TRUST HOUSE
COMMUNITY ENTERPRISE

Annual Report

2016

Trading Profit

UP
$470,469

Group Profit

Pre Charitable Donations

UP
$1.6M

Charitable Donations

UP
$211,724

Local Sponsorships

$305,000
AWARDED

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Our vision is to make a **positive** difference in our community

OUR VALUES ARE

respect

innovation

collaboration

commitment

humility


"Much change has been implemented throughout the organisation during the financial year. It is therefore rewarding to report a strong financial performance throughout all segments of our businesses."

a word from Allan

It is pleasing to note that we have had some significant success in the last financial year with all fiscal benchmarks being delivered ahead of forecast and more importantly trading profit well advanced on the previous year's performance.

The foundation for this has been our focus on attainment of our 'five strategic pillars' programme. It is this focus that has enabled the organisation to improve the value that it has delivered back to the communities in which it trades.

The Trust House five strategic pillars

Each of our pillars sets out its objective and has a series of actions that will determine our success.

PILLAR 1 Sustainable Profitability	PILLAR 2 Regulatory Compliance	PILLAR 3 Community Well-being	PILLAR 4 Brand Equity	PILLAR 5 Systems and Processes
Objective 1: To build a financially stable Trust House for future generations	Objective 2: To create a culture where failure is not an option	Objective 3: To ensure that what we do is having a positive impact to our communities	Objective 4: Linking our brand to our value proposition	Objective 5: To ensure that all that we do adds value to our markets, products and services

In the last year we have sold or exited land, buildings and businesses, restructured our senior management team from nine members to five and ensured that each senior manager was responsible for multiple segments within the organisation versus the traditional one division each approach.

We have delivered some substantial improvements to the operational performance in Featherston to both our brand and our profitability. The flag ship Copthorne Resort Solway Park has gone from strength to strength and reported a significant improvement in trading profit.

We sold our flag ship bottle store in Masterton to the Big Barrel Group but all other off premise business units have performed well ahead of our initial expectations.

We have redeveloped the B-station generator at the Kourarau Hydroelectric scheme. This has had a positive impact with generation at record levels. Kourarau produces 3.3 megawatts of electricity each year which powers 350 houses annually.

On premise bars and restaurants continue to be a challenging segment to not only Trust House Ltd, but many other industry operators nationwide. However, I am delighted to report that we are starting to see some positive changes to this segment with food, in particular, demonstrating vast improvement.

The organisation is now on a clear path and for the next 12 months we will consolidate and build on our successes, as well as research opportunities for growth.

I further thank our Chairman, Directors and elected Trustees for their unwavering support as we implemented change. I appreciated their guidance and wise counsel as we travelled down our strategic path of company transformation.

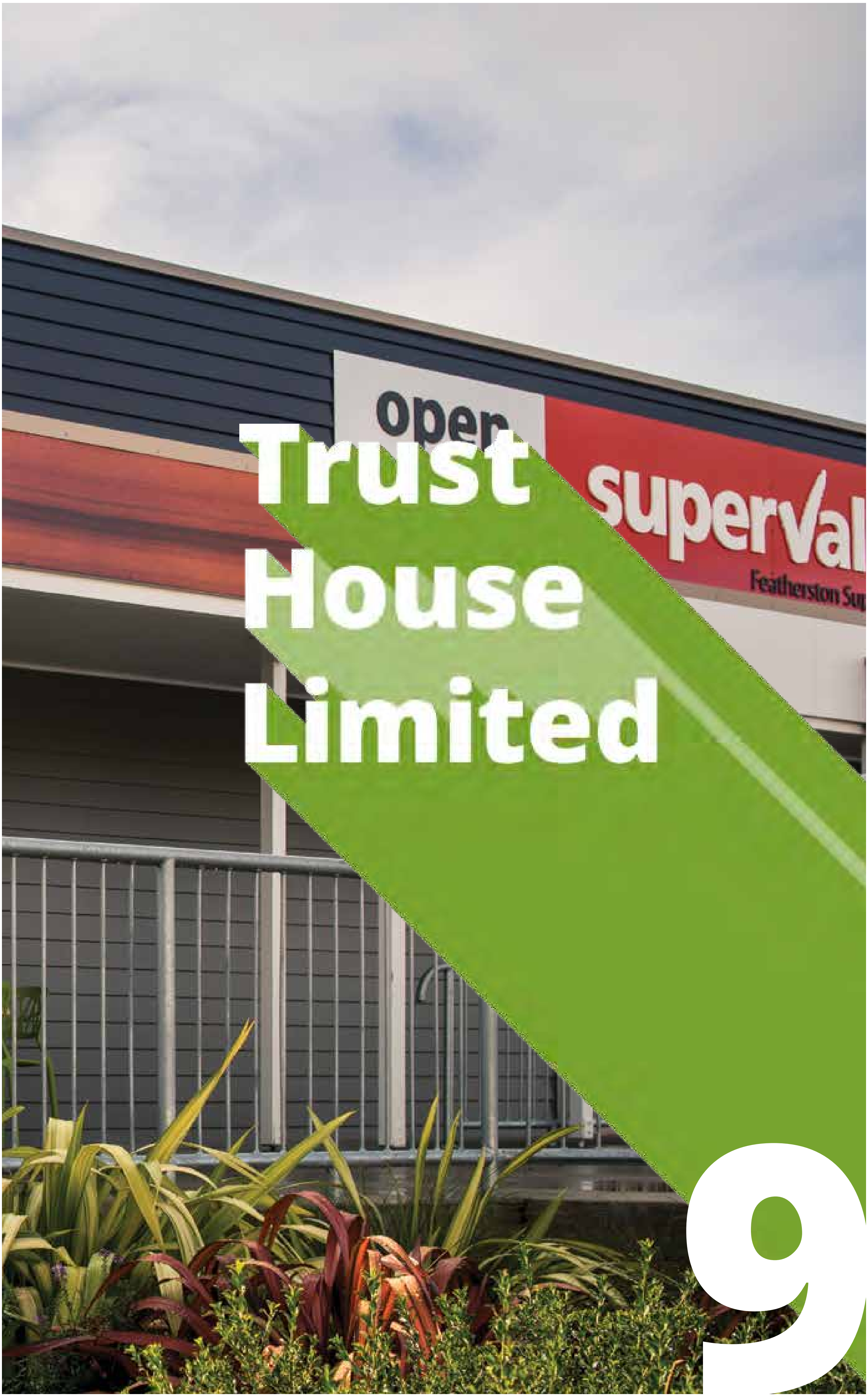
To all of our staff, I thank you for your support and commitment. It has been rewarding to see the improvements take shape and to see you deliver on our number one strategic pillar – creating sustainable profitability for the Group. I look forward to working with you in the year ahead.

ALLAN POLLARD

CEO


Café
Gusto

Trust House Limited



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Trust House Limited – BOARD

- **RAY SOUTHEY**
- **LUCY GRIFFITHS**
- **DON BASKERVILLE**
- **JOCK KERSHAW** (Chairman)
- **BRIAN BOURKE**
- **DAVID HENRY** (inset)

Trust House Limited – SENIOR MANAGERS

- **RICHARD SIMMONDS**
  GM, Corporate Services
- **CRAIG THOMSON**
  GM, Housing & Infrastructure
- **CINDY GRANT**
  GM, Gaming & Compliance
- **ALLAN POLLARD**
  Chief Executive
- **LESLEY WRIGHT**
  Executive Adminstrator
- **JERRY CRUMP**
  GM, Operations & Marketing (inset)

TRUST HOUSE LIMITED

Director's Report

Principal activities

Trust House Limited is a community enterprise that owns and operates the business units of the Masterton and Flaxmere Licensing Trusts. Management services were provided to the Rimutaka Licensing Trust, Flaxmere Licensing Trust, Trust House Foundation and associated charitable trusts.

Trust House's shareholding comprises:

Masterton Licensing Trust	94.26%
Flaxmere Licensing Trust	3.97%
Flaxmere Licensing (Charitable) Trust	1.77%

The Group owns and operates 16 business units including:

- Licenced premises – hotels, restaurants, bars, cafes and bottle stores.
- A supermarket.
- A housing estate with 480 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 segments. Cash flows and profits (as detailed in the following table) were sound and the financial position remains strong.

Table 1. cash flows generated

Year	$
2016	5.759
*2015	3.482
2014	3.999
2013	3.778
2012	4.965

**cash flow impacted with two major redevelopment projects.*

Charitable distribution

The charitable distribution for the year was $3.843m 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 2016 were:

Directors	Appointed	$
J W Kershaw (Chairman)	2007	35,000
D B Henry (Chair, Audit Committee)	2005	25,000
B J Bourke	1989	22,000
D J Baskerville	2011	22,000
R D Southey	2013	19,000
L M Griffiths	2013	19,000
	Total	142,000

Relationship with shareholders

There is an agreement with the shareholders that:

Business plans will be presented in March each year for the financial year beginning 1 April.

Reports on key events and trading compared to business plan targets will be presented quarterly.

Annual accounts will be presented in July.

Consultation will be undertaken during the annual appointment of two Directors.

Discussion will occur on all major transactions and, where necessary, shareholder approval received.

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

Auditors

The Office of the Controller and Auditor-General has appointed Audit New Zealand to conduct the audit of Trust House Limited and its associated licensing and charitable trusts. Audit fees paid to Audit New Zealand for the year ended 31 March 2016 were $94,624 for Trust House Group.

Audit and risk committee

The members of the committee are DB Henry (Chairman), BJ Bourke, JW Kershaw and DJ Baskerville. The Committee met five 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

Grant and Sponsorship distribution in excess of $4,000,000 for the year to 31 March 2016 reinforces the importance of the organisation to our communities.

The year has again been one of review and restructuring and we are starting to realise the benefits of that focus.

Directors are unanimous in their belief that it is imperative that the company remains financially strong so that it may offer real and tangible support to the communities in which we trade."

J W KERSHAW

CHAIRMAN - FOR THE DIRECTORS OF TRUST HOUSE LIMITED

TRUST HOUSE LIMITED

Operational Review

In a year of much reengineering to our business model, it is pleasing to report on the solid financial performance of the Group. Trading profit was much improved on what has been reported for many years, with grant distribution from our foundation at an all-time high. All things considered, the Trust House Group has had an excellent year.

Our trading segments reported improvements in their financial performance. Featherston Gateway, Copthorne Resort Solway Park and Social Housing are worthy of significant praise, as each performed at a very high level.

Last year I discussed our concerns with the on premise segment and, while I continue to remain concerned about the future, it is worth stating that, as a Group, we have reported significant improvements in financial performance from this segment. This, I believe, is a credit to the outlet managers who have worked extremely hard to overcome the many barriers operating within this sector.

The Kuripuni Tavern benefited from a significant reinvestment with redevelopment focused on earthquake strengthening, increasing the size of the garden bar, a new roof and external painting.

There have been major changes to health and safety regulations, now called the Health and Safety at Work Act, as well as the new Food Act and, while I understand the requirement for this, it is another example of the increased costs of doing business. Ultimately, over time, the consumer will pay for this as we, like many organisations, cannot sustain these extra costs and continue to provide the good service that we do.

Grant distribution from the Trust House Foundation reached an all-time high at $3,843,000 and demonstrates some of the real value that we deliver to the communities in which we trade.

We also provided sponsorship of $310,000 to many clubs, groups and associations within our communities. This, again, demonstrates the value that we bring through the management of our community owned assets.

Four regional committees have been formed in Masterton, Porirua, Flaxmere and Rimutaka, who each make recommendations for grant distribution in their regions for the approval of the Trustees of the Trust House Foundation.

The Group exited management contracts with Destination Wairarapa, Rimutaka Licensing Trust and the Flaxmere Licensing Trust, as they were no longer adding financial value to the Group.

The benefits of exiting these management contracts and the reengineering of our business model has resulted in improved administration efficiencies and a reduction in costs to the Group.

We also restructured our major shareholding entities with Masterton Licensing Trust and Masterton Licensing Charitable Trust dissolving and reforming as the Masterton Community Trust.

Our places

We sold the following outlets in the last year:

- Bottle O Masterton
- The Homestead complex land and buildings
- Greytown Hotel – business only

The following outlets are currently on the market for sale:

- Empire Tavern
- Greytown Hotel land and buildings

Group outlets and business segments:

- Apache Jacks Restaurant
- Bar 888 – gaming
- Copthorne Hotel and Resort Solway Park
- Empire Tavern
- E10
- Featherston SuperValue
- Featherston Post
- Flaxmere Tavern
- Gusto
- Greytown Hotel – gaming
- Kourarau Hydro Electric Scheme
- Kuripuni Sports Bar
- Pukemanu Tavern
- Rimutaka Tavern – gaming
- Social Housing Portfolio (480 properties)
- The Bottle-O Feilding
- The Bottle-O Pahiatua
- The Bottle-O Martinborough
- The Ledge

Financial performance

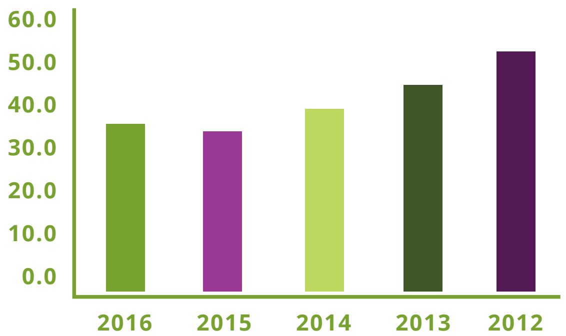
Sales

Table 1

Year	$M
2016	36.7
2015	34.7
2014	39.6
2013	45.5
2012	52.0

Group sales have increased for the first time in many years. The contributing factors for this have been improved performance and an increase in outlets.

Group sales



Profits and ratios

Table 2

	2016	2015	2014	2013	2012
*Net profit before donations	6.455	4.868	14.309	0.353	2.651

*The major factor for increased profitability in 2014 was the housing revaluation in accordance with the IFRS 13 accounting standard.

Table 3: Equity (Net Worth)

Year	$M
2016	53.6
2015	51.0
2014	50.0
2013	37.2
2012	39.6

Table 4: Equity ratio

Year	%
2016	66.6
2015	65.1
2014	67.0
2013	59.8
2012	58.8

Our community support

Giving back to our communities is our primary reason for being. This year we awarded over $3,843,000 in community grants and a further $310,000 in sponsorships. We are delighted to be in a strong fiscal position as this enables the Trust House Group to enhance community well-being from the businesses in which we operate.

Table 5: Community grants awarded

Year	$M
2016	3.843
2015	3.594*
2014	2.716
2013	2.816
2012	2.754

*The variance in the 2015 donations reported is a direct result of money held at the Tararua Foundation for a stadium project that was no longer viable. This money was returned to our Foundation and distributed in the 2015 financial year by our Trustees.

Community grants

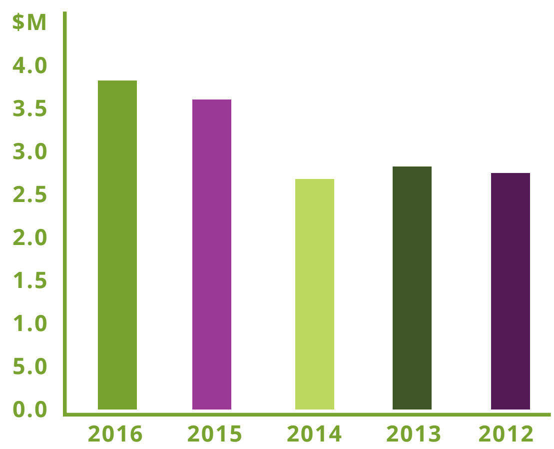


Table 6: Major grant recipients from our region were:

Recipient	Project	Amount
Destination Wairarapa	Operating costs	$235,000
All Kiwi Sports Club	Staging the International Five Day New Zealand Cycle Classic	$120,000
Hospice Wairarapa Community Trust	Assisting with the extension of three rooms to accommodate growing patient numbers	$90,000
Porirua Little Theatre Society	Assisting with the rebuild of the theatre and contribution towards a new fit out	$150,000
Ngati Toa Sea Scout Group	Assisting with a safety boat to support a water programme, basic registration costs for youth members to attend the 'Venture Inferno' national camp and the purchase of kayaks for the clubs water programme	$23,000
Expressions Arts & Entertainment Centre	Assisting with costs of the 2016 Jazz and Blues Festival 2-6 June 2016	$20,000
Flaxmere Schools Cluster	Purchasing of iPads, Chromebooks and other devices to help improve access of technology to students	$100,000

In total, Trust House Foundation awarded 416 individual grants to clubs, associations and community groups in the 2016 financial year.

Health and safety

We adopt an 'our people and our stakeholders come first' philosophy to all health and safety at Trust House.

The Board of Directors receive quarterly reports and audits on our health and safety initiatives and we regularly identify our top risks and how each one will be mitigated within the framework of policy and process.

Our Board and senior management visit outlets regularly to ensure that individual health and safety processes are being followed.

All incidents of injury are reported at each Board meeting as this enables a transparent review process to occur in consultation with Directors.

We operate and review a significant hazard register regularly, and have quarterly companywide health and safety meetings with representatives from all business segments. The minutes of each meeting are distributed throughout the Group.

Sustainability

We apply recycling initiatives throughout the Group and are committed to reducing energy consumption whenever possible.

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

The organisation has also reduced its vehicle fleet by five, further reducing its carbon footprint to the environment.

We have, and will continue, to undertake a healthy homes programme which focuses on the insulation of our social housing. Currently we have some form of insulation in 86% of our properties. By 2019 all Trust House social houses will be fully compliant with all regulatory state requirements for the insulation of our properties. As a point of note, only 29% of Trust House properties had some form of insulation when we purchased these properties from Housing New Zealand Corporation in 1999.

We continue to work on our open fire project and by 2017 there will be no open fires in our properties with most being replaced with heat pumps. As a point of note, in 1999 we had 396 open fires throughout our housing portfolio, currently we have 33 left to replace.

Our people

As a result of a significant senior management restructure, we reduced the senior team from nine to five with the following new positions being created:

- GM, Corporate Services
- GM, Housing & Infrastructure
- GM, Operations & Marketing
- GM, Gaming & Compliance

An essential part of the restructure was moving the senior team from responsibility for one core function of the Group. Now each member of the senior team has responsibility for multiple functions. This has allowed for greater efficiencies in the areas of cost and administration.

We continue to invest in training and last year the

Group invested $85,000 on this very important function. Concentration on customer service and management development were essential areas of focus.

Governance training was also delivered via the Institute of Director's training programmes and workshops.

I am very lucky to have such a great group of staff to work with who diligently and skilfully perform their duties. The last few years have not been easy and I am very grateful for the support and loyalty that I receive each and every day, despite some of the significant business changes that have been implemented.

The turnaround in organisational performance is unquestionably a result of our staff and the solid financial result that we have reported is a credit to them.

We tragically lost two staff last year to illness whom I personally worked closely with for many years. John Eades, who worked in a number of roles at the support office and Theresa Fawdray our Executive Administrator. I pay tribute to them and their families for their years of service. They are both missed by the Trust House family.

Reinvestment

The reengineering of our business model was a major focus of last year, but we did continue with some capital reinvestment in our current asset base.

- Kuripuni Tavern upgrade $505,000
- Social Housing $472,000

Strategic focus

As depicted in the strategic framework model highlighted in this report, management will continue to focus on our five strategic pillars which set out our intents, objectives and actions for the year ahead.

Much success has been delivered from the implementation of this model and it is the one single document that binds the Group and its stakeholders, allowing for both strategic transparency and enabling the reader to view what success will look like, both currently and in the future.

"

On reflection, it is difficult not to be delighted with how far we have grown as an organisation over the last 12 months. We have had some challenging times, so it is all the more pleasing to report to our stakeholders and interested parties that we now have the strong financial and operational foundation that we have been striving to deliver.

The forecast for the year ahead is that we will continue to realise the gains we have made and that we will consolidate our successes and explore opportunities for future growth.

Our Strategic model is delivering and will continue to be our focus.

I also take this opportunity to thank our stakeholders; customers, suppliers, staff, directors and trustees for their unwavering support as we implemented much change throughout the organisation.

I also thank our Chairman, Mr Jock Kershaw for his support and wise counsel over the last 12 months."

