TRUST HOUSE

COMMUNITY ENTERPRISE

Annual Report

2014

We will responsibly
offer our products and services

CONTENTS

FOUNDATIONS

for our future

Integrity, trust and entrepreneurship
are our competitive advantage

Market forces are changing and so are the business models in which we operate. Traditionally strong segments, such as taverns and bottle stores, are under threat with increased competition and ever-diminishing margins. These changes could rightly be perceived as threats, but we at Trust House adopt a view of opportunity with the realisation that diversification is key to the future development of the Group.

Opportunities with social housing and improvements to how we go to market in the hospitality and retail segments are areas that we focused on this year.

We are pleased with the progress made towards the strategic intents we set at the beginning of the year. Improved efficiencies and other initiatives have delivered operational improvements throughout the Group. We invested in an extensive staff training programme to ensure our people develop the skills to overcome competitive challenges that are on the horizon. Excellent work has been completed on our sponsorship programme, marketing and grant distribution which have elevated the Trust House brand in our markets.

Throughout the year a number of strategic highlights were achieved, but the standouts for the organisation were:

- Work completed with the Ministry of Business, Innovation and Employment (MBIE) that laid the foundation for our application to become a community housing provider (CHP).
- The strategic exit of non-performing outlets to better align Trust House with contemporary market forces.
- The creation of a one-brand model for the off-premise segment.
- Completion of planning for both the Featherston Gateway and The Farriers projects.

Looking ahead to the new financial year, a key priority for Trust House is to achieve full accreditation from MBIE as a registered community housing provider. If this process is completed successfully we can grow the value that is delivered from this segment. The completion of The Farriers and Featherston Gateway are also an intense focus for the management team; we are confident of success for both projects. Continuing the exceptional brand development work from this year will be a top priority together with continued staff development projects – both of which are to better align the organisation with our aspirations for the future wellbeing of this community-owned and operated enterprise.

I take this opportunity to pay tribute to the quality of my colleagues on our senior management team. Their assistance and support has been invaluable as we continue to deliver substantial change throughout the organisation. The organisation is fortunate to have an executive team that has both the aptitude and experience which ensures that we remain a dynamic and cohesive organisation, both now and for the future.

I am also grateful for the support of the board of directors and their words of wisdom throughout the year and furthermore pass on my sincere thanks to all outlet management and staff; it has not been an easy year but one that will allow this organisation to enhance the wellbeing of our community for many more years to come.

Allan

We seek to better our communities

THL Board

David Henry, Lucy Cruickshank, Allan Pollard (CEO), Brian Bourke (Chair)
Jock Kershaw, Craig Cooper, Don Baskerville and Ray Southey.

Senior Management Team

People, customer focus
and performance deliver our purpose


ALLAN POLLARD – *Chief Executive*

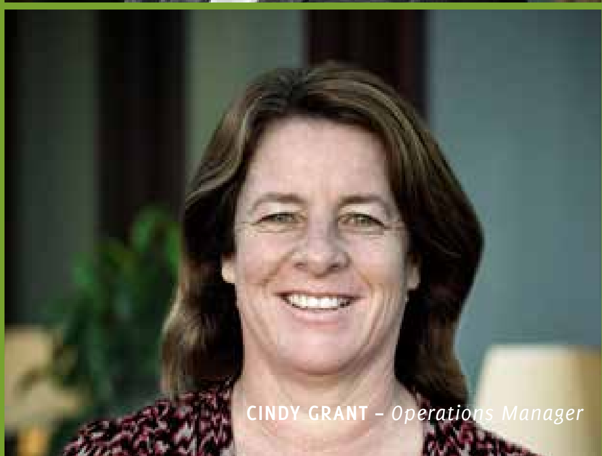

THERESA FAWDRAY – *Executive Secretary*


CRAIG THOMSON – *Community Support Manager*


PETER RICKMAN – *Human Resources Manager*


JERRY CRUMP – *General Manager Copthorne*


RICHARD SIMMONDS – *General Manager Finance*


CINDY GRANT – *Operations Manager*


NIKKI BURNS – *Marketing Manager*


ANDREW WHITEHEAD – *Housing Operations Manager*


JON KARI – *GroupExecutive Chef*

APRIL 2013

New CEO appointed

MAY 2013

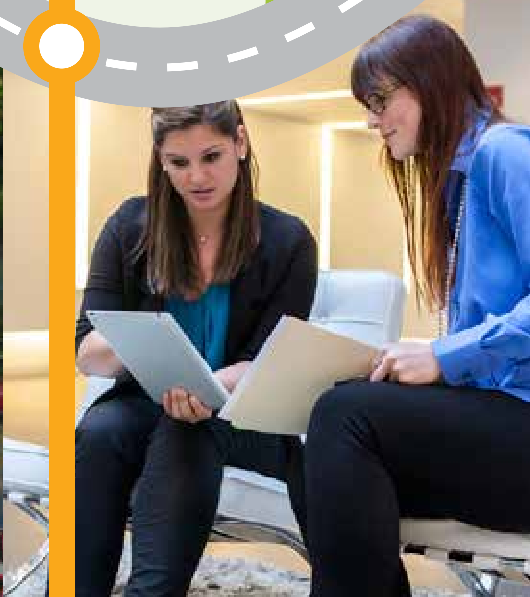
Joined NZLTA insurance collective

New Operations Manager appointed

JUNE 2013

Company-wide staff training initiative

MBIE – Community Housing Provider negotiations



JULY 2013

The Bottle-O one brand strategy commences

New Marketing Manager appointed

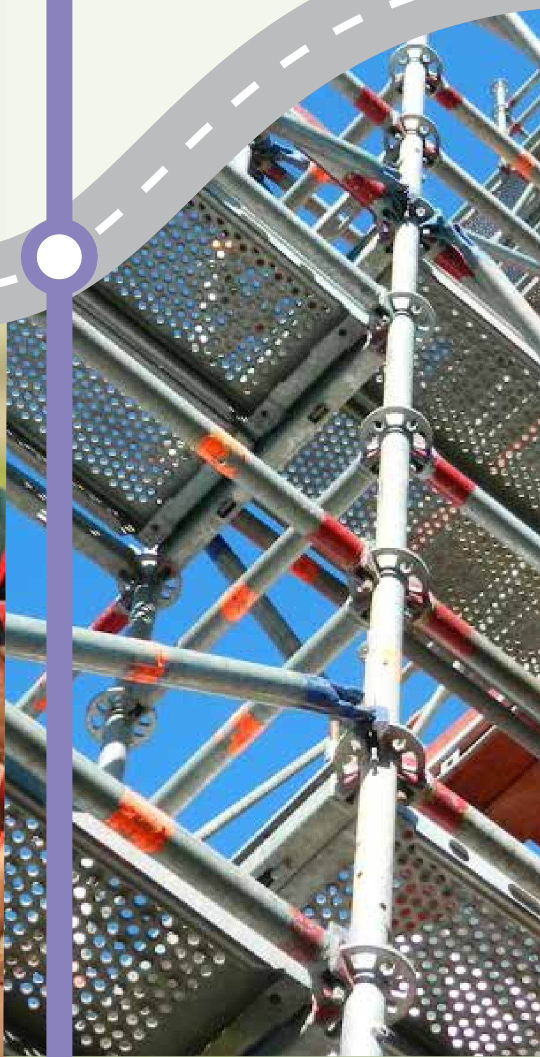
Masterton warehouse redevelopment

AUGUST 2013

Trust House Wairarapa Bush heartland season commences

SEPTEMBER 2013

Planning commences for The Farriers development in 2014



OCTOBER 2013

Local body elections – new Trust and Board appointments

NOVEMBER 2013

Solway Four Square sold

DECEMBER 2013

Greytown Four Square closed

JANUARY 2014

Construction begins on new Featherston complex

FEBURARY 2014

Tui Super Rugby Match, Hurricanes vs. Blues

MARCH 2014

TRUST HOUSE LIMITED

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 19 business units including:

- Licenced premises – hotels, restaurants, bars, cafes and bottle stores.
- One Supermarket.
- A Housing estate with 487 homes to rent.
- A hydro electricity scheme (Tararua Foundation).

RESULTS FOR THE YEAR

Whilst financial improvements were realised throughout the year trading continues to be difficult in traditional market segment. Cash flows and profits (as detailed in the following table) were sound and the financial position remains strong.

Table 1: cash flows generated

Year	$
2014	3.999m
2013	3.778m*
2012	4.965m
2011	4.621m
2010	5.855m

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

CHARITABLE DISTRIBUTION

The charitable distribution for the year was $2.716m and 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 2014 were:

Director	Appointed	$
B J Bourke (Chairman)	1989	35,000
D B Henry (Chair, Audit Committee)	2005	25,000
S D Blakemore	2002/ Resigned 2013	11,083
M C Cooper	2011	19,000
J W Kershaw	2007	22,000
D J Baskerville	2011	19,500
R D Southey	2013	7,917
L M Cruickshank	2013	7,917
	Total	147,417

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 2014 were $94,467 for Trust House Group.

AUDIT COMMITTEE

The members of the committee are DB Henry (Chairman), BJ Bourke, J W Kershaw and D J Baskerville. 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.

CONCLUSION

It has been a year of change and realignment of business strategies to better meet today's market forces. Trading, as is the case nationally, continues to be difficult, particularly within the on-premise environment. Operational costs continue to increase and legislative changes further increases cost of doing business. It is however pleasing to note the capital improvements from the previous year and the valuable capital return that we deliver back to our community by way of grant donations which this year was over $2.7 million.

Brian J Bourke

Chairman

OVERVIEW

As a famous modern day poet once wrote “the times they are a changing” and no truer words were spoken than to depict the 2014 financial year for the Trust House Group.

Increased competition, changing market forces and government legislation have all combined to compel changes within the Group. This has included new bars, restaurants and bottlestores opening with ever increasing frequency in our traditional trading areas. Changes in government legislation to open up the once monopolist affordable housing markets, and changes with the new Sale and Supply of Alcohol Act, that have created additional costs and administrative requirements in this already heavily regulated area.

We have also had substantial increases to residential housing insurance costs and an increase in rates that have also combined to impact operating profits. We could not pass on similar increases to both rent and retail prices. This was simply not feasible if we were to remain competitive in our markets.

STRATEGIC INTENTS

The strategic thrusts of the year were to:

Improve profitability via efficiencies and initiatives

This was achieved via the implementation of strategies such as the sale or closure of non-performing assets. Asset sales were made to enable upgrades to outlets that will deliver better cash returns. Outlet efficiency improvements, particularly with Solway Park, a one brand bottle store strategy and various marketing initiatives delivered from this newly created department in the Group.

Up-skill the workforce

This was achieved with substantial training capital invested across the entire workforce. Training modules included customer service, management and supervisory workshops, marketing and many other programs. We invested over $190,000 in training our people throughout the year.

Strengthen our brand in the market place via strategic initiatives

Over $2,700,000 in charitable grants was awarded in the support of various organisations and associations in our trading areas. $200,000 was also given in sponsorship with the major recipients being:

- Wairarapa Bush Rugby Football Union
- Kokomai Arts Festival
- Capital Hockey
- Wairarapa United F.C.
- Masterton Food bank
- Wairarapa Sports Education Trust

We also commenced the Featherston Gateway and completed the Russell Street projects and believe that the combination of these initiatives has strengthened the Trust House brand in 2014.

We are pleased with the accomplishments we have made within our strategic intents and further information in this report will confirm the improvements being delivered.

Trading outlets

We exited the following outlets throughout the year:

- Greytown Four Square
- Greytown Wines and Spirits
- Solway Four Square
- The Homestead Bar
- The Homestead Restaurant

These outlets were simply not providing an acceptable return to the Group due to increased competition with alternative models of operation and thus the prudent decision was made to close or tenant the businesses.

Current segments and business units are:

- Copthorne Hotel and Resort Solway Park
- Residential Housing Portfolio (487)
- The Horseshoe Restaurant
- Golden Shears Tavern
- Kuripuni Sports Bar
- Apache Jacks Restaurant
- The Bottle-O Masterton
- Empire Tavern
- The Bottle-O Feilding
- The Bottle-O Pahiatua
- Flaxmere Tavern
- Gusto Café
- Greytown Hotel
- Featherston SuperValue
- Featherston Lotto and Post
- The Bottle-O Featherston
- Pukemanu Tavern and Restaurant
- The Bottle-O Martinborough
- The Bottle-O Masterton
- Bull and Bear
- Island Bay Bar
- The Bottle-O Island Bay
- Rimutaka Tavern (Managed)
- The Bottle-O Rimutaka (Managed)
- Kourarau Hydro Electrical Scheme (Managed)

Financial and operating performance

There has been a significant change in residential investment property reporting standards this year. Under the IFRS 13 standard we are now required to report the realisable market price of the portfolio as individual houses. Traditionally this valuation has been based on a discounted cash flow model for the portfolio as a whole.

Sales

	$m
2014	39.6
2013	45.5
2012	52.0
2011	53.0
2010	52.9

The decline in sales is a direct result of outlet closures.

Profits and ratios

Table 1

	2014 $m	2013 $m
Operating profit pre interest, depreciation, provisions and impairments.	5.237	5.235
Interest	1.238	1.457
Depreciation/ amortisation	1.679	1.702
Impairments / provisions	3.242	1.250
(Revaluation) /devaluation of properties	(15.231)	0.473
Net profit before donations	14.309	0.353

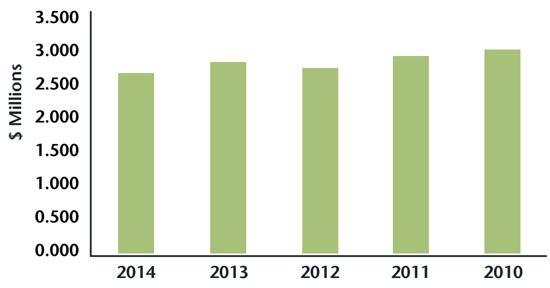
Table 2 - Equity

	$m
2014	50.0
2013	37.2
2012	39.6
2011	39.8
2010	45.9

Table 3 – Equity Ratio

	%
2014	67.0
2013	59.8
2012	58.8
2011	58.3
2010	63.2

Community support



Donations by way of community grants were $2,716,350 which is down 1% on the previous year. Two gaming halls; Newtown Sports Bar and The Homestead Tavern were transferred and closed respectively within the financial year.

Major Grants Wairarapa		
Destination Wairarapa Inc	$252,422	tourism promotion
Masterton Motorplex	$250,000	new purpose built facility
WBS Charitable Trust Board	$200,000	Masterton Town Square
Wairarapa Bush Rugby Football Union Inc	$200,000	re-development of Memorial Park
Wings Over Wairarapa Community Trust	$80,000	costs of 2015 air show
Masterton District Council	$60,000	upgrading of Queen Elizabeth Park grandstand

Safety and sustainability

Maintaining a safe and sustainable business model is central to creating value within the Group. We continue to invest in our health and safety programs and have outsourced this function to Integrated Business Services Limited. This operational expense commitment is to ensure that all health and safety initiatives are a 'top of mind' focus which is in line with 'our people and customers come first' philosophy as depicted in the values of the organisation.

We have also implemented a recycling initiative companywide as a result our environmental focus and have recently implemented a project team to review areas of sustainability to further benefit our communities.

Copthorne Hotel and Resort Solway Park has also been awarded an Enviro Gold standard which requires that initiatives are in place to reduce waste, energy and water consumption.

Our people

The 280 people and the service they deliver have been recognised as the point at which we can offer differentiation in the market and create increased value to the organisation.

We expensed greater funding via training programs to our staff in 2014 than at any time in our history. This demonstrates the importance that we place on up-skilling our people.

Training programs epitomised management's understanding that exceptional customer service will be what will set us apart from competitors. This will be a continual focus.

During the year we appointed a Marketing Manager to a senior management role to assist with brand development and sales and marketing planning. We are pleased with the results.

I would like to express my sincere gratitude to all team members for their tireless dedication to the Trust House Group as we continue to implement our game-changing strategies. In a year of business transformation they have demonstrated great passion and tremendous skill and they will continue to be the drivers of our success going forward.

Market segment overview

Bottlestores

We exited one full-service bottlestore and one off premise license at the Homestead. We implemented a one-brand strategy throughout all stores under The Bottle-O brand. The brand franchisor is the Metcash Limited Group with procurement and administrative support in New Zealand supplied via Tasman Liquor. We are pleased with the changeover and are now realising the benefits of the change; including procurement, supplier incentives, marketing and training.

Bars

This segment continues to be a difficult trading environment and we are currently reviewing operational strategies to ensure that value creation is being achieved. The Homestead bar and restaurant was closed as they were not viable within their markets. Nationally 2014 has been a difficult year for on-premise and was further impacted with increased costs due to the changes to Sale and Supply of Alcohol Act in December. Further negative changes are envisaged when local alcohol policies (LAP's) are implemented in our regions.

On a positive note despite the loss of the Homestead and Newtown gaming halls, last year's gaming profits were up 10% on forecast and 8% on the previous year.

Residential housing portfolio

Occupancy continues to be at the previous year's level of 94%. Market supply and demand issues in both Dannevirke and Pahiatua continue to be addressed and two bulk sales were completed to raise capital for future projects that will add increased value to the Group.

Capital maintenance increased from previous years but was in line with the budget. We currently seek accreditation to become a Community Housing Provider which will add increased value potential to the portfolio.

Hotels

Implementation of a volume based strategy resulted in record occupancy for the year at Copthorne Hotel and Resort Solway Park, which was reported at 61%. Despite being down on budget, operating profit was substantially ahead of the previous year. In particular, the leisure, conference and corporate segments reported good growth on the previous year.

Community stores

The closure of the Greytown Four Square improved profitability from the segment. Competition with an owner-operator model made competing on a fair and level playing field extremely difficult and was the catalyst for closure. Extensive redevelopment is underway at our Featherston site and is due for completion on October 2014.

Kourarau Hydro Electrical Scheme (managed)

The scheme had a major failure of the B-Station which is currently being remedied. The A-Station is now fully operational. When both stations are operating to capacity operational performance is good.

Initiatives such as tree planting and improvements to pathways have progressed throughout the years.

Market segment overview continued

Rimutaka Licensing Trust

There are ongoing issues with the financial performance of this Trust and we continue to work with Trustees on a solution. Overall increased competition and increased maintenance costs together with a building badly in need of redevelopment are all contributing to the poor performance. We all desire that the upcoming year is when a solution will be found to maintain the trading of this Licensing Trust for many more years to come.

