa College Cricket	$1,000
Wairarapa College Senior A Netball	$750
Wairarapa Community Centre Inc	$4,000
Wairarapa Community Law Centre Inc	$6,000
Wairarapa Cricket Association Inc	$10,000
Wairarapa Hockey Association Inc	$7,500
Wairarapa Inter-Collegiate Speech Competition	$1,000
Wairarapa Kennel Association Inc	$1,000
Wairarapa Mathematics Association	$800
Wairarapa Parents Centre	$2,000
Wairarapa Rape and Sexual Abuse Collective Inc	$2,000
Wairarapa Resource Centre Inc	$3,500
Wairarapa Singers	$500
Wairarapa STARS Trust	$3,000
Wairarapa Tennis Assn Inc	$2,500
Wairarapa United Football Club Inc	$4,000
Wairarapa Wines Inc	$3,000
Wairarapa Women's Centre	$2,000
Wairarapa Women's Refuge Inc	$7,500
Wairarapa Youth Concert Band	$1,000
Wellington Free Ambulance Service Inc	$5,000
Wellington Museums Trust Inc	$1,000
Wellington Regional Orchestra Foundation	$1,500
Wellington Repertory Theatre Inc	$500
Wellington Sexual Abuse HELP Foundation	$2,000
Wellington United AFC	$4,000
Westside Playcentre	$1,000
Whaiora Whanui GP Services	$700
Wings Over Wairarapa Community Trust	$95,000
Y M C A Masterton	$1,500
Total grants approved	**$1,892,888**
Grants reversed/reduced	**-$11,664**
Total Grants	**$1,881,224**

We will responsibly offer our products and services

We take a considered approach to how we go to market, in the deep respect that some of our products and services cause social harm. It is not good enough to just play by the rules. At the same time we must ensure that, morally, we lead the market in the responsible retailing of at-risk products.

FLAXMERE LICENSING TRUST

PRESIDENT'S REPORT

The members of the Flaxmere Licensing Trust have much pleasure in presenting the Annual Report and Accounts for the year ending 31 March 2013.

HIGHLIGHTS OF THE YEAR:

- Contributing to the introduction of i-pads for use in our schools
- The increasing success and growth of our sports clubs.
- The return of $ 484,000 of community support to Flaxmere
- The opening of the refurbished Flaxmere Park

OPERATIONAL REVIEW

The Trust has for the past two to three years, been keen to refurbish and redevelop the Flaxmere tavern to better serve the maturing needs of our community. The plans to achieve this objective include the addition of an integral bottle store and a dining facility tailored to the needs of Flaxmere. Critical for this development is for the Hastings District Council to act on the patiently awaited redevelopment of the commercial centre of Flaxmere and link together the separate facilities that exist in the village area. The need for this development is undisputed and is eagerly anticipated by the community, the Police and health authorities, but until this objective is embraced by Council and roading intentions established, investment by any business in Flaxmere is being frustrated, the Trust included. The Trust, like those seeking progress in Flaxmere, look towards the Hastings District Council to resolve this current impasse and present a proposed layout for Flaxmere by which commercial interest can invest with confidence.

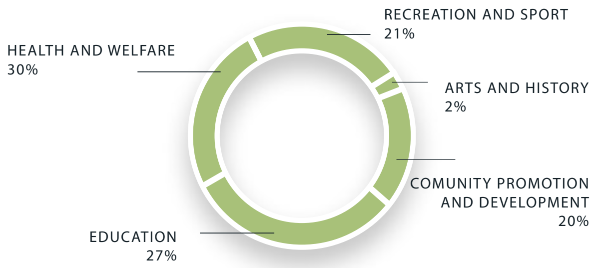
Recent upgrades to the Flaxmere Indoor Pool have resulted in this facility being one of the best of its type in the country. This fact coupled with the proposed extension to the Community Centre is all the more reason why these assets should be accessed more easily and become integral with the commercial entities of Flaxmere.

While trading is continuing to be extremely testing, Flaxmere and the greater Hastings area have again been blessed with a fruitful growing season much to the pleasure of the horticultural industries that surround our communities. This as always, bodes well for Flaxmere as does the continually expanding ribbon of industry that has spread along Omahu Road. Both add to the growing employment opportunities that are available to our people and the inherent wealth these opportunities generate.