ALLAN POLLARD
CHIEF EXECUTIVE OFFICER

Trust House Limited – Financial Statements

FOR THE YEAR ENDED 31 MARCH

2016

Income Statement

FOR THE YEAR ENDED 31 MARCH 2016

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Revenue	*5*	36,700,729	34,687,154	29,380,069	29,880,081
Less cost of sales		12,805,011	13,795,058	12,805,011	13,795,058
Gross profit		23,895,718	20,892,096	16,575,058	16,085,023
Operating expenses	*7*	18,508,514	17,396,856	14,663,386	14,687,230
Results from operating activities		5,387,204	3,495,240	1,911,672	1,397,793
Finance income		25,111	71,352	635	22,250
Finance costs		1,270,594	1,279,582	1,270,594	1,248,799
Net finance costs		1,245,483	1,208,230	1,269,959	1,226,549
Net operating profit		**4,141,721**	**2,287,010**	**641,713**	**171,244**
Non operating items	*6*	2,313,108	2,580,715	2,313,108	2,580,715
Net profit before charitable donations		**6,454,829**	**4,867,725**	**2,954,821**	**2,751,959**
Charitable donations	*23,27*	(3,794,749)	(3,583,025)	(58,400)	(61,445)
Net profit for year		**2,660,080**	**1,284,700**	**2,896,421**	**2,690,514**

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 2016

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Net Profit / (loss)	2,660,080	1,284,700	2,896,421	2,690,514
Other comprehensive income				
Land & building revaluation charged to equity	-	(292,592)	-	(292,592)
Total other comprehensive income / (expense)	**-**	**(292,592)**	**-**	**(292,592)**
Total comprehensive income / (expense)	**2,660,080**	**992,108**	**2,896,421**	**2,397,922**

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2016

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Equity at the start of the year		50,954,688	49,962,580	50,186,118	47,788,196
Total comprehensive income / (expense)		2,660,080	992,108	2,896,421	2,397,922
Equity at the end of the year	*18*	**53,614,768**	**50,954,688**	**53,082,539**	**50,186,118**

Statement of Financial Position

AS AT 31 MARCH 2016

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Current assets					
Cash & cash equivalents	8	1,210,063	1,568,272	213,772	165,316
Trade and other receivables	9	734,522	529,086	734,522	596,895
Prepayments		333,727	314,254	283,624	265,311
Inventories	10	1,098,174	1,607,093	1,098,174	1,607,093
Investment properties held for sale	12	692,000	-	692,000	-
Other investments	11	53,005	53,005	53,005	53,005
Property held for sale	13	458,800	-	458,800	-
Total current assets		**4,580,291**	**4,071,710**	**3,533,897**	**2,687,620**
Non-current assets					
Other investments	11	135,296	183,167	135,296	183,167
Investment properties	12	58,307,000	54,755,000	58,307,000	54,755,000
Property, plant & equipment	13	16,470,787	18,662,787	15,355,422	17,769,405
Intangible assets	14	694,369	560,648	611,221	440,071
Total non-current assets		**75,607,452**	**74,161,602**	**74,408,939**	**73,147,643**
Total assets		**80,187,743**	**78,233,312**	**77,942,836**	**75,835,263**
Current liabilities					
Trade and other payables	15	2,435,256	2,635,535	1,981,412	2,343,976
Employee entitlements	16	795,148	774,940	795,148	774,940
Borrowings	17	472,102	1,060,653	472,102	1,060,653
Provisions	24	-	14,850	-	14,850
Charitable donations allocated		1,258,834	1,337,920	-	-
Total current liabilities		**4,961,340**	**5,823,898**	**3,248,662**	**4,194,419**
Non-current liabilities					
Employee entitlements	16	112,539	98,596	112,539	98,596
Borrowings	17	21,420,583	21,285,250	21,420,583	21,285,250
Provisions	24	78,513	70,880	78,513	70,880
Total non-current liabilities		**21,611,635**	**21,454,726**	**21,611,635**	**21,454,726**
Equity					
Share capital	18	11,330,740	11,330,740	11,330,740	11,330,740
Retained earnings	18	42,136,794	39,476,714	41,604,565	38,708,144
Asset revaluation reserve	18	147,234	147,234	147,234	147,234
Total equity		**53,614,768**	**50,954,688**	**53,082,539**	**50,186,118**
Total liabilities & equity		**80,187,743**	**78,233,312**	**77,942,836**	**75,835,263**

Signed on behalf of Trust House Limited

J W KERSHAW
CHAIRMAN

BRIAN BOURKE
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 2016

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		36,522,651	34,529,117	29,242,340	29,753,598
Interest received		25,111	71,352	635	22,250
		36,547,762	34,600,469	29,242,975	29,775,848
Cash was applied to:					
Payments to suppliers and employees		29,556,297	30,069,729	26,476,284	27,848,819
Charitable donations		3,873,835	2,691,225	58,400	81,445
Interest paid		1,271,917	1,274,314	1,271,917	1,243,531
		34,702,049	34,035,268	27,806,601	29,173,795
Net cash flows from operating activities	*22*	**1,845,713**	**565,201**	**1,436,374**	**602,053**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		286,159	681,466	257,717	666,466
Sale of intangibles		-	12,000	-	-
Sale of business		446,543	62,102	446,543	62,102
Cash acquired as part of business acquisition		15,356	-	15,356	-
Sale of investment property		88,313	753,776	88,313	753,776
		836,371	1,509,344	807,929	1,482,344
Cash was applied to:					
Purchase of plant, property and equipment		1,876,370	4,481,319	1,039,924	4,038,580
Purchase of intangible assets		8,000	70,855	-	16,875
Acqusition of business		215,356	-	215,356	432,008
Cash sold with business		15,044	-	15,044	-
Upgrading of investment property		472,305	559,285	472,305	559,285
		2,587,075	5,111,459	1,742,629	5,046,748
Net cash flows from investing activities		**(1,750,704)**	**(3,602,115)**	**(934,700)**	**(3,564,404)**
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		350,000	2,250,000	350,000	2,592,500
		350,000	2,250,000	350,000	2,592,500
Cash was applied to:					
Repayment of borrowings		399,667	282,250	399,667	156,250
		399,667	282,250	399,667	156,250
Net cash flows from financing activities		**(49,667)**	**1,967,750**	**(49,667)**	**2,436,250**
Net (decrease) / increase in cash held		45,342	(1,069,164)	452,007	(526,101)
Opening cash balance		883,619	1,952,783	(519,337)	6,764
Closing cash balance		**928,961**	**883,619**	**(67,330)**	**(519,337)**
This balance is made up as follows:					
Cash and cash equivalents	*8*	928,961	883,619	(67,330)	(519,337)
		928,961	**883,619**	**(67,330)**	**(519,337)**

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 2016 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, 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 10 August 2016.

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.

The Group has a mix of profit orientated and public benefit entities. Under the Accounting Standards Framework these entities have to apply different accounting standards. This does not cause any reporting issues or restatement of results on consolidation.

(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.

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 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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 the revaluation 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:

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%

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

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

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

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

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.

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) 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.

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.

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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Sales	31,077,979	29,174,054	23,032,319	23,812,281
Services	243,892	324,836	968,892	879,536
Rentals	5,193,898	4,876,408	5,193,898	4,876,408
Gain on sale of investment properties	-	149,776	-	149,776
Gain on sale of businesses	184,960	162,080	184,960	162,080
Total revenues	36,700,729	34,687,154	29,380,069	29,880,081

6. NON OPERATING ITEMS

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Change in fair value of investment property	12	2,313,108	2,580,715	2,313,108	2,580,715
		2,313,108	2,580,715	2,313,108	2,580,715

7. OPERATING EXPENSES

	Notes	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Administration and financial		1,348,099	1,326,297	1,085,486	1,082,309
Advertising & promotion		973,785	861,052	973,785	861,052
Auditor fees					
- Annual audit		94,624	97,302	83,445	79,396
- Prospective financial statement review *		3,965	3,800	-	-
Bad debts written off		10,575	47,987	10,575	47,987
Movement in provision for doubtful debts	9	41,703	(52,710)	41,703	(52,710)
Depreciation	13	1,488,315	1,233,615	904,584	851,918
Amortisation	14	58,520	53,500	16,925	18,420
Investment impairment		-	-	-	(135,000)
Impairment of intangible assets	14	11,925	-	11,925	-
Impairment of property, plant & equipment		70,035	576,839	70,035	977,321
Loss / (gain) on sale of plant and equipment		2,290	(8,018)	-	-
Loss / (gain) on sale of intangible assets		3,833	2,198	-	-
Loss / (gain) on sale of investment properties		55,687	-	55,687	-
Financial guarantees	24	-	-	-	(468,500)
Gaming machine duty & licences		2,198,873	1,463,179	-	-
Onerous contracts	24	-	(669,000)	-	(669,000)
Property expenses		3,871,126	4,049,449	3,689,726	3,848,806
Rent & lease expenses		866,586	586,515	338,920	427,880
Employee costs		7,238,590	7,663,643	7,238,590	7,663,643
Directors and Trustees fees		169,983	161,208	142,000	153,708
		18,508,514	17,396,856	14,663,386	14,687,230

* 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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Bank balances	1,032,235	1,402,956	35,944	-
Cash floats	177,828	165,316	177,828	165,316
Cash and cash equivalents	1,210,063	1,568,272	213,772	165,316
Bank overdrafts used for cash management purposes	(281,102)	(684,653)	(281,102)	(684,653)
Cash and cash equivalents used in the statement of cash flows	928,961	883,619	(67,330)	(519,337)

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

9. TRADE AND OTHER RECEIVABLES

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Trade receivables	678,088	442,014	678,088	442,014
Less provision for impairment	(84,693)	(42,989)	(84,693)	(42,989)
	593,395	399,025	593,395	399,025
Sundry receivables	141,127	130,061	141,127	197,870
	734,522	529,086	734,522	596,895

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 2016	527,022	50,522	13,261	87,283	678,088
31 March 2015	292,469	39,276	10,998	99,271	442,014

As at 31 March 2016 trade receivables of $84,693 (2015: $42,989) were past due and considered impaired and trade receivables of $66,373 (2015: $106,556) were past due but not considered impaired.

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

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
As at 1 April	42,989	95,699	42,989	95,699
Additional provisions made during the year	52,279	(4,122)	52,279	(4,122)
Receivables written off during the year	(10,575)	(48,588)	(10,575)	(48,588)
Balance at the end of the year	84,693	42,989	84,693	42,989

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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Raw materials and consumables	51,322	58,747	51,322	58,747
Goods available for sale	1,046,852	1,548,346	1,046,852	1,548,346
	1,098,174	1,607,093	1,098,174	1,607,093

Inventory comprises goods available for sale and food ingredients.

No inventories are pledged as security for liabilities (2015 $nil). However, some inventories are subject to retention of title clauses.

11. OTHER INVESTMENTS

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
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)				
Foodstuffs Ltd - shares & rebates	135,296	183,167	135,296	183,167
	135,296	183,167	135,296	183,167
Total investments	188,301	236,172	188,301	236,172

12. INVESTMENT PROPERTY

	Group and Parent	
	2016 $	2015 $
Investment property is comprised of		
Residential property	56,542,000	54,085,000
Commercial property	2,457,000	670,000
	58,999,000	54,755,000
Classified as:		
Current - available for sale at 31 March	692,000	-
Non Current	58,307,000	54,755,000
	58,999,000	54,755,000

(a) Residential properties

	Group and Parent	
	2016 $	2015 $
Balance at 1 April	54,085,000	51,549,000
Properties sold during the year	(144,000)	(550,000)
Properties written off due to fire	-	(54,000)
Improvements	472,305	559,285
Change in fair value	2,128,695	2,580,715
Balance at 31 March	56,542,000	54,085,000
Classified as:		
Non Current	56,542,000	54,085,000
	56,542,000	54,085,000

Residential investment property comprises 480 (2015: 482) 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 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.

	Group and Parent	
	2016 $	2015 $
Rental income	4,912,937	4,649,858
Expenses from investment property generating income	2,011,510	2,045,178

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 $13,418.

(b) Commercial property

Three of the Groups properties have been designated as investment properties

	2016 $	2015 $
Balance at 1 April	670,000	670,000
Transferred from property plant and equipment	1,602,587	-
Change in fair value	184,413	-
Balance at 31 March	2,457,000	670,000
Classified as:		
Current - available for sale at 31 March	692,000	-
Non Current	1,765,000	670,000
	2,457,000	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 buildings at 31 March 2016 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.-

Available for sale

One of the Groups commercial properties was classified as available for sale at balance date as the property had become surplus to requirements.

The loss recognised on changing the valuation from fair value to fair value less costs to sell was $8,000.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings $	Furniture and plant $	Hydro assets $	Motor vehicles $	Under construction $	Total $
Cost or deemed cost						
Balance at 1 April 2014	14,675,016	8,339,806	781,645	218,817	340,800	24,356,084
Additions	3,723,866	1,045,831	10,554	11,970	(254,525)	4,537,696
Disposals	(1,235,556)	(876,064)	-	-	-	(2,111,620)
Balance at 31 March 2015	**17,163,326**	**8,509,573**	**792,199**	**230,787**	**86,275**	**26,782,160**
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 investment property	(1,718,050)	-	-	-	-	(1,718,050)
Reclassified to available for sale	(520,000)	(96,334)	-	-	-	(616,334)
Balance at 31 March 2016	**15,452,479**	**8,931,285**	**960,581**	**182,974**	**-**	**25,527,319**
Depreciation and impairment losses						
Balance at 1 April 2014	1,517,684	5,870,546	781,645	149,170	-	8,319,045
Depreciation for the year	575,354	643,372	-	14,889	-	1,233,615
Reversal of impairment	-	-	(400,482)	-	-	(400,482)
Impairment loss - through income statement	977,321	-	-	-	-	977,321
- Through other comprehensive income	292,592	-	-	-	-	292,592
Disposals	(1,435,556)	(867,162)	-	-	-	(2,302,718)
Balance at 31 March 2015	**1,927,395**	**5,646,756**	**381,163**	**164,059**	**-**	**8,119,373**
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
Impairment loss - through income statement	68,442	1,593	-	-	-	70,035
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)
Balance at 31 March 2016	**2,342,353**	**6,151,641**	**428,144**	**134,394**	**-**	**9,056,532**
Carrying amounts						
At 1 April 2014	13,157,332	2,469,260	-	69,647	340,800	16,037,039
At 31 March 2015	15,235,931	2,862,817	411,036	66,728	86,275	18,662,787
At 1 April 2015	15,235,931	2,862,817	411,036	66,728	86,275	18,662,787
At 31 March 2016	13,110,126	2,779,644	532,437	48,580	-	16,470,787

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent	Land and buildings $	Furniture and plant $	Hydro Assets $	Motor vehicles $	Under construction $	Total $
Cost or deemed cost						
Balance at 1 April 2014	14,675,016	4,901,865	-	218,817	340,800	20,136,498
Assets acquired from Tararua Foundation	-	-	411,036	-	-	411,036
Additions	3,723,866	627,895	-	11,970	(254,525)	4,109,206
Disposals	(1,235,556)	(542,551)	-	-	-	(1,778,107)
Balance at 31 March 2015	**17,163,326**	**4,987,209**	**411,036**	**230,787**	**86,275**	**22,878,633**
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**
Depreciation and impairment losses						
Balance at 1 April 2014	1,517,684	3,296,730	-	149,170	-	4,963,584
Depreciation for the year	575,354	261,675	-	14,889	-	851,918
Impairment loss - through Income Statement	977,321	-	-	-	-	977,321
- through Other Comprehensive Income	292,592	-	-	-	-	292,592
Disposals	(1,435,556)	(540,631)	-	-	-	(1,976,187)
Balance at 31 March 2015	**1,927,395**	**3,017,774**	**-**	**164,059**	**-**	**5,109,228**
Balance at 1 April 2015	1,927,395	3,017,774	-	164,059	-	5,109,228
Depreciation for the year	575,154	269,340	46,981	13,109	-	904,584
Impairment loss - through Income Statement	68,442	1,593	-	-	-	70,035
Disposals	(23,175)	(177,741)	-	(42,774)	-	(243,690)
Reclassified as investment property	(115,463)	-	-	-	-	(115,463)
Reclassified as available for sale	(90,000)	(67,534)	-	-	-	(157,534)
Balance at 31 March 2016	**2,342,353**	**3,043,432**	**46,981**	**134,394**	**-**	**5,567,160**
Carrying amounts						
At 1 April 2014	13,157,332	1,605,135	-	69,647	340,800	15,172,914
At 31 March 2015	15,235,931	1,969,435	411,036	66,728	86,275	17,769,405
At 1 April 2015	15,235,931	1,969,435	411,036	66,728	86,275	17,769,405
At 31 March 2016	13,110,126	1,664,279	532,437	48,580	-	15,355,422

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.

The total fair value of land and buildings valued by J McKeefry Group and Parent as at 31 March 2014 was $14.490,000. 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 $70,035 were recognised in 2015/16 (2014/15 $1,269,913). The impairment in the current year relates to one of the Group's properties which was classified as available for sale at balance date.

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 $55 million for fire and $145 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.

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

Disposals

The group sold two hospitality businesses during the year.

The total assets disposed were $391,210.

Total consideration received was $518,384 of which $446,543 was in cash.

Reclassification to available for sale

One of the Group's properties was reclassified as available for sale at balance date as it no longer fits the Group's strategy, nor reinvestment criteria.

The loss recognised on changing the valuation basis to fair value less costs to sell was $70,035.

14. INTANGIBLE ASSETS

	Group			Parent		
	Goodwill $	Software $	Total $	Goodwill $	Software $	Total $
Cost						
Balance at 1 April 2014	1,110,390	665,094	1,775,484	1,110,390	415,243	1,525,633
Additions	-	70,855	70,855	-	16,875	16,875
Disposals	-	(80,143)	(80,143)	-	-	-
Balance at 31 March 2015	**1,110,390**	**655,806**	**1,766,196**	**1,110,390**	**432,118**	**1,542,508**
Balance at 1 April 2015	1,110,390	655,806	1,766,196	1,110,390	432,118	1,542,508
Additions	200,000	8,000	208,000	200,000	-	200,000
Disposals	-	(40,219)	(40,219)	-	(16,875)	(16,875)
Balance at 31 March 2016	**1,310,390**	**623,587**	**1,933,977**	**1,310,390**	**415,243**	**1,725,633**
Amortisation and impairment losses						
Balance at 1 April 2014	776,838	441,155	1,217,993	776,838	307,179	1,084,017
Amortisation for the year	-	53,500	53,500	-	18,420	18,420
Disposals	-	(65,945)	(65,945)	-	-	-
Balance at 31 March 2015	**776,838**	**428,710**	**1,205,548**	**776,838**	**325,599**	**1,102,437**
Balance at 1 April 2015	776,838	428,710	1,205,548	776,838	325,599	1,102,437
Amortisation for the year	-	58,520	58,520	-	16,925	16,925
Disposals	-	(24,460)	(24,460)	-	(4,950)	(4,950)
Balance at 31 March 2016	**776,838**	**462,770**	**1,239,608**	**776,838**	**337,574**	**1,114,412**
Carrying amounts						
At 1 April 2014	333,552	223,939	557,491	333,552	108,064	441,616
At 31 March 2015	333,552	227,096	560,648	333,552	106,519	440,071
At 1 April 2015	333,552	227,096	560,648	333,552	106,519	440,071
At 31 March 2016	533,552	160,817	694,369	533,552	77,669	611,221

(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 SuperValue

Goodwill was recognised on the acquisition of Chungs Supermarket and the Featherston Post and Lotto shop and has been attributed to the Featherston SuperValue.

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% (2015: 9.0%)

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 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%.

INTANGIBLES (CONTINUED)

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

	Group and Parent	
	2016 $	2015 $
Featherston SuperValue	333,552	333,552
The Ledge	200,000	-
Total goodwill	533,552	333,552

(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 growth rates used.

