Trust House Limited
Financial statements
for the year ended 31 March 2017

Contents

Income statement

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Continuing operations					
Revenue	5	25,046,261	26,518,717	17,968,318	19,198,057
Less cost of sales		3,642,916	4,928,816	3,642,916	4,928,816
Gross profit		21,403,345	21,589,901	14,325,402	14,269,241
Operating expenses	7	14,408,279	16,447,834	10,794,068	12,602,706
Results from operating activities		6,995,066	5,142,067	3,531,334	1,666,535
Finance costs		1,062,523	1,270,594	1,062,523	1,270,594
Finance income		8,376	25,111	1,685	635
Net finance costs		1,054,147	1,245,483	1,060,838	1,269,959
Net operating profit		**5,940,919**	**3,896,584**	**2,470,496**	**396,576**
Non operating items	6	2,984,278	2,313,108	2,984,278	2,313,108
Discontinued operation items	29	614,614	245,137	614,614	245,137
Net profit before charitable donations		**9,539,811**	**6,454,829**	**6,069,388**	**2,954,821**
Charitable donations	27	(3,482,295)	(3,794,749)	(63,420)	(58,400)
Net profit for year		**6,057,516**	**2,660,080**	**6,005,968**	**2,896,421**

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 MARTCH 2017

	Notes	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Net profit / (loss)		6,057,516	2,660,080	6,005,968	2,896,421
Other comprehensive income:					
Land & building revaluation		103,294	-	103,294	-
Total other comprehensive income / (expense)		**103,294**	-	**103,294**	-
Total comprehensive income / (expense)		**6,160,810**	2,660,080	**6,109,262**	2,896,421

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2017

Group	**2017 $**
Equity at the start of the year	53,614,768
Total comprehensive income / (expense)	6,160,810
Equity at the end of the year	**59,775,578**

Group	**2016 $**
Equity at the start of the year	50,954,688
Total comprehensive income / (expense)	2,660,080
Equity at the end of the year	53,614,768

Parent	**2017 $**
Equity at the start of the year	53,082,539
Total comprehensive income / (expense)	6,109,262
Equity at the end of the year	**59,191,801**

Parent	**2016 $**
Equity at the start of the year	50,186,118
Total comprehensive income / (expense)	2,896,421
Equity at the end of the year	**53,082,539**

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 2017

	Notes	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Current assets					
Cash and cash equivalents	8	1,498,095	1,210,063	1,092,889	213,772
Trade and other receivables	9	1,306,033	734,522	1,303,155	734,522
Prepayments		325,639	333,727	258,976	283,624
Inventories	10	370,245	1,098,174	370,245	1,098,174
Investment properties held for sale		-	692,000	-	692,000
Other investments	11	53,005	53,005	53,005	53,005
Assets held for sale	29	399,479	458,800	399,479	458,800
Total current assets		**3,952,496**	4,580,291	**3,477,749**	3,533,897
Non-current assets					
Other investments	11	742,706	135,296	742,706	135,296
Investment properties	12	61,341,228	58,307,000	61,341,228	58,307,000
Property, plant and equipment	13	17,926,321	16,470,787	16,686,593	15,355,422
Intangible assets	14	967,040	694,369	816,406	611,221
Total non-current assets		**80,977,295**	75,607,452	**79,586,933**	74,408,939
Total assets		**84,929,791**	80,187,743	**83,064,682**	77,942,836
Current liabilities					
Trade and other payables	15	3,024,030	2,435,256	2,547,383	1,981,412
Employee entitlements	16	715,318	795,148	715,318	795,148
Borrowings	17	166,000	472,102	166,000	472,102
Charitable donations allocated		804,685	1,258,834	-	-
Total current liabilities		**4,710,033**	4,961,340	**3,428,701**	3,248,662
Non-current liabilities					
Employee entitlements	16	80,382	112,539	80,382	112,539
Borrowings	17	20,254,584	21,420,583	20,254,584	21,420,583
Provisions	24	109,214	78,513	109,214	78,513
Total non-current liabilities		**20,444,180**	21,611,635	**20,444,180**	21,611,635
Equity					
Share Capital	18	11,330,740	11,330,740	11,330,740	11,330,740
Retained earnings	18	48,341,544	42,136,794	47,757,767	41,604,565
Asset revaluation reserve	18	103,294	147,234	103,294	147,234
Total equity		**59,775,578**	53,614,768	**59,191,801**	53,082,539
Total liabilities & equity		**84,929,791**	80,187,743	**83,064,682**	77,942,836

Signed on behalf of Trust House Limited

J W KERSHAW
CHAIRMAN

L GRIFFITHS
DIRECTOR

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 2017

	Notes	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		35,288,737	36,522,651	28,343,732	29,242,340
Interest received		25,027	25,111	18,336	635
		35,313,764	36,547,762	28,362,068	29,242,975
Cash was applied to:					
Payments to suppliers and employees		29,082,296	29,556,297	25,969,653	26,476,284
Charitable donations		3,936,444	3,873,835	63,420	58,400
Interest paid		1,062,504	1,271,917	1,062,504	1,271,917
		(34,081,244)	(34,702,049)	(27,095,577)	(27,806,601)
Net cash flows from operating activities	22	**1,232,520**	1,845,713	**1,266,491**	1,436,374
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		440,385	286,159	128,042	257,717
Sale of intangibles		1,671	-	-	-
Sale of business		3,433,435	446,543	3,433,435	446,543
Cash acquired as part of business acquisition		33,904	15,356	33,904	15,356
Sale of investment property		1,648,810	88,313	1,648,810	88,313
		5,558,205	836,371	5,244,191	807,929
Cash was applied to:					
Purchase of plant, property and equipment		1,186,934	1,876,370	435,251	1,039,924
Purchase of intangible assets		139,612	8,000	20,167	-
Acqusition of business	29	2,879,787	215,356	2,879,787	215,356
Cash sold with business		309	15,044	309	15,044
Upgrading of investment property		823,950	472,305	823,950	472,305
		(5,030,592)	(2,587,075)	(4,159,464)	(1,742,629)
Net cash flows from investing activities		**527,613**	(1,750,704)	**1,084,727**	(934,700)
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		-	350,000	-	350,000
		-	350,000	-	350,000
Cash was applied to:					
Repayment of borrowings		1,190,999	399,667	1,190,999	399,667
		(1,190,999)	(399,667)	(1,190,999)	(399,667)
Net cash flows from financing activities		**(1,190,999)**	(49,667)	**(1,190,999)**	(49,667)
Net (decrease) / increase in cash held		569,134	45,342	1,160,219	452,007
Opening cash balance		928,961	883,619	(67,330)	(519,337)
Closing cash balance	8	**1,498,095**	928,961	**1,092,889**	(67,330)
Closing cash is made up of					
Cash and cash equivalents		1,498,095	928,961	1,092,889	(67,330)
		1,498,095	**928,961**	**1,092,889**	**(67,330)**