COMMUNITY SUPPORT

During the past year grants to the value of $484,000 were distributed for the benefit of the Flaxmere Community. In all 56 organisations received a contribution towards their respective projects and services. With the high percentage of the population under the age of 21, it is fitting that child and youth enjoyed a large portion of this support and so it has with education, sport and youth activities receiving 54% of funding. Of this, education was again to the fore with the schools receiving $100,000 for the purchase of i-pads to maintain their effective IT programs. Early childhood education was also supported through grants amounting to $30,000 to ensure the best possible start for our pre-schoolers. Learning to swim tuition for all students, funding for sports clubs and contributions to social skills programs made up the balance. Health and community activities were also supported, examples of which were the Flaxmere Family Day and the Flaxmere Trust community iathlon. These brought families together to enjoy and encourage local talent and to promote family health and fitness. Matariki celebrations have been attracted to Flaxmere and these provide another enjoyable community event the Trust has supported. Other grants have been for those at risk and those in need.

The following is a pie chart depicting how the $484,000 of support for 2012/13 year was allocated.



STAFF

It is again appropriate to thank the Flaxmere staff for their support during the year and for the contribution they have made towards the success of the operation.

The contribution made by the staff of Trust House Ltd must also be acknowledged. The wisdom, professionalism and experience they offer have been a critical factor in the success of our Trust. Their enthusiasm for the concept of community ownership is special and is a major force behind the Flaxmere Licensing Trust. Thank you all once again for your effort and support.

TRUSTEES OF THE FLAXMERE LICENSING TRUST

The Trustees of the Flaxmere Licensing Trust are:

Ken Kibblewhite, President. Martha Greening, Deputy President. Bronwen Hopkins, Warwick Howie, Bert Lincoln, Jacob Poulain

Ken Kibblewhite

President

INCOME STATEMENT

For the year ended 31 March 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Income					
Revenue		42,461	51,649	-	-
Interest received		13, 895	14,965	3,109	3,428
Total income		56,356	66,614	3,109	3,428
Operating expenses					
Administration and financial		41,991	37,780	9,233	8,698
Audit fees		8,123	7,812	4,422	4,256
Trustees fees		15,575	13,100	-	-
Total operating expenses		65,689	58,692	13,655	12,954
Net surplus / (deficit) before tax and charitable donations		**(9,333)**	**7,922**	**(10,546)**	**(9,526)**
Charitable donations		(8,101)	(17,149)	-	-
Tax expense	*7*	-	-	-	-
Net surplus / (deficit) for year		**(17,434)**	**(9,227)**	**(10,546)**	**(9,526)**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Net surplus / (deficit) for the year		(17,434)	(9,227)	(10,546)	(9,526)
Other comprehensive income		-	-	-	-
Total comprehensive income		**(17,434)**	**(9,227)**	**(10,546)**	**(9,526)**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Equity at start of the year		1,617,231	1,626,458	1,159,014	1,168,540
Total comprehensive income		(17,434)	(9,227)	(10,546)	(9,526)
Equity at end of the year		**1,599,797**	**1,617,231**	**1,148,468**	**1,159,014**

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

STATEMENT OF FINANCIAL POSITION

AS at 31 MARCH 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Current assets					
Cash and cash equivalents	*4*	128,750	135,717	122,693	130,418
Short term investments	*5*	76,277	82,671	-	-
Receivables and prepayments		1,759	1,921	-	-
Loan advance		225,000	-	-	-
Taxation receivable		404	2,112	404	2,112
Total current assets		432,190	222,421	123,097	132,530
Non-current assets					
Investments	*6*	1,180,740	1,405,740	1,030,740	1,030,740
Total non-current assets		1,180,740	1,405,740	1,030,740	1,030,740
Total assets		1,612,930	1,628,161	1,153,837	1,163,270
Current liabilities					
Trade and other payables	*10*	11,133	8,930	5,369	4,256
Charitable distributions due		2,000	2,000	-	-
Total current liabilities		13,133	10,930	5,369	4,256
Non-current liabilities					
Deferred tax liability	*7*	-	-	-	-
Total non-current liabilities		-	-	-	-
Equity					
Retained earnings		1,599,797	1,617,231	1,148,468	1,159,014
Total equity		1,599,797	1,617,231	1,148,468	1,159,014
Total liabilities and equity		1,612,930	1,628,161	1,153,837	1,163,270