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

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

(iv) Sensitivity to changes in assumptions

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

15. TRADE AND OTHER PAYABLES

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Trade creditors	1,253,634	1,576,133	995,143	1,408,384
Interest payable	7,520	8,843	7,520	8,843
Capital payables	5,368	80,014	5,368	80,014
Accrued expenses	1,078,287	884,038	882,934	760,228
Revenue in advance	90,447	86,507	90,447	86,507
	2,435,256	2,635,535	1,981,412	2,343,976

16. EMPLOYEE ENTITLEMENTS

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Current portion				
Accrued pay	152,541	104,320	152,541	104,320
Annual leave	628,767	646,981	628,767	646,981
Provision for staff long service / retirement benefits	7,879	18,819	7,879	18,819
Sick pay	5,961	4,820	5,961	4,820
	795,148	774,940	795,148	774,940
Non-current portion				
Provision for staff long service / retirement benefits	112,539	98,596	112,539	98,596
	907,687	873,536	907,687	873,536

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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Non-current liabilities				
Secured bank loans	21,101,000	21,066,500	21,101,000	21,066,500
Other Loans	319,583	218,750	319,583	218,750
	21,420,583	21,285,250	21,420,583	21,285,250
Current liabilities				
Bank overdrafts	281,102	684,653	281,102	684,653
Secured bank loans	126,000	126,000	126,000	126,000
Other loans	65,000	250,000	65,000	250,000
	472,102	1,060,653	472,102	1,060,653

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Group & Parent	Nominal interest rate	Year of maturity	Face value 2016 $	Carrying amount 2016 $	Face value 2015 $	Carrying amount 2015 $
Secured BNZ Bank loans	4.11%-6.17%	2020	21,000,000	21,000,000	20,850,000	20,850,000
Secured ANZ Bank loan	6.70%	2017	227,000	227,000	342,500	342,500
Other loans	0.00%	2020-2024	384,583	384,583	468,750	468,750
Bank overdrafts	8.40%	On demand	281,102	281,102	684,653	684,653
Total interest-bearing liabilities			21,892,685	21,892,685	22,345,903	22,345,903

The ANZ National Bank overdrafts are secured with registered first mortgages over land and buildings with a carrying amount of $7,075,317(2015: $6,594,324). 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 2014	11,330,740	439,826	38,192,014	49,962,580
Total comprehensive income / (expense)	-	(292,592)	1,284,700	992,108
Balance at 31 March 2015	11,330,740	147,234	39,476,714	50,954,688
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 2016 10,637,000 (2015: 10,637,000).

Parent	Share capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2014	11,330,740	439,826	36,017,630	47,788,196
Total comprehensive income / (expense)	-	(292,592)	2,690,514	2,397,922
Balance at 31 March 2015	11,330,740	147,234	38,708,144	50,186,118
Balance at 1 April 2015	11,330,740	147,234	38,708,144	50,186,118
Total comprehensive income / (expense)	-	-	2,896,421	2,896,421
Balance at 31 March 2016	11,330,740	147,234	41,604,565	53,082,539

The number of shares on issue at 31 March 2016 was 10,637,000 (2015: 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 for credit worthiness and assigned a purchase limit before credit is offered.

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

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

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

Credit quality of financial assets

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

Liquidity risk

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

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Overdrafts and credit lines in place	2,000,000	1,500,000	1,500,000	1,500,000

FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

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

Other market price risk

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

Quantitative disclosures

Credit risk

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

(a) Liquidity risk

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

	Carrying Amount $	Contractual cash flows $	12 months or less $	1-2 years $	2-5 years	More than 5 years $
Group 2016						
Secured bank loans	21,227,000	25,547,607	1,171,347	1,137,405	23,238,855	-
Other loans	384,583	384,583	65,000	65,000	165,000	89,583
Trade and other payables	2,435,256	2,435,256	2,435,256	-	-	-
Bank overdraft	281,102	281,102	281,102	-	-	-
Total non-derivative liabilities	24,327,941	28,648,548	3,952,705	1,202,405	23,403,855	89,583
Group 2015						
Secured bank loans	21,192,500	23,817,773	1,342,324	1,332,572	21,142,877	-
Other loans	468,750	474,705	255,955	25,000	75,000	118,750
Trade and other payables	2,635,535	2,635,535	2,635,535	-	-	-
Bank overdraft	684,653	684,653	684,653	-	-	-
Total non-derivative liabilities	24,981,438	27,612,666	4,918,467	1,357,572	21,217,877	118,750
Parent 2016						
Secured bank loans	21,227,000	25,547,607	1,171,347	1,137,405	23,238,855	-
Other loans	384,583	384,583	65,000	65,000	165,000	89,583
Trade and other payables	1,981,412	1,981,412	1,981,412	-	-	-
Bank overdraft	281,102	281,102	281,102	-	-	-
Total non-derivative liabilities	23,874,097	28,194,704	3,498,861	1,202,405	23,403,855	89,583
Parent 2015						
Secured bank loans	21,192,500	22,583,917	1,131,600	1,131,600	20,320,717	-
Other loans	468,750	474,705	255,955	25,000	75,000	118,750
Trade and other payables	2,343,976	2,343,976	2,343,976	-	-	-
Bank overdraft	684,653	684,653	684,653	-	-	-
Total non-derivative liabilities	24,689,879	26,087,251	4,416,184	1,156,600	20,395,717	118,750

FINANCIAL INSTRUMENTS (CONTINUED)

(b) Sensitivity analysis

Interest Rate Risk

The effect of a +100bps increase in interest rates applicable to the floating rate financial instruments held by the Group is a reduction in profit of $54,759 (2015:$71,358) and for the company a reduction in profit of $64,722 (2015:$57,328).

(c) Classification and fair values

Group 2016	Loans and receivables $	Total carrying amount $	Fair value $
Assets			
Investments	188,301	188,301	188,301
Trade and other receivables	734,522	734,522	734,522
Prepayments	333,727	333,727	333,727
Cash and cash equivalents	1,210,063	1,210,063	1,210,063
Total assets	2,466,613	2,466,613	2,466,613
	At amortised cost $	**Total carrying amount $**	**Fair value $**
Liabilities			
Trade and other payables	2,435,256	2,435,256	2,435,256
Borrowings	21,892,685	21,892,685	21,892,685
Total liabilities	24,327,941	24,327,941	24,327,941

Group 2015	Loans and receivables $	Total carrying amount $	Fair value $
Assets			
Investments	236,172	236,172	236,172
Trade and other receivables	529,086	529,086	529,086
Prepayments	314,254	314,254	314,254
Cash and cash equivalents	1,568,272	1,568,272	1,568,272
Total assets	2,647,784	2,647,784	2,647,784
	At amortised cost $	**Total carrying amount $**	**Fair value $**
Liabilities			
Trade and other payables	2,635,535	2,635,535	2,635,535
Borrowings	22,345,903	22,345,903	22,345,903
Total liabilities	24,981,438	24,981,438	24,981,438

Parent 2016	Loans and receivables $	Total carrying amount $	Fair value $
Assets			
Investments	188,301	188,301	188,301
Trade and other receivables	734,522	734,522	734,522
Prepayments	283,624	283,624	283,624
Cash and cash equivalents	213,772	213,772	213,772
Total assets	1,420,219	1,420,219	1,420,219
	At amortised cost $	**Total carrying amount $**	**Fair value $**
Liabilities			
Trade and other payables	1,981,412	1,981,412	1,981,412
Borrowings	21,892,685	21,892,685	21,892,685
Total liabilities	23,874,097	23,874,097	23,874,097

Parent 2015	Loans and receivables $	Total carrying amount $	Fair value $
Assets			
Investments	236,172	236,172	236,172
Trade and other receivables	596,895	596,895	596,895
Prepayments	265,311	265,311	265,311
Cash and cash equivalents	165,316	165,316	165,316
Total assets	1,263,694	1,263,694	1,263,694
	At amortised cost $	**Total carrying amount $**	**Fair value $**
Liabilities			
Trade and other payables	2,343,976	2,343,976	2,343,976
Borrowings	22,345,903	22,345,903	22,345,903
Total liabilities	24,689,879	24,689,879	24,689,879

20. OPERATING LEASES

Leases as lessee:

Non-cancellable operating leases are payable as follows:

	Group and Parent	
	2016 $	2015 $
Less than one year	366,671	305,053
Between 1 and 2 years	343,452	243,320
Between 2 and 5 years	453,561	264,156
Over 5 years	14,959	-
	1,178,643	812,529

The Group leases a number of hospitality premises, vehicles and equipment under operating leases.
During the year ended 31 March 2016 $338,920 was recognised as an expense in the income statement in respect of operating leases (2015: $427,880).

Leases as lessor:

Non cancellable operating leases are recievable as follows:

	Group and Parent	
	2016 $	2015 $
Less than one year	312,775	230,300
Between 1 and 2 years	303,550	196,113
Between 2 and 5 years	75,192	163,866
Over 5 years	-	-
	691,517	590,279

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 $Nil at 31 March 2016 (2015; $342,352).

The Group and Parent had contingent liabilities of $55,000 as at 31 March 2016 (2015: $55,000).

In relation to guarantees provided by ANZ National Bank on behalf of Trust House Limited.

The Group and Parent have a contingent liability in relation to the lease of the Island Bay Bar.

This business was sold during 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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Net Surplus/(Deficit) for Year	2,660,080	1,284,700	2,896,421	2,690,514
Add (less) non-cash items:				
Depreciation	1,488,315	1,233,615	904,584	851,918
Software amortised	58,520	53,500	16,925	18,420
Revaluation of investment properties	(2,313,108)	(2,580,715)	(2,313,108)	(2,580,715)
Provisions	(7,217)	(657,576)	(7,217)	(1,126,076)
Fixed assets impairment	70,035	576,839	70,035	977,321
Software impairment	11,925	-	11,925	-
(Gain)/loss on sale of intangibles	3,834	2,198	-	-
(Gain)/loss on sale of fixed assets	(55,496)	(54,484)	(57,786)	(46,466)
Gain on sale of businesses	(127,174)	(115,614)	(127,174)	(115,614)
Gain on sale of investment property	55,687	(149,776)	55,687	(149,776)
Investments issued in lieu of rebates	47,871	50,251	47,871	50,251
	(766,808)	(1,641,762)	(1,398,258)	(2,120,737)
Add (less) movements in working capital items:				
(Increase)/decrease in receivables & prepayments	(142,132)	89,404	(73,163)	118,426
(Increase)/decrease in inventories	273,809	(82,462)	273,809	(82,462)
Increase/(decrease) in charitable distributions payable	(79,086)	891,800	-	(20,000)
Increase/(decrease) in employee entitlements	34,151	(195,395)	34,151	(195,395)
Increase/(decrease) in trade and other payables	(134,301)	218,916	(296,586)	211,707
	(47,559)	922,263	(61,789)	32,276
Net cash flow from operating activities	1,845,713	565,201	1,436,374	602,053

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 (now Masterton Community Trust see note 28).

(ii) Transactions with key management personnel

Several of the Directors of Trust House Limited and Trustees of Masterton Licensing 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.

One Trustee of Masterton Licensing Trust is on the board of Destination Wairarapa - a regional tourism promotion body. During the year Trust House Foundation paid Destination Wairarapa grants totalling $235,000 (2015: $241,920). Destination Wairarapa purchased $2,235 (2015: $900) of goods and services from Trust House Limited. The amount outstanding at year end was $300 (2015: $409).

Trust House purchased advertising from and paid subscriptions to Destination Wairarapa. The value of the purchases was $6,364 (2015: $6,149).

The amount outstanding at year end was $Nil (2015: $115)

(iii) Key management personnel compensation

	2016 $	2015 $
Salaries and other short term benefits	1,098,357	1,387,415
Post employment benefits	17,179	23,606
Other long term benefits	-	-
Termination benefits	7,286	-
	1,122,822	1,411,021

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

RELATED PARTY TRANSACTIONS (CONTINUED)

Employee remuneration

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

	2016	2015
$100,000-$110,000	1	1
$110,000-$120,000	-	4
$120,000-$130,000	1	-
$130,000-$140,000	1	1
$160,000-$170,000	-	1
$170,000-$180,000	1	-
$250,000-$260,000	-	1
$260,000-$270,000	1	-
	5	8

(iv) Other related party transactions

(a) Masterton Licensing Trust (MLT)

	2016	2015
Shares in Trust House Ltd (number of shares)	10,026,629	8,000,000
	$	$
Management fees paid by MLT to Trust House Ltd	16,700	16,400
Royalty fees paid by Trust House Ltd to MLT	113,832	63,000
Trust House Ltd provided goods and services to MLT on an arms length basis	-	3,838

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

	2016	2015
Shares in Trust House Ltd (number of shares)	-	2,150,000
	$	$
Donations paid by Trust House Ltd to MLCT	53,350	38,400
Management fees paid by MLCT to Trust House Ltd	39,100	38,300
Trust House Ltd provided goods and services to MLCT on an arms length basis	22,016	21,949

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

	2016	2015
Shares in Trust House Ltd (number of shares)	187,999	150,000
	$	$
Term loan to Trust House Limited	-	225,000
- This loan is repayable upon demand and is unsecured		
Management fees paid by FLCT to Trust House Ltd	27,800	27,300

(d) Flaxmere Licensing Trust (FLT)

	2016	2015
Shares in Trust House Ltd (number of shares)	422,372	337,000
	$	$
Management fees paid by FLT to Trust House Ltd	5,600	5,500

(e) Tararua Foundation Incorporated (TF)

	2016	2015
	$	$
Management fees paid by TF to Trust House Ltd	-	54,700
Loan advance to TF by Trust House Ltd	-	-
Grants from Trust House Foundation to TF	-	-
Trust House Ltd provided goods and services to TF on an arms length basis	-	1,060
Amounts owed to Trust House by TF at year end	-	-

On the 31 March 2015 Trust House Limited purchased all of the assets and liabilities of Tararua Foundation see Note 25.

RELATED PARTY TRANSACTIONS (CONTINUED)

(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 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.

Details of the funds available and grants approved are:

	2016 $	2015 $
Funds available 1st April	768,570	597,611
Net surplus before charitable distributions	3,500,008	2,202,539
Grants unclaimed	103,032	1,562,664
Grants approved	(3,843,465)	(3,594,244)
Funds available 31st March	528,145	768,570

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.

	2016 $	2015 $
Site rentals paid by THF to Trust House Ltd	566,579	610,871
Management fees paid by THF to Trust House Ltd	725,000	500,000

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

	2016 $	2015 $
Masterton Licensing Charitable Trust	46,000	46,000
Rimutaka Trust	17,250	34,500
Flaxmere Licensing Charitable Trust	34,500	34,500
	97,750	115,000

THF has paid the following grants:

	2016 $	2015 $
Masterton Licensing Charitable Trust	23,585	24,422
Flaxmere Licensing Charitable Trust	51,965	6,855
	75,550	31,277

As at 31 March 2016, Trust House Limited owed Trust House Foundation $18,887. In 2014/15 Trust House Foundation owed Trust House Limited $67,809

24. PROVISIONS

		Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Onerous contracts		-	-	-	-
Financial guarantees	(i)	-	-	-	-
Property reinstatement	(ii)	78,513	85,730	78,513	85,730
Total provisions	(iii)	78,513	85,730	78,513	85,730
Represented as:					
Current provisions		-	14,850	-	14,850
Non current provisions		78,513	70,880	78,513	70,880
Total provisions		78,513	70,880	78,513	70,880

(i) Onerous contracts

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Opening balance at 1 April	-	669,000	-	669,000
Provisions added	-	-	-	-
Provisions released	-	(669,000)	-	(669,000)
Closing Provision at 31 March	-	-	-	-

(ii) Financial guarantees

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Opening balance at 1 April	-	-	-	468,500
Provisions added	-	-	-	-
Provisions released	-	-	-	(468,500)
Closing provision at 31 March	-	-	-	-

Trust House Limited had provided for a guarantee it gave to the ANZ Bank in relation to a loan to the Tararua Foundation. The Kourarau Hydro Scheme was purchased from Tararua Foundation by Trust House Limited on the 31 March 2015. As part of the purchase Trust House Limited assumed the remaining loan balance of $342,500, therefore the provision is no longer required.

(iii) Property reinstatement provisions

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Opening balance at 1 April	85,730	130,654	85,730	130,654
Provisions added	(7,217)	11,424	(7,217)	11,424
Outlets sold	-	(56,348)	-	(56,348)
Closing provision at 31 March	78,513	85,730	78,513	85,730

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 origional 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.

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. CHARITABLE DISTRIBUTIONS

Trust House Limited made the following charitable donations during the year.

	$
Masterton Licensing (Charitable) Trust	53,350
Cancer Society NZ	50
Te Awhina Cameron Community House	5,000
	58,400

For details of grants distributed by Trust House Foundation please refer to the financial statements of the Foundation.

28. SUBSEQUENT EVENTS

On the 24th June 2016 the ultimate parent of the group Masterton Licensing Trust was changed by an Order in Council to Masterton Community Trust. This change will not have a material financial impact on the Group.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TRUST HOUSE LIMITED

Independent Auditor's Report

TO THE READERS OF TRUST HOUSE LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The Auditor-General is the auditor of Trust House Limited and Group (the Company and Group). The Auditor-General has appointed me, Mari-Anne Williamson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Company and Group consisting of Trust House Limited and its controlled entities, on her behalf.

OPINION

We have audited the financial statements of the Company and Group on pages 18 to 44, that comprise the Statement of Financial Position as at 31 March 2016, 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.

In our opinion the financial statements of the Company and Group:

- present fairly, in all materialrespects:
  - its financial position as at 31 March 2016; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 10 August 2016. 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 Members 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 Company and Group's financial statements 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 consistentlyapplied;
- the reasonableness of the significant accounting estimates and judgements made by the Members;
- the adequacy of the 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 believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD

The Board are responsible for the preparation and fair presentation of financial statements for the Company and Group that comply with generally accepted accounting practice in New Zealand.

The Boards' responsibilities arise from the Companies Act 1993.

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

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from 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 Trust House Foundation's forecast financial statements for the year ending 31 March 2017 in accordance with the requirements of the Department of Internal Affairs, we have no relationship with or interests in the company.

MARI-ANNE WILLIAMSON
AUDIT NEW ZEALAND

ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND


TRUST HOUSE
COMMUNITY ENTERPRISE
adidas

Trust House Foundation

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TRUST HOUSE FOUNDATION

Chairman's Report

The Trust House Foundation has returned over $3.8 million to local communities in the 2015-2016 year over a wide range of activities from Health and Welfare, Education, Community Promotion, Arts Recreation and Sports. All applications are carefully considered by Trustees before a funding decision is made.

As well as many large grants, there are also a considerable number of smaller grants that make an important contribution to the community.

In November Trust House Foundation was joined by the Porirua Community Trust, which will substantially increase funds to be distributed.

Some of the larger grants approved were:

Masterton	
Aratoi Foundation	$150,000
Hospice Wairarapa	$140,000
All Kiwi Sports Club	$120,000
Netball Wairarapa	$118,000
Riversdale Beach Surf Lifesaving	$85,000
Wings Over Wairarapa	$80,000
Destination Wairarapa	$235,000
240 Grants approved totalling	**$2,018,313**

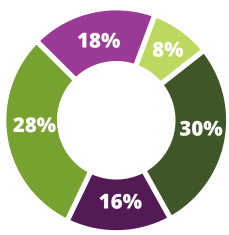
Porirua	
Porirua Little Theatre	$180,000
Plimmerton Rotary Club	$100,000
Northern United Rugby Club	$50,000
88 Grants approved totalling	**$1,143,934**

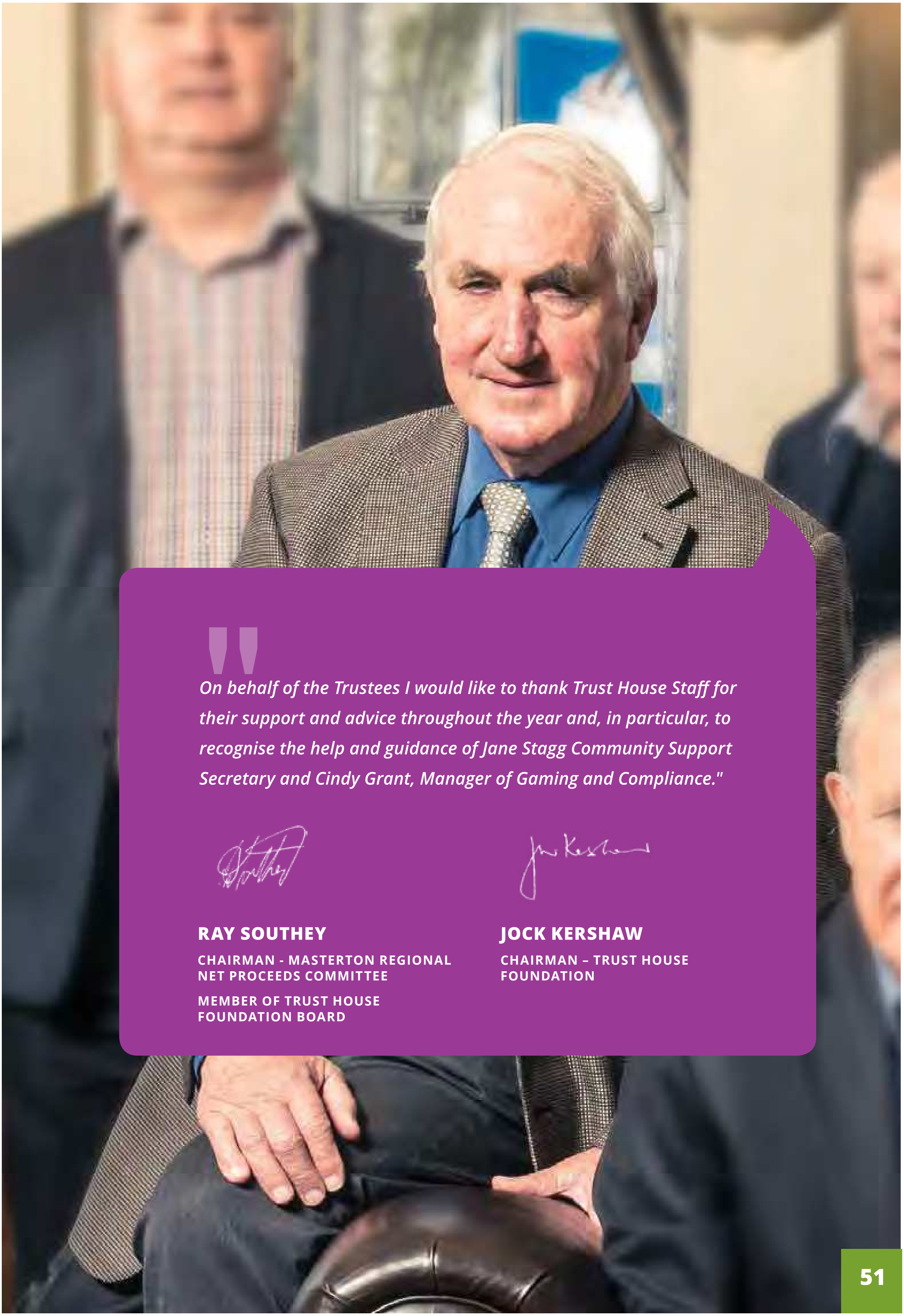
Rimutaka	
Rimutaka Gymnastic Club	$51,900
Upper Hutt Community Youth Trust	$30,000
27 Grants approved totalling	**$159.449**

Flaxmere	
Flaxmere Schools Cluster	$100,000
Hastings District Council	$39,000
61 Grants approved totalling	**$521,769**

TOTAL FOUNDATION GRANTS 2016

Health & Welfare	18%
Education	8%
Community Promotion & Development	28%
Arts & History	16%
Recreation & Sport	30%





"On behalf of the Trustees I would like to thank Trust House Staff for their support and advice throughout the year and, in particular, to recognise the help and guidance of Jane Stagg Community Support Secretary and Cindy Grant, Manager of Gaming and Compliance."