2014 Reinvestment

Featherston Gateway - $2.5 million (will be capitalised over 2014 and 2015).

Housing – $540,000

Russell Street project - $500,000

Strategic priorities

As part of our game-changing objectives for the following 12 months, the strategic intents of the Group will be focused on the four pillars of:

Creation of sustainable profits

This will be achieved by:

- Ongoing operational efficiency improvements.
- Sales increases via the completion of new projects.
- Implementation of annual outlet sales plans.
- Increasing the capital returns from the residential housing portfolio as a Community Housing Provider (CHP).

Building brand equity

This will be achieved by:

- Implementation of the sponsorship strategy.
- Completion of the Featherston and Masterton projects.
- Implementation of a housing asset and tenant management program.

Delighting our customers

This will be achieved by:

- Implementation of customer service training programs.
- Refurbished outlets to meet the challenges of today's new markets and customer expectations.
- Sales and marketing programs companywide and increased grant distribution within our areas of operation.

Being a good employer

This will be achieved by:

- Up-skilling the workforce via ongoing training programs.
- Increased staff benefits for our people.
- Community projects that will include employee's "day of good" initiatives.

Conclusion

I am confident that we now have the right structure and focus to implement the required changes that will enable delivery of the four pillars of strategic intent. I am pleased with the annual improvements but aware that much work is required to secure our primary objective in the creation of sustainable profitability.

I would like to express my sincere thanks to all of our customers, Directors, Trustees, staff and suppliers for their support and I look forward to working hard to enhance our value as a community owned business.

Allan Pollard
Chief Executive

INCOME STATEMENT

For the year ended 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Revenue	*5*	39,608,704	45,511,282	34,068,021	40,256,384
Less cost of sales		16,709,159	21,457,700	16,709,159	21,457,700
Gross profit		22,899,545	24,053,582	17,358,862	18,798,684
Operating expenses	*7*	22,651,968	21,795,736	19,881,880	19,168,134
Results from operating activities		247,577	2,257,846	(2,523,018)	(369,450)
Finance income		69,345	25,914	7,753	5,726
Finance costs		1,238,200	1,457,574	1,205,002	1,457,574
Net finance costs		1,168,855	1,431,660	1,197,249	1,451,848
Net operating profit / (loss)		**(921,278)**	**826,186**	**(3,720,267)**	**(1,821,298)**
Non operating items	*6*	15,230,646	(473,167)	15,230,646	(473,167)
Net profit / (loss) before charitable donations		**14,309,368**	**353,019**	**11,510,379**	**(2,294,465)**
Charitable donations	*23*	(2,753,101)	(2,836,091)	(63,000)	(44,000)
Net profit / (loss) for year		**11,556,267**	**(2,483,072)**	**11,447,379**	**(2,338,465)**

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 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Net profit / (loss)		11,556,267	(2,483,072)	11,447,379	(2,338,465)
Other comprehensive income					
Land and building impairment charged to equity		-	(127,721)	-	(127,721)
Land and building revaluation charged to equity		(411,167)	-	(411,167)	-
Reversal of prior asset impairments		-	241,031	-	241,031
Total other comprehensive income / (expense)		**(411,167)**	**113,310**	**(411,167)**	**113,310**
Total comprehensive income / (expense)		**11,145,100**	**(2,369,762)**	**11,036,212**	**(2,225,155)**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Equity at the start of the year	*18*	37,187,546	39,557,308	36,751,984	38,977,139
Total comprehensive income / (expense)		11,145,100	(2,369,762)	11,036,212	(2,225,155)
Equity added to group as a result of IFRS 10	*25*	1,629,934	-	-	-
Equity at the end of the year		**49,962,580**	**37,187,546**	**47,788,196**	**36,751,984**

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 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Current assets					
Cash and cash equivalents	*8*	2,151,055	606,222	205,036	236,034
Trade and other receivables	*9*	535,693	640,559	602,096	728,710
Prepayments		319,860	83,897	257,541	42,709
Inventories	*10*	1,602,738	2,105,533	1,602,738	2,105,533
Investment properties held for sale	*12*	170,000	-	170,000	-
Other investments	*11*	60,280	-	60,280	-
Property held for sale	*13*	820,000	-	820,000	-
Total current assets		**5,659,626**	**3,436,211**	**3,717,691**	**3,112,986**
Non-current assets					
Other investments	*11*	226,143	515,686	226,143	515,686
Investment properties	*12*	52,049,000	35,300,000	52,049,000	35,300,000
Property, plant and equipment	*13*	16,037,039	22,004,923	15,172,914	21,241,596
Intangible assets	*14*	557,491	971,889	441,616	945,948
Total non-current assets		**68,869,673**	**58,792,498**	**67,889,673**	**58,003,230**
Total assets		**74,529,299**	**62,228,709**	**71,607,364**	**61,116,216**
Current liabilities					
Trade and other payables	*15*	2,360,242	2,862,290	2,038,811	2,574,363
Employee entitlements	*16*	979,946	891,696	979,946	891,696
Borrowings	*17*	549,272	1,002,091	423,272	1,002,091
Provisions	*24*	95,923	-	221,923	-
Charitable donations allocated		446,120	389,004	20,000	-
Total current liabilities		**4,431,503**	**5,145,081**	**3,683,952**	**4,468,150**
Non-current liabilities					
Employee entitlements	*16*	88,985	113,172	88,985	113,172
Borrowings	*17*	19,342,500	19,662,000	19,000,000	19,662,000
Provisions	*24*	703,731	120,910	1,046,231	120,910
Total non-current liabilities		**20,135,216**	**19,896,082**	**20,135,216**	**19,896,082**
Equity					
Share capital	*18*	11,330,740	11,330,740	11,330,740	11,330,740
Retained earnings	*18*	38,192,014	25,005,813	36,017,630	24,570,251
Asset revaluation reserve	*18*	439,826	850,993	439,826	850,993
Total equity		**49,962,580**	**37,187,546**	**47,788,196**	**36,751,984**
Total liabilities and equity		**74,529,299**	**62,228,709**	**71,607,364**	**61,116,216**

Signed on behalf of Trust House Limited

BJ Bourke
Chairman

AHJ 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 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		38,905,298	45,408,616	33,434,782	40,192,629
Interest received		69,345	25,914	7,753	5,726
		38,974,643	45,434,530	33,442,535	40,198,355
Cash was applied to:					
Payments to suppliers and employees		34,649,425	40,586,956	32,371,103	38,282,174
Charitable donations		2,695,985	2,864,363	43,000	44,000
Interest paid		1,273,731	1,463,071	1,240,533	1,463,071
		38,619,141	44,914,390	33,654,636	39,789,245
Net cash flows from operating activities	**22**	**355,502**	**520,140**	**(212,101)**	**409,110**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		59,284	36,292	-	-
Sale of intangibles		25,965	26,084	-	-
Sale of business		382,604	2,880,027	382,604	2,880,027
Cash acquired by Group as a result of IFRS10	*25*	1,554,259			
Loan repayment from Tararua Foundation				30,000	
Sale of investment property		2,695,754	301,802	2,695,754	301,802
		4,717,866	3,244,205	3,108,358	3,181,829
Cash was applied to:					
Purchase of plant, property and equipment		1,595,758	1,816,109	1,133,978	1,272,698
Purchase of intangible assets		118,633	28,475	633	4,575
Upgrading of investment property		541,825	343,096	541,825	343,096
Loan to Tararua Foundation		-	155,000	10,000	155,000
		2,256,216	2,342,680	1,686,436	1,775,369
Net cash flows from investing activities		**2,461,650**	**901,525**	**1,421,922**	**1,406,460**
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		6,000,000	-	6,000,000	-
		6,000,000	-	6,000,000	-
Cash was applied to:					
Repayment of borrowings		6,693,500	2,000,000	6,662,000	2,000,000
		6,693,500	2,000,000	6,662,000	2,000,000
Net cash flows from financing activities		**(693,500)**	**(2,000,000)**	**(662,000)**	**(2,000,000)**
Net (decrease) / increase in cash held		2,123,652	(578,335)	547,821	(184,430)
Opening cash balance		(170,869)	407,466	(541,057)	(356,627)
Closing cash balance		**1,952,783**	**(170,869)**	**6,764**	**(541,057)**
This balance is made up as follows:					
Cash and cash equivalents	*8*	1,952,783	(170,869)	6,764	(541,057)
		1,952,783	**(170,869)**	**6,764**	**(541,057)**

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 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 2014 comprise of Trust House Limited, Trust House Foundation and Tararua Foundation as controlled entities.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements were approved by the Board of Directors on 25 June 2014.

Basis of preparation changes – The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Company has determined that it is a 'tier one' entity, as the Company has expenses over $30 million.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a for-profit entity.

The following standards have been adopted by the Group for the first time for the financial year beginning 1 April 2013 and have a material impact on the Group.

NZ IFRS 10 – Consolidated Financial Statements - builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The impact of NZ IFRS 10 resulted in the Tararua Foundation being consolidated into the Group's accounts. (see Note 25).

NZ IFRS 13-Fair Value Measurement – aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value and disclosure requirements for use across NZ IFRS. NZ IFRS 13 provides guidance on how it should be applied where its use is already required or permitted by other NZ IFRS's. Adoption of this standard resulted in a number of additional disclosures in the financial statements and material measurement changes which are detailed in Notes 3 and 12.

Other 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.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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, hydro assets, 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%
Electrical reticulation	10%
Computerised load control equipment	25%
Generators	10%
Other	10%

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

With the Group's introduction of IFRS 13 Fair Value Measurement, the Group's policy is to value at fair value considering highest and best use on an individual property basis.

In the prior year the fair value was determined by a discounted cash flow methodology on the portfolio as a whole.

The effective date of the valuation was 31 March 2014. Any increase or decrease in valuation is recognised in the Income Statement. Investment property is not depreciated.

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 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.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Trust House Limited is exempt from income tax as the Charities Commission has granted it charitable status. Trust House Foundation is exempt from income tax as it is a Class IV gaming venue operator. Tararua Foundation is exempt from income tax as the Charities Commission has granted it charitable status.

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. 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 Group's investment property portfolio every 12 months. The valuations are prepared by considering the individual highest and best use of the properties in the portfolio.

5. REVENUE

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Sales	33,754,773	40,088,361	27,683,890	34,366,213
Services	212,600	261,250	742,800	728,500
Rentals	4,818,380	4,820,931	4,818,380	4,820,931
Gain on sale of investment properties	670,338	81,873	670,338	81,873
Gain on sale of Businesses	152,613	258,867	152,613	258,867
Total revenues	39,608,704	45,511,282	34,068,021	40,256,384

6. NON OPERATING ITEMS

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Change in fair value of investment property	*12*	17,732,591	(473,167)	17,732,591	(473,167)
Revaluation of land and buildings		(2,501,945)	-	(2,501,945)	-
		15,230,646	(473,167)	15,230,646	(473,167)

7. OPERATING EXPENSES

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Administration and financial		1,608,492	1,355,409	1,325,286	1,135,737
Advertising and promotion		920,019	1,049,802	920,019	1,049,802
Auditor fees					
- Annual audit		94,467	85,078	77,083	74,838
- Prospective financial statement review *		3,750	3,750	-	-
Bad debts written off	*9*	3,865	50,052	3,865	50,052
Movement in provision for doubtful debts	*9*	41,290	(37,428)	41,290	(37,428)
Depreciation	*13*	1,614,498	1,555,065	1,178,221	1,249,606
Amortisation	*14*	65,162	146,774	41,591	48,247
Investment impairment		-	-	135,000	-
Impairment of intangible assets	*14*	463,373	-	463,373	-
Impairment of property, plant and equipment	*13*	2,110,547	1,250,141	1,463,160	1,250,141
Loss / (gain) on sale of plant and equipment		(49,632)	(14,711)	-	-
Loss / (gain) on sale of intangible assets		(21,470)	3,373	-	-
Loss on sale of business	*13*	-	129,700	-	129,700
Financial guarantees	*24*	-	-	468,500	-
Gaming machine duty and licences		1,694,998	1,722,719	-	-
Onerous contracts	*24*	669,000	-	669,000	-
Property expenses		4,422,976	4,593,436	4,205,591	4,418,573
Rent and lease expenses	*20*	644,502	755,333	531,770	651,623
Employee costs		8,210,714	9,008,243	8,210,714	9,008,243
Directors and Trustee fees		155,417	139,000	147,417	139,000
		22,651,968	21,795,736	19,881,880	19,168,134

* 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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Bank balances	1,946,343	370,188	324	-
Cash floats	204,712	236,034	204,712	236,034
Cash and cash equivalents	2,151,055	606,222	205,036	236,034
Bank overdrafts used for cash management purposes	(198,272)	(777,091)	(198,272)	(777,091)
Cash and cash equivalents used in the Statement of Cash Flows	1,952,783	(170,869)	6,764	(541,057)

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

9. TRADE AND OTHER RECEIVABLES

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Trade receivables	508,923	494,315	508,923	494,315
Less provision for impairment	(95,699)	(51,512)	(95,699)	(51,512)
	413,224	442,803	413,224	442,803
Sundry receivables	122,469	197,756	188,872	285,907
	535,693	640,559	602,096	728,710

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 2014	298,194	48,782	22,478	139,469	508,923
31 March 2013	294,151	121,332	12,185	66,647	494,315

As at 31 March 2014 trade receivables of $95,699 (2013: $51,512) were past due and considered impaired and trade receivables of $115,030 (2013: $148,652) were past due but not considered impaired.

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

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
As at 1 April	51,512	88,939	51,512	88,939
Additional provisions made during the year	48,052	12,318	48,052	12,318
Receivables written off during the year	(3,865)	(49,745)	(3,865)	(49,745)
Balance at the end of the year	95,699	51,512	95,699	51,512

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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Raw materials and consumables	48,100	66,901	48,100	66,901
Goods available for sale	1,554,638	2,038,632	1,554,638	2,038,632
	1,602,738	2,105,533	1,602,738	2,105,533

Inventory comprises goods available for sale and food ingredients.

No inventories are pledged as security for liabilities (2013 $Nil). However, some inventories are subject to retention of title clauses.

11. OTHER INVESTMENTS

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Current investments (at amortised cost)				
Foodstuffs Ltd - deferred rebates	60,280	-	60,280	-
	60,280	-	60,280	-
Non current investments (at amortised cost)				
Foodstuffs Ltd - deferred rebates	-	164,718	-	164,718
Foodstuffs Ltd - shares and rebates	226,143	195,968	226,143	195,968
Loan to Tararua Foundation	-	155,000	-	155,000
Total non current investments	226,143	515,686	226,143	515,686
	286,423	515,686	286,423	515,686

A loan of $135,000 to the Tararua Foundation has been impaired to Nil in the Parent accounts. The Tararua Foundation runs the Kourarau Hydro Scheme where one of the two generators has failed, creating uncertainty over future cash flow generation.

12. INVESTMENT PROPERTY

(a) Residential properties	Group and Parent 2014 $	Group and Parent 2013 $
Balance at 1 April	35,300,000	35,650,000
Properties sold during the year	(2,025,416)	(219,929)
Improvements	541,825	343,096
Change in fair value	17,732,591	(473,167)
Balance at 31 March	51,549,000	35,300,000
Classified as:		
Current - available for sale at 31 March	170,000	-
Non current	51,379,000	35,300,000
	51,549,000	35,300,000

Investment property comprises 487 (2013: 513) rental houses in the lower North Island. The Group's investment properties are valued annually at fair market value effective 31st March. The Group has applied IFRS 13 Fair Value Measurement for the 31 March 2014 valuation. This has led to a change in accounting policy whereby the properties are valued individually at highest and best use.

Highest and best use will almost always be the value a owner occupier would pay for the property. In prior years the portfolio was valued as a whole based on the discounted cash flows resulting from ownership. The change in accounting policy normally requires prior year results to be restated, however Trust House believes this is not practicable as:

INVESTMENT PROPERTY CONTINUED

- the valuer did limited inspections in the prior years to determine the quality of the housing;
- a larger than normal number of properties have been disposed of in the last two years;
- with a geographically widespread portfolio, price movement over the two year period may vary significantly; and the cost of attempting to value on a historical basis would be prohibitive.

The valuation uses Level 2 observable inputs in arriving at fair value. These include the ratio of rental income to selling prices of equivalent assets done both on a total portfolio basis and also on a regional basis reflecting different ratios achieved in different areas. Depreciated replacement cost is also used as a supporting method.

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.

	Group and Parent 2014 $	Group and Parent 2013 $
Rental income	4,647,308	4,738,181
Expenses from investment property generating income	1,983,275	1,755,915

Insurance

Rental properties are insured for full replacement value, with a deductible (excess) of $5,000 per dwelling.

(b) Commercial property

One of the Group's properties has been designated as an investment property, in 2013 it was included in property plant and equipment.

	2014 $	2013 $
Balance at 1 April 2013	-	-
Transferred from property plant and equipment	670,000	-
Balance at 31 March 2014	670,000	-

The valuation of this property uses Level 2 observable inputs in arriving at fair value. These include rental prices per square metre of equivalent assets and capitalisation rates of rental income on sales of equivalent assets.