Signed on behalf of Flaxmere Licensing Trust

K H Kibblewhite

President

A H J Pollard

Chief Executive

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

STATEMENT OF CASH FLOWS

AS at 31 MARCH 2013

	Note	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Cash flows from operating activities					
Cash was provided from:					
Grants received		42,461	51,649	-	-
Interest received		14,057	15,215	3,109	3,428
Tax refund		2,112	-	2,112	-
		58,630	66,864	5,221	3,428
Cash was applied to:					
Payments to suppliers and employees		63,486	59,527	12,542	12,974
Charitable donations		8,101	15,149	-	-
Tax paid		404	1,028	404	1,028
		71,991	75,704	12,946	14,002
Net cash flows from operating activities	8	**(13,361)**	**(8,840)**	**(7,725)**	**(10,574)**
Cash flows from investing activities					
Cash was provided from:					
Reduction in short term deposits		10,000	-	-	-
		10,000	-	-	-
Cash was applied to:					
Increase in short term deposits		(3,606)	(4,086)	-	-
		(3,606)	(4,086)	-	-
Net cash flows from investing activities		**6,394**	**(4,086)**	-	-
Net (decrease) / increase in cash held		(6,967)	(12,926)	(7,725)	(10,574)
Opening cash balance		135,717	148,643	130,418	140,992
Closing cash balance		128,750	135,717	122,693	130,418
This balance is made up as follows:					
Cash and cash equivalents		128,750	135,717	122,693	130,418
		128,750	**135,717**	**122,693**	**130,418**

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

These financial statements have been prepared in accordance with the Sale of Liquor Act 1989. The Flaxmere Licensing Trust is a licensing trust established in accordance with the Sale of Liquor Act 1989. The consolidated financial statements of Flaxmere Licensing Trust as at and for the year ended 31 March 2013 comprise of the Flaxmere Licensing Trust and Flaxmere Licensing (Charitable) Trust (a controlled entity).

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Trustees on 7th May 2013.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Measurement Base

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

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Trust's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Flaxmere Licensing Trust and its subsidiary at 31 March each year ('the Group').

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

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

Financial instruments

Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances, call deposits and term deposits with a term of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Investments in equity securities

Investments in equity securities held by the Group are measured at cost.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

Income Tax

The Flaxmere Licensing Trust is subject to income tax, but the Flaxmere Licensing (Charitable) Trust is exempt from income tax as a charity.

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have become enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The measurement of deferred tax reflects the tax consequences that would flow from the manner in which the entity expects to recover or settle the carrying amount of is assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company can control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Goods and Services Tax

These accounts are prepared on a GST inclusive basis as the Trust cannot claim GST on its expenses.

Charitable Donations

Charitable Donations are recognised when approval is given.

Critical accounting estimates and assumptions

In preparing these financial statements Flaxmere Licensing Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CASH AND CASH EQUIVALENTS

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Bank balances	128,750	135,717	122,693	130,418
Cash and cash equivalents	128,750	135,717	122,693	130,418

The carrying value of cash and cash equivalents approximate their fair value.

5. SHORT TERM INVESTMENTS

As at balance date the following term deposits were held

	Registered Bank	Interest Rate	Term	Matures	$
2013	ANZ National Bank	4.35% p.a.	1 year	20 September 2013	76,277
2012	ANZ National Bank	4.35% p.a.	1 year	20 September 2012	82,671

6. INVESTMENTS

These investments are considered to be long term.

Details of shares are:

	Group 2013	Group 2012	Parent 2013	Parent 2012
Trust House Ltd – number of shares held	487,000	487,000	337,000	337,000
	$	$	$	$
Trust House Ltd – value of shares at cost	1,180,740	1,180,740	1,030,740	1,030,740
Term loan to Trust House Ltd	225,000	225,000	-	-
	1,405,740	1,405,740	1,030,740	1,030,740

The loan to Trust House Limited is repayable on demand and is not secured.

The interest rate applicable as at 31 March 2013 was 3.25% (2012: 3.25%). Interest received in 2012/13 was $7,313 (2012: $7,662).

7. TAXATION

The taxation expense has been calculated as follows:

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Components of tax expense				
Current tax	-	-	-	-
Prior period adjustments	-	-	-	-
	-	-	-	-
Surplus before tax and donations	(9,333)	7,922	(10,546)	(9,526)
Charitable donations	(8,101)	(17,149)	-	-
Surplus before Tax	(17,434)	(9,227)	(10,546)	(9,526)
Taxation at 28%	(4,882)	(2,584)	(2,953)	(2,667)
Plus (less) tax effect of:				
Non taxable income	1,929	(83)	-	-
Tax loss not recognised	2,953	2,667	2,953	2,667
Taxation expense	-	-	-	-

A deferred tax asset has not been recognised in relation to tax losses of $78,907 (2012: $68,361).

8. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

The reconciliation of net surplus to net cash inflows from operating activities is as follows:

	Group 2013 $	Group 2012 $	Parent 2013 $	Parent 2012 $
Net surplus / (deficit) for year	(17,434)	(9,227)	(10,546)	(9,526)
Add (less) movements in working capital items:				
(Increase)/decrease in receivables and prepayments	162	250	-	-
Increase/(decrease) in payables and accruals	2,203	(835)	1,113	(20)
Increase/(decrease) in charitable Distributions due	-	2,000	-	-
(Increase)/decrease in provision for taxation	1,708	(1,028)	1,708	(1,028)
	4,073	387	2,821	(1,048)
Add (less) movements in deferred tax:				
Increase/(decrease) in deferred tax	-	-	-	-
	-	-	-	-
Net cash flow from operating activities	(13,361)	(8,840)	(7,725)	(10,574)

9. CONTINGENT LIABILITIES AND COMMITMENTS

The Group has no contingent liabilities or commitments as at 31 March 2013 (2012: Nil).