RAY SOUTHEY

CHAIRMAN - MASTERTON REGIONAL NET PROCEEDS COMMITTEE

MEMBER OF TRUST HOUSE FOUNDATION BOARD

JOCK KERSHAW

CHAIRMAN – TRUST HOUSE FOUNDATION

Trust House Foundation – Financial Statements

2016

FOR THE YEAR ENDED 31 MARCH

Income Statement

FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 $	2015 $
Income			
Revenue	4	8,612,239	5,695,583
Interest received		24,476	26,796
Gain on sale of fixed assets		6,356	12,430
Gain on sale of intangible assets		-	12,000
Total income		8,643,071	5,746,809
Operating expenses	5	5,143,063	3,544,270
Net surplus before charitable distributions		3,500,008	2,202,539
Charitable distribution	6,18	(3,736,349)	(2,031,580)
Net surplus/(deficit)		(236,341)	170,959

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2016

	2016 $	2015 $
Net surplus/(deficit) for the year	(236,341)	170,959
Other comprehensive income	-	-
Total comprehensive income for the period	(236,341)	170,959

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

Statement of Movements In Equity

FOR THE YEAR ENDED 31 MARCH 2016

	2016 $	2015 $
Equity at start of year	768,570	597,611
Total comprehensive income	(236,341)	170,959
Equity at end of year	532,229	768,570

Statement of Financial Position

AS AT 31 MARCH 2016

	Note	2016 $	2015 $
Current assets			
Cash and cash equivalents	*9*	996,291	1,402,956
Prepayments		75,523	48,943
Total current assets		1,071,814	1,451,899
Non-current assets			
Plant and equipment	*7*	1,115,365	893,382
Intangible assets	*8*	83,148	120,577
Total non-current assets		1,198,513	1,013,959
Total assets		2,270,327	2,465,858
Current liabilities			
Trade and other payables	*11*	479,264	359,368
Charitable distribution allocated		1,258,834	1,337,920
Total current liabilities		1,738,098	1,697,288
Equity			
Retained earnings	*17*	532,229	768,570
Total equity		532,229	768,570
Total liabilities and equity		**2,270,327**	**2,465,858**

Signed on behalf of the Trust House Foundation

JOCK KERSHAW

CHAIRMAN – TRUST HOUSE FOUNDATION

RAY SOUTHEY

CHAIRMAN - MASTERTON REGIONAL NET PROCEEDS COMMITTEE

MEMBER OF TRUST HOUSE FOUNDATION BOARD

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 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Cash was provided from:			
Gaming machine revenue		8,612,239	5,695,583
Interest received		24,476	26,796
		8,636,715	5,722,379
Cash was applied to:			
Payments to suppliers		4,494,349	3,145,875
Charitable distributions		3,815,435	1,119,779
GST (net)		(82,407)	(9,719)
		8,227,377	4,255,935
Net cash inflows/(outflows) from operating activities	*12*	409,338	1,466,444
Cash flows from investing activities			
Cash was provided from:			
Sale of plant and equipment		28,443	4,784
Sale of intangable assets		-	22,216
		28,443	27,000
Cash was applied to:			
Purchase of plant and equipment		836,446	417,936
Purchase of intangible assests		8,000	53,980
		844,446	471,916
Net cash inflows/(outflows) from investing activities		(816,003)	(444,916)
Net increase/(decrease) in cash held		(406,665)	1,021,528
Opening cash balance		1,402,956	381,428
Closing cash balance		996,291	1,402,956
Closing cash is made up of:			
Cash and cash equivalents		996,291	1,402,956
		996,291	1,402,956

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 2016. The financial statements were approved by the Trustees on 22 June 2016.

(b) Measurement base

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

(c) Functional and presentation currency

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

(d) Measurement uncertainty

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Financial instruments

Non-derivative financial instruments

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

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

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the 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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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.

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. REVENUE

Revenue increased substantially during the year as the Foundation gained three new gaming venues in the Porirua area.

5. OPERATING EXPENSES

Details of operating expenses are:

	2016 $	2015 $
Administration and financial	897,540	650,515
Audit fees	11,179	10,864
Other services provided by auditor - Prospective financial statements	3,965	3,800
Gaming machines licences	88,315	67,391
Depreciation	583,731	381,697
Amortisation of intangible assets	41,595	35,080
EMS monitoring	90,073	68,813
Loss on disposal of assets	8,646	4,412
Loss on disposal of intangibles	3,833	14,198
Service, maintenance and insurance expenses	181,400	142,206
Gaming machine duty	1,980,815	1,309,984
Problem gambling levy	129,743	85,804
Site rentals	1,094,245	769,506
Trustees fees and expenses	27,983	-
	5,143,063	3,544,270

6. CHARITABLE DISTRIBUTIONS

Details of charitable distributions are:

	2016 $	2015 $
Charitable distributions approved	3,843,465	3,594,244
Add back - distributions not uplifted	(83,450)	(66,401)
- distributions refunded	(23,666)	(1,496,263)
	3,736,349	2,031,580

Refer to Note 18 for a full list of grants approved.

The Foundation is required under its licence to distribute to the community each year, in accordance with its authorised purposes, not less than 40.00% of its revenue in that year. For the year ended 31 March 2016, net grants approved totalled $3,736,349 representing 43.26% of revenue.

7. PLANT AND EQUIPMENT

	Plant and equipment $
Cost	
Balance at 1 April 2014	1,722,220
Additions	417,936
Disposals	(48,213)
Balance at 31 March 2015	2,091,943
Balance at 1 April 2015	2,091,943
Additions	836,446
Disposals	(92,728)
Balance at 31 March 2016	2,835,661
Depreciation and impairment losses	
Balance at 1 April 2014	858,095
Depreciation for the year	381,697
Disposals	(41,231)
Balance at 31 March 2015	1,198,561
Balance at 1 April 2015	1,198,561
Depreciation for the year	583,731
Disposals	(61,996)
Balance at 31 March 2016	1,720,296
Carrying amounts	
At 1 April 2014	864,125
At 31 March 2015	893,382
At 1 April 2015	893,382
At 31 March 2016	1,115,365

8. INTANGIBLE ASSETS

	Gaming Software $
Cost	
Balance at 1 April 2014	208,117
Additions	53,980
Disposals	(47,354)
Balance at 31 March 2015	214,743
Balance at 1 April 2015	214,743
Additions	8,000
Disposals	(10,461)
Balance at 31 March 2016	212,282
Amortisation and impairment losses	
Balance at 1 April 2014	92,242
Amortisation for the year	35,080
Disposals	(33,156)
Balance at 31 March 2015	94,166
Balance at 1 April 2015	94,166
Amortisation for the year	41,595
Disposals	(6,627)
Balance at 31 March 2016	129,134
Carrying amounts	
At 1 April 2014	115,875
At 31 March 2015	120,577
At 1 April 2015	120,577
At 31 March 2016	83,148

9. CASH AND CASH EQUIVALENTS

These comprise of deposits held on call at banks.

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 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.

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
2015				
Trade and other payables	359,368	-	-	-
Charitable distributions payable	1,337,920	-	-	-
Total non-derivative liabilities	1,697,288	-	-	-
2016				
Trade and other payables	479,264	-	-	-
Charitable distributions payable	1,258,834	-	-	-
Total non-derivative liabilities	1,738,098	-	-	-

11. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Gaming machine duty payable	235,805	133,151
Problem gambling levy payable	17,762	8,721
Goods and services tax payable	195,353	112,946
Audit fees payable	3,965	10,864
Trade creditors	26,379	93,686
	479,264	359,368

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

	2016 $	2015 $
Net surplus/(deficit) for year	(236,341)	170,959
Add/(less) non-cash items:		
Depreciation	583,731	381,697
Amortisation	41,595	35,080
	625,326	416,777
Add/(less) movements in working capital items:		
(Increase)/decrease in debtors and prepayments	(26,580)	(5,670)
Increase/(decrease) in charitable distribution payable	(79,086)	911,800
Increase/(decrease) in payables and accruals	119,896	(21,602)
	14,230	884,528
Add/(less) investing activities		
Loss /(Profit) on sale of intangible assets	3,834	(8,018)
Loss/(Profit) on sale of plant and equipment	2,289	2,198
	6,123	(5,820)
Net cash flow from operating activities	409,338	1,466,444

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 2016 (2015: Nil).

15. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Foundation is considered to be a controlled entity of Trust House Limited. The ultimate controlling party is the Masterton Licensing Trust. Masterton Licensing Trust converted to Masterton Community Trust on 24th June 2016.

(a) Trust House Limited

(i) The Trust House Foundation is an independent Charitable Trust. Three 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 $725,000 for management fees to Trust House Limited in 2015/16 (2014/15: $500,000).

(iv) In 2015/16 the Trust House Foundation paid site rentals of $566,579 to Trust House Limited (2014/15: $610,871).

(v) As at 31 March 2016, Trust House Limited owed Trust House Foundation $18,887. In 2014/15: $67,809 was owed by Trust House Foundation to Trust House Limited.

RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

(ii) In 2015/16 the Trust House Foundation made charitable distributions of $51,965 to the Flaxmere Licensing (Charitable) Trust (2014/15: $6,855).

(iii) As at 31 March 2016, the Trust House Foundation owed the Flaxmere Licensing Trust $Nil (2014/15: $Nil).

(iv) In 2015/16 the Trust House Foundation paid the Flaxmere Licensing (Charitable) Trust $34,500 for services on behalf of the Trust House Foundation (2014/15: $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) In 2015/16 the Trust House Foundation paid site rentals of $99,209 to the Rimutaka Licensing Trust (2014/15: $98,943).

(iii) In 2015/16 the Trust House Foundation paid the Rimutaka Trust $17,250 for services on behalf of the Trust House Foundation (2014/15: $34,500).

(iv) In 2015/16 the Trust House Foundation made charitable distributions of $Nil to the Rimutaka Trust (2014/15: $Nil).

(v) As at 31 March 2016, the Trust House Foundation owed the Rimutaka Licensing Trust $1,084 (2014/15: $10,029).

(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) In 2015/16 the Trust House Foundation paid the Masterton Licensing (Charitable) Trust $46,000 for services on behalf of the Trust House Foundation (2014/15: $46,000).

(iii) In 2015/16 the Trust House Foundation made charitable distributions of $23,585 to the Masterton Licensing (Charitable) Trust (2014/15: $24,422).

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.

17. RETAINED EARNINGS

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.

Details of the funds available by area are:

	2016 $	2015 $
Flaxmere	196,941	142,958
Masterton	119,880	587,663
Porirua	176,177	-
Rimutaka	39,231	37,949
Total	532,229	768,570

18. GRANTS APPROVED

Grants approved Masterton	$
Access Radio Wairarapa Charitable Trust	1,500
Age Concern Wairarapa WOOPS Inc	5,000
All Kiwi Sports Club Inc	120,000
Alzheimers Society Manawatu	1,000
Alzheimers Society Wellington Inc	1,000
Alzheimers Wairarapa Inc	2,500
Aratoi Foundation	150,000
Aratoi Regional Trust	35,000
Arbor House Trust	5,000
Arthritis Foundation of NZ Inc	2,000
Arts Foundation of New Zealand	1,000
Athletics Masterton Inc	2,500
Athletics Wairarapa Inc	1,500
Autism New Zealand Inc	2,000
Autism Wairarapa Charitable Trust	2,500
Bowls Wairarapa Inc	2,000
Brain Injury Association Central Districts Inc	1,000
Breastfeeding Wairarapa	3,000
Cancer Society Wairarapa Dragon Boat Team Inc	1,500
Canteen Central	1,000
Carterton Association Football and Sports Club	1,200
Carterton Community Choir	800
Carterton Community Courthouse Trust	5,000
Carterton Community Toy Library	1,200
Carterton Netball Club	1,500
Carterton Playcentre	1,000
Carterton School	1,000
Carterton Swimming Club Inc	6,000
Castlepoint Fishing Club Inc	1,170
Connecting Communities Wairarapa Inc	6,000
Dalefield Hockey Club	10,000
Destination Wairarapa Inc	235,000
Dressage NZ	2,000
Dressage Wellington	2,000
Eketahuna Community Charitable Trust	2,000
Eketahuna Youth Trust	2,500
Fab Lab Masterton Trust	40,000
FAHS - Feilding High School Board of Trustees	1,000
Featherston Booktown Trust	2,500
Featherston Camp Memorial Trust	50,000
Featherston Hockey Club Inc	1,000
Featherston School	2,000
Featherston Toy Library Inc	1,000
Featherston United Football Club	500
Feilding Cricket Club	2,000
Feilding Netball Club	1,200
Feilding Rugby Football Club Inc	850
Fell Locomotive Museum Inc	2,500
Friends of the ANZAC Bridge	1,000
Golden Shears International Shearing Championships Society Inc	35,000
Greytown Lioness Club	850
Greytown Menz Shed	5,000
Greytown Rugby Football Club	2,000
Guides New Zealand - Masterton District	1,000
Guides New Zealand Pahiatua District	600
He Kahui Wairarapa Inc	1,000

Grants approved Masterton continued

Heartland Wairarapa Football Club Inc	15,000
Hoe Tonga Pacifica Waka Ama Association	2,000
Hospice Wairarapa Community Trust	140,000
Island Bay Enhancement Trust	2,500
Island Bay Playcentre	809
Island Bay Softball Club Inc	2,000
Island Bay United AFC	3,500
Kahangunu Ki Wairarapa	1,500
Kaibosh Food Rescue	2,000
Karori Sanctuary Trust Inc	1,000
Kia Kaha Hockey Club Inc	2,000
King Street Artworks Inc	13,000
KKT Backyard Inc	424
Ko Te Aroha Trust	1,500
Koinonia Christian Centre	1,000
Kopuaranga Hall Society Inc	2,000
Kuranui College Board of Trustees	750
Lakeview School Board of Trustees	6,000
Lakeview School PTA	2,500
Lansdowne Bowling Club Inc	2,500
Lansdowne Scout Group	900
Learning Disabilities Assn Wai Inc	800
Leukaemia and Blood Cancer New Zealand	7,500
Lions Club of Martinborough Charitable Trust	1,000
Mahunga Golf Club Inc	7,500
Makoura College Board of Trustees	34,000
Manawatu Cricket Association Inc	1,000
Mangatarere Restoration Society	500
Martinborough Colonial Museum Trust	1,000
Martinborough Events Trust	3,000
Martinborough Hockey Club	1,000
Martinborough Junior Netball	1,000
Martinborough Lawn Tennis Club	10,000
Martinborough Rugby Football Club Inc	1,500
Martinborough Toy Library	1,000
Martinborough Youth Trust	1,000
Masterton A & P Association	5,000
Masterton Apostolic Church Trust	4,000
Masterton Association Football Club Inc	2,000
Masterton Axemens Club	2,000
Masterton Community Church	1,500
Masterton Community Patrol	1,000
Masterton Community Toy Library Inc	1,600
Masterton District Council	37,000
Masterton District Library	3,400
Masterton Eketahuna Pro-am	3,500
Masterton Foodbank Inc	931
Masterton Golf Club	7,000
Masterton Licensing (Charitable) Trust	35,000
Masterton Miniature Train Society Inc	1,426
Masterton Park Bowling Club	529
Masterton Primary School Granny's Basket	7,000
Masterton Racing Club Inc	4,000
Masterton Red Star Rugby Club	3,000
Masterton Trust House Squash Club	5,000
Mauriceville West Reserve Committee	1,500
Muscular Dystrophy Assn Wellington	1,500

Grants approved Masterton continued

Netball Wairarapa Inc	118,000
New Pacific Studio Inc	4,000
New Zealand Choral Federation	2,500
New Zealand Equestrian Federation Inc - Wairarapa	8,000
New Zealand Festival	1,000
North Wairarapa Pony Club Inc	4,000
NZ Council of Victim Support Groups Waitemata District Office	1,500
Oasis Charitable Trust Wairarapa	4,000
Opaki Tennis Club	3,000
Pahiatua Community Services Trust	1,500
Pahiatua On Track Inc	2,000
Pahiatua School Board of Trustees	800
Parent to Parent Wellington Region	1,000
Parish of The Epiphany	1,500
Parkinsonism Society Wairarapa Division Inc	2,000
Pre Shears Woolhanding Championships	2,069
Presbyterian Support Central	2,000
Pukaha Mount Bruce Board	18,000
Rally Wairarapa Inc	30,000
Red Star Cricket Club	1,500
Red Star Squash Club	6,000
Riversdale Beach Golf Club	5,000
Riversdale Beach Surf Lifesaving Club Inc	85,000
RMH Auckland Trust	1,480
RNZ Pipe Band Assn Wellington Hawkes Bay Centre Inc	1,000
RNZPS Wellington/Wairarapa Area Inc	5,000
Rotary Club of Masterton Charitable Trust	1,000
Royal New Zealand Plunket Society - Wairarapa Branch	8,000
SADD Conference	1,000
Saint Matthews Parish	1,800
Shear History Trust	20,000
South Wairarapa District Council	3,000
South Wairarapa Tramping Club	3,600
Sport Wellington	5,000
St James Union Parish	440
St John Wairarapa District	8,000
St Lukes Union Parish	15,000
St Patrick’s Primary School Board of Trustees	1,500
Stopping Violence Services Wairarapa	8,000
Street Youth Ministries Trust Inc	9,000
Summer Shakespeare Production	2,000
Taonui School Board of Trustees	800
Te Manawa Services	2,000
Te Whare Karakia Ministries Charitable Trust	1,000
The Anglican Parish of South Wairarapa	8,000
The Cobblestone Trust	6,000
The Crossing 1915-1918	6,000
The Duke of Edinburgh’s Hillary Award	2,000
The Footnote Dance Trust Board	1,000
The House of Grace Trust Inc	2,000
The Life Flight Trust	20,000
The Lions Club of Featherston Charitable Trust	1,000
The Mauriceville/Kopuaranga Fair Assn Inc	750
The New Zealand Symphony Orchestra Foundation	1,000
The Orpheus Choir of Wellington Inc	1,500
The Parenting Place - Attitude Division	1,000
Tuturumuri School Board of Trustees	999