The fair value of the building at 31 March 2014 has been assessed 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.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land and buildings $	Furniture and plant $	Hydro assets $	Motor vehicles $	Development in progress $	Under construction $	Total $
Cost or deemed cost								
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**
Balance at 1 April 2013		22,010,981	8,665,235	-	213,600	-	25,300	30,915,116
Additions		648,537	589,960	9,430	5,217	-	315,500	1,568,644
Assets added to group as a result of IFRS 10	*25*	-	-	772,215	-	-	-	772,215
Disposals		-	(915,389)	-	-	-	-	(915,389)
Revaluation of land and buildings		(6,494,502)	-	-	-	-	-	(6,494,502)
Reclassified as investment property		(670,000)	-	-	-	-	-	(670,000)
Reclassified as available for sale		(820,000)	-	-	-	-	-	(820,000)
Balance at 31 March 2014		**14,675,016**	**8,339,806**	**781,645**	**218,817**	**-**	**340,800**	**24,356,084**
Depreciation and impairment losses		-	-	-	-	-	-	-
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**
Balance at 1 April 2013		3,214,050	5,565,244	-	130,899	-	-	8,910,193
Depreciation for the year		823,001	665,866	107,360	18,271	-	-	1,614,498
Assets added to group as a result of IFRS 10	*25*	-	-	26,898	-	-	-	26,898
Impairment loss		1,062,023	401,137	647,387	-	-	-	2,110,547
Disposals		-	(761,701)	-	-	-	-	(761,701)
Revaluation of land and buildings		(3,581,390)	-	-	-	-	-	(3,581,390)
Balance at 31 March 2014		**1,517,684**	**5,870,546**	**781,645**	**149,170**	**-**	**-**	**8,319,045**
Carrying amounts								
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
At 1 April 2013		18,796,931	3,099,991	-	82,701	-	25,300	22,004,923
At 31 March 2014		13,157,332	2,469,260	-	69,647	-	340,800	16,037,039

* This results from the 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 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**
Balance at 1 April 2013	22,010,981	4,940,823	213,600	-	25,300	27,190,704
Other additions	648,537	150,593	5,217	-	315,500	1,119,847
Disposals	-	(189,551)	-	-	-	(189,551)
Revalution of land and buildings	(6,494,502)	-	-	-	-	(6,494,502)
Reclassified as investment property	(670,000)	-	-	-	-	(670,000)
Reclassified as available for sale	(820,000)	-	-	-	-	(820,000)
Balance at 31 March 2014	**14,675,016**	**4,901,865**	**218,817**	**-**	**340,800**	**20,136,498**
Depreciation and impairment losses						
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
Balance at 1 April 2013	3,214,050	2,604,159	130,899	-	-	5,949,108
Depreciation for the year	823,001	336,949	18,271	-	-	1,178,221
Impairment loss	1,062,023	401,137	-	-	-	1,463,160
Disposals		(45,515)	-	-	-	(45,515)
Revaluation of land and buildings	(3,581,390)	-	-	-	-	(3,581,390)
Balance at 31 March 2014	**1,517,684**	**3,296,730**	**149,170**	**-**	**-**	**4,963,584**
Carrying amounts						
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
At 1 April 2013	18,796,931	2,336,664	82,701	-	25,300	21,241,596
At 31 March 2014	13,157,332	1,605,135	69,647	-	340,800	15,172,914

* 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 2014.

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 2014 was $14,490,000.

The valuation uses Level 2 observable inputs in arriving at fair value. These include rental prices per square metre of equivalent assets and capitalisation rates of rental income on sales of equivalent assets.

Impairment

Net impairment losses for the Company of $1,463,160 were recognised in 2013/14 (2012/13 $1,136,831).

Of the total $223,362 relates to the Bull and Bear Pub and $586,110 relates to the Island Bay Bar. Both of these impairments were recognised due to the particular impacts of the current trading environment.

An impairment of $337,881 was made in relation to the Featherston buildings which will either be relocated or demolished as part of the redevelopment of the Fitzherbert Street site.

A futher $315,807 was impaired across a number of outlets after a detailed review of asset values.

The Group incurred additional impairments of $647,387 in relation to the Kourarau Hydro Scheme owned by the Tararua Foundation.

Insurance

The Trust House Group and related entities have joined a group insurance collective run by the New Zealand Licensing Trust Association in order to obtain improved coverage and pricing.

The NZLTA collective scheme has insurance cover of $50 million for fire and $130 million for material damage and business interruption.

Deductibles for claims are as follows:

- Non-natural disaster - $5,000 for each and every claim.
- Natural disaster - 5% of site sum insured per site.

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

14. INTANGIBLE ASSETS

	Group			Parent		
	Goodwill $	Software $	Total $	Goodwill $	Software $	Total $
Cost						
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**
Balance at 1 April 2013	**1,110,390**	**805,935**	**1,916,325**	**1,110,390**	**414,610**	**1,525,000**
Additions	-	118,633	118,633	-	633	633
Disposals	-	(259,474)	(259,474)	-	-	-
Balance at 31 March 2014	**1,110,390**	**665,094**	**1,775,484**	**1,110,390**	**415,243**	**1,525,633**
Amortisation and impairment losses						
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**
Balance at 1 April 2013	439,000	505,436	944,436	439,000	140,052	579,052
Amortisation for the year	-	65,163	65,163	-	41,592	41,592
Impairment loss	337,838	125,535	463,373	337,838	125,535	463,373
Disposals	-	(254,979)	(254,979)	-	-	-
Balance at 31 March 2014	**776,838**	**441,155**	**1,217,993**	**776,838**	**307,179**	**1,084,017**
Carrying amounts						
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
At 1 April 2013	671,390	300,499	971,889	671,390	274,558	945,948
At 31 March 2014	333,552	223,939	557,491	333,552	108,064	441,616

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

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% (2013 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 The Bottle-O 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% (2013: 9.0%).

INTANGIBLES CONTINUED

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

	Group and Parent 2014 $	Group and Parent 2013 $
Featherston Post and Lotto Shop	-	235,000
Featherston Community Store	291,000	291,000
The Bottle-O Featherston	42,552	145,390
Total goodwill	333,552	671,390

The recoverable amount of goodwill was assessed as at 31 March 2014 and as a result an impairment of $337,838 was recognised.

(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.

(v) Software

Software of $125,535 was impaired during the year relating to a document management system which is being replaced by a new system with substantially lower licensing costs.

15. TRADE AND OTHER PAYABLES

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Trade creditors	1,370,648	1,624,002	1,192,911	1,460,592
Interest payable	3,575	39,106	3,575	39,106
Capital payables	23,637	23,520	9,388	23,520
Accrued expenses	884,801	1,086,916	755,356	962,399
Revenue in advance	77,581	88,746	77,581	88,746
	2,360,242	2,862,290	2,038,811	2,574,363

16. EMPLOYEE ENTITLEMENTS

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Current portion				
Accrued pay	214,074	156,685	214,074	156,685
Annual leave	720,034	726,170	720,034	726,170
Provision for staff long service / retirement benefits	40,984	3,461	40,984	3,461
Sick pay	4,854	5,380	4,854	5,380
	979,946	891,696	979,946	891,696
Non-current portion				
Provision for staff long service / retirement benefits	88,985	113,172	88,985	113,172
	1,068,931	1,004,868	1,068,931	1,004,868

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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Non-current liabilities				
Secured bank loans	19,342,500	19,662,000	19,000,000	19,662,000
	19,342,500	19,662,000	19,000,000	19,662,000
Current liabilities				
Bank overdrafts	198,272	777,091	198,272	777,091
Other loans	351,000	225,000	225,000	225,000
	549,272	1,002,091	423,272	1,002,091

BORROWINGS CONTINUED

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Group	Nominal interest rate	Year of maturity	Face value 2014 $	Carrying amount 2014 $	Face value 2013 $	Carrying amount 2013 $
Secured BNZ Bank loans	4.84%-6.70%	2017	19,000,000	19,000,000	15,000,000	15,000,000
ANZ Bank loan - Tararua Foundation	6.70%	2017	468,500	468,500	-	-
Secured ANZ Bank loan	-	-	-	-	4,662,000	4,662,000
Other loans	3.25%	2016	225,000	225,000	225,000	225,000
Bank overdrafts	8.75%	On demand	198,272	198,272	777,091	777,091
Total interest-bearing liabilities			19,891,772	19,891,772	20,664,091	20,664,091
Parent						
Secured BNZ Bank loans	4.84%-6.70%	2017	19,000,000	19,000,000	15,000,000	15,000,000
Secured ANZ Bank loan	-	-	-	-	4,662,000	4,662,000
Other loans	3.25%	2016	225,000	225,000	225,000	225,000
Bank overdrafts	8.75%	On demand	198,272	198,272	777,091	777,091
Total interest-bearing liabilities			19,423,272	19,423,272	20,664,091	20,664,091

The ANZ National Bank overdrafts are secured with registered first mortgages over land and buildings with a carrying amount of $7,312,000 (2013: $14,787,263). The ANZ National Bank also has a general charge over Trust House Limited's assets. The ANZ National Bank loan of $468,500 to Tararua Foundation is guaranteed by Trust House Limited.

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. The BNZ loan requires that 12 month rolling interest cover is maintained at 1.50 x EBITDA. As at the 28th April 2013 the 12 month rolling interest cover was 1.48 time EBITDA. The BNZ acknowledged the level of interest cover and charge a premium of 0.2% per annum interest until the 29th September 2013 when the interest cover reached the required level. The cover at year end is 1.58 times EBITDA.

18. CAPITAL AND RESERVES

Group	Note	Share capital $	Revaluation reserve $	Retained earnings $	Total equity $
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
Balance at 1 April 2013		11,330,740	850,993	25,005,813	37,187,546
Total comprehensive income / (expense)			(411,167)	11,556,267	11,145,100
Equity added to the Group as a result of IFRS 10	24	-	-	1,629,934	1,629,934
Balance at 31 March 2014		11,330,740	439,826	38,192,014	49,962,580
Number of Shares on Issue at 31 March 2014		10,637,000	(2013: 10,637,000)		

Parent	Share capital $	Revaluation reserve $	Retained earnings $	Total equity $
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
Balance at 1 April 2013	11,330,740	850,993	24,570,251	36,751,984
Total comprehensive income / (expense)		(411,167)	11,447,379	11,036,212
Asset revaluation realised on sale of business	-	-	-	-
Balance at 31 March 2014	11,330,740	439,826	36,017,630	47,788,196

The number of shares on issue at 31 March 2014 was 10,637,000 (2013: 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 2014.

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.

FINANCIAL INSTRUMENTS CONTINUED

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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Overdrafts and credit lines in place	1,500,000	1,500,000	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.

Credit risk

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

FINANCIAL INSTRUMENTS CONTINUED

(a) Liquidity risk

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

Group 2014	Carrying Amount $	Contractual cash flows $	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
Secured bank loans	19,468,500	23,112,172	1,285,140	1,276,742	20,550,290	-
Other loans	225,000	245,155	7,313	7,313	230,529	-
Trade and other payables	2,360,242	2,360,242	2,360,242	-	-	-
Bank overdraft	198,272	198,272	198,272	-	-	-
Total non-derivative liabilities	22,252,014	25,915,841	3,850,967	1,284,055	20,780,819	-
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	-
Parent 2014						
Secured bank loans	19,000,000	22,583,917	1,131,600	1,131,600	20,320,717	-
Other loans	225,000	237,842	7,313	230,529	-	-
Trade and other payables	2,038,811	2,038,811	2,038,811	-	-	-
Bank overdraft	198,272	198,272	198,272	-	-	-
Total non-derivative liabilities	21,462,083	25,058,842	3,375,996	1,362,129	20,320,717	-
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	-

(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 $49,077 (2013:$100,888) and for the Company a reduction in profit of $44,232 (2013:$104,590).

FINANCIAL INSTRUMENTS CONTINUED

(c) Classification and fair values

Group 2014	Loans and receivables $	Total carrying amount $	Fair value $
Assets			
Investments	286,423	286,423	286,423
Trade and other receivables	535,693	535,693	535,693
Prepayments	319,860	319,860	319,860
Cash and cash equivalents	2,151,055	2,151,055	2,151,055
Total assets	3,293,031	3,293,031	3,293,031
Liabilities			
Trade and other payables	2,360,242	2,360,242	2,360,242
Borrowings	19,891,772	19,891,772	19,891,772
Total liabilities	22,252,014	22,252,014	22,252,014

Group 2013	Loans and receivables $	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

FINANCIAL INSTRUMENTS CONTINUED

Parent 2014	Loans and receivables $	Total carrying amount $	Fair value $
Assets			
Investments	286,423	286,423	286,423
Trade and other receivables	602,096	602,096	602,096
Prepayments	257,541	257,541	257,541
Cash and cash equivalents	205,036	205,036	205,036
Total assets	1,351,096	1,351,096	1,351,096
Liabilities			
Trade and other payables	2,038,811	2,038,811	2,038,811
Borrowings	19,423,272	19,423,272	19,423,272
Total liabilities	21,462,083	21,462,083	21,462,083
Parent 2013			
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

20. OPERATING LEASES

Leases as lessee:

Non-cancellable operating leases are payable as follows:

	Group and Parent 2014 $	Group and Parent 2013 $
Less than one year	501,209	477,536
Between 1 and 2 years	400,633	418,961
Between 2 and 5 years	665,200	795,431
Over 5 years	940,266	1,096,452
	2,507,308	2,788,380

OPERATING LEASES CONTINUED

The Group leases a number of hospitality premises, vehicles and equipment under operating leases. During the year ended 31 March 2014 $531,770 was recognised as an expense in the Income Statement in respect of operating leases (2013: $651,623).

Leases as lessor:

Non cancellable operating leases are recievable as follows:

	Group and Parent 2014 $	Group and Parent 2013 $
Less than one year	235,550	82,750
Between 1 and 2 years	230,300	82,750
Between 2 and 5 years	359,979	144,813
Over 5 years	-	-
	825,829	310,313

21. COMMITMENTS AND CONTINGENCIES

The Group and Parent had capital commitments of $2,065,787 at 31 March 2014 (2013; $Nil).

The Group and Parent had contingent liabilities of $55,000 as at 31 March 2014 (2013: $55,000) in relation to guarantees provided by ANZ National Bank on behalf of Trust House Limited. Tararua Foundation has a term loan of $468,500 from the ANZ Bank which is guaranteed by Trust House Limited.

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

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Net Surplus/(Deficit) for Year	11,556,267	(2,483,072)	11,447,379	(2,338,465)
Add (less) non-cash items:				
Depreciation	1,614,498	1,555,065	1,178,221	1,249,606
Software amortised	65,163	146,774	41,592	48,247
Revaluation of investment properties	(17,732,591)	473,167	(17,732,591)	473,167
Provisions	678,744	4,541	1,147,244	4,541
Revaluation of land and buildings	2,501,945	-	2,501,945	-
Goodwill impairment	337,838	-	337,838	-
Fixed assets impairment	2,110,547	1,250,141	1,463,160	1,250,141
Software impairment	125,535	-	125,535	-
(Gain)/loss on sale of intangibles	(21,470)	3,373	-	-
(Gain)/loss on sale of fixed assets	(49,632)	(14,711)	-	-
Gain on sale of businesses	(152,613)	(129,166)	(152,613)	(129,166)
Gain on sale of investment property	(670,338)	(81,873)	(670,338)	(81,873)
Investments issued in lieu of rebates	74,263	(22,479)	74,263	(22,479)
Impairment of investments	-	-	135,000	-
	(11,118,111)	3,184,832	(11,550,744)	2,792,184
Add (less) movements in working capital items:				
(Increase)/decrease in receivables and prepayments	(77,123)	422,077	(88,218)	450,324
(Increase)/decrease in inventories	416,839	168,883	416,839	168,883
Increase/(decrease) in charitable distributions payable	57,116	(28,272)	20,000	-
Increase/(decrease) in employee entitlements	64,063	(258,579)	64,063	(258,579)
Increase/(decrease) in trade and other payables	(543,549)	(485,729)	(521,420)	(405,237)
	(82,654)	(181,620)	(108,736)	(44,609)
Net cash flow from operating activities	355,502	520,140	(212,101)	409,110

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.

One senior manager of Trust House Limited and one MLT Trustee are on the board of Destination Wairarapa - a regional tourism promotion body. During the year Trust House Foundation paid Destination Wairarapa grants totalling $256,422 (2013: $252,422).

Destination Wairarapa purchased $3,030 (2013: $6,400) of goods and services from Trust House Limited. The amount outstanding at year end was $Nil (2013: $Nil).

Trust House Limited purchased advertising from and paid subscriptions to Destination Wairarapa. The value of the purchases was $3,403 (2013: $8,303). The amount outstanding at year end was $Nil (2013: $1,903). Trust House Limited provides accounting services to Destination Wairarapa. During the year, Destination Wairarapa paid $25,000 (2013 $25,000) for these services.

(iii) Key management personnel compensation

	2014	2013
	$	$
Salaries and other short term benefits	1,191,670	1,011,739
Post employment benefits	18,151	4,773
Other long term benefits	-	-
Termination benefits	-	-
	1,209,821	1,016,512

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

Three employees were added to the senior management team during 2013/14.

(iv) Other related party transactions Masterton Licensing Trust (MLT).

(a) Masterton Licensing Trust (MLT)

	2014	2013
Shares in Trust House Ltd (number of shares)	8,000,000	8,000,000
	$	$
Management fees paid by MLT to Trust House Ltd	16,100	15,750
Royalty fees paid by Trust House Ltd to MLT	85,500	37,000
Trust House Ltd provided goods and services to MLT on an arms length basis	3,339	1,102

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

	2014	2013
Shares in Trust House Ltd (number of shares)	2,150,000	2,150,000
	$	$
Donations paid by Trust House Ltd to MLCT	40,500	44,000
Management fees paid by MLCT to Trust House Ltd	37,500	36,250
Trust House Ltd provided goods and services to MLCT on an arms length basis	20,593	21,732

RELATED PARTY TRANSACTIONS CONTINUED

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

	2014	2013
Shares in Trust House Ltd (number of shares)	150,000	150,000
	$	$
Term Loan to Trust House Ltd	225,000	225,000
- This loan is repayable upon demand and is unsecured		
Management fees paid by FLCT to Trust House Ltd	26,800	26,250

(d) Flaxmere Licensing Trust (FLT)

	2014	2013
Shares in Trust House Ltd (Number of Shares)	337,000	337,000
	$	$
Management Fees paid by FLT to Trust House Ltd	5,400	5,250

(e) Tararua Foundation Incorporated (TF)

	2014 $	2013 $
Management Fees paid by TF to Trust House Ltd	53,600	52,500
Loan advance to TF by Trust House Ltd	135,000	155,000
Grants from Trust House Foundation to TF	-	512,000
Trust House Ltd provided goods and services to TF on an arms length basis	1,155	7,527
Amounts owed to Trust House by TF at year end	6,276	679

Tararua Foundation has a term loan of $468,500 from the ANZ Bank which is guaranteed by Trust House Ltd.

(f) 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 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:

	2014 $	2013 $
Funds available 1st April	435,562	580,169
Net surplus before charitable distributions	2,852,150	2,647,484
Grants unclaimed	26,249	24,395
Grants approved	(2,716,350)	(2,816,486)
Funds available 31st March	597,611	435,562

Trust House Ltd is responsible for administering Trust House Foundation.

	2014 $	2013 $
Site rentals paid by THF to Trust House Ltd	769,498	903,253
Management fees paid by THF to Trust House Ltd	476,600	467,250

RELATED PARTY TRANSACTIONS CONTINUED

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

	2014 $	2013 $
Masterton Licensing (Charitable) Trust	46,000	46,000
Rimutaka Trust	34,500	34,500
Flaxmere Licensing (Charitable) Trust	34,500	34,500
	115,000	115,000

THF has paid the following grants:

	2014 $	2013 $
Masterton Licensing (Charitable) Trust	24,990	25,586
Rimutaka Trust	8,367	10,469
Flaxmere Licensing (Charitable) Trust	9,438	7,961
	42,795	44,016

As at 31 March 2014, the Trust House Foundation owed Trust House Limited $91,438 (2013: $88,151).