10. FINANCIAL INSTRUMENTS

Classification and fair value

The carrying amount of financial instruments approximates their fair value.

Liquidity Risk

Exposure to liquidity risk arises in the normal course of the Trust's business.

Liquidity risk represents the Trust's ability to meet its contractual obligations. The Trust evaluates its liquidity requirements on an ongoing basis. In general; the Trust generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

The following table sets out the contractual cash flows for all financial liabilities:

Group	12 months or less	1-2 years $	2-5 years $	More than 5 years $
2012 Trade and other payables	8,930	-	-	-
Charitable distributions due	2,000	-	-	-
	10,930	-	-	-
2013 Trade and other payables	11,133	-	-	-
Charitable distributions due	2,000	-	-	-
	13,133	-	-	-
Parent				
2012 Trade and other payables	4,256	-	-	-
2013 Trade and other payables	5,369	-	-	-

11. RELATED PARTY TRANSACTIONS

(a) Trust House Charitable Trust

The President of the Flaxmere Licensing Trust is a Trustee of the Trust House Charitable Trust. By arrangement, the Trust House Charitable Trust accepts recommendations from the Trustees of the Flaxmere Licensing (Charitable) Trust for grants to be distributed within their area, from the proceeds of the gaming machines in Trust House Ltd premises.

Details of the funds available and grants approved are:

	2013 $	2012 $
Funds available 1st April	-	147,497
Net surplus before charitable distributions	-	48,448
Grants unclaimed	-	15,983
Grants approved	-	(211,928)
Funds available 31st March	-	-

In 2012/13 the Trust House Charitable Trust made charitable distributions of $Nil to the Flaxmere Licensing (Charitable) Trust (2011/12: $10,000).

In 2012/13 the Trust House Charitable Trust paid the Flaxmere Licensing (Charitable) Trust $Nil for services on behalf of the Trust House Charitable Trust (2012: $5,750).

(b) Trust House Foundation

The President of the Flaxmere Licensing Trust is a Trustee of the Trust House Foundation. From 23rd May 2011 by arrangement, the Trust House Foundation accepts recommendations from the Trustees of the Flaxmere Licensing (Charitable) Trust for grants to be distributed within their area, from the proceeds of the gaming machines in Trust House Ltd premises.

Details of the funds available and grants approved are:

	2013 $	2012 $
Funds available 1st April	124,968	-
Net surplus before charitable distributions	437,867	401,455
Grants unclaimed	2,557	6,851
Grants approved	(483,984)	(283,338)
Funds available 31st March	81,408	124,968

In 2012/13 the Trust House Foundation made charitable distributions of $7,961 to the Flaxmere Licensing (Charitable) Trust (2011/12: $7,149).

In 2012/13 the Trust House Foundation paid the Flaxmere Licensing (Charitable) Trust $34,500 for services on behalf of the Trust House Foundation (2012: $28,750).

RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

Key management personnel comprises of the Trustees of the Flaxmere Licensing Trust.

Key management personnel compensation

	Group 2013 $	Group 2012 $
Trustees fees and other short term benefits	15,575	13,100
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	15,575	13,100

12. CAPITAL MANAGEMENT

The Trust's capital includes retained earnings. Equity is represented by net assets. The Trust manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Trust equity is largely managed as a by product of managing revenue, expenses, assets and liabilities.

The objective of managing the Trust's equity is to ensure the Trust achieves its goals and objectives for which it has been established, whilst remaining a going concern.

INDEPENDENT AUDITOR'S REPORT

To the readers of Flaxmere Licensing Trust and Group's financial statements for the year ended 31 March 2013

The Auditor General is the auditor of Flaxmere Licensing Trust (the Trust) and Group. The Auditor General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust and Group, on her behalf.

We have audited the financial statements of the Trust and group on pages 87 to 95 that comprise the Statement of Financial Position as at 31 March 2013, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION

In our opinion the financial statements of the Trust and Group on pages 87 to 95:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's:
    - financial position as at 31 March 2013; and
    - financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 June 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust and Group's financial statements that fairly reflect the matters to which they relate. We consider internal control 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 Trust and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE TRUSTEES

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustees are also responsible for the publication of the financial statements, whether in printed or electronic form.

The Trustees' responsibilities arise from the Sale of Liquor Act 1989.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit.