Grants approved Masterton continued

UCOL @ Wairarapa - Scholarship	1,500
Wainuioru School	500
Wairarapa Agricultural & Pastoral Society Inc	5,000
Wairarapa and Southern Hawkes Bay Life Education Trust	15,000
Wairarapa Anglican Maori Pastorate	15,000
Wairarapa Arts Festival Trust	15,000
Wairarapa Balloon Society Inc	20,000
Wairarapa Bird Club Inc	800
Wairarapa Bush Rugby Football Union Inc	50,000
Wairarapa Cancer Society Inc	4,000
Wairarapa College	1,000
Wairarapa College Sports Foundation	16,000
Wairarapa Community Counselling Centre Inc	5,000
Wairarapa Community Initiative	1,200
Wairarapa Community Law Centre Inc	5,000
Wairarapa Community Transport Services Inc	16,000
Wairarapa Cricket Association Inc	12,500
Wairarapa Diamonds Leisure Marching Team	500
Wairarapa Endurance and Competitive Trail Riding Club	500
Wairarapa Fern & Thistle Pipe Band	1,500
Wairarapa Green Dollar Exchange Inc	1,000
Wairarapa Harness Racing Club Inc	3,000
Wairarapa Hockey Association Inc	5,000
Wairarapa Inter-Collegiate Speech Competition	1,000
Wairarapa Kennel Association Inc	1,000
Wairarapa Mathematics Association	1,000
Wairarapa Parents Centre Inc	5,000
Wairarapa Racing Club Inc	4,000
Wairarapa REAP	3,000
Wairarapa Schizophrenia Fellowship	1,000
Wairarapa Singers	3,000
Wairarapa Sports Artificial Surface Trust	10,000
Wairarapa Tennis Assn Inc	2,536
Wairarapa Track and Field Inc	1,000
Wairarapa United Football Club Inc	15,000
Wairarapa Vintage Aviation Hub Community Trust	30,000
Wairarapa Wines Inc	2,000
Wairarapa Women's Centre	2,600
Wairarapa Youth Concert Band	500
Wellington Breastfeeding Trust	1,000
Wellington Culinary Events Trust Inc	3,000
Wellington Hockey Association Inc	1,000
Wellington Rape Crisis Inc	3,000
Wellington Repertory Theatre Inc	500
Wellington Sexual Abuse HELP Foundation	1,500
Wellington Volunteer Centre	1,000
Wellington Youth Orchestra Inc	1,000
Whaiora Whanui GP Services	2,000
Whanau Manaaki Kindergarten - Berhampore	1,000
Whanau Manaaki Kindergarten Lansdowne	1,000
Whanau Manaaki Kindergartens - Kahurangi	1,000
Whanau Manaaki Kindergartens - Manaia	1,000
Whanau Manaaki Kindergartens - Martinborough	1,000
Whanau Manaaki Kindergartens - Una Williiams	1,000
Whanau Manaaki Kindergartens - York Street	1,000
Whanau Manaaki Kindergartens Island Bay	2,000
Whareama Fundraising Committee	5,000
Wings Over Wairarapa Community Trust	80,000
Y M C A Masterton	3,000
Yarns in Barns Wairarapa Festival of Reading	1,500
Young and Hungry Arts Trust	1,000
Total grants Masterton	**2,018,313**

Grants approved Porirua	$
Age Concern Wellington	3,000
Arthritis New Zealand	5,000
Asert-Tatou Development Trust	15,024
Barnardos New Zealand	8,848
Big Uppz Inc	3,274
Cannons Creek Opportunity Centre	16,575
Changemakers Refugee Forum Inc	15,000
COPD Choir Trust (Sing Your Lungs Out)	3,000
FAGASA (Wellington)	5,000
Friends of the Wellington Botanic Gardens Children Garden	15,000
IHC New Zealand Inc	7,800
Ikaroa Ke Te Tonga Maori Netball Inc	1,932
Kapi Mana Rock n Roll Revival Club	4,000
Kapi-Mana Music Festival Charitable Trust	2,700
Kidscan Charitable Trust	20,000
La Leche League Mana North	3,720
Mana Kayak Racing Club Inc	3,810
Mana Volunteer Coastguard Inc	15,000
Mary Potter Hospice	25,000
New Zealand Barbarians Tag Representatives	10,000
New Zealand National Myanmar Ethnics Council Inc	2,000
New Zealand Sport and Cultural Academy Trust	24,501
Ngati Toa Sea Scout Group	23,000
No 41 (City of Porirua) ATCANZ	4,000
Northern United Netball Club	8,000
Northern United Rugby Football Club Inc	50,000
Ole Soccer Academy	20,000
Paremata Playcentre	885
Paremata Plimmerton RFC	20,000
Parkinsonism Society Wellington Inc	5,000
Partners Porirua Charitable Trust	20,000
Plimmerton Pavilion Indoor Bowls Club	1,625
Porirua Basketball Association	10,000
Porirua Canoe Kayak Club Inc	2,000
Porirua Canoe Kayak Club Inc	10,000
Porirua City Classic Touch	5,560
Porirua City Council	76,900
Porirua City United Softball Club Inc	20,000
Porirua Foundation Inc	11,000
Porirua Grand Traverse Trust	30,000
Porirua ITF Taekwon Do	5,000
Porirua Little Theatre Society Inc	150,000
Porirua Living Without Violence	10,000
Porirua Tag NZTFI Reps	9,000
Porirua Whanau Centre Trust	25,000
Presbyterian Support Central	4,000
Pukerua Bay Community Playgroup	2,000
Pukerua Bay Tennis Club Inc	2,500
Rimutaka Inline Hockey Club Inc	2,000
Rotary Club of Plimmerton Charitable Trust	100,000
Samoan Methodist Churches of Samoa (Porirua Parish) in NZ Inc	18,000
SCANZ - TS Taupo	5,000
Sir Edmund Hillary Outdoor Education Trust	10,000
Special Olympics Mana	10,000
Special Olympics Wellington	1,817
Sri Lanka Association of New Zealand (SLANZ) Inc	1,500
St George Rugby League Football Club	15,000
SuperGrans Charitable Trust	10,000
Tawa Community Patrol	10,000
Tawa Rugby Football Club Inc	5,000
Tawa Youth and Families Trust	3,000
Te Kura Maori o Porirua	5,000

Grants approved Porirua continued

Te Whare Tiaki Wahine Refuge	8,970
The Stage Challenge Foundation	9,000
Titahi Bay Amateur Athletics Club	28,000
Titahi Bay Community Group	12,797
Titahi Bay Marlins RLC	12,482
Titahi Bay Presbyterian Church	2,500
Titahi Bay Surf Life Saving Club Inc	11,421
Titahi Bay Tennis Club Inc	10,000
Trust Porirua City Brass Inc	5,000
Underwater Hockey New Zealand	3,000
Virtuoso Strings Charitable Trust	8,000
Volleyball NZ	4,000
Wellington City Mission Anglican Trust Board	15,000
Wellington Regional Asthma Society Inc	6,013
Wellington Rugby Football Union Inc	10,000
Wellington Softball Association Inc	5,096
Wellington SPCA Inc	25,000
Wellington Volunteer Centre	8,000
Whanau Manaaki Kindergartens	15,000
Whare Manaaki Inc	9,000
Whitby Bowling Club Inc	3,684
Total grants Porirua	**1,143,934**

Grants approved Rimutaka	$
Expressions Arts & Entertainment Centre	20,000
Read Write Plus	3,000
Riding for the Disabled Association Hutt Valley Group Inc	5,000
Rimutaka Incline Railway Heritage Trust	4,000
Rimutaka Inline Hockey Club Inc	3,000
Rimutaka Steppers Leisure Marchers	2,209
Rotary Club of Upper Hutt	11,000
Royal New Zealand Plunket Society - Upper Hutt Branch	2,500
Seniornet Upper Hutt Inc	1,500
Soul City Church Trust	10,000
Tararua Sports Club	25,000
The Upper Hutt City of Song Charitable Club	13,500
The Upper Hutt Highlanders Inc	3,000
Timberlea Community House Trust Board	2,600
Totara Park Playcentre	690
Trentham United Harriers and Walkers Club Inc	5,000
Upper Hutt City Council	300
Upper Hutt Community Youth Trust	3,000
Upper Hutt Foodbank Inc	5,000
Upper Hutt Multicultural Council Inc	5,000
Upper Hutt Musical Theatre Inc	1,100
Upper Hutt Widows and Widowers Society Inc	550
Upper Hutt Women's Centre Inc	18,000
Wellington Vintage Machinery Inc	5,000
Whanau Manaaki Kindergartens - Birchville	3,000
Whanau Manaaki Kindergartens - Brown Owl	5,000
Whanau Manaaki Kindergartens - Doris Nicholson	1,500
Total grants approved Rimutaka	**159,449**

Grants approved Flaxmere	$
Age Concern Flaxmere Inc	8,000
Art Hawkes Bay Inc	455
Arthritis Foundation of New Zealand	2,000
Birchleigh Polo	4,000

Grants approved Flaxmere continued

Birthright (HB) Child and Family Care Trust	2,000
Brain Injury Association (HB) Inc	4,000
Camp David Adventure Centre	1,542
Child Cancer Foundation Inc	3,000
Cranford Hospice (Presbyterian Support East Coast)	20,000
Creative Hastings Inc	1,862
Creative Hastings Inc	1,000
Family Works Hawkes Bay (Presbyterian Support East Coast)	20,000
Flaxmere Baptist Church Community Trust	4,500
Flaxmere Community Centre	475
Flaxmere Licensing Charitable Trust	61,500
Flaxmere Mana Wahine Softball	5,167
Flaxmere Maori Wardens	5,000
Flaxmere Schools Cluster	100,000
Frangee Pangee Committee	5,000
Hastings Budget Advisory Service Inc	6,000
Hastings District Council	39,000
Hastings Foodbank Trust	5,000
Hastings Group Riding for the Disabled	2,500
Hawkes Bay Agricultural and Pastoral Society	1,500
Hawke's Bay Multisports Club	2,462
Hawke's Bay Regional Orchestra	3,000
Hawkes Bay Softball Association	6,000
Hawkes Bay Teenage Parents Trust	11,527
Heretaunga Kindergarten Assn Inc Irongate	2,580
Heretaunga Ararau O Ngati Kahungunu Waka Ama Roopu	2,612
Heretaunga Swimming Club	16,100
Heretaunga Women's Centre	4,000
It Takes Time	4,200
MAC Sports Association Inc	12,000
Ngati Kahungunu Iwi Inc	10,000
NZ Council of Victim Support Groups Hastings	3,000
Ocean Beach Kiwi Surf Life Saving Club Inc	3,890
Paharakeke Sports Club	2,500
Presbyterian Support East Coast - Family Works Hawkes Bay (FWHB)	10,000
Prima Volta Charitable Trust	5,000
Punavai O Le Gagana Samoa Pre-school	29,000
Purena Koa Rehua Youth Services	7,330
RNZPS Hawke's Bay Area Inc	15,000
Sport Hawkes Bay	7,172
Stroke Foundation Central Region Inc	4,000
Tamatea Rugby League Club Inc	3,499
Te Aka (2010) Charitable Trust	10,000
Te Tai Timu Trust	3,105
Te Tono A Te Taurapa	5,000
The Hastings & District Branch of RNZSPAC Inc	4,195
Tuvalu Community Hawkes Bay Association	4,000
U-Turn Trust	13,596
Volleyball Hawkes Bay	5,000
Waiapu Anglican Care - Growing Through Grief HB	1,000
Waimarama Surf Life Saving Club Inc	1,500
Y M C A Hawkes Bay Inc	2,000
Zeal Education Trust (Hawke's Bay)	4,000
Total grants approved Flaxmere	**521,769**
Total grants approved	**3,843,465**
Reversed / reduced	**107,116**
	3,736,349

TRUST HOUSE FOUNDATION

Independent Auditor's Report

TO THE READERS OF TRUST HOUSE FOUNDATION'S ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2016

The Auditor-General is the auditor of Trust House Foundation (the Foundation). The Auditor-General has appointed me, Mari-Anne Williamson, using the staff and resources of Audit New Zealand, to carry out the audit of the Foundation's annual report on the conduct of class 4 gambling for the year ended 31 March 2016, on her behalf.

OPINION

We have audited the annual report on the conduct of class 4 gambling by the Foundation on pages 52 to 67 that comprises:

- the itemised statement of the application or distribution of net proceeds from class 4 gambling for authorised purposes for the year ended 31 March 2016, and
- the financial statements which comprise the Statement of Financial Position as at 31 March 2016, the Income Statement, the Statement of Comprehensive Income, Statement of Movements 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.

In our opinion:

- the Foundation's itemised statement of the application or distribution of net proceeds from class 4 gambling for authorised purposes is presented fairly, in all material respects;
- the Foundation's financial statements:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2016; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.

Our audit was completed on 22 June 2016. 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 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 annual 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 annual 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 annual report. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Foundation's annual report 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;
- the adequacy of the disclosures in the annual report; and
- the overall presentation of the annual report.

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

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

RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing an annual report on the conduct of class 4 gambling by the Foundation. The annual report is required to include:

- an itemised statement of application or distribution of net proceeds from class 4 gambling for authorised purposes that is fairly presented; and
- financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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

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

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the annual report and reporting that opinion to you based on our audit. Our responsibility arises from 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, we have no relationship with or interests in the Foundation.

Mari-Anne Williamson

MARI-ANNE WILLIAMSON
AUDIT NEW ZEALAND

ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND


APACHE JACKS
Apache Jacks
N SEVEN DAYS

Masterton Licensing Trust

President's Report

The Masterton Licensing Trust (MLT) is made up of six elected trustees who are, in no particular order, Ray Southey, Lucy Griffiths, Kieran McAnulty, Mena Antonio, Karl Taucher and the writer.

If I may say so, the trustees do a wonderful job in overseeing the assets and direction of the MLT.

As many will know, MLT owns a controlling shareholding of some 95% in the company Trust House Limited (THL). There are good and efficient lines of communication between the MLT Trustees and the CEO and other management personnel of THL.

Last year we reported on the need to own and run businesses which were viable and that decisions had been made to close or restructure businesses which were not, in the opinion of the CEO, viable. There has been continued management attention on viability and many changes have been made throughout the year, including asset disposals.

By way of example, we recently exited management contracts held with Flaxmere Licensing Trust, Rimutaka Licensing Trust and Destination Wairarapa, and, as a consequence, this has enabled THL staff to concentrate on management of our own businesses.

Readers may be surprised to hear that the Trust has moved away (but not completely) from retail liquor. This resulted in the sale of our largest Masterton bottle store to the Big Barrel Group.

The Trustees take the not unreasonable view that, to continue to be a significant and worthwhile trust, our business arm must remain viable and profitable.

To this end, a major decision was made to change from a licensing trust to a community trust. This will allow for MLT and MLCT to be consolidated in a single community trust. We take the view that, as we have no sale of liquor monopoly and have not enjoyed one for many years, transfer of our assets to a community trust better describes what MLT and the company are actually doing and hopefully the Masterton Community Trust will be better understood by our communities.

I am pleased to advise that by the end of this financial year, March 2016, there has been an improvement in profitability. However, it is early days and it is no time for trustees or management to rest on their laurels. The need for further improvement remains.

During the year considerable time and effort was taken up with matters pertaining to acquiring interests in social housing assets, regrettably without success. We hope that in the future there may be further opportunities to acquire or manage social housing stock.

The trustees are very ably supported by the Trust House Senior Management team and their guidance and advice at all stages is very much appreciated.

Finally, I wish to thank and acknowledge the support and strong contribution of my fellow trustees.

NB: After 31 March 2016 we received notification that approval has been granted for the change from a licensing trust to a community trust."

JOCK KERSHAW

PRESIDENT – MASTERTON LICENSING TRUST

MLT Trustees. Lucy Griffiths, Karl Taucher, Kieran McAnulty, Ray Southey . Mena Antonio, Jock Kershaw (President).

Masterton Licensing Trust – Financial Statements

FOR THE YEAR ENDED 31 MARCH

2016

Income Statement

FOR THE YEAR ENDED 31 MARCH 2016

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Revenue	*5*	36,622,417	34,605,607	113,832	63,000
Less cost of sales		12,805,011	13,795,058	-	-
Gross profit		23,817,406	20,810,549	113,832	63,000
Operating expenses	*7*	18,488,383	17,382,800	101,508	69,319
Results from operating actvities		5,329,023	3,427,749	12,324	(6,319)
Finance income		25,111	71,357	-	5
Finance costs		1,270,594	1,279,582	-	-
Net finance costs		1,245,483	1,208,225	-	(5)
Net operating profit / (loss)		**4,083,540**	**2,219,524**	**12,324**	**(6,314)**
Non operating items	*6*	2,313,108	2,580,715	-	-
Net profit / (loss) before charitable donations		**6,396,648**	**4,800,239**	**12,324**	**(6,314)**
Charitable donations	*23,27*	(3,719,383)	(3,522,676)	-	-
Tax expense	*26*	-	-	-	-
Net profit / (loss) for year		**2,677,265**	**1,277,563**	**12,324**	**(6,314)**
Attributable to:					
Masterton Licensing Trust		2,536,242	1,218,745	12,324	(6,314)
Minority interest		141,023	58,818	-	-
		2,677,265	1,277,563	12,324	(6,314)

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 2016

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Net Profit / (loss)	**2,677,265**	**1,277,563**	**12,324**	**(6,314)**
Other comprehensive income				
Land & building impairment charged to equity	-	(292,592)	-	-
Total other comprehensive income	-	(292,592)	-	-
Total comprehensive income for the period	**2,677,265**	**984,971**	**12,324**	**(6,314)**
Attributable to:				
Masterton Licensing Trust	2,536,242	939,549	12,324	(6,314)
Minority interest	141,023	45,422	-	-
	2,677,265	984,971	12,324	(6,314)

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2016

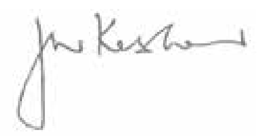
	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Equity at the start of the year	**18**	**50,937,503**	**49,952,532**	**7,987,677**	**7,993,991**
Total comprehensive income / (expense)		2,677,265	984,971	12,324	(6,314)
Attributable to:					
Masterton Licensing Trust		2,536,242	939,549	12,324	(6,314)
Minority interest		141,023	45,422	-	-
		2,677,265	984,971	12,324	(6,314)
Equity at the end of the year		**53,614,768**	**50,937,503**	**8,000,001**	**7,987,677**

Statement of Financial Position

AS AT 31 MARCH 2016

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Current assets					
Cash & cash equivalents	8	1,210,063	1,568,938	-	389
Trade and other receivables	9	734,522	529,086	-	-
Prepayments		333,727	314,254	-	-
Inventories	10	1,098,174	1,607,093	-	-
Investment properties available for sale	12	692,000	-	-	-
Other investments	11	53,005	53,005	-	-
Property held for sale	13	458,800	-	-	-
Total current assets		**4,580,291**	**4,072,376**	**-**	**389**
Non-current assets					
Investments	11	135,296	183,167	8,000,001	8,000,000
Investment properties	12	58,307,000	54,755,000	-	-
Property, plant & equipment	13	16,470,787	18,662,787	-	-
Intangible assets	14	694,369	560,648	-	-
Total non-current assets		**75,607,452**	**74,161,602**	**8,000,001**	**8,000,000**
Total assets		**80,187,743**	**78,233,978**	**8,000,001**	**8,000,389**
Current liabilities					
Trade and other payables	15	2,435,256	2,653,386	-	12,712
Employee entitlements	16	795,148	774,940	-	-
Borrowings	17	472,102	1,060,653	-	-
Provisions	24	-	14,850	-	-
Charitable donations allocated		1,258,834	1,337,920	-	-
Total current liabilities		**4,961,340**	**5,841,749**	**-**	**12,712**
Non-current liabilities					
Employee entitlements	16	112,539	98,596	-	-
Borrowings	17	21,420,583	21,285,250	-	-
Provisions	24	78,513	70,880	-	-
Total non-current liabilities		**21,611,635**	**21,454,726**	**-**	**-**
Equity					
Retained earnings	18	50,399,466	48,464,766	8,000,001	7,987,677
Minority interest	18	3,076,516	2,328,681	-	-
Asset revaluation reserve	18	138,786	144,056	-	-
Total equity		**53,614,768**	**50,937,503**	**8,000,001**	**7,987,677**
Total liabilities & equity		**80,187,743**	**78,233,978**	**8,000,001**	**8,000,389**

Signed on behalf of Masterton Licensing Trust



J W KERSHAW
PRESIDENT

ALLAN 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 2016

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		36,496,001	34,413,593	113,832	63,000
Interest received		25,111	71,357	-	5
		36,521,112	34,484,950	113,832	63,005
Cash was applied to:					
Payments to suppliers and employees		29,605,679	30,014,971	114,220	62,928
Charitable donations		3,798,469	2,630,876	-	-
Income tax paid		-	-	-	-
Interest paid		1,271,917	1,274,314	-	-
		34,676,065	33,920,161	114,220	62,928
Net cash flows from operating activities	**22**	**1,845,047**	**564,789**	**(388)**	**77**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		286,159	681,466	-	-
Sale of intangibles		-	12,002	-	-
Sale of businesses		446,543	62,102	-	-
Sale of investment property		88,313	753,776	-	-
Cash acquired as part of business acquisition		15,356	-	-	-
		836,371	1,509,346	-	-
Cash was applied to:					
Purchase of plant, property and equipment		1,876,370	4,481,319	-	-
Purchase of intangible assets		8,000	70,855	-	-
Upgrading of investment property		472,305	559,285	-	-
Cash sold with business		15,044	-	-	-
Acqusition of business		215,356	-	1	-
		2,587,075	5,111,459	1	-
Net cash flows from investing activities		**(1,750,704)**	**(3,602,113)**	**(1)**	**-**
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		350,000	2,250,000	-	-
		350,000	2,250,000	-	-
Cash was applied to:					
Repayment of borrowings		399,667	282,250	-	-
		399,667	282,250	-	-
Net cash flows from financing activities		**(49,667)**	**1,967,750**	-	-
Net (decrease) / increase in cash held		44,676	(1,069,574)	(389)	77
Opening cash balance		884,285	1,953,859	389	312
Closing cash balance		**928,961**	**884,285**	**-**	**389**
This balance is made up as follows:					
Cash and cash equivalents		928,961	884,285	-	389
		928,961	884,285	-	389

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 2016 comprise of Masterton Licensing Trust, Masterton Licensing (Charitable) Trust, Trust House Limited (94.3% 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 a hotel, 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 10 August 2016.