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 2013, and the Constitution of Trust House Limited. The parent and consolidated financial statements of Trust House Limited as at and for the year ended 31 March 2017 comprise of Trust House Limited, Trust House Foundation and Tararua Foundation as controlled entities. Tararua Foundation was wound up on 27 March 2017

Trust House Limited is primarily involved in the hospitality industry running a number of bars, restaurants, bottlestores, a hotel, 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 2nd August 2017.

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.

Under the Accounting Standards Framework, the Company has determined that it is a ‘tier one’ entity, as the Company has expenses over $30 million.

Trust House Limited is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993. The companies registered office is 4 Queen Street, Masterton 5840, New Zealand.

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 pepared 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.

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.

(c) 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 12 — valuation of investment property
- Note 13 — useful lives of property, plant and equipment
- Note 13 — valuation of property, plant and equipment
- Note 14 — goodwill impairment

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all preiods presented in these financial statements, and have been applied consstently 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.

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity,revenue and expenses of entities in the Group on a line by line basis.

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

The Group has the following financial instruments:

Financial assets: Loans and receivables: Cash and cash equivalents, Trade and other receivables.

Financial liabilities: Financial liabilities at amortised cost: Trade and other payables and Borrowings.

Financial instruments are measured as described below.

Cash and cash equivalents

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.

Borrowings

Borrowings are classified as current unless there is an unconditional right to defer settlement for at least 12 months after the balance date.

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The valuation 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 there valuation reserve, the debit balance will be expensed in the Income Statement. Any subsequent increase that reverses a decrease recognised in the Income Statement will be recognised first in the Income Statement up to the amount previously expensed.

Furniture, 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:

Land & Buildings - structure	3%-33.3%
Land & Buildings - services and fit out	6.5%
Furniture & Plant - general	6.67-25%
Furniture & Plant - gaming machines and counters	25%-100%
Motor Vehicles	20%
Hydro Assets - Electrical reticulation	10%
Hydro Assets - Computerised load control equipment	25%

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. Where goodwill is allocated to a leased property the goodwill is amortised over the remaining life of the lease. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Investment property

Property is classified as investment property when the primary income stream from the asset is rental income.

Investment property is initially recorded at cost. After initial recognition it is measured at fair value at each balance date.

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.

Any increase or decrease in fair value 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 aportfolio 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 Statement of Financial Position. 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.

Revenue

(1) Goods sold / sales

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

Trust House Limited acts as a management company for other Group entities. Revenue for management fees is recognised in accordance with the fees agreed in those contracts.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Rental income

Rental income from investment property is recognised in the Income Statement as it becomes due.

(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 recognized 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.

Goods and Services Tax

These accounts are prepared on a GST exclusive basis with the exception of trade and other receivables and trade and other payables, 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 Trade and other receivables or Trade and other payables (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.

Held for sale assets

Non-current assets are reclassified as current assets held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable.

Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

Depreciation is not charged against property, plant and equipment classified as held for sale.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations

Other than NZ IFRS 9 “Financial Instruments” and NZ IFRS 16 “Leases”, there are no new standards, amendments or interpretations that have been issued and effective, or not yet effective, that are expected to have a significant impact on the Group. The Group has yet to assess the full impact of NZ IFRS 9 (effective date: 1 January 2018) and NZ IFRS 16 (effective date: 1 January 2019).

4 DETERMINATION OF FAIR VALUES

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

(b) Investment Property

An external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued, values the Groups investment property portfolio every 12 months. The valuations are prepared by considering the individual highest and best use of the properties in the portfolio.

5 REVENUE

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Sales	19,480,014	20,895,967	11,802,071	12,850,307
Services	-	243,892	600,000	968,892
Rentals	5,390,958	5,193,898	5,390,958	5,193,898
Gain on sale of investment property	147,113	-	147,113	-
Gain on sale of business	28,176	184,960	28,176	184,960
Total revenues	25,046,261	26,518,717	17,968,318	19,198,057

6 NON OPERATING ITEMS

		Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Change in fair value of investment property	12	2,984,278	2,313,108	2,984,278	2,313,108
		2,984,278	2,313,108	2,984,278	2,313,108

7 OPERATING EXPENSES

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Administration and financial	1,241,635	1,243,823	1,008,952	981,210
Advertising and promotion	1,002,616	850,736	1,002,616	850,736
Audit Fees	94,500	94,624	83,000	83,445
Audit Fees - Masterton Community Trust	5,200	-	5,200	-
Prospective financial statement review*	4,085	3,965	-	-
Bad debts	106,298	5,978	106,298	5,978
Movement in provision for doubtful debts	(67,983)	41,703	(67,983)	41,703
Depreciation	1,143,984	1,357,195	672,484	773,464
Amortisation	97,278	58,520	51,430	16,925
Impairment of intangible assets	-	11,925	-	11,925
Impairment of property, plant and equipment	-	70,035	-	70,035
Loss / (gain) on sale of plant and equipment	(117,604)	2,290	-	-
Loss / (gain) on sale of intangible assets	4,440	3,833	-	-
Loss / (gain) on sale of investment properties	-	55,687	-	55,687
Property expenses	3,713,085	3,624,043	3,489,676	3,442,643
Rent and lease expenses	773,282	813,837	322,120	286,171
Employee costs	6,005,047	5,840,784	6,005,047	5,840,784
Directors and Trustees Fees	272,656	169,983	147,570	142,000
Gaming Machine Duty and Licenses	2,162,102	2,198,873	-	-
Reversal of impairments	(2,032,342)	-	(2,032,342)	-
	14,408,279	16,447,834	10,794,068	12,602,706