(g) Rimutaka Licensing Trust

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

	2014 $	2013 $
Management fees paid by RLT to Trust House Ltd	75,000	73,500
Site Rentals paid by Trust House Foundation to RLT	98,938	98,938
Site Rentals paid by Trust House Charitable Trust to RLT	-	-
Owed to Trust House Ltd for payments made on behalf of RLT	1,771	15,693

(h) Rimutaka Trust

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

	2014 $	2013 $
Management fees paid by RT to Trust House Ltd	26,800	26,250
Owed to Trust House Limited for payments made on behalf of RLT	-	13

24. PROVISIONS

		Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Onerous contracts		669,000	-	669,000	-
Financial guarantees	(i)	-	-	468,500	-
Property reinstatement	(ii)	130,654	120,910	130,654	120,910
Total provisions	(iii)	799,654	120,910	1,268,154	120,910
Represented as:					
Current provisions		95,923	-	221,923	-
Non current provisions		703,731	120,910	1,046,231	120,910
Total provisions		799,654	120,910	1,268,154	120,910

PROVISIONS CONTINUED

(i) Onerous contracts

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Opening balance at 1 April	-	-	-	-
Provisions added	669,000	-	669,000	-
Closing provision at 31 March	669,000	-	669,000	-

Onerous contract provisions are recognised when the costs of complying with a contract exceed the expected benefits to be gained from the contract. Trust House Limited has recognised an onerous contract provision in relation to two leased premises where current trading indicates the terms of the lease have become onerous.

(ii) Financial guarantees

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Opening balance at 1 April	-	-	-	-
Provisions added	-	-	468,500	-
Closing provision at 31 March	-	-	468,500	-

Trust House limited has provided for a guarantee it gave to the ANZ Bank in relation to a loan to the Tararua Foundation.

The Tararua Foundation runs the Kourarau Hydro Scheme. One of two generators in the scheme has failed and given uncertainty over whether it is economic to repair or replace Trust House has provided for the outstanding balance of the loan.

(iii) Property reinstatement provisions

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Opening balance at 1 April	120,910	180,698	120,910	180,698
Provisions added	9,744	4,541	9,744	4,541
Outlets sold	-	(64,329)	-	(64,329)
Closing provision at 31 March	130,654	120,910	130,654	120,910

Trust House Limited leases a number of premises. A condition of most of the leases is that Trust House Limited must, if required by the landlord at the end of the lease, reinstate the premises to the configuration and condition at the lease inception. The property reinstatement provision is the present value of the estimated future cost to reinstate the leased premises to their orignal condition.

25. GROUP ENTITIES

Subsidiaries

Trust House Foundation and Tararua Foundation are controlled entities.

The Group has applied IFRS 10 Consolidated Financial Statements in preparing these financial accounts.

Trust House Limited determined that the new definition of control contained in the standard would result in the Tararua Foundation being deemed to be a controlled entity of Trust House Limited when under the old standard it was determined to be independent.

As a conseqence the Tararua Foundation financial results are consolidated in the Trust House Group figures. The prior year Income Statement and the 31 March 2013 Statement of Financial Position have not been restated as the adjustments required are considered to be not material to the Trust House Group results and financial position.

The effect on the Group Statement of Financial Position of the change in designation at 1 April 2013 is:

Cash and cash equivalents	1,554,259
Trade and other receivables	46,712
Other investments*	(155,000)
Prepayments	7,262
Property plant and equipment	745,317
Total assets	2,198,550

Trade and other payables	68,616
Borrowings - non current	500,000
Retained earnings	1,629,934
Total liabilities and equity	2,198,550

* Elimination of the loan between Trust House Limited and Tararua Foundation.

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.

27. SUBSEQUENT EVENTS

On the 8th August 2014 the Group sold the freehold land and buildings at 74 Main Street, Greytown for $688,350. The ongoing increase in annual profits as a result are estimated to be $92,000 per annum, with a one off profit of $46,000.

INDEPENDENT AUDITOR'S REPORT

To the readers of Trust House Limited and Group's financial statements for the year ended 31 March 2014.

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 10 to 39, that comprise the Statement of Financial Position as at 31 March 2014, 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

Financial statements

In our opinion:

the financial statements of the Company and Group on pages 10 to 39:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the Company and Group's:
  - financial position as at 31 March 2014; 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 29 August 2014. 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;
- give a true and fair view of the Company and Group's financial position, financial performance and cash flows; and

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 2015 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 AuditorGeneral
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 2014 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 29 August 2014 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.

Trust House
Foundation

INCOME STATEMENT

For the year ended 31 March 2014

	Note	2014 $	2013 $
Income			
Revenue		6,580,993	6,625,401
Interest received		14,253	20,188
Gain on sale of fixed assets		50,924	15,525
Gain on sale of intangible assets		21,812	20,687
Total income		6,667,982	6,681,801
Operating expenses	*4*	3,815,832	4,034,317
Net surplus before charitable distributions		2,852,150	2,647,484
Charitable distribution	*5*	(2,690,101)	(2,792,091)
Net surplus/(deficit)		162,049	(144,607)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 $	2013 $
Net surplus/(deficit) for year	162,049	(144,607)
Other comprehensive income	-	-
Total comprehensive income for the period	162,049	(144,607)

STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 March 2014

	2014 $	2013 $
Equity at start of year	435,562	580,169
Total comprehensive income	162,049	(144,607)
Equity at end of year	597,611	435,562

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 2014

	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents	*8*	381,428	370,188
Prepayments		43,273	41,188
Total current assets		424,701	411,376
Non-current assets			
Plant and equipment	*6*	864,125	763,327
Intangible assets	*7*	115,875	25,941
Total non-current assets		980,000	789,268
Total assets		1,404,701	1,200,644
Current liabilities			
Trade and other payables	*10*	380,970	376,078
Charitable distribution allocated		426,120	389,004
Total current liabilities		807,090	765,082
Equity			
Retained earnings	*11*	597,611	435,562
Total equity		597,611	435,562
Total liabilities and equity		**1,404,701**	**1,200,644**

Signed on behalf of the Trust House Foundation

M C Cooper

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 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Cash was provided from:			
Gaming machine revenue		6,580,993	6,625,401
Interest received		14,253	20,188
		6,595,246	6,645,589
Cash was applied to:			
Payments to suppliers		3,447,853	3,685,628
Charitable distributions		2,652,985	2,820,363
GST (NET)		11,050	28,568
		6,111,888	6,534,559
Net cash inflows/ (outflows) from operating activities	12	483,358	111,030
Cash flows from investing activities			
Cash was provided from:			
Sale of plant and equipment		59,284	36,292
Sale of intangible assets		25,965	26,084
		85,249	62,376
Cash was applied to:			
Purchase of plant and equipment		439,367	543,411
Purchase of intangible assets		118,000	23,900
		557,367	567,311
Net cash inflows/(outflows) from investing activities		(472,118)	(504,935)
Net increase/(decrease) in cash held		11,240	(393,905)
Opening cash balance		370,188	764,093
Closing cash balance		381,428	370,188
Closing cash is made up of:			
Cash and cash equivalents		381,428	370,188
		381,428	370,188

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 of the Foundation comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Foundation has determined that it is a 'tier two' entity, as the Foundation has expenses less than $30 million, however the Foundation has elected to report under 'tier one' reporting standards.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a for-profit entity.

The financial statements of Trust House Foundation are for the year ended 31 March 2014. The financial statements were approved by the Trustees on 25th June 2014.

(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) 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 Foundation'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:

	2014 $	2013 $
Administration and financial	638,738	599,698
Audit fees	10,547	10,240
Other services provided by auditor - Prospective financial statements	3,750	3,750
Gaming machines licences	79,010	86,113
Depreciation	328,917	305,459
Amortisation of intangible assets	23,571	98,527
EMS monitoring	80,233	87,224
Loss on disposal of assets	1,292	814
Loss on disposal of intangibles	342	24,060
Service, maintenance and insurance expenses	151,217	174,863
Gaming machines duty	1,513,628	1,523,842
Problem gambling levy	102,360	112,764
Site rentals	882,227	1,006,963
	3,815,832	4,034,317

5. CHARITABLE DISTRIBUTIONS

Details of charitable distributions are:

	2014 $	2013 $
Charitable distributions approved	2,716,350	2,816,486
Add back - distributions not uplifted	(23,205)	(20,484)
- distributions refunded	(3,044)	(3,911)
	2,690,101	2,792,091

6. PLANT AND EQUIPMENT

	Plant and equipment $
Cost	
Balance at 1 April 2012	818,642
Additions	543,411
Disposals	(52,720)
Balance at 31 March 2013	1,309,333
Balance at 1 April 2013	1,309,333
Additions	439,367
Disposals	(26,480)
Balance at 31 March 2014	1,722,220
Depreciation and impairment losses	
Balance at 1 April 2012	271,686
Depreciation for the year	305,459
Disposals	(31,139)
Balance at 31 March 2013	546,006
Balance at 1 April 2013	546,006
Depreciation for the year	328,917
Disposals	(16,828)
Balance at 31 March 2014	858,095
Carrying amounts	
At 1 April 2012	549,956
At 31 March 2013	763,327
At 1 April 2013	763,327
At 31 March 2014	864,125

7. INTANGIBLE ASSETS

	Gaming Software $
Cost	
Balance at 1 April 2012	249,989
Additions	23,900
Disposals	(97,378)
Balance at 31 March 2013	176,511
Balance at 1 April 2013	176,511
Additions	118,000
Disposals	(86,394)
Balance at 31 March 2014	208,117
Amortisation and impairment losses	
Balance at 1 April 2012	119,964
Amortisation for the year	98,527
Disposals	(67,921)
Balance at 31 March 2013	150,570
Balance at 1 April 2013	150,570
Amortization for the year	23,571
Disposals	(81,899)
Balance at 31 March 2014	92,242
Carrying amounts	
At 1 April 2012	130,025
At 31 March 2013	25,941
At 1 April 2013	25,941
At 31 March 2014	115,875

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 Foundation's 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.

	12 months or less	1-2 years $	2-5 years $	More than 5 years
2013				
Trade and other payables	376,078	-	-	-
Charitable distributions payable	389,004	-	-	-
Total non-derivative liabilities	765,082	-	-	-
2014				
Trade and other payables	380,970	-	-	-
Charitable distributions payable	426,120	-	-	-
Total non-derivative liabilities	807,090	-	-	-

10. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Gaming machine duty payable	150,946	134,400
Problem gambling levy payable	9,887	9,946
Goods and services tax payable	103,227	114,277
Audit fees payable	10,547	10,240
Capital payables	7,577	-
Trade creditors	98,786	107,215
	380,970	376,078

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:

	2014 $	2013 $
Flaxmere Licensing (Charitable) Trust		
Funds available 1st April	81,408	124,968
Net surplus before charitable distributions	433,479	437,867
Grants written off/refunded	5,093	2,557
Grants approved	(344,071)	(483,984)
Funds available 31st March	175,909	81,408
Masterton Licensing (Charitable) Trust		
Funds available 1st April	315,558	283,066
Net surplus before charitable distributions	2,153,196	1,910,765
Grants written off/refunded	12,177	14,615
Grants approved	(2,139,730)	(1,892,888)
Funds available 31st March	341,201	315,558
Rimutaka Trust		
Funds available 1st April	38,596	172,135
Net surplus before charitable distributions	265,475	298,852
Grants written off/refunded	8,979	7,223
Grants approved	(232,549)	(439,614)
Funds available 31st March	80,501	38,596
Totals		
Funds available 1st April	435,562	580,169
Net surplus before charitable distributions	2,852,150	2,647,484
Grants written off/refunded	26,249	24,395
Grants approved	(2,716,350)	(2,816,486)
Funds available 31st March	597,611	435,562

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

	2014	2013
	$	$
Net surplus/(deficit) for year	162,049	(144,607)
Add/(less) non-cash items:		
Depreciation	328,917	305,459
Amortisation	23,571	98,527
	352,488	403,986
Add/(less) movements in working capital items:		
(Increase)/decrease in debtors and prepayments	(2,085)	(674)
Increase/(decrease) in charitable distribution payable	37,116	(28,272)
Increase/(decrease) in payables and accruals	4,892	(106,065)
	39,923	(137,011)
Add/(less) investing activities		
Loss /(profit) on sale of intangible assets	(21,470)	3,373
Loss/(profit) on sale of plant and equipment	(49,632)	(14,711)
	(71,102)	(11,338)
Net cash flow from operating activities	483,358	111,030

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 2014 (2013: Nil).

15. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Trust 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 Trust. 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 $476,600 for management fees to Trust House Limited in 2013/14 (2012/13: $467,250). In 2013/14 the Trust House Foundation paid site rentals of $769,495 to Trust House Limited (2012/13: $903,253).

(iv) As at 31 March 2014, the Trust House Foundation owed Trust House Limited $91,438 (2012/13: $88,151).

(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 2013/14 the Trust House Foundation made charitable distributions of $9,438 to the Flaxmere Licensing (Charitable) Trust (2012/13: $7,961).

(iv) As at 31 March 2014, the Trust House Foundation owed the Flaxmere Licensing Trust $Nil (2012/13: $Nil).

(v) In 2013/14 the Trust House Foundation paid the Flaxmere Licensing (Charitable) Trust $34,500 for services on behalf of the Trust House Foundation (2012/13: $34,500).

(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 2013/14 the Trust House Foundation paid site rentals of $98,938 to the Rimutaka Licensing Trust (2012/13: $98,938).

(iv) In 2013/14 the Trust House Foundation paid the Rimutaka Trust $34,500 for services on behalf of the Trust House Foundation (2012/13: $34,500).

(v) In 2013/14 the Trust House Foundation made charitable distributions of $8,367 to the Rimutaka Trust (2012/13: $10,469).

(vi) As at 31 March 2014, the Trust House Foundation owed the Rimutaka Licensing Trust $9,758 (2012/13: $9,487).

RELATED PARTY TRANSACTIONS CONTINUED

(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 2013/14 the Trust House Foundation paid the Masterton Licensing (Charitable) Trust $46,000 for services on behalf of the Trust House Foundation (2012/13: $46,000).

(iv) In 2013/14 the Trust House Foundation made charitable distributions of $24,990 to the Masterton Licensing (Charitable) Trust (2012/13: $25,586).

(e) Tararua Foundation Incorporated

(i) One Trustee from the Tararua Foundation Incorporated is also a Trustee of the Trust House Foundation.

(ii) In 2013/14 the Trust House Foundation made charitable distributions of $Nil to the Tararua Foundation Incorporated (2012/13: $512,000).

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 2014.

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 44-55, that comprise the Statement of Financial Position as at 31 March 2014, 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 ON THE FINANCIAL REPORT

In our opinion the financial report of the Foundation on pages 44-55:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Foundation's:
    - financial position as at 31 March 2014; 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 25 June 2014. 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 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 Board of 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. 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.

RESPONSIBILITIES OF THE BOARD OF TRUSTEES

The Board of Trustees is responsible for preparing the financial report that:

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

The Board of 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 Board of Trustees is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board of Trustees' 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 assignments over the forecast financial statements, which are compatible with those independence requirements. Other than the audit and these assignments, 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 2014 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 25 June 2014 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 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 seven decades and a responsibility to enhance the wellbeing of our community. We each have an obligation to work together in a respectful and non political way. Essential to the Board's function and accountability is confidence in the quality of management of our assets and the support given to management by those in governance roles i.e. Directors. Through the open exchange of business plans and financial results with the aforementioned, as President I have total faith in those important relationships. This ensures confidence in management's ability to address strategic issues and their willingness to make changes to prepare our businesses for the future.

A significant event of last year was the triennial local authority elections that include this board. This event saw the retirement of our President, Mr Brian Bourke and long serving board member Mr Stephen Blakemore. Collectively, between them, these two gentlemen have provided close to 70 years' service to the Masterton Licensing Trust. I take this opportunity to congratulate and thank both for their wisdom and commitment for all those years. As a result, the elections saw two new members join this board. Ms. Lucy Cruickshank and Ms. Mena Antonio were successfully elected. I have no doubt they bring enthusiasm, experience and a work ethic that can only benefit this board and the community they represent. I congratulate both these ladies on their successful election. A real positive from the election process was the strong interest in members of our community prepared to put themselves forward to represent the community on the Licensing Trust. Throughout the country, local authorities and Licensing Trusts in particular, struggle to get enough interest from their communities at election time. It is pleasing this community isn't following that trend.

Our businesses we operate continue to face on-going or growing pressures through changing social attitudes, declining revenues and pressure to return more funding to our community. As such we have continued to review and exit some non-performing businesses. But also, we have fully endorsed the further development or re-development of some businesses. The supermarket in Featherston and the existing Golden Shears bar are cases in point. Management, with support from Directors and shareholders also continue to explore business opportunities to drive market share and profitability. This has been another tough year for a number of our businesses but the reports to us from management give us confidence in the future. 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.

We operate a diverse range of businesses that require very special management. I commend and thank Allan and all the senior management team. The standard of advice and guidance we have received has made our job easier.

I acknowledge the contributions of my fellow trustees, I thank you. As always, it has been a pleasure to work alongside you all.

Craig Cooper

President Masterton Licensing Trust

MLT BOARD:

Jock Kershaw

Karl Taucher

Mena Antonio

Craig Cooper

Lucy Cruickshank

Ray Southey

In the year ended 31st March 2014, the Trustees of the Masterton Licensing (Charitable) Trust considered 365 applications for funds from many varied causes throughout our community. Of those, 247 were successful applicants and between them we distributed $2,139,730. This is the first time for many years that this Trust has distributed over $2 million into this community. While some commentators, with access to public forums, often take the opportunity to criticise the source of these funds, ie gaming machines, our experience tells us the funds generated and therefore available for distribution are directly related to the state of the economy. Monies spent by our patrons are very much discretionary dollars, proven by the fact that a flat, sluggish economy as experienced in the last two or three years has meant less money expended by our patrons. An improving economy over the last 12 months, has seen increased levels of spending. This tells me the vast majority of people are responsible with their discretionary spending,

The applications received always represent the very wide colour and fabric of our community. As always many people, often on a voluntary basis, work tirelessly on activities that achieve excellent outcomes in our community and we are aware that many are reliant on support from funding providers such as this Trust to be successful. While decisions with applications can be difficult, for the Trustees to see how each organisation contributes to a better community is a privilege not taken lightly.