Our responsibility arises from section 15 of the Public Audit Act 2001 and the Sale of Liquor Act 1989.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Trust or any of its subsidiaries.

Leon Pieterse, Audit New Zealand

On behalf of the Auditor General

Auckland, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Flaxmere Licensing Trust and Group for the year ended 31 March 2013 included on the Flaxmere Licensing Trust website. The Trustees are responsible for the maintenance and integrity of the Flaxmere Licensing Trust website. We have not been engaged to report on the integrity of Flaxmere Licensing Trust website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 June 2013 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions

Flaxmere Licensing (Charitable) Trust – Grants Aproved

Organisation	Approved
Accident Injury Support Trust	$5,000
Age Concern Flaxmere Inc	$12,000
Arthritis Foundation of New Zealand	$1,500
Asthma & Respiratory HB Services Trust	$5,000
Basketball Hawkes Bay Inc	$5,000
Birchleigh Polo	$4,000
Birthright (HB) Child and Family Care Trust	$3,000
Blue Light Ventures	$5,000
Brain Injury Association (HB) Inc	$4,000
Cranford Hospice (Presbyterian Support East Coast)	$15,000
Family Works Hawkes Bay (Presbyterian Support East Coast)	$27,500
Flaxmere Licensing (Charitable) Trust	$16,000
Flaxmere Planning Committee	$15,000
Flaxmere Schools Cluster	$100,000
Hastings Blossom Festival Trust	$2,000
Hastings Budget Advisory Service Inc	$5,000
Hastings District Council	$33,430
Hastings Foodbank Trust	$6,000
Hastings Group Riding for the Disabled	$3,000
Hastings Swimming Charitable Trust	$20,000
Hawkes Bay Community Law Centre	$1,000
Hawkes Bay Helicopter Rescue Trust	$15,500
Hawke's Bay Multisports Club	$2,470
Hawke's Bay Regional Sports Park Trust	$10,000
Hawkes Bay Softball Association	$5,000
He Pataka Hauora Trust	$5,000
Heretahunga Kindergarten Assn Inc Irongate	$5,000
Heretaunga Kindergarten Association Inc Peterhead Kindegarten	$5,000
Heretaunga Land Skills Trust	$2,000
Heretaunga Women's Centre	$4,000

Organisation	Approved
Jireh Charitable Trust Hawkes Bay	$5,000
Koru Care Charitable Trust New Zealand	$2,000
Koru Youth Trust (Hawkes Bay)	$6,000
Kowhai School	$1,931
Leg-Up Trust	$3,000
MAC Sports Association Inc	$12,000
Ngati Kahungunu Iwi Inc	$10,000
Ocean Beach Kiwi Surf Life Saving Club Inc	$2,500
Paki Paki Netball Club	$3,500
Parents Incorporated Attitude Division	$1,000
Prisoners Aid and Rehabilitation Trust	$3,000
Purena Koa Rehua Youth Services	$10,000
RNZPS Hawke's Bay Area Inc	$15,000
Sport Hawkes Bay	$11,355
Stroke Foundation Central Region Inc	$5,000
Swim Hawkes Bay	$5,000
Tamatea Rugby League Club Inc	$5,000
Te Kura Kaupapa Maori o Ngati Kahungunu Ki Heretaunga	$3,385
The Hastings & District Branch of RNZSPAC Inc	$3,000
The Hastings Air Training Corps Youth Training Charitable Trust	$2,000
The Order of St John - Hawke's Bay District	$2,547
U-Turn Trust	$10,000
Waiapu Anglican Care - Growing Through Grief HB	$2,746
Western Suburbs Rugby and Sports Club Flaxmere	$10,620
WYNRS NZ Trust	$6,000
Total grants approved	**$483,984**
Grants reversed/reduced	**$2,557**
Total	**$481,427**

Integrity, trust and entrepreneurship are our competitive advantage

We promote doing what is right, even when it is difficult. We embrace innovation and entrepreneurship as means to create a sustainable future, rather than attempting to recreate what has already been accomplished. Therefore we foster an environment where our people can develop and grow, safe in the knowledge that in return for their dedication we acknowledge failure as a means to learn and advance our core purpose.