* 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 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Bank balances	1,292,647	1,032,235	887,441	35,944
Cash floats	205,448	177,828	205,448	177,828
Cash and cash equivalents used in the statement of cash flows	1,498,095	1,210,063	1,092,889	213,772

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Cash and cash equivalents	1,498,095	1,210,063	1,092,889	213,772
Bank overdrafts used for cash management purposes	-	(281,102)	-	(281,102)
Cash and cash equivalents used in the statement of cash flows	1,498,095	928,961	1,092,889	(67,330)

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

9 TRADE AND OTHER RECEIVABLES

	Group $	Group $	Parent $	Parent $
Trade receivables	447,663	678,088	447,663	678,088
Less provision for impairment	(16,710)	(84,693)	(16,710)	(84,693)
	430,953	593,395	430,953	593,395
Sundry receivables	875,080	141,127	872,202	141,127
	1,306,033	734,522	1,303,155	734,522

	Group and Parent 2017 $	Group and Parent 2016 $
Aging of trade receivables		
The status of trade receivables at the reporting date is as follows:		
Not past due	256,495	527,022
1-30 days	66,000	50,522
31-60 days	10,775	13,261
60 days+	114,393	87,283
	447,663	678,088

As of 31 March 2017, trade receivables of $16,710 (2016: $84,693) were past due and considered impaired and trade receivables of $174,458 (2016: $66,373) were past due but not considered impaired.

9 TRADE AND OTHER RECEIVABLES (continued)

Movements on the group provision for impairment of receivables are as follows:

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
As at 1 April	84,693	42,989	84,693	42,989
Additional provisions made during the year	39,782	52,279	39,782	52,279
Receivables written off during the year	(107,765)	(10,575)	(107,765)	(10,575)
Balance at the end of the year	16,710	84,693	16,710	84,693

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 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Raw materials and consumables	57,987	51,322	57,987	51,322
Goods available for sale	312,258	1,046,852	312,258	1,046,852
	370,245	1,098,174	370,245	1,098,174

Inventory comprises goods available for sale and food ingredients.

No inventories are pledged as security for liabilities (2016 $nil). However, some inventories are subject to retention of title clauses.

11 OTHER INVESTMENTS

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Current investments (at amortised cost)				
Foodstuffs Ltd - deferred rebates	53,005	53,005	53,005	53,005
	53,005	53,005	53,005	53,005
Non current investments (at amortised cost)				
Vendor loan	650,000	-	650,000	-
Foodstuffs Ltd - shares & rebates	92,706	135,296	92,706	135,296
	742,706	135,296	742,706	135,296
Total investments	795,711	188,301	795,711	188,301

The vendor loan is for a property disposed during the year. The loan is 6% interest only with capital repayable in 2020.

12 INVESTMENT PROPERTY

	Group and Parent 2017 $	2016 $
Investment property is comprised of		
Residential property	60,081,228	56,542,000
Commercial property	1,260,000	2,457,000
	61,341,228	58,999,000
Classified as:		
Current - available for sale at 31 March	-	692,000
Non Current	61,341,228	58,307,000
	61,341,228	58,999,000

(a) Residential properties

	Group and Parent 2017 $	2016 $
Balance at 1 April	56,542,000	54,085,000
Properties sold during the year	(159,000)	(144,000)
Development in progress	81,228	-
Improvements	742,722	472,305
Change in fair value	2,874,278	2,128,695
	60,081,228	56,542,000

Residential investment property comprises 479 (2016: 480) rental houses in the lower North Island.
The Group's investment properties are valued annually at fair market value effective 31st March.

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 an independent value, 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 2017 $	2016 $
Rental income	5,110,041	4,912,937
Expenses from investment property generating income	2,053,877	2,011,510

12 INVESTMENT PROPERTY (continued)

Insurance

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

Income related rent

Trust House Limited is a registered community housing provider and therefore able to receive income related rent from the Ministry of Social Development for qualifying tenants. The total income related rent received for the year was $45,879 (2016: $13,418).

(b) Commercial property

One of the Groups properties has been designated as an investment property.

	2017	**2016**
	$	$
Balance at 1 April	2,457,000	670,000
Transferred from property plant and equipment	-	1,602,587
Sold during the year	(1,307,000)	-
Change in fair value	110,000	184,413
Balance at 31 March	1,260,000	2,457,000
Classified as:		
Current - available for sale at 31 March	-	692,000
Non Current	1,260,000	1,765,000
	1,260,000	2,457,000

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 buildings at 31 March 2017 has been assessed by an independent valuer, 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.

The Group sold two investment properties during the year and has one property classified as an investment property at year end. The revenue and expenses in the prior year of the table below incorporate trading results for a bottle store sold by the Group in the prior year which traded from the investment property.

	Group and Parent	
	2017	**2016**
	$	**$**
Rental income	271,701	264,799
Revenue	147	2,086,560
Tenant recharges	34,985	102,056
Expenses from investment property generating income	133,677	2,245,213