This last year saw the triennial elections held for local authorities, which includes the Masterton Licensing Trust. The six Trustees elected through that process also then sit around the table of this board. The election process brought about the retirement of two Trustees from this board. Mr Stephen Blakemore and Mr Brian Bourke had many years of experience and wisdom to offer each time we met. On behalf of this community and fellow Trustees, I thank them for their valuable contributions over those years. This process also meant we welcomed two new Trustees onto our board. Ms Lucy Cruickshank and Ms Mena Antonio have made an excellent transition to their role as Trustees and as such continue ensure this community is well represented around our table.

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. How we are able to distribute funds is strongly regulated, as it should be, but we must all be mindful that nothing stays the same. Therefore as Trustees we must remind you these grants are assistance for your good work at this point in time. There can be no guarantee of on-going support annually or at any given point in time. We consistently asked ourselves and our community, whom we are accountable to, "is this the best we can achieve to help and invest in our community?"

It is a privilege to witness the good things that are achieved in our community from one year to the next. Often an individual, or small group of people with a common focus, bring about outstanding achievements. In the last year our town square and the opening of the new Motorplex drag strip, were shining examples of what people can achieve. That our funding towards these, and many other projects, assists towards a successful conclusion is exciting for us as Trustees. This leaves us in no doubt about the value of these grants as an investment into this community.

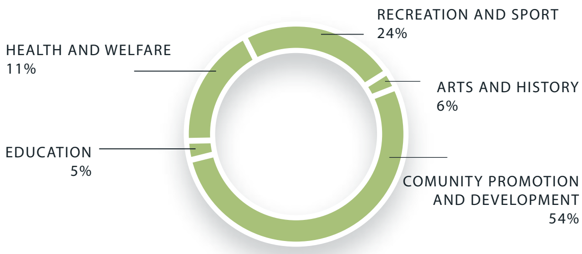
On behalf of the Trustees I extend a sincere thank you to our Community Support Manager, Craig Thomson for his wisdom and guidance throughout the year. Also the Community Support Secretary, Jane Stagg. These two, Craig in particular, are often the first point of contact between ourselves and this community. An essential role.

I also extend a warm thank you to my fellow Trustees. Our meetings are always positive and lively. Often there is earnest debate around the table as we consider applications. I admire and commend the respect each has for all opinions expressed. That respect ensures we work well as a team and achieve great outcomes.

Craig Cooper

Chairman

GRANT DISTRIBUTION



INCOME STATEMENT

For the year ended 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Revenue	5	39,530,014	45,435,948	85,500	37,000
Less Cost of Sales		16,709,159	21,457,700	-	-
Gross Profit		22,820,855	23,978,248	85,500	37,000
Operating Expenses	7	22,635,373	21,815,305	87,343	65,530
Results from operating actvities		185,482	2,162,943	(1,843)	(28,530)
Finance income		69,349	26,057	4	143
Finance costs		1,238,200	1,457,574	-	-
Net finance costs		1,168,851	1,431,517	(4)	(143)
Net Operating Profit / (Loss)		(983,369)	731,426	(1,839)	(28,387)
Non Operating Items	6	15,230,646	(473,167)	-	-
Net Profit / (loss) before Charitable Donations		14,247,277	258,259	(1,839)	(28,387)
Charitable Donations	23	(2,692,008)	(2,770,359)	-	-
Tax expense	26	-	-	-	-
Net Profit / (loss) for Year		11,555,269	(2,512,100)	(1,839)	(28,387)
Attributable to:					
Masterton Licensing Tust		11,026,182	(2,398,416)	(1,839)	(28,387)
Minority interest		529,087	(113,684)	-	-
		11,555,269	(2,512,100)	(1,839)	(28,387)

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 2014

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Net profit / (loss)	11,555,269	(2,512,100)	(1,839)	(28,387)
Other comprehensive income				
Land and building impairment charged to equity	-	(127,721)	-	-
Land and building revaluation charged to equity	(411,167)	-	-	-
Reversal of prior asset impairments	-	241,031	-	-
Total other comprehensive income	(411,167)	113,310	-	-
Total comprehensive income for the period	11,144,102	(2,398,790)	(1,839)	(28,387)
Attributable to:				
Masterton Licensing Trust	10,633,839	(2,290,294)	(1,839)	(28,387)
Minority interest	510,263	(108,496)	-	-
	11,144,102	(2,398,790)	(1,839)	(28,387)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Equity at the start of the year	18	37,178,496	39,577,286	7,995,830	8,024,217
Total comprehensive income / (expense)		11,144,102	(2,398,790)	(1,839)	(28,387)
Equity added to group as a result of IFRS 10	25	1,629,934	-	-	-
Attributable to:					
Masterton Licensing Trust		12,189,149	(2,290,294)	(1,839)	(28,387)
Minority interest		584,887	(108,496)	-	-
		12,774,036	(2,398,790)	(1,839)	(28,387)
Equity at the end of the year		49,952,532	37,178,496	7,993,991	7,995,830

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 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Current assets					
Cash and cash equivalents	8	2,152,131	608,734	312	2,231
Trade and other receivables	9	535,837	640,559	144	-
Prepayments		319,860	83,897	-	-
Inventories	10	1,602,738	2,105,533	-	-
Investment properties available for sale	12	170,000	-	-	-
Other investments	11	60,280	-	-	-
Property held for sale	13	820,000	-	-	-
Total current assets		**5,660,846**	**3,438,723**	**456**	**2,231**
Non-current assets					
Investments	11	226,143	515,686	8,000,000	8,000,000
Investment properties	12	52,049,000	35,300,000	-	-
Property, plant and equipment	13	16,037,039	22,004,923	-	-
Intangible assets	14	557,491	971,889	-	-
Total non-current assets		**68,869,673**	**58,792,498**	**8,000,000**	**8,000,000**
Total assets		**74,530,519**	**62,231,221**	**8,000,456**	**8,002,231**
Current liabilities					
Trade and other payables	15	2,371,510	2,873,852	6,465	6,401
Employee entitlements	16	979,946	891,696	-	-
Borrowings	17	549,272	1,002,091	-	-
Provisions		95,923	-	-	-
Charitable donations allocated		446,120	389,004	-	-
Total current liabilities		**4,442,771**	**5,156,643**	**6,465**	**6,401**
Non-current liabilities					
Employee entitlements	16	88,985	113,172	-	-
Borrowings	17	19,342,500	19,662,000	-	-
Provisions		703,731	120,910	-	-
Total non-current liabilities		**20,135,216**	**19,896,082**	**-**	**-**
Equity					
Retained earnings	18	47,246,021	34,664,530	7,993,991	7,995,830
Minority interest	18	2,283,259	1,698,372	-	-
Asset revaluation reserve	18	423,252	815,594	-	-
Total equity		**49,952,532**	**37,178,496**	**7,993,991**	**7,995,830**
Total liabilities and equity		**74,530,519**	**62,231,221**	**8,000,456**	**8,002,231**

Signed on Behalf of Masterton Licensing Trust

MC Cooper
President Masterton Licensing Trust

AHJ 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 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		38,914,230	45,344,620	85,500	37,000
Interest received		69,349	26,057	4	143
		38,983,579	45,370,677	85,504	37,143
Cash was applied to:					
Payments to suppliers and employees		34,720,890	40,617,134	87,423	65,201
Charitable donations		2,634,892	2,798,631	-	-
Income tax paid		-	317	-	317
Interest paid		1,273,731	1,463,071	-	-
		38,629,513	44,879,153	87,423	65,518
Net cash flows from operating activities	*22*	**354,066**	**491,524**	**(1,919)**	**(28,375)**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		59,284	36,292	-	-
Sale of intangibles		25,965	26,084	-	-
Sale of businesses		382,604	2,880,027	-	-
Sale of investment property		2,695,754	301,802	-	-
Cash acquired by group as a result of IFRS10	*25*	1,554,259	-	-	-
		4,717,866	3,244,205	-	-
Cash was applied to:					
Purchase of plant, property and equipment		1,595,758	1,816,109	-	-
Purchase of intangible assets		118,633	28,475	-	-
Upgrading of investment property		541,825	343,096	-	-
Loan to Tararua Foundation		-	155,000	-	-
		2,256,216	2,342,680	-	-
Net cash flows from investing activities		**2,461,650**	**901,525**	-	-
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		6,000,000	-	-	-
		6,000,000	-	-	-
Cash was applied to:					
Repayment of borrowings		6,693,500	2,000,000	-	-
		6,693,500	2,000,000	-	-
Net cash flows from financing activities		**(693,500)**	**(2,000,000)**	-	-
Net (decrease) / increase in cash held		2,122,216	(606,951)	(1,919)	(28,375)
Opening cash balance		(168,357)	438,594	2,231	30,606
Closing cash balance		1,953,859	(168,357)	312	2,231
This balance is made up as follows:					
Cash and cash equivalents		1,953,859	(168,357)	312	2,231
		1,953,859	(168,357)	312	2,231

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 and Supply of Alcohol Act 2012. The consolidated financial statements of Masterton Licensing Trust as at and for the year ended 31 March 2014 comprise of Masterton Licensing Trust, Masterton Licensing (Charitable) Trust, Trust House Limited (95.4% owned), Trust House Foundation (a controlled entity) and Tararua Foundation (a controlled entity)

The Masterton Licensing Trust is a licensing trust established in accordance with the Sale of Supply of Alcohol Act 2012 and through its subsidiary Trust House Limited is primarily involved in the hospitality industry running a number of bars, restaurants, bottle stores, two hotels, a community store and a large rental housing portfolio.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Trust comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements were approved by the Trustees on 9th September 2014.

Basis of preparation changes – The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Trust has determined that it is a 'tier one' entity, as the Trust has expenses over $30 million.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a for-profit entity.

The following standards have been adopted by the Group for the first time for the financial year beginning 1 April 2013 and have a material impact on the Group.

NZ IFRS-10 – Consolidated Financial Statements - builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent. The impact of NZ IFRS 10 resulted in the Tararua Foundation being consolidated into the Group's accounts. (see Note 25)

NZ IFRS-13 Fair Value Measurement – aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value and disclosure requirements for use across NZ IFRS. NZ IFRS 13 provides guidance on how it should be applied where its use is already required or permitted by other NZ IFRS's. Adoption of this standard resulted in a number of additional disclosures in the financial statements and material measurement changes which are detailed in Notes 3 and 12.

Other 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 comprise the financial statements of Masterton Licensing Trust 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.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

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.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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%
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.

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.

With the introduction of IFRS 13 Fair Value Measurement, the Groups' policy is to value at fair value considering highest and best use on an individual property basis.

In the prior year the fair value was determined by a discounted cash flow methodology on the portfolio as a whole.

The effective date of the valuation was 31 March 2014. Any increase or decrease in valuation is recognised in the Income Statement. Investment property is not depreciated.

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.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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, Masterton Licensing (Charitable) Trust and Tararua Foundation are exempt from Income Tax as they are registered charities. The Trust House Foundation is exempt from Income Tax as Class IV gaming operator.

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 Trust 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 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. 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.

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.

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 individual highest and best use of the properties in the portfolio.

5. REVENUE

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Sales	33,729,683	40,065,527	-	-
Services	159,000	208,750	-	-
Rentals	4,818,380	4,820,931	-	-
Gain on sale of investment properties	670,338	81,873	-	-
Gain on sale of businesses	152,613	258,867	-	-
Other	-	-	85,500	37,000
Total revenues	39,530,014	45,435,948	85,500	37,000

6. NON OPERATING ITEMS

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Change in fair value of investment property	*12*	17,732,591	(473,167)	-	-
Revaluation of land and buildings	*13*	(2,501,945)	-	-	-
		15,230,646	(473,167)	-	-

7. OPERATING EXPENSES

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Administration and financial		1,449,499	1,281,328	53,756	28,319
Advertising and promotion		920,019	1,049,802	-	-
Auditor fees					
- Annual audit		103,846	94,184	5,567	5,405
- Prospective financial statement review *		3,750	3,750	-	-
Bad debts written off	9	3,865	50,052	-	-
Movement in provision for doubtful debts	9	41,290	(37,428)	-	-
Depreciation	13	1,614,498	1,555,065	-	-
Amortisation	14	65,162	146,774	-	-
Impairment of intangible assets	14	463,373	-	-	-
Impairment of property, plant and equipment	13	2,110,547	1,250,141	-	-
Loss on sale of business		-	129,700	-	-
Gaming machine duty and licences		1,694,998	1,722,719	-	-
Onerous contracts	24	669,000	-	-	-
Property expenses		4,422,976	4,593,436	-	-
Rent and lease expenses	20	644,499	755,333	-	-
Employee costs		8,210,714	9,008,243	-	-
Trustee and Directors fees and expenses		217,337	212,206	28,020	31,806
		22,635,373	21,815,305	87,343	65,530

* 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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Bank balances	1,947,419	372,700	312	2,231
Cash floats	204,712	236,034	-	-
Cash and cash equivalents	2,152,131	608,734	312	2,231
Bank overdrafts used for cash management purposes	(198,272)	(777,091)	-	-
Cash and cash equivalents used in the Statement of Cash Flows	1,953,859	(168,357)	312	2,231

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

9. TRADE AND OTHER RECEIVABLES

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Trade receivables	508,923	494,315	-	-
Less provision for impairment	(95,699)	(51,512)	-	-
	413,224	442,803	-	-
Sundry receivables	122,613	197,756	144	-
	535,837	640,559	144	-

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 2014	298,194	48,782	22,478	139,469	508,923
31 March 2013	294,151	121,332	12,185	66,647	494,315

As at 31 March 2014 trade receivables of $95,699 (2013: $51,512) were past due and considered impaired and trade receivables of $115,030 (2013: $148,652) were past due but not considered impaired.

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

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
As at 1 April	51,512	88,939	-	-
Additional provisions made during the year	48,052	12,318	-	-
Receivables written off during the year	(3,865)	(49,745)	-	-
Balance at the end of the year	95,699	51,512	-	-

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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Raw materials and consumables	48,100	66,901	-	-
Goods available for sale	1,554,638	2,038,632	-	-
	1,602,738	2,105,533	-	-

Inventory comprises goods available for sale and food ingredients.

No inventories are pledged as security for liabilities (2013 $Nil). However, some inventories are subject to retention of title clauses.

11. INVESTMENTS

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Current investments (at amortised cost)				
Foodstuffs Ltd - deferred rebates	60,280	-	-	-
	60,280	-	-	-
Non current investments (at cost)				
Foodstuffs Ltd - deferred rebates	-	164,718	-	-
Foodstuffs Ltd - shares and rebates	226,163	195,968	-	-
Loan to Tararua Foundation	-	155,000		
Trust House Limited (shares)	-	-	8,000,000	8,000,000
Total non current investments	226,163	515,686	8,000,000	8,000,000
	286,443	515,686	8,000,000	8,000,000

12. INVESTMENT PROPERTY

	Group 2014 $	Group 2013 $
(a) Residential Properties		
Balance at 1 April	35,300,000	35,650,000
Properties sold during the year	(2,025,416)	(219,929)
Improvements	541,825	343,096
Change in fair value	17,732,591	(473,167)
Balance at 31 March	51,549,000	35,300,000
Classified as:		
Current - available for sale at 31 March	170,000	-
Non Current	51,379,000	35,300,000
	51,549,000	35,300,000

Investment property comprises 487 (2013: 513) rental houses in the lower North Island.

The Group's investment properties are valued annually at fair market value effective 31st March.

The Group has applied IFRS 13 Fair Value Measurement for the 31 March 2014 valuation. This has led to a change in accounting policy whereby the properties are valued individually at highest and best use.

Highest and best use will almost always be the value a owner occupier would pay for the property. In prior years the portfolio was valued as a whole based on the discounted cash flows resulting from ownership.

The change in accounting policy normally requires prior year results to be restated, however MLT believes this is not practicable as: the valuer did limited inspections in the prior years to determine the quality of the housing; a larger than normal number of properties have been disposed of in the last two years; with a geographically widespread portfolio, price movement over the two year period may vary significantly; and the cost of attempting to value on a historical basis would be prohibitive.

The valuation uses Level two observable inputs in arriving at fair value. These include the ratio of rental income to selling prices of equivalent assets done both on a total portfolio basis and also on a regional basis reflecting different ratios achieved in different areas. Depreciated replacement cost is also used as a supporting method. 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.

INVESTMENT PROPERTY CONTINUED

	Group 2014 $	Group 2013 $
Rental income	4,647,308	4,738,181
Expenses from investment property generating income	1,983,275	1,755,915

Insurance

Rental properties are insured for full replacement value, with a deductible (excess) of $5,000 per dwelling.

(b) Commercial property

One of the Group's properties has been designated as an investment property, in 2013 it was included in property plant and equipment.

	Group 2014 $	Group 2013 $
Balance at 1 April 2013	-	-
Transferred from property plant and equipment	670,000	-
Balance at 31 March 2014	670,000	-

The valuation of this property uses Level two observable inputs in arriving at fair value. These include rental prices per square metre of equivalent assets and capitalisation rates of rental income on sales of equivalent assets.

The fair value of the building at 31 March 2014 has been assessed 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.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land and buildings $	Furniture and plant $	Hydro assets $	Motor vehicles $	Development in progress $	Under construction $	Total $
Cost or deemed cost								
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
Balance at 1 April 2013		22,010,981	8,665,235	-	213,600	-	25,300	30,915,116
Additions		648,537	589,960	9,430	5,217	-	315,500	1,568,644
Assets added to group as a result of IFRS 10	25	-	-	772,215	-	-	-	772,215
Disposals		-	(915,389)	-	-	-	-	(915,389)
Revaluation of land and buildings		(6,494,502)	-	-	-	-	-	(6,494,502)
Reclassified as investment property		(670,000)	-	-	-	-	-	(670,000)
Reclassified as available for sale		(820,000)	-	-	-	-	-	(820,000)
Balance at 31 March 2014		14,675,016	8,339,806	781,645	218,817	-	340,800	24,356,084
Depreciation and impairment losses								
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
Balance at 1 April 2013		3,214,050	5,565,244	-	130,899	-	-	8,910,193
Depreciation for the year		823,001	665,866	107,360	18,271	-	-	1,614,498
Assets added to group as a result of IFRS 10	25	-	-	26,898	-	-	-	26,898
Impairment loss		1,062,023	401,137	647,387	-	-	-	2,110,547
Disposals		-	(761,701)	-	-	-	-	(761,701)
Revaluation of land and buildings		(3,581,390)	-	-	-	-	-	(3,581,390)
Balance at 31 March 2014		1,517,684	5,870,546	781,645	149,170	-	-	8,319,045
Carrying amounts								
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
At 1 April 2013		18,796,931	3,099,991	-	82,701	-	25,300	22,004,923
At 31 March 2014		13,157,332	2,469,260	-	69,647	-	340,800	16,037,039

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 2014. 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 2014 was $14,490,000. The valuation uses Level two observable inputs in arriving at fair value. These include rental prices per square metre of equivalent assets and capitalisation rates of rental income on sales of equivalent assets.