TARARUA FOUNDATION INCORPORATED

INCOME STATEMENT

For the year ended 31 March 2013

	Note	2013 $	2012 $
Income			
Grants received	*10*	512,000	990,000
Energy sales		183,786	220,385
Donations from Trust House Ltd	*4*	-	36,000
Interest income		41,759	500
Other income		4,918	-
Total income		742,463	1,246,885
Operating expenses			
Administration and financial		31,845	3,667
Audit fees		6,638	6,380
Depreciation		26,898	-
Interest		15,472	-
Management fees		52,500	50,000
Professional fees		6,251	44
Legal fees		3,253	1,583
Property expenses		53,842	61,133
Selling expenses		6,615	10,096
Trustees fees		9,000	9,000
Total operating expenses		212,314	141,903
Net surplus before charitable distributions		530,149	1,104,982
Charitable distributions		-	-
Net surplus/(deficit)		530,149	1,104,982

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013 $	2012 $
Net surplus/(deficit) for year	530,149	1,104,982
Other comprehensive income	-	-
Total comprehensive income for the period	530,149	1,104,982

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	2013 $	2012 $
Equity at start of the year	1,099,785	(5,197)
Total comprehensive income	530,149	1,104,982
Equity at end of the year	1,629,934	1,099,785

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

BALANCE SHEET

As at 31 March 2013

	Note	2013 $	2012 $
Current assets			
Cash and cash equivalents		530,455	9,023
Short term investments		1,023,804	990,000
Prepayments		-	1,750
Taxation receivable		7,262	-
Accrued revenue		39,347	21,847
GST receivable		7,365	4,522
Total current assets		1,608,233	1,027,142
Non current assets			
Property, plant and equipment	*8*	745,317	122,155
Total non-current assets		745,317	122,155
Total assets		2,353,550	1,149,297
Current liabilities			
Trade and other payables	*7*	68,616	39,512
Loan from trust house		-	10,000
Total current liabilities		68,616	49,512
Non-current liabilities			
Loans		655,000	-
Total non-current liabilities		655,000	-
Equity			
Retained earnings		1,629,934	1,099,785
Total equity		1,629,934	1,099,785
Total liabilities and equity		2,353,550	1,149,297

Signed on behalf of Tararua Foundation Incorporated

B J Bourke

Chairman

A H J Pollard

Chief Executive

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Cash was provided from:			
Sales		171,204	202,046
Charitable grants received		512,000	990,000
Donations received		-	36,000
Interest received		41,759	33
		724,963	1,228,079
Cash was applied to:			
Payments to suppliers and trustees		164,567	164,941
Charitable distributions		-	-
		164,567	164,941
Net cash inflows from operating activities	9	560,396	1,063,138
Cash flows from investing activities			
Cash was applied to:			
Purchase of property plant and equipment		650,160	83,341
		650,160	83,341
Net cash outflows from investing activities		(650,160)	(83,341)
Cash flows from financing activities			
Cash was provided from:			
Loans		645,000	10,000
		645,000	10,000
Cash was applied to:			
Increase in short term investments		33,804	990,000
		33,804	990,000
Net cash inflows from financing activities		611,196	(980,000)
Net increase/(decrease) in cash held		521,432	(203)
Opening cash balance		9,023	9,226
Closing cash balance		530,455	9,023
Closing cash is made up of:			
Cash and cash equivalents		530,455	9,023
		530,455	9,023

THE ACCOMPANYING NOTES AND ACCOUNTING POLICIES FORM PART OF, AND SHOULD BE READ IN CONJUNCTION WITH, THESE FINANCIAL STATEMENTS.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Tararua Foundation is a registered charitable trust. These financial statements have been prepared in accordance with the Trust Deed of the Tararua Foundation and the Charitable Trusts Act 1957. The Tararua Foundation was established by the Masterton Licensing Trust for charitable purposes outside the Masterton Licensing Trust area.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements for the Tararua Foundation are for the year ended 31 March 2013. The financial statements were approved by the Trustees on 31 July 2013.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Measurement base

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

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Trust's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(d) Significant accounting policy judgements

Classification as a Public Benefit Entity

Whilst the acquisition of the Kourarau Hydro Scheme gives the Tararua Foundation elements of both a profit orientated entity and a public benefit entity (PBE), the Trustees have determined that the purpose of the Tararua Foundation is most closely aligned to that of a PBE which is defined as "an entity whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders". Therefore standards appropriate for a PBE have been used in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Impairment

The carrying amounts of the Trust's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

Financial instruments

Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flows from the financial assets expire or if the Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Trust commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Tax

The Tararua Foundation is exempt from Income Tax.

Goods and Services Tax

These accounts are prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Accounts Receivable or Accounts Payable (as appropriate). The net GST paid or received from the IRD including the GST relating to investing and financial activities, is classified as an operating cash flow in the Cash Flow Statement.

Donations and grants received

Donations and grants received are recognised as income when received.

Energy sales

The sale of energy is recognised as income when the energy is sold on the spot market.

Charitable donations

Charitable Donations are recognised when approval is given.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Property, plant and equipment

Recognition and measurement

Plant and equipment are initially recorded at cost, and depreciated.

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.

Depreciation

Depreciation is calculated on a straight line basis on all fixed assets at a rate which will write off the cost of the assets to their estimated residual value over their useful lives.