13 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings $	Furniture and plant $	Hydro assets $	Motor vehicles $	Construction in progress $	Total $
Cost or deemed cost						
Balance at 1 April 2015	17,163,326	8,509,573	792,199	230,787	86,275	26,782,160
Additions	752,579	959,873	168,382	7,165	(86,275)	1,801,724
Disposals	(225,376)	(441,827)	-	(54,978)	-	(722,181)
Reclassified as available for sale	(520,000)	(96,334)	-	-	-	(616,334)
Reclassified as investment property	(1,718,050)	-	-	-	-	(1,718,050)
Balance at 31 March 2016	**15,452,479**	**8,931,285**	**960,581**	**182,974**	**-**	**25,527,319**
Balance at 1 April 2016	15,452,479	8,931,285	960,581	182,974	-	25,527,319
Acquisitions	2,155,000	106,185	-	-	-	2,261,185
Additions	90,041	1,032,608	6,542	8,696	189,386	1,327,273
Disposals	(3,260,257)	(2,049,718)	-	(19,981)	-	(5,329,956)
Reclassified to available for sale	(44,011)	(138,450)	-	(63,614)	-	(246,075)
Revaluation of land and buildings	317,524	-	-	-	-	317,524
Balance at 31 March 2017	**14,710,776**	**7,881,910**	**967,123**	**108,075**	**189,386**	**23,857,270**
Depreciation and impairment losses						
Balance at 1 April 2015	1,927,395	5,646,756	381,163	164,059	-	8,119,373
Depreciation for the year	575,154	853,071	46,981	13,109	-	1,488,315
Disposals	(23,175)	(282,245)	-	(42,774)	-	(348,194)
Reclassified as investment property	(115,463)	-	-	-	-	(115,463)
Reclassified as available for sale	(90,000)	(67,534)	-	-	-	(157,534)
Impairment charge recognised in income statement	68,442	1,593	-	-	-	70,035
Balance at 31 March 2016	**2,342,353**	**6,151,641**	**428,144**	**134,394**	**-**	**9,056,532**
Balance at 1 April 2016	2,342,353	6,151,641	428,144	134,394	-	9,056,532
Depreciation for the year	503,104	713,197	42,562	10,026	-	1,268,889
Disposals	(916,414)	(1,422,148)	-	(15,957)	-	(2,354,519)
Revaluation of land and buildings	(1,818,112)	-	-	-	-	(1,818,112)
Reclassified to available for sale	(40,587)	(130,606)	-	(50,648)	-	(221,841)
Balance at 31 March 2017	**70,344**	**5,312,084**	**470,706**	**77,815**	**-**	**5,930,949**
Carrying amounts						
As at 31 March 2016	13,110,123	2,779,647	532,437	48,580	-	16,470,787
As at 31 March 2017	14,640,432	2,569,826	496,417	30,260	189,386	17,926,321

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Land and buildings $	Furniture and plant $	Hydro assets $	Motor vehicles $	Construction in progress $	Total $
Cost or deemed cost						
Balance at 1 April 2015	17,163,326	4,987,209	411,036	230,787	86,275	22,878,633
Additions	752,579	123,427	168,382	7,165	(86,275)	965,278
Disposals	(225,376)	(306,591)	-	(54,978)	-	(586,945)
Reclassified as investment property	(1,718,050)	-	-	-	-	(1,718,050)
Reclassified as available for sale	(520,000)	(96,334)	-	-	-	(616,334)
Balance at 31 March 2016	15,452,479	4,707,711	579,418	182,974	-	20,922,582
Balance at 1 April 2016	15,452,479	4,707,711	579,418	182,974	-	20,922,582
Acquisitions	2,155,000	106,185	-	-	-	2,261,185
Additions	90,041	237,566	6,542	8,696	189,386	532,231
Disposals	(3,260,257)	(1,070,733)	-	(19,981)	-	(4,350,971)
Revaluation of land and buildings	317,524	-	-	-	-	317,524
Reclassified to available for sale	(44,011)	(138,450)	-	(63,614)	-	(246,075)
Balance at 31 March 2017	14,710,776	3,842,279	585,960	108,075	189,386	19,436,476
Depreciation and impairment losses						
Balance at 1 April 2015	1,927,395	3,017,774	-	164,059	-	5,109,228
Disposals	(23,175)	(177,741)	-	(42,774)	-	(243,690)
Reclassified as available for sale	(90,000)	(67,534)	-	-	-	(157,534)
Reclassified as investment property	(115,463)	-	-	-	-	(115,463)
Impairment loss - through Other Comprehensive Income	68,442	1,593	-	-	-	70,035
Depreciation for the year	575,154	269,340	46,981	13,109	-	904,584
Balance at 31 March 2016	2,342,353	3,043,432	46,981	134,394	-	5,567,160
Balance at 1 April 2016	2,342,353	3,043,432	46,981	134,394	-	5,567,160
Depreciation for the year	503,104	241,697	42,562	10,026	-	797,389
Disposals	(916,414)	(642,342)	-	(15,957)	-	(1,574,713)
Reclassified to available for sale	(40,587)	(130,606)	-	(50,648)	-	(221,841)
Revaluation of land and buildings	(1,818,112)	-	-	-	-	(1,818,112)
Balance at 31 March 2017	70,344	2,512,181	89,543	77,815	-	2,749,883
Carrying amounts						
As at 31 March 2016	13,110,123	1,664,282	532,437	48,580	-	15,355,422
As at 31 March 2017	14,640,432	1,330,098	496,417	30,260	189,386	16,686,593

13 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 2017.

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

The total fair value of land and buildings valued by J McKeefry Group and Parent as at 31 March 2017 was $14,689,000. This figure relates to both parent and group. 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 $Nil were recognised in 2016/17 (2015/16 $70,035).

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 $65 million for fire and $170 million for material damage and business interruption.

Deductibles for claims are as follows:

Non-natural disaster - $5000 for each and every claim.

Natural disaster - 5% of site sum insured per site.

Disposals

The Group sold two businesses during the year. The assets sold and consideration recieved are detailed below.

	Group and Parent **$**
Plant property and equipment	3,098,264
Goodwill	333,552
Inventory	340,187
	3,772,003
Consideration in cash	3,738,105
Deferred consideration	984,577
Total Consideration	4,722,682

Reclassification to available for sale

Two of the Group's bottle stores assets were reclassified as available for sale at balance date as they no longer fit the Group's strategy, nor reinvestment criteria. The sale of these assets occurred in the first half of the financial year. No impairments have been recognised on the reclassification to available for sale. See notes 28 & 29 for further details.