Impairment

Net impairment losses for the Company of $1,463,160 were recognised in 2013/14 (2012/13 $1,136,831). Of the total $223,362 relates to the Bull & Bear Pub and $586,110 relates to the Island Bay Bar. Both of these impairments were recognised due to the particular impacts of the current trading environment.

An impairment of $337,881 was made in relation to the Featherston buildings which will either be relocated or demolished as part of the redevelopment of the Fitzherbert Street site. A futher $315,807 was impaired across a number of outlets after a detailed review of asset values. The Group incurred additional impairments of $647,387 in relation to the Kourarau Hydro Scheme owned by the Tararua Foundation.

Insurance

The Trust House Group and related entities have joined a group insurance collective run by the New Zealand Licensing Trust Association in order to obtain improved coverage and pricing. The NZLTA collective scheme has insurance cover of $50 million for fire and $130 million for material damage and business interruption. Deductibles for claims are as follows: non-natural disaster - $5,000 for each and every claim. Natural disaster - 5% of site sum insured per site. The Group has insured the majority of its commercial properties on an indemnity basis and only five on a full replacement basis.

14. INTANGIBLE ASSETS

	Goodwill $	Group Software $	Total $
Cost			
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
Balance at 1 April 2013	1,110,390	805,935	1,916,325
Additions	-	118,633	118,633
Disposals	-	(259,474)	(259,474)
Balance at 31 March 2014	1,110,390	665,094	1,775,484
Amortisation and impairment losses			
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
Balance at 1 April 2013	439,000	505,436	944,436
Amortisation for the year	-	65,163	65,163
Impairment loss	337,838	125,535	463,373
Disposals	-	(254,979)	(254,979)
Balance at 31 March 2014	776,838	441,155	1,217,993
Carrying amounts			
At 1 April 2012	671,390	448,255	1,119,645
At 31 March 2013	671,390	300,499	971,889
At 1 April 2013	671,390	300,499	971,889
At 31 March 2014	333,552	223,939	557,491

INTANGIBLES CONTINUED

(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% (2013 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 The Bottle-O 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% (2013: 9.0%)

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

	Group and Parent 2014 $	Group and Parent 2013 $
Featherston Post and Lotto Shop	-	235,000
Featherston Community Store	291,000	291,000
Bottle-O Featherston	42,552	145,390
Total Goodwill	333,552	671,390

The recoverable amount of goodwill was assessed as at 31 March 2014 and as a result an impairment of $337,838 was recognised.

(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.

(v) Software

Software of $125,535 was impaired during the year relating to a document management system which is being replaced by a new system with substantially lower licensing costs.

15. TRADE AND OTHER PAYABLES

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Trade creditors	1,375,451	1,629,163	-	-
Interest payable	3,575	39,106	-	-
Capital payables	23,637	23,520	-	-
Accrued expenses	891,266	1,093,317	6,465	6,401
Revenue in advance	77,581	88,746	-	-
	2,371,510	2,873,852	6,465	6,401

16. EMPLOYEE ENTITLEMENTS

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Current portion				
Accrued pay	214,074	156,685	-	-
Annual leave	720,034	726,170	-	-
Provision for staff long service / retirement benefits	40,984	3,461	-	-
Sick pay	4,854	5,380	-	-
	979,946	891,696	-	-
Non-current portion				
Provision for staff long service / retirement benefits	88,985	113,172	-	-
	1,068,931	1,004,868	-	-

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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Non-current liabilities				
Secured bank loans	19,342,500	19,662,000	-	-
	19,342,500	19,662,000	-	-
Current liabilities				
Bank overdrafts	198,272	777,091	-	-
Other loans	351,000	225,000	-	-
	549,272	1,002,091	-	-

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Group	Nominal interest rate	Year of maturity	Face value 2014	Carrying amount 2014	Face value 2013	Carrying amount 2013
Secured BNZ bank loan	4.84%-6.70%	2017	19,000,000	19,000,000	15,000,000	15,000,000
Secured ANZ National bank loan	-	-	-	-	4,662,000	4,662,000
Other loans	3.25%	2016	225,000	225,000	225,000	225,000
Bank overdrafts	8.75%	On demand	198,272	198,272	777,091	777,091
Total interest-bearing liabilities			19,423,272	19,423,272	20,664,091	20,664,091

The ANZ Bank overdrafts are secured with registered first mortgages over land and buildings with a carrying amount of $7,312,000 (2013: $14,787,263). The ANZ Bank also has a general charge over Trust House Limited's assets. The ANZ bank loan to the Tararua Foundation of $468,500 is guaranteed by Trust House Limited.

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. The BNZ loan requires that 12 month rolling interest cover is maintained at 1.50 x EBITDA. As at the 28th April 2013 the 12 month rolling interest cover was 1.48 time EBITDA. The BNZ acknowledged the level of interest cover and charged a premium of 0.2% per annum interest until the 29th September 2013 when the interest cover reached the required level. The cover at year end is 1.58 times EBITDA.

18. CAPITAL AND RESERVES

(a) Group

Group	Revaluation reserve $	Retained earnings $	Total equity $
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
Balance at 1 April 2013	815,594	34,664,530	35,480,124
Total comprehensive income	(392,342)	11,026,181	10,633,839
Equity added to the group as a result of IFRS 10	-	1,555,310	1,555,310
Balance at 31 March 2014	423,252	47,246,021	47,669,273
Parent			
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
Balance at 1 April 2013	-	7,995,830	7,995,830
Total comprehensive income	-	(1,839)	(1,839)
Balance at 31 March 2014	-	7,993,991	7,993,991

(b) Minority interest

	Revaluation reserve $	Retained earnings $	Total equity $
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
Balance at 1 April 2013	35,399	1,662,973	1,698,372
Total comprehensive income	(18,824)	529,087	510,263
Equity added to the Group as a result of IFRS 10	-	74,624	74,624
Balance at 31 March 2014	16,575	2,266,684	2,283,259

The revaluation reserve relates to the revaluation of land and buildings at 31 March 2014.

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.

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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
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.

FINANCIAL INSTRUMENTS CONTINUED

(a) Liquidity risk

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

Group 2014	Carrying Amount $	Contractual cash flows $	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
Secured bank loans	19,468,500	23,112,172	1,285,140	1,276,742	20,550,290	-
Other loans	225,000	245,155	7,313	7,313	230,529	-
Trade and other payables	2,371,510	2,371,510	2,371,510	-	-	-
Bank overdraft	198,272	198,272	198,272	-	-	-
Total non-derivative liabilities	22,263,282	25,927,109	3,862,235	1,284,055	20,780,819	-
Group 2013						
Secured bank loans	21,662,000	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	25,537,943	28,025,465	4,940,130	5,820,961	17,264,374	-
Parent 2014						
Trade and other payables	6,465	6,465	6,465	-	-	-
Total non-derivative liabilities	6,465	6,465	6,465	-	-	-
Parent 2013						
Trade and other payables	6,401	6,401	6,401	-	-	-
Total non-derivative liabilities	6,401	6,401	6,401	-	-	-

(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 $49,077 (2013:$100,888).

FINANCIAL INSTRUMENTS CONTINUED

(c) Classification and fair values

Group 2014	Loans and receivables $	At amortised cost $	Total carrying amount $	Fair value $
Assets				
Investments	286,423		286,423	286,423
Trade and other receivables	535,837		535,837	535,837
Prepayments	319,860		319,860	319,860
Cash and cash equivalents	2,152,131		2,152,131	2,152,131
Total assets	3,294,251		3,294,251	3,294,251
Liabilities				
Trade and other payables		2,371,510	2,371,510	2,371,510
Borrowings		19,891,772	19,891,772	19,891,772
Total liabilities		22,263,282	22,263,282	22,263,282
Group 2013				
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
Parent 2014				
Liabilities				
Trade and other payables		6,465	6,465	6,465
Total liabilities		6,465	6,465	6,465
Parent 2013				
Liabilities				
Trade and other payables		6,401	6,401	6,401
Total liabilities		6,401	6,401	6,401

20. OPERATING LEASES

Leases as lessee:

Non cancellable operating leases are payable as follows:

	Group 2014 $	Group 2013 $
Less than one year	501,209	477,536
Between 1 and 2 years	400,633	418,961
Between 2 and 5 years	665,200	795,431
Over 5 years	940,266	1,096,452
	2,507,308	2,788,380

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

During the year ended 31 March 2014 $531,770 was recognised as an expense in the Income Statement in respect of operating leases (2013: $651,623).

Leases as lessor:

Non cancellable operating leases are recievable as follows:

	Group 2014 $	Group 2013 $
Less than one year	235,550	82,750
Between 1 and 2 years	230,300	82,750
Between 2 and 5 years	359,979	144,813
Over 5 years	-	-
	825,829	310,313

21. COMMITMENTS AND CONTINGENCIES

The Group had capital commitments of $2,065,787 at 31 March 2014 (2013; $Nil). The Group had contingent liabilities of $55,000 as at 31 March 2014 (2013: $55,000) in relation to guarantees provided by ANZ National Bank on behalf of Trust House Limited.

Tararua Foundation has a term loan of $468,500 from the ANZ Bank which is guaranteed by Trust House Limited.

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

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Net surplus/(deficit) for year	11,555,269	(2,512,100)	(1,839)	(28,387)
Add (less) non-cash items:				
Depreciation	1,614,498	1,555,065	-	-
Amortisation	65,163	146,774	-	-
Revaluation of investment properties	(17,732,591)	473,167	-	-
Revaluation of land and buildings	2,501,945	-	-	-
Provisions	678,744	4,541	-	-
Fixed asset impairment	2,110,547	1,250,141	-	-
Software impairment	125,535	-	-	-
Goodwill impairment	337,838	-	-	-
Loss / (gain) on sale of intangible assets	(21,470)	3,373	-	-
Gain on sale of property, plant and equipment	(49,632)	(14,711)	-	-
Gain on sale of investment property	(670,338)	(81,873)	-	-
Gain on sale of businesses	(152,613)	(129,166)	-	-
Investments issued in lieu of rebates	74,263	(22,479)	-	-
	(11,118,111)	3,184,832	-	-
Add (less) movements in working capital items:				
(Increase)/decrease in receivables and prepayments	(77,267)	422,077	(144)	-
(Increase)/decrease in inventories	416,839	168,883	-	-
Increase/(decrease) in charitable distributions payable	57,116	(28,272)	-	-
Increase/(decrease) in employee entitlements	64,063	(258,579)	-	-
Increase/(decrease) in income tax payable	-	(317)	-	(317)
Increase/(decrease) in trade and other payables	(543,843)	(485,000)	64	329
	(83,092)	(181,208)	(80)	12
Net cash flow from operating activites	354,066	491,524	(1,919)	(28,375)

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. One senior manager of Trust House Limited and one Trustee of MLT are on the board of Destination Wairarapa - a regional tourism promotion body. During the year Trust House Foundation paid Destination Wairarapa grants totalling $256,422 (2013: $252,422).

Destination Wairarapa purchased $3,030 (2013: $6,400) of goods and services from Trust House Limited. The amount outstanding at year end was $Nil (2013: $Nil) Trust House purchased advertising from and paid subscriptions to Destination Wairarapa. The value of the purchases was $3,403 (2013: $8,303). The amount outstanding at year end was $Nil (2013: $1,903). Trust House Limited provides accounting services to Destination Wairarapa. During the year Destination Wairarapa paid $25,000 (2013 $25,000) for these services.

(iii) Key management personnel compensation

	2014 $	2013 $
Salaries and other short term benefits	1,251,370	1,037,299
Post employment benefits	18,151	4,773
Other long term benefits	-	-
Termination benefits	-	-
	1,269,521	1,042,072

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

Three employees were added to the senior management team during 2013/14.

(iv) Other related party transactions

(a) Masterton Licensing Trust (MLT)

	2014	2013
Shares in Trust House Ltd (number of shares)	8,000,000	8,000,000
	$	$
Management Fees paid by MLT to Trust House Ltd	16,100	15,750
Royalty Fees paid by Trust House Ltd to MLT	85,500	37,000
Loan from MLT to Trust House Ltd	-	-
Trust House Ltd provided goods and services to MLT on an arms length basis	3,339	1,102

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

	2014	2013
Shares in Trust House Ltd (number of shares)	2,150,000	2,150,000
	$	$
Donations paid by Trust House Ltd to MLCT	40,500	44,000
Management Fees paid by MLCT to Trust House Ltd	37,500	36,250
Trust House Ltd provided goods and services to MLCT on an arms length basis	20,593	21,732

RELATED PARTY TRANSACTIONS CONTINUED

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

	2014	2013
Shares in Trust House Ltd (number of shares)	150,000	150,000
	$	$
Term Loan to Trust House Ltd	225,000	225,000
- This loan is repayable upon demand and is unsecured		
Management fees paid by FLCT to Trust House Ltd	26,800	26,250

(d) Flaxmere Licensing Trust (FLT)

	2014	2013
Shares in Trust House Ltd (number of shares)	337,000	337,000
	$	$
Management fees paid by FLT to Trust House Ltd	5,400	5,250

(e) Tararua Foundation Incorporated (TF)

	2014 $	2013 $
Management fees paid by TF to Trust House Ltd	53,600	52,500
Loan advance to TF by Trust House Ltd	135,000	155,000
Grants from Trust House Foundation to TF	-	512,000
Trust House Ltd provided goods and services to TF on an arms-length basis	1,155	7,527
Amounts owed to Trust House by TF at year end	6,276	679

Tararua Foundation has a term loan of $468,500 from the ANZ Bank which is guaranteed by Trust House Ltd.

(f) 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 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:

	2014 $	2013 $
Funds available 1st April	435,562	580,169
Net surplus before charitable distributions	2,852,150	2,647,484
Grants unclaimed	26,249	24,395
Grants approved	(2,716,350)	(2,816,486)
Funds available 31st March	597,611	435,562

Trust House Ltd is responsible for administering Trust House Foundation.

	2014 $	2013 $
Site rentals paid by THF to Trust House Ltd	769,498	903,253
Management fees paid by THF to Trust House Ltd	476,600	467,250

RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2014 $	2013 $
Masterton Licensing (Charitable) Trust	46,000	46,000
Rimutaka Trust	34,500	34,500
Flaxmere Licensing (Charitable) Trust	34,500	34,500
	115,000	115,000

THF has paid the following grants:

	2014 $	2013 $
Masterton Licensing (Charitable) Trust	24,990	25,586
Rimutaka Trust	8,367	10,469
Flaxmere Licensing (Charitable) Trust	9,438	7,961
	42,795	44,016

As at 31 March 2014, the Trust House Foundation owed Trust House Limited $91,438 (2013: $88,151).

(g) Rimutaka Licensing Trust

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

	2014 $	2013 $
Management Fees paid by RLT to Trust House Ltd	75,000	73,500
Site Rentals paid by Trust House Foundation to RLT	98,938	98,938
Site Rentals paid by Trust House Charitable Trust to RLT	-	-
Owed to Trust House Ltd for payments made on behalf of RLT	1,771	15,693

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

	2014 $	2013 $
Management Fees paid by RT to Trust House Ltd	26,800	26,250
Owed to Trust House Ltd for payments made on behalf of RLT	-	13

24. PROVISIONS

		Group 2014 $	Group 2013 $
Onerous contracts		669,000	-
Financial Guarantees	(i)	-	-
Property reinstatement	(ii)	130,654	120,910
Total Provisions	(iii)	799,654	120,910
Represented as:			
Current provisions		95,923	-
Non current provisions		703,731	120,910
Total provisions		799,654	120,910

(i) Onerous contracts

	Group 2014 $	Group 2013 $
Opening balance at 1 April	-	-
Provisions added	669,000	-
Closing Provision at 31 March	669,000	-

Onerous contract provisions are recognised when the costs of complying with a contract exceed the expected benefits to be gained from the contract. Trust House has recognised an onerous contract provision in relation to two leased premises where current trading indicates the terms of the lease have become onerous.

(ii) Property reinstatement provisions

	Group 2014 $	Group 2013 $
Opening balance at 1 April	120,910	180,698
Provisions added	9,744	4,541
Outlets sold	-	(64,329)
Closing Provision at 31 March	130,654	120,910

Trust House leases a number of premises. A condition of most of the leases is that Trust House must, if required by the landlord at the end of the lease, reinstate the premises to the configuration and condition at the lease inception.

The property reinstatement provision is the present value of the estimated future cost to reinstate the leased premises to their orignal condition.

25. GROUP ENTITIES

Subsidiaries

Trust House Foundation and Tararua Foundation are controlled entities.

The Group has applied IFRS 10 Consolidated Financial Statements in preparing these financial accounts. Trust House determined that the new definition of control contained in the standard would result in the Tararua Foundation being deemed to be a controlled entity of Trust House Limited when under the old standard it was determined to be independent. As a conseqence the Tararua Foundation financial results are consolidated in the Trust House Group figures. The prior year Income Statement and the 31 March 2013 Statement of Financial Position have not been restated as the adjustments required are considered to be not material to the Trust House Group results and financial position.

The effect on the Group Statement of Financial Position of the change in designation at 1 April 2013 is:

Cash and cash equivalents	1,554,259
Trade and other receivables	46,712
Other investments *	(155,000)
Prepayments	7,262
Property plant and equipment	745,317
Total Assets	2,198,550
Trade and other payables	68,616
Borrowings - non current	500,000
Retained earnings	1,629,934
Total liabilities and equity	2,198,550

* Elimination of the loan between Trust House Limited and Tararua Foundation.

26. TAXATION

The taxation expense has been calculated as follows:

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Components of tax expense	-	-	-	-
Current tax	-	-	-	-
Prior period adjustments	-	-	-	-
Surplus / (deficit) before tax and donations	14,247,277	258,259	(1,839)	(28,387)
Charitable donations	(2,692,008)	(2,770,359)	-	-
Surplus before tax	11,555,269	(2,512,100)	(1,839)	(28,387)
Taxation at 28% (2012: 28%)	3,235,475	(703,388)	(515)	(7,948)
Plus (less) tax effect of:				
Non taxable income	3,243,423	(695,440)	-	-
Tax loss utilised	-	-	-	-
Tax loss	(515)	(7,948)	(515)	(7,948)
Taxation expense	-	-	-	-

Tax losses of $30,226 (2013: $28,387) are available to carry forward and offset against future taxable income.