The depreciation rates for property, plant and equipment are as follows:

Electrical reticulation	10%
Computerised load control equipment	25%
Generators	10%
Other	10%

When the components of an item of property, plant and equipment have different useful lives or provide benefits to the entity in different patterns, thus requiring different depreciation rates and methods, the cost of the item is allocated to its component and each component is accounted for separately.

4. RELATED PARTY TRANSACTIONS

(a) Trust House Limited

Trust House Limited made $Nil of donations to the Tararua Foundation (2012: $36,000).

Tararua Foundation paid $52,500 (2012: $50,000) to Trust House Limited for management fees.

Trust House Limited provided other goods and services to the Tararua Foundation on an arms-length basis valued at $7,527 (2012: $1,557). The amount outstanding at year end was $679 (2012; $Nil)

Tararua Foundation has borrowed $155,000 from Trust House Limited. The loan is unsecured and repayable on 31 March 2015.

(b) Trust House Charitable Trust

Trust House Charitable Trust made a grant of $Nil to the Tararua Foundation (2012; $490,000)

(c) Trust House Foundation

Trust House Foundation made grants of $512,000 to the Tararua Foundation (2012; $500,000)

(e) Key management personnel

Key management personnel comprises the Trustees of the Tararua Foundation.

Key management personnel compensation

	2013 $	2012 $
Trustees fees and other short term benefits	9,000	9,000
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	9,000	9,000

5. CONTINGENT LIABILITIES AND COMMITMENTS

The Tararua Foundation has no known contingent liabilities or commitments as at 31 March 2013 (2012: Nil).

6. FINANCIAL INSTRUMENTS

Classification and fair value

The carrying amount of financial instruments approximates their fair value.

Liquidity Risk

Exposure to liquidity risk arises in the normal course of the Trust's business.

Liquidity risk represents the Trust's ability to meet its contractual obligations. The Trust evaluates its liquidity requirements on an ongoing basis. In general, the Trust generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets out the contractual cash flows for all financial liabilities

2012	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
Trade and other payables	39,512	-	-	-
Loan from Trust House Limited	10,000			
	49,512			
2013				
Trade and other payables	68,616	-	-	-
Loans	81,975	314,657	362,334	-
	150,591	314,657	362,334	

7. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Trade creditors and accrued expenses	41,384	12,180
Capital payables	27,232	27,332
	68,616	39,512

8. PLANT AND EQUIPMENT

	Plant and equipment $
Cost	
Balance at 1 April 2011	11,482
Additions	110,673
Balance at 31 March 2012	122,155
Balance at 1 April 2012	122,155
Additions	650,060
Balance at 31 March 2013	772,215
Depreciation and impairment losses	
Balance at 1 April 2011	-
Balance at 31 March 2012	-
Balance at 1 April 2012	-
Depreciation for the year	26,898
Balance at 31 March 2013	26,898
Carrying amounts	
At 1 April 2011	11,482
At 31 March 2012	122,155
At 1 April 2012	122,155
At 31 March 2013	745,317

9. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2013

	2013 $	2012 $
Net surplus/(deficit) for year	530,149	1,104,982
Add/(less) movements in non-cash items:		
Depreciation	26,898	-
	26,898	-
Add/(less) movements in working capital items:		
(Increase) / decrease in receivables and prepayments	(25,855)	(17,324)
Increase/(decrease) in payables and accruals	29,204	(24,520)
	3,349	(41,844)
Net cash flow from operating activities	560,396	1,063,138

10. GRANTS RECEIVED

In 2012 and 2013 Tararua Foundation has received grants totalling $1,490,000 which are being accumulated towards a major project which has yet to be decided.

11. CAPITAL MANAGEMENT

The Foundation capital includes retained earnings. Equity is represented by net assets. The Foundation manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Foundation equity is largely managed as a by product of managing revenue, expenses, assets and liabilities.

The objective of managing the Foundation's equity is to ensure the Foundation achieves its goals and objectives for which it has been established, whilst remaining a going concern.

12. SUBSEQUENT EVENTS

There are no subsequent events

INDEPENDENT AUDITOR'S REPORT

To the readers of Tararua Foundation Incorporated's financial statements for the year ended 31 March 2013

The Auditor General is the auditor of Tararua Foundation Incorporated (the Foundation). The Auditor General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Foundation, on her behalf.

We have audited the financial statements of the Foundation on pages 100 to 106, that comprise the Balance Sheet as at 31 March 2013, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION

In our opinion the financial statements of the Foundation on pages 100 to 106:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Foundation's:
    - financial position as at 31 March 2013; and
    - financial performance and cash flows for the year ended on that date.