14 INTANGIBLE ASSETS

Group	**Goodwill**	**Software**	**Total**
	$	**$**	**$**
Cost			
Balance at 1 April 2015	1,110,390	655,806	1,766,196
Additions	200,000	8,000	208,000
Disposals	-	(40,219)	(40,219)
Balance at 31 March 2016	**1,310,390**	**623,587**	**1,933,977**
Balance at 1 April 2016	1,310,390	623,587	1,933,977
Additions	570,000	139,612	709,612
Disposals	(1,110,390)	(43,478)	(1,153,868)
Balance at 31 March 2017	**770,000**	**719,721**	**1,489,721**
Amortisation and impairment losses			
Balance at 1 April 2015	776,838	428,710	1,205,548
Disposals	-	(24,460)	(24,460)
Amortisation for the year (note 7)	-	58,250	58,250
Balance at 31 March 2016	**776,838**	**462,500**	**1,239,338**
Balance at 1 April 2016	776,838	462,770	1,239,608
Disposals	(776,838)	(37,367)	(814,205)
Amortisation for the year	38,095	59,183	97,278
Balance at 31 March 2017	**38,095**	**484,586**	**522,681**
Carrying amounts			
As at 31 March 2016	533,552	160,817	694,369
As at 31 March 2017	731,905	235,135	967,040

14 INTANGIBLE ASSETS (continued)

Parent	**Goodwill**	**Software**	**Total**
	$	**$**	**$**
Cost			
Balance at 1 April 2015	1,110,390	432,118	1,542,508
Additions	200,000	-	200,000
Disposals	-	(16,875)	(16,875)
Balance at 31 March 2016	**1,310,390**	**415,243**	**1,725,633**
Balance at 1 April 2016	1,310,390	415,243	1,725,633
Additions	570,000	20,167	590,167
Disposals	(1,110,390)	-	(1,110,390)
Balance at 31 March 2017	**770,000**	**435,410**	**1,205,410**
Amortisation and impairment losses			
Balance at 1 April 2015	776,838	325,599	1,102,437
Disposals	-	(4,950)	(4,950)
Amortisation charge (note 7)	-	16,925	16,925
Balance at 31 March2016	**776,838**	**337,574**	**1,114,412**
Balance at 1 April 2016	776,838	337,574	1,114,412
Disposals	(776,838)	-	(776,838)
Amortisation charge	38,095	13,335	51,430
Balance at 31 March 2017	**38,095**	**350,909**	**389,004**
Carrying amounts			
As at 31 March 2016	533,552	77,669	611,221
As at 31 March 2017	731,905	84,501	816,406

14 INTANGIBLE ASSETS (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:

The Ledge

The Ledge is a public bar with 18 gaming machines operating in Porirua.

The fair value of consideration for the purchase was $200,000.

Goodwill was recognised on the 8th June 2015 acquisition due to the profitability The Ledge provides to the Group.

The goodwill is being amortised over the remaining life of the lease on the premises

Post Office Hotel

The Post Office Hotel is a Hotel with public bar and 14 gaming machines operating in Pahiatua.

The fair value of consideration for the purchase was $1,760,000.

Goodwill was recognised on the 20th Feb 2017 acquisition due to the profitability The Post Office Hotel provides to the Group.

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 growth rate of cash generation is assumed to be 2%, the midpoint of the Reserve Banks' inflation target.

The discount rate applied to cash flow projections is 7.0%.

The Jackson Street Bar

The Jackson Street Bar is a public bar with 18 gaming machines operating in Masterton.

The fair value of consideration for the purchase was $1,119,787.

Goodwill was recognised on the 31st March 2017 acquisition due to the profitability The Jackson Streer Bar provides to the Group.

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 growth rate of cash generation is assumed to be 2%, the midpoint of the Reserve Banks' inflation target.

The discount rate applied to cash flow projections is 7.0%.

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

	Group and Parent	
	2017	**2016**
	$	$
Featherston SuperValue (sold)	-	333,552
The Ledge	161,905	200,000
Post Office Hotel	395,000	-
Jackson Street Bar	175,000	-
Total Goodwill	731,905	533,552

(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 growthrates used.

14 INTANGIBLE ASSETS (continued)

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

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

(iv) Sensitivity to changes in assumptions

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

15 TRADE AND OTHER PAYABLES

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Trade creditors	1,325,484	1,253,634	1,070,286	995,143
Interest payable	7,539	7,520	7,539	7,520
Capital payables	151,892	5,368	108,533	5,368
Accrued expenses	1,443,570	1,078,287	1,265,480	882,934
Revenue in advance	95,545	90,447	95,545	90,447
	3,024,030	2,435,256	2,547,383	1,981,412

16 EMPLOYEE ENTITLEMENTS

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Current portion				
Accrued pay	158,047	152,541	158,047	152,541
Accrued leave	538,758	628,767	538,758	628,767
Provision for staff long service / retirement benefits	10,894	7,879	10,894	7,879
Sick pay	7,619	5,961	7,619	5,961
	715,318	795,148	715,318	795,148
Non current portion				
Provision for long service / retirement benefits	80,382	112,539	80,382	112,539
	80,382	112,539	80,382	112,539
Total employee entitlements	795,700	907,687	795,700	907,687

17 BORROWINGS

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Current liabilities				
Bank overdrafts	-	281,102	-	281,102
Secured bank loans	101,000	126,000	101,000	126,000
Other loans	65,000	65,000	65,000	65,000
	166,000	472,102	166,000	472,102

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 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Non-current liabilities				
Secured bank loans	20,000,000	21,101,000	20,000,000	21,101,000
Other loans	254,584	319,583	254,584	319,583
	20,254,584	21,420,583	20,254,584	21,420,583

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Year of maturity	Face value 2017 $	Carrying amount 2017 $	Face value 2016 $	Carrying amount 2016 $
Group & Parent						
Secured BNZ Bank loans	4.23%-5.64%	2020	20,000,000	20,000,000	21,000,000	21,000,000
Secured ANZ Bank loan	6.55%	2017	101,000	101,000	227,000	227,000
Other loans	0.00%	2020-2024	319,584	319,584	384,583	384,583
Bank overdrafts	8.50%	On demand	-	-	281,102	281,102
Total interest-bearing liabilities			20,420,584	20,420,584	21,892,685	21,892,685

The ANZ National Bank overdrafts are secured with registered first mortgages over land and buildings with a carrying amount of $6,648,000 (2016: $7,075,317). The ANZ National Bank also has a general charge over Trust House Limited's assets.The BNZ loans are secured by first charge mortgages over the residential housing portfolio. A secondary security is also held over the rental income stream from the housing portfolio.