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.

These financial statements have been prepared on a dissolution basis; as the Masterton Licensing Trust was converted by an Order in Council to Masterton Community Trust on the 26th June 2016. All assets, liabilities, rights and obligations of Masterton Licensing Trust were transferred to Masterton Community Trust on that date. The change to Masterton Community Trust will not have a material impact on the results of the Group.

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

Masterton Licensing Trust is a Trust incorporated and domiciled in New Zealand, registered under the Sale and Supply of Alcohol Act 2012. 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.

The Group has a mix of profit orientated and public benefit entities. Under the Accounting Standards Framework these entities have to apply different accounting standards. This does not cause any reporting issues or restatement of results on consolidation.

(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 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 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Group's 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.

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

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

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

Revenue

(1) Goods sold

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

(2) Services

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

(3) Rental income

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

(4) Gaming machine income

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

Investments

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 operators.

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.

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.

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. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(b) Investment property

An external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued, values the 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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Sales	31,055,467	29,147,207	-	-
Services	188,092	270,136	-	-
Rentals	5,193,898	4,876,408	-	-
Gain on sale of investment properties	-	149,776	-	-
Gain on sale of businesses	184,960	162,080	-	-
Other	-	-	113,832	63,000
Total revenues	36,622,417	34,605,607	113,832	63,000

6. NON OPERATING ITEMS

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Change in fair value of investment property	*12*	2,313,108	2,580,715	-	-
		2,313,108	2,580,715	-	-

7. OPERATING EXPENSES

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Administration and financial		1,260,385	1,239,093	72,267	35,692
Advertising & promotion		973,785	861,052	-	-
Auditor fees					
- Annual audit		104,565	106,962	5,901	5,734
- Prospective financial statement review *		3,965	3,800	-	-
Bad debts written off	*9*	10,575	47,987	-	-
Movement in provision for doubtful debts	*9*	41,703	(52,710)	-	-
Depreciation	*13*	1,488,315	1,233,615	-	-
Amortisation	*14*	58,520	53,500	-	-
Impairment of intangible assets		11,925	-	-	-
Impairment of property, plant & equipment		70,035	576,839	-	-
Loss on sale of investment properties		55,687	-	-	-
Gaming machine duty & licences		2,198,873	1,463,179	-	-
Onerous contracts	*24*	-	(669,000)	-	-
Property expenses		3,871,126	4,049,449	-	-
Rent & lease expenses		866,586	586,515	-	-
Employee costs		7,238,590	7,663,643	-	-
Trustee and directors fees and expenses		233,748	218,876	23,340	27,893
		18,488,383	17,382,800	101,508	69,319

* 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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Bank balances	1,032,235	1,403,622	-	389
Cash floats	177,828	165,316	-	-
Cash and cash equivalents	1,210,063	1,568,938	-	389
Bank overdrafts used for cash management purposes	(281,102)	(684,653)	-	-
Cash and cash equivalents used in the statement of cash flows	928,961	884,285	-	389

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

9. TRADE AND OTHER RECEIVABLES

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Trade receivables	678,088	442,014	-	-
Less provision for impairment	(84,693)	(42,989)	-	-
	593,395	399,025	-	-
Sundry receivables	141,127	130,061		
	734,522	529,086	-	-

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 2016	527,022	50,522	13,261	87,283	678,088
31 March 2015	292,469	39,276	10,998	99,271	442,014

As at 31 March 2016 trade receivables of $84,693 (2015: $42,989) were past due and considered impaired and trade receivables of $66,373 (2015: $106,556) were past due but not considered impaired.

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

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
As at 1 April	42,989	95,699	-	-
Additional provisions made during the year	52,279	(4,122)	-	-
Receivables written off during the year	(10,575)	(48,588)	-	-
Balance at the end of the year	84,693	42,989	-	-

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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Raw materials and consumables	51,322	58,747	-	-
Goods available for sale	1,046,852	1,548,346	-	-
	1,098,174	1,607,093	-	-

Inventory comprises goods available for sale and food ingredients.

No inventories are pledged as security for liabilities (2015 $nil). However, some inventories are subject to retention of title clauses.

11. INVESTMENTS

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Current investments (at amortised cost)				
Foodstuffs Ltd -deferred rebates	53,005	53,005	-	-
	53,005	53,005	-	-
Non current investments (at cost)				
Foodstuffs Ltd - shares & rebates	135,296	183,167	-	-
Trust House Limited (shares)	-	-	8,000,001	8,000,000
	135,296	183,167	8,000,001	8,000,000
Total other current investments	188,301	236,172	8,000,001	8,000,000

12. INVESTMENT PROPERTY

Investment property is comprised of	Group 2016 $	Group 2015 $
Residential property	56,542,000	54,085,000
Commercial property	2,457,000	670,000
	58,999,000	54,755,000
Classified as:		
Current - available for sale at 31 March	692,000	-
Non Current	58,307,000	54,755,000
	58,999,000	54,755,000

(a) Residential Properties

	Group 2016 $	Group 2015 $
Balance at 1 April	54,085,000	51,549,000
Properties sold during the year	(144,000)	(550,000)
Properties written off due to fire	-	(54,000)
Improvements	472,305	559,285
Change in fair value	2,128,695	2,580,715
Balance at 31 March	56,542,000	54,085,000
Classified as:		
Current - available for sale at 31 March	-	-
Non Current	56,542,000	54,085,000
	56,542,000	54,085,000

Residential investment property comprises 480 (2015: 482) 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 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.

	Group 2016 $	Group 2015 $
Rental income	4,912,937	4,649,858
Expenses from investment property generating income	2,011,510	2,045,178

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 $13,418.

(b) Commercial Property

Three of the Groups properties have been designated as investment properties

	2016 $	2015 $
Balance at 1 April	670,000	670,000
Transferred from property plant and equipment	1,602,587	-
Change in fair value	184,413	-
Balance at 31 March	2,457,000	670,000
Classified as:		
Current - available for sale at 31 March	692,000	-
Non Current	1,765,000	670,000
	2,457,000	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 buildings at 31 March 2016 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.

Available for sale

One of the Groups commercial properties was classified as available for sale at balance date as the property had become surplus to requirements.

The loss recognised on changing the valuation from fair value to fair value less costs to sell was $8,000.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings $	Furniture and plant $	Hydro assets $	Motor vehicles $	Under construction $	Total $
Cost or deemed cost						
Balance at 1 April 2014	14,675,016	8,339,806	781,645	218,817	340,800	24,356,084
Additions	3,723,866	1,045,831	10,554	11,970	(254,525)	4,537,696
Disposals	(1,235,556)	(876,064)	-	-	-	(2,111,620)
Balance at 31 March 2015	17,163,326	8,509,573	792,199	230,787	86,275	26,782,160
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 investment property	(1,718,050)	-	-	-	-	(1,718,050)
Reclassified to available for sale	(520,000)	(96,334)	-	-	-	(616,334)
Balance at 31 March 2016	15,452,479	8,931,285	960,581	182,974	-	25,527,319
Depreciation and impairment losses						
Balance at 1 April 2014	1,517,684	5,870,546	781,645	149,170	-	8,319,045
Depreciation for the year	575,354	643,372	-	14,889	-	1,233,615
Reversal of impairment	-	-	(400,482)	-	-	(400,482)
Impairment loss - through Income Statement	977,321	-	-	-	-	977,321
- through Other Comprehensive Income	292,592	-	-	-	-	292,592
Disposals	(1,435,556)	(867,162)	-	-	-	(2,302,718)
Balance at 31 March 2015	1,927,395	5,646,756	381,163	164,059	-	8,119,373
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
Impairment loss - through Income Statement	68,442	1,593	-	-	-	70,035
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)
Balance at 31 March 2016	2,342,353	6,151,641	428,144	134,394	-	9,056,532
Carrying amounts						
At 1 April 2014	13,157,332	2,469,260	-	69,647	340,800	16,037,039
At 31 March 2015	15,235,931	2,862,817	411,036	66,728	86,275	18,662,787
At 1 April 2015	15,235,931	2,862,817	411,036	66,728	86,275	18,662,787
At 31 March 2016	13,110,126	2,779,644	532,437	48,580	-	16,470,787

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.

The total fair value of land and buildings valued by J McKeefry Group and Parent as at 31 March 2014 was $14.490,000. 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 $70,035 were recognised in 2015/16 (2014/15 $1,269,913).

The impairment in the current year relates to one of the Group's properties which was classified as available for sale at balance date.

Insurance

The 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 $55 million for fire and $145 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.

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

Disposals

The group sold two hospitality businesses during the year.

The total assets disposed were $391,210.

Total consideration received was $518,384 of which $446,543 was in cash.

Reclassification to available for sale

One of the Groups properties was reclassified as available for sale at balance date as it no longer fits the Groups strategy nor reinvestment criteria.

The loss recognised on changing the valuation basis to fair value less costs to sell was $70,035.

14. INTANGIBLE ASSETS

	Goodwill $	Group Software $	Total $
Cost			
Balance at 1 April 2014	1,110,390	665,094	1,775,484
Additions	-	70,855	70,855
Disposals	-	(80,143)	(80,143)
Balance at 31 March 2015	1,110,390	655,806	1,766,196
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
Amortisation and impairment losses			
Balance at 1 April 2014	776,838	441,155	1,217,993
Amortisation for the year	-	53,500	53,500
Disposals	-	(65,945)	(65,945)
Balance at 31 March 2015	776,838	428,710	1,205,548
Balance at 1 April 2015	776,838	428,710	1,205,548
Amortisation for the year	-	58,520	58,520
Disposals	-	(24,460)	(24,460)
Balance at 31 March 2016	776,838	462,770	1,239,608
Carrying amounts			
At 1 April 2014	333,552	223,939	557,491
At 31 March 2015	333,552	227,096	560,648
At 1 April 2015	333,552	227,096	560,648
At 31 March 2016	533,552	160,817	694,369

(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 SuperValue

Goodwill was recognised on the acquisition of Chungs Supermarket and the Featherston Post and Lotto shop and has been attributed to the Featherston SuperValue.

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% (2015: 9.0%)

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 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%.

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

	Group and Parent 2016 $	Group and Parent 2015 $
Featherston SuperValue	333,552	333,552
The Ledge	200,000	-
Total Goodwill	533,552	333,552

INTANGIBLES (CONTINUED)

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

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

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

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

(iv) Sensitivity to changes in assumptions

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

15. TRADE AND OTHER PAYABLES

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Trade creditors	1,253,634	1,581,272	-	-
Interest payable	7,520	8,843	-	-
Capital payables	5,368	80,014	-	-
Accrued expenses	1,078,287	896,750	-	12,712
Revenue in advance	90,447	86,507	-	-
	2,435,256	2,653,386	-	12,712

16. EMPLOYEE ENTITLEMENTS

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Current portion				
Accrued pay	152,541	104,320	-	-
Annual leave	628,767	646,981	-	-
Provision for staff long service / retirement benefits	7,879	18,819	-	-
Sick pay	5,961	4,820	-	-
	795,148	774,940	-	-
Non-Current portion				
Provision for staff long service / retirement benefits	112,539	98,596	-	-
	907,687	873,536	-	-

17. BORROWINGS

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

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Non-current liabilities				
Secured bank loans	21,101,000	21,066,500	-	-
Other Loans	319,583	218,750	-	-
	21,420,583	21,285,250	-	-
Current liabilities				
Bank overdrafts	281,102	684,653	-	-
Secured bank loans	126,000	126,000	-	-
Other loans	65,000	250,000	-	-
	472,102	1,060,653	-	-

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 2016	Carrying amount 2016	Face value 2015	Carrying amount 2015
Secured BNZ Bank loans	4.11%-6.17%	2020	21,000,000	21,000,000	20,850,000	20,850,000
Secured ANZ Bank loan	6.70%	2017	227,000	227,000	342,500	342,500
Other loans	0.00%	2020-2024	384,583	384,583	468,750	468,750
Bank overdrafts	8.40%	On demand	281,102	281,102	684,653	684,653
Total interest-bearing liabilities			21,892,685	21,892,685	22,345,903	22,345,903

The ANZ National Bank overdrafts are secured with registered first mortgages over land and buildings with a carrying amount of $7,075,317. (2015: $6,594,324). The ANZ National Bank also has a general charge over Trust House Limited's assets.

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

18. CAPITAL AND RESERVES

(a) Group

	Revaluation reserve $	Retained earnings $	Total equity $
Group			
Balance at 1 April 2014	423,252	47,246,021	47,669,273
Total comprehensive income	(279,196)	1,218,745	939,549
Balance at 31 March 2015	144,056	48,464,766	48,608,822
Balance at 1 April 2015	144,056	48,464,766	48,608,822
Total comprehensive income	-	2,536,242	2,536,242
Transfer to minority interest to reflect lower shareholding	(5,270)	(601,542)	(606,812)
Balance at 31 March 2016	138,786	50,399,466	50,538,252
Parent			
Balance at 1 April 2014	-	7,993,991	7,993,991
Total comprehensive income	-	(6,314)	(6,314)
Balance at 31 March 2015	-	7,987,677	7,987,677
Balance at 1 April 2015	-	7,987,677	7,987,677
Total comprehensive income	-	12,324	12,324
Balance at 31 March 2016	-	8,000,001	8,000,001

(b) Minority interest

	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2014	16,575	2,266,684	2,283,259
Total comprehensive income	(13,396)	58,818	45,422
Balance at 31 March 2015	3,179	2,325,502	2,328,681
Balance at 1 April 2015	3,179	2,325,502	2,328,681
Total comprehensive income	-	141,023	141,023
Transfer from Group to reflect higher shareholding	5,270	601,542	606,812
Balance at 31 March 2016	8,449	3,068,067	3,076,516

19. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and liquidity risk arises in the normal course of the Groups 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 Groups 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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Overdrafts and credit lines in place	2,000,000	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

	Carrying Amount $	Contractual cash flows $	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
Group 2016						
Secured bank loans	21,227,000	25,547,607	1,171,347	1,137,405	23,238,855	-
Other loans	384,583	384,583	65,000	65,000	165,000	89,583
Trade and other payables	2,435,256	2,435,256	2,435,256	-	-	-
Bank overdraft	281,102	281,102	281,102	-	-	-
Total non-derivative liabilities	24,327,941	28,648,548	3,952,705	1,202,405	23,403,855	89,583
Group 2015						
Secured bank loans	21,192,500	23,817,773	1,342,324	1,332,572	21,142,877	-
Other loans	468,750	474,705	255,955	25,000	75,000	118,750
Trade and other payables	2,653,386	2,653,386	2,653,386	-	-	-
Bank overdraft	684,653	684,653	684,653	-	-	-
Total non-derivative liabilities	24,999,289	27,630,517	4,936,318	1,357,572	21,217,877	118,750
Parent 2016						
Trade and other payables	-	-	-	-	-	-
Total non-derivative liabilities	-	-	-	-	-	-
Parent 2015						
Trade and other payables	12,712	12,712	12,712	-	-	-
Total non-derivative liabilities	12,712	12,712	12,712	-	-	-

(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 $54,759 (2015:$71,358).

FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification and fair values

Group 2016	Loans and receivables $	Total carrying amount $	Fair value $
Assets			
Investments	188,301	188,301	188,301
Trade and other receivables	734,522	734,522	734,522
Prepayments	333,727	333,727	333,727
Cash and cash equivalents	1,210,063	1,210,063	1,210,063
Total assets	2,466,613	2,466,613	2,466,613

Liabilities	At amortised cost $	Total carrying amount $	Fair value $
Trade and other payables	2,435,256	2,435,256	2,435,256
Borrowings	21,892,685	21,892,685	21,892,685
Total liabilities	24,327,941	24,327,941	24,327,941

Group 2015	Loans and receivables $	Total carrying amount $	Fair value $
Assets			
Investments	236,172	236,172	236,172
Trade and other receivables	529,086	529,086	529,086
Prepayments	314,254	314,254	314,254
Cash and cash equivalents	1,568,938	1,568,938	1,568,938
Total assets	2,648,450	2,648,450	2,648,450

Liabilities	At amortised cost $	Total carrying amount $	Fair value $
Trade and other payables	2,653,386	2,653,386	2,653,386
Borrowings	22,345,903	22,345,903	22,345,903
Total liabilities	24,999,289	24,999,289	24,999,289

(d) Classification and fair values

Parent 2016	At amortised cost $	Total carrying amount $	Fair value $
Liabilities			
Trade and other payables	-	-	-
Total liabilities	-	-	-

Parent 2015	At amortised cost $	Total carrying amount $	Fair value $
Liabilities			
Trade and other payables	12,712	12,712	12,712
Total liabilities	12,712	12,712	12,712

20. OPERATING LEASES

Leases as lessee:

Non-cancellable operating leases are payable as follows:

	Group 2016 $	Group 2015 $
Less than one year	366,671	305,053
Between 1 and 2 years	343,452	243,320
Between 2 and 5 years	453,561	264,156
Over 5 years	14,959	-
	1,178,643	812,529

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

During the year ended 31 March 2016 $338,920 was recognised as an expense in the income statement in respect of operating leases (2015: $427,880).

Leases as lessor:

Non cancellable operating leases are receivable as follows:

	Group 2016 $	Group 2015 $
Less than one year	312,775	230,300
Between 1 and 2 years	303,550	196,113
Between 2 and 5 years	75,192	163,866
Over 5 years	-	-
	691,517	590,279

21. COMMITMENTS AND CONTINGENCIES

THE GROUP HAD CAPITAL COMMITMENTS OF $NIL AT 31 MARCH 2016 (2015; $342,352).

The Group had contingent liabilities of $55,000 as at 31 March 2016 (2015: $55,000) in relation to guarantees provided by ANZ National Bank on behalf of Trust House Limited.

The Group has a contingent liability in relation to the lease of the Island Bay Bar. This business was sold during 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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Net Surplus/(Deficit) for Year	2,677,265	1,277,563	12,324	(6,314)
Add (less) non-cash items:				
Depreciation	1,488,315	1,233,615	-	-
Amortisation	58,520	53,500	-	-
Revaluation of investment properties	(2,313,107)	(2,580,715)	-	-
Provisions	(7,217)	(657,576)	-	-
Fixed asset impairment	70,035	576,839	-	-
Software impairment	11,925	-		
Loss / (gain) on sale of intangible assets	3,834	2,196	-	-
Gain on sale of property, plant & equipment	(55,496)	(54,484)	-	-
Loss / (gain) on sale of investment property	55,687	(115,614)	-	-
Gain on sale of businesses	(127,174)	(149,776)	-	-
Investments issued in lieu of rebates	47,871	50,251	-	-
	(766,807)	(1,641,764)	-	-
Add (less) Movements in Working Capital Items:				
(Increase)/Decrease in Receivables & Prepayments	(142,132)	89,548	-	144
(Increase)/Decrease in Inventories	273,809	(82,462)	-	-
Increase/(Decrease) in Charitable Distributions Payable	(79,086)	891,800	-	-
Increase/(Decrease) in Employee Entitlements	34,151	(195,395)	-	-
Increase/(Decrease) in Trade and other payables	(152,153)	225,499	(12,712)	6,247
	(65,411)	928,990	(12,712)	6,391
Net Cash Flow from Operating Activites	1,845,047	564,789	(388)	77

23. RELATED PARTY TRANSACTIONS

(i) Parent and ultimate controlling party

The ultimate controlling party of the group is the Masterton Licensing Trust (now Masterton Community Trust see note 29).