Our audit was completed on 31 July 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Foundation's financial statements that fairly reflect the matters to which they relate. We consider internal control 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 Foundation's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

RESPONSIBILITIES OF THE TRUSTEES

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Foundation's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustees are also responsible for the publication of the financial statements, whether in printed or electronic form.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit.

Our responsibility arises from section 15 of the Public Audit Act 2001 and the Sale of Liquor Act 1989.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Foundation.

Leon Pieterse

Audit New Zealand

On behalf of the Auditor General

Auckland, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Tararua Foundation Incorporated for the year ended 31 March 2013 included on the Tararua Foundation Incorporated's website. The Trustees are responsible for the maintenance and integrity of the Tararua Foundation Incorporated's website. We have not been engaged to report on the integrity of Tararua Foundation Incorporated's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 31 July 2013 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

1


5


6


7

8


9

1. Adie Wyeth, Jean Banks and Marguerite Lyttle – Featherston Four Square
2. Justin Karaitiana – The Bottle-O Masterton
3. Craig Thomson – Trust House Support Office
4. Michelle Kirkpatrick – Copthorne Hotel & Resort Solway Park, Wairarapa
5. Jackie Young – The Bottle-O Martinborough
6. Angelique Hanson – The Bull & Bear
7. Glenn Robinson – Homestead Bar
8. Jeff Kay – Kuripuni Sports Bar & TAB
9. Lian Hathaway – Trust House Support Office
10. Liza Houghton – Featherston Four Square
11. Catherine Hill – Trust House Support Office
12. Hayley Miller – Greytown Hotel
13. Gaye Murphy – Featherston Four Square
14. Andrew Whitehead – Trust House Housing

Directory

Board of Directors – Trust House Limited

Brian Bourke, CA – Chairman

Stephen Blakemore, B Agr Sc

David Henry, B Com, CA

Jock Kershaw, LLB

Craig Cooper

Don Baskerville

Trustees – Trust House Foundation

Brian Bourke, CA – Chairman

Stephen Blakemore, B Agr Sc

Ken Kibblewhite, BE (Mech)

Jock Kershaw, LLB

Tom Jones

Craig Cooper

Trustees – Masterton Licensing Trust

Brian Bourke, CA – President

Stephen Blakemore, B Agr Sc

Jock Kershaw, LLB

Craig Cooper

Karl Taucher, MNZITT

Ray Southey

Trustees – Flaxmere Licensing Trust

Ken Kibblewhite, BE (Mech) – President

Bronwen Hopkins

Martha Greening - Deputy President

Jacob Poulain

Bert Lincoln

Warwick Howie

Solicitor

Logan Gold Walsh, Chapel Street, Masterton

Banker

ANZ Bank New Zealand Limited

Auditors

Audit New Zealand, by appointment by the Office of the Controller and Auditor General

Senior Management

Allan Pollard, MBA – Chief Executive

Richard Simmonds, BCA, CA, MBA – General Manager Finance

Jerry Crump – Copthorne Hotel and Resort, Solway Park

Cindra Grant – Operations Manager

Craig Thomson – Community Support Manager

Nikki Burns, BPR TM – Marketing Manager

Peter Rickman, Dip PSM – Human Resources Manager

Theresa Fawdray – Executive Secretary

Outlet Managers

Angelique Hansen – Bull and Bear

Bruce Willoughby – Empire Tavern and The Bottle-O Feilding

Michelle Hopkins – Featherston Community Supermarket

Tania Tenquist – Featherston Post Shop

Denis Fenwick – Greytown Four Square, Greytown Wines and Spirits

Cindra Grant – Greytown Hotel

Gina Richards – Gusto Café and Bakery

Gareth Teahan – Homestead Complex

Andrew Whitehead – Housing Operations Manager

Rick Bryant – Horseshoe Complex

Debbie Blake – Island Bay Bar and The Bottle-O Island Bay

Kerry Hogan – Kuripuni Sportsbar and Apache Jacks

Garry McDowell – Pukemanu Complex

Lena Waaka – The Bottle-O Featherston

Corie Karatiana – The Bottle-O Masterton

Donna Shanahan – The Bottle-O Pahiatua

Michael Benefield – The Flaxmere Tavern

Raewyn Richardson – Rimutaka Sportsbar, Rimutaka Bottlestore returning

support

to the community

People, customer focus and performance deliver our purpose

We seek to better our communities

We will responsibly offer our products and services

Integrity, trust and entrepreneurship are our competitive advantage

TRUST HOUSE
COMMUNITY ENTERPRISE

Level 1, The Horseshoe Building
4 Queen Street Masterton 5810
PO Box 135 Masterton 5840
Tel 06 370 0520 | Fax 06 378 8324
info@trusthouse.co.nz | www.trusthouse.co.nz