18 CAPITAL AND RESERVES

Group	**Share capital** $	**Revaluation reserve** $	**Retained earnings** $	**Total equity** $
Balance at 1 April 2015	11,330,740	147,234	39,476,714	50,954,688
Total comprehensive income / (expense)	-	-	2,660,080	2,660,080
Balance at 31 March 2016	11,330,740	147,234	42,136,794	53,614,768

Number of shares on issue at 31 March 2017 10,637,000 (2016: 10,637,000)

Balance at 1 April 2016	11,330,740	147,234	42,136,794	53,614,768
Total comprehensive income / (expense)	-	103,294	6,057,516	6,160,810
Asset revaluation realised on sale of business	-	(147,234)	147,234	-
Balance at 31 March 2017	11,330,740	103,294	48,341,544	59,775,578

Parent

Balance at 1 April 2015	11,330,740	147,234	38,708,144	50,186,118
Total compehensive income / (expense)	-	-	2,896,421	2,896,421
Balance at 31 March 2016	11,330,740	147,234	41,604,565	53,082,539
Balance at 1 April 2016	11,330,740	147,234	41,604,565	53,082,539
Total compehensive income / (expense)	-	103,294	6,005,968	6,109,262
Asset revaluation realised on sale of business	-	(147,234)	147,234	-
Balance at 31 March 2017	11,330,740	103,294	47,757,767	59,191,801

Number of shares on issue at 31 March 2017 10,637,000 (2016: 10,637,000). All issued shares are fully paid up and have no par value.

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 forcred it worthiness and assigned a purchase limit before credit is offered.

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

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

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

Credit quality of financial assets

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

Liquidity risk 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 suffcient 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 2017 $	**Group 2016 $**	**Parent 2017 $**	**Parent 2016 $**
Overdrafts and credit lines in place	2,000,000	2,000,000	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.

Quantitative disclosures

Credit risk

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

19 FINANCIAL INSTRUMENTS (continued)

(a) Liquidity risk

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

Group 2017	**12 months or less**	**1-2 years**	**2-5years**	**More than 5 years**	**Contractual cash flows**	**Carrying Amount**
	$	$	$	$	$	$
Secured bank loans	1,030,311	926,500	21,081,340	-	23,038,151	20,101,000
Other loans	65,000	65,000	125,000	64,584	319,584	319,584
Trade and other payables	3,024,030	-	-	-	3,024,030	3,024,030
Total liabilities	4,119,341	991,500	21,206,340	64,584	26,381,765	23,444,614

Group 2016						
Secured bank loans	1,171,347	1,137,405	23,238,855	-	25,547,607	21,227,000
Other loans	65,000	65,000	165,000	89,583	384,583	384,583
Trade and other payables	2,435,256	-	-	-	2,435,256	2,435,256
Bank overdraft	281,102	-	-	-	281,102	281,102
Total liabilities	3,952,705	1,202,405	23,403,855	89,583	28,648,548	24,327,941

Parent 2017	**12 months or less**	**1-2 years**	**2-5years**	**More than 5 years**	**Contractual cash flows**	**Carrying Amount**
Secured bank loans	1,030,311	926,500	21,081,340	-	23,038,151	20,101,000
Other loans	65,000	65,000	125,000	64,584	319,584	319,584
Trade and other payables	2,547,383	-	-	-	2,547,383	2,547,383
Total liabilities	3,642,694	991,500	21,206,340	64,584	25,905,118	22,967,967

Parent 2016						
Secured bank loans	1,171,347	1,137,405	23,238,855	-	25,547,607	21,227,000
Variable rate	65,000	65,000	165,000	89,583	384,583	384,583
Trade and other payables	1,981,412	-	-	-	1,981,412	1,981,412
Bank Overdraft	281,102	-	-	-	281,102	281,102
Total liabilities	3,498,861	1,202,405	23,403,855	89,583	28,194,704	23,874,097

(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 $90,810 (2016:$54,759) and for the company a reduction in profit of $93,310 (2016:$64,722).

19 FINANCIAL INSTRUMENTS (continued)

(c) Classification and fair values

Group	**Loans and receivables** $	**Total carrying value and fair value** $
2017		
Assets		
Investments	795,711	795,711
Trade and other receivables	1,306,033	1,306,033
Prepayments	325,639	325,639
Cash and cash equivalents	1,498,095	1,498,095
	3,925,478	3,925,478
2016		
Assets		
Investments	188,301	188,301
Trade and other receivables	734,522	734,522
Prepayments	333,727	333,727
Cash and cash equivalents	1,210,063	1,210,063
	2,466,613	2,466,613
Parent		
2017		
Assets		
Investments	795,711	795,711
Trade and other receivables	1,303,155	1,303,155
Prepayments	258,976	258,976
Cash and cash equivalents	1,092,889	1,092,889
	3,450,731	3,450,731
2016		
Assets		
Investments	188,301	188,301
Trade and other receivables	734,522	734,522
Prepayments	283,624	283,624
Cash and cash equivalents	213,772	213,772
	1,420,219	1,420,219

19 FINANCIAL INSTRUMENTS (continued)

Group	**At amortised cost $**	**Fair value amount $**
2017		
Liabilities		
Trade and other payables	3,024,030	3,024,030
Borrowings	20,420,584	20,420,584
Total liabilities	23,444,614	23,444,614
2016		
Liabilities		
Trade and other payables	2,435,256	2,435,256
Borrowings	21,892,685	21,892,685
Total liabilities	24,327,941	24,327,941
Parent		
2017		
Liabilities		
Trade and other payables	2,547,383	2,547,383
Borrowings	20,420,584	20,420,584
Total liabilities	22,967,967	22,967,967
2016		
Liabilities		
Trade and other payables	1,981,412	1,981,412
Borrowings	21,892,685	21,892,685
Total liabilities	23,874,097	23,874,097