(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 Trustee of Masterton Licensing Trust is on the board of Destination Wairarapa - a regional tourism promotion body. During the year Trust House Foundation paid Destination Wairarapa grants totalling $235,000 (2015: $241,920). Destination Wairarapa purchased $2,235 (2015: $900) of goods and services from Trust House Limited. The amount outstanding at year end was $300 (2015: $409).

Trust House purchased advertising from and paid subscriptions to Destination Wairarapa. The value of the purchases was $6,364 (2015: $6,149). The amount outstanding at year end was $Nil (2015: $115).

(iii) Key management personnel compensation

	2016 $	2015 $
Salaries and other short term benefits	1,162,122	1,452,583
Post employment benefits	17,179	23,606
Other long term benefits	-	-
Termination benefits	7,286	-
	1,186,587	1,476,189

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.

	2016	2015
$100,000-$110,000	1	1
$110,000-$120,000	-	4
$120,000-$130,000	1	-
$130,000-$140,000	1	1
$160,000-$170,000	-	1
$170,000-$180,000	1	-
$250,000-$260,000	-	1
$260,000-$270,000	1	-
	5	8

(iv) Other related party transactions

(a) Masterton Licensing Trust (MLT)

	2016	2015
Shares in Trust House Ltd (Number of Shares)	10,026,629	8,000,000
	$	$
Management fees paid by MLT to Trust House Ltd	16,700	16,400
Royalty fees paid by Trust House Ltd to MLT	113,832	63,000
Loan from MLT to Trust House Ltd	-	-
Trust House Ltd provided goods and services to MLT on an arms length basis	496	3,838

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

	2016	2015
Shares in Trust House Ltd (Number of Shares)	-	2,150,000
	$	$
Donations paid by Trust House Ltd to MLCT	53,350	38,400
Management fees paid by MLCT to Trust House Ltd	39,100	38,300
Trust House Ltd provided goods and services to MLCT on an arms length basis	22,016	21,949

RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2016	2015
Shares in Trust House Ltd (Number of Shares)	187,999	150,000
	$	$
Term Loan to Trust House Limited	-	225,000
- This loan is repayable upon demand and is unsecured		
Management fees paid by FLCT to Trust House Ltd	27,800	27,300

(d) Flaxmere Licensing Trust (FLT)

	2016	2015
Shares in Trust House Ltd (Number of Shares)	422,372	337,000
	$	$
Management fees paid by FLT to Trust House Ltd	5,600	5,500

(e) Tararua Foundation Incorporated (TF)

	2016 $	2015 $
Management fees paid by TF to Trust House Ltd	-	54,700
Loan advance to TF by Trust House Limited	-	-
Grants from Trust House Foundation to TF	-	-
Trust House Ltd provided goods and services to TF on an arms length basis	-	1,060
Amounts owed to Trust House by TF at year end	-	-

On 31 March 2015 Trust House Limited purchased all of the assets and liabilities of Tararua Foundation

(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 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.

Details of the funds available and grants approved are:

	2016 $	2015 $
Funds Available 1st April	768,570	597,611
Net Surplus before charitable distributions	3,500,008	2,202,539
Grants unclaimed	103,032	1,562,664
Grants approved	(3,843,465)	(3,594,244)
Funds Available 31st March	528,145	768,570

Trust House Ltd is responsible for administering Trust House Foundation

	2016 $	2015 $
Site rentals paid by THF to Trust House Ltd	566,579	610,871
Management fees paid by THF to Trust House Ltd	725,000	500,000

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

	2016 $	2015 $
Masterton Licensing Charitable Trust	46,000	46,000
Rimutaka Trust	17,250	34,500
Flaxmere Licensing Charitable Trust	34,500	34,500
	97,750	115,000

RELATED PARTY TRANSACTIONS (CONTINUED)

THHF has paid the following grants:

	2016 $	2015 $
Masterton Licensing Charitable Trust	23,585	24,422
Flaxmere Licensing Charitable Trust	51,965	6,855
	75,550	31,277

As at 31 March 2016, Trust House Limited owed Trust House Foundation $18,887. In 2014/15 Trust House Foundation owed Trust House Limited $67,809.

24. PROVISIONS

		Group 2016 $	Group 2015 $
Onerous contracts	(i)	-	-
Property reinstatement	(ii)	78,513	85,730
Total provisions		78,513	85,730
Represented as:			
Current provisions		-	14,850
Non current provisions		78,513	70,880
Total provisions		78,513	85,730

(i) Onerous contracts

	Group 2016 $	Group 2015 $
Opening balance at 1 April	-	669,000
Provisions added	-	-
Provisions released	-	(669,000)
Closing provision at 31 March	-	-

(ii) Property reinstatement provisions

	Group 2016 $	Group 2015 $
Opening balance at 1 April	85,730	130,654
Provisions added	(7,217)	11,424
Outlets sold	-	(56,348)
Closing Provision at 31 March	78,513	85,730

The group leases a number of premises. A condition of most of the leases is that the group 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 Limited is a subsidiary.

Trust House Foundation and Tararua Foundation are controlled entities.

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

26. TAXATION

The Taxation Expense has been calculated as follows:

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Components of tax expense				
Current tax	-	-	-	-
Prior period adjustments	-	-	-	-
	-	-	-	-
Surplus / (deficit) before tax and donations	6,396,648	4,800,239	12,324	(6,314)
Charitable donations	(3,719,383)	(3,522,676)	-	-
Surplus before tax	2,677,265	1,277,563	12,324	(6,314)
Taxation at 28% (2012: 28%)	749,634	357,718	3,451	(1,768)
Plus (less) tax effect of:				
Non taxable income	753,085	359,486	-	-
Tax loss utilised	(3,451)	-	(3,451)	-
Tax loss	-	(1,768)	-	(1,768)
Taxation expense	-	-	-	-

A deferred tax asset has not been recognised in relation to tax losses of $24,214 (2015: $36,540).

27. CHARITABLE DISTRIBUTIONS

The Masterton Licensing (Charitable) Trust made charitable donations of $23,585 (2015: $24,422) towards the costs of the Senior Citizens Christmas Lunch in Masterton.

Trust House Limited made the following charitable donations during the year.

	$
Masterton Licensing (Charitable) Trust	53,350
Cancer Society NZ	50
Te Awhina Cameron Community House	5,000
	58,400

For details of grants distributed by Trust House Foundation please refer to the financial statements of the Foundation.

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.

29. SUBSEQUENT EVENTS

On the 6th April 2016 the Masterton Licensing (Charitable) Trust was dissolved as a review of the Groups structure concluded it was no longer required.

On the 24th June 2016 the ultimate parent of the Group Masterton Licensing Trust was changed by an Order in Council to Masterton Community Trust. This change will not have a material financial impact on the Group.

MASTERTON LICENSING TRUST

Independent Auditor's Report

TO THE READERS OF MASTERTON LICENSING TRUST AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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

OPINION

We have audited the financial statements of the Licensing Trust and Group on pages 74 to 99, that comprise the Statement of Financial Position as at 31 March 2016, 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.

In our opinion, the financial statements of the Licensing Trust and Group that are prepared on a dissolution basis:

- present fairly, in all material respects
  - its financial position as at 31 March 2016; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The financial statements are appropriately prepared on a dissolution basis

Without modifying our opinion, we draw your attention to Note 2(a) on page 78 about the financial statements being prepared on a dissolution basis because the Licensing Trust was dissolved and its undertakings transferred into the Masterton Community Trust on 24 June 2016. We consider the dissolution basis of preparation and related disclosures to be appropriate to the Licensing Trust and Group's circumstances.

Our audit was completed on 10 August 2016. 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 Licensing Trust and Group's financial statements 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 Licensing 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 the 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 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 the preparation and fair presentation of financial statements for the Licensing Trust and Group that comply with generally accepted accounting practice in New Zealand.

The Trustees' responsibilities arise from the Sale and Supply of Alcohol Act 2012.

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

RESPONSIBILITIES OF THE AUDITOR

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

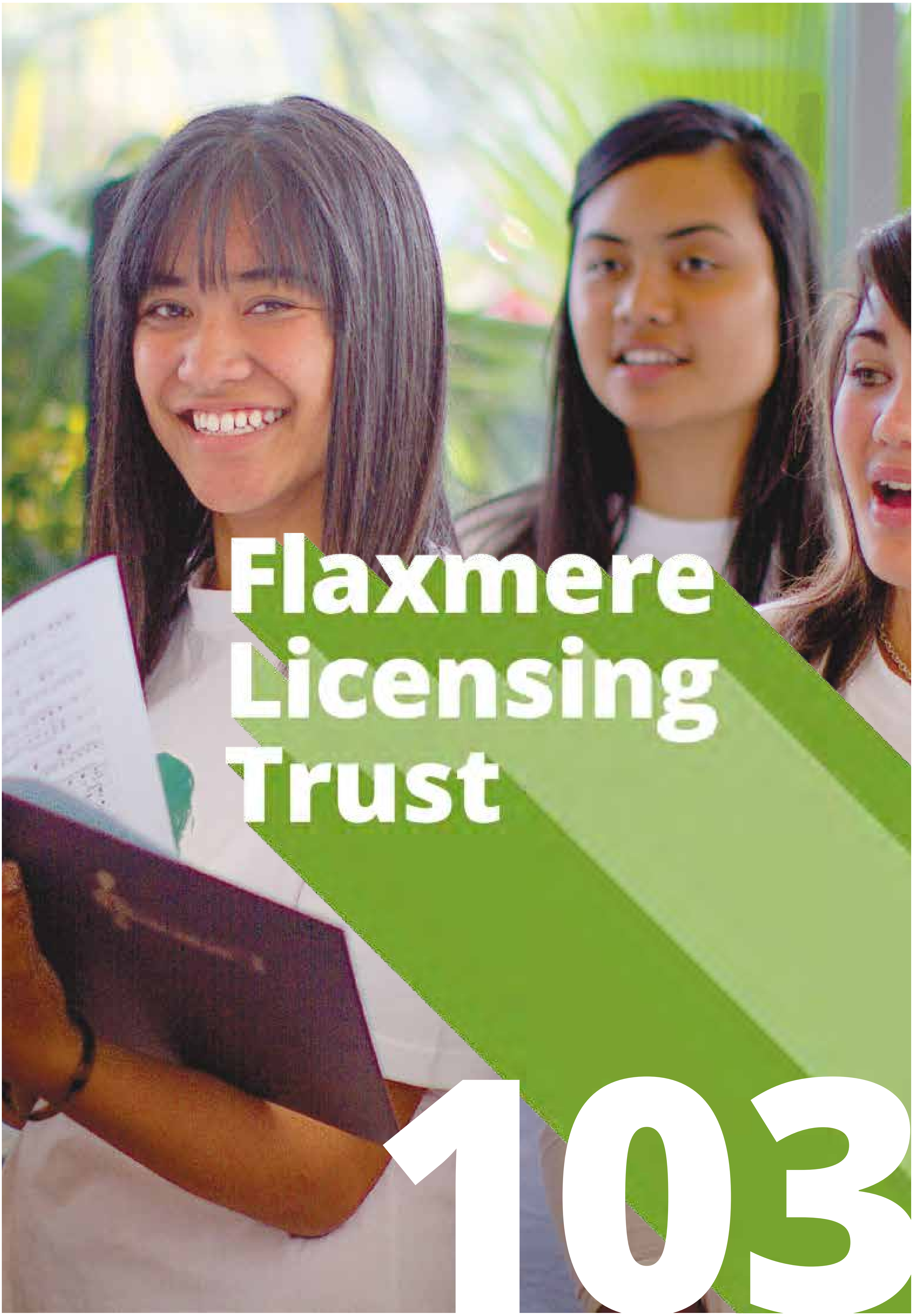
Other than the audit and the audit report on the Licensing Trust's subsidiary Trust House Foundation's forecast financial statements for the year ending 31 March 2017 in accordance with the requirements of the Department of Internal Affairs, we have no relationship with or interests in the Licensing Trust and Group.

Mari-Anne Williamson

MARI-ANNE WILLIAMSON
AUDIT NEW ZEALAND

ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND

Flaxmere Licensing Trust



FLAXMERE LICENSING TRUST

President’s Report

Highlights of the year:

- *The return of $521,000 community support to Flaxmere*
- *The Gifting of the College Sign to the College and Community*
- *Working with our Schools to Improve Education*
- *Supporting Sport and Health in Flaxmere*

The members of the Flaxmere Licensing Trust have much pleasure in presenting the Annual Report and Accounts for the year ending 31 March 2016.

REVIEW OF THE TRUST

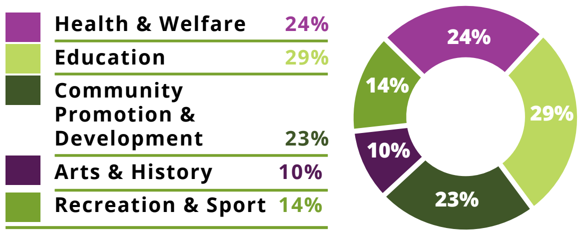
This past year marked the 40th anniversary of the Flaxmere Licensing Trust's presence in Flaxmere. During these years the Trust has seen many changes and has been in the vanguard of many significant developments in the Licensing Trust movement. During the mid-eighties the close relationship that developed between the Flaxmere and the Masterton Licensing Trusts lead to the emergence of Trust House Ltd, a management company setup to provide skilled management for the Licensing Trusts in the lower North Island, a model that was the envy of other trusts throughout NZ. The Trust House partnership served its wider community extremely well both in terms of the business skill it brought to bear and to the energy and enthusiasm it provided to ensure the maximum benefit was returned to the respective Trusts areas it served. In its own right the Flaxmere Licensing Trust has prospered under this regime and has continued to work with the Flaxmere Community to bring trend setting initiatives to the people. Notable amongst these were the installation of Smoke Alarms in all Flaxmere homes, the successful "Computer in Homes" project where families as well as students were given a computer and computing tuition, and then the introduction of the space age "Interactive White Boards" into our schools. In short the Flaxmere Licensing Trust has and continues to serve Flaxmere well. It is fitting therefore that this 40 year milestone was marked with the gifting of the state of the art programmable sign to the Flaxmere College, a symbol behind which the College and the Flaxmere community can stand tall and project much community pride.

COMMUNITY SUPPORT

As noted above, grants to the value of $521,000 were distributed during the year to fund projects and initiatives emanating from and for the benefit of the Flaxmere Community. It is always humbling to note the many groups and organisations working for Flaxmere and providing their time and energy to improve the many facets of our life within our community. In line with current policy, education again enjoyed the greatest allocation with $182,000 being spread between our schools and other educational initiatives. The people of Flaxmere, when asked, saw education as being the single most significant asset by which our community can move forward and prosper. The second significant factor is sport and recreation and again it is pleasing to note that the contribution in this area was $105,000. While some of this funding went to ease the ever growing burden of sporting fees, much of it went towards the coaching and to the playing uniforms and the facilities that quietly project our community image. Complimenting sport is health and welfare where a further contribution of $72,000 was allocated. Community wellbeing, security and arts made up the remainder with a further $160,000 going to this sector.

A common plea whenever the community is asked, is to look after the youth in our young community. In recognition of this voice it is notable that those organisations that were youth orientated made up for 65% of the total funding allocation.

The following is a pie chart depicting how the $521,000 of support for 2015/16 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.

TRUSTEES OF THE FLAXMERE LICENSING TRUST

The Trustees of the Flaxmere Licensing Trust are:

KEN KIBBLEWHITE

PRESIDENT

Flaxmere Licensing Trust – Financial Statements

2016

FOR THE YEAR ENDED 31 MARCH

Income Statement

FOR THE YEAR ENDED 31 MARCH 2016

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Income					
Revenue		86,465	41,355	-	-
Interest received		10,802	13,221	1,710	2,775
Total income		**97,267**	**54,576**	**1,710**	**2,775**
Operating expenses					
Administration and financial		52,592	42,535	19,608	10,196
Audit fees		8,868	8,617	4,828	4,691
Trustees fees		16,225	16,225	-	-
Total operating expenses		**77,685**	**67,377**	**24,436**	**14,887**
Net surplus / (deficit) before tax and charitable donations		**19,582**	**(12,533)**	**(22,726)**	**(12,112)**
Charitable donations	*12*	(59,109)	(8,855)	-	-
Tax expense	*7*	-	-	-	-
Net surplus / (deficit) for year		**(39,527)**	**(21,656)**	**(22,726)**	**(12,112)**

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 2016

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Net Surplus / (Deficit) for the Year	**(39,527)**	**(21,656)**	**(22,726)**	**(12,112)**
Other comprehensive income	-	-	-	-
Total comprehensive income	**(39,527)**	**(21,656)**	**(22,726)**	**(12,112)**

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2016

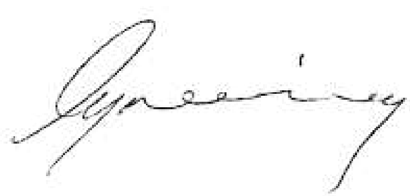
	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Equity at start of the year	**1,555,589**	**1,577,245**	**1,120,452**	**1,132,564**
Total comprehensive income	(39,527)	(21,656)	(22,726)	(12,112)
Equity at end of the year	**1,516,062**	**1,555,589**	**1,097,726**	**1,120,452**

Statement of Financial Position

AS AT 31 MARCH 2016

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Current assets					
Cash and cash equivalents	*4*	287,902	97,786	66,421	92,220
Short term investments	*5*	48,769	61,139	-	-
Receivables and prepayments		967	1,385	-	-
Loan advance		-	225,000	-	-
Taxation receivable		1,682	3,286	564	2,183
Total current assets		**339,320**	**388,596**	**66,985**	**94,403**
Non-current assets					
Investments	*6*	1,180,742	1,180,740	1,030,741	1,030,740
Total non-current assets		**1,180,742**	**1,180,740**	**1,030,741**	**1,030,740**
Total assets		**1,520,062**	**1,569,336**	**1,097,726**	**1,125,143**
Current liabilities					
Trade and other payables	*10*	-	9,747	-	4,691
Charitable distributions due		4,000	4,000	-	-
Total current liabilities		**4,000**	**13,747**	**-**	**4,691**
Non-current liabilities					
Deferred tax liability	*7*	-	-	-	-
Total non-current liabilities		-	-	-	-
Equity					
Retained earnings		1,516,062	1,555,589	1,097,726	1,120,452
Total equity		**1,516,062**	**1,555,589**	**1,097,726**	**1,120,452**
Total liabilities and equity		**1,520,062**	**1,569,336**	**1,097,726**	**1,125,143**

Signed on behalf of Flaxmere Licensing Trust



K H KIBBLEWHITE

PRESIDENT

M GREENING

TRUSTEE

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2016

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Cash flows from operating activities					
Cash was provided from:					
Grants received		86,465	41,355	-	-
Interest received		11,220	13,233	1,710	2,775
Tax refund		2,183	-	2,183	-
		99,868	54,588	3,893	2,775
Cash was applied to:					
Payments to suppliers and employees		87,432	68,094	29,127	14,749
Tax paid		579	916	564	916
Charitable donations		59,109	6,855	-	-
		147,120	75,865	29,691	15,665
Net cash flows from operating activities	*8*	**(47,252)**	**(21,277)**	**(25,798)**	**(12,890)**
Cash flows from investing activities					
Cash was provided from:					
Reduction in short term deposits		61,139	68,485	-	-
Repayment of loan receivable	*6*	225,000	-	-	-
		286,139	68,485	-	-
Cash was applied to:					
Increase in short term deposits		(48,769)	(61,139)	-	-
Purchase of shares		(2)	-	(1)	-
		(48,771)	(61,139)	(1)	-
Net cash flows from investing activities		**237,368**	**7,346**	**-**	**-**
Net (decrease) / increase in cash held		190,116	(13,931)	(25,799)	(12,890)
Opening cash balance		97,786	111,717	92,220	105,110
Closing cash balance		**287,902**	**97,786**	**66,421**	**92,220**
This balance is made up as follows:					
Cash and cash equivalents		287,902	97,786	66,421	92,220
		287,902	**97,786**	**66,421**	**92,220**

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 Flaxmere Licensing Trust is a licensing trust established in accordance with the Sale and Supply of Alcohol Act 2012. The consolidated financial statements of Flaxmere Licensing Trust as at and for the year ended 31 March 2016 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 30th August 2016.