27. SUBSEQUENT EVENTS

On the 8th August 2014 the Group sold the freehold land and buildings at 74 Main Street, Greytown for $688,350. The ongoing increase in annual profits as a result are estimate to be $92,000 per annum, with a one off profit of $46,000.

28. 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 Licencing Trust and Group's financial statements for the year ended 31 March 2014.

The Auditor General is the auditor of Masterton Licencing 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 62 to 91, that comprise the Statement of Financial Position as at 31 March 2014, 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 Trust and Group on pages 62 to 91:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's:
    - financial position as at 31 March 2014; and
    - financial performance and cash flows for the year ended on that date.

Our audit was completed on 24 September 2014. 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. 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.

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 and Supply of Alcohol Act 2012.

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 and Supply of Alcohol Act 2012.

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 Foundations forecast financial statements for the year ending 31 March 2015 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 2014included 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 24 September 2014 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	$1,500
Air Training Corps Assn Mstn Branch	$1,000
All Kiwi Sports Club	$10,000
Alzheimers Society Manawatu	$750
Alzheimers Society Wellington Inc	$500
Alzheimers Wairarapa Inc	$2,500
Aquajets	$450
Aratoi Regional Trust	$35,000
Arbor House Trust	$5,500
Arthritis Foundation of NZ Inc	$1,500
Artistic Solutions Trust	$500
Athletics Masterton Inc	$3,000
Athletics Wairarapa Inc	$2,500
Autism Intervention Trust	$750
Autism New Zealand Inc - Wairarapa Branch	$1,000
Bowls Wairarapa Inc	$2,500
Brain Injury Association Central Districts Inc	$1,000
Camp Quality Wellington/Central Region	$2,000
Cancer Society Wairarapa Dragon Boat Team Inc	$1,500
Carterton Playcentre	$800
Carterton Swimming Club Inc	$1,500
Castlepoint Fishing Club Inc	$974
Celtic United Netball Club	$500
Community Accounts Mentoring Service Trust	$750
Community Budgeting Trust (Wairarapa) Inc	$2,500
Dalefield Hockey Club	$1,000
Destination Wairarapa Inc	$256,422
Eketahuna Community Charitable Trust	$2,000
Environmental Education For Resource Sustainability Trust	$750
Evans Bay Yacht and Motor Boat Club Inc	$600
Eventing Wairarapa	$6,380
Featherston Amateur Swimming Club	$1,000
Featherston Community Centre	$4,000
Featherston Golf Club (Inc)	$1,000
Featherston Hockey Club Inc	$400
Featherston Main Street Beautification Group	$1,500
Featherston Muay Thai Club	$750
Featherston School	$2,000
Feilding Rugby Football Club Inc	$3,000
Feilding Surfcasting Club (FSC)	$600
Friends of Queen Elizabeth Park Inc	$750
Gladstone Tennis Club	$180
Gladstone Womens Hockey Club	$400
Glistening Waters Storytelling Festival Inc	$1,000
Golden Shears International Shearing Championships Society	$25,000
Greytown Bowling Club Inc	$1,000
Greytown Community Sport and Leisure Society Inc	$4,000
Greytown Cricket Club	$1,000
Greytown First Scouting Group	$750
Greytown Junior Soccer Club	$1,000
Greytown Lioness Club Inc	$1,000
Grow Wellington Ltd	$12,500
Guides New Zealand - Masterton District	$750
Guides New Zealand - Tinakori District	$500
He Kahui Wairarapa Inc	$1,000
Heartland Wairarapa Football Club Inc	$20,000
Henley mens Shed Inc	$4,000
Henley Trust 2003	$20,000
Hospice Wairarapa Community Trust	$3,500
Hurunuiorangi Marae	$2,000
Island Bay Enhancement Trust	$2,500

Organisation	Approved
Island Bay Softball Club	$1,000
Island Bay United AFC	$7,000
Jazz in Martinborough	$1,500
King Street Artworks Inc	$12,000
Koru Care Charitable Trust New Zealand	$1,500
Kuranui College Board of Trustees	$6,000
Lansdowne Scout Committee	$750
Learn and Live Camp Anderson	$25,000
Lifeline Wairarapa Inc	$2,000
Limelight Theatre Company Inc	$1,000
Lions Club of Martinborough Charitable Trust	$1,500
Lyall Bay Surf Life Saving Club Inc	$1,000
Mahunga Golf Club Inc	$6,000
Makoura College Board of Trustees	$1,500
Manawatu Cricket Association Inc	$500
Mangamaire Country School Assn	$1,500
Martinborough Business Association Inc	$3,000
Martinborough Rugby Football Club Inc	$1,690
Martinborough Youth Trust	$1,500
Masterton Squash Club	$10,000
Masterton A and P Association	$20,000
Masterton Apostolic Church Trust	$3,000
Masterton Blue Light Disco Inc	$3,500
Masterton Christian Child Care Programme	$3,000
Masterton Community Church	$1,000
Masterton Community Patrol	$1,000
Masterton Croquet Club	$1,000
Masterton District Brass Band Inc	$1,500
Masterton District Council	$92,000
Masterton District Library	$1,500
Masterton Foodbank Inc	$6,000
Masterton Golf Club	$3,500
Masterton Licensing (Charitable) Trust	$35,000
Masterton Motorplex Inc	$250,000
Masterton Primary School Granny's Basket	$7,000
Masterton Racing Club	$5,000
Masterton Red Star Rugby Club	$2,500
Masterton Safe and Healthy Community Council	$7,000
Masterton Swimming Club	$4,000
Masterton Tennis Centre	$15,000
Muscular Dystrophy Assn Wellington	$1,000
Netball Wairarapa Inc	$18,000
New Pacific Studio Inc	$1,000
New Zealand Blue Light Ventures Inc	$984
New Zealand Choral Federation - Wellington Region	$2,500
New Zealand International Festival of the Arts	$2,000
Newtown Community and Cultural 2009 Trust	$1,000
Ngati Kahungunu Ki Wairarapa	$2,000
North Wairarapa Pony Club Inc	$563
NZ Council of Victim Support Groups - Wairarapa	$3,000
NZ Council of Victim Support Groups Feilding	$500
NZ Equestrian Federation - Wairarapa Branch	$1,500
Oasis Charitable Trust Wairarapa	$3,000
Opaki School Board of Trustees	$800
Opaki Tennis Club	$3,000
Pahiatua Community Services Trust	$750
Pahiatua School Board of Trustees	$1,000
Pahiatua Toy Library Inc	$1,000
Parents Incorporated Attitude Division	$1,000
Parkinsonism Society Wairarapa Division	$1,000
Pioneer Senior A Rugby Team	$2,000
Pirinoa School	$750
Pre Shears Woolhanding Championships	$1,012

Organisation	Approved
Project M Charitable Trust	$600
Pukaha Mount Bruce Board	$80,000
Rail Heritage Trust of New Zealand	$3,000
Rally Wairarapa Inc	$30,000
Rape Crisis Centre Wellington Inc	$3,000
Rathkeale College	$1,000
Red Star Cricket Club	$1,500
Red Star Sports Association	$4,000
Rimutaka Kindergarten Assn - Kahurangi All Day Kindergarten	$1,000
Rimutaka Kindergarten Assn Inc - Martinborough	$2,000
Rimutaka Kindergarten Assn Inc - York Street	$1,500
Rimutaka Kindergarten Assn Inc Carterton	$600
Rimutaka Kindergarten Association Inc South End	$750
Riversdale Beach Golf Club	$3,000
Riversdale Beach Surf Lifesaving Club	$3,000
RNZPS Manawatu/Wanganui Area Inc	$1,200
RNZPS Wairarapa Branch Inc, Plunket Featherston	$1,500
RNZPS Wellington/Wairarapa Area	$6,000
Road Safety Education Ltd	$2,000
Rotary Club of Masterton Charitable Trust	$1,000
Royal New Zealand Foundation of the Blind	$1,000
Royal New Zealand Plunket Socitey - Greytown	$2,000
Saint Matthews Parish	$2,000
Scout Association of NZ 1st Carterton	$750
Shodokan Aikido Island Bay	$1,000
Skylight	$2,000
South End School Board of Trustees	$7,000
Special Olympics New Zealand	$500
Special Olympics Wairarapa	$1,800
Sport Wellington	$5,000
St James Union Parish	$500
St John Wairarapa District	$10,000
St Matthews Collegiate School	$10,000
Stopping Violence Services Wairarapa	$8,000
Stroke Foundation Central Region Inc	$5,000
Tararua College Board of Trustees	$500
Te Awhina Cameron Community House Ltd	$4,000
Te Hauora Runanga O Wairarapa Inc	$2,000
Te Kura-A-Rangi Trust	$2,500
Te Manawa Services	$2,000
The Anglican Diocese of Wellington	$3,000
The Carter Society inc	$5,000
The Cobblestone Trust	$15,000
The Greytown Football Club	$800
The House of Grace Trust	$2,000
The Life Flight Trust	$18,000
The Lighthouse Church Charitable Trust	$1,500
The Lions Club of Featherston Charitable Trust	$1,000
The Masterton Savage Club Inc	$400
The Mauriceville/Kopuaranga Fair Assoc Inc	$750
The Open Home Foundation - Wairarapa Service Centre	$5,000
The Orpheus Choir of Wellington Inc	$1,000
The Oversew Fashion Awards Inc	$3,000
The Wairarapa Regional All Weather Track Trust	$16,000
Tinui Parish ANZAC Trust	$3,000
Tuturumuri Hall Society	$2,000
UCOL @ Wairarapa - Scholarship	$1,500
Wainuioru School	$2,400
Wairarapa Agricultural and Pastoral Society	$13,000
Wairarapa and Southern Hawkes Bay Life Education Trust	$25,000
Wairarapa Arts Festival Trust	$25,000

Organisation	Approved
Wairarapa Balloon Society	$20,000
Wairarapa Bird Club	$1,000
Wairarapa Bush Rugby Football Union	$265,000
Wairarapa Cancer Society	$10,000
Wairarapa Citizens Advice Bureau	$525
Wairarapa College - Drama Department	$1,000
Wairarapa College - Shakespeare	$800
Wairarapa College 1st XI Girls Soccer Team	$750
Wairarapa College Cricket	$750
Wairarapa College Senior A Netball	$700
Wairarapa Community Centre Inc	$5,500
Wairarapa Community Counselling Centre	$3,500
Wairarapa Community Transport Services	$15,000
Wairarapa Cricket Association Inc	$12,500
Wairarapa Cricket Umpires Assn	$1,000
Wairarapa Endurance and Competitive Trail Riding Club	$500
Wairarapa Fern and Thistle Pipe Band	$1,000
Wairarapa Filipino Society	$1,500
Wairarapa Hockey Association Inc	$5,000
Wairarapa Inter-Collegiate Speech Competition	$1,000
Wairarapa Kennel Association Inc	$1,000
Wairarapa Mathematics Association	$800
Wairarapa Organisation for Older Persons Inc	$5,000
Wairarapa Parents Centre Inc	$2,000
Wairarapa Railway Modellers Inc	$700
Wairarapa Resource Centre Inc	$4,000
Wairarapa Society For The Prevention of Cruelty To Animals	$1,800
Wairarapa STARS Trust	$4,000
Wairarapa Tennis Assn Inc	$2,000
Wairarapa United Football Club Inc	$2,000
Wairarapa Wines Inc	$3,000
Wairarapa Women's Centre	$4,500
Wairarapa Women's Refuge Inc	$8,000
Wairarapa Workforce Development Trust	$4,000
Wairarapa Youth Concert Band	$1,000
Waterside Karori AFC Inc	$1,000
WBS Charitable Trust Board	$200,000
Wellington City Mission Anglican Trust Board	$6,800
Wellington Down Syndrome Social Club Charitable Trust	$1,000
Wellington Free Ambulance Service	$13,000
Wellington Hockey Association Inc	$7,500
Wellington Marine Conservation Trust	$4,000
Wellington Museums Trust Inc	$1,500
Wellington Region Free Kindergarten Assn Island Bay	$500
Wellington Regional Asthma Society Inc	$2,000
Wellington Sexual Abuse HELP Foundation	$2,000
Wellington United AFC	$2,500
Wellington Volunteer Centre	$250
Whaiora Whanui GP Services	$1,000
Wings Over Wairarapa Community Trust	$80,000
WOOPS A Daisies Leisure Marching Team	$800
YMCA Masterton	$2,500
Youth Aflame International	$1,000

TOTAL GRANTS APPROVED	**$2,139,730**
REVERSED/REDUCED	**$12,177**
TOTAL	**$2,127,553**

FLAXMERE

Licensing Trust

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 2014.

HIGHLIGHTS OF THE YEAR

- The continuing success of Flaxmere schools
- Our rugby club proudly adopting and promoting Flaxmere
- The driver licensing initiative for our college students
- The return of $ 344,071 of community support to Flaxmere

OPERATIONAL REVIEW

Despite an eagerness on the part of the Trust to better serve its Flaxmere Community with a refurbished facility tailored to the needs of our maturing community, progress continues to be frustrated by the inability of Hastings District Council to heed the wishes of the community, Police and the health authorities and prepare a roading plan, conducive to the health and security of the village centre. Until this long awaited plan is established our community wellbeing remains tied to an aging shopping complex lacking in ease of access and parking and one that fails to stimulate further commercial investment. On the other hand the investment by council in the pool complex, the community centre and the library has been excellent but these standalone entities remain disconnected from the village shops and along with other commercial entities that might be encouraged to invest in the heart of Flaxmere, the Trust included.

While trading continues to be 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 this contributes significantly to the employment opportunities for our people. The inherent wealth these opportunities generate, contribute in turn to the wellbeing of our Flaxmere community.

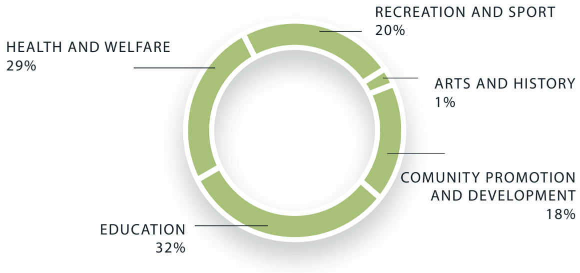
COMMUNITY SUPPORT

During the past year grants to the value of $344,000 were distributed for the benefit of the Flaxmere community. In all 49 organisations received a contribution towards their respective projects and services. In line with the wishes of the community, Education again enjoyed the greatest allocation with $110,500 being spread between schools and preschool facilities in support of IT initiatives, the early childhood HIPPY program and a tertiary scholarship used to encourage excellence among our senior students. An extension to this educational focus is a new initiative of providing a pathway for eligible college students towards the attainment of a full driver's license. This is an initiative, conceived within the community and supported by the Trust, the Police and professional drivers, and is aimed at heading off a developing trend of youth to circumvent the stringent driving test regime and drive anyway. By becoming fully licensed we expect our students to become more self-assured and their employment opportunities greatly enhanced.

With the large proportion of our community under the age of twenty-one, youth continue to benefit through grants made in support of sport, $68,000. Amongst these was a grant made to the Flaxmere Rugby and Sports Club in support of their new branding and development program aimed at working with the Flaxmere community and growing junior sport and developing senior sport to again enter the premium rugby completion. The re-adoption and proud promotion of the Flaxmere name bodes well for the club as it aligns itself and embraces the natural talent within our community.

Health and community activities were also supported, examples of which were the Flaxmere Family Day and the Flaxmere Trust Community Biathlon and Matariki celebrations. These brought families together to enjoy and encourage local talent and to promote family health and fitness.

The following is a pie chart depicting how the $344,000 of support for 2013/14 year was allocated.



STAFF

It is again appropriate to thank the Flaxmere tavern staff for their support during the year and for the contribution they have made towards the success of the operation. The professionalism and experience emanating from the staff of Trust House Ltd must also be acknowledged. Their enthusiasm for the concept of community ownership is special and is a major force behind the Flaxmere Licensing Trust. Thank you one and all for your effort and support.

Ken Kibblewhite
President

TRUSTEES OF THE FLAXMERE LICENSING TRUST

Standing: Bert Lincoln, Warwick Howie and Jacob Poulain
Seated: Martha Greening, Ken Kibblewhite, President
Absent: Bronwen Hopkins

INCOME STATEMENT

For the year ended 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Income					
Revenue		43,938	42,461	-	-
Interest received		12,591	13,895	2,617	3,109
Total income		56,529	56,356	2,617	3,109
Operating expenses					
Administration and financial		45,371	41,991	13,967	9,233
Audit fees		8,366	8,123	4,554	4,422
Trustees fees		15,325	15,575	-	-
Total operating expenses		69,062	65,689	18,521	13,655
Net surplus / (deficit) before tax and charitable donations		**(12,533)**	**(9,333)**	**(15,904)**	**(10,546)**
Charitable donations		(10,019)	(8,101)	-	-
Tax expense	7	-	-	-	-
Net surplus / (deficit) for year		**(22,552)**	**(17,434)**	**(15,904)**	**(10,546)**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Net surplus / (deficit) for the year		(22,552)	(17,434)	(15,904)	(10,546)
Other comprehensive income		-	-	-	-
Total comprehensive income		**(22,552)**	**(17,434)**	**(15,904)**	**(10,546)**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Equity at start of the year		1,599,797	1,617,231	1,148,468	1,159,014
Total comprehensive income		(22,552)	(17,434)	(15,904)	(10,546)
Equity at end of the year		**1,577,245**	**1,599,797**	**1,132,564**	**1,148,468**

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 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Current assets					
Cash and cash equivalents	*4*	111,717	128,750	105,110	122,693
Short term investments	*5*	68,485	76,277	-	-
Receivables and prepayments		1,397	1,759	-	-
Loan advance		225,000	225,000	-	-
Taxation receivable		2,370	404	1,267	404
Total current assets		408,969	432,190	106,377	123,097
Non-current assets					
Investments	*6*	1,180,740	1,180,740	1,030,740	1,030,740
Total non-current assets		1,180,740	1,180,740	1,030,740	1,030,740
Total assets		1,589,709	1,612,930	1,137,117	1,153,837
Current liabilities					
Trade and other payables	*10*	10,464	11,133	4,553	5,369
Charitable distributions due		2,000	2,000	-	-
Total current liabilities		12,464	13,133	4,553	5,369
Non-current liabilities					
Deferred tax liability	*7*	-	-	-	-
Total non-current liabilities		-	-	-	-
Equity					
Retained earnings		1,577,245	1,599,797	1,132,564	1,148,468
Total equity		1,577,245	1,599,797	1,132,564	1,148,468
Total liabilities and equity		1,589,709	1,612,930	1,137,117	1,153,837

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

For the year ended 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Cash flows from operating activities					
Cash was provided from:					
Grants received		43,938	42,461	-	-
Interest received		12,953	14,057	2,617	3,109
Tax refund		-	2,112	-	2,112
		56,891	58,630	2,617	5,221
Cash was applied to:					
Payments to suppliers and employees		69,731	63,486	19,337	12,542
Charitable donations		10,019	8,101	-	-
Tax paid		1,966	404	863	404
		81,716	71,991	20,200	12,946
Net cash flows from operating activities	*8*	**(24,825)**	**(13,361)**	**(17,583)**	**(7,725)**
Cash flows from investing activities					
Cash was provided from:					
Reduction in short term deposits		10,000	10,000	-	-
		10,000	10,000	-	-
Cash was applied to:					
Increase in short term deposits		(2,208)	(3,606)	-	-
		(2,208)	(3,606)	-	-
Net cash flows from investing activities		**7,792**	**6,394**	-	-
Net (decrease) / increase in cash held		(17,033)	(6,967)	(17,583)	(7,725)
Opening cash balance		128,750	135,717	122,693	130,418
Closing cash balance		**111,717**	**128,750**	**105,110**	**122,693**
This balance is made up as follows:					
Cash and cash equivalents		111,717	128,750	105,110	122,693
		111,717	**128,750**	**105,110**	**122,693**

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 Supply of Alcohol Act 2012. The Flaxmere Licensing Trust is a licensing trust established in accordance with the Sale of Supply of Liquor Act 2012. The consolidated financial statements of Flaxmere Licensing Trust as at and for the year ended 31 March 2014 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 NZ Generally Accepted Accounting Practice (NZ GAAP) and comply with the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). Under the terms of the Accounting Standards Framework issued by the External Reporting Board (XRB) the Trust has designated itself a Tier two for profit entity and therefore applies Tier two Accounting Standards (NZ IFRS Reduced Disclosure Regime).