20 OPERATING LEASES

Leases as lessee

Non-cancellable operating leases are payable as follows:

	Group and Parent 2017 $	Group and Parent 2016 $
Less than 1 year	427,369	366,671
Between 1and 2 years	321,245	343,452
Between 2 and 5 years	389,442	453,561
Over 5 years	-	14,959
Total	1,138,056	1,178,643
Commitments not recognised in the financial statements	1,138,056	1,178,643

Leases as lessor

	Group and Parent 2017 $	Group and Parent 2016 $
Less than one year	312,775	312,775
Between 1 and 2 years	82,520	303,550
Between 2 and 5 years	-	75,192
Over 5 years	-	-
	395,295	691,517

The Group has number of commercial premises where the trading business has been sold but the freehold or leasehold interest has been retained and the properties leased to the purchaser or third parties.

21 COMMITMENTS AND CONTINGENCIES

The Group and Parent had capital commitments of $169,863 at 31 March 2017 (2016; $Nil). The Group and Parent had further commitments in relation to a refurbishment of Solway Park rooms on a cost-plus basis. The estimated amount still to be incurred is $262,000.

The Group and Parent had contingent liabilities of $55,000 as at 31 March 2017 (2016: $55,000)

The Group and Parent have a contingent liability in relation to the lease of the Island Bay Bar.This business was sold in 2015 and Trust House Limited is liable to make lease payments until the end of the lease in November 2029 in the event that the new business owner is unable to pay.

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

	Group		Parent	
	2017	2016	**2017**	2016
	$	$	**$**	$
Net Surplus/(Deficit) for year	6,057,516	2,660,080	6,005,968	2,896,421
Add (less) non-cash items:	-	-	-	-
Depreciation	1,268,889	1,488,315	797,389	904,584
Amortisation of intangibles	97,278	58,520	51,430	16,925
Revaluation of investment properties	(2,984,278)	(2,313,108)	(2,984,278)	(2,313,108)
Provisions	30,701	(7,217)	30,701	(7,217)
Fixed assets impairment / (reversal)	(2,032,342)	70,035	(2,032,342)	70,035
Software impairment	-	11,925	-	11,925
(Gain) loss on sale of intangibles	4,440	3,834	-	-
(Gain) loss on sale of fixed assets	(104,443)	(55,496)	8,721	(57,786)
Gain on sale of businesses	(878,610)	(127,174)	(878,610)	(127,174)
Gain on sale of investment property	(147,113)	55,687	(147,113)	55,687
Investments issued in lieu of rebates	42,590	47,871	42,590	47,871
	(4,702,888)	(766,808)	(5,111,512)	(1,398,258)
Add (less) movements in working capital items:				
(Increase) / decrease in recievables and prepayments	(31,603)	(142,132)	(12,165)	(73,163)
(Increase)/ decrease in inventories	33,380	273,809	33,380	273,809
Increase / (decrease) in charitable distributions payable	(454,149)	(79,086)	-	-
Increase/ (decrease) in employee entitlements	(111,987)	34,151	(111,987)	34,151
Increase/ (decrease) in trade and other payables	442,251	(134,301)	462,807	(296,586)
	-	-	-	-
	(122,108)	(47,559)	372,035	(61,789)
Net cash inflow from operating activities	1,232,520	1,845,713	1,266,491	1,436,374

23 RELATED PARTY TRANSACTIONS

(i) Parent and ultimate controlling party

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

(ii) Transactions with key management personnel

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

Lucy Griffiths, a Director of Trust House Limited, is the spouse of a major shareholder in Technology Solutions which provides technology services and hardware to Trust House Limited. Technology Solutions has been the preferred supplier of information technology hardware and services to the Trust House Group for at least 20 years, pre-dating Lucy Griffiths election to Masterton Community Trust and appointment to the the Board of Trust House Limited. During the year Trust House Limited paid Technology Solutions $196,560 (2016: $121,756). The amount outstanding at year end was $34,325 (2016: $10,680).
Trust House Group paid $204,815 (2016: $124,297) during the year and the amount outstanding at year end was $34,808 (2016: $10,680)

Cindy Grant, a senior manager of Trust House Limited, and her spouse jointly own Power Related Services Limited (PRSL) which provides electrical services and storage to Trust House Group. During the year Trust House Limited paid PRSL $2,444 (2016: $Nil). The amount outstanding at year end was $Nil (2016: $Nil).Trust House Group paid $3,284 (2016: $Nil) during the year and the amount outstanding at year end was $Nil (2016: $Nil)

(iii) Key management and personnel compensation

	2017 $	2016 $
Salaries and other short term benefits	1,021,112	1,098,357
Post employement benefits	18,265	17,179
Termination benefits	-	7,286
	1,039,377	1,122,822

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

Employee Remuneration

The following table shows the number of employees whose total remuneration (including benefits) exceeds $100,000 per annum.

	2017	2016
$100,000 - $110,000	-	1
$110,000 - $120,000	1	-
$120,000 - $130,000	-	1
$130,000 - $140,000	-	1
$140,000 - $150,000	1	-
$150,000 - $160,000	1	-
$170,000 - $180,000	-	1
$180,000 - $190,000	1	-
$260,000 - $270,000	-	1
$280,000 - $290,000	1	-
	5	5

23 RELATED PARTY TRANSACTIONS (continued)

(iv) Other related party transactions

	2017 $	2016 $
(a) Masterton Community Trust (MCT) - formerly Masterton Licensing Trust		
Shares in Trust House Ltd (number of shares) 10,026,629		
Management fees paid by MCT to Trust House Ltd	-	16,700
Royalty fees paid by Trust House Ltd to MCT	-	113,832
MCT Trustees Fees paid by Trust House Limited	15,720	-

When Masterton Licensing Trust was changed to Masterton Community Trust, to minimise costs, Masterton Community Trust was set up as non-trading parent. Its minimal expenses are paid by Trust House Limited.