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

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

Trade and other receivables

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

Trade and other payables

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

Investments in equity securities

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

Impairment

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

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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Bank balances	287,902	97,786	66,421	92,220
Cash and cash equivalents	287,902	97,786	66,421	92,220

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	$
2016	ANZ Bank	3.75% p.a.	1 year	20 September 2016	48,769
2015	ANZ Bank	4.30% p.a	1 year	22 September 2015	61,139

6. INVESTMENTS

These investments are considered to be long term.

Details of shares are:

	Group 2016	Group 2015	Parent 2016	Parent 2015
Trust House Ltd – number of shares held	610,371	487,000	422,372	337,000
Trust House Ltd – value of shares at cost	1,180,742	1,180,740	1,030,741	1,030,740
Term Loan to Trust House Ltd	-	225,000	-	-
	1,180,742	1,405,740	1,030,741	1,030,740

The loan to Trust House Limited was repaid on 30th March 2016.

Interest received in 2015/16 was $6,835 (2015: $7,735).

7. TAXATION

The taxation expense has been calculated as follows:

	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Components of tax expense				
Current tax	-	-	-	-
Prior period adjustments	-	-	-	-
	-	-	-	-
Surplus before tax and donations	19,582	(12,801)	(22,726)	(12,112)
Charitable donations	(59,109)	(8,855)	-	-
Surplus before Tax	(39,527)	(21,656)	(22,726)	(12,112)
Taxation at 28%	(11,068)	(6,064)	(6,363)	(3,391)
Plus (less) tax effect of:				
Non taxable income	4,705	2,673		
Tax loss not recognised	6,363	3,391	6,363	3,391
Taxation expense	-	-	-	-

A deferred tax asset has not been recognised in relation to tax losses of $129,649 (2015:$106,923).

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 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Net surplus / (deficit) for year	(39,527)	(21,656)	(22,726)	(12,112)
Add (less) movements in working capital items:				
(Increase)/decrease in receivables and prepayments	418	12	-	-
Increase/(decrease) in payables and accruals	(9,747)	(717)	(4,691)	138
Increase/(decrease) in charitable distributions due	-	2,000	-	-
(Increase)/decrease in provision for taxation	1,604	(916)	1,619	(916)
	(7,725)	379	(3,072)	(778)
Add (less) movements in deferred tax:				
Increase/(decrease) in deferred tax	-	-	-	-
	-	-	-	-
Net cash flow from operating activities	(47,252)	(21,227)	(25,798)	(12,890)

9. CONTINGENT LIABILITIES AND COMMITMENTS

The Group has no contingent liabilities or commitments as at 31 March 2016 (2015: 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				
2015 Trade and other payables	9,747	-	-	-
Charitable distributions due	4,000	-	-	-
	13,747	-	-	-
2016 Trade and other payables	-	-	-	-
Charitable distributions due	4,000	-	-	-
	4,000	-	-	-
Parent				
2015 Trade and other payables	4,691	-	-	-
2016 Trade and other payables	-	-	-	-

11. RELATED PARTY TRANSACTIONS

All related party transactions are on normal commercial terms.

(a) Trust House Foundation

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

In 2015/16 the Trust House Foundation made charitable distributions of $51,965 to the Flaxmere Licensing (Charitable) Trust (2014/15: $6,855).

In 2015/16 the Trust House Foundation paid the Flaxmere Licensing (Charitable) Trust $34,500 for services on behalf of the Trust House Foundation (2015: $34,500).

(b) Key management personnel

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

Key management personnel compensation	**Group 2016 $**	**Group 2015 $**
Trustees fees and other short term benefits	16,225	16,225
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	16,225	16,225

12. CHARITABLE DONATIONS

The group made the following charitable distributions during the year.

	$
Senior Citizens Christmas lunch	8,547
Flaxmere College - sign	50,562
	59,109

13. 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.

FLAXMERE LICENSING TRUST

Independent Auditor's Report

TO THE READERS OF FLAXMERE LICENSING TRUST AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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

OPINION

We have audited the financial statements of the Trust and Group on pages 106 to 114, that comprise the statement of financial position as at 31 March 2016, 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.

In our opinion the financial statements of the Trust and Group:

- present fairly, in all material respects:
  - its financial position as at 31 March 2016; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 30 August 2016. 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 Members 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 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 Members;
- the adequacy of the 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 believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE MEMBERS

The Members are responsible for the preparation and fair presentation of financial statements for the Trust and Group that comply with generally accepted accounting practice in New Zealand.

The Members' responsibilities arise from the Sale and Supply of Alcohol Act 2012.

The Members 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 Members are also responsible for the publication of the financial statements, whether in printed or electronic form.

RESPONSIBILITIES OF THE AUDITOR

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

INDEPENDENCE

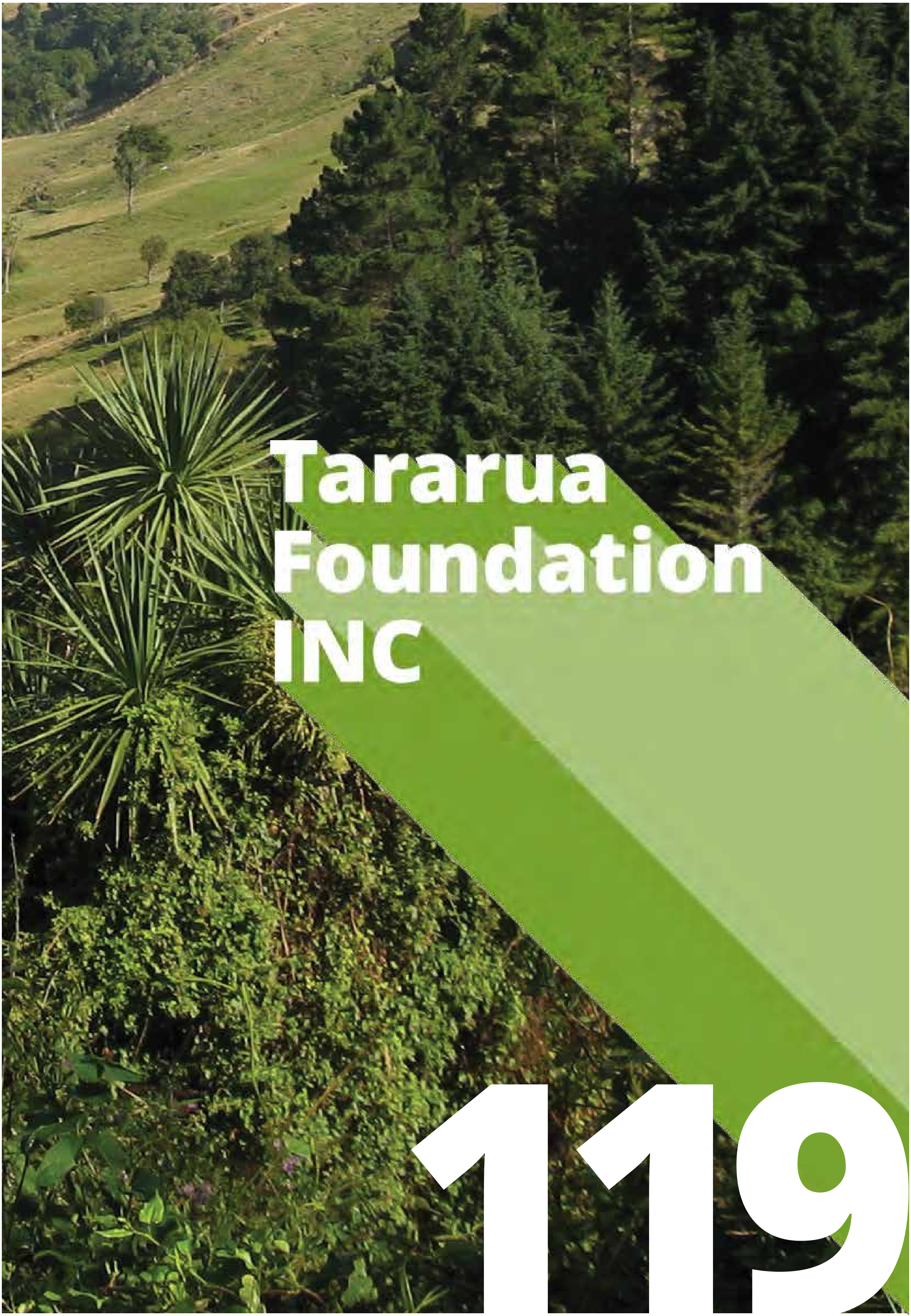
When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Trust and Group.

MariAnne Williamson

MARI-ANNE WILLIAMSON
AUDIT NEW ZEALAND

ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND


Tararua
Foundation
INC
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Tararua Foundation Incorporated – Financial Statements

FOR THE YEAR ENDED 31 MARCH

2016

Legal name

Tararua Foundation Incorporated

Type of entity and legal basis

Tararua Foundation Incorporated is a charitable trust under the Charitable Trusts act 1957 and a registered charity.

Purpose

Tararua Foundation Incorporated was established by the Masterton Licensing Trust for charitable purposes within the Flaxmere Licensing Trust area.

Outputs

The Trust provide charitable distributions outside of the Masterton Licensing Trust area.

Structure of operations, including governance arrangements

The board is comprised of three Trustees who oversee the governance of the Trust. Trust House Limited managed the operations of the Trust under a management contract which ceased on the 31st March 2015 when the Foundation sold all its assets and liabilities to Trust House Limited. The Trustees are appointed to Tararua Foundation Incorporated by Trust House Limited. The Tararua Foundation is currently inactive.

Income Statement

FOR THE YEAR ENDED 31 MARCH 2016

	2016 $	2015 $
Income		
Energy sales	-	271,592
Interest income	-	28,370
Gain on sale of assets	-	400,482
Other income	-	5,469
Total income	**-**	**705,913**
Operating expenses		
Administration and financial	-	12,219
Audit fees	-	7,042
Interest	-	36,847
Management fees	-	54,700
Professional fees	-	200
Legal fees	-	1,016
Property expenses	-	58,437
Selling expenses	-	11,225
Trustees fees	-	7,500
Total operating expenses	**-**	**189,186**
Net surplus / (deficit) before charitable distributions	-	516,727
Charitable distributions	-	-
Net surplus/(deficit)	**-**	**516,727**

Statement of Changes In Equity

FOR THE YEAR ENDED 31 MARCH 2016

	2016 $	2015 $
Equity at start of the year	-	(516,727)
Surplus / (deficit)	-	516,727
Equity at end of the year	-	-

Statement of Financial Position

AS AT 31 MARCH 2016

	Note	2016 $	2015 $
Current assets			
Cash at bank		-	-
Short term investments		-	-
Prepayments		-	-
Taxation receivable		-	-
Accrued revenue		-	-
Gst receivable		-	-
Total current assets		-	-
Non current assets			
Property, plant and equipment	*3*	-	-
Total non-current assets		-	-
Total assets		-	-
Current liabilities			
Trade and other payables		-	-
Loan repayments		-	-
Grants to be returned		-	-
Total current liabilities		-	-
Non-current liabilities			
Loans		-	-
Total non-current liabilities		-	-
Total liabilities		-	-
Equity			
Retained earnings		-	-
Total equity		-	-
		-	-

Signed on Behalf of Tararua Foundation Incorporated

B J BOURKE

CHAIRMAN

A H J POLLARD

CHIEF EXECUTIVE

TARARUA FOUNDATION INCORPORATED – FINANCIAL STATEMENTS

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 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Cash was provided from:			
Sales		-	281,203
Interest received		-	28,370
		-	309,573
Cash was applied to:			
Payments to suppliers and trustees		-	183,266
Charitable distributions returned		-	1,490,000
		-	1,673,266
Net cash inflows from operating activities	*4*	-	(1,363,693)
Cash flows from investing activities			
Cash was provide from:			
Sale of assets		-	419,826
Decrease in short term deposits		-	-
		-	419,826
Cash was applied to:			
Purchase of property plant and equipment		-	17,226
		-	17,226
Net cash inflows/ (outflows) from investing activities		-	402,602
Cash flows from financing activities			
Cash was provided from:			
Loans		-	-
		-	-
Cash was applied to:			
Repayment of loans		-	603,500
		-	603,500
Net cash inflows / (outflows) from financing activities		-	(603,500)
Net increase/(decrease) in cash held		-	(1,564,591)
Opening cash balance		-	1,564,591
Closing cash balance		-	-
Closing cash is made up of:			
Cash at bank		-	-
		-	-

Accounting policies applied

BASIS OF PREPARATION

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that the Society does not have public accountability (as defined) and has total annual expenses of less than $2 million. These are the first financial statements to be presented under PBE SFR-A (PS).

All transactions in the financial statements are reported using the accrual basis of accounting.

These financial statements have been prepared on a going concern basis as the Foundation sold all of its assets and liabilities to Trust House Limited on the 31 March 2015 and, with effect from that date, its status changed to a dormant entity.

The financial statements for Tararua Foundation Incorporated are for the year ended 31 March 2016. The financial statements were approved by the Trustees on 10 August 2016.

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

SIGNIFICANT ACCOUNTING POLICIES

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

Revenue

Donations and grants received are recognised as income when received.

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

Impairment

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

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

Cash at bank

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

Tax

The Tararua Foundation is exempt from Income Tax 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.

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.

Changes in accounting policies and transition to the new PBE SFR-A (PS) Standard

This is the first set of financial statements prepared using the new PBE SFR-A (PS) standard and comparative information for the year ended 31 March 2015 has been restated to comply with the new standard. The Trust has not applied any Tier 2 accounting standards in preparing these financial statements.

1. RELATED PARTY TRANSACTIONS

All related party transactions were on normal commercial terms.

(a) Trust House Limited

Tararua Foundation paid $Nil (2015: $54,700) 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 $Nil (2015: $265). The amount outstanding at year end was $Nil (2015; $Nil).

Tararua Foundation had a term loan of $342,500 with the ANZ Bank which is secured by way of guarantee by Trust House Limited to the ANZ on behalf of the Tararua Foundation. On the 31st March 2015 Trust House Limited assumed liability for the loan is partial payment for the purchase of all of Tararua Foundation assets and liabilities.

(b) Trust House Foundation

The Tararua Foundation returned unspent grants of $Nil to the Trust House Foundation during the year (2015:$1,490,000)

(c) Key management personnel

Key management personnel comprises the Trustees of the Tararua Foundation.

Key management personnel compensation

	2016 $	2015 $
Trustees fees and other short term benefits	-	8,000
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	-	8,000

2. CONTINGENT LIABILITIES AND COMMITMENTS

The Tararua Foundation Inc. has no known contingent liabilities or commitments as at 31 March 2016 (2015: Nil).

3. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment $
Cost	
Balance at 1 April 2014	781,645
Additions	10,554
Disposals	(792,199)
Balance at 31 March 2015	-
Balance at 1 April 2015	-
Additions	-
Disposals	-
Balance at 31 March 2016	-
Depreciation	
Balance at 1 April 2014	781,645
Disposals	(781,645)
Balance at 31 March 2015	-
Balance at 1 April 2015	-
Disposals	-
Balance at 31 March 2016	-
Carrying amounts	
At 1 April 2014	-
At 31 March 2015	-
At 1 April 2015	-
At 31 March 2016	-

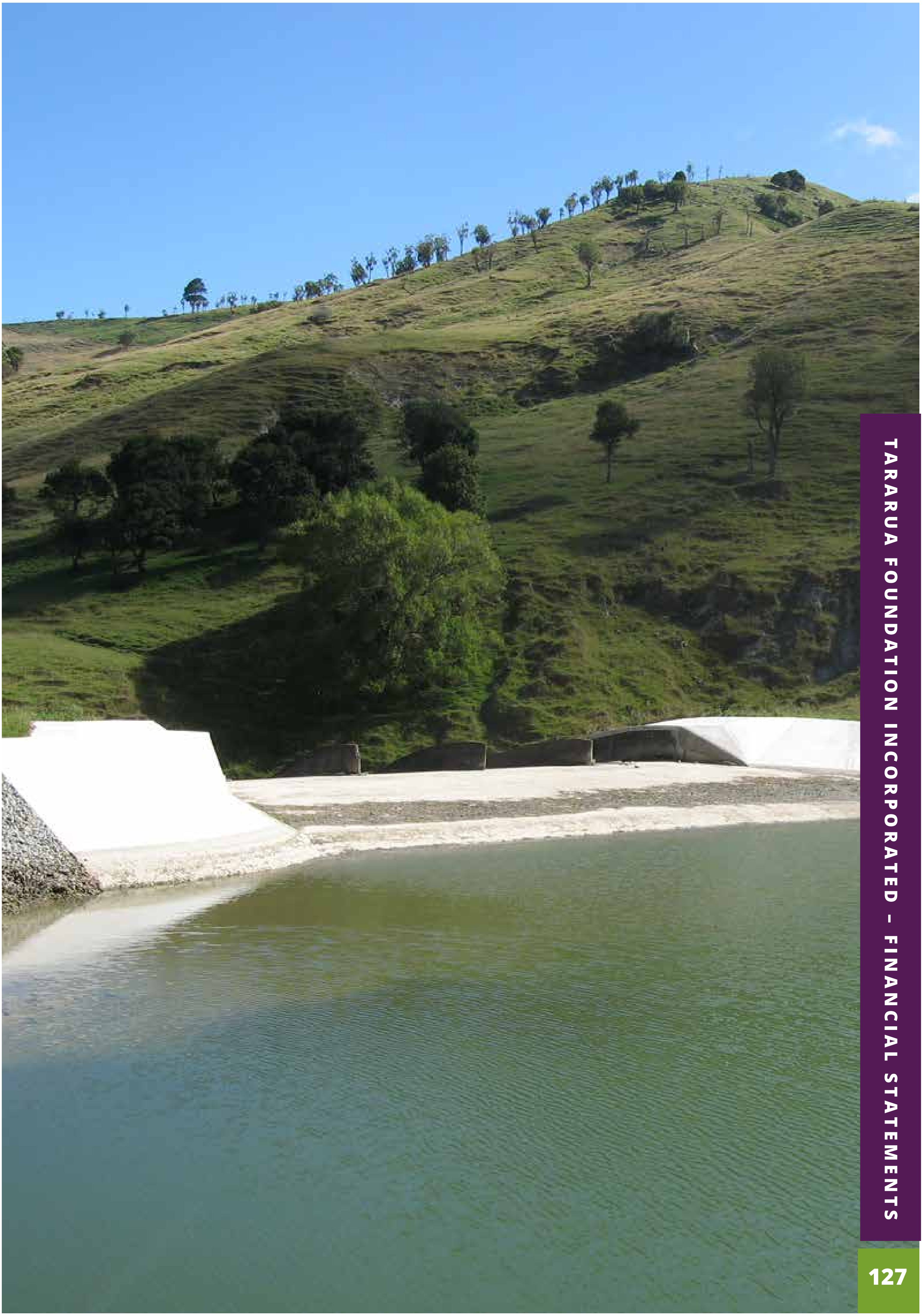
4. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2016

	2016 $	2015 $
Net surplus/(deficit) for year	-	516,727
Add/(less) movements in non-cash items:		
Depreciation	-	-
Gain on sale of assets	-	(400,482)
Impairment of assets		
	-	(400,482)
Add/(less) movements in working capital items:		
(Increase) / decrease in receivables and prepayments	-	3,359
Increase/(decrease) in payables and accruals	-	6,703
Increase/(decrease) in grants returnable	-	(1,490,000)
	-	(1,880,420)
Net cash flow from operating activities	-	(1,363,693)

5. SUBSEQUENT EVENTS

There are no subsequent events.



TARARUA FOUNDATION

Independent Auditor's Report

TO THE READERS OF TARARUA FOUNDATION INCORPORATED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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

OPINION

We have audited the financial statements of the Foundation on pages120 to 126, that comprise the Statement of Financial Position as at 31 March 2016, the Income Statement, Statement of Changes In Equity And Statement of Cash Flows for the year ended on that date, and the Statement of Accounting Policies which include the notes to the financial statements and other explanatory information.

In our opinion the financial statements of the Foundation:

- present fairly, in all material respects:
  - its financial position as at 31 March 2016; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard.

Our audit was completed on 10 August 2016. 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 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 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 the 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 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 the preparation and fair presentation of financial statements for the Foundation that comply with generally accepted accounting practice in New Zealand.

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

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

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from 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, we have no relationship with or interests in the Foundation.

Mari-Anne Williamson

MARI-ANNE WILLIAMSON
AUDIT NEW ZEALAND

ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND

Trading Profit

UP
$470,469

Charitable Donations

UP
$211,724

Group Profit

Pre Charitable Donations

UP $1.6M

Local Sponsorships

$305,000 AWARDED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