The Trust is a qualifying Tier two entity as it meets the following criteria:

- the entity does not have public accountability; and
- the entity's expenses are less than $30 million.

The general accounting principles as appropriate for the measurement and reporting of results and financial position under the historical cost method have been followed in the preparation of these financial statements.

The financial statements were approved by the Trustees on 6th May 2014.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Bank balances	111,717	128,750	105,110	122,693
Cash and cash equivalents	111,717	128,750	105,110	122,693

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	$
2014	ANZ National Bank	3.85% p.a.	1 year	22 September 2014	68,485
2013	ANZ National Bank	4.35% p.a.	1 year	20 September 2013	76,277

6. INVESTMENTS

These investments are considered to be long term.

Details of shares are:

	Group 2014	Group 2013	Parent 2014	Parent 2013
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 2014 was 3.25% (2013: 3.25%). Interest received in 2013/14 was $6,986 (2013: $7,313).

7. TAXATION

The taxation expense has been calculated as follows:

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Components of tax expense				
Current tax	-	-	-	-
Prior period adjustments	-	-	-	-
	-	-	-	-
Surplus before tax and donations	(12,533)	(9,333)	(15,904)	(10,546)
Charitable donations	(10,019)	(8,101)	-	-
Surplus before Tax	(22,552)	(17,434)	(15,904)	(10,546)
Taxation at 28%	(6,315)	(4,882)	(4,453)	(2,953)
Plus (less) tax effect of:				
Non taxable income	1,862	1,929		
Tax loss not recognised	4,453	2,953	4,453	2,953
Taxation expense	-	-	-	-

A deferred tax asset has not been recognised in relation to tax losses of $94,811 (2013:$78,907).

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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Net surplus / (deficit) for year	(22,552)	(17,434)	(15,904)	(10,546)
Add (less) movements in working capital items:				
(Increase)/decrease in receivables and prepayments	362	162	-	-
Increase/(decrease) in payables and accruals	(669)	2,203	(816)	1,113
Increase/(decrease) in charitable Distributions due	-	-	-	
(Increase)/decrease in provision for taxation	(1,966)	1,708	(863)	1,708
	(2,273)	4,073	(1,679)	2,821
Add (less) movements in deferred tax:				
Increase/(decrease) in deferred tax	-	-	-	-
	-	-	-	-
Net cash flow from operating activities	(24,825)	(13,361)	(17,583)	(7,725)

9. CONTINGENT LIABILITIES AND COMMITMENTS

The Group has no contingent liabilities or commitments as at 31 March 2014 (2013: 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:

	12 months or less	1-2 years	2-5 years	More than 5 years
Group				
2013 Trade and other payables	11,133	-	-	-
Charitable distributions due	2,000	-	-	-
	13,133	-	-	-
2014 Trade and other payables	10,464	-	-	-
Charitable distributions due	2,000	-	-	-
	12,464	-	-	-
Parent				
2013 Trade and other payables	5,369	-	-	-
2014 Trade and other payables	4,553	-	-	-

11. RELATED PARTY TRANSACTIONS

(a) Trust House Foundation

The President of the Flaxmere Licensing Trust is a Trustee of the Trust House Foundation. 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:

	2014 $	2013 $
Funds available 1st April	81,408	124,968
Net surplus before charitable distributions	433,479	437,867
Grants unclaimed	5,093	2,557
Grants approved	(344,071)	(483,984)
Funds available 31st March	175,909	81,408

In 2013/14 the Trust House Foundation made charitable distributions of $9,438 to the Flaxmere Licensing (Charitable) Trust (2012/13: $7,961).

In 2013/14 the Trust House Foundation paid the Flaxmere Licensing (Charitable) Trust $34,500 for services on behalf of the Trust House Foundation (2013: $34,500).

(b) Key management personnel

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

Key management personnel compensation	Group 2014 $	Group 2013 $
Trustees fees and other short term benefits	15,325	15,575
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	15,325	15,575

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 AUDITORS REPORT

To the readers of Flaxmere Licencing Trust and Group's financial statements for the year ended 31 March 2014.

The Auditor General is the auditor of Flaxmere Licencing 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 100 to 107, that comprise the Statement of Financial Position as at 31 March 2014, 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 Trust and Group on pages 100 to 107:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's:
    - financial position as at 31 March 2014; and
    - financial performance and cash flows for the year ended on that date.

Our audit was completed on 24 September 2014. 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. 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.

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 and Supply of Alcohol Act 2012.

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 and Supply of Alcohol Act 2012.

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 2014 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 24 September 2014 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 Approved

ORGANISATION	AMOUNT
Accident Injury Support Trust	$3,000
Age Concern Flaxmere Inc	$13,000
Alzheimers Society Hastings Inc	$1,500
Art Hawkes Bay Inc	$75
Birchleigh Polo	$4,000
Birthright (HB) Child and Family Care Trust	$1,500
Blue Light Ventures	$5,000
Brain Injury Association (HB) Inc	$4,000
Cook Islands Community Centre Society Inc HB	$5,000
Cranford Hospice (Presbyterian Support East Coast)	$15,000
Creative Hastings Centre	$1,500
Crime Prevention Education Foundation	$7,741
Family Works Hawkes Bay (Presbyterian Support East Coast)	$30,000
Fastpitch Softball Club	$3,000
Flaxmere Licensing (Charitable) Trust	$18,000
Flaxmere Planning Committee	$18,000
Flaxmere Schools Cluster	$60,000
Greendale Swim Club	$1,500
Hastings Group Riding for the Disabled	$2,010
Hastings Swimming Charitable Trust	$20,000
Hawke's Bay Multisports Club	$2,280
Hawke's Bay Regional Orchestra	$3,000
Hawkes Bay Softball Association	$6,000
He Pataka Hauora Trust	$2,000
Heretaunga Women's Centre	$3,000

Flaxmere Licensing (Charitable) Trust – Grants Approved

ORGANISATION	AMOUNT
Hibernian AFC Inc	$6,000
Jireh Charitable Trust Hawkes Bay	$5,000
Kiwi Adventure Trust	$8,000
Kupa International Training Centre	$2,240
Leg-Up Trust	$10,000
Life Education Trust Hawke's Bay	$2,500
MAC Sports Association Inc	$4,000
Ngati Kahungunu Iwi Inc - Hawkes Bay	$10,000
Ocean Beach Kiwi Surf Life Saving Club Inc	$2,800
Paharakeke Mana Sports Club	$4,000
Paharakeke Sports Club	$3,000
Parents Incorporated Attitude Division	$1,000
Project Prima Volta	$2,000
Purena Koa Rehua Youth Services	$5,000
Sport Hawkes Bay	$11,237
Stroke Foundation Central Region Inc	$4,000
Swim Hawkes Bay	$5,000
Te Mata Park Trust Board	$5,000
The Hastings & District Branch of RNZSPAC Inc	$2,400
The Y M C A of Hawkes Bay Inc	$717
Waiapu Anglican Care - Growing Through Grief HB	$2,000
Waimarama Surf Life Saving Club Inc	$1,400
Western Suburbs Rugby and Sports Club Flaxmere	$8,671
WYNRS NZ Trust	$8,000
TOTAL GRANTS APPROVED	**$344,071**
REVERSED/REDUCED	**$5,093**
TOTAL	**$338,978**

Tararua Foundation
Incorporated

INCOME STATEMENT

For the year ended 31 March 2014

	Note	2014 $	2013 $
Income			
Grants received	*11*	-	512,000
Energy sales		255,752	183,786
Interest income		53,000	41,759
Other income		3,633	4,918
Total income		**312,385**	**742,463**
Operating expenses			
Administration and financial		13,926	31,845
Audit fees		6,837	6,638
Depreciation	*9*	107,360	26,898
Impairment of assets	*9*	647,387	-
Interest		38,859	15,472
Management fees		53,600	52,500
Professional fees		8,938	6,251
Legal fees		4,306	3,253
Property expenses		66,168	53,842
Returned grants		1,490,000	-
Selling expenses		13,665	6,615
Trustees fees		8,000	9,000
Total operating expenses		**2,459,046**	**212,314**
Net surplus / (deficit) before charitable distributions		(2,146,661)	530,149
Charitable distributions		-	-
Net surplus/(deficit)		**(2,146,661)**	**530,149**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 $	2013 $
Net surplus/(deficit) for year	(2,146,661)	530,149
Other comprehensive income	-	-
Total comprehensive income for the period	(2,146,661)	530,149

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	2014 $	2013 $
Equity at start of the year	1,629,934	1,099,785
Total comprehensive income	(2,146,661)	530,149
Equity at end of the year	(516,727)	1,629,934

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 2014

	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents		1,564,591	530,455
Short term investments		-	1,023,804
Prepayments		2,382	-
Taxation receivable		16,664	7,262
Accrued revenue		31,311	39,347
GST receivable		-	7,365
Total current assets		**1,614,948**	**1,608,233**
Non current assets			
Property, plant and equipment	*9*	-	745,317
Total non-current assets		**-**	**745,317**
Total assets		**1,614,948**	**2,353,550**
Current liabilities			
Trade and other payables	*7*	38,175	68,616
Loan repayments	*8*	261,000	-
Grants to be returned	*11*	1,490,000	-
Total current liabilities		**1,789,175**	**68,616**
Non-current liabilities			
Loans	*8*	342,500	655,000
Total non-current liabilities		342,500	655,000
Total liabilities		**2,131,675**	**723,616**
Equity			
Retained earnings		(516,727)	1,629,934
Total equity		**(516,727)**	**1,629,934**
		1,614,948	**2,353,550**

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 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Cash was provided from:			
Sales		267,421	171,204
Charitable grants received		-	512,000
Interest received		53,000	41,759
		320,421	724,963
Cash was applied to:			
Payments to suppliers and trustees		228,599	164,567
Charitable distributions		-	-
		228,599	164,567
Net cash inflows from operating activities	*10*	**91,822**	**560,396**
Cash flows from investing activities			
Cash was provide from:			
Decrease in short term deposits		1,023,804	-
		1,023,804	-
Cash was applied to:			
Purchase of property plant and equipment		29,990	650,160
		29,990	650,160
Net cash inflows/ (outflows) from investing activities		**993,814**	**(650,160)**
Cash flows from financing activities			
Cash was provided from:			
Loans		10,000	645,000
		10,000	645,000
Cash was applied to:			
Repayment of loans		61,500	-
Increase in short term investments		-	33,804
		61,500	33,804
Net cash inflows / (outflows) from financing activities		**(51,500)**	**611,196**
Net increase/(decrease) in cash held		1,034,136	521,432
Opening cash balance		530,455	9,023
Closing cash balance		**1,564,591**	**530,455**
Closing cash is made up of:			
Cash and cash equivalents		1,564,591	530,455
		1,564,591	530,455

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 2014. The financial statements were approved by the Trustees on 30 July 2014.

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.

(e) Going concern

The Trustees expect continued pressure on turnover and profits for the foreseeable future. However, Trust House Limited has given notice of their intention to support the Foundation to ensure that it remains viable.

The financial statements of the Foundation have been prepared on a going concern basis as the Trustees believe that the use of the going concern basis is appropriate as the Foundation has sufficient support to continue to operate.

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 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.

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 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 Foundation's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Tax

The Tararua Foundation is exempt from Income Tax as it has been granted charitable status by Inland Revenue.

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.

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

Tararua Foundation paid $53,600 (2013: $52,500) 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 $1,155 (2013: $7,527). The amount outstanding at year end was $615 (2013; $679).

Tararua Foundation has borrowed $135,000 (2013: $155,000) from Trust House Limited. The loan is unsecured and repayable on 31 March 2015. Tararua Foundation owes Trust House Limited $5,661 in accrued interest on the loan.

Tararua Foundation has a term loan of $468,500 with the ANZ Bank which is secured by way of guarantee by Trust House Limited to the ANZ on behalf of the Tararua Foundation. The loan facility is to 30 November 2017 and repayable at $126,000 per annum plus interest. The interest rate at 31 March 2014 was 6.70% (2013: 6.70%).

Trust House Limited applies NZ IFRS standards in preparation of its Group accounts. With the application of the new IFRS 10 the Tararua Foundation is considered to be a subsidiary of Trust House Limited.

(b) Trust House Foundation

Trust House Foundation made grants of $Nil to the Tararua Foundation (2013; $512,000).

(c) Key management personnel

Key management personnel comprises the Trustees of the Tararua Foundation.

Key management personnel compensation	2014 $	2013 $
Trustees fees and other short term benefits	8,000	9,000
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	8,000	9,000

5. CONTINGENT LIABILITIES AND COMMITMENTS

The Tararua Foundation Inc. has no known contingent liabilities or commitments as at 31 March 2014 (2013: 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 Foundation's 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.

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

	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
2013				
Trade and other payables	68,616	-	-	-
Loan from Trust House Limited	81,975	314,657	362,334	-
	150,591	314,657	362,334	
2014				
Trade and other payables	38,175	-	-	-
Loans	294,075	145,142	229,573	-
	332,250	145,142	229,573	

7. TRADE AND OTHER PAYABLES

	2014 $	2013 $
Trade creditors and accrued expenses	30,273	41,384
GST Payable	1,230	-
Capital payables	6,672	27,232
	38,175	68,616

8. BORROWINGS

	2014 $	2013 $
Trust House Limited loan – repayable 31 March 2015, interest rate at year end 4.10% (2013: 4.40%)	135,000	155,000
ANZ Term loan – to 30 November 2017. Repayable at $126,000 per annum plus interest. Interest rate at 31 March 2014 6.70% (2013: 6.70%). This loan is guaranteed by Trust House Limited	468,500	500,000
Total borrowings	603,500	655,000
Less short term portion	261,000	-
Long term portion of borrowings	**342,500**	**655,000**

9. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment $
Cost	
Balance at 1 April 2012	122,155
Additions	650,060
Balance at 31 March 2013	772,215
Balance at 1 April 2013	772,215
Additions	9,430
Balance at 31 March 2014	781,645
Depreciation and impairment losses	
Balance at 1 April 2012	-
Depreciation for the year	26,898
Balance at 31 March 2013	26,898
Balance at 1 April 2013	26,898
Depreciation for the year	107,360
Impairment of assets*	647,387
Balance at 31 March 2014	781,645
Carrying amounts	
At 1 April 2012	122,155
At 31 March 2013	745,317
At 1 April 2013	745,317
At 31 March 2014	-

* The impairment of assets is related to the failure of the 'B' station generator. The loss of generation capacity as a result reduces cash flow generation of the assets. As a result we have impaired all plant and equipment assets to Nil value. External engineering advice is currently being sought as to the feasibility of repairing or replacing this generator.

10. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2014

	2014 $	2013 $
Net surplus/(deficit) for year	(2,146,661)	530,149
Add/(less) movements in non-cash items:		
Depreciation	107,360	26,898
Impairment of assets	647,387	-
	754,747	26,898
Add/(less) movements in working capital items:		
(Increase) / decrease in receivables and prepayments	3,617	(25,855)
Increase/(decrease) in payables and accruals	(9,881)	29,204
Increase/(decrease) in grants returnable	1,490,000	-
	1,483,736	3,349
Net cash flow from operating activities	91,822	560,396

11. GRANTS RECEIVED

In 2012 and 2013 Tararua Foundation received accumulated grants totalling $1,490,000 which were to be put towards a major project. The Foundation has not found a suitable project and has decided to return the funds to the Trust House Foundation in the 2014/15 financial year.

12. 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's 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.

13. SUBSEQUENT EVENTS

There are no subsequent events.

INDEPENDENT AUDITOR'S REPORT

To the readers of Tararua Foundation's financial statements for the year ended 31 March 2014.

The Auditor General is the auditor of the Tararua Foundation (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 114 to 121, that comprise the Statement of Financial Position as at 31 March 2014, 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 114 to 121:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Foundation's:
    - financial position as at 31 March 2014; and
    - financial performance and cash flows for the year ended on that date.

Our audit was completed on 29 August 2014. 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.

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.

The Trustees' responsibilities arise from clause 7(p) of the Tararua Foundation Trust Deed.

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 clause 7(p) of the Tararua Foundation Trust Deed.

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 and Group for the year ended 31 March 2014 included on the Tararua Foundation website. The Trustees are responsible for the maintenance and integrity of the Tararua Foundation website. We have not been engaged to report on the integrity of Tararua Foundation 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 29 August 2014 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.

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