	2017 $	2016 $
(b) Masterton Licencing (Charitable) Trust (MLCT)		
Shares in Trust House Ltd (number of shares)		
Donations paid by Trust House Ltd to MLCT	-	53,350
Management fees paid by MLCT to Trust House Ltd	-	39,100
Trust House Ltd provided goods and services to MLCT on an arms length basis	-	22,016

Masterton Licensing (Charitable) Trust was wound up on 6 April 2016.

	2017 $	2016 $
(c) Flaxmere Licencing (Charitible) Trust (FLCT)		
Shares in Trust House Ltd (number of shares) 187999		
Management fees paid by FLCT to Trust House Ltd	-	27,800
(d) Flaxmere Licencing Trust (FLT)		
Shares in Trust House Ltd (number of shares) 422,372		
Management fees paid by FLT to Trust House Ltd	-	5,600

(e) Trust House Foundation (THF)

(i) Trust House Foundation is an independent trust. Three of the Directors of Trust House LTD are also Trustees of Trust House Foundation.

(ii) Gaming machine proceeds are generated in the premises of Trust House Limited, Rimutaka Licensing Trust and other independent operators.
Trust House Foundation has established regional net proceeds committees in Masterton, Rimutaka, Flaxmere and Porirua. Regional net proceeds
committees consider grant applications from their area and make recommendations to the Trust House Foundation board. The Trust House
Foundation board considers these recommendations and may or may not approve them.

23 RELATED PARTY TRANSACTIONS (continued)

Details of the funds available and grants approved are:

	2017 $	2016 $
Funds available 1st April	532,229	768,570
Net surplus before charitable distribtuions	3,470,423	3,500,008
Grants unclaimed	308,996	103,032
Grants approved	(3,727,871)	(3,843,465)
Funds available 31st March	583,777	528,145

For a full list of these grants please refer to the Trust House Foundation accounts.Trust House Limited is responsible for administering Trust House Foundation

Site rentals paid by THF to Trust House Ltd	703,467	566,579
Management Fees paid by THF to trust House Limited	600,000	725,000
THF has paid the following entities for services perform by the entities on behalf of THF:		
Masterton Licencing Charitable Trust	-	46,000
Rimutaka Trust	-	17,250
Flaxmere Licensing Trust	-	34,500
	-	97,750
THF has paid the following grants:		
Masterton Licecnsing Trust	-	23,585
Flaxmere Licencing (Charitable) Trust	-	51,965
	-	75,550

As at 31 March 2017, Trust House Foundation owed Trust House Limited $24,081. In 2015/2016 Trust House Limited owed Trust House Foundation $18,887.

24 PROVISIONS

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Property reinstatement provisions	109,214	78,513	109,214	78,513
	109,214	78,513	109,214	78,513

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.

Group 2017	**Property reinstatement provisions $**
Group and Parent 2017	
Opening balance as at 1 April 2016	78,513
Provisions added	30,701
Closing provision at 31 March 2017	109,214
Group and Parent 2016	
Opening at 1 April 2015	85,730
Provisions added	(7,217)
Closing provision at 31 March 2016	78,513

25 GROUP ENTITIES

Subsidiaries

Trust House Foundation and Tararua Foundation are controlled entities. Tararua Foundation was wound up on 27th March 2017.

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

26 CAPITAL MANAGEMENT

The Groups' capital includes share capital, reserves and retained earnings.

The Groups' policy is to maintain a capital base so as to maintain creditor and community confidence and to sustain futuredevelopment of the business.

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

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

27 CHARITABLE DISTRIBUTIONS

The following charitable donations were made by Trust House Limited during the year.

Wairarapa Sports Education Trust	12,000
Wellington Free Ambulance	10,000
Te Timatanga Ararau Trust (Iron Maori)	40,416
Lansdowne Primary School	1,004
	63,420

28 SUBSEQUENT EVENTS

On the 19th of June the Bottle-O Pahiatua was sold. On the 10th of July Bottle-O Fielding was sold. The total consideration including stock is $584,000. The Group and Parent expect to recognise a one off profit on sale of approximately $377,000.

29 DISCONTINUED OPERATIONS

On the 26th of March 2017 the Group sold its Featherston Gateway complex. As a result of a strategic review the Group has also classified its two remaining standalone bottle stores as discontinued operations as they were available for sale at year end. The Group sold these businesses in June and July 2017 by way of a trade sale (see note 28).

(a) Financial performance and cash flow information

The financial performance and cash flow information presented are for the for the full years ended 31 March 2017 and 31 March 2016.

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Income Statement				
Results of discontinued operations				
Revenue	10,527,745	10,182,012	10,527,745	10,182,012
Interest received	16,651	-	16,651	-
Expenses	10,780,216	9,936,875	10,780,216	9,936,875
Result from operating activities	(235,820)	245,137	(235,820)	245,137
Gain on sale of discontinued operation	850,434	-	850,434	-
Profit for the period	614,614	245,137	614,614	245,137
Statement of cash flows:				
Cash flows from discontinued operations				
Operating cash flows	(110,915)	376,257	(110,915)	376,257
Investing cash flows	3,202,495	-	3,202,495	-
Financing cash flows	-	-	-	-
Total cash flows	3,091,580	376,257	3,091,580	376,257

Effect of disposal of Featherston Gateway on the financial position of the group

	Group 2017 $	Parent 2017 $
Property, plant and equipment	2,639,494	2,639,494
Goodwill	333,552	333,552
Inventory	334,577	334,577
Total	3,307,623	3,307,623
Consideration:		
Consideration received in cash	3,202,427	3,202,427
Deferred consideration	984,577	984,577
Total consideration	4,187,004	4,187,004

Effect of reclassification of Bottle-O Pahiatua and Fielding as available for sale

	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Property plant & equipment reclassified to available for sale	24,234	458,800	24,234	458,800
Inventory reclassified as available for sale	375,245	-	375,245	-
Total assets available for sale	399,479	458,800	399,479	458,800

The prior year above relates to the Empire Tavern which was sold during the year.